CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY 2018 AND 31 DECEMBER 2018

Ząbki, dn. 21.03.2019 r.

CONSTRUCTION

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A. INTRODUCTION TO CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION ABOUT THE DOMINANT ENTITY

1.1 Name, registered office, registration authorities, subject of the Dominant Entity's activity

J.W. Construction Holding S.A. hereinafter referred to as ("JWCH") with its registered office in Ząbki at 326 Radzymińsa St., REGON no. 010621332, was initially registered as Towarzystwo Budowlano-Mieszkaniowe Batory sp. z o.o. on March 7, 1994 under the 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. J.W. Construction Holding S.A. and was entered into the National Court Register under number KRS 0000028142 .

In accordance with the Polish Classification of Activities (Poland Klasyfikacja Działalności) the core business of the Company is 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 construction, designing and supportive production, as well as trade in real estate, sales of aggregates and hotel services.

1.2 1.2 Lifetime, financial year

As at December 31, 2018, the lifetime of the Company is unlimited. The financial year for the company is a calendar year, i.e. the period between January 1 and December 31.

1.3 Governing Bodies of the Dominant Entity

Management Board

Management Board Members
As at 31 December 2018 the Management Board comprises of:
Wojciech Rajchert – Członek Zarządu
Małgorzata Pisarek – Management Board Member
Małgorzata Ostrowska – Management Board Member
Piotr Suprynowicz – Członek Zarządu

The following changes were made to the Management Board in 2018:
On September 6, 2018 Małgorzata Pisarek was appointed to the Management Board of the Company on the basis of personal right granted to the Shareholder.
On 27 December 2018, effective as at 31 December 2018, Magdalena Starzyńska resigned from the Management Board of the Company.

As at the date of preparing these financial statements the Management Board comprises of:
Wojciech Rajchert – Członek Zarządu
Małgorzata Pisarek – Management Board Member
Małgorzata Ostrowska – Management Board Member
Piotr Suprynowicz – Członek Zarządu

Supervisory Board

Supervisory Board Members
Supervisory Board Members
As at 31 December 2018 the Supervisory Board comprises of:
Józef Wojciechowski – Chairman of the Supervisory Board
Małgorzata Szwarc - Sroka – Supervisory Board Member
Irmina Łopuszyńska Supervisory Board Member
Jacek Radziwilski – Supervisory Board Member
Barbara Czyż – Supervisory Board Member
Marek Maruszyński – Supervisory Board Member
Ryszard Matkowski – Supervisory Board Member

The following changes were made to the Supervisory Board in 2018:
On 16 January 2018, Barbara Czyż submitted her resignation from the Supervisory Board
On 16 January 2018, Ryszard Matkowski was appointed to the Supervisory Board by the Extraordinary General Meeting
On January 16, 2018 Barbara Czyż was appointed to the Supervisory Board of the Company on the basis of personal right granted to the Shareholder.

As at the date of preparing these financial statements the Supervisory Board comprises of:
Józef Wojciechowski – Chairman of the Supervisory Board
Małgorzata Szwarc - Sroka – Supervisory Board Member
Irmina Łopuszyńska Supervisory Board Member
Jacek Radziwilski – Supervisory Board Member
Barbara Czyż – Supervisory Board Member
Marek Maruszyński – Supervisory Board Member
Ryszard Matkowski – Supervisory Board Member

Audit Comittee
As at 31 December 2018 the Audit Comittee comprises of:
Ryszard Matkowski– Chairman (independent Supervisory Board Member)
Irmina Łopuszyńska – Member
Marek Maruszński – Member (independent Supervisory Board Member)

The following changes were made to the Audit Comittee in 2018:
On 30 January 2018, Jacek Radziwilski submitted his resignation from the Audit Comittee
On 1 February 2018, Ryszard Matkowski was appointed to the Audit Comittee

As at the date of preparing these financial statements the Audit Comittee comprises of:
Ryszard Matkowski – Chairman (independent Supervisory Board Member)
Irmina Łopuszyńska – Member
Marek Maruszński – Member (independent Supervisory Board Member)

1.4 Approval of the financial statements for publishing

These financial statements was approved by the Company's Management Board on 21 March 2018. If significant changes requiring disclosure are made, the financial statements may be amended after their preparation, prior to their approval, solely by the Company's Management Board.

1.5 Going concern basis and comparability of financial statement

J.W. Construction Holding S.A. assumes continuation of business activity and comparability of financial statements. As at the balance sheet date, J.W. Construction Holding S.A. does not find any circumstances indicating a threat to the continuation of operations. Financial reporting is prepared in accordance with the historical cost principle, except for certain financial instruments and certain transactions which, in accordance with IFRS 9, are measured or settled at fair value.

In the reporting period, the measurement method was not changed, which ensures comparability of financial data included in the presented unconsolidated financial statements.

1.6 Period covered by the report

The presented consolidated financial statements cover the period from 1 January 2018 to 31 December 2018, and the comparable financial data and explanatory notes cover the period from 1 January 2017 to 31 December 2017.

1.7 Basic information about the Group consisting of the parent and the subsidiaries of the parent company included in the consolidated financial statements

The structure of the Group and the participation of the dominant entity in the share capital of the entities being part of the Group
and consolidated as of December 31, 2018 is presented in the below table:

Company	Country of registration	Parent company's share in share capital	Parent company's share in voting rights	Consolidation method
Subsidiaries				
TBS Marki Sp. z o.o.	Poland	100,00%	100,00%	full consolidation
J.W. Construction Sp. z o.o.	Poland	100,00%	100,00%	full consolidation
Yakor House Sp. z o.o.	Russia	70,00%	70,00%	full consolidation
Dana Invest Sp. z o.o.	Poland	100,00%	100,00%	full consolidation
Varsovia Apartamenty Sp. z o.o.	Poland	100,00%	100,00%	full consolidation
Berensona Invest Sp. z o.o.	Poland	100,00%	100,00%	full consolidation
Bliska Wola 4 Sp z o.o. 1SK	Poland	99,00%	99,00%	full consolidation
Bliska Wola 4 Sp z o.o. 2SK	Poland	48,00%	48,00%	full consolidation
Wola Invest Sp. z o.o. (formerly Bliska Wola 3 Sp z o.o.)	Poland	100,00%	100,00%	full consolidation
Bliska Wola 4 Sp z o.o.	Poland	100,00%	100,00%	full consolidation
Hanza Invest S.A.	Poland	100,00%	100,00%	full consolidation

The core business of the Group's companies is:

- Towarzystwo Budownictwa Społecznego „Marki" Sp. z o.o. – sale and administration of social building estates,,
- J.W. Construction Sp. z o.o. – construction activity, prefabricated units production for the building industry,
- Yakor House Sp. z o.o. - development and sale of own properties on its own account,
- Dana Invest Sp. z o.o. – development and sale of own properties on its own account,
- Varsovia Apartamenty Sp. z o.o. – hotels and accommodations,
- Berensona Invest Sp. z o.o. – development and sale of own properties on its own account,
- Bliska Wola 4 Sp. z o.o. 1SK – development and sale of own properties on its own account,
- Bliska Wola 4 Sp. z o.o. 2SK – development and sale of own properties on its own account,
- Wola Invest Sp. z o.o. – development and sale of own properties on its own account,
- Bliska Wola 4 Sp. z o.o. – management of limited partnerships,
- Hanza Invest S.A. – development and sale of own properties on its own account.

All Group companies operate in Poland, except for the subsidiary Yakor House Sp. z o.o., which focuses its construction and development activities in Russia. The duration of the Group companies is unlimited.

On 20 September 2018 The District Court for the Capital City of Warsaw in Warsaw, 14th Commercial Division of the National Court Register, registered the merger of some subsidiaries within the Capital Group with the Dominant Entity. Details of the merger are described in Note 32.

Preparation of the consolidated financial statement

The consolidated financial statements for the years 2017-2018 were prepared based on separate financial statements of the companies of the Capital Group of J.W. Construction Holding S.A. and compiled in such a manner as if the Group was one company. The consolidated financial statements cover the financial statements of the parent company -J.W. Construction Holding S.A. and financial statements controlled by the dominant entity of the subsidiaries.

The dominant entity, in the years 2018-2018, excluded from an obligation to consolidate the following subsidiaries

In 2018

- J.W. Construction Bułgaria Sp. z o.o.-100%
- Wielopole 19/21 Sp. z o.o. – 100%

In 2017

- J.W. Construction Bułgaria Sp. z o.o.-100%
- JW. Ergo Energy Sp. z o.o.-100%
- TBS Nowy Dom Sp. z o.o. – 100%

The legal basis for the applied exclusion of companies from the consolidated financial statements were the conceptual framework of the International Financial Reporting Standards relating to restrictions on the usefulness and reliability of the information. Under these assumptions the benefits received by the acquired information must exceed the costs of providing them. It was found that the cost of obtaining information on non-consolidated subsidiaries, and their inclusion in the cost of consolidation outweigh the benefits achieved in this respect. Furthermore, when making the exclusion of subordinated companies from consolidation, the driven fact was that they were not essential for a true and fair presentation of the financial position and results of the Capital Group.

2. ADOPTED PRINCIPLES (POLICY) OF ACCOUNTING

2.1 Statement of unconditional compliance with IFRS

These consolidated financial statements for the period from 1 January 2018 to 31 December 2018 have been prepared in accordance with the applicable IAS/IFRS regulations approved by the European Union (approval by the European Union means the announcement of standards or interpretations in the form of European Commission regulations), in force as at 31 December 2018. To the extent not regulated by the above standards, these consolidated financial statements have been prepared in accordance with the requirements of the Accounting Act of 29 September 1994 (Journal of Laws of 2019, item 351, as amended) and the executive regulations issued on its basis. In these consolidated financial statements, the general term IFRS is used to refer to both International Financial Reporting Standards and International Accounting Standards.

The accounting principles were applied in compliance with the continuity principle in all presented periods.

The financial statements have been prepared on an accrual basis, except for the statement of cash flows.

2.2 Measurement and financial statements currency

Items included in the unconsolidated financial statements are measured in the currency of the basic economic environment in which the Company operates (functional currency). The functional and presentation currency is the Polish zloty (PLN). The reporting currency of the financial statements is the Polish zloty (PLN).

2.3 Significant estimations and assumptions

Estimations and assumptions are subject to periodic verification. When making estimations J.W. Construction Holding S.A. makes the following assumptions referring to the future:
- Estimation of impairment allowance regarding receivables. 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 provides a verdict or issues a decision other than expected by the company and the created provisions may prove insufficient.
- The entity receives revenue from the services performed by the Issuer based on the task contracts for a fixed period of time. The services performed by the Issuer are long-term services. The period of their performance exceeds 6.
- The true value of the investment real estate is estimated by independent, professional entities specialized in real estate valuation. The Management Board verifies the valuations of the real estate by comaring them against similar market transactions and other information regarding possible prices for the real estate being verified,
- Estimates related to impairment analysis of groups of fixed assets generating long-term cash flows (hotels within the hotel business). In preparing the financial statements, impairment indicators are analysed on a case-by-case basis on the grounds of the analysis of future cash flows (EBITDA) in the period of planned use of the hotel facilities owned by the Company.

2.4 Changes to accounting policy

The accounting principles (policy) applied to prepare these financial statements for 2018 are consistent with those applied to prepare the annual financial statements for 2017, except for the changes described below.
The same principles were applied for the current and comparable period.

2.5 The results of applying new standards of accounting

- **New standards, interpretations and amendments to published standards, which were approved and published by the European Union and came into force on or after 1 January 2018**

IFRS 9 „Financial instruments"

IFRS 9 replaced as of 1 January 2018 the existing standard IAS 39 "Financial Instruments - Recognition and Measurement". The main changes in accounting resulting from the new standard are, among other:

- a new breakdown of financial assets by category,
- new rules for classifying financial assets into categories for the needs of valuation,
- a new model for recognizing impairment losses - a model of expected credit losses,
- new rules for recognizing changes in the fair value of investments in equity financial instruments,

- eliminating the need to separate embedded derivatives from financial assets.

As part of the implementation of IFRS 9, the Group analyzed the impact of the application of the standard on the consolidated financial statements. The Group did not implement IFRS 9 earlier and applied the requirements of IFRS 9 retrospectively for periods beginning on January 1, 2018. In accordance with the option allowed by the standard, the Group resigned from the retrospective transformation of comparative data. The implementation of IFRS 9 influenced the change in accounting policy regarding the recognition, classification and valuation of financial assets, the valuation of financial liabilities and the determination of impairment losses on financial assets.
The standard introduces the following categories of classification and valuation:

- valuation at amortized cost,
- valuation at fair value through other comprehensive income,
- valuation at fair value through financial result.

The classification is made at the moment of initial recognition of financial assets and depends on the model of financial assets management accepted by the Company and the economic characteristics of the recognized items.
In addition, IFRS 9 introduces a new model for recognizing impairment losses. The new solution provides for revaluation write-offs not only for items for which impairment has been identified but also for potential (expected) credit losses.
The Group analyzed significant positions of financial instruments, as a result of which trade receivables, other receivables (including loans granted), bank deposits and cash were classified to the category of valuation at amortized cost.

When calculating the impairment allowance according to the model of expected credit losses for trade receivables, works and services as well as other receivables, the Group applied a simplified impairment allowance calculation taking into account expected credit losses for the entire lifetime of the position.

The write-down on receivables resulting from the implementation of IFRS 9 was estimated based on the analysis of individual clients' creditworthiness and the likelihood of failure to meet their obligations.

The estimated value of the write-off for receivables using the above method did not have a significant impact on the valuation of receivables and the amount of the adjustment as at 1 January 2018.

As a result of the analysis, it was also determined that the potential write-off for cash on bank accounts would be insignificant taking into account the credit risk assessment of banks in which the Group's companies hold cash.
The Company did not identify changes in the classification and valuation of financial liabilities when switching to IFRS 9 due to the fact that the existing solutions were mostly transferred from IAS 39 to the new standard.

IFRS 15 „Revenue from contracts with customers”

IFRS 15 has been approved for use in European Union Member States and applies to financial statements drawn up for periods beginning on or after January 1, 2018. The provisions of IFRS 15 apply to contracts with customers, except for leasing agreements covered by IAS 17, Leases, financial instruments and other contractual rights or obligations covered by IFRS 9 Financial Instruments, IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint arrangements ", IAS 27" Separate Financial Statements ", IAS 28 "Investments in Associates and Joint Ventures ", insurance contracts covered by IFRS 4" Insurance Contracts".
IFRS 15 assumes that revenue recognition should reflect the transfer of promised goods or services to a customer in an amount that corresponds to the consideration that the entity expects in exchange for the goods or services in question. In accordance with IFRS 15, the transfer of goods or services is based on the concept of transferring control over them to a customer, which may occur at a specified time (delivery of goods, product, termination of service) or over time (for example during providing the service or during the creation of an ordered product).
The Group has analyzed the principles of recognizing revenues from significant contracts in terms of qualifying the accounting recognition of revenues for the purposes of IFRS 15.
Revenues in the Group are generated mainly from the execution of developer contracts. The amount of revenues is determined in relation to each identified separate commitment to provide the service based on the transaction price using the unit sales price including discounts and rebates.
Recognising revenues depends on the identification of a service performed in time or a benefit realized at a specific moment.
Revenues from sales related to services performed over time are recognized in the financial result gradually during the performance of service, provided that it is probable that remuneration will be received in exchange for services provided to the client and if one of the following conditions is fulfilled:
- the client simultaneously receives and derives economic benefits from the services as the Company is providing it, or
- as a result of fulfillment of the service by the entity within the Group, an asset is created or improved, and the control over this component as it arises or improves, is exercised by the client, or
- as a result of the fulfillment of the obligation by the Group's entity, an asset is created that does not have an alternative application for the Group's unit and at the same time the entity has the right to be paid for the service performed so far.

Sales revenues related to services performed at a specific moment are recognized in financial results at the moment of performance of the service, provided that it is probable that they remuneration for it will be received.
IFRS 15 has been applied since 1 January 2018. Based on the analysis of the impact of the implementation of IFRS 15 (including the analysis of key contracts concluded with customers, broken down into individual business segments, in terms of specific areas of revenue recognition), no contracts were identified for which the implementation of IFRS 15 could have significant impact on the financial statements by changing the principles of revenue recognition.

Other standards

- Clarifications to IFRS 15: "Revenue from Contracts with Customers"
- Changes to IFRS 2: "Share-based Payment" - the amendments introduce the following recognition requirements:

  (a) effects of vesting conditions and conditions other than vesting conditions on cash-settled share-based payments,

  (b) share-based payments that have a net settlement feature with tax liabilities,

  (c) modifications to the terms of share-based payment that result in a reclassification of the transaction from cash-settled to equity-settled.
- Amendments to IFRS 4 "Insurance Contracts" - Amendments were introduced to solve problems resulting from the implementation of the new IFRS 9 "Financial Instruments" before introducing a new standard replacing IFRS 4.).
- Amendments to IAS 40 "Investment real estate" - Investment property transfers specify that an entity transfers individual properties to or from investment properties only when there is evidence of a change in the way they are used. The change of use occurs when a particular property meets or ceases to meet the definition of investment property. Changing the intention of the management as to the manner in which the property is used does not in itself constitute a reason to change the way it is used. The changes also specify that the examples in paragraph 57 do not constitute a closed catalog of examples (before being changed, this list is a closed catalog of examples).
- IFRIC 22 "Foreign Currency Transactions and Advance Consideration" Interpretation. The interpretation specifies that in order to set the exchange rate, the transaction date is the date when the prepayment was first recognized as a non-monetary asset or deferred income liability. If there are multiple payments or imprests, the date of the transaction is determined for each payment or receipts.
- Amendments to IFRS (cycle 2014-2016) - Changes were made as part of the procedure of introducing annual amendments to IFRS. The changes concern IFRS 1, IFRS 12 and IAS 28 and are mainly focused on solving incompatibilities and clarifying vocabulary.

In the Company's opinion, the above-mentioned standards, interpretations and amendments to standards did not have a significant impact on the financial statements in the period of their first application.

- **Changes made by the Group**

The Group did not make any adjustments to the presentation of the comparative data for 2017 and/or as at 31 December 2017.

- **New standards, interpretations and amendments to published standards, which have been issued by the International Accounting Standards Board (IASB), have been approved by the European Union, but have not yet come into force**

When approving these financial statements, the Company did not apply the following standards, amendments to standards and interpretations, which were published by the IASB and approved for application in the EU, but which have not yet come into force. The Company intends to apply them for the periods for which they are effective for the first time:

- Amendments to IFRS 9 "Financial Instruments" Characteristics of the prepayment option with negative offset - modify the existing rights requirements for early termination of the contract to allow the valuation at amortized cost (or, depending on the business model, at fair value through other comprehensive income), in the case of negative compensation payments. The amendments provide that the sign (plus or minus) of the prepayment amount is not material - ie, depending on the interest rate applicable at the time the contract is terminated, a payment may be made to the party resulting in early repayment. The calculation of this compensation must be the same in both the penalty for early repayment as well as in the case of profit due to early repayment. Date of application - an annual period commencing on January 2019 or after that date.
- IFRS 16 "Leases" - In accordance with IFRS 16, the lessee recognizes the right to use an asset and liability under leasing. The right to use an asset is treated similarly to other non-financial assets and depreciated accordingly. Lease liabilities are initially measured at the present value of lease payments payable during the leasing period, discounted by the rate included in the lease, if it is not difficult to determine it, or by the marginal interest rate. IFRS 16 defines the lease period as a total, irrevocable period during which the lessee has the right to use the asset. he leasing period also includes optional periods when the entity is confident of the option of renewing (or

failing to complete) the lease. Date of application - an annual period commencing on 1 January 2019 or after that date. Earlier application is permitted for entities that use IFRS 15 Revenue from contracts with customers from or before the date of first application of this standard.

- Interpretation of IFRIC 23 "Uncertainty over income tax treatments" - it may be unclear how the tax law relates to a specific transaction or circumstance or whether the tax authority will accept taxation of the entity. IAS 12, Income Taxes, defines how current and deferred taxes are settled, but does not reflect the effects of uncertainty. IFRIC 23 contains guidelines that complement the requirements of IAS 12, specifying how to reflect the effects of uncertainty when recognizing income tax. Date of application - an annual period commencing on 1 January 2019 or after that date.
- Amendments to IAS 28 "Investments in Associates and Joint Ventures" - long-term shares in associates and joint ventures have been introduced to clarify that an entity applies IFRS 9 (including impairment regulations) to long-term shares in associates or joint ventures, which are included in the net investment in an associate or joint venture, for which the equity method was not applied. The amendments also remove paragraph 41, as it was considered that this paragraph only repeated the requirements contained in IFRS 9 and caused confusion regarding the settlement of long-term shares. Date of application - an annual period commencing in January 2019 or after that date.
- Amendments to IFRS (cycle 2015-2017) - changes made as part of the process of introducing annual amendments to IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) mainly focused on solving incompatibilities and refinement of vocabulary (valid for annual periods beginning with on January 1, 2019 or after that date).
- Amendments to IAS 19 "Employee benefits" - change, limitation or settlement of the plan require that after the plan change, apply the updated valuation assumptions in order to determine current service costs and net interest for the remaining part of the reporting period. Date of application - an annual period commencing on 1 January 2019 or after that date.
- Amendments to IFRS 3 Business Combinations - the amendment clarifies the definition of a business and aims to make it easier to distinguish acquisitions of businesses from groups of assets for the purpose of settling mergers (effective for annual periods beginning on or after 1 January 2020).
- Changes in the scope of references to the Conceptual Assumptions in IFRS will apply from 1 January 2020.
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - clarify the definition of materiality and increase consistency between standards, but are not expected to have a significant impact on the preparation of financial statements. The amendment is mandatory for annual periods beginning on or after 1 January 2020. As at the date of preparation of these financial statements, these changes have not yet been approved by the European Union.
- IFRS 14 "Regulatory prepayments and accruals". - this standard allows entities that prepare financial statements in accordance with IFRSs for the first time (or after 1 January 2016) to account for amounts arising from operations at regulated prices in accordance with existing accounting policies. To improve comparability with entities that already apply IFRS and do not show such amounts, in accordance with published IFRS 14, amounts arising from activities at regulated prices should be presented as a separate line item both in the statement of financial position and in the income statement and the statement of other comprehensive income. IFRS 14 will not be approved as to the decision of the European Union.
- Amendments to IFRS 10 and IAS 28 concerning the sale or contribution of assets between an investor and its associates or joint ventures. The amendments resolve the current inconsistency between IFRS 10 and IAS 28. The accounting treatment depends on whether non-monetary assets sold or contributed to an associate or joint venture are a "business". Where a non-monetary asset is a 'business', the investor will report a full gain or loss on the transaction. If the assets do not meet the definition of a business, the investor recognises a gain or loss to the exclusion of the share of other investors. The amendments were published on 11 September 2014. The effective date of the amended provisions has not been set by the International Accounting Standards Board. As at the date of preparation of these financial statements, the approval of the amendment by the European Union is postponed.
- IFRS 17 Insurance Contracts - The new standard requires the measurement of insurance liabilities at the present value of the payment and ensures a more uniform approach to the measurement and presentation of all insurance contracts. These requirements aim to achieve consistent accounting for insurance contracts based on specified accounting principles. IFRS 17 replaces IFRS 4 "Insurance Contracts" and related interpretations at the date of application of the new standard. Effective date - annual period beginning on or after 1 January 2021.

The Company decided to implement IFRS 16 Leases as of 1 January 2019.

This standard establishes the principles for recognising, measuring, presenting and disclosing leases. All leasing transactions result in the lessee obtaining the right to use the assets and liability for the obligation to pay. Thus, IFRS 16 abolishes the classification of operating leases and finance leases as defined so far by IAS 17.

IFRS 16 Leases has a significant impact on the Company's financial statements, as the Company, as part of its own operations, is a party to perpetual usufruct agreements on land which, due to the nature of its operations, constitute a significant item of the Company's assets, mainly as land purchased for future development investments. These agreements have so far been classified as operating leases in accordance with IAS 17, therefore the fees on this account were recognized in operating expenses as the contract period expired in the amounts resulting from the decision on the amount of fees for perpetual usufruct rights. In accordance with IFRS 16 Leases, as of 1 January 2019, the Company implemented uniform accounting principles that require lessees to recognise assets and liabilities in the case of all lease agreements, subject to exceptions specified in the standard. The Company recognizes an asset due to the right to use together with the corresponding lease liability determined in the amount of discounted future payments during the lease term. From 2019 onwards, lease payments related to the use of leased assets, previously recognised in selling expenses (perpetual usufruct of land), will now be presented in selling expenses (under "depreciation") and financial expenses as interest expense. From 1 January 2019, assets under usufruct rights are depreciated on a straight-line basis, while liabilities under lease agreements are settled with the effective interest rate.

Application of IFRS 16 requires the Company to analyse data and make estimates and calculations that affect the measurement of lease liabilities and the measurement of assets due to the right to use. These include: assessing whether an agreement contains a lease in accordance with IFRS 16 and determining the lease term. The Company performs a detailed analysis of the term of its agreements, in particular with regard to the possibility of their extension, if it is entitled to such an option in selected contracts. If the Management Board decides to extend such an agreement, its term adopted for measurement is extended by the option period resulting from the agreement. Agreements concluded for an indefinite period of time are not subject to valuation in accordance with IFRS 16.

At the date of initial application of IFRS 16, the present value of the lease payments is determined using the incremental interest rate. The calculation of interest rates takes into account the term of the agreement, the currency of the agreement and the nature of the subject of the agreement. In applying IFRS 16, an entity used the lease rate, if any, to determine the present value of lease payments under newly entered into contracts. If the lease rate cannot be determined, the entity uses the incremental interest rate.

The Company decided to implement IFRS 16 using a simplified approach, i.e. retrospectively with the combined effect of the first application of this standard recognized at the date of first application. In the opinion of the Management Board, the implementation of IFRS 16 will have a significant impact on the financial statements as it will increase the total assets and liabilities and thus the financial ratios related to these amounts (e.g. debt ratio, EBITDA, EBIT, net profit, profit per share ratio, operating cash flows). At the same time, the implementation of the new standard will increase depreciation and amortization costs (interest on discounted lease liabilities), while reducing the cost of services (i.e. the cost of perpetual usufruct fees) and, consequently, improving EBITDA.

The Company plans to take advantage of the exemption from the application of the requirements of the standard with regard to short-term leases and leases of low-value assets.

The table below presents the impact of first-time adoption of IFRS 16 as at 1 January 2019:

As at 1 January 2019	**Value (PLN)**
Property, plant and equipment - right to use	113 522 125,21
	106 701 655,04
Future discounted lease payments - short-term	6 820 470,17

The data presented are merely estimates, which are subject to change.

3. Accounting policy

Intangible assets

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

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

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

- Computer software from 10% to 50%

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

Tangible assets

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

Tangible assets are measured at acquisition price or manufacturing cost. Tangible assets are depreciated with the straight-line method for the period of their useful life as follows:

- Buildings and structures: the depreciation rates from1,25% – 4,5%
- Machinery and equipment: 6% - 30%
- Motor vehicles: 12,5% - 20%
- Other fixed assets: 5% - 50%

Subsequent expenditure on an item of tangible assets is added to the carrying amount of the asset if it is probable that future economic benefits will be received by the entity that exceed those expected to be derived from the originally estimated level of performance of the assets already held. The costs of day-to-day operations and repairs are charged to the costs of the period.

Low-value fixed assets with a value below PLN 3,500.00 are depreciated once under 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

If there are indications of impairment of tangible and intangible assets held, an impairment test is carried out and the established amounts of impairment losses reduce the carrying amount of the asset to which they relate and are charged to the profit and loss account.

Write-downs on assets previously revalued, adjust the revaluation reserve to the amounts disclosed in the capital, and below the purchase price they are charged to the profit and loss account. The amount of revaluation write-offs is determined as a surplus of the balance sheet value of these components over their recoverable value. The recoverable amount is the higher of the following values: net selling price or value in use. Revaluation write-downs are reversed if the reasons justifying their creation disappear. The effects of reversal of revaluation write-offs are recognized in the profit and loss account, except for the values which reduced the revaluation capital earlier and then adjust this capital to the amount of its decreases.

Investment real estate

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

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

Leasing

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

As at the lease commencement date, the financial lease is disclosed in the balance sheet of the Group as a component of assets

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

Lease payments are divided into financial expenses (presented in the income statement for a given period) and principal payments, reducing the liability under the lease. Financial expenses are disclosed directly in the income statement. Leased assets disclosed in the balance sheet are amortized and depreciated under the same principles as other purchased assets of a similar kind. 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:

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

Finished products

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

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

Work in progress

Work in progress covers expenditures made on building housing estates and costs connected with 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 section "Long-term developer contracts".

Borrowing costs

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

Financial instruments

The Group recognises a financial asset or financial liability in the statement of financial position if, and only if, it becomes bound by the provisions of the instrument agreement.

The Company ceases to recognise a financial asset when the contractual rights to receive cash flows from that asset expire or until the rights to receive cash flows from the financial asset are transferred in a transaction transferring substantially all the significant risks and benefits resulting from their ownership.

Classification of financial instruments

The Group cassifies financial instruments in accordance with the requirements of IFRS 9.

Classification of financial instruments is based on the business model of managing groups of financial assets and characteristics of contractual cash flows for a given financial asset and liability. Classification is made at the moment of initial recognition, with the exception of items reported at the moment of first application of IFRS 9. Classification of derivatives depends on their purpose and compliance with the requirements of IFRS 9.

In connection with the implementation of IFRS 9, the Group has classified financial instruments into the following categories:

Financial assets valued at amortised cost.

An asset is recognized as measured at amortized cost if it meets the following conditions:

a) It is maintained in accordance with a business model whose purpose is to maintain financial assets to generate contractual cash flows,

b) The contractual terms and conditions of a financial asset give rise to cash flows on specified dates, which are merely the repayment of the principal and interest on the principal outstanding,

c) It is not intended for trading.

Financial assets measured at amortised cost include trade receivables (trade receivables), granted loans, other receivables and cash and cash equivalents. These items are measured as at the balance sheet date at amortised cost using the effective interest rate. Financial assets measured at amortised cost are measured taking into account expected credit losses.

Financial assets at fair value through profit or loss

Financial assets measured at fair value through profit or loss include financial assets held for trading, investments in capital instruments quoted on an active market and financial assets that are not classified as assets measured at amortised cost or at fair value through comprehensive income. In connection with the classification, changes in the fair value of financial assets (which were classified into this category) during the period in which they arose are recognised in the financial result. The financial result also includes revenues from interest and dividends received from capital instruments listed on the active market.

Financial assets at fair value through other comprehensive income

This group includes investments in equity instruments that are measured at fair value (other than those relating to investments in subsidiaries and associates) that are not classified as financial assets at fair value through profit or loss and debt financial assets that meet the criteria of a basic loan agreement received under a business model for cash flows or sales. The result on the measurement of investments in equity instruments and debt instruments classified in this category is recognised in other comprehensive income. Interest income from investments in debt instruments is recognised in profit or loss. Dividends on equity instruments measured at fair value through profit or loss are recognised in profit or loss as income. In the case of disposal of equity instruments classified as at fair value through other comprehensive income, the revaluations recognised in equity are accounted for within equity (they do not affect the financial result of the period). If debt financial assets classified as at fair value through other comprehensive income are disposed of, the gains or losses accumulated in equity are recognised (reclassified) in profit or loss.

Financial liabilities measured at amortised cost

The Group classifies for measurement at amortised cost loans received, borrowings taken, liabilities due to debt securities, trade liabilities (trade liabilities) and other liabilities subject to IFRS 9. Interest expenses are recognized by the Company in the financial result, except for situations when they qualify for recognition in the initial value of assets.
Financial liabilities are measured at amortised cost using the effective interest rate.

Impairment of financial assets

The Group shall determine impairment losses in accordance with the expected credit loss model for items subject to IFRS 9 for impairment losses.

The expected loss model applies to financial assets measured at amortised cost and debt financial assets measured at fair value through other comprehensive income, as well as to financial guarantees and loan commitments granted (except for those measured at fair value).

In the case of trade receivables (trade receivables), the Group applies a simplified approach to determining the write-down for expected credit losses - it defines it in the amount equal to expected credit losses throughout the life of the receivables. In the case of other financial assets, the Group measures a write-down for expected credit losses in the amount of 12 months of expected credit losses, unless there has been a significant worsening of credit risk or a default. If the credit risk associated with a given financial instrument has increased significantly since its initial recognition, the Group measures the allowance for expected credit losses on account of the financial instrument in the amount equal to the expected credit losses over the remaining life of the instrument. As at each reporting date, the Group analyses whether there are indications of a significant increase in the credit risk of its financial assets.

Current and non-current receivables

Group receivables are reported in the financial statements at the amount of consideration required less impairment losses. Receivables are revaluated taking into account the degree of probability of their payment by making a revaluation write-down. Revaluation write-downs on receivables are classified as other operating costs or financial costs, as appropriate, depending on the type of receivable to which the write-down relates. Receivables redeemed, time-barred or uncollectible reduce previously made revaluation write-downs on their value. Receivables redeemed, time-barred or uncollectible, from which no revaluation write-offs were made or incomplete write-offs were made, are classified as other operating costs or financial costs, respectively.
Trade receivables (trade receivables) are initially recognised at the contractual transaction price and then measured at amortised cost using the effective interest rate method, less any write-downs for expected credit losses. Impairment losses on trade receivables are created on the basis of expected loss calculations.

The Group calculates expected credit losses for trade receivables on the basis of historical data on repayments of receivables by counterparties, adjusted, where appropriate, for the impact of future information and macroeconomic expectations. Impairment losses are analysed as at each reporting date.

Serious financial problems of the debtor, the probability that the debtor will go bankrupt or apply for composition proceedings, significant delays in payments are indications that trade receivables or other receivables are impaired. The amount of the write-down is recognised in profit or loss in other operating expenses. Similarly, in the case of uncollectibility of trade receivables, a write-down is made, showing them in other operating costs in the profit and loss account.

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 Group.

Guarantee deposits which secure the Capital Group's claims against subcontractors are shown in liabilities as liabilities. Deposits are measured as at the balance sheet date at amortised cost using the effective discount rate. In the case of deposits disclosed in assets, it also determines write-downs for expected credit losses.

Cash and cash equivalents

Cash at bank and in hand, as well as short-term deposits held to maturity, are valued at amortised cost, approximated by the nominal value plus interest due as at the balance sheet date.

Prepayments and accrued expenses

The Group activates prepayments and accruals if they meet the definition of assets and it is probable that the costs incurred relate to more than one reporting period, taking into account the principles of materiality and prudence. The most important criterion for costs to be settled over time is that they must be classified as assets of the entity, i.e. as resources of a reliably measurable amount, arising from past events that will give rise to future economic benefits for the entity.

Provisions for liabilities

Provisions are liabilities whose amount or payment deadline is not known. Provisions in the company are created when all of the following conditions are met:

- the Company is under an existing obligation (legal or customary) resulting from past events,
- it is probable that fulfillment of the obligation will result in the necessity of outflow of resources constituting economic benefits,
- the amount of the obligation can be reliably estimated.

Provisions for liabilities in J.W. Construction Holding S.A. constitute:

- provision for warranty repairs, which is recognized in the amount of from past periods concerning costs of warranty repairs,
- provision for unused holidays of employees, which is created on the basis of the list of unused holidays of individual employees for a given day, and their gross daily remuneration, increased by ZUS contributions of the employer,
- provision for retirement severance payments,
- provision for deferred income tax.

Long-term contracts for property development services

The core business of the company is the realization of development contracts. The characteristic feature of developer contracts is the construction of apartments that are generally financed by the principal over the whole project, by way of contractually agreed advances, and then - after the investment process has been completed - the ownership right is transferred to the apartment buyer. Such contracts are performed for over 12 months. Advances paid by purchasers under signed agreements are recorded in deferred income. Costs by type incurred in a given period are recognised in inventories under work-in-progress. In connection with the application of IFRS 15, the Company has not changed the method of revenue recognition to date.

Starting from 2009, the Company recognizes revenues from property development contracts - sale of real estate (flats and commercial premises) at the moment of transferring control and significant ownership risk to the buyer. The transfer of control and significant risk due to ownership of an apartment or commercial premises takes place no later than on the date of conclusion of the sale agreement concluded in the form of a notarial deed.

The Company recognizes revenues from the sale of real estate under the following conditions:

- construction is complete;
- property transfer protocol has been received

Long-term contracts for construction services

The Company, as the contractor for construction services, applies the provisions of IFRS 15 "Revenue from contracts" to accounting for and recognition of construction services.

In connection with the concluded contracts, the entity identifies separate benefits for the customer resulting from the contract. Most construction contracts meet the criteria for performance over time, and an entity recognises revenue during performance using the following approaches:

a) Zero-profit method

The zero-profit method is applied when it is not possible to measure the stage of completion of an unfinished construction service reliably.

In accordance with the said method revenues from an unfinished construction service are established at a month end at costs incurred in the said month, not higher than costs probable to be covered by the principal in future. When invoiced revenues exceed incurred costs, a relevant part of revenues is transferred to deferred income.

b) Percentage-of-completion method

The percentage-of-completion method is applied when it is possible to measure the stage of completion of an unfinished construction service reliably. Revenues from an unfinished construction contract are disclosed pro rata to costs incurred

at a given moment of its performance. Revenues, expenses and profits are disclosed proportionally to the stage of work completion.
To measure the stage of completion of a construction contract the Group 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 of:
- establishing the proportion of contract costs incurred for work performed to date in relation to the estimated total contract costs,
- measurement of works performed,
- comparing physically completed parts of work with contractual works.

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

Borrowings

Borrowings are recognized at acquisition price equal to fair value of received cash less costs of acquisition.
Borrowings are subsequently measured at acquisition price adjusted with an effective interest rate. All effects of the adjusted acquisition price and effects of recognition of a liability from the balance sheet or recognition of its impairment are disclosed in the profit and loss account.

Deferred income tax

Deferred income tax assets and liabilities are estimated based on temporary differences between the value of assets and liabilities disclosed in books and their tax value and a tax loss deductible in future from the tax base.
The provision for deferred tax is created in relation to positive temporary differences in the amount of income tax that will have to be paid in the future.
Deferred income tax assets are determined in the amount to be deducted from income tax in the future, in connection with negative temporary differences and tax loss deductible under the prudence principle. The carrying amount of a deferred tax asset is reviewed at each balance sheet date if it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered. Deferred tax assets and provisions for deferred tax are measured at the tax rates that will apply in the period when the asset will be realised or the provision dissolved, based on the tax rates effective as at the balance sheet date.

Held-for-sale assets and discontinued operations

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

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

Liabilities

Liabilities are obligations of the Group, 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 a set of trade liabilities as well as all or that part of other liabilities which became due within 12 months from the balance sheet date. Non-current liabilities are the part of liabilities on account of other than supplies and services, which become due within more than 12 months from the balance sheet date.
Financial liabilities are obligations of the Group to deliver financial assets or to exchange a financial instrument with another company on unfavorable conditions.

Contingent liabilities are obligations to provide services, the occurrence of which depends on the occurrence of specific events. These liabilities are disclosed in additional information and explanations.
Liabilities are measured at the balance sheet date at the amount due.

Liabilities that are not financial liabilities are measured at the balance sheet date at the amount due. Financial liabilities subject to IFRS 9 are measured as at the balance sheet date at fair value or amortized cost, depending on the classification of items.

Accrued expenses

Accrued expenses are made in the amount of probable liabilities for the current reporting period.

Revenues

The principles for recognising revenue other than that derived from the sale of financial instruments are set out in IFRS 15 "Revenue".
Revenue is measured at the transaction price, which is the amount of consideration expected to be received by the entity in exchange for the transfer of promised goods or services to the customer, excluding amounts collected on behalf of third parties (for example, some sales taxes). The consideration specified in the customer contract may include fixed amounts, variable amounts or both. The amount of consideration is usually reflected in the amount received or receivable, net of expected rebates, refunds and similar deductions, including value added tax and other sales taxes other than excise duty, and contractual penalties.
If payment is deferred, the entity assesses whether the contract involves a significant element of financing. If such is identified, the entity recognises revenue at its inception at a discounted amount. The discount value is interest income (financial) recognised at the effective interest rate over the deferred payment period. Revenue is not discounted if the payment date does not exceed one year.
The Company measures unfinished services as at the balance sheet date as benefits provided over time. In relation to such transactions, revenue is determined if its amount can be reliably estimated and it is probable that the economic benefits associated with the transaction will flow to the entity and if the costs incurred can be reliably measured. This revenue is measured by reference to the stage of completion of the transaction at the balance sheet date.
In the case of identifying separate benefits for the customer resulting from the agreement, the remuneration is settled for these benefits, and the moment of recognition of revenues is determined separately.

Revenues from the sale of developer services - apartments are recognised in the manner described in section "Revenues from the sale of development services - apartments". "Long-term contracts for development services".

Revenues from construction services are presented under "Long-term contracts for construction services".

Costs
Costs are recognised in profit or loss on the date they are incurred, i.e. on the date when assets are derecognised or liabilities to which they correspond or are recognised as assets if they are part of the cost of inventories, investment property, property, plant and equipment, intangible assets (development work) or the cost of performing a service contract (including construction work). The costs of performance of a service contract are capitalised in the balance sheet as assets if the following conditions are met:
- costs are directly related to the contract or the intended contract that the entity can clearly identify;
- costs lead to the generation or improvement of the entity's resources that will be used to meet (or continue to meet) future service obligations; and
- the entity expects these costs to be recovered.

Along with the progressing completion of the service and the recognition of revenues, the costs of service provision capitalised in the balance sheet are charged to the financial result. The financial result may also be charged to the financial result at the moment of recognition of impairment. Employee benefit costs are recognised in the period in which the employees render their services.
Borrowing costs are recognised as an expense in the period in which they are incurred, except for costs that are directly attributable to the acquisition, construction or production of a qualifying asset. In such a case, the entity shall capitalise borrowing costs as part of the cost of that asset in accordance with IAS 23 Borrowing Costs.

Other income, expenses, gains and losses
Other operating income and expenses are income and expenses not connected directly with operating activities.

Financial income and expenses comprise, among other things: interest connected with loans and credits granted and used, default interest received and paid, foreign exchange gains and losses, commissions paid and received, gains and losses on sale of securities, provisions dissolved and created in the burden of financial expenses.

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.

Influence of IFRS 9 on the Group's financial statements

On 1 January 2018, the company implemented IFRS 9. The company decided to implement the standard as of 1 January 2018 without correcting the comparative data, which means that the data for 2017 and 2018 are not comparable in certain areas (primarily the classification of financial assets).
The Company assessed the impact of IFRS 9 on the financial statements and as a result of implementation of IFRS 9 there was no need to adjust the data as at 31 December 2017.

As of 1 January 2018, the entity classified financial assets into the following categories:
- measured at amortised cost,
- measured at fair value through other comprehensive income, and
- measured at fair value through profit or loss.

Classification depends on the adopted asset management model and contractual terms and conditions of cash flows.

Category of financial instruments	31-12-2018	01-01-2018	31-12-2017
Financial assets measured at amortised cost			
- trade and other receivables (non-current)	2 839 265,65	3 032 273,85	3 032 273,85
- trade and other receivables (current)	39 469 536,79	42 139 203,55	42 139 203,55
- other financial assets - loans granted	59 271 955,41	55 725 214,89	55 725 214,89
- cash and cash equivalents	122 484 500,34	174 271 089,37	174 271 089,37
Financial assets at fair value through profit or loss			
- shares in other entities	421 716,98	221 907,98	221 907,98
Financial liabilities			
- trade	62 909 836,74	60 625 467,65	60 625 467,65
- other long-term liabilities	170 657 485,47	226 827 201,37	226 827 201,37
- from credits and loans (long-term)	101 430 756,35	144 689 144,73	144 689 144,73
- from credits and loans (short-term)	40 974 620,09	60 247 273,99	60 247 273,99
- other short-term liabilities	77 466 859,92	22 719 982,34	22 719 982,34
Revenues, costs of financial instruments	0,00	0,00	0,00

Trade receivables are measured at amortised cost and are subject to impairment losses. With the entry into force of IFRS 9, the method of calculating the write-off from the model of losses incurred to the model of expected losses has changed. Due to the lack of a material financing element, the write-off is calculated on the basis of expected credit losses throughout the life of receivables.

Loans granted are measured at amortised cost. The Company assessed the loans granted according to the adopted impairment model based on the probability of non-payment (expected loss model). The analysis showed that the loans have a low credit risk and therefore the potential write-off would be insignificant.

Cash and cash equivalents are measured at amortised cost. With the entry into force of IFRS 9, the method of determining depreciated cost has changed by including in the process of calculating the write-down for expected credit losses. External bank ratings were used to assess the risk of cash and cash equivalents. The analysis showed that cash and cash equivalents have a low credit risk and therefore the potential write-down would be insignificant. As a result, the depreciated cost of cash and cash equivalents is approximated by their nominal value plus interest due at the balance sheet date.

Influence of IFRS 9 on the Group's financial statements

In 2018, the Group generated revenues divided into the following categories:

OPERATING INCOME	01-01-2018 to 31-12-2018
Revenues from sales of products	304 855 595,93
Revenues from sales of services	95 196 631,31
Revenues from sales of goods	4 015 665,50
Total income	**404 067 892,74**

The application of the new IFRS 15 as of 1 January 2018 did not materially affect the attached financial statements and recognised revenue.

B. CONSOLIDATED FINANCIAL STATEMENTS

consolidated statement of financial position

ASSETS	Note	31-12-2018	31 December 2017
FIXED ASSETS		**753 510 269,74**	**745 462 743,34**
Intangible assets	1	12 910 444,99	12 489 047,53
Tangible assets	3	422 763 726,72	413 497 228,56
Investment real estate	4	259 161 999,55	279 544 497,36
Other financial assets	5	13 123 092,26	3 753 010,25
Deferred income tax assets	15	42 711 740,57	33 146 685,79
Trade and other receivables	6	2 839 265,65	3 032 273,85
CURRENT ASSETS		**1 042 071 883,40**	**945 424 569,82**
Inventories	7	29 120 485,20	30 400 513,03
Construction contracts	7	774 677 251,30	629 595 306,51
Trade and other receivables	8	39 469 536,79	42 139 203,55
Other financial assets	9	59 271 955,41	55 725 214,89
Cash and cash equivalents	10	122 484 500,34	174 271 089,37
Accruals	11	17 048 154,36	13 293 242,47
Total assets		**1 795 582 153,14**	**1 690 887 313,15**
LIABILITIES			
EQUITY		**693 704 048,98**	**678 227 625,57**
Primary capital	12	17 771 888,60	17 771 888,60
Revaluation reserve		7 493 208,19	7 490 208,19
Other capitals	13	696 326 656,22	643 347 486,83
Retained earnings		-44 420 280,93	-16 318 050,13
Net profit / loss		16 532 576,90	25 936 092,09
LIABILITIES		**1 101 878 104,15**	**1 012 659 687,57**
Non-current liabilities		**367 487 780,62**	**463 811 348,81**
Borrowings	14	101 430 756,35	144 689 144,73
Deferred income tax liabilities	15	40 032 145,88	37 474 920,23
Retirement benefits liabilities	16	241 204,48	241 204,48
Provisions for other liabilities	17	55 126 188,44	54 578 877,99
Other liabilities	18	170 657 485,47	226 827 201,37
Current liabilities		**734 390 323,53**	**548 848 338,76**
Trade and other payables	19	62 909 836,74	60 625 467,65
Construction contracts	7	513 534 527,58	377 519 939,66
Borrowings	14	40 974 620,09	60 247 273,99
Provisions for other liabilities and other charges	17	39 504 479,20	27 735 675,12
Other liabilities	19	77 466 859,92	22 719 982,34
Total liabilities and equity		**1 795 582 153,14**	**1 690 887 313,15**

Consolidated Statement of comprehensive income

	Note	from 01-01-2018 to 31-12-2018	01-01-2017 to 31-12-2017
Net revenues from sales of products, goods and materials, including:	**24**	**404 067 892,74**	**404 150 760,59**
Net revenues from sales of products		400 052 227,24	401 831 211,82
Net revenues from sales of goods and materials		4 015 665,50	2 319 548,77
Costs of products, goods and materials sold, including:	**25**	**329 582 244,23**	**300 415 347,81**
Cost of products sold		325 612 127,65	297 772 794,73
Value of goods and materials sold		3 970 116,58	2 642 553,08
Gross profit (loss) from sales		**74 485 648,51**	**103 735 412,78**
Costs of sales	**25**	24 087 800,45	24 170 008,20
Overheads	**25**	24 194 316,18	24 223 445,16
Revaluation of investment property		-5 276 952,25	-2 141 911,54
Profit (loss) from sales		**20 926 579,63**	**53 200 047,88**
Other operating income	26	6 422 797,19	1 921 521,12
Other operating expenses	27	8 526 506,05	6 978 102,07
Profit (loss) on operations		**18 822 870,77**	**48 143 466,93**
Financial revenues	28	11 938 008,52	3 414 361,41
Financial costs	29	21 201 860,52	18 878 199,60
Profit (loss) on business activity		**9 559 018,77**	**32 679 628,74**
Gross profit (loss)		**9 559 018,77**	**32 679 628,74**
Income tax	22	-6 973 558,13	6 743 536,62
Net profit (loss)		**16 532 576,90**	**25 936 092,11**

Other comprehensive income:		**-769 801,24**	**-900 769,23**
Foreign exchange rate operation differences		-769 801,24	-900 769,23
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		**15 762 775,66**	**25 035 322,88**

CALCULATION OF BASIC AND DILUTED EARNINGS PER SHARE		**from 01-01-2018 to 31-12-2018**	**01-01-2017 to 31-12-2017**
Profits			
(A) Profit resulting from the financial statements		16 532 576,90	25 936 092,11
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*		88 859 443	88 859 443
(C) Number of ordinary shares and preferred shares (as to the right to vote in the General Meeting of the Company) for the purpose of calculating diluted earnings per share		88 859 443	88 859 443
Basic earnings per share = (A)/(B)		**0,19**	**0,29**
Diluted earnings per share = (A)/(B)		**0,19**	**0,29**

Consolidated statement of cash flows

Cash flows from operating activities - indirect method	01-01-2018 to 31-12-2018	01-01-2017 to 31-12-2017
Net profit (loss)	**16 532 576,90**	**25 936 092,09**
Item adjustment	**33 669 578,02**	**30 453 854,85**
Depreciation and amortization	11 833 794,41	11 138 296,29
(Profit) loss on foreign exchange differences concerning financial and business activity	-1 200 272,93	2 394 565,36
Profit (loss) on investment activities	0,00	1 075 250,00
Interest and dividends	7 219 686,49	12 993 214,45
Changes in provisions and accruals	8 727 724,87	6 170 439,15
Other adjustments	7 088 645,18	-3 317 910,39
- investment property write-off	5 276 952,25	-2 141 911,54
- other adjustments	1 811 692,93	-1 175 998,85
Changes in working capital	**132 976 650,42**	**42 808 827,16**
Changes in inventories	1 280 027,83	-75 846,55
Changes in construction contracts	113 919 295,47	54 785 847,50
Changes in investment real estate	0,00	-38 517 778,92
Changes in receivables	3 862 674,95	6 344 669,66
Changes in current liabilities, except for borrowings	13 914 652,16	20 271 935,46
Net cash flows from operating activities	**183 178 805,34**	**99 198 774,10**
Investment activity cash flows		
Disposal of tangible and intangible assets and other noncurrent assets	12 397,00	561 750,00
Acquisition of tangible and intangible assets and other noncurrent assets	-126 153 830,92	-76 280 716,52
Expenses related to assets held for sale	0,00	0,00
Acquisition of equity and debt instruments	-1 560 000,00	-37 000 000,00
Disposal of equity and debt instruments	0,00	18 773 609,00
Loans granted	-7 971 510,39	-150 276,59
Interest received	0,00	27 740,09
Disposal of subsidiaries	0,00	0,00
Acquisition of subsidiaries	-203 312,00	0,00
Net investment activity cash flow	**-135 876 256,31**	**-94 067 894,02**
Cash flows from financing activities		
Net proceeds from issue of shares and other equity instruments and contributions to equity	0,00	0,00
Acquisition of own shares or repayment of shares	0,00	0,00
Loans and borrowings granted	35 269 272,25	72 600 074,53
Loans and borrowing paid	-97 278 969,44	-59 475 561,64
Issuance of security papers	0,00	164 000 000,00
Redemption of debt securities	-18 400 000,00	-72 000 000,00
Payments under financial lease agreements	-1 464 423,10	-1 267 873,35
Dividends and other shares in profits	0,00	0,00
Interest paid	-17 679 228,20	-16 931 852,80
Other financial proceeds (including promissory notes)	464 210,44	0,00
Other financial expenses (including promissory notes)	0,00	-6 096 817,18
Net financing cash flow	**-99 089 138,05**	**80 827 969,56**
NET DECREASE / (INCREASE) IN CASH	**-51 786 589,02**	**85 958 849,64**
Opening balance of cash and cash equivalents	174 271 089,37	88 312 239,72
- change in cash due to exchange rate differences	0,00	0,00
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	**122 484 500,34**	**174 271 089,37**

	31-12-2017	Cash flows	Non-cash changes			31-12-2018
			Increases	Effect of changes in foreign currency exchange rates	Changes in fair value	
Credit loans	204 039 207,77	-67 709 430,54	5 699 733,35	0,00	0,00	142 029 510,58
Loans received	897 210,95	-513 151,20	-8 193,89	0,00	0,00	375 865,86
Leasing obligations	1 977 550,01	2 579 578,29	66 814,57	0,00	0,00	4 623 942,87
Debt securities	219 867 451,05	-27 226 216,44	12 099 981,49	0,00	0,00	204 741 216,10
Other (including promissory notes)	573 279,31	-573 312,64	33,33	0,00	0,00	0,00
Securing assets (hedge) long-term loans	0,00	0,00	0,00	0,00	0,00	0,00
Financial activity liabilities	**427 354 699,09**	**-93 442 532,53**	**17 858 368,85**	**0,00**	**0,00**	**351 770 535,41**

	31-12-2016	Cash flows	Non-cash changes			31 December 2017
			Increases	Effect of changes in foreign currency exchange rates	Changes in fair value	
Credit loans	187 302 266,31	9 722 861,60	7 014 079,86	0,00	0,00	204 039 207,77
Loans received	4 994 486,95	-4 240 793,44	143 517,44	0,00	0,00	897 210,95
Leasing obligations	2 942 018,48	-1 373 901,42	409 432,95	0,00	0,00	1 977 550,01
Debt securities	127 542 890,70	83 375 826,70	8 948 733,65	0,00	0,00	219 867 451,05
Other (including promissory notes)	7 008 683,52	-6 656 023,88	220 619,67	0,00	0,00	573 279,31
Securing assets (hedge) long-term loans	0,00	0,00	0,00	0,00	0,00	0,00
Financial activity liabilities	**329 790 345,96**	**80 827 969,56**	**16 736 383,57**	**0,00**	**0,00**	**427 354 699,09**

Consolidated Statements of changes in equity

	Share capital	Own shares (negative value)	Revaluation reserve	Reserve capital	Other capitals	Capital from valuation of hedging transactions and foreign exchange differences from consolidation	Retained earnings	Net result	Equity
As at 31 December 2017	**17 771 888,60**	**0,00**	**7 490 208,19**	**638 322 939,75**	**7 947 307,60**	**-2 922 760,52**	**-16 318 050,13**	**25 936 092,09**	**678 227 625,57**
Basic error corrections	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	**0,00**
Adjustments due to change of presentation	0,00	0,00			0,00	0,00			
As at 1 January 2018	**17 771 888,60**	**0,00**	**7 490 208,19**	**638 322 939,75**	**7 947 307,60**	**-2 922 760,52**	**-16 318 050,13**	**25 936 092,09**	**678 227 625,57**
Share issuance	0,00	0,00	0,00	0,00	0,00	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	**0,00**
Own shares redemption	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	**0,00**
Foreign exchange rate differences due to thecalculation of financial statements of foreign subsidiaries	0,00	0,00	0,00	0,00	0,00	-769 801,24	0,00	0,00	**-769 801,24**
Profit/loss from acquisitions	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	**0,00**
Changes in accounting policies/presentation	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	**0,00**
Consolidation adjustments	0,00	0,00	3 000,00	0,00	0,00	0,00	-289 352,26	0,00	**-286 352,26**
Consolidating company	0,00	0,00	0,00		0,00	0,00		0,00	**0,00**
Total profit / loss recognized directly in equity	17 771 888,60	0,00	7 493 208,19	638 322 939,75	7 947 307,60	-3 692 561,76	-16 607 402,39	25 936 092,09	**677 171 472,07**
Net profit (loss) for the accounting year	0,00	0,00	0,00	0,00	0,00	0,00	0,00	16 532 576,90	**16 532 576,90**
Total profit / (loss) recognized in equity and the net result	17 771 888,60	0,00	7 493 208,19	638 322 939,75	7 947 307,60	-3 692 561,76	-16 607 402,39	42 468 668,99	**693 704 048,98**
Increase / decrease from profit distribution	0,00	0,00	0,00	53 748 970,63	0,00	0,00	-27 812 878,54	-25 936 092,09	**0,00**
As at 31 December 2018	**17 771 888,60**	**0,00**	**7 493 208,19**	**692 071 910,38**	**7 947 307,60**	**-3 692 561,76**	**-44 420 280,93**	**16 532 576,90**	**693 704 048,98**

	Share capital	Own shares (negative value)	Revaluation reserve	Reserve capital	Other capitals	Capital from valuation of hedging transactions and foreign exchange differences from consolidation	Retained earnings	Net result	Equity
As at 31 December 2016	**17 771 888,60**	**0,00**	**7 490 208,19**	**646 600 115,53**	**7 947 307,60**	**-2 021 991,29**	**-49 573 465,57**	**24 978 238,97**	**653 192 302,02**
Basic error corrections	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	**0,00**
Adjustments due to change of presentation	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	**0,00**
As at 1 January 2017	**17 771 888,60**	**0,00**	**7 490 208,19**	**646 600 115,53**	**7 947 307,60**	**-2 021 991,29**	**-49 573 465,57**	**24 978 238,97**	**653 192 302,02**
Share issuance	0,00	0,00	0,00	0,00	0,00	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	**0,00**
Own shares redemption	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	**0,00**
Foreign exchange rate differences due to thecalculation of financial statements of foreign subsidiaries	0,00	0,00	0,00	0,00	0,00	-900 769,23	0,00	0,00	**-900 769,23**
Profit/loss from acquisitions	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	**0,00**
Changes in accounting policies/presentation	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	**0,00**
Consolidation adjustments	0,00	0,00	0,00	0,00	0,00	0,00	0,70	0,00	**0,70**
Consolidating company	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	**0,00**
Total profit / loss recognized directly in equity	17 771 888,60	0,00	7 490 208,19	646 600 115,53	7 947 307,60	-2 922 760,52	-49 573 464,87	24 978 238,97	**652 291 533,49**
Net profit (loss) for the accounting year	0,00	0,00	0,00	0,00	0,00	0,00	0,00	25 936 092,09	**25 936 092,09**
Total profit / (loss) recognized in equity and the net result	17 771 888,60	0,00	7 490 208,19	646 600 115,53	7 947 307,60	-2 922 760,52	-49 573 464,87	50 914 331,06	**678 227 625,58**

Increase / decrease from profit distribution	0,00	0,00	0,00	-8 277 175,78	0,00	0,00	33 255 414,75	-24 978 238,97	**0,00**
As at 31 December 2017	**17 771 888,60**	**0,00**	**7 490 208,19**	**638 322 939,75**	**7 947 307,60**	**-2 922 760,52**	**-16 318 050,13**	**25 936 092,09**	**678 227 625,58**

C. ADDITIONAL INFORMATION

INFORMATION ON SIGNIFICANT EVENTS RELATED TO PREVIOUS YEARS INCLUDED IN THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR

In these Financial Statements of the Group, no other significant events related to previous years, other than those described earlier, have been disclosed.

INFORMATION ON SIGNIFICANT EVENTS THAT OCCURRED AFTER THE BALANCE SHEET DATE AND NOT INCLUDED IN THE FINANCIAL STATEMENTS

The Financial Statements of the Group prepared for 2018 include all events that occurred until the date of preparation of the Statements, i.e. until 14 March 2019 and had an impact on the Consolidated Financial Statements of the Group for the period from 1 January 2018 to 31 December 2018.

CHANGES IN ACCOUNTING PRINCIPLES (POLICY) IN THE FINANCIAL YEAR

In 2018, the Group did not change its accounting policy.

MEASUREMENT AND FINANCIAL STATEMENTS CURRENCY

Items included in the financial statements of individual Group entities are measured in the currency of the basic economic environment in which the entity operates (functional currency).
The functional and presentation currency of the parent company is the Polish zloty (PLN). The reporting currency for the Group's consolidated financial statements is the Polish zloty (PLN). The functional currency of some of the Group's companies is a different currency than the Polish zloty. The financial statements of these companies, prepared in their functional currencies, are included in these consolidated financial statements after translation into PLN in accordance with IAS 21.

D. EXPLANATORY NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Note 1. Intangible assets

INTANGIBLE ASSETS	31-12-2018	31-12-2017
a) research and development expenses	0,00	0,00
b) goodwill on consolidation	12 389 648,22	12 389 648,22
c) other intangible assets	520 796,77	99 399,31
d) advances on intangible assets	0,00	0,00
Total intangible assets	**12 910 444,99**	**12 489 047,53**

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

A key position in other intangible assets is computer software, mostly the integrated SAP system.

As of December 31, 2018, there were no circumstances, as a result of which the Company should create write-offs for intangible assets.

In 2017-2018 the Company did not carry out any development works and did not incur any costs. The Company did not have any advances on intangible assets.

As at December 31, 2018 there is no impairment of goodwill. This value is bound to a real estate investment, from which future cash flow is expected. The management board analyzed the loss of assets in accordance with IAS 36, e.g. through the comparison of the real estate book value (including goodwill) against market valuation.

Asset group	01-01-2018 to 31-12- 2018	Goodwill	Other intangible assets	Total other intangible assets
value	As at the begining of period	**12 389 648,22**	**16 041 643,52**	**28 431 291,74**
	Mergers	0,00	0,00	0,00
	Total after merger	**12 389 648,22**	**16 041 643,52**	**28 431 291,74**
	Merger	0,00	0,00	0,00
	Revenues	0,00	428 062,39	428 062,39
	Contributed in kind	0,00	0,00	0,00
	Expenditure	0,00	735 834,84	735 834,84
	As at the end of period	**12 389 648,22**	**15 733 871,07**	**28 123 519,29**
redemption	As at the begining of period	**0,00**	**15 942 244,21**	**15 942 244,21**
	Mergers	0,00	0,00	0,00
	Total after merger	0,00	15 942 244,21	15 942 244,21
	Merger	0,00	0,00	0,00
	Year deprectiation	0,00	88 779,93	88 779,93
	Increase	0,00	0,00	0,00
	Decrease	0,00	817 949,84	817 949,84
	Contributed in kind	0,00	0,00	0,00
	As at the end of period	**0,00**	**15 213 074,30**	**15 213 074,30**
As at the begining of period (net)		12 389 648,22	99 399,31	12 489 047,53
As at the end of period (net)		**12 389 648,22**	**520 796,77**	**12 910 444,99**

Asset group	01-01-2017 to 31-12-2017	Goodwill	Other intangible assets	Total other intangible assets
value	As at the begining of period	**12 389 648,22**	**15 957 264,44**	**28 346 912,66**
	Mergers	0,00	0,00	0,00
	Total after merger	**12 389 648,22**	**15 957 264,44**	**28 346 912,66**
	Merger	0,00	0,00	0,00
	Revenues	0,00	84 379,08	84 379,08
	Contributed in kind	0,00	0,00	0,00
	Expenditure	0,00	0,00	0,00
	As at the end of period	**12 389 648,22**	**16 041 643,52**	**28 431 291,74**
redemption	As at the begining of period	**0,00**	**15 840 466,46**	**15 840 466,46**
	Mergers	0,00	0,00	0,00
	Total after merger	0,00	15 840 466,46	15 840 466,46
	Merger	0,00	0,00	0,00
	Year deprectiation	0,00	101 777,75	101 777,75
	Increase	0,00	0,00	0,00
	Decrease	0,00	0,00	0,00
	Contributed in kind	0,00	0,00	0,00
	As at the end of period	**0,00**	**15 942 244,21**	**15 942 244,21**
As at the begining of period (net)		12 389 648,22	116 797,98	12 506 446,20
As at the end of period (net)		**12 389 648,22**	**99 399,31**	**12 489 047,53**

Note 2. Goodwill of subsidiaries

N/A

Note 3. Tangible assets

TANGIBLE ASSETS	31-12-2018	31-12-2017
a) fixed assets, including:	406 934 705,99	399 910 708,06
- land (including perpetual usufruct)	41 475 107,91	41 475 107,91
- buildings, premises and civil engineering structures	334 645 190,87	328 504 635,75
- technical equipment and machinery	17 493 872,36	15 947 875,40
- motor vehicles	2 486 922,93	2 400 907,49
- other fixed assets	10 833 611,92	11 582 181,51
b) fixed assets under construction	15 780 597,73	13 586 520,50
c) advances on fixed assets under construction	48 423,00	0,00
Total tangible assets	**422 763 726,72**	**413 497 228,56**

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

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

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

Asset group	01-01-2018 to 31-12- 2018	- land (including perpetual usufruct)	- Buildings, premises and civil engineering structures	- technical equipment and machinery	- Motor vehicles	- other fixed assets	Total fixed assets	Fixed assets under construction	Total tangible assets
value	As at the begining of period	**43 423 586,61**	**390 903 370,12**	**37 043 088,33**	**7 836 635,53**	**27 194 402,80**	**506 401 083,39**	**13 586 520,50**	**519 987 603,89**
	Merger/updates	0,00	0,00	0,00	0,00	0,00	**0,00**	0,00	0,00
	Total after merger	43 423 586,61	390 903 370,12	37 043 088,33	7 836 635,53	27 194 402,80	**506 401 083,39**	13 586 520,50	519 987 603,89
	Revenues	0,00	819 581,02	3 385 093,74	279 765,33	809 802,84	**5 294 242,93**	9 895 093,10	15 189 336,03
	Movements	0,00	10 597 950,51	241 671,36	1 299 065,04	1 429 596,22	**13 568 283,13**	2 933 281,42	16 501 564,55
	Expenditure	0,00	58 022,65	1 673 725,74	336 481,76	801 648,50	**2 869 878,65**	10 634 297,29	13 504 175,94
	As at the end of period	43 423 586,61	402 262 879,00	38 996 127,69	9 078 984,14	28 632 153,36	**522 393 730,80**	15 780 597,73	538 174 328,53
redemption	As at the begining of period	**1 948 478,70**	**62 403 747,70**	**21 095 212,83**	**5 264 255,71**	**15 778 680,39**	**106 490 375,33**	**0,00**	**106 490 375,33**
	Merger	0,00	0,00	0,00	0,00	0,00	**0,00**	0,00	0,00
	Total after merger	1 948 478,70	62 403 747,70	21 095 212,83	5 264 255,71	15 778 680,39	**106 490 375,33**	0,00	106 490 375,33
	Year deprectiation	0,00	5 217 534,90	2 057 478,04	1 646 876,93	2 823 124,61	**11 745 014,48**	0,00	11 745 014,48
	Consolidation adjustment	0,00	0,00	0,00	0,00	0,00	**0,00**	0,00	0,00
	Increases	0,00	0,00	0,00	0,00	0,00	**0,00**	0,00	0,00
	Decrease	0,00	3 594,47	1 650 435,63	319 071,43	803 263,46	**2 776 364,99**	0,00	2 776 364,99
	As at the end of period	1 948 478,70	67 617 688,13	21 502 255,24	6 592 061,21	17 798 541,54	**115 459 024,82**	0,00	115 459 024,82
Write-offs for impairment	Change in write-offs	0,00	0,00	0,00	0,00	0,00	**0,00**	0,00	0,00
	As at the end of period	0,00	0,00	0,00	0,00	0,00	**0,00**	0,00	0,00
As at the begining of period (net)		**41 475 107,91**	**328 499 622,42**	**15 947 875,50**	**2 572 379,82**	**11 415 722,41**	**399 910 708,06**	**13 586 520,50**	**413 497 228,56**
As at the end of period (net)		**41 475 107,91**	**334 645 190,87**	**17 493 872,45**	**2 486 922,93**	**10 833 611,82**	**406 934 705,98**	**15 780 597,73**	**422 715 303,71**

Asset group	01-01-2017 to 31-12-2017	- land (including perpetual usufruct)	- Buildings, premises and	- technical equipment and machinery	- Motor vehicles	- other fixed assets	Total fixed assets	Fixed assets under construction	Total tangible assets

			civil engineering structures						
value	As at the begining of period	**43 262 402,86**	**372 332 791,95**	**39 699 655,08**	**7 750 725,80**	**27 620 115,12**	**490 665 690,81**	**12 875 334,61**	**503 541 025,42**
	Merger/updates	0,00	0,00	0,00	0,00	0,00	**0,00**	0,00	0,00
	Total after merger	43 262 402,86	372 332 791,95	39 699 655,08	7 750 725,80	27 620 115,12	**490 665 690,81**	12 875 334,61	503 541 025,42
	Revenues	217 426,75	16 707 606,45	962 714,02	403 378,88	1 463 482,56	**19 754 608,66**	1 382 185,89	21 136 794,55
	Movements	0,00	0,00	0,00	0,00	0,00	**0,00**	0,00	0,00
	Expenditure	0,00	47 600,00	0,00	316 974,89	0,00	**364 574,89**	671 000,00	1 035 574,89
	As at the end of period	43 479 829,61	388 992 798,40	40 662 369,10	7 837 129,79	29 083 597,68	**510 055 724,58**	13 586 520,50	523 642 245,08
Redemption	As at the begining of period	**2 004 721,70**	**55 652 167,88**	**22 807 885,61**	**4 262 900,44**	**14 952 903,07**	**99 680 578,70**	**0,00**	**99 680 578,70**
	Merger	0,00	0,00	0,00	0,00	0,00	**0,00**	0,00	0,00
	Total after merger	2 004 721,70	55 652 167,88	22 807 885,61	4 262 900,44	14 952 903,07	**99 680 578,70**	0,00	99 680 578,70
	Year deprectiation	0,00	5 091 100,60	1 906 608,09	1 490 296,75	2 548 513,10	**11 036 518,54**	0,00	11 036 518,54
	Consolidation adjustment	0,00	-207 505,83	0,00	0,00	0,00	**-207 505,83**	0,00	-207 505,83
	Increases	0,00	0,00	0,00	0,00	0,00	**0,00**	0,00	0,00
	Decrease		47 600,00	0,00	316 974,89	0,00	**364 574,89**	0,00	364 574,89
	As at the end of period	2 004 721,70	60 488 162,65	24 714 493,70	5 436 222,30	17 501 416,17	**110 145 016,52**	0,00	110 145 016,52
Write-offs for impairment	Change in write-offs	0,00	0,00	0,00	0,00	0,00	**0,00**	0,00	0,00
	As at the end of period	0,00	0,00	0,00	0,00	0,00	**0,00**	0,00	0,00
As at the begining of period (net)		**41 257 681,16**	**316 680 624,07**	**16 891 769,47**	**3 487 825,36**	**12 667 212,05**	**390 985 112,11**	**12 875 334,61**	**403 860 446,72**
As at the end of period (net)		**41 475 107,91**	**328 504 635,75**	**15 947 875,40**	**2 400 907,49**	**11 582 181,51**	**399 910 708,06**	**13 586 520,50**	**413 497 228,56**

Note 4. Investment real estate

Other long-term investments	**31-12-2018**	**31-12-2017**
a) investment real estate	259 161 999,55	279 544 497,36
b) other	0,00	0,00
Value of other long-term investments	**259 161 999,55**	**279 544 497,36**

CHANGES IN INVESTMENT REAL ESTATE	**According to fair value**	**According to historical cost**	**Total value of investment real estate**
a) opening balance	**211 115 853,59**	**68 428 643,77**	**279 544 497,36**
expenditure incurred	126 827 749,06	65 525 085,71	192 352 834,77
financial expenses	14 891 508,16	2 903 558,06	17 795 066,22
revaluation value	69 396 596,37	0,00	69 396 596,37
b) increase (due to)	**4 914 630,42**	**105 587 292,88**	**110 501 923,30**
expenditure incurred	4 900 716,62	99 778 694,67	104 679 411,29
financial expenses	0,00	5 808 598,21	5 808 598,21
revaluation value	13 913,80	0,00	13 913,80
reclassification from construction contracts	0,00	0,00	0,00
c) decrease (due to)	**130 884 421,11**	**0,00**	**130 884 421,11**
incurred expenses - sale, corrections	0,00	0,00	0,00
financial expenses	10 219 797,45	0,00	10 219 797,45
revaluation value	5 290 866,05	0,00	5 290 866,05
reclassification to construction contracts	115 373 757,61	0,00	115 373 757,61
d) closing balance	**85 146 062,90**	**174 015 936,65**	**259 161 999,55**
expenditures	69 149 257,69	165 303 780,38	234 453 038,07
financial expenses	4 671 710,71	8 712 156,27	13 383 866,98
revaluation value	11 325 094,50	0,00	11 325 094,50

J.W. Construction Holding S.A. Capital Group, for the purposes of investment property valuation, commissions independent Property Experts, holding appropriate rights, to prepare valuation reports with determination of the market value. To determine the valuation, the appraiser applies rules in accordance with the General National Valuation Rules adopted by the National Council of the Polish Federation of Valuers' Associations, where market value is the most probable price obtainable on the market on the date of valuation.

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

In order to determine the market value, a property valuer shall determine the manner of optimal or most probable use of the property by selecting an appropriate valuation method. It shall take into account, in particular, the purpose of the valuation, the type and location of the property, its intended use in the local plan, the degree of equipment with technical infrastructure facilities and the available data on prices, income and characteristics of similar properties.

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

- income-based valuation method
- pair-comparison method
- residual method.

The following key assumptions were made when applying the income-based method valuation:

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

Note 5. Other financial assets

LONG-TERM FINANCIAL ASSETS	31-12-2018	31-12-2017
a) shares	421 716,98	221 907,98
b) loans granted	8 855 175,04	112 067,95
c) other long-term investments	3 846 200,24	3 419 034,32
Total long-term financial assets	**13 123 092,26**	**3 753 010,25**

LONG-TERM FINANCIAL ASSETS	31-12-2018	31-12-2017
a) in subsidiaries	1 367 808,42	124 425,93
- shares	213 166,98	12 357,98
- debt securities	206 885,86	0,00
- other security papers	0,00	0,00
- loans granted	947 755,58	112 067,95
- other long-term financial assets	0,00	0,00
b) in other units	11 755 283,84	3 628 584,32
- shares	208 550,00	209 550,00
- debt securities	0,00	0,00
- other security papers	3 639 314,38	3 419 034,32
- loans granted	7 907 419,46	0,00
- other long-term financial assets	0,00	0,00
c) other long-term investments	0,00	0,00
Total non-current financial assets	**13 123 092,26**	**3 753 010,25**

	Name of a unit (and its legal form)	Registered office	Company business	Affiliation type	Consolidation method	Date of assuming control	Value of shares/interest at acquisition price	Revaluation on adjustment	Write-offs up to book value of in-kind contribution	Carrying value of shares	% of total number of votes in the General Meeting
1	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%
2	J.W. Construction Bułgaria Sp. z o.o.	Warna (Bulgaria)	real estate development	subsidiary	not consolidated	08.10.2007	9 854,98	0,00	0,00	9 854,98	100,00%
3	Yakor House Sp. z o.o.	Sochi (Russia)	real estate development	subsidiary	full consolidation	07.12.2007	9 810 000,00	0,00	0,00	9 810 000,00	70,00%
4	J.W. Construction Sp. z o.o.	Ząbki	production of prefabricated goods for construction	subsidiary	full consolidation	19.02.2008	70 197 456,00	0,00	36 125 456,00	34 072 000,00	100,00%
5	Dana Invest Sp z o.o.	Ząbki	real estate development	subsidiary	full consolidation	22.11.2013	14 308 350,00	0,00	0,00	14 308 350,00	99,99%
6	Varsovia Apartamenty Sp. z o.o.	Ząbki	real estate development	subsidiary	full consolidation	23.01.2014	305 000,00	0,00	0,00	305 000,00	100,00%
7	Berensona Invest Sp. z o.o.	Ząbki	real estate development	subsidiary	full consolidation	28.01.2014	5 000,00	0,00	0,00	5 000,00	100,00%
8	Bliska Wola 4 Sp z o.o. 1 SK	Ząbki	real estate development	subsidiary	full consolidation	22.01.2014	44 800 300,00	0,00	0,00	44 800 300,00	99,00%
9	Bliska Wola 4 Sp z o.o. 2 SK	Ząbki	real estate development	subsidiary	full consolidation	29.01.2014	6 769 550,00	0,00	0,00	6 769 550,00	48,00%
10	Wola Invest Sp z o.o.	Ząbki	real estate development	subsidiary	full consolidation	23.01.2014	5 000,00	0,00	0,00	5 000,00	100,00%
11	Bliska Wola 4 Sp z o.o.	Ząbki	real estate development	subsidiary	full consolidation	24.01.2014	5 000,00	0,00	0,00	5 000,00	100,00%
12	Hanza Invest S.A.	Ząbki	real estate development	subsidiary	full consolidation	26.10.2016	75 117 223,20	0,00	0,00	75 117 223,20	100,00%
13	WIELOPOLE 19/21 SP.Z O.O.	Ząbki	real estate development	subsidiary	not consolidated	29.03.2018	203 312,00	0,00	0,00	203 312,00	100,00%

Partial affiliation											
1	Bliska Wola 4 Sp z o.o.2SK	Ząbki	real estate development	subsidiary	full consolidation	26.02.2016	12 745 500,00	0,00	0,00	12 745 500,00	51,00%
2	Bliska Wola 4 Sp z o.o.1SK	Ząbki	real estate development	subsidiary	full consolidation	26.02.2016	211,74	0,00	0,00	211,74	1,00%
3	Bliska Wola 4 Sp z o.o.2SK	Ząbki	real estate development	subsidiary	full consolidation	26.02.2016	178,00	0,00	0,00	178,00	1,00%
4	Dana Invest Sp. z o.o.	Ząbki	real estate development	subsidiary	full consolidation	27.11.2014	50,00	0,00	0,00	50,00	0,01%
5	Karczma Regionalna Sp.z o.o.	Krynica Górska	hotel services	subsidiary	not consolidated	16.12.2004	208 550,00	0,00	0,00	208 550,00	8,06%

Note 6. Non-current receivables

NON-CURRENT RECEIVABLES	31-12-2018	31-12-2017
a) deposit receivables	2 839 265,65	3 032 273,85
b) deposit receivables (leasing)	0,00	0,00
b) other receivables	0,00	0,00
Total receivables	**2 839 265,65**	**3 032 273,85**

Note 7. Inventories and construction contracts

In connection with the execution of construction projects, the companies of the Capital Group draw up budgets which are compared
with actual costs and the degree of advancement of projects on the basis of cyclical inventories.

INVENTORIES	31-12-2018	31-12-2017
a) materials	2 365 934,74	2 591 802,87
b) semi-finished products and work in progress	0,00	0,00
c) finished products	249 627,77	249 627,77
d) goods	25 536 435,63	27 482 711,03
e) trade advances	968 487,06	76 371,36
Total inventories	**29 120 485,20**	**30 400 513,03**

Construction contracts - assets include, among others, the amount of expenditure incurred on projects under construction, the value of finished premises which have not been transferred to customers.

CONSTRUCTION CONTRACTS	31-12-2018	31-12-2017
CONSTRUCTION CONTRACTS (current assets)		
a) semi-finished products and work in progress	678 033346,34	580 192 722,05
b) finished products	78 852 384,31	32 089 840,45
c) advances for supplies	15 912 905,18	17 114 540,28
d) short-term prepayments and accruals	1 878 615,47	198 203,74
Total construction contracts	**774 677 251,30**	**629 595 306,51**
CONSTRUCTION CONTRACTS (current liabilities)		
a) accruals	513 534 527,58	377 519 939,66
Total construction contracts	**513 534 527,58**	**377 519 939,66**

construction contracts

Accruals	31-12-2018	31-12-2017
- advances on premises	506 559 769,46	373 504 903,13
- provision for works	6 028 390,59	2 839 681,53
- other	946 367,53	1 175 355,00
Total accruals	**513 534 527,58**	**377 519 939,66**

The companies of the Capital Group, in connection with their operations, take out loans which are secured, among others, by mortgage on real estate. As at 31 December 2018, the Group companies established collateral in the form of a mortgage on real estates presented in inventories and construction contracts as well as in fixed assets with a total value of PLN 540 million. The value of the mortgage is established for the amount of the granted loan (or higher), therefore it significantly exceeds the value of real estates disclosed in the assets of the Companies of the Group. As at 31 December 2018, liabilities by virtue of credits disbursed amount to PLN 142 million (excluding credits of TBS Marki Sp. z o.o. liabilities amount to PLN 54.6 million).

Note 8. Current 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	31-12-2018	31-12-2017

a) trade receivables - related parties	2 908,95	7 783,70
b) trade receivables - other parties	22 730 040,86	25 576 919,46
c) taxes, subsidies, customs duties, social and health insurance and other payments	13 179 928,92	12 436 070,61
d) other	3 556 658,06	4 118 429,78
Total receivables	**39 469 536,79**	**42 139 203,55**

AGE STRUCTURE OF TRADE RECEIVABLES	31-12-2018	31-12-2017
not overdue	21 121 568,75	21 888 634,58
Overdue up to 3 months	668 674,67	1 477 556,34
Overdue between 3 and 6 months	199 273,09	340 101,36
Overdue between 6 months and 1 year	386 635,18	764 762,49
Overdue over 1 year	356 798,12	1 113 648,40
Gross trade receivables	**22 732 949,81**	**25 584 703,17**
Write-offs updating receivables	**0,00**	**0,00**
Net receivables	**22 732 949,81**	**25 584 703,17**

The Company created revaluation write-downs on receivables, which were recognized in other operating costs. The revaluation write-offs were created according to the best knowledge and experience of the Company based on individual analysis of particular balances.

CHANGE IN WRITE-DOWNS ON TRADE RECEIVABLES AND OTHER RECEIVABLES	31-12-2018	31-12-2017
As at the begining of period	**35 053 475,31**	**34 983 662,71**
a) increase	0,00	69 812,60
b) decrease	0,00	0,00
As at the end of period	**35 053 475,31**	**35 053 475,31**

The revaluation write-offs apply in full to other past due receivables. Costs and revenues related to the creation and reversal of revaluation write-downs on receivables are recognized under other operating expenses or other operating income, respectively.

As at 31.12.2018 31-12-2018 and 31.12.201731-12-2017 there were no trade and other receivables in foreign currencies.

Note 9. Other financial assets

SHORT-TERM INVESTMENTS	31-12-2018	31-12-2017
a) shares	0,00	0,00
b) loans granted	39 624 826,38	39 683 837,60
c) other investments	19 647 129,03	16 041 377,29
Total short-term investments	**59 271 955,41**	**55 725 214,89**

SHORT-TERM INVESTMENTS	31-12-2018	31-12-2017
a) in subsidiaries	39 569 341,84	39 683 837,60
- shares	0,00	0,00
- debt securities	0,00	0,00
- other security papers	0,00	0,00
- loans granted	39 569 341,84	39 683 837,60
- other current financial assets	0,00	0,00
b) in other units	19 702 613,57	16 041 377,29
- shares	0,00	0,00
- debt securities	0,00	0,00
- other security papers	19 647 129,03	16 041 377,29
- loans granted	55 484,54	0,00
- other current financial assets	0,00	0,00
c) other short-term investments	0,00	0,00
Total short-term investments	**59 271 955,41**	**55 725 214,89**

Note 10. Cash and cash equivalents

CASH AND CASH EQUIVALENTS	31-12-2018	31-12-2017

a) cash on hand and with bank	121 743 649,44	173 027 606,33
b) other cash	730 716,45	1 015 460,11
c) other cash assets	10 134,45	228 022,93
Total cash	**122 484 500,34**	**174 271 089,37**

The companies of the Capital Group present in the "other cash" item mainly investments made for a period of less than three months.

	31-12-2018	31-12-2017
cash in escrow accounts	**85 368 886,42**	**45 584 183,26**
JW. Construction Holding SA	61 483 631,37	37 174 715,67
Hanza Invest SA	23 885 255,05	8 401 700,44
Nowe Tysiąclecie Sp. z o.o.	0,00	7 767,15

Note 11. Accruals

ACCRUALS	31-12-2018	31-12-2017
a) short-term accruals	17 048 154,36	13 293 242,47
Total accruals	**17 048 154,36**	**13 293 242,47**

In the "other prepaid expenses" item, 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	31-12-2018	31-12-2017
- property insurance	408 693,48	116 644,20
- interest	2 784 239,27	1 418 486,12
- commission expenses	12 186 778,37	10 275 254,20
- property tax, perpetual usufruct, road tax	0,00	14 811,00
- other	1 668 443,24	1 468 046,95
Total accruals	**17 048 154,36**	**13 293 242,47**

Note 12. Primary capital

Series/ issue	Share type	Type of share preference akcji	Types of restrictions on rights to shares	Number of shares	Value of series/issuance per nominal value	Coverage of capital	Registration date	Divident right (since)
A and B	bearer		-	54 073 280	10 814 656	Assets of a transformed company - TBM Batory Sp. z o.o. / cash	01.07.2010*	
C				34 786 163	6 957 232,60	Cash	30.09.2014	
Number of shares				88 859 443				
Total share capital					17 771 888,60			
Share nominal value = 0,20 zł								

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

As at 31-12-2018

Shareholder	Number of shares held	% of capital share	Number of votes	% of total number of votes in the General Meeting
Józef Wojciechowski	32.094.963	36,12 %	32.094.963	36,12 %
EHT S.A.	47.846.225	53,84 %	47.846.225	53,84 %
Others	8.918.255	10,04 %	8.918.255	10,04 %

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

Note 13. Other capitals

OTHER CAPITALS	31-12-2018	31-12-2017

a) reserve capital	692 071 910,38	638 322 939,75
b) other reserve capitals	7 947 307,60	7 947 307,60
c) conversion differences	-3 692 561,76	-2 922 760,52
Total other capitals	**696 326 656,22**	**643 347 486,83**

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

Other reserve capitals constitute reserves earmarked for dividend.

Note 14. Borrowings

BORROWINGS	**31-12-2018**	**31-12-2017**
a) credits	142 029 510,58	204 039 207,77
of which: long-term	*101 430 756,35*	*144 689 144,73*
short-term	*40 598 754,23*	*59 350 063,04*
b) loans	375 865,86	897 210,95
of which: long-term	*0,00*	*0,00*
short-term	*375 865,86*	*897 210,95*
Total borrowings	**142 405 376,44**	**204 936 418,72**
Borrowings - long-term	**101 430 756,35**	**144 689 144,73**
Borrowings - short-term	**40 974 620,09**	**60 247 273,99**

CREDITS PER MATURITY	**31-12-2018**	**31-12-2017**
Up to 1 year	*40 598 754,23*	*59 350 063,04*
Between 1 and 2 years	*7 973 337,40*	*46 682 411,57*
Between 2 and 5 years	*21 712 552,51*	*19 388 653,94*
Over 5 years	*71 744 866,44*	*78 618 079,22*
Total credits, including	**142 029 510,58**	**204 039 207,77**
- long-term	101 430 756,35	144 689 144,73
- short-term	40 598 754,23	59 350 063,04

LOANS PER MATURITY	**31-12-2018**	**31-12-2017**
Up to 1 year	375 865,86	*897 210,95*
Between 1 and 2 years	*0,00*	*0,00*
Between 2 and 5 years	*0,00*	*0,00*
Over 5 years	*0,00*	*0,00*
Total loans	**375 865,86**	**897 210,95**
- long-term	0,00	0,00
- short-term	375 865,86	897 210,95

In the financial year 2017 and from the balance sheet date to the date of preparation of these financial statements, none of the loan agreements concluded so far have been terminated by the Bank.

Including TBS Marki Sp. z o.o. loans - Company from the Group, which took loans from the National Housing Fund on completely separate rules, regulated by the Act of 26 October 1995 on certain forms of support for housing construction, Journal of Laws. U.00.98.1070. j.t.:

BORROWINGS	**31-12-2018**	**31-12-2017**
a) credits	87 381 303,84	90 903 238,42
of which: long-term	*82 414 987,44*	*85 736 830,84*
short-term	*4 966 316,40*	*5 166 407,58*
b) loans	0,00	0,00
of which: long-term	*0,00*	*0,00*
short-term	*0,00*	*0,00*
Total borrowings	**87 381 303,84**	**90 903 238,42**
Borrowings - long-term	**82 414 987,44**	**85 736 830,84**
Borrowings - short-term	**4 966 316,40**	**5 166 407,58**

CREDITS PER MATURITY	**31-12-2018**	**31-12-2017**

Up to 1 year	4 966 316,40	5 166 407,58
Between 1 and 2 years	4 966 316,40	5 166 407,58
Between 2 and 5 years	14 501 036,50	15 085 505,94
Over 5 years	62 947 634,54	65 484 917,32
Total credits, including	**87 381 303,84**	**90 903 238,42**
- long-term	82 414 987,44	85 736 830,84
- short-term	4 966 316,40	5 166 407,58

Note 15. Deferred income tax assets

The applicable rate of income tax in 2018 and 2017 was 19%.

DEFERRED INCOME TAX ASSETS AND A RESERVE FOR DEFERRED INCOME TAX	31-12-2018		
	Deferred income tax assets	Deferred income tax reserve	Net value
Tangible assets	10 896 481,92	7 365 681,00	3 530 800,92
Investment real estate	0,00	2 151 767,96	-2 151 767,96
Inventories and construction contracts	425 223,01	20 138 253,31	-19 713 030,30
Trade and other receivables	8 500 402,36	4 821 680,86	3 678 721,50
Borrowings	3 980 769,37	3 115 024,60	865 744,77
Reserves	3 147 348,80	0,00	3 147 348,80
Trade and other payables	308 445,41	0,00	308 445,41
Other, including tax losses	15 453 069,70	2 439 738,16	13 013 331,54
Deferred tax assets / reserve shown in the balance sheet	**42 711 740,57**	**40 032 145,88**	**2 679 594,69**

DEFERRED INCOME TAX ASSETS AND A RESERVE FOR DEFERRED INCOME TAX	31-12-2017		
	Deferred income tax assets	Deferred income tax reserve	Net value
Tangible assets	0,00	7 493 510,94	-7 493 510,94
Investment real estate	0,00	13 185 353,31	-13 185 353,31
Other financial assets	0,00	4 362 478,65	-4 362 478,65
Non-current receivables	0,00	0,00	0,00
Inventories and construction contracts	53 936,98	6 968 899,90	-6 914 962,92
Trade and other receivables	0,00	4 418 949,80	-4 418 949,80
Reserves	6 065 440,62	0,00	6 065 440,62
Trade and other payables	335 866,14	0,00	335 866,14
Other financial liabilities	5 172 154,73	0,00	5 172 154,73
Other, including tax losses	21 519 287,32	1 045 727,63	20 473 559,69
Deferred tax assets / reserve shown in the balance sheet	**33 146 685,79**	**37 474 920,23**	**-4 328 234,44**

CHANGE IN DEFERRED INCOME TAX	31-12-2018	31-12-2017
Change of the assets towards the deferred tax	10 051 566,20	-6 507 210,93
Change of the reserves towards the deferred tax	-3 527 884,59	-56 282,69
Total change in deferred tax	**6 523 681,61**	**-6 563 493,62**
Deferred tax disclosed in the profit and loss account	**-6 523 681,61**	**6 563 493,62**
Deferred tax recognised in comprehensive income	**0,00**	**0,00**

Note 16. Retirement benefits liabilities

CHANGE IN RETIREMENT BENEFITS LIABILITIES	31-12-2018	31-12-2017
As at the begining of period	241 204,48	241 204,48
Increases	0,00	0,00
Decrease	0,00	0,00
As at the end of period	**241 204,48**	**241 204,48**

Retirement benefits are the calculation of retirement benefits in accordance with the Labour Code and are not created in accordance with IAS 19.

Note 17. Provisions for other liabilities and other charges

PROVISIONS FOR OTHER LIABILITIES AND CHARGES	31-12-2018	31-12-2017
a) short-term, of which:	**39 504 479,20**	**27 735 675,12**
- accrued expenses, including:	23 053 900,23	13 057 926,22
- interest charged	1 110 399,96	1 122 006,79
- rent deposits	480 433,64	480 433,64
- hotel down payments	3 333 310,50	3 879 548,64
- other	18 129 756,13	7 575 937,15
- other provisions, including:	16 450 578,97	14 677 748,90
- provision for future liabilities	126 789,78	0,00
- provisions for guaranteed repairs	560 124,45	1 509 355,90
- other provisions	15 763 664,74	13 168 393,00
a) long-term, of which:	**55 126 188,44**	**54 578 877,99**
- accrued expenses, including:	55 126 188,44	54 578 877,99
- participation in construction costs - TBS Marki	48 493 144,01	48 525 652,37
- deferred income - redemption of loans-TBS Brands	6 633 044,43	6 053 225,62
Total provisions for other liabilities and charges	**94 630 667,64**	**82 314 553,11**

TBS Marki Sp. z o.o. realized housing estates in the formula of social housing with the use of loans from the National Housing Fund. As part of its housing stock, it signs participation agreements. When signing the agreement, a participation payment is made (as a contribution of 30% of the construction costs), which is settled after leaving the premises.

Note 18. Other long-term liabilities

OTHER LONG-TERM LIABILITIES	31-12-2018	31-12-2017
a) lease obligations	3 098 299,05	598 298,02
b) deposit liabilities	33 287 067,29	22 035 243,99
c) other long-term liabilities	5 472 119,13	5 093 659,36
d) promissory notes liabilities	0,00	0,00
e) bonds	128 800 000,00	199 100 000,00
Total other liabilities	**170 657 485,47**	**226 827 201,37**

All lease liabilities are denominated in PLN. The fair value of lease liabilities corresponds to its book value and as at 31 December 2018 amounts to PLN 4,623,942.87 of which PLN 3,098,299.05 is a long-term liability.

Prospect leasing payments are payable as follows:

	Minimum lease payments	Interest	Current value of liability
	31-12-2018	**31-12-2018**	**31-12-2018**
under 1 year	1 665 152,24	139 508,42	1 525 643,82
between 1 and 5 years	3 124 001,16	202 140,50	3 098 299,05
over 5 years	0,00	0,00	0,00
	4 789 153,40	**341 648,92**	**4 623 942,87**

	Minimum lease payments	Interest	Current value of liability
	31-12-2017	**31-12-2017**	**31-12-2017**
under 1 year	1 434 668,84	55 416,85	1 379 251,99
between 1 and 5 years	621 704,87	23 406,85	598 298,02
over 5 years	0,00	0,00	0,00
	2 056 373,71	**78 823,70**	**1 977 550,01**

The present value of the lease liability is presented in the financial statements as follows:

	31-12-2018	31-12-2017

current liabilities	1 525 643,82	1 379 251,99
non-current liabilities	3 098 299,05	598 298,02
	4 623 942,87	**1 977 550,01**

Note 19. Trade and other payables

TRADE AND OTHER PAYABLES	31-12-2018	31-12-2017
a) trade payables - other parties	40 155 753,35	46 702 569,04
b) trade payables - affiliated parties	0,00	0,00
c) axes, customs duties, insurance and other payments	3 212 617,37	3 568 122,28
d) salaries	2 617 865,08	2 388 654,25
e) trade advances received	0,00	0,00
f) other	16 923 600,93	7 966 122,08
Total trade and other payables	**62 909 836,74**	**60 625 467,65**

OTHER LIABILITIES	31-12-2018	31-12-2017
a) debt securities issue liabilities	75 941 216,10	20 767 451,05
b) promissory notes liabilities	0,00	573 279,31
c) leasing liabilities	1 525 643,82	1 379 251,99
d) other financial liabilities	0,00	0,00
Total other liabilities	**77 466 859,92**	**22 719 982,35**

All lease liabilities are denominated in PLN. The fair value of lease liabilities corresponds to its book value and as at 31 December 2018 amounts to PLN 4,623,942.87 of which PLN 1,525,643.82 is a current liability.

Note 20. Financial risk management

The main financial instruments used by the Group include bank loans, bonds and finance leases. The main purpose of these financial instruments is to raise funds for the Group's operations. The Group also holds other financial instruments, such as trade receivables and liabilities that arise directly in the course of its business, and the Group's cash and cash equivalents do not contain any transactions involving derivatives.
The main risks arising from the Group's financial instruments include interest rate risk, currency risk, liquidity risk and credit risk. The Management Board verifies and agrees on the principles of managing each of these risks - these principles are briefly discussed below.

Interest rate risk
The Group has liabilities on account of loans, for which interest is calculated on the basis of a variable interest rate, as a result of which there is a risk of an increase in these rates in relation to the moment of concluding the agreement. Due to the fact that in the reporting period the Group had both assets and liabilities bearing interest at a variable rate, which balanced the risk, as well as minor interest rate fluctuations in the past periods, and due to the lack of forecasts of rapid changes in interest rates in subsequent reporting periods, the Group did not use interest rate hedges as at 31 December 2018, considering that the interest rate risk is not significant.
Regardless of the current situation, the Group monitors its exposure to interest rate risk and interest rate projections and does not preclude future hedging activities.
The table below shows the sensitivity of the gross financial result to reasonably possible changes in interest rates, assuming that other factors remain unchanged (in connection with variable interest rate liabilities). The impact on the Group's equity is not presented. The analysis did not take into account a loan from TBS Marki Sp. z o.o., which is a preferential loan granted on other terms, where the risk is limited.

Year ended on 31 December 2018

	% Increase/decrease	Influence on gross profit in thousands of PLN
PLN	1%	-2 987
PLN	-1%	2 987

Currency risk
The Group is exposed to the risk of changes in foreign exchange rates due to loans granted in EUR to a subsidiary which is not subject to consolidation.
The table below shows the sensitivity of the gross financial result to possible changes in the exchange rates of these currencies, assuming that other factors remain unchanged (in connection with receivables and loans in foreign currencies).

Change of EUR/PLN currency rate	Fair value as at 31-12-2018	Asset's value in relation to initial value	Financial asset value	Change (thousand of PLN)

	(thousand of PLN)			
a 20% decrease	39 569	80%	31 655	7 914
a 10% decrease	39 569	90%	35 612	3 957
no change	39 569	100%	39 569	0
a 10% increase	39 569	110%	43 526	-3 957
a 20% increase	39 569	120%	47 483	-7 914

Credit risk
The Group is exposed to credit risk, understood as the risk that creditors will not meet their obligations . and thus cause the Group to incur losses
In the case of a loan to the Capital Group, this risk is considered immaterial due to the ongoing monitoring of financial standing and control.
The maximum exposure to credit risk is PLN 22,730 thousand as at the balance sheet date and was estimated as the balance sheet value of trade receivables from other companies.
In the opinion of the Management Board of the Dominant Entity, credit risk was recognized in the financial statements through the creation of revaluation write-offs. Credit risk related to bank deposits is considered immaterial as the Group enters into transactions with institutions with an established financial position.

Liquidity risk
The Group is exposed to liquidity risk, understood as the risk of losing the ability to settle liabilities on specified dates. The risk results from the potential limitation of access to financial markets, which may result in the inability to obtain new financing or refinancing of the Group's debt.

31-12-2018	Total	0-6 months	6-12 months	1-3 years	Over 3 years
Loans	0,00	0,00	0,00	0,00	0,00
Promissory notes	0,00	0,00	0,00	0,00	0,00
Bonds	199 100 000,00	28 000 000,00	42 300 000,00	128 800 000,00	0,00
Credits	142 029 510,57	28 888 939,03	16 286 068,21	18 772 947,30	78 081 556,03
Leasing	4 623 942,87	1 049 783,03	475 860,79	1 886 624,68	1 211 674,37
Total	**345 753 453,44**	**57 938 722,06**	**59 061 929,00**	**149 459 571,98**	**79 293 230,40**

31-12-2017	Total	0-6 months	6-12 months	1-3 years	Over 3 years
Loans	0,00	0,00	0,00	0,00	0,00
Promissory notes	0,00	0,00	0,00	0,00	0,00
Bonds	215 500 000,00	7 000 000,00	9 400 000,00	199 100 000,00	0,00
Credits	175 484 458,77	50 255 505,81	9 143 056,65	39 824 697,99	76 261 198,32
Leasing	1 941 459,36	605 335,09	667 423,30	668 700,97	0,00
Total	**392 925 918,13**	**57 860 840,90**	**19 210 479,95**	**239 593 398,96**	**76 261 198,32**

Risk of breach of covenants and termination of financing agreements
The concluded loan and bond issue agreements contain financial indicators (covenants), which the Company is obliged to meet. The Company analyses the level of debt and covenants on an ongoing basis, and is also in contact with financing institutions. In the Company's opinion, there is no threat of termination of the aforementioned agreements.

Legislative risk
The planned amendment to the Act on the protection of rights of the purchaser of an apartment or single-family house, providing, among other things, for the introduction of obligatory contributions to the Developer Guarantee Fund, constitutes a risk which may affect the Group's operations and its financial results.

Administrative decisions risk
Development activity is based on administrative decisions required in connection with current or future projects. Failure to obtain permits, approvals or consents, or failure to obtain them on time, may adversely affect the Company's ability to commence, conduct or complete current and new development projects. All of these factors may therefore affect the Company's financial flows and all of its operations.

General macroeconomic situation risk

The Company's activity and financial results to a large extent depend on the economic situation on the domestic market. Factors shaping the economic situation include: GDP growth rate, average gross salary level, unemployment rate, inflation rate, exchange rates, interest rates, availability of loans, degree of household debt. Despite the ongoing economic recovery in Poland, there is no certainty as to the sustainability of positive trends in the future. There is a risk that if the economic growth rate in Poland slows down, real gross wages and the availability of loans, including mortgages, may fall. This will result in a decrease in demand for products and services offered by the Company, in particular for the basic product, i.e. residential units. As a result, it may have a negative impact on the Company's sales and result in deterioration of financial results. In 2018, prices of construction materials and services increased, which may translate into higher costs of investment implementation. Another factor is the shortage of labour, the low unemployment rate in Poland causes problems with recruiting employees, which translates into an increased risk of delays in the execution of construction contracts.

Risk related to support programmes for purchasers of residential units
The housing market in Poland may be affected by the government's "Mieszkanie Plus" programme. At present, it is difficult to predict the scale of its impact on the property development sector. On the one hand, the programme is addressed rather to people who do not have the creditworthiness to buy their own property, i.e. not to the Company's customers. Moreover, the beneficiaries of the programme are to be persons renting flats and not buying them as property. On the other hand, however, the programme may compete with popular flats, especially if it is to include attractive locations in large cities. So far, the programme has been conducted on a limited scale without any significant impact on the housing market or on the Company's operations.
Currently, work is underway on the Act on rental market companies, the so-called REIT - the initial assumptions of the programme assume that it will encourage investment in real estate. However, the final shape of the bill is not known at this moment, so it is difficult to assess its impact on the market.

Note 21. Earnings per share

CALCULATION OF BASIC AND DILUTED EARNINGS PER SHARE		**from 01-01-2018 to 31-12-2018**	**from 01-01-2017 to 31-12-2017**
Profits			
(A) Profit resulting from the financial statements		16 532 576,90	25 936 092,11
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*		88 859 443	88 859 443
(C) Number of ordinary shares and preferred shares (as to the right to vote in the General Meeting of the Company) for the purpose of calculating diluted earnings per share		88 859 443	88 859 443
Basic earnings per share = (A)/(B)		**0,19**	**0,29**
Diluted earnings per share = (A)/(B)		**0,19**	**0,29**

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

Note 22. Income tax

INCOME TAX	**01-01-2018 to 31-12-2018**	**01-01-2017 to 31-12-2017**
a) current income tax	34 271,00	180 043,00
b) deferred income tax	-7 007 829,13	6 563 493,62
Total income tax	**-6 973 558,13**	**6 743 536,62**

In 2018, the Companies of the Capital Group paid a total of PLN 34,271.00 (in 2017: PLN 180,043.00) of corporate income tax.

Reconciliation of effective tax rate	**01-01-2018 to 31-12-2018**	**01-01-2017 to 31-12-2017**
Gross Profit / (loss) before tax from continuing operations	9 559 018,77	32 679 628,74
Gross Profit / (loss) before tax from discontinued operations	0,00	0,00

Gross Profit / (loss) before tax	**9 559 018,77**	**32 679 628,74**
Income exempt from TBS	-1 188 378,54	-1 187 565,71
Gross Profit / (loss) before tax	**8 370 640,23**	**31 492 063,03**
Income tax reported (charge) in profit and loss account	**-6 973 558,13**	**6 743 536,62**
including		
current	34 271,00	180 043,00
deferred	-7 007 829,13	6 563 493,62
Tax in accordance with a 19% tax rate	**1 590 421,64**	**5 983 491,97**
Unrealised tax losses	-785 835,82	-3 414 765,68
Differences resulting from unrealized reserves and assets in previous years	-55 704 837,97	2 103 166,37
Expenditure not constituting tax deductible expenses -permanent differences	5 945 104,60	5 311 834,33
Uncreated assets from tax losses	5 471 991,44	0,00
Adjusted income tax	**-36 702 937,52**	**35 492 298,05**
Tax at effective rate	**-6 973 558,13**	**6 743 536,63**

Note 23 . Segment reporting

Business segments
It has been assumed that the basic division into business segments is the division by business segments. The Group operates mainly in the following three segments:

- real estate development
- social building
- hotel activities

In accordance with IFRS 8 "Segment Reporting", when preparing financial data concerning particular segments of operations, the principle was observed that revenues and costs as well as assets and liabilities of a segment are determined before the consolidation process excludes balances of settlements and transactions between the Group's business entities, except when such balances and transactions between the Group's business entities were made within a single segment. Internal transactions within the segment have been eliminated.
Financial data concerning particular segments of activity include separate financial statements of the Group's companies without exclusions of settlement balances and transactions, with the exclusions of revenues, costs and mutual settlements being presented in the column "Eliminations". The only exception is the developer activity within which the separate financial statements of companies conducting this type of activity were consolidated. In 2015 this segment consisted of the following entities: J.W. Construction Holding SA, Seahouse Sp. z o.o., new Tysiąclecie Sp. z o.o., Łódź Invest Sp. z o.o.. The basic type of goods and services within each business segment:

- property development activity - execution of construction, design and auxiliary production and sale of real estate,
- social housing - sale and administration of social housing estates,
- other construction - execution of construction and assembly production,
- hotel activities - catering and hotel services related to the organization of tourist and leisure services

01-01-2018 to 31-12-2018	Real estate development	Hotels, aparthotels and restaurants	Social building	Other*	Total
Net revenues from sales of products, goods and materials, including:	**319 503 805,72**	**63 061 030,42**	**13 208 781,18**	**8 294 275,42**	**404 067 892,74**
Net revenues from sales of products	315 510 282,27	63 047 976,31	13 199 693,24	8 294 275,42	400 052 227,24
Net revenues from sales of goods and materials	3 993 523,45	13 054,11	9 087,94	0,00	4 015 665,50
Costs of products, goods and materials sold, including:	**248 424 290,43**	**49 639 195,51**	**8 163 801,27**	**23 354 957,02**	**329 582 244,23**
Cost of products sold	244 476 315,89	49 626 141,41	8 154 713,33	23 354 957,02	325 612 127,65
Value of goods and materials sold	3 947 974,54	13 054,10	9 087,94	0,00	3 970 116,58
Gross profit (loss) from sales	**71 079 515,29**	**13 421 834,91**	**5 044 979,91**	**-15 060 681,60**	**74 485 648,51**
Costs of sales	17 559 562,05	6 528 238,40	0,00	0,00	**24 087 800,45**
Overheads	18 226 062,55	4 545 176,23	1 423 077,40	0,00	**24 194 316,18**
Revaluation of investment property	-5 276 952,25	0,00	0,00	0,00	**-5 276 952,25**
Profit (loss) from sales	**30 016 938,44**	**2 348 420,28**	**3 621 902,51**	**-15 060 681,60**	**20 926 579,63**
Other operating income	6 150 629,60	248 559,20	18 869,69	4 738,70	6 422 797,19
Other operating expenses	8 148 350,68	250 527,30	127 621,47	6,60	8 526 506,05
Profit (loss) on operations	**28 019 217,36**	**2 346 452,18**	**3 513 150,73**	**-15 055 949,50**	**18 822 870,77**
Financial revenues	10 915 069,98	24 519,51	985 423,25	12 992,78	11 938 005,52
Financial costs	17 887 184,89	980 781,22	2 333 634,95	240,43	21 201 841,49
Proft / loss from inclusion/exclusion to/from consolidation					**0,00**
Profit (loss) on business activity	**21 047 102,45**	**1 390 190,47**	**2 164 939,03**	**-15 043 197,15**	**9 559 034,80**
Gross profit (loss)	**21 047 102,45**	**1 390 190,47**	**2 164 939,03**	**-15 043 197,15**	**9 559 034,80**
Income tax	1 990,00	0,00	0,00	32 281,00	34 271,00
Deferred tax	-6 724 857,78	508 686,65	0,00	-791 658,00	-7 007 829,13
Net profit (loss)	**27 769 970,23**	**881 487,79**	**2 164 939,03**	**-14 283 820,15**	**16 532 576,90**

*** Other operations present a loss on the sale of real estate in Wrocław.**

01-01-2017 to 31-12-2017	Real estate development	Hotels, aparthotels	Social building	Other operations	Total
Net revenues from sales of products, goods and materials, including:	**337 719 051,90**	**50 532 044,32**	**13 140 337,45**	**2 759 326,92**	**404 150 760,59**
Net revenues from sales of products	335 428 433,19	50 519 180,78	13 124 270,93	2 759 326,92	401 831 211,82
Net revenues from sales of goods and materials	2 290 618,71	12 863,54	16 066,52	0,00	2 319 548,77
Costs of products, goods and materials sold, including:	**249 809 770,93**	**41 335 490,83**	**8 742 791,81**	**527 294,24**	**300 415 347,81**
Cost of products sold	247 196 119,91	41 322 655,29	8 726 725,29	527 294,24	297 772 794,73
Value of goods and materials sold	2 613 651,02	12 835,54	16 066,52	0,00	2 642 553,08
Gross profit (loss) from sales	**87 909 280,97**	**9 196 553,49**	**4 397 545,64**	**2 232 032,68**	**103 735 412,78**
Costs of sales	18 167 137,70	6 002 870,50	0,00	0,00	**24 170 008,20**
Koszty ogólnego zarządu	17 578 172,55	3 346 079,02	1 227 197,88	2 071 995,71	**24 223 445,16**
Revaluation of investment property	-2 141 911,54	0,00	0,00	0,00	**-2 141 911,54**
Profit (loss) from sales	**50 022 059,18**	**-152 396,03**	**3 170 347,76**	**160 036,97**	**53 200 047,88**
Other operating income	1 852 657,88	56 007,52	11 140,66	1 715,06	1 921 521,12
Other operating expenses	6 713 224,93	153 081,68	111 793,81	1,65	6 978 102,07
Profit (loss) on operations	**45 161 492,13**	**-249 470,19**	**3 069 694,61**	**161 750,38**	**48 143 466,93**
Financial revenues	1 449 634,73	4 918,54	1 029 646,42	930 161,72	3 414 361,41
Financial costs	15 097 137,86	1 379 032,75	2 398 821,45	3 207,54	18 878 199,60
Profit (loss) on business activity	**31 513 989,00**	**-1 623 584,40**	**1 700 519,58**	**1 088 704,56**	**32 679 628,74**
Gross profit (loss)	**31 513 989,00**	**-1 623 584,40**	**1 700 519,58**	**1 088 704,56**	**32 679 628,74**
Net profit (loss)	**24 838 236,30**	**-1 515 603,32**	**1 692 319,58**	**921 139,56**	**25 936 092,12**

E. EXPLANATORY NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Note 24. Operating income

OPERATING INCOME	01-01-2018 to 31-12-2018	01-01-2017 to 31-12-2017
Revenues from sales of products	304 855 595,93	323 458 741,36
Revenues from sales of services	95 196 631,31	78 372 470,46
Revenues from sales of goods	4 015 665,50	2 319 548,77
Total income	**404 067 892,74**	**404 150 760,59**

	01-01-2018 to 31-12-2018	01-01-2017 to 31-12-2017
Proceeds from sales, including:	**404 067 892,74**	**404 150 760,59**
-sales of products – properties, plots, buildings	310 235 570,83	324 435 331,36
- sales of products - other	0,00	0,00
-from sales of services	89 816 656,41	77 395 880,46
-from sales of goods	4 015 665,50	2 319 548,77

	01-01-2018 to 31-12-2018	01-01-2017 to 31-12-2017
Revenues from sales of products and services by segment	**400 052 227,24**	**401 831 211,82**
-real estate development	322 800 513,69	337 056 422,25
-business activity related to hotels	62 323 345,45	50 519 180,78
- catering	724 630,86	0,00
- social building	13 199 693,24	13 124 270,93
-construction	1 004 044,00	1 131 337,86

	01-01-2018 to 31-12-2018	01-01-2017 to 31-12-2017
Revenues from sales of products – premises, plots, buildings by geographical segment	**310 235 570,83**	**324 435 331,36**
-Warsaw and the surrounding area	212 975 600,31	230 016 137,05
- Gdynia	90 823 463,97	59 108 347,35
- Łódź	549 940,10	243 239,61
- Katowice	506 591,55	34 094 445,90
- Poznań	0,00	-3 428,55
- parcels and networks	5 379 974,90	976 590,00

	01-01-2018 to 31-12-2018	01-01-2017 to 31-12-2017
Revenues from sales of hotel and aparthotel services per geographic segments	**62 323 345,45**	**50 519 180,78**
-Warsaw and the surrounding area	6 259 048,15	5 631 592,24
- Tarnowo	6 179 314,28	5 799 874,56
- Stryków	4 148 084,43	3 899 475,08
- Szczecin	7 004 704,65	5 905 807,25
- Krynica Górska	31 994 847,55	28 351 483,12
- Varsovia Apartamenty	6 737 346,39	930 948,53

Note 25. Operating expenses

OPERATING EXPENSES	01-01-2018 to 31-12-2018	01-01-2017 to 31-12-2017
Costs of sales of products	255 210 694,61	239 854 303,08
Costs of sales of services	70 401 433,04	57 918 491,65
Costs of sales of goods	3 970 116,58	2 642 553,08
Total costs of products, services and goods sold	**329 582 244,23**	**300 415 347,81**

Sales and overhead expenses	01-01-2018 to 31-12-2018	01-01-2017 to 31-12-2017
Costs of sales	24 087 800,45	24 170 008,20
Overheads	24 194 316,18	24 223 445,16
Total sales and overheads expenses	**48 282 116,63**	**48 393 453,36**

Expenses per type	01-01-2018 to 31-12-2018	01-01-2017 to 31-12-2017
Depreciation and amortization	11 833 777,38	11 138 296,29
Materials and energy cost	124 181 513,24	28 145 301,51
Third party services	295 807 200,16	263 355 028,24
Taxes and charges	12 156 001,93	12 213 211,90
Remunerations	39 748 826,20	40 345 016,62
Social security and other payments	7 144 295,76	6 421 827,37
Other expenses per type	11 626 860,21	9 345 298,36
Total expenses per type	**502 498 474,88**	**370 963 980,29**

Note 26. Other operating income

OPERATING INCOME	01-01-2018 to 31-12-2018	01-01-2017 to 31-12-2017
a) profit on sale of non-financial fixed assets	38 811,33	93 315,74
b) other operating income	6 383 985,86	1 828 205,38
Total operating income	**6 422 797,19**	**1 921 521,12**

OPERATING INCOME	01-01-2018 to 31-12-2018	01-01-2017 to 31-12-2017
a) profit on sale of non-financial fixed assets	38 811,33	93 315,74
b) handling fees	218 181,11	235 629,70
c) reserves	138 657,50	583 723,17
e) other (icluding damages), contractual penalties	6 027 147,25	1 008 852,51
Total operating income	**6 422 797,19**	**1 921 521,12**

Note 27. Other operating expenses

OPERATING EXPENSES	01-01-2018 to 31-12-2018	01-01-2017 to 31-12-2017
a) loss on sale of non-financial fixed assets	0,00	0,00
b) revaluation of non-financial assets	72 586,60	1 098 274,52
c) other operating expenses	8 453 919,45	5 879 827,55
Total operating income	**8 526 506,05**	**6 978 102,07**

OPERATING EXPENSES	01-01-2018 to 31-12-2018	01-01-2017 to 31-12-2017
a) loss on sale of non-financial fixed assets	0,00	0,00
b) revaluation of non-financial assets	72 586,60	1 098 274,52
c) reserves	2 860 724,58	3 084 121,17
d) compensations, penalties, damages	3 351 589,51	553 166,87
e) compensations for breach of contracts	0,00	983,00
f) costs of court proceedings	532 448,44	0,00
g) other	1 709 156,92	2 241 556,51
Total operating income	**8 526 506,05**	**6 978 102,07**

Note 28. Financial revenues

FINANCIAL REVENUES	01-01-2018 to 31-12-2018	01-01-2017 to 31-12-2017
a) dividends	0,00	0,00
b) interest	10 675 380,84	3 340 872,94
c) profit on disposal of investment	0,00	0,00
d) other	1 262 627,68	73 488,47
Total financial revenues	**11 938 008,52**	**3 414 361,41**

Financial revenues	01-01-2018 to 31-12-2018	01-01-2017 to 31-12-2017
a) dividends	0,00	0,00
b) interest from customers	234 520,93	286 067,23
c) loan interest	504 683,55	471 984,30
d) deposit interest	990 191,08	1 331 764,60
e) promissory notes interest	914 135,76	918 774,50
f) other interest	8 031 849,52	332 282,31
g) profit on disposal of investment	0,00	0,00
h) foreign exchange rate differences	0,00	0,00
i) other	1 262 627,68	73 488,47
Total	**11 938 008,52**	**3 414 361,41**

Note 29. Financial expenses

FINANCIAL EXPENSES	01-01-2018 to 31-12-2018	01-01-2017 to 31-12-2017
a) interest	21 121 584,79	16 082 412,74
b) loss on disposal of investment	30 384,75	0,00
c) other	49 890,98	2 795 786,86
Total financial expenses	**21 201 860,52**	**18 878 199,60**

FINANCIAL EXPENSES	01-01-2018 to 31-12-2018	01-01-2017 to 31-12-2017
a) interest, commissions, loans	3 980 768,67	4 606 476,44
b) interest - leasing	67 163,91	106 032,19
c) interest - loans	-8 193,89	143 517,44
d) interest - promissory notes	33,33	220 619,67
e) interest - bond issuance	4 925 630,13	9 250 710,08
f) other interest	12 156 182,64	1 755 056,92
g) loss on disposal of investment	30 384,75	0,00
h) other	49 890,98	2 795 786,86
Total financial expenses	**21 201 860,52**	**18 878 199,60**

F. OTHER EXPLANATORY NOTES

Note 30. Transactions with affiliates

As part of its operations, the Company enters into transactions with affiliated companies, in particular in the area of sales, administrative services, real estate rental, performance of works, granting warranties, financing. Transactions with subsidiaries and other related companies, the value of which in 2018 was significant from the point of view of the presented data, are presented below. A materiality threshold was adopted for commercial transactions over 100 thousand with the remaining 10% of equity. All transactions concluded in 2018 by the Company or its subsidiary with related parties were conducted on the market terms.

	Receivables from affiliated parties	
COMPANY NAME	**31-12-2018**	**31-12-2017**
TBS Marki Sp. z o.o.	24 663,88	127 222,70
J.W. Construction Sp. z o.o.	2 438 841,36	3 599 498,60
Dana Invest Sp. z o.o.	323 666,21	127 429,95
Varsovia Apartamenty Sp. z o.o.	1 651 383,26	208 158,13
Berensona Invest Sp. z o.o.	35 660,16	26 644,26
Bliska Wola 4 Sp. z o.o.1 SK	34 196,00	210 414,04
Bliska Wola 4 Sp. z o.o. 2 SK	407 211,29	517 261,58
Wola Invest Sp. z o.o.	32 708,16	23 692,26
Bliska Wola 4 Sp. z o.o.	30 330,40	20 834,80
Hanza Invest S.A.	1 600 333,23	22 724,53

	Payables to affiliated parties	
COMPANY NAME	**31-12-2018**	**31-12-2017**
TBS Marki Sp. z o.o.	29 910 789,10	29 779 250,20
J.W. Construction Sp. z o.o.	3 621 730,40	3 845 230,61
Bliska Wola 4 Sp. z o.o.1 SK	5 196,00	4 212,00
Varsovia Apartamenty Sp. z o.o.	0,00	13 035,47
Hanza Invest SA	0,00	0,00

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

OTHER PARTY TO TRANSACTION	**TRANSACTION/AGREEMENT SUBJECT**	**01-01-2018-31-12-2018**	**01-01-2017-31-12-2017**
J.W.Construction Sp. z o.o.	construction works-Zdziarska II	0,00	4 613 669,57
J.W.Construction Sp. z o.o.	construction works Ożarów Houses	994 655,15	5 465 649,74
J.W.Construction Sp. z o.o.	construction works Ożarów blocks of flats	1 013 901,10	1 069 664,02
J.W.Construction Sp. z o.o.	construction works Katowice	12 157 512,24	8 762 189,74
J.W.Construction Sp. z o.o.	construction - crane rent Kasprzaka CK	0,00	157 500,00
J.W.Construction Sp. z o.o.	construction - crane rent Kasprzaka CM	0,00	105 400,00
J.W.Construction Sp. z o.o.	staffing services Kasprzaka CK	970 993,00	847 517,10
J.W.Construction Sp. z o.o.	staffing services Kasprzaka CM	7 078,00	698 286,50
J.W.Construction Sp. z o.o.	staffing services Badylarska	0,00	159 791,80

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

OTHER PARTY TO TRANSACTION	TRANSACTION/AGREEMENT SUBJECT	01-01-2018 to31-12-2018	01-01-2017 to 31-12-2017
TBS Marki Sp. z o.o.	administrative services	231 751,36	255 091,17
TBS Marki Sp. z o.o.	loan surety	0,00	784 000,00
J.W.Construction Sp. z o.o.	administrative services	1 180 619,00	600 000,00
J.W.Construction Sp. z o.o.	sale of goods, materials	318 303,85	0,00
J.W.Construction Sp. z o.o.	guaranteed repairs services	1 613 369,45	629 402,95
J.W.Construction Sp. z o.o.	office building rental	146 028,00	146 028,00
Bliska Wola 4 Sp. z o.o.1 SK	construction service	0,00	161 875,90
Bliska Wola 4 Sp. z o.o.2 SK	construction service	0,00	129 267,36
Hanza Invest SA	sales service	976 592,22	208 000,00
Varsovia Apartamenty Sp. z o.o.	reinvoicing (other)	748 302,87	149 409,60
Varsovia Apartamenty Sp. z o.o.	other	517 833,68	0,00

Transactions related to capital investments and financial assets are described in significant events up to and after the balance sheet date. Other transactions concluded with affiliated entities do not exceed the adopted materiality threshold.

All transactions concluded by the Issuer or its subsidiaries are concluded on market terms.

Transactions with Members of the Management Board or Supervisory Board

On March 3, 2018 Małgorzata Ostrowska purchased a residential unit located in Warsaw at 31A Kasprzaka Street with an area of 26.76 m2 for PLN 173,404.80.

Note 31. Remuneration of members of the governing bodies of the Capital Group, employment structure

The remuneration for 2018 is presented below. The tables contain the total data of the members of the governing bodies of the parent company, broken down into remuneration received for the functions performed in the companies of the Group, employment in the companies of the Group, and other forms of remuneration.

JW Construction Holding S.A.	01-01-2018 to 31-12-2018
Management Board	
Rajchert Wojciech	65 000,74
Starzyńska Magdalena	197 672,48
Ostrowska Małgorzata	176 540,53
Suprynowicz Piotr	55 180,00
Pisarek Małgorzata	59 954,01

JW Construction Holding S.A.	01-01-2018 to 31-12-2018
Supervisory Board	
Wojciechowski Józef	0,00
Szwarc-Sroka Małgorzata	16 792,80
Łopuszyńska Irmina	16 184,80
Czyż Barbara	92 293,46
Radziwilski Jacek	47 881,49
Maruszyński Marek	43 258,32
Matkowski Ryszard	40 514,68

JW Construction Holding S.A.	01-01-2018 to 31-12-2018
Supervisory Board, other remuneration	
Wojciechowski Józef	2 000 000,00
Szwarc-Sroka Małgorzata	278 308,00
Łopuszyńska Irmina	297 325,00
Czyż Barbara	0,00
Radziwilski Jacek	0,00
Maruszyński Marek	0,00
Matkowski Ryszard	0,00

Other companies of the Capital Group, other agreements	01-01-2018 to 31-12-2018
Management Board	
Rajchert Wojciech	198 220,00
Starzyńska Magdalena	22 793,63
Ostrowska Małgorzata	53 968,99
Suprynowicz Piotr	219 481,66
Pisarek Małgorzata	0,00

Other companies of the Capital Group, other agreements	01-01-2018 to 31-12-2018
Supervisory Board	
Wojciechowski Józef	0,00
Szwarc-Sroka Małgorzata	145 719,00
Łopuszyńska Irmina	66 000,00
Czyż Barbara	48 344,38
Radziwilski Jacek	0,00
Maruszyński Marek	0,00
Matkowski Ryszard	0,00

Information on average employment in the Dominant Entity of the Capital Group, broken down by professional groups

Company	31-12-2018	31-12-2017
Management Board	3	4
Directors	23	17
Administration	256	250
Other employees	240	222
Total	**522**	**493**

Contracts	31-12-2018	31-12-2017
Employment contract	522	493
Fee-for-task contract	298	294
Specific work contract	20	20

Note 32. Significant events in the financial year

Construction and occupancy permits

a) construction permit

On 10, 12 and 15 January and 13 February 2018. The Company received building permits for a complex of terraced houses located in the commune of Kręczki Kaputy near Ożarów Mazowiecki. The permit is legally binding

On 2 February 2018 The Company received building permits for a hotel building with services, retail and underground garage, located at Pileckiego Street in Warsaw. On 4 October 2018 The Company received a certificate that the decision of 2 February 2018 on granting a building permit for the construction of a hotel building with services and trade and an underground garage, located at Pileckiego Street in Warsaw, has become final and legally binding.

On 8 May 2018 The Company received a building permit for the construction of a residential and service complex "Bliska Wola stage D" in the vicinity of Ordona, Kasprzaka, Prymasa Tysiąclecia Avenue in Warsaw. The permit obtained enables the development of two sub-stages of the investment, for a total of nearly 1,500 units with a residential, hotel and commercial area of almost 62,000 m2. The permit is legally binding.

On 10 September 2018 The Company received building permits for a hotel, retail and service complex with technical infrastructure, located at Spokojna Street in Gdynia. The permit is final.

On 9 November 2018. The Company received building permits for a multi-family building with a service part and an underground garage at Mikołaja Trąby Street in Warsaw. The permit is final.

b) occupancy permit

On 19 June 2018. The Company received a permit to use a multi-family residential building with an underground garage in Warsaw at Verdiego Street - Osiedle Zielona Dolina III. The permit is legally binding.

On 2 July 2018 The Company received occupancy permits for residential buildings developed within the housing estate at Leśna and Parkowa Streets in Gdynia - Osiedle Gdynia Bernadowo Park II. The permit is legally binding.

On 18 July 2018 The Company received occupancy permits for the Varsovia Aparthotel (Bliska Wola stage C, excluding 11 premises) at Kasprzaka/Ordona Street in Warsaw. On 20 September this year. (with respect to 7 premises) and 3 October 2018. (with respect to 4 premises), the Company received occupancy permits. The permits are legally binding.

On 14 August 2018. The Company received occupancy permits for 4 multi-family residential buildings developed within the Zielona Dolina II residential investment, stage II at Verdiego Street in Warsaw. On 17 December 2018 The Company obtained permission for the remaining 21 buildings within the Zielona Dolina II stage II project. The permits are legally binding.

Significant construction contracts and annexes

Construction contract

On 28 August 2018, the Issuer entered into an agreement with Fabet-Konstrukcje Spółka z o.o. with its registered office in Kielce as the contractor for the execution of works related to the construction of buildings, including, among others, the following works on the area of the investment carried out by the Company in Warsaw at Kasprzaka Street Stage Dm and Dk of Bliska Wola investment:
- comprehensive execution of reinforced concrete works;
- comprehensive execution of masonry works.
- drainage of the trench;
- execution of ground works;
- securing the excavation walls - slurry wall;

The deadline for completion of the works was set at 21 October 2020.
The Contractor's remuneration has been established as a lump-sum based on the scope of works at the amount of PLN 140,262,989.82 plus VAT at the rate applicable on the date of issuing the invoices.

Annexes to investment contracts

On 6 November 2018, between the Issuer's subsidiaries Hanza Invest S.A. with its registered office in Ząbki (investor) and J.W. Construction Sp. z o.o. with its registered office in Ząbki (general contractor), an annex to the agreement of 28 February 2017 for the execution of the Hanza Tower investment in Szczecin was concluded. On the basis of the concluded annex they have been changed:
- the investment is to be completed by 30 July 2020. (obtaining a valid occupancy permit);
- scope of works by increasing the scope of works due to changes resulting from the executive design;
- Lump-sum remuneration agreed between the parties, which was increased to PLN 173,000,000 increased by VAT at the rate binding on the day of issuing the invoices. The increase in remuneration takes into account the costs of works resulting from the increase in the scope of works as well as the higher costs of the construction actually incurred by the Contractor, calculated on the basis of the steel and concrete used.

On 12 December 2018, the Company concluded an annex to the agreement of 14 July 2017 with a subsidiary of J.W. Construction Sp. z o.o. with its registered office in Ząbki, being the general contractor for buildings A2, B2 and B3 in the Osiedle Tysiąclecia investment in Katowice, pursuant to which the following have been altered:
1. The deadline for obtaining a valid occupancy permit was set at 31 December 2020.
2. The lump-sum remuneration agreed between the parties was increased to the amount of PLN 82,875,000 increased by VAT at the rate applicable on the date of issuing the invoices.

Real estate contracts

Purchase of real estate
In the reporting period, the Company was purchasing the remaining residential units located in Krakow at 19-21 Wielopole Street, 86,88,90 Dietla Street. As at today, there is a last unit in the building to be purchased.
On 2 February 2018, the Company acquired the ownership right to an undeveloped plot of land with an area of 2.3544 ha located at Poznańska Street in Skórzewo in the municipality of Doplewo. The sale price is set at PLN 9,800,000 net plus VAT at the applicable rate. The property is intended for multi-family residential development. The Company estimates that it will be possible to construct approx. 14,000 m2 of usable area of flats on the plot.
On 4 April 2018, in the performance of a conditional sale agreement concluded on 23 March 2018, in connection with the lack of exercising his right of the President's of Pruszków, the Company concluded a contract transferring the right of perpetual usufruct of an undeveloped plot of land No. 215 with an area of 16,902 m2 located in Pruszków at Waryński 5/7 St. for the amount of PLN 15,900,000 net plus VAT at the applicable rate. The company plans to build approximately 19,000 m2 of residential useable area.
On 5 June 2018, in the performance of a preliminary agreement for the acquisition of the right of perpetual usufruct of land concluded on 6 February 2018, the Company concluded a purchase agreement for two developed plots with a total area of 0.2287 ha located in Gdańsk at Starowiejska St., for PLN 4,250,000 net, plus VAT at the applicable rate.
On 6 June 2018, in the performance of a preliminary agreement for the acquisition of the right of perpetual usufruct of land concluded on 13 June 2017, the Company concluded a purchase agreement for eight developed plots with a total area of 0.8450 ha and a share of 806/1000 in two plots with a total area of 0.1542 located in Gdańsk at 67 Starowiejska St., for PLN 20,500,000 net, plus VAT at the applicable rate. The company plans to build about 33,100 m2 of useable area on the plots in question.
On 11 September 2018, in performance of the contingent purchase agreement of 31 August 2018, the Company entered into an agreement transferring the ownership right to real estate comprising a plot of land No. 555, 556 and 557/1 with a total area of 29.4000 ha located in Zawada, Myślenice Municipality ("Property"). The price for the Property has been determined as PLN 21,000,000 gross. The Company intends to build approx. 63,100 m2 of usable area of flats on the plots in question.
On 19 December 2018, in performance of the contingent agreement, the Company acquired the right of perpetual usufruct of undeveloped plots of land No. 5/4, 7/2 and 7/4 with a total area of 1,4471 ha located in Szczecin at Celna Street for the total amount of PLN 14,600,000 net increased by VAT at the applicable rate. The Company, on the plots at Celna Street (purchased in December 2018 and January 2019), intends to build approx. 48,800 m2 of usable area of apartments and aparthotels.

Preliminary agreements for the acquisition of real estate
On 19 December 2018 The Company entered into a contingent agreement for the acquisition of the perpetual usufruct right to undeveloped plots with numbers 28/8 and 28/9 with a total area of 0.7471 ha, located in Łódź at Jana Kilińskiego Street, for the amount of PLN 4,725,000 net plus VAT at the applicable rate. The condition for the purchase of the property was that the city of Łódź did not exercise its pre-emptive right of refusal. The Company intends to construct approx. 10,000 m2 of usable area of flats on the plots.

Real estate sales agreements
On 29 May 2018, the City of Katowice exercised its pre-emptive right of perpetual usufruct of the undeveloped plot of land No. 43/1 with an area of 2,066 m2 located in Katowice, the Tysiąclecia estate belonging to the Company, for the amount of PLN 897,900.00 gross. The property in question was to be sold to another entity.

On 22 June 2018 The Company sold real estate constituting a developed right of perpetual usufruct of plots of land No. 12/2, 12/3 and 30 with a total area of 0.3621 ha, located in Wrocław at 20 Powstańców Śląskich Street, for the amount of PLN 1,000,000 plus VAT at the applicable rate. The sale of the said property generated a loss in the Company's result in the reporting period in the amount of PLN 15,184,357.

Preliminary agreements for the sale of real estate
On 29 November 2018 The Company entered into a preliminary and contingent agreement for the sale of the ownership right to properties located in Łeba, constituting plots of land No. 78/11 with an area of 1.7405 ha, 78/12 with an area of 3.6367 ha, a share of 546/3822 in the plot of 78/4 and a share of 1613100/1014909090 in plot 79 (road plots) for the net amount of PLN 9,486,000.

Credit agreements
In 2018, the following events related to credit agreements occurred:

Credit repayment
On 5 February 2018, the Company made a full repayment of the loan for the co-financing of the„Bernardowo Park phase II" residential investment in Gdynia in the amount of PLN 33,700,000 incurred in Millenium Bank S.A

On 28 February 2018, the Company made a full repayment of the revolving credit for co-financing the costs of realization of "Zielona Dolina III" residential investment in Warsaw, in the amount of PLN 5,000,000 incurred in BOŚ Bank SA.
On 17 October 2018 The Company repaid in full the revolving credit intended for co-financing the costs of the residential investment "Zielona Dolina II stage II" in Warsaw, in the amount of PLN 49,500,000 incurred in BOŚ Bank S.A.

Annex to credit agreement:
On 20 April 2018, the Company concluded an Annex to a credit agreement in the current account granted by Plus Bank S.A. Under the Annex, at the Company's request, the credit limit was reduced to PLN 8,000,000 and the deadline for use and repayment date have been postponed. The final repayment date is 25 April 2020.
On 25 April 2018, the Company concluded an Annex to a credit agreement in the current account granted by PKO BP S.A. in the amount of PLN 10,000,000. Under the Annex, the deadline for use and repayment date have been postponed. The final repayment date is 25 April 2019.
On 25 April 2018. J.W. Construction Spółka z o.o., a subsidiary of the Issuer, concluded an annex to the credit agreement in the current account granted by PKO BP S.A. in the amount of PLN 7,000,000. Under the annex, the date of use and repayment of the loan was postponed. The new repayment date was set at 25 April 2019.
On 14 June 2018, the Company concluded an Annex to a credit agreement in the current account granted by Bank Millenium SA in the amount of PLN 16,830,000. Under the Annex, the deadline for use and repayment date have been postponed. The final repayment date is 31 May 2019.
On 13 December 2018 The Company concluded an Annex to the investment loan agreement granted by Getin Noble Bank S.A. to co-finance the costs of stage III of the "Osiedle Nowe Tysiąclecie" project in Katowice in the amount of PLN 42,000,000. Under the annex, the date of use and repayment of the loan has been postponed. The new repayment date was set at 31 December 2021.
On 28 December 2018 The Company concluded an Annex to the revolving credit agreement granted by Bank Polskiej Spółdzielczości S.A. in the final amount of PLN 4,500,000, earmarked for financing current operations. Under the Annex, the date of use of the loan was postponed. The new repayment date was set at 31 December 2019.

Securities :

Interest paid
On 24 April 2018 the Company paid interest on series JWX0116 bonds.
On 15 May 2018 and 15 November 2018 the Company paid interest on bonds marked with the PLJWC0000126 code
On 30 May 2018 and 30 November 2018 the Company paid interest on bonds marked with the ISIN PLJWC0000118 code.

Partial bonds redemption
In the reporting period, the Company partially redeemed the nominal value of the following bonds in accordance with the terms and conditions of the issue of bonds:
On May 30, 2018, the Company made a partial redemption of the nominal value of JWC0520 series bonds, issued in 70,000 units, with a par value of PLN 1,000 each and a total value of PLN 70,000,000, marked in the KDPW system by the ISIN code PLJWC0000118. The redemption covered 10% of the original bond issue value, ie PLN 7,000,000. After redemption, the value of each bond is PLN 900.00 and the total value of PLN 63,000,000.00.
On 15 November 2018, 10% of the value of each bond issued on 17 November 2017 in the number of 94,000 bonds with a nominal value of PLN 1,000.00 each and the total issue value of PLN 94,000,000.00, designated with ISIN code PLJWC0000126, was redeemed. After redemption, the value of each bond is PLN 900.00 and the total value is PLN 84,600,000.00.

Purchase of shares
In the reporting period, the Company acquired 100 shares with a nominal value of PLN 100 each and a total value of PLN 10,000, constituting 100 % of the share capital of Wielopole 19/21 Spółka z o.o. with its registered office in Kraków.

Merger
On 20 September 2018 The District Court for the Capital City of Warsaw in Warsaw, 14th Commercial Division of the National Court Register, registered the Issuer's merger with the following subsidiaries: Seahouse Spółka z o.o. with its registered office in Ząbki, Łódź Invest Spółka z o.o. with its registered office in Ząbki, Nowe Tysiąclecie Spółka z o.o. with its registered office in Ząbki, Zdziarska Invest Spółka z o.o. with its registered office in Ząbki, Lewandów Invest Spółka z o.o. with its registered office in Ząbki, Porta Transport Spółka z o.o.o. in liquidation with its registered office in Szczecin, a company under the business name J.W. Ergo Energy Spółka z o.o. with its registered office in Ząbki, a company under the business name Towarzystwo Budownictwa Społecznego Nowy Dom Spółka z o.o. with its registered office in Ząbki, a company under the business name J.W. Marka Spółka z o.o. with its registered office in Ząbki and Business Financial Construction Spółka z o.o. with its registered office in Warsaw (" Acquired companies).The merger was made within the capital group of the Issuer, in all Companies acquired the Issuer held 100% share in the share capital. The merger was carried out pursuant to Art. 492.1.1 of the Polish Commercial Companies Code through the transfer of all the assets of the Acquired Companies to the Issuer - as the sole shareholder

Changes to governing bodies of the Company:

Management Board
As at 31-12-2018 Management Board comprises of:
Wojciech Rajchert – Członek Zarządu
Małgorzata Ostrowska – Management Board Member
Piotr Suprynowicz – Członek Zarządu
Małgorzata Pisarek – Management Board Member
The following changes were made to the Management Board in 2018:
On September 6, 2018 Małgorzata Pisarek was appointed to the Management Board of the Company on the basis of personal right granted to the Shareholder.
On 27 December 2018, effective as at 31 December 2018, Magdalena Starzyńska resigned from the Management Board of the Company.

Supervisory Board
As at 31-12-2018 the Supervisory Board comprises of:
Józef Wojciechowski – Chairman of the Supervisory Board
Małgorzata Szwarc - Sroka – Supervisory Board Member
Irmina Łopuszyńska Supervisory Board Member
Jacek Radziwilski – Supervisory Board Member
Barbara Czyż – Supervisory Board Member
Marek Maruszyński – Supervisory Board Member
Ryszard Matkowski – Supervisory Board Member

The following changes were made to the Supervisory Board in 2018:
On 16 January 2018, Barbara Czyż submitted her resignation from the Supervisory Board
On 16 January 2018, Ryszard Matkowski was appointed to the Supervisory Board by the Extraordinary General Meeting
On January 16, 2018 Barbara Czyż was appointed to the Supervisory Board of the Company on the basis of personal right granted to the Shareholder.

Audit Committee within the Supervisory Board
As at 31 December 2018 the Audit Comittee comprises of:
Ryszard Matkowski – Chairman (independent Supervisory Board Member)
Irmina Łopuszyńska – Member
Marek Maruszński – Member (independent Supervisory Board Member)
The following changes were made to the Audit Comittee in 2018:
On 30 January 2018, Jacek Radziwilski submitted his resignation from the Audit Comittee
On 1 February 2018, Ryszard Matkowski was appointed to the Audit Comittee

Corporate affairs
General Meetings
On 16 January 2018, an Extraordinary General Meeting of Shareholders was held, which adopted resolutions on: increasing the number of members of the Supervisory Board of the Company and on appointing Mr Ryszard Matkowski to the Supervisory Board of the Company.
On 16 January 2018, Barbara Czyż submitted her resignation from the Supervisory Board
On January 16, 2018 Barbara Czyż was appointed to the Supervisory Board of the Company on the basis of personal right granted to the Shareholder.
On 30 January 2018, Jacek Radziwilski submitted his resignation from the Audit Comittee
On 1 February 2018, Ryszard Matkowski was appointed to the Audit Comittee as the Chairman

On 28 March 2018 the Extraordinary General Meeting was held, which adopted a resolution on the merger of the Company with the subsidiaries of Seahouse Spółka z o.o. with its registered office in Ząbki, Łódź Invest Spółka z o.o. with its registered office in Ząbki, Nowe Tysiąclecie Spółka z o.o. with its registered office in Ząbki, Zdziarska Invest Spółka z o.o. with its registered office in Ząbki, Lewandów Invest Spółka z o.o.o. with its registered office in Ząbki, Porta Transport Spółka z o.o. in liquidation with its registered office in Szczecin, J.W. Ergo Energy Spółka z o.o. with its registered office in Ząbki, Towarzystwo Budownictwa Społecznego Nowy Dom Spółka z o.o. with its registered office in Ząbki, J.W. Marka Spółka z o.o. with its registered office in Ząbki and Business Financial Construction Spółka z o.o. with its registered office in Warsaw ("The Acquired Companies"). The merger was carried out within the Company's capital group, in all the acquired companies the Company holds 100% of the share capital. The merger is executed pursuant to Art. 492.1.1 of the Polish Commercial Companies Codethrough the transfer of all the assets of the Acquired Companies to the Company - as the sole shareholder.

On 14 June 2018, an Ordinary General Meeting of Shareholders was held, which adopted resolutions on the approval of the financial statements and the Management Board statement on operations, the Company's unitary and consolidated financial statements, granted a vote of confidence to members of the Company's governing bodies, and allocated the profit for the previous financial year to the Company's reserve capital.

Merger procedure

On 16 February 2018, the plan of merger of the Company with the following subsidiaries was adopted and signed: Seahouse Spółka z o.o. with its registered office in Ząbki, Łódź Invest Spółka z o.o. with its registered office in Ząbki, Nowe Tysiąclecie Spółka z o.o. with its registered office in Ząbki, Zdziarska Invest Spółka z o.o. with its registered office in Ząbki, Lewandów Invest Spółka z o.o. with its registered office in Ząbki, a company under the business name Porta Transport Spółka z o.o. in liquidation with its registered office in Szczecin, J.W. Ergo Energy Spółka z o.o. with its registered office in Ząbki, Towarzystwo Budownictwa Społecznego Nowy Dom Spółka z o.o. with its registered office in Ząbki, J.W. Marka Spółka z o.o. with its registered office in Ząbki and Business Financial Construction Spółka z o.o. with its registered office in Warsaw ("Acquired companies").

On 28 March 2018, an Extraordinary General Meeting of Shareholders was held to adopt a resolution on the merger of the companies, during this period merger resolutions were adopted in the acquired companies.

On 20 September 2018 The District Court for the capital city of Warsaw in Warsaw, 14th Commercial Division of the National Court Register, registered the merger.

Auditor change

In connection with the mandatory rotation of the auditor in the public interest unit, pursuant to the provisions of the Act on statutory auditors, audit firms and public supervision, on 26 April 2018 the Issuer, by mutual consent, terminated the agreement concluded with BDO Sp. z o.o. of 15 June 2016 within the scope including the audit of the financial statements for 2018. On 5 June 2018 The Issuer's Supervisory Board selected Mazars Audyt Spółka z o.o. with its registered office in Warsaw as the auditor of the Company's financial statements for 2018-2019.

Note 33. The events that took place after the balance sheet date

Credit agreement

On 7 February 2018, a subsidiary of the Issuer, Hanza Invest S.A. with its registered office in Ząbki, as an investor, concluded an agreement with Bosnia Bank S.A. under which the Bank granted a revolving credit in the amount of PLN 48,000,000. The loan was granted in order to finance and refinance expenses related to the construction of the Hanza Tower apartment building at Wyzwolenia Avenue and Odzieżowa Street in Szczecin. The loan repayment date was set at 31 March 2021.

Annex to the credit agreement

On 7 February 2019, the Issuer's subsidiary Hanza Invest S.A. terminated the agreement of 10 February 2017 with Alior Bank S.A. with its registered office in Warsaw on granting the following loans to the Investor: investment in the amount of PLN 138,789,712 and VAT in the amount of PLN 3,000,000.

Purchase of real estate

On 25 January 2019. The Company concluded an agreement for the acquisition of the ownership right to real estate located in Szczecin at Celna St., constituting a plot of land No. 5/1 with an area of 0.8219 ha, for the amount of PLN 8,900,000 net plus VAT at the applicable rate.

On February 5, 2019, in performance of the contingent agreement of December 19, 2018, the Company concluded an agreement for the purchase of perpetual usufruct right to undeveloped plots with numbers 28/8 and 28/9 with a total area of 0.7471 ha, located in Łódź at Jana Kilińskiego Street, for the amount of PLN 4,725,000 net plus VAT at the applicable rate.

Sales of real estate

On 31 January 2019, in performance of the concluded preliminary and contingent agreements, the Company concluded an agreement for the sale of the ownership right to properties located in Łeba, constituting plots of land No. 78/11 with an area of 1.7405 ha, 78/12 with an area of 3.6367 ha, a share of 546/3822 in plot 78/4 and a share of 1613100/1014909090 in plot 79 (road plots) for the net amount of PLN 9,486,000.

Corporate affairs

On 15 March 2019, an Extraordinary General Meeting of Shareholders was held, which adopted a resolution on determining the conditions under which the Management Board of the Company may carry out the buy-back of its own shares. In the adopted resolution, the General Meeting authorized the Management Board of the Company for a period of 5 years to purchase not more than 20% of the Company's own shares traded on the Warsaw Stock Exchange within the price limits between PLN 2.18 and PLN 3.40 per share. The purchase may be carried out as part of: transactions on the regulated market, in accordance with Regulation (EU) No. 596/2014 of the European Parliament and of the Council, or by way of invitations to submit an offer for the sale of shares in transactions outside the regulated market.

Note 34. Selected financial data including basic items of the consolidated financial statement in thousands PLN

To convert the balance sheet data as at the last day of the period from 1 January to 31 December 2018, the EUR exchange rate set by the National Bank of Poland as at that day, i.e. 4.3000 PLN/EUR.

To convert the balance sheet data as at the last day of the period from 1 January to 31 December 2017, the EUR exchange rate set by the National Bank of Poland as at that day, i.e. 4.1709 PLN/EUR.
For the conversion of the profit and loss account data for the period from 1 January 2018 to 31 December 2018, the average EUR rate was adopted, calculated as the arithmetic mean of the rates in force on the last day of each month n a given period, determined by the National Bank of Poland on that day, i.e. 4.2669 PLN/EURO rate.
For the conversion of the profit and loss account data for the period from 1 January 2017 to 31 December 2017, the average EUR rate was adopted, calculated as the arithmetic mean of the rates in force on the last day of each month in a given period, determined by the National Bank of Poland on that day, i.e. 4.2247 PLN/EURO rate.

Consolidated balance sheet item	31-12-2018		31 December 2017	
	PLN	EUR	PLN	EUR
Total assets	**1 795 582**	**417 577**	**1 690 887**	**405 401**
Fixed assets	753 510	175 235	745 463	178 729
Current assets	1 042 072	242 342	945 425	226 672
Total liabilities and equity	**1 795 582**	**417 577**	**1 690 887**	**405 401**
Equity	693 704	161 327	678 228	162 609
Non-current liabilities	367 488	85 462	463 811	111 202
Current liabilities	734 390	170 788	548 848	131 590

Consolidated profit and loss account item	01-01-2018 to 31-12-2018		01-01-2017 to 31-12-2017	
	PLN	EUR	PLN	EUR
Net revenues from sales of products, goods and materials	404 068	94 698	404 151	95 664
Costs of products, goods and materials sold	329 582	77 241	300 415	71 109
Gross profit (loss) from sales	**74 486**	**17 457**	**103 735**	**24 555**
Costs of sales	24 088	5 645	24 170	5 721
Overheads	24 194	5 670	24 223	5 734
Profit (loss) from sales	20 927	4 904	53 200	12 593
Profit (loss) on operations	18 823	4 411	48 143	11 396
Gross profit (loss)	**9 559**	**2 240**	**32 680**	**7 735**
Income tax	-6 974	-1 634	6 744	1 596
Net profit (loss)	**16 533**	**3 875**	**25 936**	**6 139**

Issuer's balance sheet item	31-12-2018		31 December 2017	
	PLN	EUR	PLN	EUR
Total assets	**1 668 191**	**387 951**	**1 601 064**	**383 865**
Fixed assets	799 851	186 012	763 972	183 167
Current assets	868 340	201 940	837 092	200 698
Total liabilities and equity	**1 668 191**	**387 951**	**1 601 064**	**383 865**
Equity	753 958	175 339	731 428	175 365
Non-current liabilities	253 330	58 914	341 932	81 980
Current liabilities	660 903	153 698	527 704	126 520

Profit and loss account item	01-01-2018 to 31-12-2018		01-01-2017 to 31-12-2017	
	PLN	EUR	PLN	EUR
Net revenues from sales of products, goods and materials	384 262	90 056	384 507	91 014
Costs of products, goods and materials sold	310 041	72 662	288 390	68 263
Gross profit (loss) from sales	**74 221**	**17 395**	**96 117**	**22 751**
Costs of sales	22 692	5 318	22 320	5 283
Overheads	19 757	4 630	20 622	4 881
Profit (loss) from sales	26 495	6 209	51 033	12 080
Profit (loss) on operations	21 911	5 135	45 837	10 850
Gross profit (loss)	**15 760**	**3 694**	**38 537**	**9 122**
Income tax	-6 770	-1 587	9 505	2 250
Net profit (loss)	**22 529**	**5 280**	**29 031**	**6 872**

Note 35. Off-balance-sheet items

Conditional hedging instruments are used in the practice of business activity. In particular, under the existing credit agreements, banks providing financing may assert claims on the basis of established collateral in the event of the Group's failure to meet its contractual obligations. Collaterals are established up to the amount of the loan granted multiplied by a specific ratio. The ratio, depending on the type of credit agreement, type of collateral, financing bank and other factors, ranges from 100% to 200%. Regardless of the number and amount of established collaterals, the bank may assert claims up to the amount of actual debt together with due interest. As at 31 December 2018, the value of debt on account of loans amounted to PLN 142.0 million (including the debt of TBS Marki Sp. z o.o. - PLN 87.4 million) and there were no indications that any of the loans could not be repaid on time.
In the case of J.W. Construction Holding S.A. loans, the standard securities used by banks include, among others, mortgages on real estate.

The value of mortgages secured on real estate is presented below:

OFF-BALANCE SECURITIES	**31-12-2018**
Amount of security on own real estate*	539 923 086

*including collaterals on real estate of TBS Marki Sp. z o.o. - PLN 22.4 million

Several types of collateral are usually used for one credit agreement, with a total value in excess of the loan amount. However, the amounts of collateral cannot be added together as the value of a possible claim would be closely linked to the amount of the obligation and the eligible entity would have the right to choose the type of collateral.
Apart from the mortgage, there are also other forms of collateral, i.e. writs of execution, bills of exchange, powers of attorney to accounts or pledges on accounts. In addition, in the case of investment loans, collateral instruments are assignments from contracts related to specific construction projects (e.g. general contracting agreements, insurance contracts, performance bonds). Moreover, if the borrower is a subsidiary of J.W. Construction Holding S.A., banks usually require an additional guarantee from the Issuer, and in some cases a pledge on the shares of the subsidiary.

The value of sureties and guarantees granted is presented below:

OFF-BALANCE SECURITIES - other	**31-12-2018**
Guarantee of J.W. Construction Holding S.A. to the benefit of Hanza Invest SA for a credit loan incurred at Alior Bank S.A.	141 789 712
Guarantee of J.W. Construction Holding S.A. to the benefit of Dana Invest Sp. z o.o. for a credit loan incurred at BZ WBK SA.	29 694 876
Guarantees to the benefit of J.W. Construction Sp. z o.o. by PKO BP for the loan and surety	14 500 000
Sureties to the benefit of TBS "Marki" Sp z o.o.	22 400 000

As at 31 December 2018, there were also insurance and bank guarantees for removal of defects and faults granted by banks and insurance institutions, the beneficiaries of which were the Capital Group companies. Moreover, blank promissory notes were issued for the companies of the Capital Group as a security for their rights resulting from guarantees granted by contractors, which the Companies have the right to fill in at any time for the amount corresponding to the costs of removal of defects and faults. The total value of guarantees as at 31 December 2018. As at 31 December 2018, the total value of the guarantee amounted to PLN 33.86 million and EUR 37 thousand (JW. Construction Holding SA), PLN 4.83 million and EUR 116.48 thousand (JW. Construction sp. z o.o.).

Note 36. Significant issues in litigation

As at 31 December 2018, no proceedings to which the Company or any of its subsidiaries, either as plaintiff or defendant, were material to the Company's business.
However, with regard to the previously provided information concerning proceedings brought by the Capital City of Warsaw against the Company, for payment of annual fees (2009-2013) for perpetual usufruct of real estate designated in the local zoning plan for a public road, of which the Company informed in its reports for earlier periods. On 22 December 2018, a cassation appeal was filed with the Supreme Court against the verdict of the Court of Appeals in Warsaw of 4 June 2018 issued as a result of re-examination of the case as a result of the above mentioned verdict of the Supreme Court of 9 March 2018, under which the Company's appeal against the verdict of the Court of First Instance was again dismissed.

Note 37. Financial instruments and hedge accounting

The Group does not use derivative financial instruments. The Group uses bank loans and borrowings, issues bonds and uses finance lease agreements.
The main financial assets of the Capital Group are a loan to a related non-consolidated Capital Group and cash and cash equivalents.

The fair values of particular classes of financial instruments

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

	Category	*Category*	**Balance sheet value**		**Fair value**	
	In accordance with IAS 39	***in accordance with IFRS 9***	**31-12-2018**	**31 December 2017**	**31-12-2018**	**31 December 2017**
Financial assets						
Long term financial assets in affiliated entities	DDS	Fair value through profit or loss	213 166,98	12 357,98	213 166,98	12 357,98
Long term financial assets in other entities	DDS	Fair value through profit or loss	208 550,00	209 550,00	208 550,00	209 550,00
Short-term loans	PiN		947 755,58	112 067,95	947 755,58	112 067,95
Trade and other receivables	PiN			0,00		
			29 703 132,94	29 703 132,94	29 703 132,94	29 703 132,94
Cash and cash equivalents	WwWGpWF			0,00		
			174 271 089,37	174 271 089,37	174 271 089,37	174 271 089,37
Financial liabilities						
Loans with a floating interest rate	PZFwgZK		204 039 207,77	204 039 207,77	204 039 207,77	204 039 207,77
Loans from subsidiaries, and other entities	PZFwgZK		897 210,95	897 210,95	897 210,95	897 210,95
Long-term financial lease obligations	PZFwgZK		598 298,02	598 298,02	598 298,02	598 298,02
Short-term financial lease obligations	PZFwgZK		1 379 251,99	1 379 251,99	1 379 251,99	1 379 251,99
Delivery and service liabilities and other	PZFwgZK		54 668 691,12	54 668 691,12	54 668 691,12	54 668 691,12
Bonds	PZFwgZK		219 867 451,05	219 867 451,05	219 867 451,05	219 867 451,05
Promissory notes liabilities	PZFwgZK		573 279,31	573 279,31	573 279,31	573 279,31

UdtW – Financial assets held to maturity,
WwWGpWF – Financial assets/liabilities at fair value through profit or 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 Group's financial instruments which are exposed to interest rate risk, in division into particular age categories.

31 grudnia 2017 - Floating interest rate	**Up to 1 year**	**1 to 2 years**	**2 to 5 years**	**over 5 years**	**Total**
Cash assets	174 271 089,37	0,00	0,00	0,00	174 271 089,37
Financial assets - short-term loans	947 755,58	0,00	0,00	0,00	947 755,58
Loans from subsidiaries, and other entities	897 210,95	0,00	0,00	0,00	897 210,95
Credit loans	59 350 063,04	46 682 411,57	19 388 653,94	78 618 079,22	204 039 207,77
Bond liabilities	20 767 451,05	199 100 000,00	0,00	0,00	219 867 451,05

Collaterals

The Company does not apply hedge accounting.

Note 38. Changes in the composition of the Management Board and Supervisory Board of the Dominant Entity in the J.W. Construction Holding SA Capital Group

<u>**Governing Bodies**</u>

Management Board

Management Board Members

As at 31-12-2018 Management Board comprises of:
Wojciech Rajchert – Członek Zarządu
Małgorzata Ostrowska – Management Board Member
Piotr Suprynowicz – Członek Zarządu
Małgorzata Pisarek – Management Board Member

The following changes were made to the Management Board in 2018:
On September 6, 2018 Małgorzata Pisarek was appointed to the Management Board of the Company on the basis of personal right granted to the Shareholder.
On 27 December 2018, effective as at 31 December 2018, Magdalena Starzyńska resigned from the Management Board of the Company.

Supervisory Board

Supervisory Board Members
As at 31-12-2018 the Supervisory Board comprises of:
Józef Wojciechowski – Chairman of the Supervisory Board
Małgorzata Szwarc - Sroka – Supervisory Board Member
Irmina Łopuszyńska Supervisory Board Member
Jacek Radziwilski – Supervisory Board Member
Barbara Czyż – Supervisory Board Member
Marek Maruszyński – Supervisory Board Member
Ryszard Matkowski – Supervisory Board Member

The following changes were made to the Supervisory Board in 2018:
On 16 January 2018, Barbara Czyż submitted her resignation from the Supervisory Board
On 16 January 2018, Ryszard Matkowski was appointed to the Supervisory Board by the Extraordinary General Meeting
On January 16, 2018 Barbara Czyż was appointed to the Supervisory Board of the Company on the basis of personal right granted to the Shareholder.

Audit Comittee
As at 31 December 2018 the Audit Comittee comprises of:
Ryszard Matkowski – Chairman (independent Supervisory Board Member)
Irmina Łopuszyńska – Member
Marek Maruszński – Member (independent Supervisory Board Member)

The following changes were made to the Audit Comittee in 2018:
On 30 January 2018, Jacek Radziwilski submitted his resignation from the Audit Comittee
On 1 February 2018, Ryszard Matkowski was appointed to the Audit Comittee

Note 39. Capital management
The Group manages its capital in order to maintain its ability to continue as a going concern, taking into account the implementation of planned investments, so that it can generate returns for shareholders and benefit other stakeholders.
In accordance with market practice, the Group monitors its capital, among other things, on the basis of equity ratio and the ratio of loans, credits and other financing sources / EBITDA.
The equity ratio is calculated as the ratio of net tangible assets (equity diminished by the value of intangible assets) to total assets.
The ratio of credits, loans and other sources of financing / EBITDA is calculated as the ratio of credits, loans and other sources of financing to EBITDA. Loans, borrowings and other sources of financing mean the total amount of liabilities on account of loans, borrowings and leasing, whereas EBITDA is the operating profit after adding depreciation and amortization. In order to maintain financial liquidity and creditworthiness to obtain external financing at a reasonable level of costs, the Group assumes that the equity ratio shall not be lower than 0.3.

	31 December 2018	**31 December 2017**
Interest-bearing loans and borrowings	204 936 418,72	204 936 418,72
Trade and other payables	959 472 727,71	807 723 268,85
Less cash and cash equivalents	-122 484 500,34	-174 271 089,37
Net debt	1 041 924 646,09	838 388 598,20
Equity	693 704 048,98	678 227 625,57
Net unrealized gains reserves	0	0,00
Total capital	693 704 048,98	678 227 625,57
Capital and net debt	1 735 628 695,08	1 516 616 223,77

Equity ratio	39,97%	44,72%
Credit ratio	60,03%	55,28%

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

On 11 July 2018, the Company concluded an agreement with Mazars Audyt Sp. z o.o., an entity authorised to audit financial statements, for an interim review and audit of the financial statements for 2018.
The auditor's remuneration for the audit of the financial statements for the financial year ended 31 December 2018 was set at PLN 167 thousand, of which PLN 116 thousand for the review and audit of the individual financial statements, and PLN 51 thousand for the interim review and annual audit of the consolidated financial statements. The auditor's remuneration for services related to the consolidated financial statements for the financial year ended 31 December 2018 amounted to PLN 51 thousand, including PLN 33 thousand for the annual audit of the consolidated financial statements and PLN 18 thousand for the review of the interim consolidated financial statements. The auditor's remuneration for services related to the separate financial statements for the financial year ended 31 December 2018 amounted to PLN 116 thousand, of which PLN 87 thousand for the annual audit of the separate financial statements and PLN 29 thousand for the interim review. The given amounts are net
The companies from the Issuer's Capital Group concluded agreements with Mazars Audyt Sp. z o.o. for the audit of financial statements of subsidiaries of the J.W. Construction Holding S.A. Capital Group for 2018: TBS Marki Spółka z o.o. with its registered office in Warsaw: remuneration of 18.5 thousand PLN, J.W. Construction Sp. z o.o. remuneration of 18 thousand PLN, Dana Invest Spółka z o.o. with its registered office in Ząbki: remuneration of 11 thousand PLN and Hanza Invest S.A. with its registered office in Ząbki: remuneration of 14 thousand PLN,

The auditor's fee for the audit of the financial statements for the previous financial year ended 31 December 2017 amounted to PLN 185 thousand, of which PLN 125 thousand for the review and audit of the separate financial statements, and PLN 60 thousand for the interim review and annual audit of the consolidated financial statements. The auditor's remuneration for services related to the consolidated financial statements for the financial year ended 31 December 2017 amounted to PLN 60 thousand, of which PLN 35 thousand for the annual audit of the consolidated financial statements and PLN 25 thousand for the review of the interim consolidated financial statements. The auditor's remuneration for services related to the separate financial statements for the financial year ended 31 December 2017 amounted to PLN 125 thousand, of which PLN 85 thousand for the annual audit of the separate financial statements and PLN 40 thousand for the interim review. The given amounts are net.
Moreover, the companies from the Issuer's Capital Group concluded agreements with BDO Sp. z o.o. for the audit of the financial statements of the subsidiaries of the J.W. Construction Holding S.A. Capital Group for 2016: TBS Marki Spółka z o.o. with its registered office in Warsaw remuneration amount 14.5 thousand PLN, J.W. Construction Sp. z o.o. remuneration amount 40.5 thousand PLN, Seahouse Spółka z o.o. with its registered office in Ząbki remuneration amount 5 thousand PLN. The amount of remuneration is PLN 5 thousand, Dana Invest Spółka z o.o. with its registered office in Ząbki, J.W. Marka Spółka z o.o. with its registered office in Ząbki - PLN 5 thousand and Hanza Invest S.A. with its registered office in Ząbki - PLN 5 thousand.

Note 41. Information on approval of the financial statements for the previous year
The consolidated financial statements for 2017 were approved by the General Meeting of Shareholders on 14 June 2018.

Signature of the person drawing up the Financial Statements

Małgorzata Pisarek Chief Accountant	Signature

Signatures of Members of the Management Board

Wojciech Rajchert Management Board Member	Signature
Małgorzata Ostrowska Management Board Member	Signature
Małgorzata Pisarek Management Board Member	Signature
Piotr Suprynowicz Management Board Member	Signature

Ząbki, 21 March 2019