**J.W. Construction Holding**

**Spółka Akcyjna**

**ul. Radzymińska 326, 05-091 Ząbki**

**Opinion and report of an independent**

**certified auditor on the audit of the financial statement**

**for the business year ending on December 31, 2014**

**OPINION OF INDEPENDENT CERTIFIED AUDITOR**

**for the Meeting of Shareholders**

**and J.W. Construction Holding S.A. Supervisory Board**

We have conducted the audit of the attached financial statement of J.W. Construction Holding S.A., hereinafter referred to as Company, with its registered office in Ząbki at 326 Radzymińska street, Poland that consists of:

* the introduction to the financial statement,
* report on the financial situation as of December 31, 2014,
* profit and loss account for the business year ending on December 31, 2014,
* the statement of the total revenue for the business year ending on December 31, 2014,
* juxtaposition of the changes in company capital for the business year ending on December 31, 2014,
* cash flow statement for the business year ending on December 31, 2014,
* additional information and explanations.

Company Management Board shall bear responsibility for the preparation of the report on the business operations in accordance with the law and relevant regulations.

Company Management Board and Supervisory Board thereof shall be obliged to ensure that the financial statement as well as the report on business operations meet the requirements and obligations resulting from the Polish Accounting Act of September 29, 1994 (Journal of Law of 2013, item 330 as amended), hereinafter referred to as Accounting Act.

Our task was to audit and express the opinion on the foregoing financial statement and compliance thereof with the principles (policy) of accounting, verify whether it presents the economic position and financial situation of Company properly and clearly in all aspects, as well as to inspect the accuracy of ledgers constituting the basis for preparation of the financial statement.

We conducted and planned the audit to make sure that we receive a rational degree of certainty allowing for expression of an opinion about the statement.

In particular but not conclusively, the audit encompassed the verification of accuracy of the accounting principles (policy) employed by Company and significant estimates, the inspection (most often in random order) of ledger entries and evidence that these numbers information result from, the information included in the financial statement as well as the overall assessment of the financial statement.

We believe that the audit supported appropriate basis for the expression of opinion.

In our opinion the audited financial statement in all material aspects:

1. clearly and properly presents information relevant to the assessment of the economic position and the financial situation of Company as of December 31, 2014, as well Company financial result for the business year ending on December 31,2014,
2. has been prepared in accordance with the International Accounting Standards, the International Financial Reporting Standards and related interpretations thereto in the form of European Commission’s regulations in the scope not regulated in those standards in accordance with the requirements resulting from the Accounting Act and other regulations issued on the basis thereof, as well as on the basis of properly maintained ledgers.
3. is compliant with the provisions of Company’s articles of association and the law related to the content of the financial statement.

The statement on the business operations of Company is complete in the understanding of art. 49 of the Accounting Act and takes into consideration the provisions of the Minister of Finance Ordinance as of February 19, 2009 on the current and periodical information provided by the issuers of security papers, as well as the conditions for deeming information required by law of non-member states as equivalent (Journal of Law of 2014, item 133), and the information involved in the foregoing financial statement is accurate.

Poznan, March 19, 2015

**BDO Sp. z o.o.**

**ul. Postępu 12**

**02-676 Warszawa**

**Entity eligible for auditing of financial statements no. 3355**

**Key certified auditor Acting on behalf of BDP Sp. z o.o.:**

**conduction the audit:**

**Edyta Kalińska dr Andre Helin**

**Certified Auditor Director of the Management Board**

**License no. 10336 Certified Auditor, license no. 90004**

**Report on**

**the audit of the financial statement of**

**J.W. Construction Holding S.A.**

**for the business year ending on**

**December 31, 2014**

1. **GENERAL PART OF THE REPORT**
2. **Data identifying Company**

Company business name is J.W. Construction Holding Spółka Akcyjna.

Company registered office is 05-091 Ząbki, Poland, 326 Radzymińska street.

In accordance to the entry to the register of companies and Company’s articles of association the object of economic activity is:

— realization of construction, design and auxiliary works;

— trading in domestic and foreign tangible assets and intangible assets used in particular for construction and equipping residential buildings and other constructions;

— sales and administration of real estate;

— rendering hotel and catering services.

In the audited period, the object of economic activity of J.W. Construction Holding S.A. was construction and sales of residential and commercial real estate. J.W. Construction Holding S.A. conducted real estate projects independently and via special-purpose vehicles.

Company operates based on:

— Company articles of association made in the form of a notarial act of December 28, 2000 (Repertory A no. 16595/2000) as amended,

* Polish Code of Commercial Companies.

On July 2001, Company was entered to the National Court Register in the District Court for the Capital City of Warsaw, XIV Economic Division Registration Section under the National Court Register number 0000028142.

Company has NIP number (tax ID) number: 125-00-28-307 and REGON number (business registration no): 010621332.

Company share capital as of December 31, 2014 was PLN 17, 772 thousand and was divided into 88,859,442 shares with the nominal value of PLN 0,20 each.

On April 9, 2014 General Shareholder Meeting made a decision on the increase of share capital by way of the issuance of C-series shares. There were 34,786,163 shares issued with the total value of PLN 109,576 thousand that were given to the investors. Nominal price of one share was PLN 0,20, and the share issuing price was PLN 3,15.

As of December 31, 2014, the Company shareholder structure, pursuant to the information from Company Management Board, was as followed:

|  |  |  |
| --- | --- | --- |
| Shareholder | Number of shares | % of the total vote at the Annual General Shareholder Meeting |
| EHT S.A. | 32,494,525 | 36,57% |
| Mr. Józef Wojciechowski | 23,917,739 | 26,92% |
| Other shareholders\* | 32,447,179 | 36,52% |
| Total | 88,859,443 | 100,00% |

\*including

|  |  |
| --- | --- |
| Pioneer Pekao TFI S.A. | Between 5 and 10% of shares |

On October 3, 2014, Company received a notification about exceeding of the 5% threshold in the Company share capital whose assets were managed by Pioneer Pekao Investment Management S.A, and as of that day this was 4,709,089 of shares, which comprised 5,3% of the shares in Company share capital and it provided the entity in question with 4,709,089 of votes at Annual General Shareholder Meeting, which constituted 5,3% of the total vote.

In the period between the balance sheet date and the day of preparation of the financial statement , the value of share capital and the structure thereof were not changed. As a result, the shareholder structure having a direct or indirect vote exceeding at least 5% during Annual General Shareholder Meeting as of March 19, 2015 is as indicated in the table above.

In case of investment funds whose share in Company share capital is between 5 and 10% , these funds can freely purchase and sell Company shares without any obligation to render information available about current shareholder structure. As a result, the shareholder structure as of the day of issuing of the foregoing report is compliant with the shareholder structure as of the balance sheet day.

Company equity as of December 31, 2014 comprised PLN 638,932 thousand.

Company is managed by the Management Board.

As of December 31, 2014 Management Board comprised:

* Mr. Wojciech Rajchert Board Member
* Ms. Magdalena Starzyńsk Board Member
* Ms. Małgorzata Ostrowska Board Member

In the audited period and until the end thereof there were changes the following changes in Company Management Board:

* on October 9, 2014, following a shareholder’s personal right holding more 50% of the shares, Ms. Irmina Łopuszyńska was dismissed from Management Board.

1. **Data identifying the entity and the certified auditor**

The audit of the financial statement of J.W. Construction Holding S.A. for 2014 was carried out by BDO Sp. z o.o. with its registered office in Warsaw, 12 Postępu street, an entity eligible to audit financial statements, entered into the Chamber of Certified Auditors with number 3355.

The selection of a certified auditor was made by the Supervisory Board of the audited Company following a resolution no. 1 of July 21, 2014.

The audit was carried out following an agreement to carry out audit of July 24, 2014 under supervision of a key certified auditor Edyta Kalińska (license number 10336). The audit was carried out on the Company premises, starting on February 9, 2014 with intervals until the opinion was issued. It was preceded by a review of the financial statement for the first 6 months of 2014 and introductory research since December 8, 2014.

We declare that BDO sp. z o.o., Management Board thereof and the certified auditor with the team auditing the financial statement meet the conditions to issue an unbiased and independent opinion regarding the audited financial statement in accordance with art. 56 section 3 and 4 of the Act on Certified Auditors and their self-governing body, entities eligible to audit financial statements and public supervision (Journal of Law of 2009, no. 77, item 649 as amended).

The Head of the audited unit made all the statements required by the certified auditor, explanations and information necessary to conduct the audit.

There were no constraints regarding the scope of the audit and the certified auditor was not limited in the selection of appropriate auditing methods.

1. **Information about the financial statement for the previous year**

The basis for opening of the ledgers was the financial statement made for the period encompassing January 1, 2013 through December 31, 2014, which was audited by BDO sp. z o.o. and received an opinion on the audit without reservations.

The financial statement of Company for the period encompassing January 1, 2013 and December 31, 2013 was approved by a resolution no. 3 of the Annual General Meeting for Shareholders of May 15, 2014.

By way of the resolution no. 7 of May 15, 2014, the Annual General Meeting of Shareholders decided to allot the net profit for the period between January 1, 2013 and December 31, 2013 in the amount of PLN 11,876 thousand to the share capital in full.

The financial statement for 2013 was deposited at the National Court Register on June 25, 2014.

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1. **FINANCIAL ANALYSIS OF COMPANY**

Below selected figures from the financial statement, profit and loss account and key financial indicators are presented juxtaposed with analogous data from the previous years.

1. **Basic figures for the report on the economic position and profit and loss account (in thousands of Polish zlotys)**

**% of balance** **% of balance**  **% of balance**

31.12.2014 **sheet total** 31.12.2013 **sheet total** 31.12.2012 **sheet total**

Fixed assets 836, 512 69,7 801,365 62,2 826,528 56,9

Current assets 362,900 30,3 486,662 37,8 625,522 43,1

**Assets in total** **1,199,412** 100,0 **1,288,027** 100,0  **1,452,050** 100,0

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Specification** | **1.01.2014-31.12.2014** | **%**  **of revenue** | **1.01.2013-31.12.2013** | **%**  **of revenue** | **1.01.2012-31.12.2012** | **%**  **of revenue** |
| Revenue from sales | 211,884 | 100,0 | 291,473 | 100,0 | 282,961 | 100,0 |
| Costs of sold products | (173,635) | (81,9) | (235,344) | (80,7) | (211,798) | (74,9) |
| Gross result from sales | 38,249 | 18,1 | 56,129 | 19,3 | 71,163 | 25,1 |
| Sales costs & overheads | (32,287) | (15,2) | (40,658,0) | (13,9) | (48,023) | (17,0) |
| Revaluation of real estate for investment | (442) | (0,2) | 15,891 | 5,5 | 21,355 | 7,5 |
| **Sales result** | **5,520** | **2,6** | **31,362** | **10,8** | **44,495** | **15,7** |
| Result on other business operations | 3,748 | 1,8 | 2,730 | 0,9 | 7,388 | 2,6 |
| Gross financial result | (13,267) | (6,3) | (19,921) | (6,8) | (40,659) | (14,4) |
| Income tax | (3,999) | (1,9) | 14,171 | 4,9 | 11,224 | 4,0 |
| Net financial result | 565 | 0,3 | (2,295) | 4,1 | 8,061 | 2,8 |

1. **Key financial indicators**

**2014 2013 2012**

|  |  |  |  |
| --- | --- | --- | --- |
| Return on Sales indicators |  |  |  |
|  |  |  |  |
| Gross return on sales | 18,1% | 19,3% | 25,1% |
| Net return on sales | (1,6)% | 4,1% | 2,8% |
| Return on assets | (0,3)% | 0,9% | 0,6% |
| Return on equity | (0,5)% | 2,2% | 1,5% |
|  |  |  |  |
| Liquidity indicators |  |  |  |
|  |  |  |  |
| Liquidity indicator I | 2,3 | 1,9 | 2,2 |
| Liquidity indicator II | 0,7 | 0,5 | 0,3 |
|  |  |  |  |
| **Business activeness indicators** |  |  |  |
|  |  |  |  |
| Rate of payment of liabilities in days | 63 | 42 | 64 |
| Inventory turnover and construction liquidation in days | 645 | 689 | 917 |
|  |  |  |  |
| Debt ratios |  |  |  |
| Rate of payment of liabilities in days | 101 | 118 | 150 |
| Debt indicator | 46,7% | 58,6% | 64,1% |
|  |  |  |  |
| **Effectiveness of shares** |  |  |  |
|  |  |  |  |
| Books value per 1 share in PLN | 7,19 | 9,87 | 9,65 |
| Financial result per 1 share in PLN | (0,04) | 0,22 | 0,15 |

**3. Commentary**

In the audited period, Company generated a loss in the amount of PLN 3,434 thousand. Net loss in 2014 was caused by:

* gross sales profit in the amount of PLN 38,249 thousand which was lower by PLN 17,880 thousand compared to last year,
* sales profit in the amount PLN 5,520 thousand which was lower by PLN 25,842 thousand compared to last year,
* profit from other business operations in the amount of PLN 3,748 thousand which was higher by PLN 1,018 thousand compared to last year,
* loss on financial activity in the amount of PLN (13,267) thousand which was lower by PLN 6,654 thousand compared to last year,
* deferred income tax in the amount of PLN 565 thousand.

Main tendencies and changes:

* The main source of sales revenue for Company in the audited period was the sales of plots of land, construction of industrial and commercial buildings as well as sales of apartments.
* Current assets constitute 30,3% of the balance sheet sum and, compared to December 31, 2013, this share was decreased by 7,5 percentage points as a result of the decrease of short-term investments. Fixed assets constitute 69,7% of the balance sheet sum, and their increase in comparison to last year resulted from higher values of long-term investments.
* From the analysis of the structure of liabilities it follows that Company economic activity was financed, in 2014, in 53,3% with Company equity, and in 46,7% with borrowed capital. Debt ratio of Company, compared to last year, has been decreased by 11,9 percentage points.
* in the analyzed business year, all return-on-sales indicators have gone down, which resulted mainly from the borne loss and lowered revenue by 27%. The rate of return on tangible assets reached 0,3%, which means that every PLN 100 of engaged tangible assets generated PLN 0,3 net loss. Compared to last year, this indicator decreased by 1,2 percentage points. In the audited period, there has been a decrease of the return rate of Company equity to the level of (0,5)%. Gross return on sales of Company was decreased compared to last year and reached 18,1%, which is 1,2 percentage points less.
* in the analyzed period, the debt collection indicator decreased by a factor of 21 days compared to the year before and was 63 days. An average period of liabilities settlement was shortened by a factor of 17 days compared with the year before and was 101 days. These figures show that Company collected its trade receivables, on average, 38 days earlier than it settled its liabilities. The changes of the indicators in the audited period were a result of lower sales revenue and lower trade receivables compared to the year before.
* An average period of maintaining inventories was shortened compared to the year before, which results from faster completion of building contracts. A long period of inventory rotation is characteristic of real estate development industry that company is part of.

During the audit of the financial statement we have not identified anything that would indicate that as a result of ceasing or significant limitation of the current activity Company would not be able to continue business activity thereof in the next auditing period.

1. **SPECIFIC PART OF REPORT**

**1. Assessment of the bookkeeping system and internal control**

Company has documentation describing the adopted accounting principles in accordance with article 10 of the Polish Accounting Act.

Books are kept in Company premises and accounting records are stored in electronic form vie the support of SAP software.

During the audit of the financial statement, we carried out random checks of the accounting system at work. The purpose of the audit was not to express a comprehensive opinion on the functioning of this system.

During the conducted work we did not identify any improprieties in the accounting books that could have a significant influence on the audited financial statement. It regarded in particular but not conclusively:

— appropriateness and continuity of applied principles (policy) of accounting, including appropriateness of opening of the ledgers,

— correctness, completeness and clearness of made entries and their linking to bookkeeping evidence as well as the financial statement,

— appropriate protection of bookkeeping documentation, ledgers and financial statements.

Stocktaking of assets and liabilities conducted in the scope, time limits and frequency provided for in the Accounting Act can be deemed correct, and identified differences have been settled in ledgers for the audited year.

**2. Information about selected significant items in the financial statement**

Most important items from the financial statement have been described in the notes to Company financial statement as well as the report on Company economic activity.

**3. Additional information**

Information included in the introduction to the financial statement as well as additional information have been prepared in a complete and correct fashion.

**4.** **Report on Company economic activity**

The report on the economic activity of Company has been prepared in accordance with the requirements of art. 49 of the Accounting Act and the Minister of Finance Ordinance as of February 19, 2009 on the current and periodical information provided by the issuers of security papers, as well as the conditions for deeming information required by law of non-member states as equivalent (Journal of Law of 2014, item 133).

Information found in the report of Company economic activity are compliant with the information found in the audited financial statement.

**5. Declaration of Company Management**

Company Management has placed a written statement regarding completeness of data found in ledgers, entirety of reported conditional obligations as well lack of occurrence of important events following the balance sheet day.

Poznan, March 19, 2014

**BDO Sp. z o.o.**

**ul. Postępu 12**

**02-676 Warszawa**

**Entity eligible for auditing of financial statements no. 3355**

**Key certified auditor Acting on behalf of BDP Sp. z o.o.:**

**conduction the audit:**

**Edyta Kalińska dr Andre Helin**

**Certified Auditor Director of the Management Board**

**License no. 10336 Certified Auditor, license no. 90004**