



**BDO Numerica**  
International Auditors & Consultants Sp. z o.o.

ul. Warszawska 43, 61-028 Poznań  
Tel. +48 (61) 650 30 80  
Fax +48 (61) 650 30 89  
e-mail: [poznan.biuro@bdo.pl](mailto:poznan.biuro@bdo.pl)  
[www.bdo.pl](http://www.bdo.pl)

**CAPITAL GROUP OF  
J.W. Construction Holding  
with J.W. Construction Holding S.A.  
ul. Radzymińska 326, 05-091 Ząbki  
as the Parent Company**

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

**CONTENTS**

I. GENERAL INFORMATION .....	3
II. FINANCIAL ANALYSIS .....	13
III. SPECIFIC INFORMATION .....	17

## **I. GENERAL INFORMATION**

### **1. Identification particulars of the Parent Company**

#### **1.1 Name and legal form**

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

#### **1.2 Domicile**

The Company is domiciled at ul. Radzywińska 326 in Ząbki.

#### **1.3 Business**

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

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

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

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

#### **1.4 Legal basis**

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

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

#### **1.5 Registration with the Business Court**

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

#### **1.6 Registration with the Revenue Office and the Provincial Statistical Office**

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

#### **1.7 Share capital and changes in share capital during the reporting period**

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

of the Capital Group of J.W. Construction Holding for 2008

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

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

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

As at 31 December 2007

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

As at 31 December 2008

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

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

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

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

**Changes in equity during the audited period:**

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

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

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

**1.8 Management Board of the Company**

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

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

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

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

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

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

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

**1.9 Supervisory Board**

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

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

- 
- Mr. Marek Rocki Member of the Supervisory Board

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

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

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

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

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

## **2. Companies of the Capital Group**

### **2.1. Parent company**

The financial statements of J.W. Construction Holding SA. were prepared as at 31 December 2008 and covered the period from 1 January 2008 to 31 December 2008.

The financial statements were audited by BDO Numerica International Auditors & Consultants Sp. z o.o., under the direction of Krystyna Sakson, certified auditor reg. No.: 7899/483, and were issued an opinion with an explanatory comment reading as follows:

“Having no reservations to fairness and accuracy of the audited financial statements we draw attention to the moment of recognition of revenues from implemented developer projects and their effect on earnings of the Company for the period from 1 January 2008 to 31 December 2008 and to an interpretation – IFRIC-15 published by the International Financial Reporting Interpretations Committee (IFRIC), described by the Company in the additional information to these financial statements.”

Balance sheet total	PLN 1,404,040,000
Earnings	PLN 102,512,000
Increase in equity	PLN 107,648,000
Decrease in cash	PLN 28,497,000
Revenues from sales	PLN 671,694,000

### **2.2. Subsidiaries**

As at 31 December 2008 the Company controlled or jointly controlled the following subsidiaries or fellow subsidiaries directly included in the consolidated financial statements:

1. Lokum Sp. z o.o.  
Domicile: Warsaw  
Business: development and sale of real estate  
Method of consolidation: fully consolidated  
Ownership structure: 99.99% JWCH S.A.  
Reporting period: 1 January 2008 – 31 December 2008  
Audit opinion: unaudited
2. Interlokum Sp. z o.o.  
Domicile: Warsaw  
Business: development and sale of real estate  
Method of consolidation: fully consolidated  
Ownership structure: 99% JWCH S.A.  
Reporting period: 1 January 2008 – 31 December 2008  
Audit opinion: unaudited
3. Project 55 Sp. z o.o.  
Domicile: Warsaw  
Business: development and sale of real estate  
Method of consolidation: fully consolidated  
Ownership structure: 99.99% JWCH S.A.  
Reporting period: 1 January 2008 – 31 December 2008  
Audit opinion: unaudited
4. TBS Marki Sp. z o.o.  
Domicile: Warsaw  
Business: social building: sale and administration  
Method of consolidation: fully consolidated  
Ownership structure: 99.99% JWCH S.A.  
Reporting period: 1 January 2008 – 31 December 2008  
Licensed auditing firm: BDO Numerica  
International Auditors & Consultants Spółka z o.o.  
Audit opinion: qualified

The audit opinion on TBS Marki Sp. z o.o. contains the following qualification:

“The audit disclosed that non-current accrued expenses of TBS MARKI Sp. z o.o. presented the amount of PLN 4,148,246.07 being capitalised interest on an investment loan. The said interest covered the period from 2001 to 2008 i.e. the period of loan repayment after handing the constructed structures over for use. In the opinion of the auditors capitalised interest increasing the outstanding principal of a loan should not be deferred as they do not satisfy the requirements of Article 3.1.12 of the Act on Accounting. Interest charged by the bank during the periods of their accrual should be disclosed in financial expenses.”

5. Deweloper Sp. z o.o.  
Domicile: Siemianowice Śląskie  
Business: Building and assembly production

Method of consolidation: fully consolidated  
Ownership structure: 99% JWCH S.A.  
Reporting period: 1 January 2008 – 31 December 2008  
Audit opinion: unaudited

6. J.W. Construction International Sp. z o.o.

Domicile: Kolomna, Russia  
Business: developer and investor activity  
Method of consolidation: fully consolidated  
Ownership structure: 100% JWCH S.A.  
Reporting period: 1 January 2008 – 31 December 2008  
Audit opinion: unaudited

7. Porta Transport Sp. z o.o.

Domicile: Szczecin  
Business: transport services  
Method of consolidation: fully consolidated  
Ownership structure: 100% JWCH S.A.  
Reporting period: 1 January 2008 – 31 December 2008  
Licensed auditing firm: Rewident Sp. z o.o.  
Władysława Kopycińska, certified auditor reg. No.: 5104  
Audit opinion: unqualified with an explanatory comment

The audit opinion on Porta Transport Sp. z o.o. contains the following explanation:

“Having no reservations to fairness and accuracy of the audited financial statements we found out that until the end of the audit the company did not fulfil the obligation under Article 70 of the Act on Accounting, of publishing the financial statements for 2007 in the *Monitor Polski B* official bulletin. Having no reservations to fairness and accuracy of the audited financial statements we also inform that for 2009 the company assumed to operate as a going concern with a curtailed scale of operations consisting of generating revenues only from lease of premises, halls and yards, and the activity of a vehicle control station as well as crane and transport services.”

8. Construction Invest Sp. z o.o.

Domicile: Ząbki  
Business: development and sale of real estate  
Method of consolidation: fully consolidated  
Ownership structure: 100% JWCH S.A.  
Reporting period: 1 January 2008 – 31 December 2008  
Audit opinion: unaudited

9. J.W. Construction S.A.

Domicile: Ząbki  
Business: building production  
Method of consolidation: fully consolidated  
Ownership structure: 99.99% JWCH S.A.  
Reporting period: 1 January 2008 – 31 December 2008



Licensed auditing firm: BDO Numerica  
International Auditors & Consultants Spółka z o.o.  
Audit opinion: unqualified

10. JWCH Produkcja Budowlana Sp. z o.o.  
Domicile: Ząbki  
Business: prefabricated unit production for the building industry  
Method of consolidation: fully consolidated  
Ownership structure: 99.99% JWCH S.A.  
Reporting period: 1 January 2008 – 31 December 2008  
Audit opinion: unaudited

11. JWCH Budownictwo Drogowe Sp. z o.o.  
Domicile: Ząbki  
Business: road infrastructure construction  
Method of consolidation: fully consolidated  
Ownership structure: 99.95% JWCH S.A.  
Reporting period: 1 January 2008 – 31 December 2008  
Audit opinion: unaudited

12. JW Projekt Sp. z o.o.  
Domicile: Warsaw  
Business: architecture and designing  
Method of consolidation: fully consolidated  
Ownership structure: 99.98% JWCH S.A.  
Reporting period: 1 January 2008 – 31 December 2008  
Audit opinion: unaudited

13. Ośrodek Wypoczynkowy "Ogoniok" Sp. z o.o. (presently YAKOR HOUSE Sp. z o.o.)  
Domicile: Sochi  
Business: developer activity  
Method of consolidation: fully consolidated  
Ownership structure: 70% JWCH S.A.  
Reporting period: 1 January 2008 – 31 December 2008  
Audit opinion: unaudited

In 2008 the parent company excluded the following subsidiaries from the obligatory consolidation:

- Business Financial Construction Sp. z o.o. – 100%
- J.W. Construction AZS Politechniki Warszawskiej S.A. – 75%
- KSP Polonia Warszawa SSA – 100% (in July 2008 the business name of the company was changed to Polonia SSA)
- J.W. Construction 1 Sp. z o.o. – 100%
- J.W. Bułgaria Sp. z o.o. – 100%.

The legal grounds for the aforesaid exclusion from the consolidated financial statements were conceptual assumptions of the International Financial Reporting Standards to the extent of useful and reliable information. In accordance with the aforesaid assumptions, benefits from collected information should exceed the costs of providing the same. It was found out that costs of collecting

information about subsidiaries not covered by consolidation and costs of consolidating such information exceeded benefits derived from the same. Moreover, when excluding the subsidiaries from obligatory consolidation, it was decided that they were not significant for fair and accurate presentation of the assets, the financial standing and earnings of the Capital Group.

Financial statements of subsidiaries were prepared in accordance with the Act on Accounting for the accounting year ended 31 December 2008 and for the purpose of consolidation of the Capital Group the consolidated financial statements disclose relevant corrections and adjustments to IAS/IFRS.

### **2.3. Changes in the structure of the Capital Group during the audited period and until the day of the consolidated financial statements**

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

- On 30 April 2008 the Extraordinary General Meeting of the Parent Company's subsidiary – J.W. Construction S.A. domiciled in Ząbki was held. The General Meeting resolved to increase share capital by PLN 11,026,618 by issuing 11,026,618 B-class registered ordinary shares with a par value of PLN 1 each. The entire issue was subscribed by the Company and covered with an in-kind contribution in the form of its branch that operated as J.W. Construction Holding S.A. Oddział "Budownictwo" domiciled in Ząbki.
- On 30 April 2008 the Extraordinary General Meeting of the Parent Company's subsidiary – J.W. Projekt Spółka z o.o. domiciled in Warsaw was held. The General Meeting resolved to increase share capital by PLN 1,103,600 by creating 5,518 new shares with a par value of PLN 200 each. The entire issue was subscribed by the Company and covered with an in-kind contribution in the form of its branch that operated as J.W. Construction Holding S.A. Oddział "Pracownia Architektoniczna" domiciled in Ząbki.
- On 30 April 2008 the Extraordinary General Meeting of the Parent Company's subsidiary – JWCH Produkcja Budowlana Spółka z o.o. domiciled in Ząbki was held. The General Meeting resolved to increase share capital by PLN 15,395,000 by creating 307,900 new shares with a par value of PLN 50 each. The entire issue was subscribed by the Company and covered with an in-kind contribution in the form of its branch that operated as J.W. Construction Holding S.A. Oddział "Zakład Prefabrykacji Budowlanej" domiciled in Ząbki.

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

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

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

#### **2.4. Headcount in the Capital Group during the audited period**

As at 31 December 2008 the Capital Group employed 1,252 persons.

### **3. Particulars of the audited consolidated financial statements**

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

- consolidated balance sheet as at 31 December 2008 with total assets and total equity and liabilities of PLN 1,701,456,000,
- consolidated income statement for the period from 1 January 2008 to 31 December 2008 with net profit of PLN 100,882,000,
- consolidated statement of changes in equity for the period from 1 January 2008 to 31 December 2008 with an increase in equity by PLN 105,815,000;
- consolidated cash flow statement for the period from 1 January 2008 to 31 December 2008 with a decrease in cash by PLN 38,646,000;
- additional information and notes presenting the applied principles of accounting, notes to the consolidated financial statements and notes to off-balance sheet items;

and the Management Commentary on the Capital Group of J.W. Construction Holding.

### **4. Particulars of the licensed auditing firm and the certified auditor conducting the audit**

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

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

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

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

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

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

## **5. Consolidated financial statements for the previous year**

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

“In 2006 the Capital Group of J.W. Construction Holding S.A. changed the principles of accounting to the extent of calculating revenues from implemented building projects, which was described in detail under Note 7 of additional information to these consolidated financial statements. As a result of the same consolidated net earnings of the Capital Group for 2007 went up by PLN 43,976,000.

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

Drafted changes, as well as their effects on financial reporting of the Capital Group, if any, were presented in detail by the Management Board of the parent company of the Capital Group – J.W. Construction Holding S.A. in the description of the applied principles of accounting.”

The consolidated financial statements of the Capital Group of J.W. Construction Holding for the period from 1 January 2007 to 31 December 2007 and the Management Commentary on the Capital Group for 2007 were approved with Resolutions No. 5 and 6 of the Annual General Meeting of 19 June 2008 drawn up as a notarial deed register Reg. A No.: 10655/2008.

The consolidated financial statements for 2007 were published in the *Monitor Polski B* official bulletin No. 671 on 17 April 2009.

## **6. Other significant events during the reporting period and from the balance sheet date to the day of the consolidated financial statements**

We did not find any significant events or information about the audited Capital Group of J.W. Construction Holding, other than the ones presented in the consolidated financial statements for the period from 1 January 2008 to 31 December 2008, that should be disclosed in this report supplementing the audit opinion on the consolidated financial statements for 2008.

## II. FINANCIAL ANALYSIS

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

### 1. Consolidated income statement (in PLN '000)

	Year ended 31 Dec 2008	Dynamics 2008/2007	Year ended 31 Dec 2007	Dynamics 2007/2006	Year ended 31 Dec 2006
<b>Revenues from sales</b>	<b>721,353</b>	<b>-7.6%</b>	<b>781,087</b>	<b>7.5%</b>	<b>726,308</b>
Revenues from sales of products	695,316	-9.4%	767,452	7.3%	715,332
Revenues from sales of goods and materials	26,037	91.0%	13,635	24.2%	10,976
<b>Costs of products, goods and materials sold</b>	<b>509,800</b>	<b>-4.3%</b>	<b>532,492</b>	<b>6.4%</b>	<b>500,302</b>
Manufacturing costs of products sold	481,103	-7.2%	518,493	5.9%	489,564
Value of goods and materials sold	28,697	105.0%	13,999	30.4%	10,738
<b>Gross profit on sales</b>	<b>211,553</b>	<b>-14.9%</b>	<b>248,596</b>	<b>10.0%</b>	<b>226,007</b>
<b>Selling expenses</b>	<b>27,437</b>	<b>-3.9%</b>	<b>28,555</b>	<b>18.5%</b>	<b>24,091</b>
<b>Overhead expenses</b>	<b>28,794</b>	<b>15.7%</b>	<b>24,877</b>	<b>19.6%</b>	<b>20,803</b>
<b>Revaluation of investment real estate</b>	<b>-</b>	<b>-100.0%</b>	<b>3,921</b>	<b>-</b>	<b>-</b>
<b>Profit on sales</b>	<b>155,323</b>	<b>-22.0%</b>	<b>199,085</b>	<b>9.9%</b>	<b>181,113</b>
<b>Other operating income</b>	<b>8,510</b>	<b>-6.6%</b>	<b>9,113</b>	<b>-33.7%</b>	<b>13,737</b>
Profit on disposal of non-current assets	494	-71.4%	1,724	-81.4%	9,254
Other operating income	8,017	8.5%	7,389	64.8%	4,483
<b>Other operating expenses</b>	<b>22,704</b>	<b>136.9%</b>	<b>9,585</b>	<b>-35.0%</b>	<b>14,743</b>
Loss on disposal of non-current assets	-	-	261	415.4%	51
Revaluation of non-financial assets	13,248	872.5%	1,362	-60.1%	3,415
Other operating expenses	9,456	18.8%	7,962	-29.4%	11,278
<b>Operating profit</b>	<b>141,129</b>	<b>-28.9%</b>	<b>198,613</b>	<b>10.3%</b>	<b>180,107</b>
<b>Financial income</b>	<b>13,871</b>	<b>53.1%</b>	<b>9,063</b>	<b>117.2%</b>	<b>4,173</b>
Interest	6,352	-20.3%	7,972	285.9%	2,066
Other	7,519	588.9%	1,092	-48.2%	2,107
<b>Financial expenses</b>	<b>29,695</b>	<b>25.8%</b>	<b>23,604</b>	<b>47.6%</b>	<b>15,991</b>
Interest	27,871	23.4%	22,589	49.1%	15,146
Revaluation of investment projects	-	-	-	-100.0%	15
Other	1,824	79.7%	1,015	22.3%	830
<b>Gains/(losses) on assets held for sale</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>100.0%</b>	<b>-1,072</b>
<b>Profit (loss) before tax</b>	<b>125,305</b>	<b>-31.9%</b>	<b>184,071</b>	<b>10.1%</b>	<b>167,216</b>
Corporate income tax	10,453	346.5%	2,341	-84.2%	14,824
Deferred tax	13,970	-58.5%	33,626	64.6%	20,430
Other mandatory reduction of profit (increase of loss)	-	-	-	100.0%	-54
<b>Net profit (loss)</b>	<b>100,882</b>	<b>-31.9%</b>	<b>148,104</b>	<b>12.2%</b>	<b>132,017</b>

**2. Consolidated balance sheet (in PLN '000)**

		% of balance sheet total		% of balance sheet total		% of balance sheet total
ASSETS	31 Dec 2008		31 Dec 2007		31 Dec 2006	
<b>Non-current assets</b>	<b>472,361</b>	<b>27.8%</b>	<b>381,045</b>	<b>25.2%</b>	<b>329,174</b>	<b>36.3%</b>
Intangible assets	11,235	0.7%	12,357	0.8%	12,523	1.4%
Goodwill of subsidiaries	12,391	0.7%	16,801	1.1%	16,801	1.9%
Tangible assets	354,680	20.8%	299,291	19.8%	271,957	30.0%
Investment real estate	12,352	0.7%	12,265	0.8%	-	-
Other financial assets	45,111	2.7%	15,338	1.0%	5,034	0.6%
Deferred income tax assets	23,074	1.4%	12,772	0.8%	11,267	1.2%
Trade and other receivables	13,518	0.8%	12,221	0.8%	11,592	1.3%
<b>Current assets</b>	<b>1,229,095</b>	<b>72.2%</b>	<b>1,130,522</b>	<b>74.8%</b>	<b>552,909</b>	<b>60.9%</b>
Inventories	42,866	2.5%	28,319	1.9%	55,112	6.1%
Construction contracts	1,054,143	62.0%	875,121	57.9%	403,564	44.5%
Trade and other receivables	79,508	4.7%	66,390	4.4%	40,182	4.4%
<i>of which trade receivables</i>	<i>37,470</i>	<i>2.2%</i>	<i>31,016</i>	<i>2.1%</i>	<i>26,530</i>	<i>2.9%</i>
Other financial assets	2,732	0.2%	73,693	4.9%	6,684	0.7%
Cash and cash equivalents	36,686	2.2%	75,332	5.0%	37,380	4.1%
Prepaid expenses	13,160	0.8%	11,668	0.8%	9,988	1.1%
<b>Held-for-sale assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25,462</b>	<b>2.8%</b>
<b>TOTAL ASSETS</b>	<b>1,701,456</b>	<b>100.0%</b>	<b>1,511,567</b>	<b>100.0%</b>	<b>907,545</b>	<b>100.0%</b>
<b>EQUITY AND LIABILITIES</b>						
<b>Equity</b>	<b>655,323</b>	<b>38.5%</b>	<b>549,508</b>	<b>36.4%</b>	<b>193,450</b>	<b>21.3%</b>
Share capital	10,940	0.6%	10,940	0.7%	10,250	1.1%
Revaluation reserve	7,472	0.4%	-	-	-	-
Own shares	-2,477	-0.1%	-	-	-	-
Other capital	539,555	31.7%	383,269	25.4%	77,404	8.5%
Retained earnings	-1,049	-0.1%	7,195	0.5%	-26,222	-2.9%
Net profit / loss	100,882	5.9%	148,104	9.8%	132,017	14.5%
<b>Non-current liabilities</b>	<b>358,311</b>	<b>21.1%</b>	<b>370,799</b>	<b>24.5%</b>	<b>350,434</b>	<b>38.6%</b>
Borrowings	168,306	9.9%	206,407	13.7%	220,846	24.3%
Deferred income tax liabilities	93,352	5.5%	68,806	4.6%	33,660	3.7%
Retirement benefit obligations	437	-	599	-	444	-
Provision for other liabilities and charges	13,369	0.8%	14,003	0.9%	14,249	1.6%
Other liabilities	82,847	4.9%	80,985	5.4%	81,236	9.0%
<b>Current liabilities</b>	<b>687,822</b>	<b>40.4%</b>	<b>591,260</b>	<b>39.1%</b>	<b>345,537</b>	<b>38.1%</b>
Trade and other payables	140,415	8.3%	106,578	7.1%	115,861	12.8%
<i>of which trade payables</i>	<i>116,055</i>	<i>6.8%</i>	<i>83,808</i>	<i>5.5%</i>	<i>52,690</i>	<i>5.8%</i>
Construction contracts	104,237	6.1%	156,480	10.4%	105,538	11.6%
Income tax liabilities	-	-	-	-	5,695	0.6%
Borrowings	269,179	15.8%	156,735	10.4%	107,983	11.9%
Provision for other liabilities and charges	25,742	1.5%	18,628	1.2%	10,460	1.2%
Other liabilities	148,250	8.7%	152,840	10.1%	-	-
<b>Liabilities connected with held-for-sale assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18,124</b>	<b>2.0%</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,701,456</b>	<b>100.0%</b>	<b>1,511,567</b>	<b>100.0%</b>	<b>907,545</b>	<b>100.0%</b>

**3. Key financial ratios**

	<b>2008</b>	<b>2007</b>	<b>2006</b>
<b>ROA</b>			
<u>net profit/loss</u> total assets	5.9%	9.8%	14.5%
<b>ROE</b>			
<u>net profit/loss</u> equity	15.4%	27.0%	68.2%
<b>Net profit margin on sales</b>			
<u>net profit/loss</u> revenues from sales	14.0%	19.0%	18.2%
<b>Liquidity I (current)</b>			
<u>total current assets</u> current liabilities	1.79	1.91	1.60
<b>Liquidity II (quick)</b>			
<u>total current assets – inventories</u> current liabilities	1.72	1.86	1.44
<b>Liquidity III (cash)</b>			
<u>cash and cash equivalents</u> current liabilities	0.05	0.13	0.11
<b>Receivables turnover in days</b>			
<u>average trade receivables, net x 365 days</u> revenues from sales	17	13	20
<b>Payables turnover in days</b>			
<u>average trade payables x 365 days</u> cost of goods sold	72	47	42
<b>Inventories turnover</b>			
<u>average inventories x 365 days</u> cost of goods sold	25	29	31
<b>Equity to fixed assets</b>			
<u>equity</u> fixed assets	1.39	1.44	0.59
<b>Debt ratio</b>			
<u>non-current liabilities + current liabilities</u> total equity and liabilities	61.5%	63.6%	76.7%
<b>BVPS</b>			
<u>equity</u> number of shares	0.01	0.01	-

#### **4. Interpretation of ratios and overall economic situation**

During the audited period the business activity of the Capital Group of J.W. Construction Holding generated profit of PLN 100,882,000. The following results added to net profit for the period from 1 January 2008 to 31 December 2008:

• net sales generating the profit of	PLN 155,323,000
• other operating loss of	PLN 14,194,000
• financial loss of	PLN 15,824,000
• income tax of	PLN 24,423,000

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

In the audited year the Group generated net profit by almost 32% lower than in the previous year, which was mainly the consequence of a significant slowdown on the real estate market due to the global crisis.

As at 31 December 2008 the majority of assets (72%) were current assets most of which, due to the nature of the core business of the Company, were inventories connected with construction contracts (65% of the total value of assets of the Company). Tangible assets of the Company constituted 21% of the total value of assets.

An analysis of the structure of equity and liabilities proved that in the audited period the business activity of the Company was financed in 39% with equity and in 61% with external capital. Fixed assets of the audited Company were covered entirely with equity.

During the analysed accounting year ROA of the Capital Group went down compared to the previous year and amounted to 5.9%, which means that each PLN 100 worth of employed fixed assets generated almost PLN 6 worth of net profit. In the audited period ROE went down as well – to 15.4%. Both the aforesaid ratios decreased mainly due to a significant growth in the value of assets of the Company and the value of equity, chiefly in the consequence of increasing the value of supplementary capital of the Company by the value of profit generated by the same in the previous year, retained in the Company.

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

Compared to the previous year the debt ratio of the Company went down by over two percentage points. In the audited period book value per share went down as well. The average book value for 2008 was PLN 0.01.

During the last accounting period the receivables turnover ratio and payables turnover ratio increased compared to the previous year and their values indicate that the Capital Group regulated its payables on the average by 55 days later than it collected its receivables.

The average period of keeping inventories went down to 25 days in the audited accounting year. However, it should be noted that calculations of that ratio did not account for construction contracts which for the purpose of transparency are presented under a separate item in the balance sheet. Qualification of that item for the purpose of the calculation formula of the ratio of inventories turnover in days would extend the period of keeping inventories by the Company, which is characteristic for its core business (developer industry).



### III. SPECIFIC INFORMATION

#### 1. Principles of consolidation of the financial statements

##### 1.1. Principles (policy) of accounting

The consolidated financial statements of the Capital Group, with J.W. Construction Holding S.A. as the parent company, were prepared in accordance with the principles of the International Accounting Standards, International Financial Reporting Standards and related interpretations published in the form of European Community regulations and to the extent not provided thereunder – in accordance with the Act on Accounting and supporting regulations issued under the same as well as based on correct books of accounts.

The Capital Group assumed standard principles and methods of measurement of particular assets, income and expenses as well as presentation of financial data.

Financial statements of entities covered by the consolidated financial statements were prepared as at the same balance sheet date as the financial statements of the parent company.

##### 1.2 Methods of consolidation of capital and calculation of capital attributed to minority shareholders

Share capital of the Capital Group is share capital of the Parent Company.

Other items of equity of the Capital Group were calculated by summing up particular items of equity of the parent company and relevant items of equity of a subsidiary covered by the consolidated financial statements, corresponding to the share of the parent company in the ownership structure of such subsidiary as at the balance sheet date.

Equity of the Capital Group included only those parts of relevant items of equity of subsidiaries which were established from the day of assuming control over the same by the parent company.

Equity attributed to minority shareholders in subsidiaries covered by the consolidated financial statements, was calculated based on the share of such shareholders in the ownership structure of the said subsidiaries as at the balance sheet date.

In 2008 equity of the Capital Group of J.W. Construction Holding, with J.W. Construction Holding S.A. as the parent company, changed as follows:

As at 1 January 2008 equity of  
the Capital Group of J.W. Construction Holding amounted to: PLN 549,508,306.25

##### **Changes in equity during the audited period:**

Purchase of own shares	negative PLN 2,476,626.31
Revaluation of available-for-sale assets	PLN 7,471,818.19
Exchange gains / (losses) on translation of financial statements of foreign operations	negative PLN 82,439.01
Profit from acquisition of companies	PLN 427,385.88
Consolidation adjustments	PLN 2,409.99
First-time consolidation	negative PLN 410,310.69
Profit for the accounting year	PLN 100,881,968.82
As at 31 December 2008 equity of the Capital Group of J.W. Construction Holding amounted to	PLN 655,322,513.12

From the balance sheet date until the end of the audit of the consolidated financial statements equity of the Capital Group of J.W. Construction Holding did not change otherwise than presented above.

### **1.3. Rules of preparing the consolidated financial statements**

The consolidated financial statements as at 31 December 2008 were prepared on the basis of financial statements of capital group companies, in such a manner as to present the financial standing and assets of the Capital Group as if it were one company.

The parent company and subsidiaries are consolidated with the full method.

In the course of consolidation relevant exclusions were made in the scope of mutual receivables and liabilities, income and expenses referring to operations between consolidated companies, as well as gains and losses contained in consolidated assets.

Moreover, the exclusions covered the value, denominated in acquisition price, of shares held by the parent company in equity of subsidiaries and that part of net assets, measured at fair value, of subsidiaries, which corresponded to the share of the parent company in equity of such subsidiaries.

The data under the financial statements, being the basis for consolidation, were established and transformed in accordance with the principles of accounting resolved by the management of the parent company, in order to substantially standardise the principles of accounting applied by the companies covered by the consolidated financial statements.

We audited the consolidated financial statements of the Capital Group of J.W. Construction Holding as at 31 December 2008 to the extent we considered necessary to issue a reliable opinion on fairness and accuracy of the presented financial data.

### **1.4. Consolidation documents**

The parent company prepared the consolidation documents in accordance with the requirements of the Regulation of the Minister of Finance of 12 December (Journal of Laws of 2001 No. 152, Item 1729) and 8 August 2008 (Journal of Laws of 2008 No. 162, Item 1004) on Specific Principles of Preparing Financial Statements of Related Parties by Companies Other Than Banks and Insurance Companies, including among other things:

- financial statements of the Capital Group companies covered by the consolidated financial statements, prepared for the purpose of consolidation, taking account of intercompany transactions,
- calculation of direct and indirect shares of the parent company in companies of the Group,
- statement of consolidation adjustments and exclusions under the financial statements covered by consolidation,
- calculation of goodwill and negative goodwill, as well as allowances on the same,
- calculation of equity attributed to minority shareholders.

## **2. Additional information to the consolidated financial statements**

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

The additional information is complete and the figures contained in the same are compliant with other elements of the audited consolidated financial statements.

## **3. Consolidated statement of changes in equity**

The statement of changes in consolidated equity was prepared accurately and it is correctly connected with the consolidated balance sheet and consolidated income statement. The data presented in the statement of changes in consolidated equity show the changes in equity of the Group in a fair and correct manner.

## **4. Consolidated cash flow statement**

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

The consolidated cash flow statement was prepared by way of:

- summing up relevant items of cash flow statements of subsidiaries covered by the consolidated financial statements,
- making consolidation adjustments, consisting of excluding cash flows between companies covered by the consolidated financial statements.

## **5. Parent Company's Management Commentary on the Capital Group**

In accordance with Article 49 of the Act and the Code of Commercial Companies the Management Board of the Parent Company prepared the Management Commentary on the Capital Group of J.W. Construction Holding S.A. for 2008. Information presented in the Management Commentary for the period from 1 January 2008 to 31 December 2008 is complete, within the meaning of the Act on Accounting and the Regulation of the Minister of Finance of 19 February 2009 on Current and Periodic Filings of Issuers of Securities and Conditions for Recognising Filings Required under Regulations of a Non-member State as Equivalent (Journal of Laws of 2009 No. 33, Item 259), and it complies with the information presented in the audited financial statements.

**6. Statement of the Management Board of the Parent Company**

The Management Board of the Parent Company of J.W. Construction Holding S.A. made a written statement that all data were recognised in books of accounts, all contingent liabilities were disclosed as well as all events that are significant for the Capital Group of J.W. Construction Holding S.A. and occurred after the balance sheet date.

Poznań, 29 April 2009

**BDO Numerica  
International Auditors & Consultants Spółka z o.o.  
ul. Postępu 12, 02-676 Warszawa  
Licensed auditing firm registered under number 3355**

**Auditor**

Krystyna Sakson  
Management Board Member  
Certified Auditor  
Reg. No. 7899/483  
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**Acting for**

**BDO Numerica S.A.**  
International Auditors & Consultants Spółka z o.o.  
dr André Helin  
President of the Management Board  
State Authorised Public Accountant  
Certified Auditor 90004/502  
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