

**Financial Statement for the period**

**between January 1, 2014**

**through December 31, 2014**

**Prepared in accordance with**

**International Financial Reporting Standards**



Ząbki, February 25, 2015



1. **INTRODUCTION TO THE FINANCIAL STATEMENT**
2. **GENERAL INFORMATION**

J.W. Construction Holding S.A., hereinafter referred to as Company, is a joint-stock company with its registered office in Ząbki, Poland at 326 Radzymińska street, REGON id. no.: 010621332 was initially registered as Towarzystwo Budowlano-Mieszkaniowe Batory Sp. z o.o., a limited liability company, on 7 March 1994 under 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. Construction Holding S.A." and was entered into the National Court Register under number KRS 0000028142.

In accordance with the Polish Classification of Activities (Polska 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 building, designing and supportive production, as well as trade in real estate, sale of aggregates and hotel services.

As of December 31, 2013, the lifetime of the Company is unlimited. The business year of the Company is a calendar year i.e. the period from January 1 through December 31.

The foregoing report was approved by Company Management Board on February 25, 2015 with the publication date of March 19, 2015. If there are any significant changes requiring disclosure, the financial statement can be changed after the modification thereof prior to approval solely by Company Management Board.

1. **ADOPTED PRINCIPLES (POLICY) OF ACCOUNTING**

**Going concern basis and comparability of financial statements**

J.W. Construction Holding S.A. assumes that it will operate as a going concern and that financial statements are comparable. As at the balance sheet date the company of J.W. Construction Holding S.A. did not find out any threats to the going concern assumption. The financial reporting is prepared in accordance with the historical cost convention. The financial information was not measured with any other method, which guarantees that the financial statements presented in the consolidated financial statements are comparable.

**Declaration of unconditional compliance with IFRS**

The financial statement of J.W. Construction Holding S.A. was prepared in accordance with the International Financial Reporting Standards, as approved by the European Union.

J.W. Construction Holding S.A. has assumed that besides accounting estimates, also a professional judgement of the management was significant for the financial statements.

**Significant estimations and assumptions**

Estimations and judgements are subject to periodic verification of the Company. When making estimations J.W. Construction Holding S.A. makes the following assumptions referring to the future;

- Estimation of impairment allowance. 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 makes a judgement or issues a decision other than expected by the company and the created provisions may prove insufficient.

- The company gains revenues from services supplied by the Issuer under contracts for a specified time. Services supplied by the Issuer are long-term ones and their term of performance is over six months.

**The results of applying new standards of accounting and changes to the accounting policy**

The principles (policy) of accounting that were used for preparation of this financial statements for the financial year end of 2014 are consistent with those used for preparation of the financial statements for the financial year of 2013, with the exception of changes described below. Company applied the same principles for the current and comparable period unless the standard or interpretation assumed only a prospective application.

**Changes resulting from changes to IFR**

The following new or revised standards or interpretations issued by the International Accounting Standards Board or IFRS Interpretations Committee are applied from January 1, 2014:

* IFRS 10 *Consolidated Financial Statement*
* IFRS 11Joint arrangements
* IFRS 12 *Disclosure of Interests in Other Entities*
* IFRS 27 *Separate Financial Statements*
* IFRS 28 *Investments in Associates and Joint Ventures*
* Changes to IFRS 32 *Compensation of assets and financial obligations*
* *Guidelines to transitional provisions (Amendments to* IFRS *10,* IFRS *11 and* IFRS *12)*
* Investment units *(Changes to* IFRS *10, IFRS 12 and IFRS 27)*
* Changes to IFRS 36 Impairment of assets
* Changes to IFRS 39 *Novation of Derivatives and Continuation of Hedge Accounting*

Their adaptation did not affect the results of the Company's activity and financial situation, but resulted only in changes of applied accounting policy or eventually in expending of the scope of required disclosures or terminology used.

The main consequences of the application of new regulations:

* IFRS 10 *Consolidated Financial Statements*

A new standard was published on May 12, 2011 and is to substitute SIC 12 Consolidation - Special Purpose Vehicles and a part of IFRS 27 Consolidated and separate financial statements. This standard defines the notion of control as a factor determining whether an entity should be subject to a consolidated financial statement and whether it has guidelines assisting in determining whether an entity excersises a control or not. Application of the revised standards does not have any significant impact on the financial statements of Company.

* IFRS 11 Joint arrangements

A new standard published on May 12, 2011 and is to substitute SIC 13 Jointly Controlled Entities - non pecuniary contributions of partners and IFRS 31 - Shares in common ventures. This standard puts emphasis on the law and obligations resulting from the common agreements irrespectively of their legal form and eliminates inconsistencies in reporting by defining the method of settlement of shares in jointly controlled entities. The application of this standard has no significant impact on Company financial statement.

* IFRS 12 Disclosure information in regard to shares in other units

A new standard was published on May 12, 2011 and involves the requirements for information disclosure in regard to engagement in new entities and investments. The application of the new standard shall have no significant influence on Company financial statement.

* IFRS 27 *Disclosure of Interests in Other Entities*

A nwe standard published on May 12, 2011 and results first of all from previous IAS 27 to new IFRS 10 and IFRS 11. This new standard involves the requirements in the scope of presentation and disclosure in a separate financial report of an investmenet in affiliated entities, related and common endeavors. This standard shall substitute IAS 27 *Consolidated and separate financial statements*. The application of the new standard shall have no significant influence on Company’s financial statement.

* IFRS 28 *Investments in Associates and Joint Ventures*

A new standard was published on May 12, 2011 and regards investment settlement in related entities. It describes the requirements for application of the ownership right method in investments in affiliated entities and in commonly controlled entitites. This standard shall substitute previous IAS 28 *Investments in affiliated entities*. The application of the new standard shall have no effect on Company’s financial statement.

* Changes to IFRS 32 *Compensation of assets and financial obligations*

Chamges to IAS 32 were published on December 16, 2011 and apply to annual periods starting on January 1, 2014 or later. The changes are an answer towards inconsistencies in the application of the criteria for compensation existing in IAS 31. The application of this new standard shall have no significant influence on Company’s financial statement.

* *Guidelines to transitional provisions (Amendments to* IFRS *10,* IFRS *11 and* IFRS *12)*

The guidelines were published on June 28. 2012 and involve additional information regarding the application of IFRS 10, IFRS 11 and IFRS 12, including presentation of contrast data in case of the IFRS 10. The application of these changes shall have no significant influence on Company’s financial statement.

* Investment units *(Changes to IFRS 10, IFRS 12 and IAS 27)*

The guidelines were published on October 31, 2012 and involve other principles regarding the application of IFRS 10 and IFRS 12 in case of units characteristic of investment funds. The application of this standard shall have no significant impact on Company’s financial statement.

* Changes to IAS 36 Recoverable amount disclosures for non-financial assets

The changes were published on May 29, 2013 and apply towards annual period starting on January 1, 2014 or later. The changes result in modification of the disclosures in relation to the non-financial impairment of assets, they *inter alia* require that recoverable amount of an asset is disclosed (an entity earning cash flows) only in the periods when value depreciation is presented or the value of a given asset (or entity) is reserved. With the exception of goodwill and certain intangible assets for which an annual impairment test is required, entities are required to conduct impairment tests where there is an indication of impairment of an asset, and the test may be conducted for a 'cash-generating unit' where an asset does not generate cash inflows that are largely independent of those from other assets.

The application of this standard shall have no important influence on Company’s financial statement.

* Changes to IAS 39 Zmiany do MSR 39 *Novation (renewal) if derivatives and continuationg of hedge accounting*

The changes were published on June 27, 2013 and they apply towards annual periods starting on January 1, 2014 or later. The changes allow for continuation of the application of hedge accounting (on certain conditions) in case when a derivative being a securing instrument is renewable as a result of legal regulations and as a result there are no changes of the settlement institution. Chantes of IAS 39 are an effect of the changes in the legal regulations in many countries the effect of which being obligatory of settlement of existing derivatives not traded on stock exchanges and their renewal with the central settlement institution. The application of these changes shall have no influence on Company financial statement.

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* **Changes made by the Company itself**

Company did not made a correction of presentation of comparable data for the year ended on December 31, 2014.

**Not effective standards (New standards and interpretations)**

In this financial statement, the Group did not decide of an earlier use of published standards or interpretations before their effective date.

The following standards and interpretations were issued by the IFRS Interpretations Committee and IFRIC and not yet entered into force on the balance sheet date:

* IFRS 9 Financial Instruments

This new standard was published on July 24, 2014 and is applicable towards annual periods starting from January 1, 2018 or later. The purpose of this standard to arrange in order the classification of financial assets and introduction of a unified approach towards the assessment of the loss of value regarding all financial instruments. This standard also introduces a new hedge accounting model in order to unify the principles for presentation of risk management information in financial statements. Company shall apply the modified standard in the scope of introduced changes from January 1, 2018. On the day on which this financial statement was prepared it was not possible to convincingly assess the influence of the application of this standard. Company started the analysis of the introduction of this new standard.

* IFRS 14 *Regulatory Deferral Accounts*

This new standard was published on January 30, 2014 and is applicable to annual periods starting on January 1, 2016 or later. It has a transitory character due to conducted work on the part of IFRS regarding the regulation of how operations shall be settled in new conditions of price regulations. This standard introduces new principles of presentation of assets and liabilities due to transactions with regulated prices when an entity decides to adopt IFRS. Company shall adopt the new standard from January 1, 2016. Adoption of the new standard has no influence on Company financial statement.

* IFRS15 Revenue from contracts with customers

This new unified standard was published on May 28, 2014 and is applicable towards annual reports starting on January 1, 2017 or later and its earlier application is permitted. This standard establishes new framework for presentation of revenue and involves principles that shall replace the majority of guidelines in the scope of presentation of existing revenue currently found in IFRS, in particular in IFRS 18 Revenue, IFRS 11 Construction service contract and the interpretations related thereto.

On the day of preparation of the foregoing financial statement, it is not feasible to prepare a convincing assessment of the influence of application of this new standard. Company has initiated the analysis of the consequences of the introduction of this new standard.

* Changes to various standards resulting from an annual review of International Financial Reporting Standards (Annual Improvements 2010-2012)

On December 12, 2014 there were further changes made to seven standards resulting from the project of proposed changes to IFRS published on May 2012. The mostly apply to annual reports starting on Jul1 1, 2014 or later.

Company applies the changed standards in the scope of changes from January 1, 2015 unless there is another time limit established. The application of the changed standards has no significant influence on Company financial statement.

* Changes to various standards resulting from an annual review of International Financial Reporting Standards (*Annual Improvements 2011-2013*)

On December 12, 2013 further changes were published towards 4 standards resulting from the project of proposed changes to Inernational Financial Reporting Standards published in November of 2012. They apply mostly to annual periods starting on July 1, 2014 or later.

Company shall implement changed standards in the scope of the changes applicable from January 1, 2014 unless there is no implementation date.

Application of the changed standards shall no have any significant influence on Company financial statement.

* Changes to IFRS 19 *Employee benefits*

A new interpretation was published on November 21, 2013 and has application towards annual periods starting from July 1, 2014 or later. These changes render accounting principles more precise, and in some cases simplify them, for employee benefits (or other third parties) paid to appropriate plans. Company shall apply the changed standard in the scope of introduced changes from January 1, 2015. The application of changed standards shall have no influence on Company’s financial statement.

* IFRIC 21 interpretation *Public levies*

A new interpretation was published on May 20, 2013 and applies to annual period starting on January 1, 2014 or later. This interpretation involves guidelines regarding which periods given obligations to pay public levies should be disclosed in. Company shall apply this new interpretation from the date fixed in European Commission’s regulation allowing this interpretation in the European Union, which is from January 1, 2015. The application of the new standards shall have no influence on Company financial statement.

* Changes to IFRS 11 *Joint arrangmenets*

Changes to IFRS 11 were published on May 6, 2014 and apply towards annual periods starting on January 1, 2016 or later. The purpose of the changes is a detailed disclosure of the guidelines explaining the way transactions regarding acquisition through common endevors constituting a venture should be presented in. The changes require that identical principles should be utilized as during mergers of entities. The application of the changed standards shall have no significant impact on Company’s financial statement.

* changes to IAS 16 and IAS 38 Explanations in the scope of accepted methods for presentation of write-offs and amortization

Changes to IFRS 16 *Fixed assets* and IAS 38 *Intangible assets* were published on May 12, 2014 and are applied to the periods starting on January 1, 2016 or later. The change constitutes an additional explanation towards permitted amortization methods. The goal of the changes is to indicate whether the method for calculating a write-off basis for tangible and intangible assets bases on revenue is not appropriate but in the case of intangible assets this method can be applied in appropriate circumstances. The application of the changed standards shall have no significant impact on Company’s financial statement.

* Changes to IAS 16 amd IAS 41 Agriculture: Agriculturalal production

Changes to IFRS 16 and 41 were published on June 30, 2014 and they are applied to annual reports starting on January 1, 2016 or later. This changes shows that plants produced should be presented in the same way as fixed assets in the scope of IAS 16. As a result produced plants should be seen through the prism of IAS 16 insead of IAS 41. Agricultrual production produced through produced plants are subject to IAS 41. The application of the changed standards shall have no impact on Company’s financial statement.

* Changes to IAS 27: Ownership rights methods in separate financial statements

Changes to IAS 27 were published on August 12, 2014 and apply to the periods starting on January 1, 2016 or later. They bring IFRS back a possibility to present in separate financial statement financial investments in related units, common enterprises and affiliated units using the ownership rights method. In case of choosing this method it is required that this method is applied to every investment in a given category.

 The application of the changed standards shall have no significant influence on Company’s financial statement.

* changes to IFRS 10 and IAS 28: Sale or transfer of assets between investor and its affiliated units or a common enterprise

Changes to IFRS 10 and IAS 28 were published on September 11, 2014 and apply to annual reports starting on January 1, 2016 or later. The changes refer to the accounting aspect of transactions in which a domination unit loses control over an affiliated unit that is not a business in accordance with the definion in IRFS 3 “Merger of Units” by way of sale of all or part of units in an affiliated unit to another affiliated unit or a common enterprise presented by the ownership right method. As of the date of preparation of the foregoing financial statement it is not possible to assess convincingly the effect of the application of the new standard.

* Changes to various standards resulting from an annual review of Internial Financial Reporting Standards (*Annual Improvements 2012-2014*)

On September 2014, there were further changes published to 4 standards resulting from the project of proposed changes to International Financial Reporting Standards published in December 2013..They apply mostly to annual periods starting on January 1, 2016 or later.

Company shall apply the changed standards in the scope of introduced changes on January 1, 2016 unless there is another time for their adoption. The application of these standards shall have no significant influence on Company financial statement.

* Changes to IAS 1: Initiative in disclosure matters

On December 18, 2014 as part of a large initiative with an eye to improving presentation and disclosure in financial reports changes to IAS 1 were published. These changes are to further encourage entities to apply professiona assessment in defining what information to be disclosed in financial reports. For example, the changes render more precise the issue whether the significance regards the entirety of financial reports and whether inclusion of non-significant information can reduce the usefulness of precisely financial information.Also they render more precise whether the units should apply a professional assessment when describing which place and what order information in case of disclosure of financial information should be presented in. The published changes are also accompanied by the project of changes for IAS 7: Cash flow statement increasing the requirements for financial activity and cash and their equivalent units.

The changes can be applied immediately and it is obligatory to use them for annual reports starting on January 2016 or later. Company started an analysis of the effect of introduction of the changes. Company shall adopt the changes on January 2016 at the laters and their effect can be the change of scope/authorization form presented in the financial statement.

* Changes to IFRS 10, IFRS 12 and IFRS 28: Investment units: exception from consolidation

Changes to IFRS 10, IFRS 12 and IFRS 28 were published on December 18, 2014 and are applied towards annual periods starting on January 1, 2016 or later and their purpose is to render more precise the requirements in the scope of accounting of investment units.

Company expects that the application of the changed standards shall have no influence on Company’s financial statement. IFRS in the shape approved by EU do not significantly differ from the regulations adopted by the Internation Accounting Standards Council with the exception of those standards, interpretations and changes thereto that on the day of approval of the foregoing financial statement for publication were not yet approved for application by EU:

* IFRS 9 *Financial instruments* published on July 24, 2014,
* IFRS 14 *Regulatory Deferral Accounts* published on January 30, 2014,
* IFRS 15 *Revenue from the Contracts with Customers* published on May 28, 2014,
* Changes to IFRS 11 *Presentation of acquisition of assets through common endeavors* published on May 6, 2014,
* Changes to IAS 16 and IAS 38 *Explanations in the scope of accepted methods for disclosure of write-offs and amortization* published on May 12, 2014,
* Changes to IAS 16 and IAS 41: *Agriculture produce* published on June 30, 2014,
* Changes to IAS 27: Methods for ownership right in separate financial statements published on August 12, 2014,
* Changes to IFRS 10 AND IAS 28: *Sale or transfer of assets between investor and its affiliated unit or common enterprise* published on September 11, 2014,
* Changes to various standards resulting from an annula review of International Financial Reporting Standards (*Annual Improvements 2012-2014*) published on September 25, 2014,
* Changes to IAS 1 : Initiative in matters of disclosure,
* Changes to IAS 10, IAS 12 and IAS 28: *Investment units: application of the exception from consolidation*.

**Accounting policy**

***Intangible assets***

Intangible assets are priced at cost and include proprietary rights such as: concessions, patents, licenses, trademarks, copyrights, know-how and computer software. Intangible assets are identifiable non-monetary assets. Intangible assets are recognizable 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 company,

- the acquisition price or manufacturing cost of a given asset can be measured reliably

Intangible assets are amortized with the straight-line method for the period of their expected useful life.

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 same) as a result of past events, from 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 from 1.25% - 4,5%

- Machinery and equipment: 5% - 30%

- Means of transport: 12.5% - 20%

Subsequent expenditures on tangible assets are included in their carrying value if it is probable that the business entity will gain future economic benefits exceeding the ones obtainable under the initially estimated earnings from assets held before such expenditures. Current costs of maintenance and repairs are expensed in the period in which they were incurred.

Fixed small assets with a value below PLN 3,500,00 are amortized once on 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***

Whenever there are indications that tangible assets and intangible assets may be impaired, the said assets are tested for impairment. The established amounts of impairment losses reduce the carrying value of an asset subject to impairment and are disclosed in the income statement.

Impairment losses on assets that were earlier re-measured adjust the revaluation reserve up to the amounts disclosed in equity, and below the acquisition price they are disclosed in the income statement. An impairment loss is recognized for the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of the asset's net realizable value and the value in use. Impairment losses are reversed when the circumstances due to which they were made cease to exist. Impairment loss reversals are disclosed in the income statement except for the ones which earlier reduced the revaluation reserve. They then adjust the said reserve up to the value of earlier reductions.

***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 cannot 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.

***Lease***

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 company as a component of assets and liabilities:

- 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. The period of amortization or depreciation is equal 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 leas.

***Inventories***

Inventories comprising materials, work in progress, finished products, goods and trade advances are understood as assets which 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** are components of the completed projects (residential homes, multifamily housing), such as apartments, commercial spaces, basements, garage and parking places. Finished products are components of completed projects (housing estates, multi-family housing estates) such as apartments, commercial premises, basements, garages, garage places, parking places. This item comprises other finished products used in the production process of the company. 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** covers expenditures made on building housing estates and costs connected with auxiliary production. 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 "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 borrowing

***Current and non-current receivables***

Receivables are disclosed in the financial statements at the amount due less impairment allowance. Receivables are re-measured taking account of the probability of their payment, by way of making impairment allowance. Impairment allowance is included in other operating expenses or financial expenses, respectively, depending on the type of receivables covered by such allowance. Written-off, prescribed or uncollectible debts reduce the impairment allowance earlier recognized for the same. Written-off, prescribed or uncollectible debts for which no or only some impairment allowance was recognized are charged to other operating expenses or financial expenses, respectively.

***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 the Company.

Guarantee deposits securing claims of the Company against sub-contractors are disclosed as payables in liabilities. Deposits are measured as at the balance sheet date at acquisition price adjusted with an effective discount rate.

***Cash and cash equivalents***

Cash on hand and with bank as well as current deposits kept to maturity are measured at par value.

***Prepaid expenses***

The Company defers expenditures of prepaid expenses when it is probable that incurred costs refer to more than one reporting period, and in accordance with the principles of significance and prudence in accounting. The most important criterion for deferment of expenses is satisfaction of the definition of assets i.e. resources whose value can be measured reliably, recognized as a result of past events and from which future economic benefits are expected to flow to the company.

***Provisions for liabilities***

Provisions are liabilities of uncertain amount or timing. The Group companies recognize provisions when all the following conditions are fulfilled:

* the company has a present (legal or constructive) obligation as a result of past events;
* it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
* a reliable estimate can be made of the amount of such obligation.

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

* a provision for guarantee repairs disclosed at amounts of guarantee repair costs incurred in previous periods,
* a provision for unused annual leaves of employees, recognized based on records on unused days of annual leaves of particular employees at a given date and their daily gross salaries plus social insurance premiums paid by the Employer,
* provision for retirement benefits,
* deferred income tax liabilities.

***Long-term developer contracts***

The core business of the Issuer is to perform developer 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 one year. Advances paid by buyers under concluded agreements are recorded as deferred income. Costs by nature incurred in a given period are disclosed as work in progress under inventories. From 1 January 2009, the Group recognizes revenues and expenses regarding the developer contracts in accordance with the IFRIC 15 interpretation : “ Agreements for the construction of real estate”, published in July 2008. This interpretation concerns the moment of recognition of revenue from sales of property.

From 2009, the Company recognizes revenues from developer contracts – sale of immovable property to the purchaser upon the transfer of control and significant risk of ownership. Transfer of control and significant risk of ownership take place the latest on the date of concluding the contract in a form of a notarial deed.

The Company changed the accounting policy for the moment of transferring the control and significant risks to the Buyer. After the amendment, the Company using the interpretation of IFRIC 15 recognizes revenue from the sale of the property after meeting the following conditions::

* completion date;
* receiving property transfer protocol.

***Long-term developer contracts***

As a provider of construction services, the Company applies the regulations under IAS 11 "Construction Contracts" for accounting and recognition of construction services:

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 de-recognized 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:

- establishing costs of the contract incurred due to work performed to date proportionally to estimated total costs of such contract,

- 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.

***Borrowing***

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 de-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.

Income tax liabilities are recognized for temporary positive differences at the amount of income tax payable in future.

Deferred income tax assets are recognized at the amount of expected future deduction from income tax due to temporary negative differences and a deductible tax loss, in accordance with the principle of prudence in accounting. The carrying value of deferred income tax assets is verified as at each balance sheet date unless it is probable that taxable income sufficient to realise the whole or a part of a deferred income tax asset will be generated. Deferred income tax assets and deferred income tax liabilities are measured at tax rates applicable for the period when the asset is realized and the liability is discharged, based on tax rates applicable as at the balance sheet date.

***Held-for-sale assets and discontinued operations***

Available-for-sale assets and discontinued operations are assets or groups 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 group 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 Company, 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 all trade payables and all or those of other liabilities that fall due within one year of the balance sheet date. Non-current liabilities are those liabilities, other than trade payables, which fall due after one year of the balance sheet date.

Financial liabilities are obligations of the company to deliver financial assets or to exchange a financial instrument with another company on unfavorable conditions.

Contingent liabilities are obligations dependent on occurrence of certain events. Contingent liabilities are disclosed in additional information and notes.

Liabilities are measured as at the balance sheet date in the amount due.

***Accrued expenses***

Accrued expenses are recognized at the amount of probable obligations falling to the reporting period.

***Revenues***

The Group of Issuers recognize revenues at the amount of probable economic benefits flowing due to a transaction, which can be measured reliably. Revenues are recognized on an accrual basis, regardless of the date of payment receipt.

Revenues from sales of developer services - apartments - are disclosed in the manner provided under the section "Long- term developer contracts.

Revenues from sales of construction services are recognized in the period of service supply, on the basis of the stage of completion of a concrete transaction, established based on the relation of actually performed works to all services to supply.

***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.

Extraordinary profits and losses present financial results of events that come into existence outside the main business of the company.

***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.

# FINANCIAL STATEMENT

**Report on financial situation**

|  |  |  |  |
| --- | --- | --- | --- |
| **ASSETS** | **Note** | **December 31, 2014**  | **December 31, 2013**  |
| **FIXED ASSETS** |  | **836 511 509,70** | **801 365 154,60** |
| Intangible assets | 1 | 13 813 183,04 | 14 885 141,29 |
| Tangible assets | 2 | 233 175 818,19 | 253 786 955,74 |
| Investment real estate | 3 | 247 333 773,26 | 252 160 270,29 |
| Other financial assets | 4 | 252 200 856,92 | 150 718 690,80 |
| Deferred income tax assets | 13 | 15 076 920,35 | 13 700 997,52 |
| Trade and other receivables | 5 | 74 910 957,94 | 116 113 098,96 |
| **CURRENT ASSETS** |  | **362 900 191,69** | **486 662 118,30** |
| Inventories | 6 | 28 630 089,30 | 29 394 690,87 |
| Construction contracts | 6 | 226 930 180,11 | 328 967 792,84 |
| Trade and other receivables  | 7 | 70 436 345,46 | 69 413 576,67 |
| Other financial assets  | 8 | 25 136 964,63 | 36 999 807,98 |
| Cash and cash equivalents | 9 | 3 343 051,14 | 10 938 036,27 |
| Accruals | 10 | 8 423 561,05 | 10 948 213,67 |
| **Total Assets** |  | **1 199 411 701,39** | **1 288 027 272,90** |
| **EQUITY AND LIABILITIES** |  |   |   |
| **EQUITY** |  | **638 932 343,10** | **533 664 752,40** |
| Share capital | 11 | 17 771 888,60 | 10 814 656,00 |
| Revaluation capital  |  | 7 493 208,19 | 7 493 208,19 |
| Other capital | 11 | 617 101 092,95 | 503 480 469,35 |
| Undivided financial result  |  | 0,82 | 0,82 |
| Net / profit loss  |  | -3 433 847,46 | 11 876 418,04 |
| **LIABILITIES**  |  | **560 479 358,29** | **754 362 520,50** |
| **Long-term liabilities**  |  | **370 827 722,56** | **459 263 300,61** |
| Borrowings | 12 | 72 849 327,73 | 86 928 795,70 |
| Deferred income tax liabilities | 13 | 27 173 730,59 | 26 362 459,03 |
| Retirement benefit obligations |  | 168 159,45 | 124 244,40 |
| Other liabilities | 15 | 270 636 504,79 | 345 847 801,48 |
| **Short-term liabilities**  |  | **189 651 635,73** | **295 099 219,89** |
| Trade and other payables | 16 | 69 097 161,52 | 96 971 923,99 |
| Construction contracts | 6 | 21 675 068,20 | 21 334 795,18 |
| Borrowings | 12 | 63 926 507,89 | 131 561 985,18 |
| Reserves for other liabilities and charges | 14 | 10 489 961,72 | 11 607 046,02 |
| Other liabilities  | 16 | 24 462 936,40 | 33 623 469,52 |
| **Total Equity and Liabilities** |  | **1 199 411 701,39** | **1 288 027 272,90** |

**Report on entire revenue**

|  |  |  |  |
| --- | --- | --- | --- |
|   | **Note** | **from Jan 1, 2014 through Dec 31, 2014**  | **from Jan 1, 2013 through December 31, 2913**  |
| **Net revenues from sales of products, goods and materials, including:** | 17 | **211 884 364,81** | **291 472 963,73** |
| Net revenues from sales of products  | 17 | 210 708 188,81 | 289 345 377,42 |
| Net revenues from sales of goods and materials |  | 1 176 176,00 | 2 127 586,31 |
| **Costs of products, goods and materials sold, of which, including:** | 18 | **173 635 338,76** | **235 344 186,37** |
| Manufacturing cost of products sold |  | 172 433 680,98 | 231 250 412,58 |
| Value of goods and materials sold |  | 1 201 657,78 | 4 093 773,79 |
| **Gross profit (loss) on sales** |  | **38 249 026,05** | **56 128 777,36** |
| **Sales costs** | 18 | 21 602 731,73 | 27 394 328,91 |
| **Overheads** | 18 | 10 684 457,63 | 13 263 306,84 |
| **Revaluation of investment properties** |  | -441 719,68 | 15 890 887,12 |
| **Profit (loss) on sales** |  | **5 520 117,01** | **31 362 028,73** |
| Other revenue from operations  | 19 | 10 250 275,53 | 13 791 129,95 |
| Other costs related to operations  | 20 | 6 502 455,14 | 11 061 520,08 |
| **Operating profit (loss)** |  | **9 267 937,40** | **34 091 638,60** |
| Financial revenue | 21 | 21 826 812,99 | 26 137 225,06 |
| Financial expenses  | 22 | 35 093 249,12 | 46 057 835,51 |
| **Profit (loss) on economic activity**  |  | **-3 998 498,73** | **14 171 028,15** |
| **Gross profit (loss)**  |  | **-3 998 498,73** | **14 171 028,15** |
| Income tax  | 23 | -564 651,27 | 2 294 610,11 |
| **Net profit (loss)**  |  | **-3 433 847,46** | **11 876 418,04** |

|  |  |  |  |
| --- | --- | --- | --- |
| **Other comprehensive income:** |  | **0,00** | **0,00** |
| Exchange differences in foreign operations conversion |   | 0,00 | 0,00 |
| 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** |  | **-3 433 847,46** | **11 876 418,04** |

|  |  |  |  |
| --- | --- | --- | --- |
| **CALCULATION OF BASIC AND DILUTED EARNINGS PER SHARE** |  | from Jan 1, 2014 through Dec 31m 2014  | from Jan 1, 2013 through Dec 31m 2013  |
| **Profits** |  |  |  |
| (A) Profit resulting from the financial statements  |   | -3 433 847,46 | 11 876 418,04 |
| **Number of shares** |  |  |  |
| (B) Number of ordinary shares and preferred shares (as to the right to vote in the General Meeting of Company Shareholders) for the purpose of calculating earnings per share |   | 62 841 299,17 | 54 073 280,00 |
| (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 |   | 62 841 299,17 | 54 073 280,00 |
| **Basic earnings per share = (A)/(B)** |  | **-0,05** | **0,22** |
| **Diluted earnings per share = (A)/(B)** |  | **-0,05** | **0,22** |

\* 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.

**Statement of changes in equity**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Share Capital** | **Own shares (negative figure)** | **Own shares (negative figure)** | **Supplementary capital** | **Other capital**  | **Retained earnings from previous years** | **Net earnings** | **Equity** |
| **As of December 31, 2013**  | **10 814 656,00**  | **0,00**  | **7 493 208,19**  | **497 748 882,16**  | **5 731 587,19**  | **0,82**  | **11 876 418,04**  | **533 664 752,40**  |
| Basic error corrections | 0,00  | 0,00  | 0,00  | 0,00  | 0,00  | 0,00  | 0,00  | **0,00**  |
| IFRS adjustments  | 0,00  | 0,00  | 0,00  | 0,00  | 0,00  | 0,00  | 0,00  | **0,00**  |
| **As of January 1, 2014**  | **10 814 656,00**  | **0,00**  | **7 493 208,19**  | **497 748 882,16**  | **5 731 587,19**  | **0,82**  | **11 876 418,04**  | **533 664 752,40**  |
| Share issuance | 6 957 232,60  | 0,00  | 0,00  | 101 744 205,56  | 0,00  | 0,00  | 0,00  | **108 701 438,16**  |
| Share redemption | 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**  |
| Dividend payment | 0,00  | 0,00  | 0,00  | 0,00  | 0,00  | 0,00  | 0,00  | **0,00**  |
| Gains / (losses) on business acquisitions(part of Company)  | 0,00  | 0,00  |   | 0,00  | 0,00  | 0,00  | 0,00  | **0,00**  |
| Profit/loss from the inclusion/exclusion of companies for consolidation | 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**  |
| Adjustments   | 0,00  | 0,00  | 0,00  | 0,00  | 0,00  | 0,00  | 0,00  | **0,00**  |
| Transformation to IFRS | 0,00  | 0,00  | 0,00  | 0,00  | 0,00  | 0,00  | 0,00  | **0,00**  |
| ***Total profit / (loss) recognized directly in equity***  | **6 957 232,60**  | **0,00**  | **0,00**  | **101 744 205,56**  | **0,00**  | **0,00**  | **0,00**  | **108 701 438,16**  |
| Net profit (loss) for the accounting year | 0,00  | 0,00  | 0,00  | 0,00  | 0,00  | 0,00  | -3 433 847,46  | **-3 433 847,46**  |
| ***Total profit / (loss) recognized in equity and net earnings*** | **6 957 232,60**  | **0,00**  | **0,00**  | **101 744 205,56**  | **0,00**  | **0,00**  | **-3 433 847,46**  | **105 267 590,70**  |
| Increase / decrease from profit distribution | 0,00  | 0,00  | 0,00  | 11 876 418,04  | 0,00  | 0,00  | -11 876 418,04  | **0,00**  |
| **As of December 31, 2014**  | **17 771 888,60**  | **0,00**  | **7 493 208,19**  | **611 369 505,76**  | **5 731 587,19**  | **0,82**  | **-3 433 847,46**  | **638 932 343,10**  |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Share Capital** | **Own shares (negative figure)** | **Revaluation capital** | **Supplementary capital** | **Other capital** | **Retained earnings****from previous years** | **Net earnings** | **Equity** |
| **As of December 31, 2012**  | **10 814 656,00**  | **0,00**  | **7 493 208,19**  | **505 286 065,67**  | **5 731 587,19**  | **-15 598 247,08**  | **8 061 063,56**  | **521 788 333,53**  |
| Basic error corrections  | 0,00  | 0,00  | 0,00  | 0,00  | 0,00  | 0,00  | 0,00  | **0,00**  |
| IFRS adjustments  | 0,00  | 0,00  | 0,00  | 0,00  | 0,00  | 0,00  | 0,00  | **0,00**  |
| **As of January 1, 2013**  | **10 814 656,00**  | **0,00**  | **7 493 208,19**  | **505 286 065,67**  | **5 731 587,19**  | **-15 598 247,08**  | **8 061 063,56**  | **521 788 333,53**  |
| Issuance of shares | 0,00  | 0,00  | 0,00  | 0,00  | 0,00  | 0,00  | 0,00  | **0,00**  |
| Share redemption | 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**  |
| Dividends paid  | 0,00  | 0,00  | 0,00  | 0,00  | 0,00  | 0,00  | 0,00  | **0,00**  |
| Gains / (losses) on business acquisitions(part of Company) | 0,00  | 0,00  |   | 0,00  | 0,00  | 0,00  | 0,00  | **0,00**  |
| Profit/loss from the inclusion/exclusion of companies for consolidation | 0,00  | 0,00  | 0,00  | 0,00  | 0,00  | 0,83  |   | **0,83**  |
| Changes in accounting policies/presentation | 0,00  | 0,00  | 0,00  | 0,00  | 0,00  | 0,00  | 0,00  | **0,00**  |
| Adjustments  | 0,00  | 0,00  | 0,00  | 0,00  | 0,00  | 0,00  | 0,00  | **0,00**  |
| Transformation to IFRS  | 0,00  | 0,00  | 0,00  | 0,00  | 0,00  | 0,00  | 0,00  | **0,00**  |
| ***Total profit / (loss) recognized directly in equity***  | **0,00**  | **0,00**  | **0,00**  | **0,00**  | **0,00**  | **0,83**  | **0,00**  | **0,83**  |
| Net profit (loss) for the business year  | 0,00  | 0,00  | 0,00  | 0,00  | 0,00  | 0,00  | 11 876 418,04  | **11 876 418,04**  |
| ***Total profit / (loss) recognized in equity and net earnings***  | **0,00**  | **0,00**  | **0,00**  | **0,00**  | **0,00**  | **0,83**  | **11 876 418,04**  | **11 876 418,87**  |
| Increase / decrease from profit distribution | 0,00  | 0,00  | 0,00  | -7 537 183,51  | 0,00  | 15 598 247,07  | -8 061 063,56  | **0,00**  |
| **As of December 31, 2013**  | **10 814 656,00**  | **0,00**  | **7 493 208,19**  | **497 748 882,16**  | **5 731 587,19**  | **0,82**  | **11 876 418,04**  | **533 664 752,40**  |

**Cash flow statements (indirect method)**

|  |  |  |
| --- | --- | --- |
| **Cash flows from business operations - indirect method**  | from Jan 1, 2014 to Dec 31, 2014 | from Jan 1, 2013 to Dec 31, 2013  |
| **Net profit (loss)**  | **-3 433 847,46** | **11 876 418,04** |
| **Item adjustments:**  | **36 288 892,44** | **24 947 490,25** |
| Depreciation and amortization  | 4 895 373,71 | 8 594 480,85 |
| (Profits) loss on foreign exchange differences  regarding financial and investment activities  | -3 282 242,98 | -71 775,95 |
| (Profits) loss from investment activities  | 2 038 083,49 | 1 677 817,96 |
| Interest and dividends  | 32 449 832,11 | 26 494 168,79 |
| Changes in provisions and accruals  | 886 832,11 | 4 041 216,65 |
| Change in investment properties  | 441 719,68 | -15 890 887,12 |
| Other adjustments:  | -1 140 705,68 | 102 469,07 |
| - other adjustments  | -1 140 705,68 | 102 469,07 |
| **Changes in working capital**  | **122 115 122,40** | **117 352 083,24** |
| Change in inventories  | 764 601,57 | -1 515 067,05 |
| Change in construction contract  | 104 140 903,26 | 101 135 154,56 |
| Changes in receivables  | 30 634 372,23 | 65 834 899,56 |
| Changes in current liabilities, except for borrowings  | -13 424 754,66 | -48 102 903,83 |
| **Operating cash flow**  | **154 970 167,37** | **154 175 991,53** |
|  **Investment activity cash flows** |
| Disposal of tangible and intangible assets and other non-current assets  | 8 378 169,44 | 23 720 107,01 |
| Acquisition of tangible and intangible assets and other non-current assets  | -7 065 293,32 | -7 385 647,04 |
| Expenses related to assets earmarked for sale | 0,00 | 0,00 |
| Purchase of equity instruments and debt instruments  | 0,00 | 0,00 |
| Disposal of equity instruments and debt instruments  | 0,00 | 19 238 677,51 |
| Loans granted  | -8 746 247,20 | -1 549 409,50 |
| Loans repaid  | 2 223 681,97 | 0,00 |
| Other purchase of financial assets  | -1 300 000,00 | 0,00 |
| Other disposal of financial assets  | 1 300 000,00 | 0,00 |
| Dividends received  | 0,00 | 0,00 |
| Interest received  | 52 113,74 | 23 715,00 |
| Disposal of subsidiaries  | 4 644,62 | -67 509 000,00 |
| Acquisition of subsidiaries  | -78 613 064,41 | 0,00 |
|  **Net investment cash flow**  | **-83 765 995,16** | **-33 461 557,02** |
|  **Financing cash flow**  |
| Net proceeds from issue of shares, other equity instruments and additional capital contributions  | 28 915 480,76 | 0,00 |
| Purchase of own shares or repayment of shares  | 0,00 | 0,00 |
| Borrowings  | 72 859 057,66 | 60 016 625,43 |
| Borrowings repaid  | -114 873 193,45 | -120 216 662,05 |
| Debt securities issued  | 0,00 | 0,00 |
| Debt securities redeemed  | -10 570 000,00 | -24 300 000,00 |
| Payments under financial lease agreements  | -4 215 624,01 | -4 121 216,51 |
| Interest paid  | -33 962 122,50 | -35 616 126,42 |
| Other financial proceeds (including notes)  | 1 400 000,00 | 6 380 000,00 |
| Other financial expenditures (including notes)  | -18 352 755,80 | -400 000,00 |
|  **Net financing cash flow** | **-78 799 157,34** | **-118 257 379,55** |
| **NET DECREASE/(INCREASE) IN CASH**  | **-7 594 985,13** | **2 457 054,96** |
| Cash and cash equivalents at the beginning of the year  | 10 938 036,27 | 8 480 981,31 |
| - foreign exchange gains/(losses) on cash  |   |   |
| **CLOSING BALANCE OF CASH AND CASH EQUIVALENTS**  | **3 343 051,14** | **10 938 036,27** |

# Explanatory notes to the report on the financial situation

**Note 1. Intangible assets**

|  |  |  |
| --- | --- | --- |
| **Intangible assets**  | **Dec 31, 2014**  | **Dec 31, 2013**  |
| a) research and development expenses  | 0,00 | 0,00 |
| b) goodwill  | 12 389 648,22 | 12 389 648,22 |
| c) other intangible assets  | 1 423 534,82 | 2 495 493,07 |
| d) advances on intangible assets  | 0,00 | 0,00 |
| **Total intangible assets**  | **13 813 183,04** | **14 885 141,29** |

Key item of other intangible assets is the integrated SAP system.

|  |  |  |  |
| --- | --- | --- | --- |
| **CHANGES IN INTANGIBLE ASSETS (by type)**  | **Goodwill**  | **Software**  | **TOTAL**  |
| **a) the gross value of intangible assets at the opening period**  | **12 389 648,22**  | **14 852 694,45**  | **27 242 342,67**  |
| **b) increase (due to)**  | **0,00**  | **47 556,43**  | **47 556,43**  |
|  - purchase | 0,00  | 47 556,43  | 47 556,43  |
| **c) decrease (due to)**  | **0,00**  | **0,00**  | **0,00**  |
|  - sale | 0,00  | 0,00  | 0,00  |
| **d) the gross value of intangible assets at the closing period**  | **12 389 648,22**  | **14 900 250,88**  | **27 289 899,10**  |
| **e) accumulated depreciation at opening period**  | **0,00**  | **12 357 201,38**  | **12 357 201,38**  |
| **f) amortization for the period (due to)**  | **0,00**  | **1 119 514,68**  | **1 119 514,68**  |
|  - amortization (annual write-off) | 0,00  | 1 119 514,68  | 1 119 514,68  |
| **g) accumulated depreciation at closing period**  | **0,00**  | **13 476 716,06**  | **13 476 716,06**  |
| **h) impairment write-offs at the beginning of period**  | 0,00  | 0,00  | **0,00**  |
|  **- Increase**  | **0,00**  | **0,00**  | **0,00**  |
| - impairment write-offs  | 0,00  | 0,00  | 0,00  |
|  **- decrease**  | **0,00**  | **0,00**  | **0,00**  |
|  - reversal of impairment write-offs - to financial resul  | 0,00  | 0,00  | 0,00  |
| **i) impairment write-offs at the closing period**  | **0,00**  | **0,00**  | **0,00**  |
| **j) the net value of intangible assets at the beginning of period**  | **12 389 648,22**  | **2 495 493,07**  | **14 885 141,29**  |
| **k) the net value of intangible assets at the closing period**  | **12 389 648,22**  | **1 423 534,82**  | **13 813 183,04**  |

Initial presentation of the values of non-tangible assets is done according to acquisition prices or a manufacturing cost. After initial presentation, non-tangible values are assessed based on acquisition prices or a manufacturing cost decreased by appropriate write-offs due to their constant depreciation. Non-material values are amortized linearly in the period in accordance with the estimated time of their economic usability. The period as well amortization method are verified at the end of each business year.

On December 31, 2014 there were no circumstances as a result of which Company should have created write-offs updating non-material values.

Within Company, in the period between 2013 and 2014 there were no development works that generated appropriate costs. Company had no advances towards intangible values.

As of December 31, 2014 there is no occurrence of a negative goodwill. This value is related to investment real estate that prospect cash flow is expected from.

# Note 2. Tangible assets

|  |  |  |
| --- | --- | --- |
| **Tangible assets** | **31-12-2014** | **31-12-2013** |
| a) fixed assets, including:  | 229 821 259,78 | 250 628 660,35 |
| - land (including right of perpetual usufruct) | 15 006 566,26 | 15 666 495,99 |
|  - buildings and structures | 190 053 600,68 | 207 182 507,51 |
|  - plant and machinery | 14 859 197,02 | 16 209 687,10 |
|  - motor vehicles | 352 797,93 | 647 293,11 |
|  - other property, plant and equipment | 9 549 097,89 | 10 922 676,64 |
| b) constructions in progress | 3 354 558,41 | 3 158 295,39 |
| c) advances on constructions in progress | 0,00 | 0,00 |
| **Total tangible assets** | **233 175 818,19** | **253 786 955,74** |

Initial presentation of the fixed assets takes place in accordance with their acquisition or manufacturing cost. After the initial presentation, fixed assets on the balance sheet date are assessed in accordance with their acquisition or manufacturing cost decreased by write-offs or accumulated write-offs due to their depreciation. Fixed assets are amortized with the linear method in the period corresponding to the estimated period of their economic useful life.

Fixed assets in construction are assessed in the scope of the total acquisition or manufacturing cost decreased by amortization write-offs. Fixed assets in construction are not amortized until their construction is finished and their occupancy becomes possible.

In 2014, Company did not activate any financial costs in the tangible assets column.

Management Board of the Parent Company, having reviewed amortization rates applicable throughout Company, decided to update balance sheet amortization rates applied in the branch of Czarny Potok hotel, Hotels 500 in the scope regarding hotels as well as other Company activity in the scope of amortization of the Company office building and the water treatment facility in Ożarów Mazowiecki.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Land**  | **buildings and structures**  | **plant and machinery**  | **Means of transport** | **other property, plant and equipment** | **Assets in constructions** | **TOTAL**  |
| **a) the gross value of tangible fixed assets at the opening period**  | **15 666 495,99**  | **231 869 609,36**  | **26 765 373,51**  | **3 410 979,62**  | **16 208 226,93**  | **3 158 295,39**  | **297 078 980,80**  |
| **b) increase (due to)**  | **199 822,00**  | **72 000,00**  | **116 481,03**  | **27 073,17**  | **174 472,39**  | **196 263,02**  | **786 111,61**  |
|  - purchase | 0,00  | 72 000,00  | 116 481,03  | 27 073,17  | 174 472,39  | 172 389,70  | **562 416,29**  |
| - capital expenditure for tangible fixed assets under construction  | 0,00  | 0,00  | 0,00  | 0,00  | 0,00  | 23 873,32  | **23 873,32**  |
|  - Czarny Potok land exchange  | 199 822,00  | 0,00  | 0,00  | 0,00  | 0,00  | 0,00  | **199 822,00**  |
| **c) decrease (due to)**  | **859 751,73**  | **17 851 716,20**  | **5 176,67**  | **835 835,98**  | **453 965,27**  | **0,00**  | **20 006 445,85**  |
|  - sale | 0,00  | 1 501 812,90  | 3 360,40  | 843 835,98  | 0,00  | 0,00  | **2 349 009,28**  |
|  - sale of Hotel Cieszyn  | 793 323,33  | 3 345 846,93  | 1 816,27  | 0,00  | 453 965,27  | 0,00  | **4 594 951,80**  |
|  - adjustment of wrong accounting  | 0,00  | 0,00  | 0,00  | -8 000,00  | 0,00  | 0,00  | **-8 000,00**  |
|  - lease object correction  | 0,00  | 13 004 056,37  | 0,00  | 0,00  | 0,00  | 0,00  | **13 004 056,37**  |
|  - sale to the Municipality  | 3 878,40  | 0,00  | 0,00  | 0,00  | 0,00  | 0,00  | **3 878,40**  |
|  - Czarny Ptok land exchange  | 62 550,00  | 0,00  | 0,00  | 0,00  | 0,00  | 0,00  | **62 550,00**  |
| **d) the gross value of tangible fixed assets at the closing period** | **15 006 566,26**  | **214 089 893,16**  | **26 876 677,87**  | **2 602 216,81**  | **15 928 734,05**  | **3 354 558,41**  | **277 858 646,56**  |
| **e) accumulated depreciation at the opening period** | **0,00**  | **24 687 101,85**  | **10 555 686,41**  | **2 763 686,51**  | **5 285 550,29**  | **0,00**  | **43 292 025,06**  |
| **f) amortization for the period (due to)** | **0,00**  | **-650 809,37**  | **1 461 794,44**  | **-519 280,96**  | **1 099 099,20**  | **0,00**  | **1 390 803,31** |
|  - annual depreciation allowance | 0,00  | 3 241 225,65  | 1 466 971,11  | 306 309,63  | 1 548 477,11  | 0,00  | 6 562 983,50  |
| **decrease (due to)** | **0,00**  | **3 892 035,02**  | **5 176,67**  | **825 590,59**  | **449 377,91**  | 0,00  | **5 172 180,19** |
|  - sale of fixed assets | 0,00  | 1 020 305,91  | 5 176,67  | 828 577,26  | 449 377,91  | 0,00  | **2 303 437,75**  |
|  - other (dicreases) adjustments leasing  | 0,00  | 2 871 729,11  | 0,00  | 0,00  | 0,00  | 0,00  | **2 871 729,11** |
| **g) accumulated depreciation at closing period** | 0,00  | **24 036 292,48**  | **12 017 480,85**  | **2 244 405,55**  | **6 384 649,49**  | **0,00**  | **44 682 828,37**  |
| **h) impairment losses at beginning of period**  | 0,00  | 0,00  | 0,00  | 0,00  | 0,00  | 0,00  | **0,00**  |
|  **increase (due to)** | **0,00**  | **0,00**  | **0,00**  | **0,00**  | **0,00**  | **0,00**  | **0,00**  |
|  **decrease (due to)**  | **0,00**  | **0,00**  | **0,00**  | **0,00**  | **0,00**  | **0,00**  | **0,00**  |
| **i) impairment write-offs at the closing period**  | **0,00**  | **0,00**  | **0,00**  | **0,00**  | **0,00**  | **0,00**  | **0,00**  |
| **j) the net value of tangible fixed assets at the opening period** | **15 666 495,99**  | **207 182 507,51**  | **16 209 687,10**  | **647 293,11**  | **10 922 676,64**  | **3 158 295,39**  | **253 786 955,74**  |
| **k) the net value of tangible fixed assets at the closing period**  | **15 006 566,26**  | **190 053 600,68**  | **14 859 197,02**  | **357 811,26**  | **9 544 084,56**  | **3 354 558,41**  | **233 175 818,19**  |

**Note 3. Investment real estate**

The Company recognizes that the investment properties, as at the balance sheet date ,are measured at fair values.

|  |  |  |
| --- | --- | --- |
| **Other long-term investments**  | **31-12-2014** | **31-12-2013** |
| a) investment properties | 247 333 773,26 | 252 160 270,29 |
| b) other | 0,00 | 0,00 |
| **Total other long-term investments** | **247 333 773,26** | **252 160 270,29** |

|  |  |  |  |
| --- | --- | --- | --- |
| **CHANGE IN INVESTMENT PROPERTIES** | **Fair value** | **Acc. to historical cost** | **Value of investment properties in total** |
| **a) stan na początek okresu**  | **229 403 558,91** | **22 756 711,38** | **252 160 270,29** |
| expenditure incurred | 149 484 351,92 | 21 408 694,54 | 170 893 046,46 |
| Financial expenses | 9 411 642,46 | 1 348 016,84 | 10 759 659,30 |
| revaluation value | 70 507 564,53 | 0,00 | 70 507 564,53 |
| **b) increase (due to)**  | **4 638 043,42** | **226 411,00** | **4 864 454,42** |
|  expenditure incurred  | 1 978 837,57 | 226 411,00 | 2 205 248,57 |
|  Financial expenses | 683 347,04 | 0,00 | 683 347,04 |
|  revaluation value  | 1 975 858,81 | 0,00 | 1 975 858,81 |
| Change in construction contracts | 0,00 | 0,00 | 0,00 |
| **c) decrease (due to)** | **6 036 739,71** | **3 654 211,74** | **9 690 951,45** |
| ncurred expenses - sale, corrections | 3 519 385,52 | 3 654 211,74 | 7 173 597,26 |
| financial expenses | 0,00 | 0,00 | 0,00 |
|  revaluation value  | 2 417 578,49 | 0,00 | 2 417 578,49 |
| change in construction contracts | 99 775,70 | 0,00 | 99 775,70 |
| **d) closing balance** | **228 004 862,62** | **19 328 910,64** | **247 333 773,26** |
| expenditures | 147 844 028,27 | 17 980 893,80 | 165 824 922,07 |
| Financial expenses | 10 094 989,50 | 1 348 016,84 | 11 443 006,34 |
| revaluation value | 70 065 844,85 | 0,00 | 70 065 844,85 |

In the reporting year of 2013, Company changed its investment strategy towards some pieces of real estate. They were initially classified as inventories as investment projects were planned to be carried out there. Due to the change of the business model, these pieces of real estate will be held in Company investment portfolio expecting an increase of their value.

J.W. Construction Holding S.A for the purpose of the investment property evaluation orders the preparation of appraisal report with determining the market value to independent Property Valuers, having the appropriate permissions. In order to determine the valuation, the property valuer use the principles in accordance with General National Principles of Valuation adopted by the Polish Federation of Valuers’ Associations where the market value is the most probable price obtainable on the market at the measurement date.

In order to determine the market value, the property valuer determines the optimal or the most probable way of the property use by properly selected method of valuation. The property valuer especially takes into account the purpose of the valuation, the type and location of the property, destiny in the local plan, the level of equipment in the technical infrastructure and the available data on prices, income and similar real estate characteristics.

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 determined on the basis of the lowest level of inputs.

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
* comparison in pairs method
* residual method

The following key assumptions were adopted to use the income-based valuation method:

|  |  |
| --- | --- |
| **KEY ASSUMPTIONS** | **Values** |
| long-term profitability of 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 4. Long-term financial assets**

|  |  |  |
| --- | --- | --- |
| **LONG-TERM FINANCIAL ASSETS**  | **December 31, 2014**  | **December 31, 2013**  |
| a) shares  | 213 664 493,81 | 135 056 074,02 |
| b) loans granted | 38 536 363,11 | 15 662 616,78 |
| c) other long-term investments | 0,00 | 0,00 |
| **Total long-term financial assets**  | **252 200 856,92** | **150 718 690,80** |

|  |  |  |
| --- | --- | --- |
| **LONG-TERM FINANCIAL ASSETS** | **December 31, 2014**  | **December 31, 2013**  |
| a) in subsidiaries  | 251 991 306,92 | 150 504 496,18 |
| - shares | 213 454 943,81 | 134 841 879,40 |
| - other securities | 0,00 | 0,00 |
| - loans granted | 38 536 363,11 | 15 662 616,78 |
| - other long-term financial assets  | 0,00 | 0,00 |
| b) in other units | 209 550,00 | 214 194,62 |
| - shares | 209 550,00 | 214 194,62 |
| - other securities | 0,00 | 0,00 |
| - loans granted | 0,00 | 0,00 |
| - other long-term financial assets | 0,00 | 0,00 |
| **Total long-term financial assets** | **252 200 856,92** | **150 718 690,80** |

|   | **Name of entity with the indication of its legal status** | **Registered office** | **Business** | **Relation** | **Method of consolidation**  | **Date of assuming control (dd-mm-yyyy)** | **Value of shares/interests at acquisition price** | **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 | 13 360 000,00 | 100,00% |
| 2 | Business Financial Construction Sp. z o.o. | Warsaw | services | subsidiary | full consolidation | 16.06.2003 | 4 346 500,00 | 0,00 | 4 346 500,00 | 99,99% |
| 3 | Lokum Sp. z o.o. | Warsaw | developer activity | subsidiary | full consolidation | 13.09.2005 | 3 778 500,00 | 0,00 | 3 778 500,00 | 100,00% |
| 4 | J.W. Construction Bułgaria Sp. z o.o. | Varna (Bulgaria) | developer activity | subsidiary | full consolidation | 08.10.2007  | 9 854,98 | 0,00 | 9 854,98 | 100,00% |
| 5 | Yakor House Sp. z o.o. | Sochi (Russia) | developer activity | subsidiary | full consolidation | 07.12.2007  | 9 810 000,00 | 0,00 | 9 810 000,00 | 70,00% |
| 6 | J.W. Construction Sp. z o.o. | Ząbki | prefabricated unit production for the building industry | subsidiary | full consolidation | 19.02.2008 | 57 451 956,00 | 30 430 356,00 | 27 021 600,00 | 99,99% |
| 7 | JW. Marka Sp. z o.o. | Ząbki | leasing of intellectual property | subsidiary | full consolidation | 23.08.2011 | 155 841 000,00 | 155 779 575,58 | 61 424,42 | 100,00% |
| 8 | J.W. Group Sp z o.o. | Ząbki  | management of other entities | subsidiary | full consolidation | 23.02.2012 | 50 000,00 | 0,00 | 50 000,00 | 100,00% |
| 9 | J.W. Group Sp z o.o. 1 SKA | Ząbki | developer activity  | subsidiary | full consolidation | 26.03.2012 | 62 074 000,00 | 0,00 | 62 074 000,00 | 100,00% |
| 10 | J.W. Group Sp z o.o. 2 SKA | Ząbki | developer activity  | subsidiary | full consolidation | 26.03.2012 | 50 000,00 | 0,00 | 50 000,00 | 100,00% |
| 11 | Seahouse Sp. z o.o. | Ząbki | developer activity  | subsidiary | full consolidation | 18.10.2012 | 10 950 000,00 | 0,00 | 10 950 000,00 | 100,00% |
| 12 | J.W. 6 Sp. z o.o. | Ząbki | developer activity  | subsidiary | full consolidation | 16.11.2012 | 50 000,00 | 0,00 | 50 000,00 | 100,00% |
| 13 | Nowe Tysiąclecie Sp.z o.o. | Ząbki | developer activity  | subsidiary | full consolidation |  11.06.2013 | 8 385 000,00 | 0,00 | 8 385 000,00 | 100,00% |
| 14 | Dana Invest Sp z o.o. | Ząbki | developer activity  | subsidiary | full consolidation | 22.11.2013 | 7 984 950,00 | 0,00 | 7 984 950,00 | 100,00% |
| 15 | Bałtycka Invest Sp. z o.o. | Ząbki | developer activity  | subsidiary | full consolidation | 23.01.2014 | 5 000,00 | 0,00 | 5 000,00 | 100,00% |
| 16 | Berensona Invest Sp. z o.o. | Ząbki | developer activity  | subsidiary | full consolidation | 28.01.2014 | 5 000,00 | 0,00 | 5 000,00 | 100,00% |
| 17 | Bliska Wola 1 Sp z o.o. | Ząbki | developer activity  | subsidiary | full consolidation | 22.01.2014 | 28 535 700,00 | 0,00 | 28 535 700,00 | 100,00% |
| 18 | Bliska Wola 2 Sp z o.o. | Ząbki | developer activity  | subsidiary | metoda pełna | 29.01.2014 | 13 820 000,00 | 0,00 | 13 820 000,00 | 100,00% |
| 19 | Bliska Wola 3 Sp z o.o. | Ząbki | developer activity | subsidiary | full consolidation | 23.01.2014 | 5 000,00 | 0,00 | 5 000,00 | 100,00% |
| 20 | Bliska Wola 4 Sp z o.o. | Ząbki | developer activity | subsidiary | full consolidation | 24.01.2014 | 5 000,00 | 0,00 | 5 000,00 | 100,00% |
| 21 | Bliska Wola 5 Sp z o.o. | Ząbki | developer activity |  subsidiary | full consolidation | 29.01.2014 | 5 000,00 | 0,00 | 5 000,00 | 100,00% |
| 22 | Zdziarska Invest Sp z o.o. | Ząbki | developer activity | subsidiary | full consolidation | 22.01.2014 | 5 000,00 | 0,00 | 5 000,00 | 100,00% |
| 23 | Łódź Invest Sp z o.o. | Ząbki | developer activity |  subsidiary | full consolidation | 22.01.2014 | 3 800 000,00 | 0,00 | 3 800 000,00 | 100,00% |
| 24 | Porta Transport Sp. z o.o. w likwidacji | Szczecin | developer activity | subsidiary | full consolidation | 24.04.2014 | 19 309 914,41 | 0,00 | 19 309 914,41 | 100,00% |
| 25 | Lewandów Invest Sp z o.o. | Ząbki | developer activity | subsidiary | full consolidation | 24.07.2014 | 5 000,00 | 0,00 | 5 000,00 | 100,00% |
| 26 | Sochaczewska Invest Sp z o.o. | Ząbki | developer activity | subsidiary | full consolidation | 25.07.2014 | 5 000,00 | 0,00 | 5 000,00 | 100,00% |
| 27 | Osada Wiślana Sp z o.o. | Ząbki | developer activity | subsidiary | full consolidation | 16.07.2014  | 5 000,00 | 0,00 | 5 000,00 | 100,00% |
| 28 | Parkowa Invest Sp z o.o. | Ząbki | developer activity | subsidiary | full consolidation | 16.07.2014  | 5 000,00 | 0,00 | 5 000,00 | 100,00% |
| 29 | MT Invest Sp z o.o. | Ząbki | developer activity | subsidiary | full consolidation | 28.07.2014  | 5 000,00 | 0,00 | 5 000,00 | 100,00% |
| 30 | JW. Ergo Energy Sp. z o.o. | Ząbki | equipment lease  | associated unit | not consolidated | 26.11.2014  | 2 500,00 | 0,00 | 2 500,00 | 50,00% |

**Note 5. Non-current receivables**

|  |  |  |
| --- | --- | --- |
| **NON-CURRENT RECEIVABLES** | **Dec 31, 2014** | **Dec 31, 2013** |
| a) guarantee receivables | 0,00 | 0,00 |
| b) deposit receivables( lease)  | 0,00 | 0,00 |
| b) other receivables  | 74 910 957,94 | 116 113 098,96 |
| **Total receivables** | **74 910 957,94** | **116 113 098,96** |

In other long-term receivables, the sums of settlements with a special purpose vehicle from guaranteed used funds are presented.

**Note 6. Inventories and construction contracts**

The costs associated with impairment allowances are recognized in statement ofcomprehensive income of operating activities.

|  |  |  |
| --- | --- | --- |
| **INVENTORIES**  | **31-12-2014** | **31-12-2013** |
| a) materials  | 1 250 199,99 | 1 307 592,20 |
| b) semi-finished products and work in progress  | 0,00 | 4 140,43 |
| c) finished products  | 0,00 | 0,00 |
| d) goods  | 27 379 839,72 | 28 082 908,65 |
| e) trade advances  | 49,59 | 49,59 |
| **Total inventories**  | **28 630 089,30** | **29 394 690,87** |

Construction contracts - the assets comprise , among other things, amounts of expenditure on projects, the value of finished premises, which were not passed on to customers.

|  |  |  |
| --- | --- | --- |
| **CONSTRUCTION CONTRACTS** | **31-12-2014** | **31-12-2013** |
| a) semi-finished products and work in progress | 155 252 962,74 | 160 094 360,76 |
| b) finished products | 69 777 417,66 | 167 553 295,15 |
| c) advances for supplies | 840 324,31 | 1 261 750,38 |
| d) short-term prepayments | 1 059 475,40 | 58 386,55 |
| **Total construction contracts** | **226 930 180,11** | **328 967 792,84** |

Construction contracts- liabilities are, among other things, the amount of:

advances paid by contractors in connection with ongoing work.

|  |  |  |
| --- | --- | --- |
| **CONSTRUCTION CONTRACTS**  | **31-12-2014** | **31-12-2013** |
| a) accruals | 21 675 068,20 | 21 334 795,18 |
| **Total construction contracts** | **21 675 068,20** | **21 334 795,18** |

|  |  |  |
| --- | --- | --- |
| **Accruals** | **31-12-2014** | **31-12-2013** |
| -advances on premises  | 18 966 245,31  | 19 104 176,91 |
|  - reserves for construction works | 2 308 822,89  | 2 229 688,27 |
|  - other  | 400 000,00  | 930,00 |
| **Total value of accruals** | **21 675 068,20**  | **21 334 795,18**  |

The Company, in connection with the business activities, incur the loans that are secured with the mortgage on the property. As of December 31, 2014, the Company of the Group established securities in the form of mortgages presented in inventories and construction contracts with the value of PLN 223,0m presented in fixed assets with the value of PLN 172,0m.  The value of the mortgage is established on the amount of the credit granted (or higher), therefore, this amount exceeds the value of the property shown in assets of the Company. As of December 31, 2014, the loan liabilities amounted to PLN 125,1 m.

Company, in relation to the economic activity it conducts, issues bonds that are secured on real estate mortgages. As of December 31, 2014, Company secured bonds on mortgages on real estate presented in inventories, construction contracts and fixed assets with the total value of PLN 335 and 3rd party real estate with the value of PLN 10m. The value of mortgage is established on the amount of issued shares (or higher) and as a result significantly increases the value of real estate presented in Company assets. As of December 31, 2014, the obligations resulting from the issued bonds constitute PLN 247.

**Note 7. Trade and other 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** | **Dec 31, 2014** | **Dec 31, 2013**  |
| a) trade receivables - related entities | 19 283 816,65 | 9 786 115,99 |
| b) trade receivables - other entities  | 24 827 587,00 | 19 599 056,96 |
| c) taxes, subsidies, customs duties, social and health insurance and other payments | 8 466 613,05 | 6 851 002,73 |
| d) other | 17 858 328,76 | 33 177 400,99 |
| **Total receivables** | **70 436 345,46** | **69 413 576,67** |

The other item comprises a guarantee deposit regarding hotel lease (securing of liabilities of the financing party resulting from the sale-and-lease back) and a guarantee deposit paid by Company in accordance with the time schedule being an appending to the real estate agreement located in Ząbki (Company office building).

**Note 8. Short-term financial assets**

|  |  |  |
| --- | --- | --- |
| **SHORT-TERM INVESTMENTS** | **31-12-2014** | **31-12-2013** |
| a) shares | 0,00 | 0,00 |
| b) loans granted  | 24 893 418,34 | 36 769 140,94 |
| c) other securities | 243 546,29 | 230 667,04 |
| d) other short-term investments | 0,00 | 0,00 |
| **Total long-term financial assets** | **25 136 964,63** | **36 999 807,98** |

|  |  |  |
| --- | --- | --- |
| **SHORT-TERM INVESTMENTS** | **31-12-2014** | **31-12-2013** |
| a) in subsidiaries  | 23 942 962,34 | 36 205 812,71 |
| - shares | 0,00 | 0,00 |
| - other securities | 0,00 | 0,00 |
| - loans granted | 23 942 962,34 | 36 205 812,71 |
| - other short-term financial assets | 0,00 | 0,00 |
| b) in other entities | 1 194 002,29 | 793 995,27 |
| - shares | 0,00 | 0,00 |
| - other securities | 243 546,29 | 230 667,04 |
| - loans granted | 950 456,00 | 563 328,23 |
| - other short-term financial assets | 0,00 | 0,00 |
| **Total value of short-term investments** | **25 136 964,63** | **36 999 807,98** |

**Note 9. Cash and cash equivalents**

Cash on hand and with bank, as well as current deposits held to maturity are measured at par value.

|  |  |  |
| --- | --- | --- |
| **CASH AND CASH EQUIVALENTS** | **31-12-2014** | **31-12-2013** |
| a) cash on hand and with bank | 3 092 041,76 | 8 707 193,85 |
| b) other cash | 242 802,02 | 2 228 396,97 |
| c) other cash equivalents | 8 207,36 | 2 445,45 |
| **Total cash** | **3 343 051,14** | **10 938 036,27** |

|  |  |  |
| --- | --- | --- |
| **MEANS ON ESCROW ACCOUNTS**  | **31-12-2014** | **31-12-2013** |
| **financial means on escrow accounts**  | **0,00** | **157 450,00** |
| JW. Construction Holding SA |    0,00 | 157 450,00 |

**NotE 10. Short-term prepayments**

|  |  |  |
| --- | --- | --- |
| **ACCRUALS** | **31-12-2014** | **31-12-2013** |
| a) short-term prepayments | 8 423 561,05 | 10 948 213,67 |
| **Total value of accruals**  | **8 423 561,05** | **10 948 213,67** |

In the position of other prepaid expenses, the Company recognizes e.g costs incurred in connection with deferredincome. 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** | **Dec 31, 2014**  | **Dec 31, 2013**  |
|  - property insurance | 15 924,36  | 80 994,09 |
|  - interest | 1 512 682,54  | 2 304 516,60 |
|  - commission expenses | 4 796 910,21  | 6 271 562,31 |
|  - real estate tax, road tax, perpetual usufruct tax  | 0,00  | 0,00 |
|  - other | 2 098 043,94  | 2 291 140,67 |
| **The total value of accruals** | **8 423 561,05**  | **10 948 213,67**  |

**Note 11. Share capital**

|  |
| --- |
| **SHARE CAPITAL (STRUCTURE) as of December 31, 2014**  |
| **Series / issue** | **Share type** | **Type of share** | **Types of restrictions on rights to shares** | **Number of shares** | **Par value of class/issue** | **Coverage of capital** | **Registration Date** | **Right to dividend** |
| **preference** | **(from)** |
| A and Bx  | bearer |   | - | 54 073 280 | 10 814 656 | Assets of a transformed company - TBM Batory Sp. z o.o. / Cash | 01.07.2010 |   |
| C | na okaziciela  |  |  | 34 786 163 | 6 957 232,60 |  | 30.09.2014 |  |
| **Total number of shares** | 88 859 443  |   |   |   |   |
| **Total share capital** | 17 771 888,60 | cash  |  |   |
| **Par value of one share = PLN 0.20** |

On 18 May 2010, the General Meeting („General”) adopted the Resolution No.26 on the basis of which the District Court of the Capital City of Warsaw XIV Division of the National Court Register registered od 1 July 2010 the decrease in share capital of the Company from PLN 10.939.656 to PLN 10.814.656 that is PLN 125,000 by cancellation of 625.000 shares. The General was recorded in the minutes by a notary form Warsaw Krzysztof Kruszewski under a notarial deed with a number Rep. A 6811/2010.

Redeemed shares were owned by the Company which were acquired on the basis of the Resolution No.26 of the General Meeting of 19 June 2008 as a result of purchasing its own shares for redemption. Redeemed shares were purchased by net profit contained in the supplementary capital, in accordance with the Article 360.2.2 of the Code of Commercial Companies there was no convocation procedure. The average price of redeemed shares amounted to PLN 7,09.

As of December 31, 2014 the shareholding structure was as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Company | Number of shares held | % of share capital | Number of votes | % of total number of votes in the General Meeting |
| Józef Wojciechowski  | 23.917.739 | 26,92 % | 23.917.739 | 26,92 % |
| EHT S.A. with its registered office in Luxembourg  | 32.494.525 | 36,57 % | 32.494.525 | 36,57 % |
| Other\*  | 32.447.179 | 36,52 % | 32.447.179 | 36,52 % |

\* of which

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

x On October 3, 2014 Company received a notification on exceeding a 5% threshold of the share capital of the Company by the Funds managed by Pioneer Pekao Investment Management S.A. Asof that day it was 4.709.089 shares, which constituted 5,30 % of the shares in the company share capital and allowed Pioneer Pekao Investment Management S.A. to represent 5,3 % of the vote. According to the law, a shareholder is obliged to inform Company about exceeding 5% threshold and 10% threshold of holding company shares. To date, the Company has not received any notice from a shareholder, which would include information about reducing the number of shares held less than 5% or increase above 10% of the share capital of the Company.

*Mr. Józef Wojciechowski controls EHT S.A. with its registered office in Luxemburg.*

|  |  |  |
| --- | --- | --- |
| **OTHER CAPITAL** | **Dec 31, 2014**  | **Dec 31, 2014** |
| a) supplementary capital | 611 369 505,76 | 497 748 882,16 |
| b) other reserve capital | 5 731 587,19 | 5 731 587,19 |
| **Total other capital** | **617 101 092,95** | **503 480 469,35** |

The Company's supplementary capital comes from the retained earnings that were obtained in the previous years, and from the surplus value of the issue over the nominal value of issued shares.

**Note 12. Borrowings**

In the financial year of 2013 and from the balance sheet date until the date of these financial statements none of the concluded loan agreements was terminated by the bank.

|  |  |  |
| --- | --- | --- |
| **BORROWINGS** | **Dec 31, 2014** | **Dec 31, 2013** |
| a) credits  | 125 186 944,61 | 214 465 080,40 |
| *of which: long-term* | *64 664 200,42* | *85 872 079,05* |
|  *short-term* | *60 522 744,19* | *128 593 001,35* |
| b) loans  | 11 588 891,01 | 4 025 700,48 |
| *of which: long-term* | *8 185 127,31* | *1 056 716,65* |
|  *short-term* | *3 403 763,70* | *2 968 983,83* |
| **Total borrowings**  | **136 775 835,62** | **218 490 780,88** |
| **Borrowings - long-term** | **72 849 327,73** | **86 928 795,70** |
| **Borrowings - short-term** | **63 926 507,89** | **131 561 985,18** |

|  |  |  |
| --- | --- | --- |
| **LOANS PER MATURITY** | **Dec 31, 2014** | **Dec 31, 2013** |
| Up to 1 year | 60 522 744,19 | 128 593 001,35 |
| Over 1 year up to 2 years | 24 551 174,47 | 43 594 730,43 |
| Over 2 year up to 5 years  | 35 287 461,60 | 27 902 400,00 |
| Over 5 years  | 4 825 564,35 | 14 374 948,62 |
| **Total loans, including:** | **125 186 944,61** | **214 465 080,40** |
| - long-term | 64 664 200,42 | 85 872 079,05 |
| - short-term | 60 522 744,19 | 128 593 001,35 |

|  |  |  |
| --- | --- | --- |
| **CASH LOANS PER MATURITY** | **Dec 31, 2014**  | **Dec 31, 2013**  |
| Up to 1 year | 3 403 763,70 | 2 968 983,83 |
| Over 1 year up to 2 years | 8 185 127,31 | 1 056 716,65 |
| Over 2 year up to 5 years | 0,00 | 0,00 |
| Over 5 years | 0,00 | 0,00 |
| **Total loans, of which:**  | **11 588 891,01** | **4 025 700,48** |
| - long-term | 8 185 127,31 | 1 056 716,65 |
| - short-term | 3 403 763,70 | 2 968 983,83 |

**Note 13. Deferred income tax assets**

|  |  |
| --- | --- |
| **DEFERRED INCOME TAX ASSETS AND DEFERRED INCOME TAX LIABILITIES** |  **Dec 31, 2014**  |
| **Deferred income tax assets** | **Deferred tax liabilities** | **Net value** |
| Tangible assets | 0,00 | 6 391 462,11 | -6 391 462,11 |
| Investment real estate | 0,00 | 13 312 510,52 | -13 312 510,52 |
| Intangible assets | 0,00 | 0,00 | 0,00 |
| Other financial assets | 0,00 | 3 910 553,68 | -3 910 553,68 |
| Non-current receivables | 0,00 | 1 298 459,46 | -1 298 459,46 |
| Trade and other receivables | 259 307,43 | 1 346 118,34 | -1 086 810,91 |
| Income tax liabilities  | 3 301 558,34 | 0,00 | 3 301 558,34 |
| Accruals  | 34 313,20 | 911 412,94 | -877 099,74 |
| Cash and cash equivalents  | 0,00 | 0,00 | 0,00 |
| Borrowings | 0,00 | 0,00 | 0,00 |
| Trade and other receivables | 1 487 451,52 | 0,00 | 1 487 451,52 |
|  Other financial liabilities | 3 534 813,61 | 0,00 | 3 534 813,61 |
|  Other  | 6 459 476,24 | 3 213,54 | 6 456 262,71 |
| **Deferred income tax assets / liabilities disclosed in the balance sheet**  | **15 076 920,35** | **27 173 730,58** | **-12 096 810,24** |

**Note 14. Provision for other liabilities and charges**

|  |  |  |
| --- | --- | --- |
| **PROVISIONS FOR OTHER LIABILITIES AND CHARGES** | **Dec 31, 2014**  | **Dec 31m 2013** |
| **a) short-term, of which:** | **10 489 961,72** | **11 607 046,02** |
| - accrued expenses, including: | 9 791 669,81 | 10 761 077,58 |
|  *- interests charged* | *1 538 100,81* | *2 223 423,34* |
|  *- rent deposits* | *477 649,38* | *477 649,38* |
|  *- other* | *7 775 919,62*  | *8 060 004,86* |
| - other provisions, including | 698 291,91 | 845 968,44 |
|  *- provisions for future liabilities* | *0,00* | *0,00* |
|  *- provisions for guarantee repairs* | *0,00*  | *0,00* |
|  *- other provisions* | *698 291,91* | *845 968,44* |
| **a) long-term, of which:** | **0,00** | **0,00** |
| - accrued expenses, including: | 0,00 | 0,00 |
|  *- deferred surplus of revenues from sales over the carrying value/sale and lease back* | *0,00*  | *0,00*  |
| **Total provisions for other liabilities and charges** | **10 489 961,72** | **11 607 046,02** |

**Note 15. Other non-current liabilities**

|  |  |  |
| --- | --- | --- |
| **OTHER NON-CURRENT LIABILITIES** | **Dec 31, 2014**  | **Dec 31, 2013**  |
| a) lease obligations | 67 112,46 | 117 280,26 |
| b) deposit liabilities | 683 026,00 | 2 799 176,93 |
| c) liabilities from securities | 231 060 000,00 | 291 900 000,00 |
| d) other non-current liabilities | 0,00 | 13 018 000,00 |
| e) note liabilities | 7 162 806,24 | 32 350 666,76 |
| f) note liabilities- 3rd party  | 6 007 576,49 | 5 662 677,53 |
| g) loans granted- related parties | 25 655 983,60 | 0,00 |
| **Total other liabilities**  | **270 636 504,79** | **345 847 801,48** |

Other financial liabilities comprised among other things concluded lease agreements liabilities\ and debt obligations from securities’ issuance.

**Note 16. Trade and other payables**

|  |  |  |
| --- | --- | --- |
| **TRADE AND OTHER PAYABLES**  | **Dec 31, 2014**  | **Dec 31, 2013**  |
| a) trade payables - other parties  | 13 750 125,12 | 12 065 294,21 |
| b) trade payables - related parties  | 31 964 379,81 | 38 157 562,59 |
| c) taxes, customs duties, insurance and other payments  | 2 087 551,93 | 3 762 349,15 |
| d) salaries | 1 363 283,05 | 1 366 032,24 |
| e) trade advances received  | 0,00 | 0,00 |
| f) loans granted- related parties | 0,00 | 24 806 380,27 |
| g) liabilities on bill of exchange - related parties | 11 612 929,70 | 3 372 708,17 |
| h) other  | 8 318 891,91 | 13 441 597,36 |
| **Total trade and other payables**  | **69 097 161,52** | **96 971 923,99** |

|  |  |  |
| --- | --- | --- |
| **OTHER LIABILITIES** | **31-12-2014** | **31-12-2013** |
| a) debt securities issue- liabilities  | 15 958 342,56 | 7 949 363,10 |
| b) note liabilities - 3rd party |   | 0,00 |
| c) lease liabilities  | 8 504 593,84 | 25 674 106,42 |
| d) other financial liabilities | 0,00 | 0,00 |
| **Total other liabilities** | **24 462 936,40** | **33 623 469,52** |

# NOTES TO THE PROFIT AND LOSS ACCOUNT

**Note 17. Operating income**

|  |  |  |
| --- | --- | --- |
| **OPERATING INCOME** | **from Jan 1, 2014 through Dec 31, 2014** | **from Jan 1, 2013 through Dec 31, 2013** |
| Revenues from sales of products | 129 792 939,36 | 243 137 030,06 |
| Revenues from sales of services | 80 915 249,45 | 46 208 347,36 |
| Revenues from sales of goods | 1 176 176,00 | 2 127 586,31 |
| **Total income**  | **211 884 364,81** | **291 472 963,73** |

|  |  |  |
| --- | --- | --- |
|   | **from Jan 1, 2014 through Dec 31, 2014**  | **from Jan 1, 2013 through Dec 31, 2013** |
| **Proceeds from sales, including:**  | **211 884 364,81**  | **291 472 963,73**  |
| - from sales of products - units, plots, buildings | 129 792 939,36  | 243 137 030,06  |
| - sales of services  | 80 915 249,45  | 46 208 347,36  |
| - sales of goods | 1 176 176,00  | 2 127 586,31  |

|  |  |  |
| --- | --- | --- |
|   | **from Jan 1, 2014 through Dec 31, 2014** | **from Jan 1, 2013 through Dec 31, 2013** |
| **Revenues from sales of products - premises, plots, buildings per geographic segments** | **210 708 188,81**  | **289 345 377,42**  |
| - developer activity | 171 555 722,53  | 259 613 208,70  |
| - hotel activities | 33 794 978,74  | 23 304 132,93  |
| - property management | 5 357 487,54  | 6 428 035,79  |

|  |  |  |
| --- | --- | --- |
|   | **from Jan 1, 2014 through Dec 31, 2014** | **from Jan 1, 2013 through Dec 31, 2013** |
| **Revenues from sales of products - premises, plots, buildings per geographic segments** | **129 792 939,36**  | **243 137 030,06**  |
| - Warsaw and the surrounding area | 91 527 208,40  | 216 268 059,12  |
| -Gdynia | -33 054,40  | 847 902,23  |
| - Łodz | 7 079 206,21  | 17 544 512,32  |
| - Łodz, Szczecin\_plot of land | 6 350 008,00  | 0,00  |
| - Katowice | 0,00  | 2 912 000,00  |
| - Poznan | 24 869 571,15  | 5 564 556,39  |
| - Sopot | 0,00  | 0,00  |

|  |  |  |
| --- | --- | --- |
|   | **from Jan 1, 2014 through Dec 31, 2014** | **from Jan 1, 2013 through Dec 31, 2013** |
| **Revenues from sales of products - premises, plots, buildings per geographic segments** | **33 794 978,74**  | **23 304 132,93**  |
| -Warsaw and the surrounding area | 5 217 030,29  | 5 000 007,43  |
| - Tarnowo | 5 341 423,73  | 5 028 000,23  |
| - Stryków | 3 533 471,33  | 3 072 040,52  |
| - Cieszyn | 245 186,59  | 787 487,74  |
| - Krynica Górska | 19 457 866,80  | 9 416 597,01  |

**Note 18. Operating expenses**

|  |  |  |
| --- | --- | --- |
| **OPERATING EXPENSES** | **from Jan 1, 2014 through Dec 31, 2014** | **from Jan 1, 2013 through Dec 31, 2013** |
| Costs on sale of products | 111 623 871,94 | 185 385 484,44 |
| Costs on sale of services | 60 809 809,04 | 45 864 928,14 |
| Costs on sale of goods | 1 201 657,78 | 4 093 773,79 |
| **Total costs of products, services and goods sold** | **173 635 338,76** | **235 344 186,37** |

|  |  |  |
| --- | --- | --- |
| **Selling and overhead expenses** | **from Jan 1, 2014 through Dec 31, 2014** | **from Jan 1, 2013 through Dec 31, 2013** |
| Selling expenses | 21 602 731,73 | 27 394 328,91 |
| Overhead expenses | 10 684 457,63 | 13 263 306,84 |
| **Total selling and overhead expenses** | **32 287 189,36** | **40 657 635,75** |

|  |  |  |
| --- | --- | --- |
| **Costs by type**  | **from Jan 1, 2014 through Dec 31, 2014** | **od 01-01-2013** **do 31-12-2013** |
| Depreciation and amortisation | 4 895 373,71 | 8 594 480,85 |
| Cost of materials and energy | 12 207 091,25 | 10 191 360,55 |
| Services rendered by other contractions | 32 093 391,13 | 59 802 551,78 |
| Taxes and duties  | 9 137 003,82 | 5 807 653,10 |
| Wages and Salaries  | 22 032 025,47 | 22 538 876,59 |
| Services for the benefit of employees  | 3 741 368,74 | 3 775 166,52 |
| Other costs | 7 752 823,16 | 11 854 670,72 |
| **Total costs according to types** | **91 859 077,28** | **122 564 760,11** |

**Note 19. Other operating income**

|  |  |  |
| --- | --- | --- |
| **OPERATING INCOME**  | **from Jan 1, 2014 through Dec 31, 2014** | **from Jan 1, 2013 through Dec 31, 2013** |
| a) profit from disposal of non-financial fixed assets  | 0,00 | 0,00 |
| b) other operating income | 10 250 275,53 | 13 791 129,95 |
| **Total operating income**  | **10 250 275,53** | **13 791 129,95** |

|  |  |  |
| --- | --- | --- |
| **OPERATING INCOME**  | **from Jan 1, 2014 through Dec 31, 2014** | **from Jan 1, 2013 through Dec 31, 2013** |
| a) profit from disposal of non-financial fixed assets  | 0,00 | 0,00 |
| b) handling charges  | 5 073 153,01 | 3 036 183,39 |
| c) reserves  | 1 041 040,57 | 719 593,15 |
| d) assets disclosure  | 0,00 | 4 948 044,20 |
| e) other (including compensation) | 4 136 081,95 | 5 087 309,21 |
| **Total operating expenses**  | **10 250 275,53** | **13 791 129,95** |

**Note 20. Other operating expenses**

|  |  |  |
| --- | --- | --- |
| **OPERATING EXPENSES** | **from Jan 1, 2014 through Dec 31, 2014** | **from Jan 1, 2013 through Dec 31, 2013** |
| a) loss on disposal of non-financial fixed assets | 1 958 118,25 | 1 677 817,96 |
| b) revaluation of non-financial assets | 0,00 | 0,00 |
| c) other operating expenses  | 4 544 336,89 | 9 383 702,12 |
| **Total operating expenses**  | **6 502 455,14** | **11 061 520,08** |

|  |  |  |
| --- | --- | --- |
| **OPERATING EXPENSES** | **from Jan 1, 2014 through Dec 31, 2014** | **from Jan 1, 2013 through Dec 31, 2013** |
| a) revaluation of non-financial assets  | 1 958 118,25 | 1 677 817,96 |
| b) reserves | 8 442,53 | 1 699 144,91 |
| c) compensation, penalties and damages | 1 469 792,60 | 843 037,49 |
| d) compensation fee  | 16 141,47 | 24 598,73 |
| e) litigation costs  | 390 065,07 | 398 732,21 |
| f) other (including donation) | 2 659 895,22 | 6 418 188,78 |
| **Total operating expenses** | **6 502 455,14** | **11 061 520,08** |

**Note 21. Financial income**

|  |  |  |
| --- | --- | --- |
| **FINANCIAL INCOME** | **from Jan 1, 2014 through Dec 31, 2014** | **from Jan 1, 2013 through Dec 31, 2013** |
| a) dividends | 9 697 228,40 | 11 334 830,26 |
| b) interest  | 8 248 061,47 | 13 654 297,76 |
| c) revaluation of investment  | 0,00 | 0,00 |
| d) profit on disposal of investments | 0,00 | 126 239,00 |
| e) other  | 3 881 523,12 | 1 021 858,04 |
| **Total financial income**  | **21 826 812,99** | **26 137 225,06** |

|  |  |  |
| --- | --- | --- |
| **Financial income** | **from Jan 1, 2014 through Dec 31, 2014** |  **from Jan 1, 2013 through Dec 31, 2013** |
| a) dividends | 9 697 228,40 | 11 334 830,26 |
| b) interests from customers | 465 258,33 | 567 911,96 |
| c) loan interest | 1 252 746,51 | 1 213 115,23 |
| d) deposit interest, bank interest | 19 790,25 | 40 446,32 |
| e) interest on promissory notes  | 59 279,00 | 91 369,30 |
| f) other interest | 6 450 987,38 | 11 741 454,95 |
| g) foreign exchange differences | 3 287 744,49 | 1 011 842,47 |
| h) revaluation of investment  | 0,00 | 0,00 |
| i) profit on disposal of investments | 0,00 | 126 239,00 |
| j) other | 593 778,63 | 10 015,57 |
| **Total** | **21 826 812,99** | **26 137 225,06** |

**Note 22. Financial expenses**

|  |  |  |
| --- | --- | --- |
| **FINANCIAL EXPENSES** | **from Jan 1, 2014 through Dec 31, 2014** | **from Jan 1, 2013 through Dec 31, 2013** |
| a) interest | 34 967 371,64 | 45 965 213,04 |
| b) revaluation of investment  | 0,00 | 0,00 |
| c) loss on disposal of investments | 0,00 | 0,00 |
| d) other  | 125 877,48 | 92 622,47 |
| **Total financial expenses**  | **35 093 249,12** | **46 057 835,51** |

|  |  |  |
| --- | --- | --- |
| **FINANCIAL EXPENSES**  | **from Jan 1, 2014 through Dec 31, 2014** | **from Jan 1, 2013 through Dec 31, 2013** |
| a) interest, commission, credits | 10 480 068,53 | 15 500 348,15 |
| b) interest - leases | 1 748 912,89 | 2 124 195,24 |
| c) interest - loans  | 1 442 066,17 | 1 068 959,46 |
| d) interest - promissory notes | 2 025 422,19 | 4 748 915,50 |
| e) interest-bond issue | 18 111 014,12 | 19 345 830,20 |
| f) other interest | 1 159 887,74 | 3 176 964,49 |
| g) foreign exchange differences  | 0,00 | 0,00 |
| h) loss on disposal of investments | 0,00 | 0,00 |
| i) other | 125 877,48 | 92 622,47 |
| **Total financial expenses** | **35 093 249,12** | **46 057 835,51** |

**Note 23. Income tax**

|  |  |  |
| --- | --- | --- |
| **INCOME TAX**  | **from Jan 1, 2014 through Dec 31, 2014** | **from Jan 1, 2013 through Dec 31, 2013** |
| a) income tax | 0,00 | 0,00 |
| b) deferred income tax | -564 651,27 | 2 294 610,11 |
| **Total income tax**  | **-564 651,27** | **2 294 610,11** |

|  |  |
| --- | --- |
| **Reconciliation of effective tax rate**  | **Closing balance**  |
|  | **on December 31, 2014** |
| *Gross Profit / (loss) before tax from continuing operations*  | -3 998 498,73 |
| Profit / (loss) before tax from abandoned operations | 0,00 |
| **Gross profit (loss) before tax**  | **-3 998 498,73** |
| Tax at statutory tax rate of 19%  | -759 714,76 |
| Adjustments to current income tax from previous years  | 0,00 |
| Differences arising from not established reserves and assets in previous years | 9 891 502,77 |
| Expenditure not constituting tax deductible expenses - permanent differences | 1 043 046,74 |
| Dividend | -9 907 899,54 |
| **Tax at effective tax rate**  | **-564 651,27** |
| Income tax (charge) shown in the profit and loss account | -564 651,27 |
| *including* |  |
| current | 0,00 |
| deffered | -564 651,27 |

# EXPLANATORY NOTES EXPLAINING OTHER NOTES

**Note 24. Headcount**

|  |  |  |
| --- | --- | --- |
| **Company** | **December 31, 2014**  | **December 31, 2013**  |
| Management Board | 3 | 4 |
| Managers | 24 | 23 |
| Administration | 178 | 192 |
| Other employees | 108 | 118 |
| **Total** | **313** | **337** |

|  |  |  |
| --- | --- | --- |
| **Contracts** | **31-12-2014** | **31-12-2013** |
| The employment contract | 313 | 337 |
| Commission contracts | 271 | 181 |
| Contracts for a specific task | 3 | 2 |
| **TOTAL**  | **587** | **520** |

**Note 25. The Remuneration of the Management Board and Supervisory Board of the Company.**

The presented figures refer to remuneration for holding an office of the Management Board and Supervisory Board Member. They do not include remuneration due to other forms of employment (also in other Companies of the Group). The remuneration due to other titles is presented in the consolidated financial statements.

|  |  |  |
| --- | --- | --- |
| **JW Construction Holding S.A.** | **from Jan 1, 2014 through Dec 31, 2014** | **from Jan 1, 2013 through Dec 31, 2013** |
|  |  |  |
| **Management Board** |  |  |
| Rajchert Wojciech  | 243 000,00 | 240 000,00 |
| Łopuszyńska Irmina | 196 304,35 | 252 000,00 |
| Starzyńska Magdalena | 193 875,15 | 195 900,00 |
| Ostrowska Małgorzata | 162 552,00 | 100 579,71 |
| Konkel Anna | 0,00 | 139 845,24 |
| Wójcik Robert | 0,00 | 32 000,00 |

|  |  |  |
| --- | --- | --- |
| **JW Construction Holding S.A.** | **from Jan 1, 2014 through Dec 31, 2014** | **from Jan 1, 2013 through Dec 31, 2013** |
|  |  |  |
| **Supervisory Board** |  |  |
| Król Jarosław | 24 000,00 | 24 000,00 |
| Oleksy Józef | 150 000,00 | 156 000,00 |
| Podsiadło Andrzej | 24 000,00 | 24 000,00 |
| Samarcew Marek | 150 000,00 | 156 000,00 |
| Wojciechowski Józef | 0,00 | 0,00 |
| Murawski Jacek | 45 000,00 | 0,00 |

**Note 26. Off-balance sheet entries**

|  |  |
| --- | --- |
| **OFF- BALANCE SHEET COLLATERALS - credit agreements** | **December 31, 2014**  |
| Investment real estate pledged as collateral - loans | 395 454 936,00 |
| blank bill\* | 218 227 028,00 |
| Executory titles | 1 588 918 213,05  |
| Pledge on shares of JWCH in Seahouse |  25 500 000,00  |
| Assignment of the insurance contract | 244 127 435,00 |
| Guarantees to the benefit of Bank Zachodni WBK on the investment credit of the Company of Seahouse Sp. z o.o.  |  25 500 000,00  |
| Poręczenie na rzecz Banku BZ WBK SA /Dana Invest/ | 28 056 975,52 |
| Poręczenie na rzecz Banku BPS /Łódź Invest/ | 15 491 884,39 |
| Poręczenie na rzecz Banku BWZ BK SA /BLISKA WOLA 2/ | 71 647 065,00 |
| A guarantee granted by Company towards Nowe Tysiąclecie-loan | 31 500 000,00 |
| Registered pledge on Company shares in Nowe Tysiąclecie | 31 500 000,00 |
| Registered pledge on Company shares in Bliska Wola 2 | 71 647 065,00 |
| Financial pledge on Company shares in Bliska Wola 2 | 71 647 065,00 |
| Registered pledge on Company shares in Dana Invest | 21 042 731,64 |
| Registered pledge on Company shares in Łódż Invest  | 23 237 826,58 |

\* the amounts of collateral in the form of blank promissory notes are presented up to the full value of the principal liability;

The above table presents all the collaterals arising from loan agreements to secure the payment obligations. Due to the fact that within particular loan agreements several collaterals were established, the summary of collateral values was not made.

As at 31 December 2014 there were disclosed insurance guarantees to remove failures and defects, granted by banks and insurance institutions to the benefit of the Company. Moreover, there were blank promissory notes issued to the benefit of J.W. Construction Holding S.A. to secure rights of such companies under guarantees granted by counterparties, which the Companies may fill in at any time with the amount corresponding to the costs of failure and defect removal. As of 31 December 2014 the total value of guarantees was PLN 11,5m and EUR 1,3 thousand (JW. Construction Holding SA)

|  |  |
| --- | --- |
| **OFF- BALANCE SHEET COLLATERALS - other** | **December 31, 2014**  |
| Investment real estate pledged as collateral - bonds  |  335 000 000,00  |
| blank bill\* | 18 458 708,50  |
| Executory titles | 1 134 750,00 |
| Guarantees to the benefit of J.W. Construction Sp. z o.o.  |  7 000 000,00  |
| Guarantees to the benefit of Capital City of Warsaw  |  151 300,00  |
| Guarantees to the benefit of TBS "Marki" Sp z o.o.  |  22 400 000,00  |

\* the amounts of collateral in the form of blank promissory notes are presented up to the full value of the principal liability;

**Note 27. Transactions with related companies - balances**

The Company within its business activity enters into transactions with related companies especially in the scope of the management of sales, administrative services, rental property, execution of works, the provision of guarantees, financing. Below, there are transactions with subsidiaries and other affiliated companies, the value of which in 2014 was significant from the point of view of the presented data. Materiality threshold was adopted for commercial transactions over PLN 100 thousand with the remaining 10% of equity. All transactions concluded in 2014 by the Company or a subsidiary with the related parties were concluded on market terms.

|  |  |
| --- | --- |
|  | **Receivables from related parties**  |
| **COMPANY NAME**  | **December 31, 2014**  | **December 31, 2013**  |
| TBS Marki Sp. z o.o. | 121 414,69 | 98 758,16 |
| J.W. Construction Bułgaria  | 37 134 740,49 | 35 178 398,37 |
| Yakor House Sp. z o.o. | 19 470 996,33 | 16 105 685,73 |
| J.W. Marka Sp. z o. o. | 5 315 690,31 | 8 632 665,26 |
| J.W. Group Sp. z o.o. 1 SKA | 76 100 344,73 | 120 629 925,09 |
| Lokum Sp. z o.o. | 6 900,12 | 262 973,24 |
| Business Financial Construction Sp. z o.o. | 0,00 | 4 809 914,41 |
| Seahouse Sp. z o.o. | 1 262 298,86 | 622 036,95 |
| J.W. Construction Sp. z o.o. | 21 340 462,08 | 4 545 588,92 |
| Nowe Tysiąclecie Sp. z o.o. | 1 290 259,16 | 169 922,04 |
| Dana Invest Sp. z o.o. | 571 830,46 | 765,06 |
| Łódź Invest Sp. z o.o. | 793 935,64 | 371,46 |
| Bliska Wola 1 Sp. z o.o. | 2 948 573,11 | 427,55 |
| Bliska Wola 2 Sp. Z o.o. | 626 947,28 | 0,00 |

|  |  |
| --- | --- |
|  | **Liabilities to related parties** |
| **COMPANY NAME** | **December 31, 2014**  | **December 31, 2013**  |
| TBS Marki Sp. z o.o. | 30 131 436,07 | 29 021 553,65 |
| J.W. Marka Sp. z o. o. | 6 006 803,49 | 10 676 028,81 |
| Business Financial Construction Sp. z o.o. | 2 858 256,88 | 3 031 684,35 |
| J.W. Construction Sp. z o.o. | 24 679 149,88 | 47 226 991,28 |
| Porta Transport Sp. z o.o. in liquidation | 14 202 453,46 | 12 728 684,71 |

**J.W. Construction Holding S.A. as the buyer of products or services** (transactions for more than 100 thousand).

|  |  |  |  |
| --- | --- | --- | --- |
| **COUNTERPARTY OF TRANSACTION** | **TRANSACTION/AGREEMENT SUBJECT** | **from Jan 1, 2014 through Dec 31, 2014** | **from Jan 1, 2013 through Dec 31, 2013** |
| J.W. Marka Sp. z o.o. | marketing services | 497 100,00 | 735 180,00 |
| J.W. Marka Sp. z o.o. | licensing fee for trademark  | 4 496 982,66 | 8 233 149,80 |
| Business Financial Construction Sp. z o.o. | marketing services | 2 001 939,33 | 2 107 758,62 |
| J.W.Construction Sp. z o.o. | construction work-Lewandów 1 finishing  | 36 938,77 | 374 947,40 |
| J.W.Construction Sp. z o.o. | construction work - Lewandów 2 finishing  | 19 145,44 | 184 628,21 |
| J.W.Construction Sp. z o.o. | construction work - Swiatowida finishing  | 18 060,31 | 160 530,00 |
| J.W.Construction Sp. z o.o. | construction work - Światowida finishing  | 0,00 | 134 571,92 |
| J.W.Construction Sp. z o.o. | construction work - Zdziarska I finishing  | 58 461,16 | 673 370,07 |
| J.W.Construction Sp. z o.o. | construction work - Ożarów single-family homes in Ożarów Mazowiecki  | 2 063 511,37 | 675 132,05 |
| J.W.Construction Sp. z o.o. | construction work - Poznan  | 403 000,00 | 23 136 948,07 |
| J.W.Construction Sp. z o.o. | construction work - Hanza Tower in Szczecin  | 0,00 | 458 257,13 |
| J.W.Construction Sp. z o.o. | construction work - Światowida  | 0,00 | 601 817,43 |
| J.W.Construction Sp. z o.o. | construction work - Zdziarska  | 0,00 | 571 149,27 |
| J.W.Construction Sp. z o.o. | construction work - Katowice  | 189 751,24 | 0,00 |

**J.W. Construction Holding S.A. as the buyer of products or services (transactions for more than 100 thousand).**

|  |  |  |  |
| --- | --- | --- | --- |
| **COUNTERPARTY TO TRANSACTION** | **TRANSACTION/AGREEMENT SUBJECT**  | **from Jan 1, 2014 through Dec 31, 2014** | **from Jan 1, 2013 through Dec 31, 2013** |
| TBS Marki Sp. z o.o. | real estate administration | 153 161,15 | 132 620,30 |
| J.W. Group Sp. z o.o. 1 SKA | administrative servies | 517 368,00 | 518 025,00 |
| J.W. Group Sp. z o.o. 1 SKA | other services | 201 596,10 | 0,00 |
| J.W. Group Sp. z o.o. 1 SKA | sales services  | 625 584,00 | 208 528,00 |
| Seahouse Sp. z o.o. | administrative services  | 315 394,00 | 419 097,00 |
| Seahouse Sp. z o.o. | sales services  | 262 992,00 | 109 129,00 |
| Seahouse Sp. z o.o. | other services  | 193 456,00 | 0,00 |
| J.W.Construction Sp. z o.o. | re-invoives - other  | 260 252,58 | 466 771,94 |
| J.W.Construction Sp. z o.o. | real estate rental  | 634 140,84 | 581 857,37 |
| J.W.Construction Sp. z o.o. | obsługa administracyjna | 911 098,00 | 772 385,00 |
| J.W.Construction Sp. z o.o. | guaranteed repair work  | 2 796 492,72 | 394 320,86 |
| Nowe Tysiąclecie Sp. z o.o. | construction and fitting services  | 8 121 082,89 | 0,00 |
| Nowe Tysiąclecie Sp. z o.o. | design services | 123 854,10 | 329 445,00 |
| Nowe Tysiąclecie Sp. z o.o. | administrative servies  | 366 242,00 | 98 547,00 |
| Nowe Tysiąclecie Sp. z o.o. | sales services | 127 704,00 | 36 923,00 |
| Dana Invest Sp. z o.o. | design services | 1 000 000,00 | 0,00 |
| Dana Invest Sp. z o.o. | administrative services  | 669 990,00 | 320,00 |
| Dana Invest Sp. z o.o. | other services  | 108 358,56 | 0,00 |
| Porta Transport Sp .z o.o. in liquidation | real estate rental  | 146 437,00 | 144 000,00 |
| Bliska Wola 1 Sp. z o.o. | administrative services  | 3 398 400,00 | 0,00 |
| Bliska Wola 1 Sp. z o.o. | sales services  | 438 904,00 | 0,00 |
| Bliska Wola 2 Sp. z o.o. | administrative services  | 1 920 818,18 | 0,00 |
| Bliska Wola 2 Sp. z o.o. | slaes services  | 200 484,00 | 0,00 |
| Łódź Invest Sp. z o.o. | design work documentation sale  | 195 000,00 | 0,00 |
| Łódź Invest Sp. z o.o. | administrative services  | 501 518,00 | 0,00 |
| Łódź Invest Sp. z o.o. | construction and fitting services  | 3 617 823,00 | 0,00 |

Within the Capital Group, J.W. Construction Holding S.A. acts in the capacity of a general contractor towards entities affiliated directly or indirectly. In 2014, Company carried out transactions with Łódź Invest sp. z o.o. with the value of PLN 3,617,823 and with Nowe Tysiąclecie sp. z o.o. with the value of PLN 8,121,082,89.

Transactions with capital investments, financial assets were described in the event before the balance sheet date and thereafter. Other transactions entered into with related entities do not exceed the significane threshold.

All transactions by the Issuer or affiliated entities are entered into on market conditions.

# SUPPLEMENTARY INFORMATION

**Note 28. Events during the accounting year**

**Building permits :**

On October 17, 2014, Company received a building permit for the construction of the complex of multi-family homes in the “Bernadowo Park” investment located in Gdynia by Leśna and Parkowa streets. The building permit is final and binding.

**Occupancy permit**

On January 30, 2014 Company received an occupancy permit for a multi-family community “Oaza Piątkowo” by Jaroczyńskiego street in Poznan. The permit is final and binding.

**Credit agreements:**

1. Concluded :

In January 29, 2014, Company and BOS S.A., an investment bank, entered into an agreement on financing the endeavors related to the protection of the natural environment, which is refinancing of the costs related to the construction of a water treatment facility as well as the sewage network in Ożarów Mazowiecki in the amount of PLN 13,874,000. The payment date was fixed on December 31, 2017.

1. Paid:

On February 27, 2014, Company paid in full an investment credit in the amount of PLN 20,000,000 for refinancing of the costs of construction of 292 residential units in the Villa Campina community in Ożarów Mazowiecki that was granted by Getin Noble Bank S.A.

On October 10, 2014, Company paid the investment credits for co-financing of the construction of Phase 1 of Zielona Dolina investment at Zdziarska street in Warsaw that was granted by BOS Banks SA:

in the amount of PLN 41,000,000 – sub-phase 1 of Zielona Dolina I

in the amount of PLN 46,000,000 - sub-phase 1 of Zielona Dolina I

On November 4, 2014, Company paid in full a non-renewable working capital loan granted by Plus Banks S.A. in the amount of PLN 10,000,000 for financing of the current activity.

1. Amended:

On February 19,2014, Company signed an appendix to a credit agreement in a current account entered into Bank Millennium S.A. Bases on the appendix, the payment date falls at August 21, 2014.

On April 25, 2014 and May 12, 2014, Company signed appendices to the revolving credit agreement with Bank Polskiej Spółdzielczości S.A. in the amount of PLN 10,000,000 earmarked for financing current business activity. On the basis of the Appendices, the time for the use of credit as well as payment date were extended. The final payment day of the credit falls on April 24, 2015..

On April 24, 2014, Company signed an appendix to a working capital loan on a current account granted by Plus Bank (formerly known as Invest Banks S.A.) in the amount of PLN 15,000,000. Based on the Appendix, the time for the use of credit as well as payment time were extended. The final payment date falls on April 25, 2016.

On April 24,2014, Company signed an appendix to a working capital loan on a current account granted by PKO BP S.A. in the amount of PLN 10,000,000. Based on the appendix, the time for the use of credit as well as payment date were extended. The final credit payment date was fixed on April 27, 2015.

On August 20, 2014, Company signed an appendix to a working capital loan on a current account with Bank Millennium S.A. with its registered office in Warsaw. Based on the appendix, the payment date falls on February 21, 2015.

On October 31, 2014, Company signed an appendix to a revolving credit agreement granted by Bank Polskiej Spółdzielczości S.A. in the amount of PLN 3,000,000. Based on the appendix, the time for the use of credit as well as payment date were extended. The new payment date was falls on August 31, 2016.

**Increase of the share capital**

In the audited period, Company issued C-series shares.

The basis for the issuance was a resolution by an extraordinary General Shareholder Meeting of April 9, 2014.

The issuance was conducted in the following fashion:

Approval of the issuance prospectus

On July 14, 2014, the Financial Supervision Authority approved the issuance prospectus of Company prepared in the form of a unified document in relation to the public offer in the territory of the Republic of Poland of C-series shares, an intention to allow trading of the C-series shares in the regulated market, rights to C-series shares and rights to acquisition of the C-series shares. The prospectus was made available to the public knowledge on July 17, 2014.

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Fixing of the first listing of the acquisition rights to C-series shares

On July 17, 2014, the Management of the Warsaw Stock Exchange allowed listing of the C-series shares of the Issuer on the Warsaw Stock Exchange.

Run of the listing:

Company conducted public offering of the C-series shares on the following dates:

June 4, 2014 - Subscription Rights Date

July 17, 2014, 17 - Publication of the Prospectus

In the period between July 18, 2014 and July 31, 2014 — Receiving of basic subscriptions and additional subscriptions as part of exercising of the subscription right.

On August 21, 0214, Company Management Board made a resolution on the allotment of C-shares that were subscribed for. The allotment encompassed 34,786,163 C-series shares with the total nominal value of PLN 6,957,232,60. C-series shares issuance was successfully completed and 34,786,163 shares were subscribed for and fully paid for an issue price of PLN 3,15 a share. The total value of all the shares paid for was PLN 109,576 thousand.

On September 30, 2014, the District Court for the capital city of Warsaw in Warsaw, XIV Economic Division of the National Court Register registered an increase of the share capital of Company in connection with the publish offering of C-series shares. The share capital of Company was increased by PLN 6,957,232, 60 to the amount of PLN 17.771.888,60 a share and the number of shares was increased by 34.786.163 units and comprises now 88.859.443 units.

**Bond redemption**

On April, 2014, Company carried put partial redemption of the value of each bond issued based on Company’s Management Board resolution of December 12, 2012 totaling 1,057 units with the nominal value of 100,000 each and total value of 105,700,000 marked ISIN PLJWC0000050 of the National Depository for Securities. The redemption encompassed 10% of the nominal value of each bond, i.e. PLN 10,000 with the total value of PLN 105,700,000. The redemption of 10% of each bond resulted from the issuance conditions. As of now, the nominal value of each out 1,057 bonds is PLN 90,000, and the value of obligation resulting from the issued bonds is PLN 95,130,000.

On July 25, 2014, Company redeemed the bonds issued based on Company’s Management Board resolution of April 24, 2013 totaling 9,120 units with the nominal value of PLN 10,000 each marked JWX0116. The bonds subject to redemption were 3,970 bonds totaling PLN 39,700,000. The redeemed bonds were written off on September 9, 2014.

**Sales of real estate to related entities**

On March 21, 2014 an agreement was entered into registered in the Repertory no. A 3310/2014 on the sale by the Issuer to Łódź Invest Spółka z o. o. with its registered office in Ząbki, a related company, a plot of land marked 104/5 from S-9 section located in Lodz at 16 Tymienieckiego street with the area of 0,7014 ha for which the District Court for Łódź Śródmieście Łódź, XVI Division of Land Registers maintains a land register no. LD1M/00111879/7. The subject of the sale, together with the real estate, was also the project documentation

being the basis for the building permit for multi-family homes. This agreement was the continuation of the Issuer’s actions with the purpose of realization of new investments in special purpose vehicles.

On April 3, 2014 an agreement was entered into registered in the Repertory no. A3821/2014 with the purpose of sale by the Issuer to Dana Spółka z o.o. with its registered office in Ząbki, a related entity, a land plot marked 22/4 from the 1026 section located in Szczecin by 50 Aleja Wyzwolenia street with the area of 0,1022 ha for which the District Court Szczecin-Prawobrzeże i Zachód in Szczecin, X Division of Land Registers maintains a land register no. SZ1S/00082677/6. The subject of the sale, together with the real estate, was also the project documentation being the basis for conversion and adaptation of the existing service building to a hotel with a conference and spa center.

**Entering into a significant agreement regarding an increase of the share capital of a related company**

Company, on June 3, 2014, entered intp an agreement with J.W. Group Spółka z ograniczoną odpowiedzialnością 1 SKA with its registered office in Ząbki, a related company, hereinafter referred to as JWG.

The agreement regards obtaining 732 B-series shares issued by JWG following a resoulution of the General Meeting of Shareholders of December 6, 2013. Obtaining takes place by way of private subsription. The nominal value of each obtained share is PLN 41,000, and the issue price is PLN 82,000. Total nominal value of the obtained shares is PLN 30,012,000, and the issue value is PLN 60,024,000. Company is an only shareholder in JWG.

**Concluding agreements on creation of pledges**

On September 22, 2014, agreements on regular and registered pledges were entered into constituting a surety on Bank Zachodni WBK S.A.’s liabilities with its registered office in Wrocław (Bank) resulting from a credit agreement entered into September 8, 2014 between Bank and Bliska Wola 2 Spółka z o.o. with its registered office in Ząbki (BW2), an entity related to Company.

1. Agreement entered into Company and Bank regarding creation of financial pledges and registered pledges on behalf of Bank on 100 units with the nominal value of PLN 50 each and with a total value of PLN 5000 constituting 100% of the share capital in Bliska Wola 2 Spóła z o.o. with its registered office Ząbki..

a) By way of the above-described agreement a registered pledge was created up to the maximum surety sum of PLN 71,647,065. The pledge was created with the expiry date fixed on the day on which the obligations resulting from the credit agreement are fully paid.

b) By way of the above-decribed agreement the following financial pledges were created:

- up to the maximum sum of the surety, PLN 61,147,065 as a guarantee for a real state development loan in the amount of PLN 40,764,710;

- up to the maximum sum of the surety, PLN 4,500,000 as a guarantee for a VAT credit in the amount of PLN 3,000,000;

- up to the maximum sum of surety, PLN 6,000,000 as a guarantee for an investment credit in the amount of PLN 4,000,000;

The above-mentioned financial pledges were created with the expiry date falling on September 30, 2020 or on the day of full payment of the obligations resulting from credit agreements depending on which date falls earlier.

**Guarantee**

On September 8, 2014, Company provided a surety towards Bank Zachodni WBK S.A. (Bank) with its registered office in Wrocław in relation to the credit agreement entered into the bank and Bliska Wola 2 Spółka z o.o. (BW 2) with its registered office in Ząbki, a Company’s subsidiary.

Company assured the payment of the assumed obligations by BW2 towards Bank comprising the following loans:

1) real estate development credit with the maximum amount of PLN 40,764,710, the maximum surety up to PLN 61,147,065;

2) VAT loan in the maximum amount of PLN 3,000,000, the amount of surety up to PLN 4,500,000.

3) investment loan in the maximum amount of PLN 4,000,000, the maximum amount of surety up to PLN 6,000,000.

Total amount of guaranteed loans by Company is PLN 47,764,710, and the amount of sureties is PLN 71,647,065. The surety was provided for the time period with the expiry date of December 30, 2020 inclusive.

**Increase of share capital in related companies**

1) On March 21, 2014, an extraordinary Meeting of Shareholders of Łódź Invest Spółka z o.o. with its registered office in Ząbki made a resolution regarding the increase of share capital from PLN 5,000 to PLN 3,700,00, i.e. by a factor of PLN 3,695,000 by way of creation of 73,900 new shares with the value of PLN 50 each. This fact was entered into the protocol prepared by Anna Sota, a notary in Warsaw in the Repertory no. A 3317/2014. All the shares were obtained by the Issuer as a current partner. On April 10, 2014 the share capital was increased by the Court.

2) On June 26, 2014 an extraordinary Meeting of Shareholder of Dana Invest Spółka z o.o. with its registered office in Ząbki made a resolution on the increase of the share capital from PLN 5,765,000 to PLN 6,265,000, i.e. by a factor of PLN 500,000 by way of creation of 10,000 new shares with the value of PLN 50 each. This fact was entered into the protocol prepared by Ewa Rokos, a notary in Warsaw in the Repertory n. A 1339/2014. All the shares were obtained by the Issuer as a current partner.

3)On July 31, 2014 an extraordinary Meeting of Shareholders of Dana Invest Spółka z o.o. made a resolution as a result of which the share capital was increased to the amount of PLN 7,985,000. This fact was entered into the protocol by Krzysztof Kruszewski, a notary, in the Repertory no. A 1761/2014 that was changed following a resolution of December 9, 2014, which was entered into the protocol by Ewa Rokos, a notary in Warsaw, in the Repertory no. A 6466/2014. All the shares were obtained by the Issuer as a current partner.

4) On July 7, 2014, an extraordinary General Shareholder Meeting of Nowe Tysiąclecie Spółka z o.o. (“NT”) with its registered office Ząbki made a resolution as result of which the share capital of NT was increased to the amount of PLN 8,385,000. This fact was entered into a protocol prepared by Ewa Rokos, a notary in Warsaw in the Repertory no. A 1633/2014, that was changed by way of a resolution of December 22, 2014 that was entered into a protocol by Ewa Rokos in the Repertory no. A6947/2014. All the shares were obtained by the Issuer as a current partner.

5)On August 4, 2014, an extraordinary General Meeting of Shareholders of Bliska Wola 1 Spółka z o.o. with its registered office Ząbki made a resolution on the increase of the share capital from the amount of PLN 5,000 to the amount of PLN 14,270,350, i.e. by a factor of PLN 14,625,350 by way of creation of 285,307 new shares with the value of PLN 50 each. This fact was entered into a protocol by Ewa Rokos, a notary in Warsaw, in the Repertory no. 2660/2014. All the shares were obtained by the Issuer as a current owner.

6)On August 21, 2014 an extraordinary General Meetiing of Shareholders of Bliska Wola 2 Spółka z o.o. with its registered office in Ząbki made a resolution on the increase of the share capital from PLN 5,000 to the amount of PLN 6,805,000, i.e. by a factor of PLN 6,800,000 by way of creation of 136,100 new shares with the value of PLN 50 each. This fact was entered into a protocol by Ewa Rokos, a notary in Warsaw, into the Repertory no. 3072/2014. All the shares were obtained by the Issuer as a current partner. On November 7, 2014 a new resolution was made regarding an increase of the share capital as a result of which the share capital was increased to the amount of PLN 7,020,000. This fact was entered into a protocol by Ewa Rokos, a notary in Warsaw, in the Repertory no. A5397/2014.

**Note 29. Events which occurred after the balance sheet date**

Occupancy permit

On January 25, Company received a building permit for construction of multi-family homes and semi-detached buildings located in Gdynia at Sochaczewska/Plocka streets. The permit is not final and binding.

Credit agreements

On February 10, 2015, Company entered into an investment credit agreement with Getin Noble Bank SA regarding co-financing of realization of an residential real estate investment “Bernadowo Park” in Gdynia with the value of PLN 30,900,000 with the payment date of December 20, 2017.

Credit repayment

On February 2, 2015, Company paid in full an open-end credit alloted to co-financing of realization of the Oaza Piątkowo investment at Jaroczyńskiego street in Poznan.

Changes in the composition of the Supervisory Board of Company:

On January 9, 2015 Mr. Józef Oleksy died.

**Note 30. Selected financial data including the main items of the financial statements (also converted to EURO) in thousands of PLN**

In order to convert the balance sheet data on the last day of the period between January 1, 2014 through 31, 2014 the adopted exchange rate of euro was fixed by the National Bank of Poland, which was PLN 4,2636 per 1 euro.

In order to convert the balance sheet data on the last day of the period between January 1, 2013 through December 31, 2013 the adopted exchange rate of euro was fixed by the National Bank of Poland, which was PLN 4,1472 per 1 euro.

In order to convert the profit and loss account data for the period between January 1, 2013 through December 31, 2014, the adopted exchange rate of euro was fixed by the National Bank of Poland, which was PLN 4,1893 per 1 euro.

In order to convert the profit and loss account data for the period between January 1, 2013 through December 31, 2013, the adopted exchange rate of euro was fixed by the National Bank of Poland, which was PLN 4,2110 per 1 euro.

|  |  |  |
| --- | --- | --- |
| **Issuer’s balance sheet item** | **December 31, 2014**  | **December 31, 2013**  |
| **PLN** | **EUR** | **PLN** | **EUR** |
| **Total Assets** | **1 199 412** | **281 400** | **1 288 027** | **310 578** |
| Fixed assets | 836 512 | 196 258 | 801 365 | 193 230 |
| Current assets | 362 900 | 85 142 | 486 662 | 117 347 |
| **Total equity and Liabilities** | **1 199 412** | **281 400** | **1 288 027** | **310 578** |
| Equity | 638 932 | 149 903 | 533 665 | 128 681 |
| Long-term liabilities  | 370 828 | 87 002 | 459 263 | 110 741 |
| Short-term liabilities  | 189 652 | 44 495 | 295 099 | 71 156 |

|  |  |  |
| --- | --- | --- |
| **Profit and loss account item**  | **from January 1, 2014 through December 12, 2014**  | **from January 1, 2013 through December 31m 2013**  |
| **PLN** | **EUR** | **PLN** | **EUR** |
| Net revenues from sales of products, goods and materials | 211 884 | 50 578 | 291 473 | 69 217 |
| Costs of products, goods and materials sold | 173 635 | 41 448 | 235 344 | 55 888 |
| **Gross profit (loss) on sales**  | **38 249** | **9 130** | **56 129** | **13 329** |
| Sales expenses | 21 603 | 5 157 | 27 394 | 6 505 |
| Overheads | 10 684 | 2 550 | 13 263 | 3 150 |
| Profit (loss) on sales | 5 520 | 1 318 | 31 362 | 7 448 |
| Operating profit (loss) | 9 268 | 2 212 | 34 092 | 8 096 |
| **Gross profit (loss)** | **-3 998** | **-954** | **14 171** | **3 365** |
| Income tax | -565 | -135 | 2 295 | 545 |
| **Net profit (loss)** | **-3 434** | **-820** | **11 876** | **2 820** |

**Note 31. Significant issues in litigation**

As of December 31, 2014 Company was a party to the lawsuits brought in its name the value of which is 118m in total. The lawsuit brought by Company with the largest value that exceeded 10 % of Company equity is the court proceedings started on April 26, 2012 consisting in suing the Capital City of Warsaw ("Defendant") a petition for commitment of the Defendant to submit a declaration of intent for the acquisition from the Company right of perpetual use of the plot no 2/6 with the area of 3,2605 ha for which the District Court for Warsaw- Mokotów, X Division of Land Registry maintains a land and mortgage registry no WA4M/00413015/1 KW ("Property") for a net price of PLN 91,130,975 together with interest from the date of 8 January 2010.

The company filed a petition according to the Article 36.1 point. 2) of the Act of 27 March 2003 on spatial planning and development (Journal of Laws 2003.80.717) in connection with the adoption by the Respondent of the area development plan area of Olbrachta Street (approved by the resolution of the City of Warsaw No. LVI/1669/2009, which entered into force on 3 August 2009) ("Plan"). The property has been earmarked for the N-S Route. In the period when the Company acquired the Property, the zoning plan of the property was not obligatory.. With the adoption of the Plan and as a result of this adoption, there has been a significant restriction on the use of the Property by the Company, therefore the Company has the right to request to redeem to purchase/buy out the Property by the Defendant. The Company applied to the Defendant with a request to take steps to voluntary purchase of the Property by the Respondent but the request was refused.

After the preparation of the financial statement, a court decision was issued that dismissed the Company claim. Company filed a petition for proper justification to make an appeal.

**Note 32. Financial instruments and hedge accounting**

##

The Company does not use derivatives. The Company uses bank credits, loans, bond issues as well as financial leases.

The main financial assets of the Company include shares in associated Companies, loans for related companies and bank deposits.

**The fair values of particular classes of financial instruments**

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

|   | ***Category*** | **Balance sheet value**  | **Fair value** |
| --- | --- | --- | --- |
|  | ***in accordance with IFRS 39*** | **31-12-2014** | **31-12-2013** | **31-12-2014** | **31-12-2013** |
| ***Financial assets*** |  |  |  |  |  |
| Long term financial assets in related entities | DDS | 213 454 943,81 | 134 841 879,40 | 0,00 | 0,00 |
| Long term financial assets in other entities | DDS | 209 550,00 | 214 194,62 | 0,00 | 0,00 |
| Short-term loans | PiN | 24 893 418,34 | 36 769 140,94 | 24 893 418,34 | 36 769 140,94 |
| Trade and other receivables  |   | 61 969 732,41 | 62 562 573,94 | 61 969 732,41 | 62 562 573,94 |
| Cash and cash equivalents  | WwWGpWF |  3 343 051,14 | 10 938 036,27 |  3 343 051,14 |  10 938 036,27 |
| ***Financial liabilities*** |  |  |  |  |  |
| Loans with a floating variable interest rate  | PZFwgZK | 125 186 944,61 | 214 465 080,40 | 125 186 944,61 | 214 465 080,40 |
| Loans from related companies | PZFwgZK | 25 655 983,60 | 24 806 380,27 | 25 655 983,60 | 24 806 380,27 |
| Liabilities from long-term financial lease | PZFwgZK | 0,00 | 117 280,26 | 0,00 | 117 280,26 |
| Liabilities from short-term financial lease | PZFwgZK | 67 112,46 | 25 674 106,42 | 67 112,46 | 25 674 106,42 |
| Trade and other receivables | PZFwgZK | 54 033 396,84 | 63 664 454,16 | 54 033 396,84 | 63 664 454,16 |
| Bonds  | PZFwgZK | 247 018 342,56 | 299 849 363,10 | 247 018 342,56 | 299 849 363,10 |
| Liabilities from long-term deposits  | PZFwgZK | 683 026,00 | 2 799 176,93 | 683 026,00 | 2 799 176,93 |
| bill payables - other | PZFwgZK | 6 007 576,49 | 5 662 677,53 | 6 007 576,49 | 5 662 677,53 |
| Bill payables - tied  | PZFwgZK | 18 775 735,94 | 35 723 374,93 | 18 775 735,94 | 35 723 374,93 |

UdtW – Financial assets held to maturity,

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

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| ***December 31, 2014 - floating interest rate*** | **Up to 1 year** | **from 1 to 2 years**  | **from 2- 5 year, over 5 years**  | **Total**  |
| Cash Assets | 3 343 051,14 | 0,00 | 0,00 | 3 343 051,14 |
| Loans for related companies | 24 893 418,34 | 0,00 | 0,00 | 24 893 418,34 |
| Loans from related companies | 0,00 | 25 655 983,60 | 0,00 | 25 655 983,60 |
| Bank Loans | 60 522 744,19 | 24 551 174,47 | 40 113 025,95 | 125 186 944,61 |
| Bank Loans | 15 958 342,56 | 231 060 000,00 | 0,00 | 247 018 342,56 |

**COLLATERALS**

The Company does not apply hedge accounting.

**Note 33. Suggested profit distribution**

The Management Board will suggest allotting the profit generated in 2013 to increase the supplementary capital.

**Note 34. Changes in the Management and Supervisory Board**

Management Board:

As of December 31, 2014 Company Management Board was composed of :

Wojciech Rajchert – Board Member

Magdalena Starzyńska – Board Member

Małgorzata Ostrowska – Board Member

During 2014, the composition of the Management Board of the Company was changed as follows:

On May 30, 2014, due to the expiry of the current term on June 1, 2014 and fixing the number of Management Board Members and Supervisory Board Members at 4 persons, the Supervisory Board appointed the following persons to the Management Board of 3rd joint term:

Mr. Wojciech Rajchert – Board Member

Ms. Magdalena Starzyńska – Board Member

On the same day, Company received a statement from an eligible shareholder regarding appointment to the Management Board of 3rd joint term the following persons:

Ms. Irmina Łopuszyńska – Board Member

Ms. Małgorzata Ostrowska – Board Member

On October 9, 2014 Company received a statement from an eligible shareholder regarding dismissal of Ms. Irmina Łopuszyńska from the Management Board following a personal entitlement granted bases on Company articles of association.

**Supervisory Board**

As of January 1, 2014, Company Supervisory Board was composed of:

Mr. Józef Wojciechowski - Chairman of Supervisory Board

Mr. Józef Oleksy – Vice Chairman of Supervisory Board

Mr. Andrzej Podsiadło – Member of Supervisory Board

Mr. Jarosław Król – Member of Supervisory Board

Mr. Marek Samarcew - Member of Supervisory Board

Ms. Barbara Czyż – Member of Supervosory Board

In 2013, composition of the Supervisory Board of the Company was changed as follows:

On May 15, 2014 an ordinary General Meeting of Shareholders took place that approved the financial statement for the entities being part of Company, as well as the consolidated financial statement for 2013, Management reports on Company activity and Company’s Capital Group, discharged Members of Company’s governing bodies, conducted the division of profit by way of allotting it in full to the reserve capital.

The ordinary General Meeting of Shareholders also made a resolution regarding the number of Supervisory Board Members for the current and next term and appointing to the Supervisory Board:

Mr Jacek Murawski

Mr Andrzej Podsiadło

Mr Jarosław Król

In the same year, Company received declarations of the eligible shareholder regarding appointment to the Supervisory Board:

Mr Józef Wojciechowski

Mr Józef Oleksy

Mr Marek Samarcew

On October 9, 2014, an extraordinary General Shareholder Meeting adopted a resolution regarding dismissal Mr. Jacek Murawski from the Supervisory Board of Company.

On October 9, 2014, an extraordinary General Shareholder Meeting adopted a resolution regarding appointing of Ms. Barbara Czyż to the Supervisory Board of Company.

**Note 35. Targets and principles of financial risk management**

The main financial instruments used by Company comprise bank loans, bonds and financial leasing. The main purpose of these financial instruments is to raise funds for the activities of the Company. The Company also has other financial instruments such as receivables, trade payables, which are formed directly in the course of the Company's activities.

The main risks arising from financial instruments of the Company include interest rate risk, liquidity risk and credit risk. Board review and agree on rules for the administration any of these risks - they were briefly described below. The company also monitors market price risk relating to its possession of all financial instruments.

**Interest rate risk**

The Company has credit liabilities, for which interest are calculated on the basis of the variable interest rate, and therefore there is a risk of growth of interest in relation to the moment of the agreement conclusion.

Due to the fact that Company had, during the reporting period, both assets and liabilities with variable rate, which counterbalanced the risk, and due to slight fluctuations of interest rates in recent periods, as well as the lack of expected rapid changes of interest rates in subsequent reporting periods, Company did not apply any interests rate securities as at 31.12.2013, considering that the interest rate risk is not significant.

Regardless of the current situation, Company monitors its exposure to interest rate risk and interest rate forecasts and does not preclude the adoption of the precautionary measures in the future.

The Company allocates the financing cost from investment credits for various development projects, which means that the impact of changes in interest rates has a deferred result..

The following table shows the sensitivity of the gross financial result for reasonably possible changes of interest rates, assuming that other factors remain unchanged (in connection with the variable rate liabilities).

|  |  |  |
| --- | --- | --- |
|   | **Increase/decrease in percentage points** | **Influence on gross financial result in thousands of Polish zlotys**  |
|
| PLN | 1% | -3 556 |
| PLN | -1% | 3 556 |

## Currency risk

Company is exposed to currency exchange rate change risks do to the loans granted in a given currency. These loans are granted in EUR and USD.

The following table shows the sensitivity of the gross financial result to the possible changes of the currency rates, assuming that other factors remain unchanged (in relation to receivables and loans in foreign currencies).

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **USD/PLN exchange rate change** | **Fair value as of December 31, 2014 (in thousands of Polish zlotys)** | **The value of the assets to the historical value** | **The value of the financial assets** | **change (in thousands of PLN))** |
|
| decrease by 20% | 31 318 | 80% | 25 054 | 6 264 |
| decrease by 10%  | 31 318 | 90% | 28 186 | 3 132 |
| no change  | 31 318 | 100% | 31 318 | 0 |
| increase by 10%  | 31 318 | 110% | 34 450 | -3 132 |
| increase 20% | 31 318 | 120% | 37 582 | -6 264 |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **USD/PLN exchange rate change** | **Fair value as of December 31, 2014 (in thousands of Polish zlotys)** | **The value of the assets to the historical value** | **The value of the financial assets** | **change (in thousands of PLN)** |
|
| decrease by 20% | 15 779 | 80% | 12 623 | 3 156 |
| decrease by 10%  | 15 779 | 90% | 14 201 | 1 578 |
| no change | 15 779 | 100% | 15 779 | 0 |
| increase by 10% | 15 779 | 110% | 17 356 | -1 578 |
| increase by 20%  | 15 779 | 120% | 18 934 | -3 156 |

**Credit Risk**

Company is exposed to the credit risk which is defined as the risk that creditors do not fulfil their obligations and thereby render Company to incur losses.

In case of liabilities of and loans for related companies, the risk is considered irrelevant due to ongoing monitoring of financial standing and the control.

The maximum exposure to credit risk is PLN 19,599,000 at the balance sheet day was estimated as the carrying value of trade payables from other companies.

In the assessment of the Management Board, the credit risk is included in the financial statements in the position of write-downs.

## The credit risk associated with bank deposits is considered irrelevant, because the Company concludes transactions with institutions that have well-established financial position.

**Liquidity risk**

Company is exposed to the liquidity risk, defined as the risk of losing the ability to settle liabilities in a timely manner. The risk results from potential restriction of access to financial markets, which may result in inability to obtain new financing or refinancing its debt.

**Note 36. Capital Management**

Company manages its capital in order to maintain the capacity to continue operations including the implementation of the planned investments, in order to generate returns for shareholders and benefits to other stakeholders.

In accordance with market practice, the Company 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 financing sources / EBITDA is calculated as the ratio of credits, loans and other financing sources to EBITDA. Credits, loans and other financing sources presents a total amount of liabilities arising from credits, loans and lease, while EBITDA presents an operating profit after adding depreciation.

In order to maintain a liquidity and the credit capacity allowing to attract an external financing with a reasonable level of costs, the Company intends to maintain the equity ratio at the level no lower than 0.3.

|  |  |  |
| --- | --- | --- |
|  | **December 31, 2014**  | **December 31, 2013**  |
| Interest-bearing loans and borrowings | 175 736 346,55 | 276 040 601,61 |
| Trade and other receivables | 384 743 011,75 | 478 321 918,89 |
| Minus cash and cash equivalents | -3 343 051,14 | -10 938 036,27 |
| Net debt  | 557 136 307,15 | 800 974 304,96 |
| Company Equity | 638 932 343,10 | 533 664 752,40 |
| Net unrealized gains reserves | 0,00 | 0,00 |
| Total capital | 638 932 343,10 | 533 664 752,40 |
| Capital and net debt | 1 196 068 650,25 | 1 334 639 057,36 |
| Equity ratio | 53,42% | 39,99% |
| Credits ratio | 46,58% | 60,01% |

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

On July 24, 2014, Company entered into an agreement with BDO sp. z o.o., an entity eligilble to audit financial statements, on an interim and annual financial report for the year 2014.

Auditor’s remuneration for auditing the financial statement prepared for the business year ending on December 31, 2014 was fixed at PLN 175 thousand, PLN 125 thousand of which pertaining to the review and audit of the entities being part of Company and PLN 50 thousand to an interim review and annual audit of the consolidated financial statement.

Auditor’s remuneration for the services related to the consolidated financial statements prepared for the business year ended on December 31, 2014 amounted to PLN 50 thousand, PLN 25 thousand of which pertained to the annual consolidated financial statement, and PLN 25 thousand to the review of interim consolidated financial statement. Auditor’s remuneration for the services related to the preparation of financial statements for the business year ended on December 31, 2014 for the entities being part of Company amounted to PLN 125 thousand, PLN 85 thousand of which pertained to the annual audit of the entities being part of Company, and PLN 40 thousand to the interim report. These sums are net sums.

Auditor’s remuneration for the audit of the financial statement prepared for the previous business year ended on December 31, 2013 amounted to PLN 175 thousand, PLN 125 thousand of which pertained to the review and audit of the financial statement of entities being part of Company, PLN 50 thousand of which to the interim report and the audit of the annual consolidated financial statement.

Auditor’s remuneration for the services rendered in relation to the consolidated financial statements for the business year ended on December 31, 2013 amounted to PLN 50 thousand, PLN 25 thousand pertained to the annual consolidated financial statement and the other PLN 25 thousand to the interim consolidated financial statement. Auditor’s remuneration for the servies rendered in relation to the financial statements of entities being part of Company for the business year ended on December 31, 2013 amounted to PLN 120 thousand, PLN 85 thousand of which pertained to the annual financial statement, and PLN 40 thousand to the interim report. These sums are net sums.

**Note 38. Information on the approval of the financial statements for the previous year**

The foregoing financial statement for 2013 was approved by General Meeting of Shareholders on May 15, 2014.

Signature of the person preparing the Financial Statement

|  |  |
| --- | --- |
| Irmina ŁopuszyńskaChief Accountant | Signature |

Signatures of Management Board Members

|  |  |
| --- | --- |
| Wojciech RajchertBoard Member | Signature |
| Magdalena StarzyńskaBoard Member | Signature |
| Małgorzata OstrowskaBoard Member | Signature |

Ząbki, Poland on Febraury 25, 2015