

**Dom Development
Joint-stock Company
Pl. Piłsudskiego 3
00-078 Warszawa**

**Auditor's Opinion and Report
on the separate financial statements
prepared in accordance with IFRS
for the period between 1 January and 31 December 2007**

This document is a translation.
The Polish original should be referred to in matters of interpretation.

**Auditor's Opinion
for the Shareholders and Supervisory Board of Dom Development S.A.**

We have audited the enclosed financial statements prepared in accordance with International Financial Reporting Standards (IFRS) of Dom Development SA with its registered office in Warsaw at Pl. Piłsudskiego 3, consisting of:

- introduction to the financial statements;
- the balance sheet prepared as at 31 December 2007, showing total assets and liabilities of PLN 1,236,421,098.73;
- the profit and loss account for the period from 1 January 2007 to 31 December 2007, showing a net profit of PLN 230,384,092.90;
- statement of changes in shareholders' equity, showing an increase in shareholders' equity of PLN 233,996,162.64;
- the cash flow statement for the period from 1 January 2007 to 31 December 2007, showing a net cash increase of PLN 85,130,254.01;
- notes to the financial statements.

The Company's Management Board is responsible for the preparation of the financial statements.

Our responsibility was to audit the financial statements and to issue an opinion about the true and fair character, correctness and clarity of the financial statements.

We conducted our audit in accordance with:

- 1) International Auditing Standards
- 2) professional auditing standards issued by the Polish National Chamber of Certified Auditors.

We planned and conducted the audit of the financial statements in such a manner as to obtain a reasonable assurance allowing us to express the opinion on the financial statements.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that our audit provided a reasonable basis for our opinion.

In our opinion, the audited financial statements consisting of financial data and explanations:

- give a true and fair view of the Dom Development S.A. financial position as at 31.12.2007, as well as its financial result for the period from 1.01.2007 to 31.12.2007,
- have been prepared correctly in all material respects, i.e. in accordance with the Company's accounting policies arising out of International Financial Reporting Standards, as well as the related interpretations announced by the European Commission in the form of implementing regulations, and in issues not regulated by these Standards – in accordance with the Accounting Act and the related regulatory

provisions issued on the basis of this Act, as well as on the basis of properly maintained books of account,

- are consistent with the laws and regulations and with the Company's Articles of Association .

Without qualifying our opinion on the audited financial statements we draw your attention to the matter of the moment of revenue recognition, as well as the fact that the International Financial Reporting Interpretation Committee continues to work on interpretation D-21 (sale of real estate). The said matters are described in more detail in point 4 of the introduction to the financial statements "Significant accounting methods".

The Directors Report on the Group's activities includes all information required by article 49 point 2 of the Accounting Act, is consistent with the provisions of the Minister's of Finance Decree of 19 October 2005 on the current and periodic information submitted by the issuers of securities, and the financial data contained therein is consistent with the financial statements.

Warsaw, 10 March 2008

BDO Numerica S.A.
ul. Postępu 12
02-676 Warszawa
Registration No. 523

Auditor in charge:

Marcin Jagodziński
Polish Certified Auditor
Reg. No. 90042/7384

On behalf of BDO Numerica S.A.:

Dr André Helin
Polish Certified Auditor
90004/502
Senior Partner BDO Numerica S.A.

**Dom Development
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Pl. Piłsudskiego 3
00-078 Warszawa**

**Auditor's Report
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I. GENERAL INFORMATION

1. Information about the Company

1.1 Name and legal status

Dom Development S.A.

1.2 Registered Office

Pl. Piłsudskiego 3, 00-078 Warszawa.

1.3 Areas of activity

In accordance with the register, the Company's activities consist of:

- construction and property-related investment,
- construction of residential areas and their sale to private and corporate owners,
- purchase, sale and production of resources, ready products and semi-finished industrial goods, in particular those related to building and construction,
- exports and imports of any products, goods and technologies, in particular those related to building and construction,
- provision of services in the field of advertising and consulting,
- other operation and services required for or related to the above-mentioned activities.

In the audited reporting period, the Company's main subject of operation was construction and property-related investment as well as construction of residential areas and their sale to private and corporate owners.

1.4 Legal basis for the Company's operations

Dom Development S.A operates on the basis of:

- The Company's Articles of Incorporation compiled in the form of a notary act dated 25 February 1999 (Rep. A Nr 2534/99) with subsequent amendments.
- Code of Commercial Partnerships and Companies.

1.5 Registration at Business Court

On 8 August 2001 the Company was entered in the National Court Register at the Regional Court in Warsaw – XIX Business Division Registration Section, in number KRS 0000031483. Previously the Company had been registered in the Commercial Register in number RHB – 57462.

1.6 Registration at Tax Office and Voivodship Statistical Office

NIP 525-14-92-233
REGON 012212483

1.7 Equity – value and changes in the audited period

In the year 2007 the share capital of Dom Development S.A. increased from 24.050.372 zł to 24.560.222, i.e. by 509.850 zł further to the registration on 14 February 2007 at the Regional Court for the capital city of Warsaw of 172.200 ordinary bearer's H-series shares, 92.700 ordinary bearer's I-series, 96.750 ordinary bearer's J-series shares and 148.200 ordinary bearer's L-series shares issued based on a resolution passed by the Extraordinary Shareholders Meeting on 29 December 2006.

Share premium capital increased in the year 2007 by 1.163.943,94 zł and as at 31 December 2007 amounted to 231.534.663.23 zł.

The Company's reserve capital grew in the year 2007 following the distribution of profit for the previous year by 112.254.923,36 zł and as at 31 December 2007 amounted to 191.556.295,54 zł.

The Company's share capital reduction reserve did not change and amounted to 509.850 zł.

The Company's reserve from the valuation of share options increased in the year 2007 by 5.622.309,10 and as at 31 December 2007 amounted to 7.128.099,74 zł.

The Company's net profit for the year 2007 amounts to 230.384.092,90 zł.

The Company's equity has increased from 451.677.060,77 zł as at 1 January 2007 to 685.673.223,41 zł as at 31 December 2007, i.e. by 233.996.162,64 zł.

1.8 The Company's Management

The Company's Management Board was changed in the year 2007.

Effective 3 October 2007 Mr. Leszek Piotr Nałęcz replaced Mr. Janusz Zalewski as Vice-President of the Management Board.

On 14 November 2007 Mr. Jerzy Ślusarski was appointed as a Member of the Company's Management Board.

As at 31 December 2007 Company's Management Board comprised:

- Jarosław Szanajca - President of the Management Board
- Grzegorz Kiełpsz - Vice-President of the Management Board
- Leszek Piotr Nałęcz - Vice-President of the Management Board
- Terry Roydon Management Board Member
- Janusz Stolarczyk - Management Board Member
- Jerzy Robert Ślusarski - Management Board Member

1.9 The Company's Supervisory Board

As at 31 December 2007 the Company's Supervisory Board comprised:

- Zygmunt Kostkiewicz
- Richard Lewis
- Stanisław Plakwicz
- Michael Cronk
- Markham Dumas
- Włodzimierz Bogucki

No changes were made in the Company's Supervisory Board in the audited period.

1.10 Employment

In the period from 1 January 2007 to 31 December 2007 the Company employed an average of 169 people.

1.11 Information about related companies

Dom Development S.A. is the Holding Company of: Dom Development Zarządzanie Nieruchomościami Sp. z o.o., Dom Development Morskie Oko Sp. z o.o., Dom Development Na Dolnej Sp. z o.o.

In addition, Dom Development S.A. exercises control over Dom Development Grunty Sp. z o.o. and Dom Land Sp. z o.o., as control is defined in IAS.

The company exercises joint control over Fort Mokotów Sp. z o.o.

Associated entities: Przedsiębiorstwo Techniczno-Inwestycyjne Sp. z o.o. and Towarzystwo Ubezpieczeń Wzajemnych "Bezpieczny Dom".

Dom Development S.A. prepares consolidated financial statement of the Dom Development S.A. Group.

2. Information about the audited financial statements

We have audited the financial statements of the Dom Development S.A. prepared in accordance with International Financial Reporting Standards (IFRS) for the period from 1 January 2007 to 31 December 2007, consisting of:

- introduction to the financial statements;
- the balance sheet prepared as at 31 December 2007, showing total assets and liabilities of PLN 1,236,421,098.73;
- the profit and loss account for the period from 1 January 2007 to 31 December 2007, showing a net profit of PLN 230,384,092.90;
- statement of changes in shareholders' equity, showing an increase in shareholders' equity of PLN 233,996,162.64;

- the cash flow statement for the period from 1 January 2007 to 31 December 2007, showing a net cash increase of PLN 85,130,254.01;
- notes to the financial statements.

3. Information about the entity authorized to conduct audits and the certified auditor performing the audit

BDO Numerica S.A. with its registered office in Warsaw, ul. Postępu 12, is an entity authorized to audit financial statements, registered in number 523.

The audit was conducted on the basis of an agreement dated 2 July 2007, in the Company's registered office between 2 February and 27 February 2008; by BDO Numerica Sp. z o. o. represented by the Certified Auditor - Marcin Jagodziński, registration number 90042/7384.

The certified auditor was selected by Supervisory Board of Dom Development S.A. in its resolution passed on 29 June 2007.

We hereby declare that BDO Numerica S.A. and the certified auditor performing the audit meet the conditions required to issue an objective and independent opinion on the audited financial statements, as provided for in Art. 66 par. 1 and 2 of the Accounting Act.

The Company provided the auditor with access to all of the requested data and provided all the information and explanations necessary to perform the audit, as well as informed of all significant post-balance sheet events.

The auditor was not limited in selecting the appropriate audit methods.

4. Information about the financial statements for the previous financial year

The financial statements prepared in accordance with IFRS for the period from 1 January 2006 to 31 December 2006 had been audited by BDO Numerica Sp. z o.o. (currently BDO Numerica S.A.) and given an unqualified opinion.

The financial statements for the period 1 January 2006 – 31 December 2006 have been by approved by the General Meeting of the Shareholders on 9 May 2007.

In its Resolution No. 7 of 9 May 2007 the General Shareholders Meeting designated a portion of the Company's net profit for the year 2006, in the amount of 3.684.033,30 zł, for the payment of a dividend to the Company's shareholders, and the remaining portion of the profit, in the amount of 112.254.923,36 zł, to increase the Company's reserve capital.

The financial statement for the financial year 2006 has been submitted to the Tax Office, the Registry Court and designated for publication in the Monitor Polski B no 1274 on 27 July 2007.

II. FINANCIAL ANALYSIS

Presented below are selected balance sheet and profit and loss account items, as well as key financial ratios for the audited and previous period.

1.1 Balance sheet

(PLN)

	31.12.2007	% of balance sheet total	31.12.2006	% of balance sheet total	31.12.2005	% of balance sheet total
ASSETS						
Fixed assets						
Intangible fixed assets	703 961,37	0,1%	728 038,79	0,1%	393 405,65	0,1%
Tangible fixed assets	6 440 126,07	0,5%	5 388 034,51	0,6%	7 065 250,16	1,4%
Long-term receivables	1 552 195,11	0,1%	1 517 905,36	0,2%	927 730,36	0,2%
Long-term investments	3 080 521,79	0,2%	2 908 708,28	0,3%	2 646 843,79	0,5%
Long-term prepayments	10 995 867,74	0,9%	6 006 310,71	0,7%	7 633 650,71	1,5%
	22 772 672,08	1,8%	16 548 997,65	1,9%	18 666 880,67	3,7%
Current assets						
Stock	860 026 923,05	69,6%	588 586 471,94	68,7%	340 742 881,97	67,9%
Short-term receivables	65 454 597,03	5,3%	60 745 352,45	7,1%	87 073 171,82	17,4%
Short-term investments	262 165 573,95	21,2%	177 035 319,94	20,7%	23 814 672,83	4,7%
Prepayments	26 001 332,62	2,1%	13 572 188,52	1,6%	31 491 563,12	6,3%
	1 213 648 426,65	98,2%	839 939 332,85	98,1%	483 122 289,74	96,3%
TOTAL ASSETS	1 236 421 098,73	100,0%	856 488 330,50	100,0%	501 789 170,41	100,0%
LIABILITIES AND EQUITY						
Equity						
Share capital	24 560 222,00	2,0%	24 050 372,00	2,8%	21 854 340,00	4,4%
Reserve capital	423 090 958,77	34,2%	309 672 091,47	36,2%	10 819 818,83	2,2%
Revaluation reserve	7 128 099,74	0,6%	1 505 790,64	0,2%	0,00	0,0%
Other reserves	509 850,00	-	509 850,00	0,1%	53 403 253,44	10,6%
Accumulated profit/loss from previous years	-	-	0,00	-	0,00	-
Net profit/loss for the year	230 384 092,90	18,6%	115 938 956,66	13,5%	25 898 118,74	5,2%
	685 673 223,41	55,5%	451 677 060,77	52,7%	111 975 531,01	22,3%
Liabilities and provisions						
Cost provisions	98 474 210,80	8,0%	43 642 751,89	5,1%	27 887 916,17	5,6%
Long-term liabilities	241 779 280,00	19,6%	102 200 000,00	11,9%	128 332 948,91	25,6%
Short-term liabilities	163 043 658,13	13,2%	234 396 316,17	27,4%	206 994 555,53	41,3%
Accruals	47 450 726,39	3,8%	24 572 201,67	2,9%	26 598 218,79	5,3%
	550 747 875,32	44,5%	404 811 269,73	47,3%	389 813 639,40	77,7%
TOTAL LIABILITIES AND EQUITY	1 236 421 098,73	100,0%	856 488 330,50	100,0%	501 789 170,41	100,0%

1.2 Profit and loss account

	Year ended 31.12.2007	Growth 2007/2006	Year ended 31.12.2006	Growth 2006/2005	Year ended 31.12.2005
Sales revenue					
Revenue from the sale of finished products	864 879 170,75	49,7%	577 722 930,64	69,0%	341 823 016,87
Revenue from the sale of goods for resale and raw materials	8 605 926,22	216,5%	2 719 072,11	-	0,00
	873 485 096,97	50,5%	580 442 002,75	69,8%	341 823 016,87
Cost of goods sold					
Cost of finished products sold	535 936 949,78	38,5%	386 983 296,67	66,3%	232 699 727,31
Cost of goods for resale and raw materials sold	8 602 453,33	117,0%	3 965 157,27	-	0,00
	544 539 403,11	39,3%	390 948 453,94	68,0%	232 699 727,31
Gross sales profit	328 945 693,86	73,6%	189 493 548,81	73,7%	109 123 289,56
Sales costs	27 678 705,97	30,8%	21 153 798,31	43,2%	14 775 201,91
General administrative costs	49 032 765,15	30,8%	37 486 468,76	-20,9%	47 419 538,30
Sales profit	252 234 222,74	92,8%	130 853 281,74	178,8%	46 928 549,35
Other operating revenue					
Profit on the sale of fixed assets	117 387,13	12,1%	104 699,60	-	0,00
Subsidies	0,00	-	0,00	-	0,00
Other operating revenue	3 678 291,29	-31,0%	5 330 282,37	56,5%	3 405 174,04
	3 795 678,42	-30,2%	5 434 981,97	59,6%	3 405 174,04
Other operating costs					
Loss on the sale of fixed assets	263 685,29	7634,9%	3 409,04	-98,0%	172 023,71
Revaluation of non-financial assets	0,00	-	0,00	-	0,00
Other operating costs	13 235 398,62	29,8%	10 195 357,15	6,3%	9 594 890,42
	13 499 083,91	32,4%	10 198 766,19	4,4%	9 766 914,13
Operating profit	242 530 817,25	92,3%	126 089 497,52	210,8%	40 566 809,26
Financial revenue					
Dividends	29 400 000,00	106,4%	14 245 976,95	-	0,00
Interest	10 116 174,50	99,0%	5 082 793,27	103,3%	2 500 347,04
Profit on the sale of investments	0,00	-	0,00	-	0,00
Revaluation of investments	235 204,97	947,9%	22 444,39	-	0,00
Other	0,00	-	0,00	-100,0%	215 524,58
	39 751 379,47	105,4%	19 351 214,61	612,5%	2 715 871,62
Financial costs					
Interest	931 668,53	-68,3%	2 938 648,12	-41,9%	5 059 325,70
Loss on the sale of investments	0,00	-	0,00	-	0,00
Revaluation of investments	0,00	-	0,00	-	0,00
Other	1 302 976,92	-7,1%	1 402 368,35	-75,0%	5 607 847,44
	2 234 645,45	-48,5%	4 341 016,47	-59,3%	10 667 173,14
Extraordinary gains/losses	0,00	-	0,00	-	0,00
Gross profit/loss	280 047 551,27	98,5%	141 099 695,66	332,6%	32 615 507,74
Corporate income tax	8 251 349,00	16,5%	7 083 597,00	2175,0%	311 364,00
Other taxes	41 412 109,37	129,1%	18 077 142,00	182,2%	6 406 025,00
Net profit	230 384 092,90	98,7%	115 938 956,66	347,7%	25 898 118,74

1.3. Key financial ratios

	01.01.2007 31.12.2007	01.01.2006 31.12.2006	01.01.2005 31.12.2005
Return on assets			
net financial result total assets	18,63%	13,54%	5,16%
Return on equity			
net financial result equity	33,60%	25,67%	23,13%
Net sales profitability			
$\frac{\text{net financial result}}{\text{revenue from the sale of finished products}}$	26,38%	19,97%	7,58%
Current ratio			
$\frac{\text{total current assets}}{\text{short-term liabilities}}$	5,18	5,15	2,33
Quick ratio			
$\frac{\text{total current assets} - \text{stock}}{\text{short-term liabilities}}$	1,51	1,54	0,69
Receivable days			
$\frac{\text{average trade receivables} * 360 \text{ days}}{\text{revenue from the sale of finished products}}$	27	32	38
Payable days			
$\frac{\text{average trade payables} * 360 \text{ days}}{\text{cost of finished products sold}}$	132	160	128
Inventory days			
$\frac{\text{average stock} * 360 \text{ days}}{\text{cost of finished products sold}}$	479	428	392

1.4 Interpretation of ratios and general financial position

As at 31 December 2007 the Company's total assets and liabilities were by 44,4% higher than as at 31 December 2006.

When analyzing the structure of the Company's assets for the last two financial years we notice similar proportions. As at 31 December 2007 current assets amounted to 98,2% of the balance sheet total, compared to 98,1% as at 31 December 2006. The structure of current assets shows in the increased balance sheet total shows no major differences compared to the previous year.

On the side of assets, we noted a 46% increase in stock, 7% increase in receivables and a 48% increase in short-term investments, as well as a 91% increase in prepayments compared to the year 2006.

Equity, which amounted to 55,5% of the balance sheet total, is the most significant liabilities and equity item.

As at 31 December 2007, changes were recorded in the structure of both short- and long-term liabilities. Long-term liabilities have gone up from 11,9% as at 31 December 2006 to 19,6% as at 31 December 2007. Cost provisions and accruals have increased from 8,0% to 11,8%.

In the year 2007 the Company generated a net profit that was nearly twice as high as in the previous year (rise by 98,7%), with sales profit increasing by 92,8%. Sales revenues went up by 50,5%, and the cost of goods sold by 39,3%.

As a result of a considerable improvement in net profit, all of the Company's profitability ratios have gone up. The return on equity ratio has reached 33,6% compared to 25,7% in 2006 and 23,1% in 2005.

The Company's liquidity ratios have changed slightly and are still above the recommended norms. Changes have occurred in the operating efficiency ratios. The receivable days ratio has gone down to 27 days, accompanied by a decrease in the payable days ratio.

The inventory days ratio has increased from 428 days in 2006 to 479 days in 2007. This rise was caused by an increase in the balance of finished products, which according to the information provided by the Company, is to a large degree justified by the Company's current policies.

The Company's results and general financial position point to no threats to its going concern.

III. DETAILED INFORMATION

1. Assessment of the Accounting System

1.1 Accounting system

The Company maintains its accounting with the application of the Sun System 5,0 software implemented by Hogart. The Company possesses full documentation of the software containing a description of the IT system with a description of the procedures and functions and the instructions on the use of the system.

In 2005 the Company implemented 'Papyrus' software to record revenues and expenditure connected with management of housing estates.

In the audited year there were no changes related to the evaluation of assets, liabilities, revenues and costs.

According to the continuity principle, the assets and liabilities shown in the accounting books as of December, 2006, were recorded in the same value in the accounting books opened for the current accounting year.

The accounting books are maintained on a current basis, and chronologically, on the basis of respective source documents.

The accounting books are maintained in a reliable manner and in the manner enabling to connect the records made in the financial and accounting system with the accounting documents and the financial statements.

The electronic data processing system is technically correct and connected with a company chart of accounts, ensuring the verifiability of the accounting books.

The Company meets the requirements of the accounting act of September 29, 1994, as amended, within the scope of archiving the documents and the computer data.

1.2 Inventory-taking of Assets Components

Organization and functioning of the inventory-taking of assets components meets the requirements specified in the amended Accounting Act.

In the auditing period the inventory-taking covered the following items:

- by means of a physical inventory of assets components:
 - cash in hand as of December, 31 2007
 - production in progress as of December, 31 2007
 - finished products as of December, 31 2007

- by means of acquiring confirmations of balances from banks and contracting parties:

- cash at bank	as of December, 31 2007
- trade receivables from related entities	as of December, 31 2007
- tangible & intangible fixed assets	as of November, 30 2007

No inventory-taking of trade receivables from the other entities by means of acquiring confirmations of balances from contracting parties has been conducted.

- by means of comparing the accounting data with relevant documents and verifying the real value:

- public and legal clearings	as of December, 31 2007
- other clearings	as of December, 31 2007

The representative of the auditor participated in the inventory-taking of production in progress and confirmed the reliability and correctness of the made physical inventory.

2. Information on the Selected Items of the Balance Sheet and Profit and Loss Account

Detailed information on the balance sheet and profit and loss account items are included in the notes to the financial statements of Dom Development S.A.

3. Introduction and Notes to the Financial Statement

The Company prepared additional information consisting of introduction and notes to the financial statements, which meets the disclosure requirements of International Financial Reporting Standards.

The financial data presented therein is consistent with the accounting records and the audited financial statements.

4. Statement of Changes in the Shareholders equity

The statement of changes in equity has been prepared correctly and is correctly connected with the balance sheet and profit and loss account.

5. Cash flow statement

Cash flow statement is consistent with the balance sheet, profit and loss account and accounting records.

6. Directors' Report

In compliance with the article 49 of Accounting Act, The Code of Commercial Partnerships and regulation of the Minister's of Finance Decree of 19 October 2005 on the current and

periodic information submitted by the issuers of securities the management prepared the Directors' Report.

The information contained in the report on the activities is compliant with the information contained in the audited financial statements of the Company for 2007.

7. Management's Declaration

The management of the Company submitted a written statement on a complete account of data in the books of account, all the contingent liabilities and all significant post-balance sheet events.

Warszawa, 10 March 2008

**BDO Numerica S.A.
ul. Postępu 12
02-676 Warszawa
Registration No. 523**

Auditor in charge:

Marcin Jagodziński
Polish Certified Auditor
Reg. No. 90042/7384

On behalf of BDO Numerica S.A.:

Dr André Helin
Polish Certified Auditor
90004/502
Senior Partner BDO Numerica S.A.