The Dom Development Capital Group
Pl. Piłsudskiego 3
00-078 Warszawa

Audit Opinion and Report
on the consolidated financial statements
prepared in accordance with IFRS
for the period from 1 January to 31 December 2009

AUDIT OPINION
for the Shareholders of
the Dom Development Capital Group
where the holding company is
Dom Development S.A.

We have audited the consolidated financial statements of the Dom Development Capital Group, where the holding company is Dom Development S.A. with its registered office at pl. Piłsudskiego 3 in Warsaw, prepared in accordance with International Financial Reporting Standards (IFRS), consisting of:

- the consolidated balance sheet prepared as at 31 December 2009, showing total assets and liabilities of **1 587 739** thousand zł;
- the consolidated profit and loss account for the period from 1 January 2009 to 31 December 2009, showing a net profit of **80 206** thousand zł;
- the consolidated statement of comprehensive income for the period from 1 January 2009 to 31 December 2009, showing a comprehensive income of **80 206** thousand zł;
- the statement of changes in consolidated shareholders' equity, showing an increase in shareholders' equity of **65 376** thousand zł;
- the consolidated cash flow statement for the period from 1 January 2009 to 31 December 2009, showing a net cash increase of **7 150** thousand zł;
- notes to the consolidated financial statements.

The holding company's Management Board is responsible for the preparation in accordance with binding regulations of the consolidated financial statements and the Directors' Report on activities.

Our responsibility was to audit the consolidated financial statements and to express an opinion on the truth and fairness of the consolidated financial statements.

We performed the audit in accordance with:

1) Chapter 7 of the Accounting Act dated 29 September 1994 (2009 Journal of Laws No. 152, item 1223 with subsequent amendments);
2) the knowledge and experience arising out of the professional auditing standards issued by the Polish National Chamber of Certified Auditors in the period of their effectiveness.

We planned and performed the audit to obtain reasonable assurance that the consolidated financial statements are free of material misstatements.

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

The basis for the preparation of the consolidated financial statements in accordance with International Financial Reporting Standards for the period from 1 January 2009 to 31 December 2009 were the standalone financial statements of the companies comprising the Dom Development Capital Group, prepared as at 31 December 2009 in accordance with the Accounting Act, and the standalone financial statements of the holding company Dom Development S.A. prepared in accordance with International Financial Reporting Standards. The standalone financial statements of the subsidiaries prepared for the year 2009 in accordance with the Accounting Act contain no material differences compared to the standalone financial statements that would have been prepared in accordance with International Financial Reporting Standards.

For the purposes of preparing the consolidated financial statements for the year 2009 in accordance with International Financial Reporting Standards, the standalone financial statements of the co-subsidiary Fort Mokotów Sp. z o.o. prepared for the year 2009 in accordance with the Accounting Act were restated to comply with the accounting methods applied by the holding company.

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

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

- give a true and fair view of the financial position of **the Dom Development Capital Group** as at 31 December 2009, as well as of its financial result for the period from 1 January to 31 December 2009;
- have been prepared correctly in all material respects, i.e. in accordance with the holding company's accounting policies arising out of the European Union approved 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 implementing provisions issued on the basis of this Act if such provisions apply to the audited entity, as well as on the basis of properly kept books of account;
- are consistent with the applicable laws and regulations and the holding company's Statute.

The Directors Report on the Capital Group's activities includes all information required by article 49 of the Accounting Act and of the Minister's of Finance Decree of 19 February 2009 on the current and periodic information submitted by the issuers of securities and the conditions for recognizing as equally valid the information required by the regulations of a state that is not a member state (2009 Journal of Laws No. 33, item 259), and the information contained therein is consistent with the information presented in the audited consolidated financial statements.

Warsaw, 10 March 2010

BDO Sp. z o.o.
ul. Postępu 12
02-676 Warszawa
Registration No. 3355

Auditor in charge:

Marcin Jagodziński
Polish Certified Auditor Reg. No. 90042

On behalf of BDO Sp. z o.o.:

Dr. André Helin
Senior Partner
Polish Certified Auditor Reg. No. 90004

The Dom Development Capital Group
Pl. Piłsudskiego 3
00-078 Warszawa

Audit Report
on the consolidated financial statements
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for the period from 1 January to 31 December 2009

TABLE OF CONTENTS

I. GENERAL INFORMATION

1. Information about the holding company

1.1 Name and legal status

The company does business as Dom Development S.A. [joint-stock company].

1.2 Registered office

Pl. Piłsudskiego 3, 00-078 Warszawa

1.3. Areas of activity

In accordance with the National Court Register and the company's Statute, the holding company's activities consist of:

- construction and real property related investment projects,
- construction of residential premises and sale of such premises to legal entities and individuals,
- buying, selling and production of raw materials, finished products and semi-finished industrial products, in particular relating to construction,
- export and import of all types of products, articles and technologies, in particular relating to construction,
- provision of advertising and consulting services,
- other activities and provision of other services in connection with or relating to the activities listed above.

In the audited period the holding company's activities consisted primarily of construction and real property related projects, construction of residential premises and sale of such premises to legal entities and individuals.

1.4 Legal basis for the Company's operations

Dom Development S.A. operates on the basis of:

- the Statute prepared in the form of a notarial deed on 25 February 1999 (Rep. A No. 2534/99) with subsequent amendments,
- the 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 for the capital city of Warsaw – XII 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
NIP EU	PL 525-14-92-233
REGON	012212483

1.7 The Group's share capital and equity

As at 31 December 2009 the share capital amounted to 24 560 thousand zł and consisted of 24 560 222 shares with a nominal value of 1.00 zł per share.

No changes were made in the share capital in the year 2009 and before the end of the audit.

The shareholders who held more than 5% of shares as at 31 December 2009:

shareholder	number of shares	% of votes at General Meeting
Dom Development B.V.	15 509 386	63.15%
Jarosław Szanajca	1 644 050	6.69%
Grzegorz Kiełpsz	1 390 750	5.66%

In addition, as at 31 December 2009 the equity of the Dom Development Capital Group consisted of:

− reserve capital	388 361 thousand zł
− share premium	231 535 thousand zł
− revaluation reserve	18 726 thousand zł
− share capital reduction reserve	510 thousand zł
− accumulated profit/loss from previous years	85 138 thousand zł
− minority capital	-166 thousand zł

As at 31 December 2009 the Group's equity totaled 748 664 thousand zł.

1.8 The holding company's Management

As at 31 December 2009 the holding company's Management Board comprised:

- Jarosław Szanajca - President of the Management Board
- Janusz Zalewski - Vice-President of the Management Board
- Jerzy Ślusarski - Vice-President of the Management Board
- Janusz Stolarczyk - Member of the Management Board
- Terry Roydon - Member of the Management Board

No changes were made in the composition of the holding company's Management Board in the audited period and before the end of the audit.

1.9 The holding company's Supervisory Board

As at 31 December 2009 the holding company's Supervisory Board comprised:

– Grzegorz Kiełpsz	-	Chairman of the Supervisory Board
– Zygmunt Kostkiewicz	-	Vice-Chairman of the Supervisory Board
– Richard Lewis	-	Vice-Chairman of the Supervisory Board
– Stanisław Plakwicz	-	Member of the Supervisory Board
– Michael Cronk	-	Member of the Supervisory Board
– Markham Dumas	-	Member of the Supervisory Board
– Włodzimierz Bogucki	-	Member of the Supervisory Board

No changes were made in the composition of the holding company's Supervisory Board in the audited period.

2. Information about the entities comprising the Capital Group

2.1 Holding company

Dom Development S.A.		
Registered office	-	Pl. Piłsudskiego 3, 00-078 Warszawa
Areas of activity		• construction and real property related investment projects • construction of residential premises and sale of such premises to legal entities and individuals • buying, selling and production of raw materials, finished products and semi-finished industrial products, in particular relating to construction • export and import of all types of products, articles and technologies, in particular relating to construction • provision of advertising and consulting services • other activities and provision of other services in connection with or relating to the activities listed above
Nature of capital link	-	holding company
Date of financial statements	-	31 December 2009
Period covered by financial statements	-	1 January 2009 to 31 December 2009
Balance sheet total (thousand zł)	-	1 583 377
Financial result (thousand zł)	-	85 230
Increase in equity (thousand zł)	-	70 400
Increase in cash (thousand zł)	-	12 660
Sales revenue (thousand zł)	-	701 129
Auditor	-	BDO Sp. z o. o.
Audit opinion	-	unqualified

2.2 Subsidiary companies

Dom Development Morskie Oko Sp. z o.o.

Registered office	-	Pl. Piłsudskiego 3, 00-078 Warszawa
Areas of activity		• building, urban, architectural and technological design and supervision • general construction and assembly associated with erecting buildings • taking down and demolition of buildings; ground work • technical studies, survey, opinions and analyses relating to construction • general contractor and general construction investor with respect to civil engineering structures • land surveying and mapping of investment projects along with subcontractor surveys
Nature of capital link	-	subsidiary company
Consolidation method	-	acquisition accounting
Shareholding structure	-	100% shares held by Dom Development S.A.
Date of financial statements	-	31 December 2009
Period covered by financial statements	-	1 January 2009 to 31 December 2009
Balance sheet total (thousand zł)	-	791
Financial result (thousand zł)	-	-705
Decrease in equity (thousand zł)	-	705
Decrease in cash (thousand zł)	-	269
Sales revenue (thousand zł)	-	1
Auditor	-	not covered by the audit requirement

Dom Development na Dolnej Sp. z o.o. in liquidation

Registered office	-	Pl. Piłsudskiego 3, 00-078 Warszawa
Areas of activity		• building, urban, architectural and technological design and supervision • general construction and assembly associated with erecting buildings • taking down and demolition of buildings; ground work • technical studies, survey, opinions and analyses relating to construction • general contractor and general construction investor with respect to civil engineering structures • land surveying and mapping of investment projects along with subcontractor surveys • real estate administration
Nature of capital link	-	subsidiary company
Consolidation methods	-	acquisition accounting
Shareholding structure	-	100% held by Dom Development S.A.
Date of financial statements	-	31 December 2009
Period covered by financial statements	-	1 January 2009 to 31 December 2009
Balance sheet total (thousand zł)	-	51
Financial result (thousand zł)	-	-7
Decrease in equity (thousand zł)	-	7
Decrease in cash (thousand zł)	-	7
Sales revenue (thousand zł)	-	0
Auditor	-	not covered by the audit requirement

Przedsiębiorstwo Techniczno-Inwestycyjne Sp. z o.o. in liquidation

Registered office	-	ul. Żurawia nr 32/34, 00-515 Warszawa.
Areas of activity	-	in 2009 he company did not commence the activities described in the National Court Register
Nature of capital link	-	subsidiary company
Consolidation method	-	equity accounting
Shareholding structure	-	48% shares held by Dom Development S.A. and 52% by Dom Development Grunty Sp. z o. o.
Date of financial statements	-	31 December 2009
Period covered by financial statements	-	1 January 2009 to 31 December 2009
Balance sheet total (thousand zł)	-	15
Financial result (thousand zł)	-	-9
Decrease in equity (thousand zł)	-	9
Decrease in cash (thousand zł)	-	12
Sales revenue (thousand zł)	-	0
Auditor	-	not covered by the audit requirement

Dom Development Grunty Sp. z o.o.

Registered office	-	Pl. Piłsudskiego 3, 00-078 Warszawa
Areas of activity		• construction • development and selling of real estate on own account • buying and selling of own real estate • management of real estate on a fee or contract basis
Nature of capital link	-	subsidiary company
Consolidation method	-	acquisition accounting
Shareholding structure	-	46% of shares held by Dom Development S.A. and 54 % held by Dom Land Sp. z o.o., which is related to Dom Development S.A. in a manner other than through capital
Date of financial statements	-	31 December 2009
Period covered by financial statements	-	1 January 2009 to 31 December 2009
Balance sheet total (thousand zł)	-	55 709
Financial result (thousand zł)	-	-3
Decrease in equity (thousand zł)	-	3
Decrease in cash (thousand zł)	-	97
Sales revenue (thousand zł)	-	85
Auditor	-	BDO Sp. z o.o.
Audit opinion	-	unqualified

2.3 Co-subsidiary company

Fort Mokotów Sp. z o.o.

Registered office	-	ul. Puławska 15, 02-515 Warszawa
Areas of activity		• building, urban, architectural and technological design and supervision • general construction and assembly associated with erecting buildings • taking down and demolition of buildings; ground work • technical studies, survey, opinions and analyses relating to construction • general contractor and general construction investor with respect to civil engineering structures • land surveying and mapping of investment projects

		along with subcontractor surveys • sale of homes and apartments • business and management consulting • organization of trade shows and exhibits
Nature of capital link	-	co-subsidiary company
Consolidation method	-	proportionate
Shareholding structure	-	49% of shares held by Dom Development S.A.
Date of financial statements	-	31 December 2009
Period covered by financial statements	-	1 January 2009 to 31 December 2009
Balance sheet total (thousand zł)*	-	9 370
Financial result (thousand zł)*	-	-10 574
Decrease in equity (thousand zł)*	-	23 574
Decrease in cash (thousand zł)*	-	10 347
Sales revenue (thousand zł)*	-	7 375
Auditor	-	PricewaterhouseCoopers Sp. z o. o.
Audit opinion	-	No audit opinion was received before the issue of the present report

* *Data consistent with the financial statements of Fort Mokotów Sp. z o.o. The financial statements have been restated for consolidation purposes.*

2.4 Associated entity

Towarzystwo Ubezpieczeń Wzajemnych "Bezpieczny Dom"

Registered office	-	ul. Żurawia nr 32/34, 00-515 Warszawa
Areas of activity		insurance activities as specified in group 16 chapter II
Nature of capital link	-	associated entity
consolidation method	-	equity accounting
Shareholding structure	-	40.32% of shares held by Dom Development S.A. and 4.03% by Fort Mokotów Sp. z o. o.
Date of financial statements	-	31 December 2009
Period covered by financial statements	-	1 January 2009 to 31 December 2009
Balance sheet total (thousand zł)	-	4 649
Financial result (thousand zł)	-	722
Increase in equity (thousand zł)	-	372
Decrease in cash (thousand zł)	-	23
Auditor	-	"Accord'ab" Biegli Rewidenci Sp. z o. o.
Audit opinion	-	Opinion with the following emphasis of matter:

Without qualifying our opinion on the truth and fairness of the audited financial statements we draw your attention to the fact that the Association offers only one un-reinsured product and portfolio of correlated risks with specific characteristics. The residential construction crunch of 2008-2009 significantly limited the Association's operations, which resulted in a 97.9% decrease in written premiums compared to the year 2007. The results of the audit of the financial statements for the year 2009, as well as the conditions on the residential construction market that were present in the years 2008-2009 indicate a significant uncertainty as to the Association's ability to continue as a going concern. According to the information disclosed in the introduction to the financial statements and the Directors' Report, the Association's Management and Members have taken action to increase the number of Association Members, and thus widen the scale of its operations and increase the value of written premiums. In view of the above, the Association's Management prepared the financial statements on a going concern basis.

2.5 Entities excluded from consolidation

The subsidiary company PrzedsiębiorstwoTechniczno-Inwestycyjne Sp. z o.o. in liquidation was not included in the consolidation as its data is immaterial and their absence does not distort the information on the financial position of the Dom Development Capital Group.

In accordance with the definition of control specified in IAS 24, Dom Development S.A. exercises control over Dom Development Grunty Sp. z o. o. and Dom Land Sp. z o.o. The latter has not been listed as part of the Capital Group, as it is related to the holding company in a manner other than through capital.

The fact that Dom Land Sp. z o.o. is not included in the consolidation is explained in Note 3 to the consolidated financial statements of the Capital Group.

Dom Development Zarządzanie Nieruchomościami Sp. z o.o. in liquidation, the holding company's subsidiary as at 31 December 2008, was liquidated in the year 2009.

3. Information about the audited consolidated financial statements

We have audited the consolidated financial statements of the Dom Development Capital Group prepared in accordance with IFRS for the period from 1 January to 31 December 2009, consisting of:

- the consolidated balance sheet prepared as at 31 December 2009, showing total assets and liabilities of **1 587 739** thousand zł;
- the consolidated profit and loss account for the period from 1 January 2009 to 31 December 2009, showing a net profit of **80 206** thousand zł;
- the consolidated statement of comprehensive income for the period from 1 January 2009 to 31 December 2009, showing a comprehensive income of **80 206** thousand zł;
- the statement of changes in consolidated shareholders' equity, showing an increase in shareholders' equity of **65 376** thousand zł;
- the consolidated cash flow statement for the period from 1 January 2009 to 31 December 2009, showing a net cash increase of **7 150** thousand zł;
- notes to the consolidated financial statements.

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

The consolidated financial statements of the Dom Development Capital Group for the year 2009 have been audited by BDO Sp. z o.o. with its registered office in Warsaw, ul. Postępu 12, an entity authorized to audit financial statements, registered with the National Chamber of Certified Auditors in number 3355.

The auditor was selected in Resolution No. 05/05/09 passed by the holding company's Supervisory Board on 21 May 2009.

The audit was conducted based on an audit agreement concluded on 3 July 2009, and performed in the period from 8 February 2010 to the issue of the audit opinion by Marcin Jagodziński, Polish

Certified Auditor No. 90042. It was preceded with a review of the consolidated financial statements for the 1st half of 2009 and with an interim audit.

We hereby declare that BDO Sp. z o.o. and the certified auditor and team performing the audit of the above-described consolidated financial statements meet the conditions required to issue an objective and independent opinion on the audited consolidated financial statements – as provided for in articles 56, 57 and 60 of the Act of 7 May 2009 on certified auditors and their self-government, entities authorized to audit financial statements and on public supervision (2009 Journal of Laws No. 77, item 649).

The holding 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 the absence of any significant post-balance sheet events.

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

5. Information about the consolidated financial statements for the previous financial year

The opening balance was based on the consolidated financial statements prepared for the period from 1 January to 31 December 2008, which had been audited by BDO Numerica International Auditors & Consultants Sp. z o.o. (currently BDO Sp. z o.o.) and given an unqualified opinion.

The consolidated financial statements of the Dom Development Capital Group for the period from 1 January to 31 December 2008 were approved in Resolution No. 6 passed by the Ordinary General Meeting of 21 May 2009.

The financial statements for the year 2008 were filed with the National Court Register on 4 June 2009, and have been published in Polish Monitor B No. 31483 dated 14 August 2009.

II. FINANCIAL ANALYSIS

Presented below are selected consolidated balance sheet and consolidated profit and loss account items, as well as key financial ratios, compared to analogical amounts for the year 2008. The data for the year 2008 have been restated in accordance with the new “revenue recognition on completion" method. More information on this matter is presented in point 2 “Methods used in the preparation of the consolidated financial statements” on page 16 of this report.

1. Main balance sheet items

(in ‘000 zł)

ASSETS	31.12.2009	% of balance sheet total	31.12.2008	% of balance sheet total
Non-current assets	**19 045**	**1.2**	**20 895**	**1.2**
Intangible fixed assets	717	-	1 360	0.1
Tangible fixed assets	5 455	0.3	6 781	0.4
Long-term investments	1 014	0.1	1 050	0.1
Deferred tax assets	9 347	0.6	8 433	0.5
Long-term receivables	2 438	0.2	2 910	0.1
Long-term prepayments	74	-	361	-
Current assets	**1 568 694**	**98.8**	**1 743 697**	**98.8**
Inventory	1 305 117	82.2	1 458 133	82.6
Short-term receivables	26 672	1.7	55 519	3.1
Short-term prepayments	6 058	0.4	6 348	0.4
Cash and cash equivalents	230 847	14.5	223 697	12.7
TOTAL ASSETS	**1 587 739**	**100.0**	**1 764 592**	**100.0**
LIABILITIES AND EQUITY				
Equity	**748 664**	**47.2**	**683 288**	**38.7**
Liabilities and cost provisions	**839 075**	**52.8**	**1 081 304**	**61.3**
Long-term liabilities	384 945	24.2	433 509	24.6
Provision for deferred tax	21 033	1.3	29 418	1.7
Short-term liabilities	247 210	15.6	215 864	12.2
Short-term cost provisions	17 369	1.1	13 725	0.8
Accruals	168 518	10.6	388 788	22.0
TOTAL LIABILITIES AND EQUITY	**1 587 739**	**100.0**	**1 764 592**	**100.0**

2. Main profit and loss account items

(in '000 zł)

	2009	% of sales revenue	2008	% of sales revenue
Sales revenue	704 363	100.0	883 714	100.0
Cost of goods sold	(508 111)	(72.1)	(506 738)	(57.3)
Gross sales profit/loss	**196 252**	**27.9**	**376 976**	**42.7**
Sales costs	(22 266)	(3.2)	(30 002)	(3.4)
General administrative costs	(43 096)	(6.1)	(61 914)	(7.0)
Other operating revenue and costs	(19 733)	(2.8)	(11 539)	(1.3)
Operating profit	**111 157**	**15.8**	**273 521**	**31.0**
Profit/loss on financial activities	(10 404)	(1.5)	7 244	0.8
Gross profit/loss	**100 753**	**14.3**	**280 765**	**31.8**
Income tax	(20 547)	(2.9)	(56 496)	(6.4)
Net profit/loss	**80 206**	**11.4**	**224 269**	**25.4**
Net profit attributable to:				
Majority shareholders	80 207	11.4	224 277	25.4
Minority shareholders	(1)	(0.0)	(8)	(0.0)

3. Key financial ratios

		2009	2008
Liquidity ratios			
Current ratio	total current assets / short-term liabilities	6.3	8.1
Quick ratio	total current assets – inventory / short-term liabilities	1.1	1.3
Operating ratios			
Receivable days	average gross trade receivables *) x 365 / revenue from the sale of finished products	17	14
Inventory days	average inventory*) x 365 days / cost of finished products sold	992	974
Profitability ratios			
Gross sales profitability	profit/loss on the sale of finished products, services and goods for resale / revenue from the sale of finished products, services and goods for resale	27.9%	42.7%
Net sales profitability	net profit/loss / revenue from the sale of finished products, services and goods for resale	11.4%	25.4%
Return on assets	net profit/loss / total assets	5.1%	12.7%
Debt ratios			
Payable days	average trade payables*) x 365 days / cost of finished products sold	90	96
Share related			
Book value per share (in zł)	equity / number of shares	30.48	27.82
Profit per share	net profit / number of shares	3.27	9.13

**) average trade receivables, inventory and trade payables are calculated as the mathematical averages of their opening and closing balances.*

4. Remarks

The Group's total assets and liabilities have decreased by approximately 10% from the previous year. The main reason for this change was a drop in inventory.

The structure of the Group's assets has remained practically unchanged compared to last year, with current assets being the greatest item (98.8%). Just like in the previous year, inventory is the largest component of current assets. The percentage share of inventory in the balance sheet total has gone down slightly following a decrease in the balance sheet total. Whereas the absolute value of inventory is down by 10% from last year. This drop was caused by the fact that the Group handed over more apartments to its clients than it had incurred in the costs of building new estates. The greatest change in the Group's assets is a drop in the percentage share of short-term receivables from 3.1% of total assets as at 31 December 2008 to 1.7% of total assets as at 31 December 2009, and a rise in the percentage share of cash funds from 12.7% of total assets as at 31 December 2008 to 14.5% of total assets as at 31 December 2009.

In the audited period the Group's equity increased from 38.7% of total liabilities and equity as at 31 December 2008 to 47.2% as at 31 December 2009. This rise occurred primarily at the expense of a drop in accruals from 22% of total liabilities and equity as at 31 December 2008 to 10.6% as at 31 December 2009. In addition, short-term liabilities have increased from 12.2% of total liabilities and equity as at 31 December 2008 to 15.6% as at 31 December 2009. This increase was caused by a rise in short-term liabilities relating to bank credits. From the structure of the Group's liabilities and equity it is apparent that the limiting of the Group's financing by client payments resulted in an increase in the financing of the Group's operations, mainly with equity and to a lesser extent with short-term bank credits.

The profit and loss account shows a clear drop in sales revenue (-20%), accompanied by a slight rise in the cost of goods sold (0.3%) compared to the previous year. This change was caused primarily by the fact that 2009 saw a greater share of low-margin apartments located on the outskirts of Warsaw in the value of the apartments given over for use than in 2008, as well as partially by a general drop in the price of apartments. In 2009 the Company reduced its sales and general administrative costs, primarily by restructuring employment at the holding company. Other operating costs increased mainly through a rise in provisions for work in progress at the holding company. Financial revenue decreased mainly because the holding company reduced the financial costs capitalized in work in progress by revenue from interest on deposits which are used to finance investment projects. Financial costs went up because a smaller portion of the financial costs at the holding company was capitalized in work in progress compared to the previous year. An unfavorable disproportion in the growth of costs and revenues brought the net financial result down by 64% compared to last year.

Although the liquidity ratios have fallen, they are still above the recommended norms. The receivable days ratio amounts to only 17 days, because the Group's revenue is realized mainly after the clients make their payments. The inventory days ratio shows the average length of time it takes to realize an investment project form the purchase of land to the handing over of the apartment to the buyer; this period of time increased in the year 2009 compared to the previous year. The profitability ratios have declined following a drop in net profit. The payable days ratio is down from 96 to 90 days primarily due to a decrease in trade payables. The debt rate has gone up as the Group increased its financing with bank credits. As the number of shares did not change in 2009, the changes in the ratios relating to shares reflect a change in the Group's equity and net profit.

Note
The data for the year 2008 have been restated in accordance with the "recognition on completion" method and differ significantly from the data presented in the consolidated financial statements for the year 2008. More information on this matter in point 2 "The methods used in the preparation of the consolidated financial statements" on page 16 of this report.

III. DETAILED INFORMATION

1. Accounting methods (policies)

The entities covered by the consolidated financial statements of the Dom Development Capital Group apply the same principles and methods in the valuation of the individual assets and liabilities.

The financial statements of the entities covered by the consolidated financial statements have been prepared as at the same balance sheet date as the financial statements of the holding company.

2. Methods used in the preparation of the consolidated financial statements

The consolidated financial statements of the Dom Development Capital Group have been prepared in accordance with the European Union approved version of International Financial Reporting Standards, and in issues not regulated by these standards – in accordance with the Accounting Act and the related implementing provisions issued on the basis of this Act.

The basis for the preparation of the consolidated financial statements in accordance with International Financial Reporting Standards for the period from 1 January 2009 to 31 December 2009 were the standalone financial statements of the companies comprising the Dom Development Capital Group prepared as at 31 December 2009 in accordance with the Accounting Act, and the standalone financial statements of the holding company prepared in accordance with International Financial Reporting Standards, presented as if the Group constituted a single entity. The standalone financial statements of the subsidiaries prepared for the year 2009 in accordance with the Accounting Act contain no material differences compared to the standalone financial statements that would have been prepared in accordance with International Financial Reporting Standards. For the purposes of preparing the consolidated financial statements for the year 2009 in accordance with International Financial Reporting Standards, the standalone financial statements of the co-subsidiary Fort Mokotów Sp. z o.o. prepared for the year 2009 in accordance with the Accounting Act were restated to comply with the accounting methods applied by the holding company. The holding company has prepared consolidation documentation including:

- the financial statements of the consolidated entities;
- determination of the holding company's direct and indirect shares in the entities comprising the Group;
- consolidation adjustments and exclusions, including unrealized profits and losses of the consolidated entities contained in the value of assets and relating to dividends;
- valuation of associated entities;
- impairment tests;
- calculation of minority shareholders' capital.

With the exception of Przedsiębiorstwo Techniczno-Inwestycyjne Sp. z o.o. in liquidation, all of the entities included in the consolidated financial statements have been consolidated by acquisition accounting, the co-subsidiary using the proportionate method, and the associated entity by equity accounting.

In accordance with IAS 31 "Financial reporting of jointly controlled entities", which in point 32 states that "When recognizing an interest in a jointly controlled entity, it is essential that a venturer reflects the substance and economic reality of the arrangement, rather than the joint venture's particular structure or form", Fort Mokotów Sp. z o.o. was recognized by the Company as a co-subsidiary and consolidated using proportionate consolidation.

The Articles of Association state that the Company's shareholders are PKO Inwestycje S.A. and Dom Development S.A., holding 51% and 49% of its share capital and votes at General Shareholders Meeting, respectively.

The Management Board of Fort Mokotów Sp. z o.o. comprises 2 people, of whom the President is recommended by PKO Inwestycje S.A, and the Vice-President by Dom Development S.A. The Board passes decisions unanimously.

Revenue – change in accounting policy

Due to the need to comply, effective 1 January 2009, with the requirements of IFRIC-15 *Agreements for the Construction of Real Estate*, the Group changed its accounting methods effective 1 January 2009. Primarily the change consists of recognizing revenue from the sale of apartments at another moment. Until the end of the year 2008 the Group recognized revenue in proportion to the number of apartments covered with preliminary agreements signed with customers. Starting 1 January 2009 the Group has been recognizing its revenue from the sale of apartments it has given over to the clients after the housing estate has been given over for use. This change in the recognition of revenue made it necessary to restate the opening balance, the closing balance and the results for the year 2008 presented in the consolidated financial statements for the year 2009 as comparatives. Therefore the financial data for the year 2008 presented as comparatives in the consolidated financial statements for the year 2009 differ significantly from the data presented in the consolidated financial statements for the year ended 31 December 2008. The change in accounting policy is not related to the profitability of projects, which has not changed as a result. The need to restate data is the result of a difference in the presentation of that data, resulting from another, later moment of revenue recognition. The Group describes this matter in Note 5 to the consolidated financial statements.

3. Introduction and notes to the consolidated financial statements

The introduction and notes to the consolidated financial statements have been prepared completely and correctly, in accordance with the requirements arising out of IFRS, and in matters not regulated by those standards – in accordance with the requirements of the Accounting Act and the related implementing provisions.

4. Statement of changes in consolidated shareholders equity

The data shown in the consolidated statement of changes in shareholders' equity are consistent with the balance sheet and the books of account, and show truly and fairly the changes made in the Group's equity.

5. Consolidated cash flow statement

The consolidated cash flow statement has been prepared in accordance with the provisions of IAS 7, using the indirect method, and is consistent with the balance sheet, the profit and loss account and the books of account.

6. Directors Report

In accordance with the requirements of article 49 of the Accounting Act and of the Minister's of Finance Decree of 19 February 2009 on the current and periodic information submitted by the issuers of securities and the conditions for recognizing as equally valid the information required by the regulations of a state that is not a member state (Journal of Laws No. 33, item 259), the holding company’s Management Board prepared a Directors' Report on the activities of the Dom Development Capital Group.

The information presented in the Directors Report is consistent with the information presented in the consolidated financial statements.

7. Managements Declaration

The holding company's Management submitted a written declaration that it has not omitted any information material to the consolidated financial statements and disclosed all contingent liabilities, and that there have been no significant post-balance sheet events.

Warsaw, 10 March 2010

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On behalf of BDO Sp. z o.o.:

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