DOM DEVELOPMENT S.A.

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED ON 31 DECEMBER 2009

PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS

(in PLN; all amounts in thousands unless stated otherwise)

I. CONSOLIDATED BALANCE SHEET

ASSETS	Note	31.12.2009	31.12.2008	01.01.2008
Fixed assets				
Intangible fixed assets	6	717	1 360	707
Tangible fixed assets	7	5 455	6 781	6 548
Investments in associated entities	9	1 014	1 050	1 024
Deferred income tax assets	19	9 347	8 433	10 579
Long-term receivables	10	2 438	2 910	1 552
Long-term deferred costs		74	361	1 471
Total fixed assets		**19 045**	**20 895**	**21 881**
Current assets				
Inventory	11	1 305 117	1 458 133	1 245 898
Trade and other receivables	12	26 672	55 519	65 914
Other current assets	14	6 058	6 348	4 449
Cash and cash equivalents	13	230 847	223 697	275 489
Total current assets		**1 568 694**	**1 743 697**	**1 591 750**
Total assets		**1 587 739**	**1 764 592**	**1 613 631**

EQUITY AND LIABILITIES	Note	31.12.2009	31.12.2008	01.01.2008
Shareholders' Equity				
Share capital	15	24 560	24 560	24 560
Share premium less treasury shares	16	231 535	231 535	231 535
Reserve capital from valuation of share options		18 726	13 908	7 128
Other capital (supplementary capital)		388 361	371 837	191 556
Reserve capital from reducing the share capital		510	510	510
Accumulated, unappropriated profit (loss)		85 138	41 103	47 053
Equity attributable to the equity holders of the holding company		**748 830**	**683 453**	**502 342**
Non-controlling interests		(166)	(165)	-
Total shareholders' equity		**748 664**	**683 288**	**502 342**
Liabilities				
Long-term liabilities				
Long-term loans and borrowings	18	184 945	233 283	41 779
Deferred tax liability	19	21 033	29 418	42 419
Bonds	20	200 000	200 000	200 000
Other long-term liabilities		-	226	764
Total long-term liabilities		**405 978**	**462 927**	**284 962**
Short-term liabilities				
Trade payables and other liabilities	21	104 836	145 452	120 995
Short-term loans and borrowings	18	134 218	62 510	37 005
Short-term tax liabilities	22	8 156	7 902	6 088
Short-term provisions	23	17 369	13 725	12 444
Accrued liabilities and deferred income	24	168 518	388 788	649 795
Total short-term liabilities		**433 097**	**618 377**	**826 327**
Total liabilities		**839 075**	**1 081 304**	**1 111 289**
Total equity and liabilities		**1 587 739**	**1 764 592**	**1 613 631**

(in PLN; all amounts in thousands unless stated otherwise)

II. CONSOLIDATED INCOME STATEMENT

	Note	Period of twelve months ended on 31.12.2009	31.12.2008
Sales revenues	31	704 363	883 714
Cost of sales	32	(508 111)	(506 738)
Gross profit on sales		**196 252**	**376 976**
Selling expenses	32	(22 266)	(30 002)
General administrative expenses	32	(43 096)	(61 914)
Other operating income	34	7 248	6 659
Other operating expenses	35	(26 981)	(18 198)
Operating profit		**111 157**	**273 521**
Financial income	36	3 139	12 103
Financial costs	37	(13 543)	(4 859)
Profit before tax		**100 753**	**280 765**
Income tax expense	29	(20 547)	(56 496)
Profit after tax		**80 206**	**224 269**
Profit attributable to:			
Equity holders of the holding company		80 207	224 277
Non-controlling interests		(1)	(8)
Earnings per share:			
Basic (PLN)	28	**3.27**	**9.13**
Diluted (PLN)	28	**3.25**	**9.13**

(in PLN; all amounts in thousands unless stated otherwise)

III. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Period of twelve months ended on	
	31.12.2009	**31.12.2008**
Net profit	**80 206**	**224 269**
Other comprehensive income	**-**	**-**
Total comprehensive income	**80 206**	**224 269**
Comprehensive income attributable to:		
Equity holders of the holding company	80 207	224 277
Non-controlling interests	(1)	(8)

(in PLN; all amounts in thousands unless stated otherwise)

IV. CONSOLIDATED CASH FLOW STATEMENTS

	Period of twelve months ended on 31.12.2009	31.12.2008
Cash flow from operating activities		
Profit before taxation	**100 753**	**280 765**
Adjustments:		
Depreciation	2 428	2 420
Profit/loss on foreign exchange differences	85	(64)
Profit/loss on investments	39	150
Interest paid and accrued	21 103	13 055
Cost of the management option scheme	4 818	6 780
Changes in the operating capital		
Changes in provisions	3 644	1 281
Changes in inventory	159 076	(200 628)
Changes in receivables	34 391	5 765
Changes in short term liabilities excluding loans and borrowings	(40 589)	25 733
Changes in prepayments	(220 046)	(260 830)
Other adjustments	(57)	38
Cash flow generated from operating activities	**65 645**	**(125 535)**
Interest paid	(26 145)	(25 392)
Income tax paid	(34 918)	(64 077)
Net cash flow from operating activities	**4 582**	**(215 004)**
Cash flow from investing activities		
Proceeds from the sale of intangible assets and tangible fixed assets	387	276
Other proceeds from financial assets	183	-
Acquisition of intangible and tangible fixed assets	(1 059)	(3 733)
Net cash flow from investing activities	**(489)**	**(3 457)**
Cash flows from financing activities		
Proceeds from contracted loans and borrowings	103 752	253 283
Repayment of loans and borrowings	(80 869)	(36 275)
Dividend payments	(19 648)	(50 103)
Payment of financial leasing liabilities	(178)	(236)
Net cash flow from financing activities	**3 057**	**166 669**
Increase (decrease) in net cash and cash equivalents	**7 150**	**(51 792)**
Cash and cash equivalents – opening balance	**223 697**	**275 489**
Cash and cash equivalents – closing balance	**230 847**	**223 697**

(in PLN; all amounts in thousands unless stated otherwise)

V. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium less treasury shares	Other capitals (supplementary capital)	Reserve capital from reduction of share capital	Reserve capital from the valuation of shares options	Accumulated unappropriated profit (loss)	Equity attributable to the equity holders of the holding company	Non-controlling interests	Total equity
Balance as at 31 December 2008 – previously disclosed..	**24 560**	**231 535**	**371 837**	**510**	**13 908**	**147 570**	**789 920**	**(165)**	**789 755**
Impact of IFRIC-15*/									
Adjustment to the opening balance of 1 January 2008	-	-	-	-	-	(193 796)	(193 796)	-	(193 796)
Adjustment to the consolidated net profit for the year ended 31 December 2008	-	-	-	-	-	87 329	87 329	-	87 329
Balance as at 1 January 2009 – restated	**24 560**	**231 535**	**371 837**	**510**	**13 908**	**41 103**	**683 453**	**(165)**	**683 288**
Transfer of profit to supplementary capital ...	-	-	122 514	-	-	(122 514)	-	**-**	**-**
Dividend payment to shareholders	-	-	-	-	-	(19 648)	**(19 648)**	**-**	**(19 648)**
Transfer of adjustment to the opening balance to the supplementary capital (implementation of IFRIC-15*)	-	-	(105 990)	-	-	105 990	**-**	**-**	**-**
Creation of reserve capital from the valuation of the share options.........................	-	-	-	-	4 818	-	**4 818**	-	**4 818**
Total Comprehensive income for year ended on 31 December 2009....	-	-	-	-	-	80 207	**80 207**	(1)	**80 206**
Balance as at 31 December 2009....	**24 560**	**231 535**	**388 361**	**510**	**18 726**	**85 138**	**748 830**	**(166)**	**748 664**

*/ description of the impact of IFRIC-15 on the consolidated shareholders' equity is presented in Note 5 "Change in the accounting policies".

(in PLN; all amounts in thousands unless stated otherwise)

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY – CONT.

	Share capital	Share premium less treasury shares	Other capitals (supplementary capital)	Reserve capital from reduction of share capital	Reserve capital from the valuation of shares options	Accumulated unappropriated profit (loss)	Equity attributable to the equity holders of the holding company	Non-controlling interests	Total equity
Balance as at 1 January 2008 – previously disclosed..	**24 560**	**231 535**	**191 556**	**510**	**7 128**	**240 849**	**696 138**	**-**	**696 138**
Impact of IFRIC-15*/									
Adjustment to the opening balance of 1 January 2008	-	-	-	-	-	(193 796)	**(193 796)**	**-**	**(193 796)**
Balance as at 1 January 2008 – restated	**24 560**	**231 535**	**191 556**	**510**	**7 128**	**47 053**	**502 342**	**-**	**502 342**
Transfer of profit to supplementary capital ...	-	-	180 281	-	-	(180 281)	**-**	-	**-**
Dividend payment to shareholders	-	-	-	-	-	(50 103)	**(50 103)**	-	**(50 103)**
Transfer of retained profit attributable to minority interests..........	-	-	-	-	-	157	**157**	(157)	**-**
Creation of reserve capital from the valuation of the share options.........................	-	-	-	-	6 780	-	**6 780**	**-**	**6 780**
Total Comprehensive income for year ended on 31 December 2009....	-	-	-	-	-	224 277	224 277	(8)	**224 269**
Balance as at 31 December 2008....	**24 560**	**231 535**	**371 837**	**510**	**13 908**	**41 103**	**683 453**	**(165)**	**683 288**

*/ description of the impact of IFRIC-15 on the consolidated shareholders' equity is presented in Note 5 "Change in the accounting policies".

(in PLN; all amounts in thousands unless stated otherwise)

VI. ADDITIONAL NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1. General information about the holding company of Dom Development Capital Group

The holding company of Dom Development Capital Group („the Group”) is the joint-stock company Dom Development S.A. („the Company” / „the holding company”) with its registered office in Warsaw (00-078 Warsaw, Plac Piłsudskiego 3) entered into the National Court Register under number 0000031483, District Court for the capital city of Warsaw, 12th Commercial Division of the National Court Register.

According to the Polish Classification of Business Activity the Company’s scope of activity is construction projects concerning construction of buildings – PKD 4110Z. The Company conducts its activities mainly in Warsaw and its vicinity.

The Company is a majority-owned subsidiary of Dom Development B.V. with its registered office in the Netherlands. As at 31 December 2009 the holding company Dom Development S.A. was controlled by Dom Development B.V. which held 63.15% of the Company’s shares.

Note 2. General information about the Group

The following table presents the Group’s structure and the holding company's stake in the entities comprising the Group as at 31 December 2009.

Entity name	Country of registration	% of share capital held by the holding company	% of votes held by the holding company	Consolidation method
Subsidiaries				
Dom Development na Dolnej sp. z o.o. in liquidation	Poland	100%	100%	full consolidation
Dom Development Morskie Oko sp. z o.o.	Poland	100%	100%	full consolidation
Dom Development Grunty sp. z o.o.	Poland	46%	100%	full consolidation
Joint-venture				
Fort Mokotów sp. z o.o.	Poland	49%	49%	proportionate consolidation

The main area of activity of the Group is the construction and sale of residential real estate.

The main area of activity of the associated entity - Towarzystwo Ubezpieczeń Wzajemnych „Bezpieczny Dom” is financial risk insurance.

The main area of activity of the subsidiary entity – Dom Development Grunty sp. z o.o. is purchase of real estate for development activities of the Group.

On 1 December 2009 Dom Development Zarządzanie Nieruchomościami Sp. z o.o. was liquidated. This company did not run operating activities.

Fort Mokotów sp. z o.o. was formed for the duration of the construction of the Marina Mokotów project, but for no longer than until 31 December 2011 (as per the company’s Articles of Association).

All entities of the Group conduct business activities in the territory of Poland and in compliance with the Code of Commercial Companies and Partnerships, and have been formed for an unspecified time, with the exception of Fort Mokotów sp. z o. o.

In the period of twelve months ended on 31 December 2009 the Group did not discontinue any of its operations.

In the period of twelve months ended on 31 December 2009 the Group did not make any changes to its structure, including mergers, acquisitions, sale of the Group’s entities, long-term investments, divisions, restructuring or discontinuation of operations.

Note 3. Basis for the preparation of the consolidated financial statements

The consolidated financial statements have been prepared based on historical acquisition cost, purchase price or production cost except for derivative financial instruments, which in accordance with International Financial Reporting Standards („IFRS") were stated at fair values. The value of assets and liabilities being the subject of hedging transactions, which are usually valued at cost or in the amount due for payment, will be adjusted to reflect the profit or loss attributable to a hedging transaction concluded in relation to these assets and liabilities, and the value of this adjustment is accounted for in accordance with relevant IFRS standards.
The separate financial statements constituting the basis for the preparation of the consolidated financial statements were prepared based on the assumption that Capital Group would continue their business activities in the foreseeable future, with no threats to the continuation of these activities.

The methods used to value assets and liabilities and determine the financial result are applied consistently.

The consolidated financial statements are stated in Polish zloty („PLN"). Financial data included in the consolidated financial statements are expressed in thousands of PLN unless stated otherwise.

The assets, equity and liabilities valuation principles and financial result calculation methods presented in the notes to the consolidated financial statements are consistent with the accounting principles adopted by the holding entity.

Statement of unreserved conformity with International Financial Reporting Standards

Dom Development Capital Group has prepared its consolidated financial statements in accordance with the accounting standards issued by the International Accounting Standards Board as adopted by the European Union.

These standards, collectively referred to as International Financial Reporting Standards (IFRS), also include International Accounting Standards (IAS) and interpretations issued by the Standing Interpretation Committee (SIC) and the International Financial Reporting Interpretation Committee.

The Group has applied all standards and interpretations effective within the European Union as at 31 December 2009.

Basic information concerning the consolidation

The consolidated financial statements were prepared on the basis of the financial statements of the entities comprising the Group and presented as if the Group constituted a single entity. The consolidated financial statements comprise the financial statements of the holding entity (Dom Development S.A.) and the financial statements of the subsidiaries and jointly controlled entity, all of which were prepared for the 12-month period ended on 31 December 2009.

The revenues, expenses and settlements resulting from transactions between the Group entities were adjusted in the consolidated financial statements.

The consolidated cash flow statement for the 12-month period ended on 31 December 2009 contains the cash flow statements of the holding company, the subsidiaries and the jointly controlled entity, and include proper consolidation adjustments resulting from mutual transactions.

Fort Mokotów sp. z o.o., a jointly controlled entity, is consolidated by means of the proportionate consolidation method.

The Company controls Dom Land Sp z o.o within the meaning of control specified in the IAS. The consolidation of Dom Land Sp. z o.o. , which is related in the form other than by means of capital, has been abandoned. Dom Development S.A. has no shares in Dom Land Sp. z o.o. and the fact that this company has not been included in the consolidation has no influence on the financial result and shareholders' equity of Capital Group Dom Development S.A.

Note 4. Summary of significant accounting policies

Interest in a jointly controlled entity

The Group has an interest in a joint-venture which is a jointly controlled entity. A joint-venture is a contractual arrangement whereby two or more parties undertake an economic activity that is a subject to joint control, and a jointly controlled entity is a joint-venture that involves the establishment of a separate entity in which each partner has an interest. The Group recognises its interest in the joint-venture using proportionate consolidation method. The Group combines its share in each of the assets, liabilities, income and expenses of the joint-venture with similar items, line by line, in its consolidated financial statements. The financial statements of the joint-venture are prepared for the same balance sheet date as the holding entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Investments in associated entities

The Group's investments in its associated entities are accounted for under the equity method of accounting. An associated entity is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint-venture.

Under the equity method, the investment in the associated entities is disclosed in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associated entity. After application of the equity method the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The income statement reflects the share of the Group in the financial result of the associate.

Tangible fixed assets

All tangible fixed assets are stated at cost less accumulated depreciation (except for land), less accumulated value impairment. Replacement of existing parts of a tangible fixed asset can be capitalised, if material. Depreciation is calculated on straight-line basis over the useful life of the asset. Buildings and constructions are depreciated at the rates from 2.5% to 4.5% and plant and equipment from 10% to 30%. Low-value tangible fixed assets are fully expensed in the month they are taken over for use.

Inventories

Finished goods

Finished goods represent mainly housing units and parking spaces. They are stated at the lower of cost and net realizable value. The net realisable value represents the estimated selling price evaluated by the Management Board based on the information from the Company’s Sales Department.

Work in progress

Work in progress is valued at cost of production decreased by a revaluation write-down determined by an impairment test as described below.

Inventory impairment review

If a construction project is expected to generate a loss, this entails a revaluation write-down of work in progress value (including the value of land), which is immediately disclosed in the income statement.

For each development project there are budgets prepared, which cover both past and future cash flows for each undertaken project. These budgets are subject to revaluation at least once every three months. For the purposes of impairment review, budgets of projects cover all past and projected net revenues less direct costs of land acquisition, design, construction and other costs related to the preparation of a project, show flats and sales offices on site. These budgets are also encumbered with related past and projected costs of external financing and projected claims from customers (if applicable).

The budgets of projects are prepared with the application of the prudence principle.

If a project contribution, calculated taking into account all revenues and the above-mentioned costs, is above zero, there is no need to make an inventory revaluation write-down. A negative contribution suggests that there is a potential problem of impairment, which, following a thorough analysis of cash flows for a given project, results in a recording of an impairment write-down in the amount of the estimated negative value of this contribution.

The revaluation write-down is disclosed in the income statement under "other operating costs". The reversal, if any, of such an impairment write-down for a given project is possible provided that the projected contribution amount for this project assumes a positive value.

If the project consists of several stages, the inventory impairment review is conducted in the following manner:

a) all future phases of the project are treated as a single project for the purposes of impairment review,

b) each phase of the project, in which sales and construction have already begun, is separated from the rest of the (construction) project and is considered separately for the purposes of impairment review.

Costs of external financing

Costs of external financing are disclosed as costs in the period in which they were incurred, except for capitalized costs, i.e. costs that may be assigned to costs of construction of qualifying assets (in the case of the Company: to work-in-progress) as a part of their construction costs.

The financial costs are capitalized into work-in-progress exclusively in the period during which the development project is active. The project is considered active if designing or construction work is underway for the acquired land and during the process of obtaining key administrative decisions necessary to run the project.

The financial costs cease to be capitalized when generally all activities which have to be undertaken in order to prepare flats to be handed-over to customers have been completed.

The capitalization of financial costs is suspended in the case of suspension of activities connected with the project-related investment activity, including work related to design, construction process and obtaining required permits and administrative decisions concerning the project.

Trade and other receivables

Trade receivables are recognised and disclosed at original invoice amounts less provision for bad debts. Revaluation write-off for bad debt is valued when the Group cannot collect the full amount of the receivable.

Cash and cash equivalents

Cash and short-term deposits are shown in the balance sheet at a nominal value and comprise cash at banks and in hand and short-term deposits with the original maturity of three months or less.

Revenue recognition

Revenue is recognised to the extent that it is probable that the Group will achieve the economic benefits from a given transaction and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of products

The revenue from the sale of real estate (housing units, commercial space, etc.) is recognised at the moment of handover to the buyer based on a handover document signed by both parties ("handover method").

(see note 5 "Change in the accounting policies")

Sale of services

The revenues from the sale of services, including housing real estate administration fees income, are recognized at the fair value of the consideration received or receivable for the services provided in the normal course of business, less VAT.

Foreign currency translation

The consolidated financial statements are presented in PLN, which is the Company's and Group's functional and presentation currency. Transactions in foreign currencies are initially recorded at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate as at the balance sheet date, with any differences posted in the income statement under „ financial income/costs".

Taxes

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are binding as at the balance sheet date.

Deferred tax

For financial reporting purposes, the deferred income tax is calculated by means of the method of the balance sheet liabilities in relation to the timing differences as at the balance sheet date between the tax value of assets and liabilities and their balance sheet value recognized in the financial statements.

Deferred income tax assets are recognised with regards to all negative timing differences, carry-forward of unused tax credits and unused tax losses to the extent that it is probable that the taxable profit will be available against which the deductible timing differences and the carry-forward of unused tax credits and unused tax losses, can be utilised.

The balance sheet value of a deferred income tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. An unrecognised deferred income tax asset is reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

The provision for a deferred income tax is created in the amount of the income tax that will be payable in future due to positive timing differences, i.e. the differences that will increase the taxable base in the future.

The assets and provisions for a deferred income tax are valued at the tax rates that are expected to be applicable to the year when the asset component is realised or the provision is released, assuming as the basis the tax rates (and tax regulations) that are legally or actually binding as at the balance sheet date.

The income tax relating to the items recognised directly in the shareholders' equity is recognised in equity and not in the income statement.

The assets and provisions for a deferred income tax are offset by the Group only if a legally enforceable right exists to set-off the current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Note 5. Change in the accounting policies

In June 2008 the International Financial Reporting Interpretation Committee (IFRIC) completed a project reviewing the interpretation of the **moment of revenue recognition** from real estate sales under IAS 11 ("Construction contracts") and IAS 18 ("Revenue").

A draft interpretation prepared by IFRIC (D-21 Real Estate Sales) was approved by the International Accounting Standards Board (IASB) in June 2008 and subsequently published by IFRIC in the form of interpretation (IFRIC-15 Agreements for the Construction of Real Estate) on 2 July 2008.

According to the transitional provisions included in the above interpretation, application of this interpretation is required to the Group's consolidated financial statements for the periods beginning on 1 January 2009. This introduces changes to the previously applied accounting policies in relation to the moment of real estate (products) sales recognition.

(in PLN; all amounts in thousands unless stated otherwise)

Up to 31 December 2008 the Group recognized sales revenue based on IAS11 using "percentage of completion" method described in the chapter "Significant accounting policies" in the financial statements for the year ended 31 December 2008. Using IAS11, the Company recognized sales revenue in proportion to the state of progress of sales and construction for specific investment projects.

Use of the IFRIC-15 interpretation requires the Group to recognize sales revenue differently than in the past, that is to say in accordance with IAS18. From 1 January 2009 real estate sales revenue is recognized only at the moment it is released to the buyer, based on a handover protocol signed by both parties ("recognition on completion" method).

The main result of the above change is that sales revenue and cost of sales (and as a result – sales contribution) is recognized considerably later than it has been previously using "percentage of completion" method. From 1 January 2009 sales revenue for an individual real estate project are not recognized until after the completion of the construction process of that particular project. The above change do not impact the profitability of the real estate development projects but it influences the allocation of revenues and cost of sales to individual accounting periods.

According to the requirements of the IFRIC-15 interpretation, the above change to the accounting principle was introduced retrospectively. This means the opening balance of the shareholders' equity was adjusted (in the item "Accumulated, unappropriated profit") for the earliest period presented, which was 1 January 2008, as well as the comparative data presented in these consolidated financial statements, as if the new accounting principle had always been applied.

Impact of the above described change in the accounting policy on the Group's consolidated financial statements

CONSOLIDATED SHAREHOLDERS' EQUITY

a/ Total adjustment to the consolidated shareholders' equity opening balance as at 1 January 2009, consisting of:

i/ Adjustment to the consolidated shareholders' equity opening balance as at 1 January 2008

This adjustment eliminates the portion of profit from past periods, i.e. the net profit recognized using "percentage of completion" method cumulatively till 1 January 2008, which would not be recognized if the "recognition on completion" method was applied. This applies to the profit calculated using "percentage of completion" method on the products for which preliminary sales agreements had been signed but the products were not released to the buyers by the 31 December 2007.

ii/ Adjustment to the consolidated net profit for the year ended 31 December 2008.

This adjustment represents the difference between net profit recognized using "percentage of completion" method (shown in the consolidated financial statements for the year ended 31 December 2008) and the net profit that would be recognized if the "recognition on completion" method was used.

CONSOLIDATED SHAREHOLDERS' EQUITY AS AT 1 JANUARY 2009		
Consolidated shareholders' equity as at 31 December 2008 – previously disclosed (using IAS 11)		**789 755**
i/ Adjustment to the opening balance as at 1 January 2008		(193 796)
ii/ Adjustment to the consolidated net profit for the year ended 31 December 2008, consisting of:		
- elimination of the consolidated net profit for the year 2008 recognised under IAS 11 (i.e. before the change of accounting policy)	(136 940)	
- consolidated net profit for the year 2008 recognised under IAS 18 (i.e. after the change in accounting policy	224 269	
Adjustment to the consolidated net profit for the year ended 31 December 2008		87 329
Consolidated shareholders' equity as at 1 January 2009 – restated (using IAS 18)		**683 288**

(in PLN; all amounts in thousands unless stated otherwise)

b/ Adjustment to the consolidated shareholders' equity opening balance as at 1 January 2008, by PLN 193 796 thousand

This adjustment eliminates the portion of profit from past periods, i.e. the net profit recognized using "percentage of completion" method cumulatively till 31 December 2007, which would not be recognized if the "recognition on completion" method was applied. This applies to the profit calculated using "percentage of completion" method on the products for which preliminary sales agreements had been signed but the products were not released to the buyers by the 31 December 2007.

CONSOLIDATED SHAREHOLDERS' EQUITY AS AT 1 JANUARY 2008	
Consolidated shareholders' equity as at 31 December 2007 – previously disclosed (using IAS 11)	**696 138**
Adjustment to the opening balance as at 1 January 2008	(193 796)
Consolidated shareholders' equity as at 1 January 2008 – restated (using IAS 18)	**502 342**

Presentation of the adjustments in the consolidated statement of changes in equity

In the consolidated statement of changes in equity in the years 2008 and 2009 the adjustments to the opening balances are presented under the heading "accumulated unappropriated profit (loss)": in the amount of minus PLN 193 796 thousand as at 1 January 2008 and the adjustment of net profit for the year ended 31 December 2008 in the amount of PLN 87 806 thousand.

These adjustments relate to changes in the accounting policy and the disclosure of net profit in particular reporting periods described herein (previously "percentage of completion" method, and now "recognition on completion" method).

The Board decided to present the above adjustments in this manner because it was felt that the amount of work needed to separate the amounts to adjust specific items of equity in the statement of changes in shareholders' equity (supplementary capital, accumulated unappropriated profit), especially for the periods before 1 January 2008, would be significant and disproportional in relation to any potential informational benefits.

The adjustments related to the opening balance as at 1 January 2008 in the amount of minus PLN 193 796 thousand and the profit for 2008 in the amount of PLN 87 806 thousand, made in full to the "accumulated unappropriated profit" without splitting them between the above mentioned items does not distort the amount of total shareholders' equity in any of the presented periods. For this reason the presented shareholder's equity is true and fair in the Board's opinion.

CONSOLIDATED BALANCE SHEET

ASSETS – ITEMS THAT HAVE BEEN RESTATED	**31.12.2008 Restated**	**31.12.2008 Previously disclosed**
Deferred income tax assets	8 433	8 428
Inventory	1 458 133	1 152 331
Other current assets	6 348	81 631

EQUITY AND LIABILITIES – ITEMS THAT HAVE BEEN RESTATED	**31.12.2008 Restated**	**31.12.2008 Previously Disclosed**
Accumulated, unappropriated profit (loss)	41 103	147 570
Deferred tax liability	29 418	55 067
Short-term tax liabilities	7 902	7 222
Accrued liabilities and deferred income	388 788	26 828

(in PLN; all amounts in thousands unless stated otherwise)

CONSOLIDATED INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT – ITEMS THAT HAVE BEEN RESTATED	**Period of twelve months ended on**	
	31.12.2008 Restated	**31.12.2009 Restated**
Sales revenues	883 714	698 162
Cost of sales	(506 738)	(429 030)
Income tax expense	56 496	(36 011)
Consolidated earnings per share:		
Basic (PLN)	9.13	5.58
Diluted (PLN)	9.13	5.58

Note 6. Intangible fixed assets

	Other intangible fixed assets	**Computer software**	**Total**
GROSS VALUE			
Balance as at 1 January 2007	**953**	**1 331**	**2 284**
Additions	435	89	524
(Disposals)	(347)	(189)	(536)
Balance as at 31 December 2007	**1 041**	**1 231**	**2 272**
Additions	95	1 287	1 382
(Disposals)	-	-	-
Balance as at 31 December 2008	**1 136**	**2 518**	**3 654**
Additions	-	231	231
(Disposals)	-	-	-
Balance as at 31 December 2009	**1 136**	**2 749**	**3 885**
DEPRECIATION			
Balance as at 1 January 2007	**325**	**1 229**	**1 554**
Additions	459	88	547
(Disposals)	(347)	(189)	(536)
Balance as at 31 December 2007.............	**437**	**1 128**	**1 565**
Additions	481	248	729
(Disposals)	-	-	-
Balance as at 31 December 2008	**918**	**1 376**	**2 294**
Additions	90	784	874
(Disposals)	-	-	-
Balance as at 31 December 2009	**1 008**	**2 160**	**3 168**
BALANCE SHEET VALUE			
as at 1 January 2008	**604**	**103**	**707**
as at 31 December 2008	**218**	**1 142**	**1 360**
as at 31 December 2009	**128**	**589**	**717**

Intangible fixed assets are depreciated throughout their estimated economic useful lives, which for computer software is 2 years on the average. There are no intangible fixed assets with undefined useful lives.

(in PLN; all amounts in thousands unless stated otherwise)

As at 31 December 2009 there were no circumstances that would require the Group to write down its intangible fixed assets.

The costs of depreciating intangible fixed assets were charged in full to general administrative expenses.

No pledges have been established on intangible fixed assets.

Note 7. Tangible Fixed Assets

TANGIBLE FIXED ASSETS	**31.12.2009**	**31.12.2008**	**1.1.2008**
a) tangible fixed assets, including:			
- land (including perpetual usufruct)	1 347	1 347	1 347
- buildings and constructions........	-	-	106
- plant and equipment	406	645	745
- vehicles	2 290	3 161	3 524
- other tangible fixed assets	1 412	1 628	826
Total tangible fixed assets	**5 455**	**6 781**	**6 548**

	Land and buildings	**Vehicles**	**Machinery and other tangible fixed assets**	**Total**
GROSS VALUE				
Balance as at 1 January 2007	**1 904**	**3 761**	**4 143**	**9 808**
Additions	71	2 449	1 157	3 677
(Disposals)	(123)	(1 298)	(2 124)	(3 545)
Balance as at 31 December 2007	**1 852**	**4 912**	**3 176**	**9 940**
Additions	1 194	1 073	1 311	3 578
(Disposals)	(1 691)	(889)	(164)	(2 744)
Balance as at 31 December 2008	**1 355**	**5 096**	**4 323**	**10 774**
Additions	-	606	222	828
(Disposals)	-	(1 136)	(263)	(1 399)
Balance as at 31 December 2009	**1 355**	**4 566**	**4 282**	**10 203**
ACCUMULATED DEPRECIATION				
Balance as at 1 January 2007	**324**	**1 562**	**2 387**	**4 273**
Additions	75	825	780	1 680
(Disposals)	-	(999)	(1 562)	(2 561)
Balance as at 31 December 2007	**399**	**1 388**	**1 605**	**3 392**
Additions	74	1 024	592	1 690
(Disposals)	(465)	(477)	(147)	(1 089)
Balance as at 31 December 2008	**8**	**1 935**	**2 050**	**3 993**
Additions	-	894	659	1 553
(Disposals)	-	(553)	(245)	(798)
Balance as at 31 December 2009	**8**	**2 276**	**2 464**	**4 748**
BALANCE SHEET VALUE				
as at 1 January 2008	1 453	3 524	1 571	6 548
as at 31 December 2008	1 347	3 161	2 273	6 781
as at 31 December 2009	1 347	2 290	1 818	5 455

(in PLN; all amounts in thousands unless stated otherwise)

The additions to tangible fixed assets are the result of tangible fixed asset purchased or tangible fixed assets produced by the Company.

The table below presents the net values of tangible fixed assets produced by the Company.

	31.12.2009	31.12.2008	1.01.2008
Buildings (individual commercial space)	-	-	77
Constructions	-	-	29
Total net tangible fixed assets produced on the Company's own account	**-**	**-**	**106**

The cost of depreciating tangible fixed assets were charged in full to General administrative expenses.

No collaterals have been established on the fixed assets.

BALANCE SHEET TANGIBLE FIXED ASSETS (OWNERSHIP STRUCTURE)	31.12.2009	31.12.2008	1.01.2008
owned	3 133	3 470	3 004
used on the basis of rent, tenancy or similar agreements, including lease agreements, in this:	2 322	3 311	3 544
- leasing	2 322	3 311	3 544
Total balance sheet fixed assets	**5 455**	**6 781**	**6 548**

OFF-BALANCE SHEET TANGIBLE FIXED ASSETS	31.12.2009	31.12.2008	1.01.2008
used on the basis of rent, tenancy or similar agreements, including lease agreements, in this:	77	383	261
- value of assets under operating lease	77	383	261

Note 8. Leasing

The Company is a party (as a lessee) to lease agreements relating to the fixed assets which are recorded in the books of account as financial leases. The lease agreements are as a rule concluded for a period of 3 years and as such all liabilities are also due within 3 years. The subjects of the leases are mainly cars. The agreements contain a clause about the possibility of purchasing the fixed assets after the expiration of the lease agreement.

LEASING	31.12.2009	31.12.2008	1.01.2008
Gross fixed assets	3 379	4 501	4 724
Depreciation	(1 057)	(1 190)	(1 180)
Balance sheet value of tangible fixed assets	**2 322**	**3 311**	**3 544**
Leased assets as a % of total fixed assets	46.52	48.83	54.13
Leasing liabilities	**1 420**	**2 258**	**2 559**
Depreciation of leased assets recognised as operating costs	835	946	797
Interest on lease agreements recognised as financial costs	178	236	134

The fair value of the Company's leasing liabilities corresponds to their book value.

The Company's leasing liabilities are secured on the fixed assets that are the subject of the lease agreements.

The minimum value of lease payments and their current value do not differ significantly from the value of the lease liabilities listed under long and short term liabilities on the balance sheet.

(in PLN; all amounts in thousands unless stated otherwise)

Note 9. Investments in associated entities and jointly controlled entities

The Group - trough the Company - holds 40.32% of the share capital and has a 0% participation in the management of Towarzystwo Ubezpieczeń Wzajemnych „Bezpieczny Dom" ("Towarzystwo"). Furthermore, the co-subsidiary Fort Mokotów sp. z o.o. holds 4.03% shares in the Towarzystwo. The nominal value of the shares of the company owned by the Group was PLN 1 049 thousand. As at the balance sheet date the net value of the shares was equal to the historic cost at which they were purchased.

Information about associated entity

Towarzystwo Ubezpieczeń Wzajemnych „Bezpieczny Dom"		
Balance sheet date	**31.12.2009**	**31.12.2008**
Financial data:		
Total assets	4 649	5 664
Shareholders' equity	3 819	3 447
Net profit (loss)	722	616
Shares in the nominal value	1 049	1 049
% stake *)	42.30%	42.30%

***)** The stake of the Company has been calculated with consideration given to the shares held by Fort Mokotów sp. z o.o.

Information about jointly controlled entity

Fort Mokotów sp. z o.o.		
Balance sheet date	**31.12.2009**	**31.12.2008**
Financial data:		
Current assets	9 184	35 960
Fixed assets	148	342
Shareholders' equity	3 899	25 645
Short-term liabilities	710	432
Long-term liabilities	-	462
Operating revenues	7 421	3 445
Operating profit	2 112	(10 705)
Net profit/(loss)	1 824	(10 867)
% stake	49.00%	49.00%

For the purposes of the consolidated financial statements, Fort Mokotów sp. z o.o. is consolidated by means of the proportional consolidation method and treated as a joint venture. The balance sheet and the income statement were restated in accordance with the holding company's accounting policies.

In the years ended 31 December 2009 and 2008 there was no change to the revaluation provision of the shares of the associated entities in the Group's consolidated financial statements.

The Group values shares in the associated companies by means of the equity method in the consolidated income statement in the items „Other operating revenues" and „Other operating costs".

Note 10. Long-term receivables

As at 31 December 2009, 31 December 2008 and 1 January 2008 the Group shows long-term receivables in the amount of PLN 2 438 thousand, PLN 2 910 thousand and PLN 1 552 thousand respectively. As at 31 December 2009 the long-term receivables consist of refundable deposits in the amount of PLN 1 156 thousand and other receivables in the amount of PLN 1 282 thousand. As at 31 December 2008 the long-term receivables include refundable deposits in the amount of related to PLN 1 622 thousands and other long-term receivables amounting to PLN 1 288 thousand. As at 1 January 2008 the long-term receivables include refundable deposits in the amount of related to PLN 1 552 thousands.

All these receivables are denominated in PLN. There is no need to write down the value of long-term receivables.

(in PLN; all amounts in thousands unless stated otherwise)

Note 11. Inventory

INVENTORY	31.12.2009	31.12.2008	01.01.2008
Advances on deliveries	**7 691**	**22 422**	**150 853**
in this at purchase prices/production costs	7 760	22 491	150 853
in this revaluation write down	(69)	(69)	-
Semi-finished goods and work in progress	**787 488**	**1 324 969**	**821 024**
in this at purchase prices/production costs	813 805	1 337 013	828 531
in this revaluation write down	(26 317)	(12 044)	(7 507)
Finished goods	**509 938**	**110 742**	**274 021**
in this at purchase prices/production costs	510 383	111 206	274 977
in this revaluation write down	(445)	(464)	(956)
Total	**1 305 117**	**1 458 133**	**1 245 898**

WRITE-OFFS REVALUATING THE INVENTORIES	01.01- -31.12.2009	01.01- -31.12.2008
Balance at the beginning of the period	**12 577**	**8 463**
Increase	17 299	7 736
Release	(3 045)	(3 622)
Balance at the end of the period	**26 831**	**12 577**

As a result of impairment analyses and reviews, in 2009 the Group made revaluation write-downs for projects under construction and land for future projects in the amount of PLN 17 299 thousand (PLN 7 429 thousand in 2008).

A description of the methodology of inventory impairment reviews can be found in Note 4 "Summary of significant accounting principles".

Balance sheet value of inventories used to secure the payment of liabilities

SECURITY ON INVENTORIES – MORTGAGE	31.12.2009	31.12.2008	01.01.2008
Balance sheet value of inventory used to secure liabilities	683 669	406 297	170 369
Value of mortgages used to secure the loans	987 900	514 177	250 846

Preparatory work

If there is no certainty as to the possibility of purchasing a plot of land for a potential project, the costs of preparatory work associated with the project are disclosed as costs in the income statement of the Company during the period in which they occur. Remaining preparatory work is capitalised under work in progress.

The below table presents the cost of preparatory work recognised in the income statement.

	01.01- -31.12.2009	01.01- -31.12.2008
Preparatory work	172	1 715

The table below presents the value of liabilities on account of guarantee deposits withheld in relation to the execution of investments under construction projects.

	31.12.2009	31.12.2008	01.01.2008
Withheld guarantee deposits	36 819	42 381	33 808

(in PLN; all amounts in thousands unless stated otherwise)

Note 12. Trade and other receivables

As at the balance sheet date the trade receivables and other receivables amounted to PLN 26 672 thousand as at 31 December 2009, PLN 55 519 thousand as at 31 December 2008 and PLN 65 914 thousand as at 1 January 2008.

The Company created provisions revaluating the receivables which have been disclosed under „Other operating costs”.

The revaluation write-offs have been created based on the Company's best knowledge and experience.

AGING STRUCTURE OF TRADE RECEIVABLES	**31.12.2009**	**31.12.2008**	**01.01.2008**
up to 3 months	3 412	14 850	24 598
from 3 to 6 months	177	19 533	2 576
from 6 months to 1 year	717	1 767	991
Above 1 year	22 613	3 079	3 119
Gross trade receivables	**26 919**	**39 229**	**31 284**
Write-offs revaluating the receivables	(2 455)	(1 628)	(2 247)
Net trade receivables	**24 464**	**37 601**	**29 037**

As at 31 December 2009 the main item in trade receivables above 1 year are receivables in the amount of PLN 18 580 thousand due from Erabud concerning prepayment for purchase of land. This amount is the subject of a legal dispute described in note 43 concerning material legal cases.

TRADE AND OTHER RECEIVABLES	**31.12.2009**	**31.12.2008**	**01.01.2008**
Trade receivables	24 464	37 601	29 037
Receivables from the related entities	9	5	8
Tax receivables	2 066	17 911	36 860
Other receivables	133	2	9
Total	**26 672**	**55 519**	**65 914**

CHANGE IN THE WRITE-OFFS REVALUATING TRADE AND OTHER RECEIVABLES	**01.01.-31.12.2009**	**01.01.-31.12.2008**
Opening balance	**1 928**	**2 547**
a) Additions	870	506
b) Disposals	(43)	(1 125)
Closing balance	**2 755**	**1 928**

As of the balance sheet dates there were no trade or other receivables in foreign currencies.

The costs and revenues associated with creating or reversing provisions are recognised under other operating expenses or other operating income respectively.

Note 13. Cash and cash equivalents

Cash and cash equivalents are represented by cash at bank, cash on hand and short-term bank deposits which will mature within 3 months. The book value of these assets corresponds to their fair value.

CASH AND CASH EQUIVALENTS	**31.12.2009**	**31.12.2008**	**01.01.2008**
Cash on hand and at bank	3 172	5 629	15 048
Short-term deposits and treasury bills	227 632	285 841	259 848
Overdraft	-	(67 820)	-
Other	43	47	593
Total	**230 847**	**223 697**	**275 489**

(in PLN; all amounts in thousands unless stated otherwise)

The Group presents overdrafts as a decrease in cash and cash equivalents due to holding deposits in the same banks exciding the level of the overdrafts (see note 18). Repayment of these overdrafts took place with PLN 29 980 thousand repaid on 2 January 2009 and PLN 37 840 thousand by 9 January 2009 in correspondence with the closing of the deposit accounts.

Note 14. Other current assets

	31.12.2009	31.12.2008	01.01.2008
OTHER CURRENT ASSETS	**6 058**	**6 348**	**4 449**
Including:			
Future receivables from completed developments	283	317	973
Deferred costs	4 434	4 028	3 476
Accrued financial income on deposits	1 341	2 003	-

All uninvoiced amounts related to sold units at the developments with occupation permits (completed developments) are posted to the balance sheet as „other current assets”.

Note 15. Share capital

SHARE CAPITAL (STRUCTURE) AS AT 31 December 2009, 31 December 2008 and 1 January 2008

Series/ issue	Type of shares	Type of preference	Limitation of right to shares	Number of shares	Nominal value of series/issue (PLN)	Capital covered with	Registration date	Right to dividend (since)
A	bearer	-	-	21 344 490	21 344 490	cash	12.09.2006	12.09.2006
F	bearer	-	-	2 705 882	2 705 882	cash	31.10.2006	31.10.2006
H	bearer	-	-	172 200	172 200	cash	14.02.2007	14.02.2007
I	bearer	-	-	92 700	92 700	cash	14.02.2007	14.02.2007
J	bearer	-	-	96 750	96 750	cash	14.02.2007	14.02.2007
L	bearer	-	-	148 200	148 200	cash	14.02.2007	14.02.2007
Total number of shares				**24 560 222**				
Total share capital (PLN)					**24 560 222**			
Nominal value per share = PLN 1.00								

On 27 October 2006 the agreement with CDM PEKAO S.A. was concluded regarding taking up 96 750 J series shares in the increased share capital of Dom Development S.A. (the afore-mentioned shares concern the Management Share Option Programme IB in which CDM PEKAO S.A, pursuant to depositary agreement dated 26 October 2006 CDM PEKAO S.A. is a depository in this programme).

On 28 January 2008 all rights and obligations arising from the above trust agreement signed with CDM on 26 October 2006 were assumed by UniCredit CA IB Polska S.A.

Description of changes in the share capital of the holding company in the period from 1 January 2009 to the date of preparing the financial statements.

In the period from 1 January 2009 by the date of preparation of these financial statements there have been no changes to the shareholders capital.

(in PLN; all amounts in thousands unless stated otherwise)

List of shareholders who have, directly or indirectly through subsidiaries, at least 5% of the overall number of votes at the General Shareholders Meeting as at 31 December 2009

	Shares	% of capital	Number of votes at the Shareholders Meeting	% of votes at the Shareholders Meeting
Dom Development B.V.	15 509 386	63.15	15 509 386	63.15
Jarosław Szanajca	1 644 050	6.69	1 644 050	6.69
Grzegorz Kiełpsz...................................	1 390 750	5.66	1 390 750	5.66

The shares of Dom Development S.A. or rights thereto (options) owned by the persons performing management and supervisory functions at Dom Development SA as at 31 December 2009

	Shares	Share Options	Total
Management Board			
Jarosław Szanajca	1 644 050	-	1 644 050
Janusz Zalewski	359 000	100 000	459 000
Jerzy Ślusarski	21 363	86 100	107 463
Janusz Stolarczyk	106 200	52 680	158 880
Terry Roydon	58 500	50 000	108 500
Supervisory Board			
Zygmunt Kostkiewicz	29 500	-	29 500
Grzegorz Kiełpsz	1 390 750	-	1 390 750

On 16 January 2009, 31 000 share options were allotted to Mr. Janusz Zalewski under the third tranche of the Management Options Programme II related to the shares of Dom Development SA, entitling subscription to 31 000 ordinary shares of Dom Development SA.

On 10 December 2009, 69 000 share options allotted to Mr. Janusz Zalewski under the third tranche of the Management Options Programme II related to the shares of Dom Development SA, entitling subscription to 69 000 ordinary shares of Dom Development SA.

On 10 December 2009, 34 250 share options allotted to Mr. Jerzy Ślusarski under the third tranche of the Management Options Programme II related to the shares of Dom Development SA, entitling subscription to 34 250 ordinary shares of Dom Development SA.

On 10 December 2009, 16 830 share options allotted to Mr. Janusz Stolarczyk under the third tranche of the Management Options Programme II related to the shares of Dom Development SA, entitling subscription to 16 830 ordinary shares of Dom Development SA.

Note 16. Share premium less treasury shares

In the period of twelve months ended 31 December 2009 and 2008 the amount of „Share premium less treasury shares" did not change.

(in PLN; all amounts in thousands unless stated otherwise)

Treasury shares

In the period of twelve months ended on 31 December 2009 and 2008 the Group did not hold any treasury shares.

Note 17. Additional information on shareholders' equity

As at 31 December 2009, 31 December 2008 and 1 January 2008 the Company's shares were not owned by any of its subsidiaries.

There are minority interests in the subsidiaries which are consolidated in full, as the Company does not own 100% of their share capital.

Note 18. Loans and borrowings

Borrowings

As at 31 December 2009, 31 December 2008 and 1 January 2008 the Company did not have any outstanding borrowings.

Loans

LOANS DUE WITHIN	31.12.2009	31.12.2008	01.01.2008
1 year	134 218	62 510	37 005
More than 1 year less then 2 years	94 945	71 663	41 779
More than 2 years less then 5 years	90 000	161 620	-
More than 5 years	-	-	-
Total loans	**319 163**	**295 793**	**78 784**
including: long-term	184 945	233 283	41 779
short-term	134 218	62 510	37 005

As at 31 December 2009, 31 December 2008 and 1 January 2008 all the Group's loans were expressed in Polish Zloty.

Loan liabilities as at 31 December 2009

BANK LOANS SHOWN IN LIABILITIES AS AT 31 DECEMBER 2009						
Bank	**Registered office**	**Amount of loan – as per agreement**	**Currency**	**Outstanding loan amount (less accrued interest)**	**Currency**	**Due date**
BOŚ	Warsaw	100 000	PLN	99 970	PLN	30.06.2011
PKO BP	Warsaw	200 000	PLN	180 000	PLN	31.12.2012
PKO BP	Warsaw	65 000	PLN	39 193	PLN	31.01.2011
Total bank loans shown in liabilities				**319 163**	PLN	

(in PLN; all amounts in thousands unless stated otherwise)

In case the Group holds overdrafts and deposit accounts in the same crediting banks in excess of the overdrafts with deposit accounts payment terms preceding repayment of the overdrafts, the Group presents these overdrafts as a decrease in cash and cash equivalents in these financial statements (see note 13).

BANK LOANS REDUCING ASSETS AS AT 31.12.2009

Bank	Registered office	Amount of loan – as per agreement	Currency	Outstanding loan amount (less accrued interest)	Currency	Due date
BOŚ	Warsaw	40 000	PLN	-	PLN	23.04.2010
PKO BP	Warsaw	40 000	PLN	-	PLN	16.03.2010
Total overdrafts		**80 000**	**PLN**	**-**	**PLN**	

The Company's Management Board estimates that the fair value of the loans and borrowings contracted by the Company is almost equal to their net book value.

Note 19. Liability and assets for a deferred income tax

LIABILITY AND ASSET FOR A DEFERRED INCOME TAX – effect on balance sheet

	31.12.2009	31.12.2008	01.01.2008
Deferred income tax liability			
Foreign exchange differences	39	41	31
Interest accrued	255	380	97
Result on the sale of facilities – without legal ownership transfer agreements	14 755	25 234	41 685
Provision for contractual penalties	-	-	375
Provision for sales revenues	-	-	51
Capitalised financial costs	5 910	3 636	-
Other	74	127	180
Total deferred income tax liability	**21 033**	**29 418**	**42 419**
Accounted for in the financial result	21 033	29 418	42 419
Accounted for in the shareholders' equity	-	-	-
Deferred income tax assets			
Provision for the housing estates costs	128	2 391	4 420
Inventory revaluation	4 823	2 159	1 436
Provision for receivables and other provisions	1 461	1 159	1 882
Provision for employee benefits	950	1 115	837
Provision for other costs	1 260	1 202	933
Financial costs	-	61	241
Other provisions of FM	-	-	821
Consolidation exclusions	673	340	-
Other	52	6	9
Total deferred income tax assets	**9 347**	**8 433**	**10 579**
Accounted for in the financial result	9 347	8 433	10 579
Accounted for in the shareholders' equity	-	-	-

DEFERRED TAX – effect on the consolidated income statement	01.01--31.12.2009	01.01--31.12.2008
Deferred income tax liability		
Foreign exchange differences	(2)	9
Interest accrued	(126)	284
Result on the sale of flats – without legal ownership transfer agreements	(10 478)	(16 461)
Provision for sales revenues	-	(51)
Provision for receivables	-	(375)
Capitalised financial costs	2 275	3 636
Other	(55)	(52)
Total change in deferred income tax liability	**(8 386)**	**(13 010)**
Deferred income tax assets		
Provision for the housing estates costs	(2 263)	(2 028)
Inventory revaluation	2 663	723
Write-offs revaluating the receivables and other reserves	302	(723)
Provision for employee benefits	(165)	278
Provision for costs	59	269
Other provisions of FM	(61)	(180)
Consolidation exclusions	-	(821)
Financial costs	333	340
Other	46	(3)
Total change in deferred income tax assets	**914**	**(2 145)**
Net change in provision/asset for a deferred income tax – effect on the income statement	**(9 300)**	**(10 865)**

Note 20. Bonds

BONDS	31.12.2009	31.12.2008	01.01.2008
Nominal value of the issued bonds	**200 000**	**200 000**	**200 000**
Interest due for payment as at balance sheet date disclosed in the item - Accrued liabilities and deferred income	1 022	1 460	1 251

As at 31 December 2009 one issue of bonds by the Company took place:

On 5 November 2007 the Company and Bank BPH S.A. signed a Bond Issue Program Agreement. During the seven-year term of this program, Dom Development S.A. intends to issue mid-term bonds (with a maturity date exceeding 1 year, but not 7 years) with the total value of no more than PLN 400 000 000, which is to be construed as the nominal value of all issued and unredeemed bonds on any day of the term of the Program. The return on bonds shall depend on the market conditions on the sale date and calculated according to WIBOR 3M + margin. The proceeds from the bonds will be used for financing the development of the Company. The bonds shall be issued in series and offered to selected investors. The Company does not plan to introduce the bonds issued under the program to public trading. The terms of the Agreement with Bank BPH S.A. are typical for such types of programs.

On 28 November 2007, pursuant to the above-mentioned agreement, the Company issued 20 000 I series bonds with the nominal value of PLN 10 000 each and the total nominal value of PLN 200 000 000 under the Bond Issue Program Agreement signed with Bank BPH S.A. on 5 November 2007. The maturity date of these bonds is 28 November 2012 and the interest at WIBOR 3M plus bank commission is payable every three months until the settlement date. The interest becomes due and payable in February, May, August and November during the term of the agreement. The proceeds from the issue of bonds will be used for financing the development of the Company. The bonds are an unsecured liability of the Company.

(in PLN; all amounts in thousands unless stated otherwise)

Note 21. Trade payables and other liabilities

TRADE AND OTHER LIABILITIES	31.12.2009	31.12.2008	01.01.2008
Trade payables	104 280	145 162	120 625
Financial liabilities	-	-	13
Earmarked funds	373	260	231
Other liabilities	183	30	126
Total	**104 836**	**145 452**	**120 995**

Note 22. Short-term tax liabilities

Short-term tax liabilities include mainly social insurance, corporate income tax and personal income tax liabilities.

Note 23. Short-term provisions

SHORT-TERM PROVISIONS	31.12.2009	31.12.2008	01.01.2008
Opening balance	**13 725**	**12 444**	**3 664**
Provisions created in the financial year	8 131	8 247	9 648
Use of provisions in the financial year	(4 487)	(6 966)	(868)
Closing balance	**17 369**	**13 725**	**12 444**

Note 24. Accrued liabilities and deferred income

SHORT-TERM ACCRUED LIABILITIES AND DEFERRED INCOME	31.12.2009	31.12.2008	01.01.2008
Accrued liabilities, in this:	**22 206**	**26 828**	**48 405**
Provision for uninvoiced costs of work in progress	1 416	3 789	11 916
Provision for the costs of housing estates given over for use	11 964	10 388	23 511
Provision for employee benefits	4 742	5 753	4 638
Provision for the costs of property management	406	1 534	3 260
Provision for the costs of interest on loans and bonds	1 861	2 965	1 251
Provision for rent costs	776	1 181	1 586
Other	1 041	1 218	2 243
Deferred income, in this:	**146 312**	**361 960**	**601 390**
Deferred income related to the payments received from customers, not settled to the income statement	146 312	361 960	601 390
Other	-	-	-
Total	**168 518**	**388 788**	**649 795**

Note 25. Benefits after employment

The Company does not have an employee special benefits program after employment is ended.

(in PLN; all amounts in thousands unless stated otherwise)

Note 26. Financial assets and liabilities

Categories of financial assets and liabilities and maximum credit risk exposure

FINANCIAL ASSETS AND LIABILITIES	31.12.2009	31.12.2008	01.01.2008
FINANCIAL ASSETS			
Long-term receivables	2 438	2 910	1 552
Trade receivables	24 464	37 601	29 037
Receivables from related entities	9	5	8
Total borrowings and receivables	**26 911**	**40 516**	**30 597**
Treasury bills and bonds	-	-	-
Other	43	47	593
Financial assets valued at their fair value through the income statement (designated for trading)	**43**	**47**	**593**
Cash in hand and at bank	3 172	5 629	15 048
Bank overdrafts	-	(67 820)	-
Short term deposits	227 632	285 841	259 848
Maximum credit risk exposure	**257 758**	**264 213**	**306 086**
FINANCIAL LIABILITIES			
Loans	319 163	295 793	78 785
Bonds issued	200 000	200 000	200 000
Trade liabilities	104 280	145 162	120 638
Financial liabilities valued at the depreciated cost	**623 443**	**640 955**	**399 423**

Note 27. Managing the Financial Risk

The Group is exposed to the following types of the financial risk

- Market Risk (interest rate risk)
- Credit Risk
- Liquidity Risk

Market Risk

The market risk is a type of risk which reflects the influence of changes in such market prices as currency exchange rates, interest rates or prices of capital instruments on the Company's revenues or on the value of financial instruments held.

The market risk mainly includes such risks as:

- currency risk
- interest rate risk

Currency risk
If there are significant foreign currency items, the Group applies foreign currency derivative instruments (forward and swap) to hedge its significant F/X transactions.

As at 31 December 2009, 31 December 2008 and 1 January 2008 the Group did not have any significant assets, liabilities and future payments in foreign currencies, therefore there was no need to conclude hedging currency derivatives.

(in PLN; all amounts in thousands unless stated otherwise)

Interest rate risk

The fixed interest rate bank loans expose the Group to the risk of the interest rate fair value. The variable interest rate loans and borrowings result in the cash flow risk.

According to the current financing structure the Group does not have fixed rate loans. Currently, the Group has only short- and medium-term variable interest rate loans and bonds, which result in the exposure to the cash flow risk.

Furthermore, the Group has short-term bank deposits, treasury bills, and long-term treasury bonds which bear variable interest, the profit from which depends on the change of benchmark interest rates and partially offsets the risk of the cash flow risk on account of financing.

As at the balance sheet date the Group did not have variable interest rate long-term financial instruments.

The structure of variable interest rate financial instruments as at the balance sheet date is as follows:

	31.12.2009	**31.12.2008**	**01.01.2008**
VARIABLE INTEREST RATE INSTRUMENTS			
Financial assets *)	227 632	285 841	259 848
Financial liabilities *)	519 163	563 613	278 785
Total, net	**(291 531)**	**(277 772)**	**(18 937)**

*) the financial liabilities includes bank overdrafts disclosed in the financial statements as a decrease of assets.

Interest bearing financial assets, i.e. bank deposits, treasury bills and bonds, are disclosed as financial assets. Interest bearing financial liabilities, i.e. loans, own bonds and financial leasing liabilities, are disclosed as financial liabilities.

Analysis of cash flow sensitivity to interest rate changes.

A 100-basis point (bp) change in the interest rate of instruments as at the balance sheet date would increase (decrease) the net assets and income statement by the amounts listed in the table below. The analysis prepared for 12-month periods ended 31 December 2009, 31 December 2008 and 1 January 2008 assumes that all other variables remain unchanged.

	Income statement		**Net assets**	
	Increase by 100 bp	Decrease by 100 bp	Increase by 100 bp	Decrease by 100 bp
31 December 2009				
Variable interest rate assets	1 844	(1 844)	1 844	(1 844)
Variable interest rate liabilities*	(1 402)	1 402	(1 402)	1 402
Net sensitivity	**442**	**(442)**	**442**	**(442)**
31 December 2008				
Variable interest rate assets	2 315	(2 315)	2 315	(2 315)
Variable interest rate liabilities *	(1 522)	1 522	(1 522)	1 522
Net sensitivity	**793**	**(793)**	**793**	**(793)**
1 January 2008				
Variable interest rate assets	2 105	(2 105)	2 105	(2 105)
Variable interest rate liabilities *	(753)	753	(753)	753
Net sensitivity	**1 352**	**(1 352)**	**1 352**	**(1 352)**

* The financial costs which are related to loans and bonds are capitalized by the Company to work-in-progress. Such costs are gradually moved to the income statement together with the manufacturing costs of the inventories sold. It has been assumed in the above analysis that one third of the financial costs calculated and capitalized in a given period is disclosed in the income statement together with the manufacturing costs of the sold inventories of a given period and the remaining part of the costs remains in the inventories and will be disclosed in the income statement in the following accounting periods.

(in PLN; all amounts in thousands unless stated otherwise)

Credit risk

Cash at bank, cash on hand, trade receivables, other receivables and investments constitute the Company's main financial assets, and represent its highest exposure to credit risk in relation to financial assets.

The Company's credit risk is mostly related to trade receivables. The amounts presented in the balance sheet are net amounts and include write-offs revaluating bad debts valued by the Company's Management on the basis of previous experiences and analysis of the current economic environment.

Credit risk relating to the liquid funds and derivative financial instruments is limited since the transactions were concluded with reputable banks, which have been awarded with good credit ratings by international rating agencies.

The Group has no significant concentration of credit risk. The risk is spread over a large number of partners and customers. Furthermore, it has to be pointed out that the receivables from the main activity of the Company, i.e. the sale of apartments and detached houses, are fully secured because release of the sold product takes place after the purchasers have paid the full price as set out in the preliminary sales agreement.

The aging structure of sales receivables has been presented in note 8 "Trade receivable and other receivables".

Liquidity risk

The liquidity risk is the risk that the Group will not be able to pay its financial liabilities when they become due. The Company's objective is to ensure, to the highest possible extent, that its liquidity will always be maintained at the level which enables paying the financial liabilities when they become due, without incurring unacceptable losses or facing the risk of jeopardizing the Company's reputation.

The table below presents the Company's financial liabilities as divided into the maturity dates set out in the contracts:

	Balance-sheet value	0 - 6 months	6-12 months	1 – 2 years	2 – 5 years
31 December 2009					
Liabilities on account of loans	319 163	84 193	50 025	94 945	90 000
Own bonds issued	200 000	-	-	-	200 000
Trade liabilities	102 860	70 011	9 826	1 852	21 171
Financial leasing liabilities	1 420	355	355	473	237
Total	**623 443**	**154 559**	**60 206**	**97 270**	**311 408**
31 December 2008					
Liabilities on account of loans	295 793	22 897	39 613	71 663	161 620
Own bonds issued	200 000	-	-	-	200 000
Trade liabilities	142 904	105 962	9 905	13 190	13 847
Financial leasing liabilities	2 258	565	565	753	375
Total	**640 955**	**129 424**	**50 083**	**85 606**	**375 842**
1 January 2008					
Liabilities on account of loans	78 785	22 656	14 350	41 779	-
Own bonds issued	200 000	-	-	-	200 000
Trade liabilities	118 079	75 073	17 997	3 268	21 741
Financial leasing liabilities	2 559	640	640	853	426
Total	**399 423**	**98 369**	**32 987**	**45 900**	**222 167**

(in PLN; all amounts in thousands unless stated otherwise)

The Company's liquidity management is mainly exercised by:

- short-, medium- and long-term planning of cash flow; detailed short-term plans are updated at least on a monthly basis,
- selection of appropriate sources of financing on the basis of analysis of the Company needs and market analysis,
- day-to-day monitoring of ratios resulting from agreements with banks,
- diversification of sources of financing of the conducted developer activity.
- co-operation with reputable financial institutions.

Managing the capital

The policy of the Management Board assumes maintaining a strong capital basis in order to secure the trust of investors, creditors and the market as well as to ensure further growth of the Company.

For the years ended 31 December 2009 and 2008 the return on equity (calculated as net profit to the annual average value of shareholders' equity) amounted to 12% and 39%, respectively. In that period the average weighted cost of interest on the Company's debt amounted to 6.32% in 2009 and 7.25% in 2008.

The Group does not have a defined plan of buy-out of the treasury shares.

Neither the Company nor its subsidiaries is subject to any external capital requirements with the exception of legal requirements of the Commercial Companies Code.

Note 28. Earnings per share

CALCULATION OF BASIC AND DILUTED EARNINGS PER SHARE	01.01-31.12.2009	01.01-31.12.2008
Basic earnings per share		
Profit for calculation of the basic earnings per share	80 207	224 277
The weighted average number of common shares of the Company for the calculation of the basic earnings per share	24 560 222	24 560 222
Basic earnings per share (PLN)	**3.27**	**9.13**
Diluted earnings per share		
Theoretical profit for the calculation of diluted earnings per share	80 207	224 277
Potential diluting shares related to Management Share Options Programme II	87 236	6 787
The weighted average number of common shares of the Company for the calculation of the basic earnings per share	24 647 458	24 567 009
Diluted earnings per share (PLN)	**3.25**	**9.13**

As the Company has no discontinued operations, the earnings per share from the continued operations equal the earnings per share calculated above.

(in PLN; all amounts in thousands unless stated otherwise)

Note 29. Income tax

INCOME TAX	01.01-31.12.2009	01.01-31.12.2008
Current income tax	29 847	67 361
Deferred income tax	(9 300)	(10 865)
Total	**20 547**	**56 496**

The table below presents the difference between the income tax calculated as the product of the gross profit before taxation and taxation at the statutory tax rate and the actual income tax expense accounted for in the income statement of the Company.

RECONCILIATION	01.01-31.12.2009	01.01-31.12.2008
Gross profit before taxation	100 753	280 765
Income tax rate of 19%	19 143	53 345
Permanent differences not subject to the current and deferred tax in the consolidated financial statements	489	1 863
Share Options valuation charge being a permanent differences for tax calculation	915	1 288
Other	-	-
Dividend received	-	-
Actual income tax expense	20 547	56 496
Effective tax rate	**20.39%**	**20.12%**

Because of frequent changes in the tax system, the legal regulations relating to VAT, corporate income tax, personal income tax and social insurance premiums are subject to regular modifications. Binding regulations are unclear, resulting in differences of interpretation between various tax authorities, as well as between tax authorities and tax payers.

The tax and other settlements (such as customs duty or transactions with foreign entities) may be the subject of inspections by the tax authorities or other authorities authorised to impose significant fines. All tax arrears uncovered in the course of inspections are subject to high interest charges. Tax settlements may be inspected at any time within 5 years from the end of the accounting period to which they pertain. Under these conditions the tax risk in Poland is considerably higher than in other countries with stable tax systems.

Note 30. Segment reporting

The Group does not conduct segment reporting as its activities take place within a single segment.

Note 31. Operating income

SALES REVENUES BY KIND	01.01-31.12.2009	01.01-31.12.2008
Sales of finished goods	687 893	863 285
Sales of services	14 838	19 158
Sales of goods for resale (land)	1 632	1 271
Total	**704 363**	**883 714**

(in PLN; all amounts in thousands unless stated otherwise)

Note 32. Operating costs

OPERATING COSTS	01.01-31.12.2009	01.01-31.12.2008
Cost of sales		
Cost of finished goods sold	(493 434)	(489 239)
Cost of services sold	(12 819)	(16 463)
Cost of land sold	(1 858)	(1 036)
Total cost of sales	**(508 111)**	**(506 738)**
Selling costs and general administrative expenses		
Selling costs	(22 266)	(30 002)
General administrative expenses	(43 096)	(61 914)
Total selling costs and general administrative expenses	**(65 362)**	**(91 916)**
Selling costs and general administrative expenses by kind		
Depreciation	(2 428)	(2 420)
Cost of materials and energy	(6 959)	(8 430)
External services	(17 035)	(26 674)
Taxes and charges	(380)	(883)
Wages and salaries	(28 196)	(38 568)
Social security and other benefits	(3 270)	(4 843)
Management Options Programme	(4 818)	(6 780)
Other costs by kind	(2 276)	(3 318)
Total selling costs and general administrative expenses by kind	**(65 362)**	**(91 916)**

Note 33. Payroll costs

AVERAGE MONTHLY EMPLOYMENT (including management staff)	01.01-31.12.2009	01.01-31.12.2008
Individual personnel categories (number of staff)	**140**	**188**
White-collar workers	140	188
Blue-collar workers	-	-
General remuneration elements (PLN):	**31 466**	**43 411**
Wages and salaries	28 196	38 568
Social security and other benefits	3 270	4 843

Note 34. Other operating income

OTHER OPERATING INCOME	01.01-31.12.2009	01.01-31.12.2008
Revenues from contractual penalties, arrangements and compensations	2 737	3 082
Release of provisions for costs	3 946	3 187
Release of provision for receivables	-	-
Revaluation of fixed assets	-	-
Other	565	390
Total	**7 248**	**6 659**

(in PLN; all amounts in thousands unless stated otherwise)

Note 35. Other operating expenses

OTHER OPERATING EXPENSES	01.01-31.12.2009	01.01-31.12.2008
Provision for penalties and arrangements with clients	297	-
Donations	92	160
Receivables written off	2 240	1 069
Provision for remuneration	59	306
Provision for disputes	4 087	293
Provision for other costs	130	1 635
Inventory write-off	14 013	7 175
Fixed assets write-off	-	-
Cost of repairs (including provision)	4 579	4 791
Cost of research and abandoned projects	604	2 126
Other	880	643
Total	**26 981**	**18 198**

Note 36. Financial income

FINANCIAL INCOME	01.01-31.12.2009	01.01-31.12.2008
Dividend received	-	-
Interest received	2 952	12 019
Other	187	84
Total	**3 139**	**12 103**

Note 37. Financial costs

FINANCIAL COSTS	01.01-31.12.2009	01.01-31.12.2008
Interest on loans and bonds (not capitalised portion)	11 604	3 744
Other interest	302	177
Foreign exchange differences	116	20
Mortgage loans insurance	2	25
Commissions and fees	1 313	596
Other	206	297
Total	**13 543**	**4 859**

Note 38. Costs relating to interest

COSTS RELATING TO INTEREST	01.01-31.12.2009	01.01-31.12.2008
Financial costs (interest) capitalised under work in progress *	15 768	20 729
Value of financial costs (interest) accounted for in the income statement	11 604	3 744
Total value of the financial costs incurred on account of interest	**27 372**	**24 473**

* The financial costs incurred as a result of the financing of investment projects are generally capitalised in line with work in progress and relate to the costs of interest, fees and other charges on bonds and loans taken out for the execution of investment projects. This amount consists of the difference between financial costs on the above mentioned sources of financing and financial income obtained as a result of investing free cash resources into short-term deposits and similar financial instruments.

(in PLN; all amounts in thousands unless stated otherwise)

Note 39. Transactions with related entities

In the twelve-month periods ended 31 December 2009, 2008 and 2007 the Group was a party to the transactions with related entities, as listed below. Descriptions of transactions have been presented in the form of tables. In exceptional cases, descriptions of particular agreements or explanations have also been provided in a descriptive form. Due to the Company's turnover, it has been assumed that in the event in which transactions with a given related entity did not exceed in any of the presented periods PLN 100 thousand, the transactions have been omitted in the summary.

Dom Development S.A. as a buyer of goods or services

Counterparty	Transaction description	01.01-31.12.2009	01.01-31.12.2008	01.01-31.12.2007
Woodsford Consulting Limited.............	Consulting services as per agreement dated 1 February 2000, with further amendments	1 684	1 773	1 903
Hansom Property Company Limited......	Consulting services as per agreement dated 31 March 1999	240	212	193
Towarzystwo Ubezpieczeń Wzajemnych „Bezpieczny Dom"	Insurance of financial losses risk	(40)	475	1 225
Dom Development Grunty	Services as per Annex to agreement dated 12 April 2007	85	85	128
Fort Mokotów sp. z o.o.	Real estate management	-	-	5 586
Fort Mokotów sp. z o.o.......................	Other	(2)	145	175

Dom Development S.A. buying land as part of an agency agreement

Counterparty	Transaction description	01.01-31.12.2009	01.01-31.12.2008	01.01-31.12.2007
Dom Development Grunty sp. z o.o.	Amounts of advances transferred to Dom Development Grunty Sp. z o.o. for the purchase of land as part of mandate contracts	301	10 267	55 548
Dom Development Grunty sp. z o.o.	Value of land transferred to Dom Development S.A. as part of mandate contracts	-	47 381	13 853

Dom Development S.A. providing services (seller) – the value of services invoiced during the period

Counterparty	Transaction description	01.01-31.12.2009	01.01-31.12.2008	01.01-31.12.2007
Fort Mokotów sp. z o.o.	General Project Execution agreement dated 15 April 2002	-	-	212
Fort Mokotów sp. z o.o.	The sales commission agreement and agreement for provision of advertising and marketing services dated 15 April 2002	600	650	1 964
Fort Mokotów sp. z o.o.	Repair services based on agreement dated 22 July 2005	144	156	120
Fort Mokotów sp. z o.o.	Real estate management services	-	10	876
Fort Mokotów sp. z o.o.	Other	27	115	123

(in PLN; all amounts in thousands unless stated otherwise)

Dom Development S.A. as a party paying a dividend

Counterparty	Transaction description	01.01-31.12.2009	01.01-31.12.2008	01.01-31.12.2007
Dom Development BV	Dividend (gross)	12 397	31 613	2 324

Dom Development S.A. as a party receiving a dividend

Counterparty	Transaction description	01.01-31.12.2009	01.01-31.12.2008	01.01-31.12.2007
Fort Mokotów sp. z o.o.	Dividend (gross)	6 370	-	29 400

Dom Development S.A. as the payer of additional contribution to the capital

Counterparty	Transaction description	01.01-31.12.2009	01.01-31.12.2008	01.01-31.12.2007
Dom Development Na Dolnej Sp. z o.o.	Payment to cover the loss /additional payment to capital	-	30	-
PTI Sp. z o.o.	Payment to cover the loss /additional payment to capital	-	-	12
Towarzystwo Ubezpieczeń Wzajemnych „Bezpieczny Dom”	Repayment of additional payment to capital to cover the loss	175	-	-
Dom Development Zarządzanie Nieruchomosciami Sp. z o.o.	Repayment of additional payment to capital to cover the loss	49	-	-

Balances with related entities

Balances as in the books of the Company

	Receivables			Liabilities		
Entity	**31.12.2009**	**31.12.2008**	**31.12.2007**	**31.12.2009**	**31.12.2008**	**31.12.2007**
Total balance...	**57 122**	**56 833**	**87 604**	**173**	**3**	**1 530**
Balances below PLN 100,000	15	9	28	1	3	11
Balances over PLN 100,000...........................	57 107	56 824	87 576	172	-	1 519
Subsidiaries	**57 028**	**56 727**	**87 576**	**-**	**-**	**-**
Dom Development Morskie Oko sp. z o.o. additional contributions to capital..................	1 147	1 147	1 147	-	-	-
Dom Development Grunty sp. z o.o.	55 881	55 580	86 429	-	-	-
Associated entities................................	**79**	**97**	**-**	**-**	**-**	**1 268**
Fort Mokotów sp. z o.o.	79	97	-	-	-	1 268
Other entities..	**-**	**-**	**-**	**172**	**-**	**251**
Woodsford Consulting Limited.......................	-	-	-	172	-	251

(in PLN; all amounts in thousands unless stated otherwise)

Agreements relating to the sale of apartments by the Company to management personnel and their relatives

Related person	Date	Description	Value of agreement with the Company (PLN)
Jarosław Szanajca and Iwona Jackowska-Szanajca	28.04.2009	Transfer agreement of rights and obligations for promissory sale agreement concerning residential facilities, one utility room and two parking spaces in investment „Patria"	557 743.75
Michał Jackowski	11.08.2009	Sales agreement concerning the above mentioned residential facilities, one utility room and two parking spaces in investment „Patria".	
Marek Dalba and Krystyna Dalba	06.05.2009	Transfer agreement of rights and obligations for participation in a promissory sale agreement concerning two parking spaces in investment „Kasztanowa Aleja I".	4 000.00
Zygmunt Kostkiewicz	18.06.2009	Sales agreement concerning participation in a joint ownership of land with rights to exclusive use of part of the real estate consisting of two parking spaces in investment „Akacje V".	600.00
Jacek Orkisz and Agnieszka Orkisz	25.06.2009	Termination of promissory sale agreement concerning residential facilities, one parking space with utility room, and one parking space in investment „Grzybowska"	1 389 800.10

Other information concerning the related entities

Dom Land Sp. z o.o. as a company related in the form other than by means of capital participates as a shareholder of Dom Development Grunty Sp. z o.o in the purchase of land which later becomes a part of projects developed by Dom Development S.A. The transactions between the related entities are conducted according to the arm's length principle.

Note 40. Incentive plan – Management Options Programme

As at 31 December 2009 there was one active Management Option Programme adopted as part of the Incentive Scheme for the Management staff of the Company.

Name of the Programme	Share options in the programme (number of shares)	Allocated options (number of shares)	Exercised options (number of shares)	Share options in the programme (number of shares)	Allocated options (number of shares)	Exercised options (number of shares)
	31.12.2009			31.12.2008		
Programmes completed as at 31.12.2009						
Programme I	413 100	413 100	413 100	413 100	413 100	413 100
Programme I B	92 500	92 500	82 750	92 500	92 500	-
Programme active as at 31.12.2009						
Programme II	726 000	726 000	-	726 000	565 475	-

In 2009 the number of share options allotted under Programme II increased due to allotment of 229 025 share options under the next tranche of this programme (increase of allotted share options) and simultaneous decrease of 68 500 share options due to the termination of employment contracts with a several employees who were under Programme II.

Programme I B

On 22 March 2006 the Supervisory Board of Dom Development S.A. adopted the provisions of Management Options Programme I A related to E series shares of Dom Development S.A. („Programme I A"). According to the provisions of Programme I A, the eligible persons to whom Programme I A was directed and who entered into the preliminary agreement for the sale of shares have the right to demand that the Company enter with such an eligible person into the agreement for the sale of shares during the option period, i.e. at the date indicated by the eligible person, which, however, cannot be earlier than 22 March 2009 and later than 22 March 2013, under terms and conditions set forth in the agreement with such an eligible person and in Programme I A. The Programme covers 96 750 shares of the Company. All the shares were offered to the members of the management staff of the Company in May 2006.

The value of the share options as at the date of allotting them, calculated on the basis of the Black-Scholes-Merton amounted to PLN 4 555 thousand. This value was proportionately carried to the income statement for the period of three years.

Programme II

The Management Share Options Programme II concerns 726 000 shares of Dom Development S.A. („Programme II"). Under Programme II a number of issues of shares took place with the nominal value of PLN 1.00 each („Tranche"). The allocation of options is conducted by the Supervisory Board in the form of a resolution. The day of adopting the resolution on allocating the options by the Supervisory Board shall be the day of allocating the options („Allocation Date"). A resolution of the Supervisory Board shall determine the persons eligible to participate in Programme II together with the number and the issue price of shares for each of these persons.The price at which the shares may be purchased when the option granted under the Programme is exercised amounts to PLN 114.48. The Company shall confirm the allocation of options for taking up a given number of shares at a given price and at a given date („Option") to those who have accepted participation in Programme II. The Supervisory Board may determine additional terms and conditions to be fulfilled in order to exercise the options. The option cannot be exercised earlier than after the lapse of 3 years from its allocation and later than after the lapse of 7 years from its allocation. In order to execute Programme II, on 10 August 2006 the General Meeting authorized the Management Board to increase the Company's share capital as part of the authorized capital and to issue the subscription warrants which enable the execution of the right to subscribe for the Company's shares in the period of 3 years from the date on which the change of the Articles of Association. According to Programme II, after the Allocation Date for a given Tranche, should the need arise, the Management Board will propose the General Meeting to adopt the resolution in respect of changing the Articles of Association and renewing the authorization of the Management Board, for the period of 3 years since the date of registration of the change in the Articles of Association, to increase the share capital by a maximum of 726 000 shares less the shares which have already been issued pursuant to Programme II and covered by the target capital, to exclude the pre-emptive right of current shareholders upon receiving the consent of the Supervisory Board and to issue subscription warrants.

On 6 December 2006 the Supervisory Board of Dom Development S.A. adopted a resolution with respect to naming the persons authorized to participate in the Management Share Options Programme II concerning 726 000 shares of Dom Development S.A. as well as the number and the price of the said shares for each of those persons. Pursuant to the foregoing resolution 234 538 options for the Company's shares were allocated. The value of the options as at the day when they were allocated was calculated on the basis of the Black-Scholes-Merton model and amounted to PLN 14 273 thousand. This value, decreased by the value of expired options, was evenly accounted for in the income statement within the period of three years.

On 7 December 2007 the Management Board of Dom Development S.A. adopted a resolution in respect of naming the persons authorized to participate in the second tranche of Management Share Options Programme II concerning 726 000 shares of Dom Development S.A. as well as the number and the price of the said shares for each of those persons. Pursuant to the foregoing resolution another 242 000 options for the Company's shares were allocated. The value of the options as at the day when they were allocated was calculated on the basis of the Black-Scholes-Merton model and amounted to PLN 9 970 thousand. This value, decreased by the value of expired options, is evenly accounted for in the income statement within the period of three years.

(in PLN; all amounts in thousands unless stated otherwise)

On 10 December 2007 the Management Board of Dom Development S.A. adopted a resolution in respect of naming the persons authorized to participate in the second tranche of Management Share Options Programme II concerning 726 000 shares of Dom Development S.A. as well as the number and the price of the said shares for each of those persons. Pursuant to the foregoing resolution another 242 000 options for the Company's shares were allocated. The value of the options as at the day when they were allocated was calculated on the basis of the Black-Scholes-Merton model and amounted to PLN 2 047 thousand. This value, decreased by the value of expired options, is evenly accounted for in the income statement within the period of three years.

On 15 December 2008 the Management Board of Dom Development S.A. adopted a resolution to allot 31 000 options of Management Share Options Programme II concerning 726 000 shares of Dom Development S.A. as well as the price of the said shares. Pursuant to the foregoing resolution the options were allotted to Mr. Janusz Zalewski, Vice-President of The Management Board.

The fair value of the above mentioned options which may be changed into shares was estimated as at the day of allocating the options by means of a model based on the Black-Scholes-Merton, taking into account the conditions existing at the date of allocating the options. The following are preliminary assumptions to the model for the valuation of these options allocated under the Programme II:

Dividend rate (%)	3.12
Anticipated volatility rate (%)	52.75
Risk-free interest rate (%)	4.36
Anticipated period of option exercise (in years)	4.00
Share exercise price (PLN)	16.97
Current share price (PLN)	18.02

The value of the options as at the day when they were allocated was calculated on the basis of the foregoing model and assumptions and amounted to PLN 215 thousand. This value is evenly accounted for in the income statement within the period of three years.

On 10 December 2009 the Management Board of Dom Development S.A. adopted a resolution in respect of naming the persons authorized to participate in the second tranche of Management Share Options Programme II concerning 726 000 shares of Dom Development S.A. as well as the number and the price of the said shares for each of those persons. Pursuant to the foregoing resolution another 198 025 options for the Company's shares were allocated.

The fair value of the above mentioned options which may be changed into shares was estimated as at the day of allocating the options by means of a model based on the Black-Scholes-Merton, taking into account the conditions existing at the date of allocating the options. The following are preliminary assumptions to the model for the valuation of the options allocated under this tranche of the Programme II:

Dividend rate (%)	1.86
Anticipated volatility rate (%)	59.64
Risk-free interest rate (%)	4.00
Anticipated period of option exercise (in years)	3.00
Share exercise price (PLN)	40.64
Current share price (PLN)	43.43

The value of the options as at the day when they were allocated was calculated on the basis of the foregoing model and assumptions and amounted to PLN 3 533 thousand. Such value, decreased by the value of expired options, is evenly accounted for in the income statement within the period of three years.

Within the twelve month periods which ended on 31 December 2009 and 2008 the following amounts were accounted for in the income statement: PLN 4 818 thousand and PLN 6 780 thousand respectively.

(in PLN; all amounts in thousands unless stated otherwise)

Share options allocated and possible to be exercised as at respective balance sheet dates and changes in the presented periods.

SHARE OPTIONS		01.01- -31.12.2009	01.01- -31.12.2008
Options unexercised at the beginning of the period	**Amount**	**657 975**	**532 700**
	Total exercise price	**44 290**	**50 498**
Options allocated in a given period	Amount	229 025	242 000
	Total option execution value	8 574	3 608
Options expired in a given period	Amount	68 500	116 725
	Total option execution value	5 370	9 816
Options exercised in a given period	Amount	-	-
	Total option execution value	82 750	-
	Weighted average exercised price per one share	504	-
Options unexercised at the end of the period	**Amount**	**735 750**	**657 975**
	Total exercise price	**46 990**	**44 290**
Options possible to exercise at the beginning of the period	Amount	-	-
	Total exercise price	-	-
Options possible to be exercised at the end of the period	Amount	159 150	-
	Total exercise price	17 163	-

Structure of share options allocated and not exercised as at 31 December 2009:

Programme	Amount of options	Exercise price per option (PLN)
Programme I B	9 750	6.10
Programme II	310 800	114.48
Programme II	186 175	14.91
Programme II	31 000	16.97
Programme II	198 025	40.64
Total	**735 750**	

Note 41. Remuneration of members of the Company's management and supervisory governing bodies

Remuneration	01.01- -31.12.2009	01.01- -31.12.2008
1. The Management Board		
Remuneration *)	3 732	5 999
In this: payment out of profit	-	-
2. The Supervisory Board:		
Remuneration	792	622

*) The remuneration includes remuneration in Fort Mokotów Sp. z o.o. in the amount of PLN 12 thousand.

(in PLN; all amounts in thousands unless stated otherwise)

The composition of the Management Board and the Supervisory Board as at 31 December 2009 has been presented in note 44.

Service agreements between members of the management and supervisory bodies and the Company or its subsidiaries defining the benefits to be paid upon termination of the employment contracts

Members of the Company's Management Board: Jarosław Szanajca, Janusz Zalewski, Janusz Stolarczyk and Jerzy Ślusarski are employed by the Company on the basis of employment contracts.

Under the provisions of employment contracts, the employment relationship with individual members of the Management Board may be terminated pursuant to the following conditions:

Executive Name	Period of notice of termination contract (months)		Note	
	Company to Employee	Employee to Company		
Szanajca Jarosław	8		First payment of 50% of 8-times monthly remuneration to be paid after giving a termination notice	The balance of 50% to be paid in 5 equal monthly payments
Ślusarski Jerzy	6		No special clauses in the contract	
Janusz Zalewski	6		No special clauses in the contract	
Stolarczyk Janusz	9	3	First payment of 50% of 9-times monthly remuneration to be paid after giving a termination notice	The balance of 50% to be paid in 8 equal monthly payments

Note 42. Contingent liabilities

CONTINGENT LIABILITIES	**31.12.2009**	**31.12.2008**
Guarantees	102	9 904
Sureties	1 092	1 109
Total	**1 194**	**11 013**

Additionally some of the Company's liabilities are secured with bills of exchange:

CONTINGENT LIABILITIES	**31.12.2009**	**31.12.2008**
Bills of exchange, including:		
– bills of exchange constituting an additional guarantee for BOŚ bank in respect of claims arising from the granted loan	140 000	140 000
– bills of exchange constituting an additional guarantee for PKO BP bank in respect of claims arising from the granted loan	105 000	47 241
– bills of exchange constituting an additional guarantee for BOŚ bank in respect of claims arising from the trilateral contract on insurance of loan guarantees of the Company's clients	2 000	2 000
– bills of exchange constituting other guarantees	-	1 452
Total	**247 000**	**190 693**

(in PLN; all amounts in thousands unless stated otherwise)

Note 43. Material court cases as at 31 December 2009

The largest proceeding concerning the Company's receivables is the enforcement proceeding of the Company's petition of 20 January 2009 against Erabud Sp. z o.o. with its registered seat in Warsaw, in order to enforce an amount of 35% of the gross price value of real estate i.e. PLN 22 672 thousand paid to Erabud Sp. z o.o. on the basis of a preliminary purchase agreement dated 4 January 2008 and relating to the purchase of real estate in Józefosław, municipality Piaseczno, of surface 88 495 square-meters.

The largest proceeding concerning the Company's obligations is closely related with the above–mentioned enforcement proceedings. This is the matter of the action of Erabud Sp. z o.o. with its registered seat in Warsaw, for the performance of the above–mentioned preliminary purchase agreement dated 4 January 2008. A statement of claim of Erabud Sp. z o.o. dated 26 September was served to the Company on 8 October 2009. The value of the dispute amounts to PLN 64 778 thousand and is identical to the total gross price for the above-mentioned real estate, as specified in the said preliminary agreement.

In the opinion of the Management Board of the Company, the above-mentioned statement of claim is unfounded. The Company effectively withdrew from the said preliminary agreement on 17 September 2008. Then, in the absence of Erabud Sp. Z o.o.'s voluntary reimbursement of the downpayment in the amount of PLN 22 672 thousand, the Company has started the said procedure for enforcement with the court enforcement officer.

Other proceedings involving entities of the Group have no significant impact for the Company's and Group's activity.

Note 44. Changes of the composition of the Management Board and the Supervisory Board of the Company

In 2009 there were no changes to the composition of the Management Board or the Supervisory Board

Composition of the Management Board

As at 31 December 2009 the Management Board was composed of 5 members:

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

Composition of the Supervisory Board

As at 31 December 2009 the Supervisory Board was composed of 7 members:

Grzegorz Kiełpsz	– Chairman of the Supervisory Board
Zygmunt Kostkiewicz	– Vice-Chairman of the Supervisory Board
Richard Reginald 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

(in PLN; all amounts in thousands unless stated otherwise)

Note 45. Additional information on the operating activity of the Company

In the period of twelve months ended 31 December 2009 the following material changes in the portfolio of the Company's investments under construction took place:

The projects finished in 2009

Project	Decision on the use permit	Segment	Number of apartments
Regaty I phase 1	I Q 2009	Popular	148
Regaty I phase 2	I Q 2009	Popular	242
Derby 18	II Q 2009	Popular	82
Derby 13	II Q 2009	Popular	174
Regaty II phase 9	III Q 2009	Single family	88
Laguna II	III Q 2009	Single family	26
Róża Wiatrów	III Q 2009	Popular	184
Derby 16	III Q 2009	Popular	276
Akacje 11	III Q 2009	Popular	77
Regaty I phase 3	IV Q 2009	Popular	166
Grzybowska	IV Q 2009	Apartments of higher standard	287

Commenced projects, i.e. projects with the commenced construction and sale phases:

Project	Commencement of construction and sale	Segment	Number of apartments
Derby 9	IV Q 2009	Popular	258
Saska 1 phase 1	IV Q 2009	Popular	325

Note 46. Material post-balance sheet events

There were no material post-balance sheet events in the period between the balance sheet day and the day on which these financial statements were prepared.

Nota 47. Approval of the financial statements for 2008 and the distribution of profit

On 21 May 2009 the Ordinary General Meeting of the Shareholders of Dom Development S.A. approved the financial statements of Dom Development S.A. for the year ended on 31 December 2008, the report of the Management Board on the activities of Dom Development S.A. in 2008, the consolidated financial statements of Dom Development S.A. Capital Group for the year ended on 31 December 2008 and the report of the Management Board on the activities of Dom Development S.A. Capital Group in 2008, as presented by the Management Board. The Ordinary General Meeting of the Shareholders granted to the Management of the Company an acknowledgement of fulfilment of their duties for the year 2008.

The Ordinary General Meeting of the Shareholders of Dom Development S.A. allotted a part of the Company's net profit for 2008 in the amount of PLN 19 648 177.60 i.e. PLN 0.80 per share for the payment of dividend to shareholders of the Company, and a part of net profit in the amount of PLN 122 514 153.74 to increase the Company's reserve capital. The dividend day was set at 9 June 2009 and the day of payment of the dividend was set at 24 June 2009. The dividend was paid on the agreed date.

(in PLN; all amounts in thousands unless stated otherwise)

Note 48. Forecasts

The Management Board of Dom Development S.A. does not publish any financial forecasts in relation to the holding company nor the Group.

Note 49. Selected financial data translated into EURO

In compliance with the reporting requirements the following financial data of the Company have been translated into EURO:

SELECTED DATA FROM THE BALANCE SHEET	**31.12.2009**	**31.12.2008**	**1.01.2008**
	thousand EURO	thousand EURO	thousand EURO
Total current assets	381 845	417 912	444 375
Total assets	386 480	422 920	450 483
Total shareholders' equity	182 236	163 764	140 240
Long-term liabilities	98 821	110 950	79 554
Short-term liabilities	105 423	148 206	230 689
Total liabilities	204 244	259 156	310 243
PLN/EURO exchange rate as at the balance sheet date...	*4.1082*	*4.1724*	*3.5820*

SELECTED DATA FROM THE INCOME STATEMENT	**01.01--31.12.2009**	**01.01--31.12.2008**
	thousand EURO	thousand EURO
Sales revenue	162 273	250 195
Gross profit on sales	45 213	106 729
Operating profit	25 608	77 439
Profit before tax	23 211	79 490
Profit after tax	18 477	63 495
Average PLN/EURO exchange rate for the reporting period	*4.3406*	*3.5321*

Warsaw, 10 March 2010

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 R. Roydon
Member of the Management Board