DOM DEVELOPMENT S.A.

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED ON 31 DECEMBER 2010

PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS

(all amounts in thousands PLN unless stated otherwise)

I. CONSOLIDATED BALANCE SHEET

ASSETS	Note	31.12.2010	31.12.2009
Fixed assets			
Intangible fixed assets	6	852	717
Tangible fixed assets	7	4 611	5 455
Investments in associated entities	9	1 667	1 014
Long-term receivables	10	15 791	2 438
Long-term deferred costs		-	74
Total fixed assets		**22 921**	**9 698**
Current assets			
Inventory	11	1 118 968	1 305 117
Trade and other receivables	12	43 752	27 652
Other current assets	14	3 417	4 985
Cash and cash equivalents	13	434 691	230 847
Total current assets		**1 600 828**	**1 568 601**
Total assets		**1 623 749**	**1 578 299**

EQUITY AND LIABILITIES	Note	31.12.2010	31.12.2009
Shareholders' Equity			
Share capital	15	24 560	24 560
Share premium		231 535	231 535
Reserve capital from valuation of share options		22 610	18 726
Other capital (supplementary capital)		453 943	388 361
Reserve capital from reducing the share capital		510	510
Accumulated, unappropriated profit (loss)		40 323	85 138
Equity attributable to the equity holders of the holding company		**773 481**	**748 830**
Non-controlling interests		(101)	(166)
Total shareholders' equity		**773 380**	**748 664**
Liabilities			
Long-term liabilities			
Long-term loans	19	107 330	184 945
Deferred tax provision	20	4 522	11 686
Bonds	21	270 000	200 000
Long-term trade payables		19 018	18 592
Total long-term liabilities		**400 870**	**415 223**
Short-term liabilities			
Trade payables, tax payables and other liabilities	23	132 710	112 399
Short-term part of long-term loans	19	100 532	134 218
Accrued interest on loans and bonds	22	1 637	1 861
Personal income tax payables		566	2 253
Short-term provisions	24	18 941	17 369
Deferred income	25	195 113	146 312
Total short-term liabilities		**449 499**	**414 412**
Total liabilities		**850 369**	**829 635**
Total equity and liabilities		**1 623 749**	**1 578 299**

(all amounts in thousands PLN unless stated otherwise)

II. CONSOLIDATED INCOME STATEMENT

	Note	Year ended on 31.12.2010	31.12.2009
Sales revenues	32	513 679	704 363
Cost of sales	33	(384 145)	(522 365)
Gross profit on sales		**129 534**	**181 998**
Selling expenses	33	(26 316)	(22 266)
General administrative expenses	33	(43 144)	(43 096)
Other operating income	35	5 363	7 248
Other operating expenses	36	(6 387)	(12 727)
Operating profit		**59 050**	**111 157**
Financial income	37	5 116	3 139
Financial costs	38	(13 077)	(13 543)
Profit before tax		**51 089**	**100 753**
Income tax expense	30	(10 609)	(20 547)
Profit after tax		**40 480**	**80 206**
Profit attributable to:			
Equity holders of the holding company		40 415	80 207
Non-controlling interests		65	(1)
Consolidated earnings per share:			
Basic, profit for the year attributable to the equity holders of the parent (PLN)	29	**1.65**	**3.27**
Diluted, profit for the year attributable to the equity holders of the parent (PLN)	29	**1.64**	**3.25**

(all amounts in thousands PLN unless stated otherwise)

III. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended on 31.12.2010	Year ended on 31.12.2009
Net profit	**40 480**	**80 206**
Other comprehensive income	-	-
Total comprehensive income	**40 480**	**80 206**
Comprehensive income attributable to:		
Equity holders of the holding company	40 415	80 207
Non-controlling interests	65	(1)

(all amounts in thousands PLN unless stated otherwise)

IV. CONSOLIDATED CASH FLOW STATEMENT

	Year ended on 31.12.2010	Year ended on 31.12.2009
Cash flow from operating activities		
Profit before taxation	**51 089**	**100 753**
Adjustments:		
Depreciation	2 380	2 428
Profit/loss on foreign exchange differences	7	85
Profit/loss on investments	(152)	39
Interest income/cost	23 230	21 103
Cost of the management option scheme	3 884	4 818
Changes in the operating capital		
Changes in provisions	1 571	3 644
Changes in inventory	185 412	159 076
Changes in receivables	(29 452)	33 869
Changes in short term liabilities and other liabilities	20 737	(45 283)
Changes in accrued costs and deferred income	50 010	(214 830)
Other adjustments	(684)	(57)
Cash flow generated from operating activities	**308 032**	**65 645**
Interest paid	(21 342)	(26 145)
Income tax paid	(19 459)	(34 918)
Net cash flow from operating activities	**267 231**	**4 582**
Cash flow from investing activities		
Proceeds from the sale of intangible and tangible fixed assets	1 597	387
Other proceeds from financial assets	3	183
Acquisition of intangible and tangible fixed assets	(3 096)	(1 059)
Net cash flow from investing activities	**(1 496)**	**(489)**
Cash flows from financing activities		
Proceeds from contracted loans	83 416	103 752
Proceeds from contracted bonds	99 690	0
Repayment of loans	(195 204)	(80 869)
Repayment of bonds	(30 000)	-
Dividend payments	(19 648)	(19 648)
Payment of financial leasing liabilities	(145)	(178)
Net cash flow from financing activities	**(61 891)**	**3 057**
Increase / (decrease) in net cash and cash equivalents	**203 844**	**7 150**
Cash and cash equivalents – opening balance	**230 847**	**223 697**
Cash and cash equivalents – closing balance	**434 691**	**230 847**

(all amounts in thousands PLN unless stated otherwise)

V. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Share premium	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 interest	Total equity
Balance as at 1 January 2010	**24 560**	**231 535**	**388 361**	**510**	**18 726**	**85 138**	**748 830**	**(166)**	**748 664**
Transfer of profit to supplementary capital	-	-	65 582	-	-	(65 582)	**-**	-	**-**
Payment of dividend to shareholders	-	-	-	-	-	(19 648)	**(19 648)**	-	**(19 648)**
Creation of reserve capital from the valuation of the share options	-	-	-	-	3 884	-	**3 884**	-	**3 884**
Total comprehensive income for the year ended on 31 December 2010	-	-	-	-	-	40 415	**40 415**	65	**40 480**
Balance as at 31 December 2010	**24 560**	**231 535**	**453 943**	**510**	**22 610**	**40 323**	**773 481**	**(101)**	**773 380**

	Share capital	Share premium	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 interest	Total equity
Balance as at 1 January 2009	**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)	**-**	-	**-**
Payment of dividend to shareholders	-	-	-	-	-	(19 648)	**(19 648)**	-	**(19 648)**
Transfer of the 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 the 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**

(all amounts in thousands PLN 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 2010 the holding company Dom Development S.A. was controlled by Dom Development B.V. which held 63.10% 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 2010.

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 Morskie Oko sp. z o.o.	Poland	100%	100%	full consolidation
Dom Development Grunty sp. z o.o.	Poland	46%	100%	full consolidation
Moreover, the Group was engaged in a 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" in liquidation is financial risk insurance. The liquidation was completed on 23 February 2011.

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.

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 current company's Articles of Association, however in the opinion of the Company's Management this deadline may be changed).

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 2010 the Group did not discontinue any of its operations.

In the period of twelve months ended on 31 December 2010 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

These consolidated financial statements have been prepared on a historical cost basis

These consolidated financial statements have been prepared on the assumption that the entities of the Group will continue as a going concern in the foreseeable future. As at the date of authorisation of these consolidated financial statements, there are no known facts or circumstances that would indicate a threat to the continued activity of the Group.

These consolidated financial statements are stated in Polish zloty („PLN"). Financial data included in the consolidated financial statements are expressed in thousand PLN, if not otherwise stated.

The principles of measurement of assets, liabilities and financial results presented in the additional information to the consolidated financial statements are consistent with the accounting principles adopted by the holding company.

Significant accounting policies

The Polish law requires the Group to prepare its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") adopted by the European Union ("EU"). At this particular time, due to the endorsement process of the EU and activities of the Group, there are no differences in the policies applied by the Group that are in line with IFRS, and IFRS that have been endorsed by the EU.

The consolidated financial statements have been prepared in accordance with all applicable IFRS that have been adopted by the EU.

IFRSs comprise standards and interpretations accepted by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

Certain Group entities keep their books of accounts in accordance with accounting policies specified in the Accounting Act dated 29 September 1994 ("the Accounting Act") with subsequent amendments and the regulations issued based on that Act ("Polish Accounting Standards"). The consolidated financial statements include a number of adjustments not included in the books of account of the Group entities, which were made in order to bring the financial statements of those entities to conformity with IFRS.

These consolidated financial statements are prepared based on the same accounting policies as for the consolidated financial statements of the Group for the year ended 31 December 2009, except for the following amendments to existing standards and new interpretations that are effective for financial years beginning on 1 January 2010:

- IFRS 3 *Business Combinations* (revised). The adoption of these amendment did not have an impact on the financial position or performance of the Group.
- Amendments to IAS 27 *Consolidated and Separate Financial Statements* (amended). The adoption of these amendment did not have an impact on the financial position or performance of the Group.
- Amendments to IAS 39 *Financial Instruments: Recognition and Measurement: Eligible Hedged Items*. The adoption of these amendments did not have an impact on the financial position or performance of the Group.
- IFRS 1 *First-time Adoption of International Financial Reporting Standards* (restructured in November 2008). The adoption of this revised standard had no impact on the financial position or performance of the Group.
- IFRIC 17 *Distributions of Non–cash Assets to Owners*. The adoption of this interpretation had no impact on the financial position or performance of the Group.
- Improvements to IFRSs (issued in April 2009). The adoption of these improvements had no impact on the financial position or performance of the Group.
- Amendments to IFRS 2 *Share–based Payments – Group Cash-settled Share-based Payment Transactions* – The adoption of these amendments had no impact on the presented financial position or performance of the Group.

The following amendments to IFRSs issued by the International Accounting Standards Council or the International Financial Reporting Interpretation Committee have not come into force:

- IAS 24 *Related Party Disclosures* (revised in November 2009) – effective for financial years beginning on or after 1 January 2011,
- Amendments to IAS 32 *Financial instruments: presentation: Classification of Rights Issues* – effective for financial years beginning on or after 1 February 2010,
- IFRS 9 *Financial Instruments* – effective for financial years beginning on or after 1 January 2013 – not endorsed by EU till the date of approval of these financial statements,
- Amendments to IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirments and their Interaction: Prepayments of a Minimum Funding Requirements* – effective for financial years beginning on or after 1 January 2011,
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* – effective for financial years beginning on or after 1 July 2010,
- Amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards: Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters* – effective for financial years beginning on or after 1 July 2010,
- Improvements to IFRSs (issued in May 2010) – some improvements are effective for annual periods beginning on or after 1 July 2010, the rest is effective for annual periods beginning on or after 1 January 2011,
- Amendments to IFRS 7 *Financial Instruments: Disclosures: Transfer of Financial Assets* - effective for annual periods beginning on or after 1 July 2011, not endorsed by EU till the date of approval of these financial statements,
- Amendments to IAS 12 *Income Taxes: Deferred Tax: Recovery of Underlying Assets* – effective for annual periods beginning on or after 1 January 2012- not endorsed by EU till the date of approval of these financial statements,
- Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards: Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* - effective for annual periods beginning on or after 1 July 2011 - not endorsed by EU till the date of approval of these financial statements.

The Company's Management do not expect that the introduction of the above mentioned standards and interpretations should materially impact the accounting policies adopted by the Group.

Note 4. Significant accounting policies

Basis of consolidation

These consolidated financial statements comprise the financial statements of Dom Development S.A. and its subsidiaries prepared for the year ended 31 December 2010.

The financial statements of the subsidiaries, after giving consideration to the adjustments made to achieve conformity with IFRS are prepared for the same reporting period as those of the holding company, using consistent accounting policies, and based on the same accounting policies applied to similar business transactions and events. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All significant intercompany balances and transactions, including unrealised gains arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless they indicate an impairment.

Subsidiaries are consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which such control is transferred out of the Group. An entity is controlled by the parent company when the parent has, directly or indirectly, through its subsidiaries, more than half of the votes at the shareholders' meeting of that entity, unless it is possible to prove that such holding does not represent control. Control is also exercised if the Company has the power to govern the financial or operating policy of an enterprise.

Changes in the ownership participation of the holding company which do not result in the loss of control over a subsidiary are accounted for as equity transactions. In such cases in order to reflect the changes in the ownership of the subsidiary the Group makes an adjustment to the balance sheet value of the controlling interest and non-controlling interests. All differences between the value of the adjustment to the non-controlling interests and the fair value of the amount paid or received are accounted for in the shareholders' equity and assigned to the owners of the holding company.

Investments in associates

Investments in associates are accounted for using the equity method. Associates are entities in which the holding company has, either directly or through subsidiaries, significant influence and which are neither its subsidiaries nor a joint ventures. The financial statements of the associates are the basis for valuation of investments in associates using the equity method. The reporting periods of the associates and the parent company are the same with the exception of Towarzystwo Ubezpieczeń Wzajemnych „Bezpieczny Dom" (as described in note 9). Associates apply accounting policies as defined in the Accounting Act. Before the share in their net assets is calculated, financial data of associates is adjusted to bring it to conformity with IFRS applied by the Group. Investments in associates are carried in the balance sheet at cost plus post-acquisition changes in the parent's share of the associates' net assets, less any impairment losses. The income statement reflects the parent's share in the results of operations of the associates. A balance sheet value adjustment may also be required due to a change in proportion of the ownership in the associate, resulting from changes in other comprehensive income of this entity. The Group's share in these changes is disclosed in other comprehensive income of the Group.

Assessment of the value impairment of the investment in associates takes place when there exist reasons indicating such impairment or when an impairment write-off made in the past years is no longer required.

Investments in joint ventures

The Group recognizes it's interest in the joint venture using proportionate consolidation. The Group combines it's share of each of the joint venture's assets, liabilities, income and expenses with similar items in the consolidated financial statements on a line-by-line basis. Before the financial data of the joint venture is included in the consolidated financial statements, it is adjusted to bring it to conformity with IFRS applied by the Group.

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%.

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 sales price evaluated by the Management Board based on market prices.

Work in progress

Work in progress is valued at the lower of the two: purchase price/cost of production or net realizable value. In case of discrepancies the impairment write down is made. In case of the Company's real estate developments, assessment of the need for impairment is determined using the "Inventory impairment test" described below, based on the analysis of production costs and achievable, net realisable sales price.

Inventory impairment test

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 included in cost of sales in the item Inventory write down to the net realisable value. 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 income statement 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 Group: 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 estimated when collection of the full amount of the receivable is unlikely.

If the effect of the time value of money is material, the value of receivables is determined by discounting the estimated future cash flows to present value. Where discounting is used, any increase in the balance due to the passage of time is recognized as financial income.

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.

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Interest-bearing loans, borrowings and bonds

All loans, borrowings and bonds are initially recognized at the fair value net of transaction costs associated with the loans, borrowings or bonds.

After initial recognition, interest-bearing loans, borrowings and bonds are subsequently measured at amortised cost using the effective interest rate method.

Amortised cost is calculated by taking into account any transaction costs, and any discount or premium on settlement.

Trade, tax and other payables

Short-term trade payables are carried at the amount due and payable.

If the effect of the time value of money is material (in particular it relates to the guarantee retentions), the value of payables is determined by discounting the estimated future cash flows to present value. Where discounting is used, any decrease in the balance due to the passage of time is recognized as financial cost.

Provisions

Provisions are recognised when the Group entity has a present obligation (legal or constructive) as a result of a past event, if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the income statement / statement of comprehensive income net of any reimbursement.

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.) – pursuant to the guidelines included in IFRIC 15 *"Agreements for the Construction of Real Estate"* - is recognised at the moment when control over the real estate is transferred to the buyer of said real estate together with the transfer of significant risks and rewards typical to the ownership rights. According to the Management's judgement this occurs at the moment of handover to the buyer, which is based on a handover document signed by both parties and subject to the condition that the buyer has made 100% payment of the sale price for the real estate.

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 financial statements are presented in PLN, which is the 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 outside of the income statement is recognised outside of the income statement: in other comprehensive income when it relates to other comprehensive income or directly in the shareholders' equity when regarding items recognised in the shareholders' equity.

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.

Dividends

Dividends are recognised when the shareholders' rights to receive the payment are established.

Earnings per share

Earnings per share for each reporting period is calculated as quotient of the net profit for the given accounting period and the weighted average of shares outstanding in that period.

Note 4. Key assumptions and bases for estimates

Besides the accounting estimations, when applying the Company's accounting policies in relation to the issues described below, the most significant was the professional judgement of the management and their assumptions.

Budgets of the construction projects

The decision to purchase real estate (land) is based upon analysis, of which one of the most important elements is the so called "purchase budget" which is prepared to assess future profitability of projects. From the moment the real estate is purchased, the budgets for these construction projects are updated based on the management's best knowledge and experience. Budgets of all construction projects are verified and updated when necessary, at least once every three months.
Updated Project budgets are the basis for:

- verification of their profitability and verification of any potential impairment write down
- preparation of financial forecasts, annual budgets and medium term plans.

Recognition of sales revenue of products

The revenue from the sale of real estate (housing units, commercial space, etc.) is recognised at the moment when control over the real estate is transferred to the buyer of said real estate together with the transfer of significant risks and rewards typical to the ownership rights. According to the Management's judgement this occurs at the moment of handover to the buyer, which is based on a handover document signed by both parties and subject to the condition that the buyer has made 100% payment of the sale price for the real estate.

(all amounts in thousands PLN unless stated otherwise)

Note 6. Intangible fixed assets

	Other intangible fixed assets	Computer software	Total
GROSS VALUE			
Balance as at 1 January 2009	**1 136**	**2 518**	**3 654**
Additions	-	231	231
(Disposals)	-	-	-
Balance as at 31 December 2009	**1 136**	**2 749**	**3 885**
Additions	-	883	883
(Disposals)	-	-	-
Balance as at 31 December 2010	**1 136**	**3 632**	**4 768**
DEPRECIATION			
Balance as at 1 January 2009	**918**	**1 376**	**2 294**
Additions	90	784	874
(Disposals)	-	-	-
Balance as at 31 December 2009	**1 008**	**2 160**	**3 168**
Additions	26	722	748
(Disposals)	-	-	-
Balance as at 31 December 2010	**1 034**	**2 882**	**3 916**
BALANCE SHEET VALUE			
as at 31 December 2009	128	589	717
as at 31 December 2010	102	750	852

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.

As at 31 December 2010 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	31.12.2010	31.12.2009
Tangible fixed assets, including:		
- land (including perpetual usufruct)	-	1 347
- buildings and constructions..	-	-
- plant and equipment	1 186	406
- vehicles	2 095	2 290
- other tangible fixed assets..	1 330	1 412
Total tangible fixed assets	**4 611**	**5 455**

(all amounts in thousands PLN unless stated otherwise)

	Land and buildings	Vehicles	Machinery and other tangible fixed assets	Total
GROSS VALUE				
Balance as at 1 January 2009	**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**
Additions	-	706	1 506	2 212
(Disposals)	(1 347)	(249)	(871)	(2 467)
Balance as at 31 December 2010	**8**	**5 023**	**4 917**	**9 948**
ACCUMULATED DEPRECIATION				
Balance as at 1 January 2009	**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**
Additions	-	884	748	1 632
(Disposals)	-	(232)	(811)	(1 043)
Balance as at 31 December 2010	**8**	**2 928**	**2 401**	**5 337**
BALANCE SHEET VALUE				
as at 31 December 2009	**1 347**	**2 290**	**1 818**	**5 455**
as at 31 December 2010	**-**	**2 095**	**2 516**	**4 611**

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

No collaterals have been established on the fixed assets.

BALANCE SHEET TANGIBLE FIXED ASSETS (OWNERSHIP STRUCTURE)	31.12.2010	31.12.2009
owned	3 200	3 133
used on the basis of rent, tenancy or similar agreements, including lease agreements, in this:	1 411	2 322
- leasing	1 411	2 322
Total balance sheet fixed assets	**4 611**	**5 455**

OFF-BALANCE SHEET TANGIBLE FIXED ASSETS	31.12.2010	31.12.2009
used on the basis of rent, tenancy or similar agreements, including lease agreements, in this:	70	77
- value of assets under operating lease...	70	77

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.

(all amounts in thousands PLN unless stated otherwise)

LEASING	**31.12.2010**	**31.12.2009**
Gross fixed assets	2 204	3 379
Depreciation	(793)	(1 057)
Balance sheet value of tangible fixed assets	**1 411**	**2 322**
Leased assets as a % of total fixed assets	30,60%	46,52%
Leasing liabilities	**516**	**1 420**
Depreciation of leased assets recognised as operating costs	660	835
Interest on lease agreements recognised as financial costs	145	178

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.

Note 9. Investments in associated entities and jointly controlled entities

The Group holds 40.32% of the share capital of Towarzystwo Ubezpieczeń Wzajemnych „Bezpieczny Dom" in liquidation ("Towarzystwo"). Furthermore, the co-subsidiary Fort Mokotów sp. z o.o. holds 4.03% shares in the Towarzystwo.

In the year ended 31 December 2010 the balance sheet value of the Group's interest in Towarzystwo increased from PLN 1 049 thousand to the amount of PLN 1 667 thousand. This is due to the profits shown by Towarzystwo and a likelihood that the profits will be realized by the Group.

Condensed information about associated entity:

Towarzystwo Ubezpieczeń Wzajemnych „Bezpieczny Dom" in liquidation		
Balance sheet date	**31.12.2010 *)**	**31.12.2009**
Financial data:		
Total assets	4 172	4 649
Shareholders' equity	3 790	3 819
Net profit (loss)	(78)	722
Group's shares in the nominal value	1 049	1 049
% stake	42,30%	42,30%

***)** The data according to the financial statements of Towarzystwo as at 23 February 2011 that is the date of its liquidation.

Condensed information about jointly controlled entity:

Fort Mokotów sp. z o.o.		
Balance sheet date	**31.12.2010**	**31.12.2009**
Financial data:		
Current assets	6 999	9 184
Fixed assets	109	148
Shareholders' equity	2 305	3 899
Short-term liabilities	613	710
Long-term liabilities	-	-
Operating revenues	32	7 421
Operating profit	(1 821)	2 112
Net profit/(loss)	(1 595)	1 824
% stake	49,00%	49,00%

(all amounts in thousands PLN unless stated otherwise)

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.

In the years ended 31 December 2010 and 2009 there was no change to the revaluation provision of the shares of the associated entities in the Group's consolidated financial statements.

Note 10. Long-term receivables

As at 31 December 2010, and 31 December 2009 the Group shows long-term receivables in the amount of PLN 15 791 thousand and PLN 2 438 thousand respectively.

As at 31 December 2010 the long-term receivables consist of receivables from the sale of elements of infrastructure in the amount of PLN 14 511 thousand, refundable deposits in the amount of PLN 1 086 thousand and other receivables in the amount of PLN 194 thousand. As at 31 December 2009 the long-term receivables include refundable deposits in the amount of PLN 1 156 thousand and other long-term receivables amounting to PLN 1 282 thousand. All these receivables are denominated in PLN.

There is no need to write down the value of long-term receivables.

Note 11. Inventory

INVENTORY	31.12.2010	31.12.2009
Advances on deliveries	**22 375**	**7 691**
in this: at purchase prices/production costs	22 444	7 760
in this: write down to the net realisable value	(69)	(69)
Semi-finished goods and work in progress	**899 712**	**787 488**
in this: at purchase prices/production costs	910 817	813 805
in this: write down to the net realisable value	(11 105)	(26 317)
Finished goods	**196 881**	**509 938**
in this: at purchase prices/production costs	200 078	510 383
in this: write down to the net realisable value	(3 197)	(445)
Total	**1 118 968**	**1 305 117**

WRITE-OFFS REVALUATING THE INVENTORIES	01.01- -31.12.2010	01.01- -31.12.2009
Balance at the beginning of the period	**26 831**	**12 577**
Increase	5 089	17 299
Release	(17 549)	(3 045)
Balance at the end of the period	**14 371**	**26 831**

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	31.12.2010	31.12.2009
Balance sheet value of inventory used to secure liabilities	379 468	683 669
Value of mortgages used to secure the loans	776 111	987 900

(all amounts in thousands PLN unless stated otherwise)

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- -31.12.2010	01.01- -31.12.2009
Preparatory work	393	172

Note 12. Trade and other receivables

As at the balance sheet date the trade receivables and other receivables amounted to PLN 43 752 thousand as at 31 December 2010, and PLN 27 652 thousand as at 31 December 2009.

TRADE AND OTHER RECEIVABLES	31.12.2010	31.12.2009
Trade receivables	38 777	24 464
Receivables from the related entities	6	9
Tax receivables	3 835	1 972
Other receivables	1 134	1 207
Total	**43 752**	**27 652**

The Group 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 as well as analysis of particular balances outstanding.

AGING STRUCTURE OF TRADE RECEIVABLES	31.12.2010	31.12.2009
up to 3 months	17 909	3 412
from 3 to 6 months	1 426	177
from 6 months to 1 year	262	717
Above 1 year	21 665	22 613
Gross trade receivables	**41 262**	**26 919**
Write-offs revaluating the receivables	(2 485)	(2 455)
Net trade receivables	**38 777**	**24 464**

The write-offs fully relate to the overdue trade receivables.

As at 31 December 2010 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. As at 31 December 2010 this amount is the subject of a legal dispute (see note 44 Material legal cases and note 47 Material post balance sheet events).

CHANGE IN THE WRITE-OFFS REVALUATING TRADE AND OTHER RECEIVABLES	01.01- -31.12.2010	01.01- -31.12.2009
Opening balance	**2 755**	**1 928**
a) Additions	641	870
b) Disposals	(611)	(43)
Closing balance	**2 785**	**2 755**

(all amounts in thousands PLN unless stated otherwise)

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 for receivables 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	31.12.2010	31.12.2009
Cash on hand and at bank	1 947	3 172
Short-term deposits	432 712	227 632
Other	32	43
Total	**434 691**	**230 847**

Note 14. Other current assets

OTHER CURRENT ASSETS	31.12.2010	31.12.2009
Deferred costs	1 888	3 644
Accrued financial income on deposits	1 529	1 341
Total	**3 417**	**4 985**

Note 15. Share capital

SHARE CAPITAL (STRUCTURE) AS AT 31 December 2010 and 31 December 2009

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								

Description of changes in the share capital of the holding company in the period from 1 January 2010 to the date of preparation and approval of these financial statements.

In the period from 1 January 2010 by the date of preparation and approval of these financial statements there have been no changes to the shareholders capital of the Company.

(all amounts in thousands PLN 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 (GSM) as at 31 December 2010

	Shares	% of capital	Number of votes at the GSM	% of votes at the GSM
Dom Development B.V.	15 496 386	63.10	15 496 386	63.10
Jarosław Szanajca	1 534 050	6.25	1 534 050	6.25
Grzegorz Kiełpsz..................................	1 280 750	5.21	1 280 750	5.21

The shares of Dom Development S.A. or rights thereto (options) owned by the persons performing management and supervisory functions at Dom Development S.A. as at 31 December 2010

	Shares	Share Options *)	Total
Management Board			
Jarosław Szanajca	1 534 050	-	1 534 050
Janusz Zalewski	300 000	100 000	400 000
Jerzy Ślusarski	9 363	86 100	95 463
Janusz Stolarczyk	100 200	52 680	152 880
Terry Roydon	58 500	50 000	108 500
Supervisory Board			
Grzegorz Kiełpsz	1 280 750	-	1 280 750
Zygmunt Kostkiewicz	29 500	-	29 500

*) The number of share options shown in the table above do not include conditionally granted share options which were granted on 13 December 2010 based on the Supervisory Board resolution within the framework of the first tranche of Programme III (described in note 40). In the conditional resolution there are specified numbers of shares to which the Management Board members listed below will have the subscription rights:

	Number of share options conditionally granted to the Management Board members within the Framework of Programme III
Janusz Zalewski	23 534
Jerzy Ślusarski	23 534
Janusz Stolarczyk	11 767
Terry Roydon	11 767

Note 16. Share premium

In the period of twelve months ended 31 December 2010 and 2009 value of the item „Share premium" did not change.

In the period of twelve months ended on 31 December 2010 and 2009 the Group did not hold any treasury shares.

Note 17. Additional information on shareholders' equity

As at 31 December 2010, 31 December 2009 the Company's shares were not owned by any of its subsidiaries.

(all amounts in thousands PLN unless stated otherwise)

Note 18. Dividend

On 20 May 2010 the Ordinary General Meeting of the Shareholders of the Company decided to assign PLN 19 648 thousand from the Company's profit for 2009 to dividend which means a payment of PLN 0.80 per share. The dividend day was set at 8 June 2010 and the day of payment of the dividend was set at 23 June 2010. The dividend was paid in accordance with this resolution.

In the preceding year there was also PLN 19 648 thousand allocated for dividend, which gave a payment of PLN 0.80 per share.

Note 19. Loans and borrowings

Borrowings

As at 31 December 2010 and 31 December 2009 the Group did not have any outstanding borrowings.

Loans

LOANS DUE WITHIN	31.12.2010	31.12.2009
1 year	100 532	134 218
More than 1 year less then 2 years	107 330	94 945
More than 2 years less then 5 years	-	90 000
More than 5 years	-	-
Total loans	**207 862**	**319 163**
including: long-term	107 330	184 945
short-term	100 532	134 218

As at 31 December 2010 and 31 December 2009 all the Group's loans were expressed in Polish Zloty.

Loan liabilities as at 31 December 2010

BANK LOANS AS AT 31 DECEMBER 2010						
Bank	**Registered office**	**Amount of loan – as per agreement**	**Currency**	**Outstanding loan amount (less accrued interest)**	**Currency**	**Due date**
BOŚ	Warsaw	100 000	PLN	49 945	PLN	30.06.2011
PKO BP	Warsaw	200 000	PLN	135 000	PLN	31.12.2012
PKO BP	Warsaw	65 000	PLN	4 013	PLN	31.01.2011
PKO BP	Warsaw	65 000	PLN	0	PLN	31.03.2012
BOŚ	Warsaw	17 330	PLN	17 330	PLN	30.09.2012
BOŚ	Warsaw	11 990	PLN	1 574	PLN	30.12.2011
Total bank loans				**207 862**	PLN	

Due to the fact that the interest on the loans is correlated to the WIBOR interest rate, the Company's Management assessment is that the fair value of the loans and borrowings taken by the Company approximates the book value of these loans and borrowings.

(all amounts in thousands PLN unless stated otherwise)

Bank overdrafts

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**	

BANK LOANS REDUCING ASSETS AS AT 31.12.2010						
Bank	**Registered office**	**Amount of loan – as per agreement**	**Currency**	**Outstanding loan amount (less accrued interest)**	**Currency**	**Due date**
BOŚ	Warsaw	5 000	PLN	-	PLN	19.08.2012
Total overdrafts		**5 000**	**PLN**	**-**	**PLN**	

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

Note 20. Provision and assets for a deferred income tax

Deferred income tax comprises of the following items:

	Balance sheet		Income statement / Statement of comprehensive income	
	31.12.2010	**31.12.2009**	**01.01-31.12.2010**	**01.01-31.12.2009**
Deferred income tax provision				
Foreign exchange differences	41	39	2	(2)
Interest accrued	290	255	35	(126)
Discounting of liabilities	438	-	438	-
Result on the sale of facilities – without legal ownership transfer agreements..	5 186	14 755	(9 569)	(10 478)
Capitalised financial costs	6 323	5 910	413	2 275
Other	180	74	106	(55)
Total deferred income tax liability........	**12 458**	**21 033**	**(8 575)**	**(8 386)**
Deferred income tax assets				
Provision for the housing estates costs........	-	128	(128)	(2 263)
Inventory revaluation	2 455	4 823	(2 367)	2 663
Provision for receivables and other provisions	1 026	1 461	(435)	302
Provision for employee benefits	1 126	950	176	(165)
Provision for other costs........	2 319	1 260	1 059	59
Financial costs	673	673	-	333
Discounting of receivables	334	-	334	-
Other	3	52	(50)	(15)
Total deferred income tax assets	**7 936**	**9 347**	**(1 411)**	**914**
Charge to the income statement			**(7 164)**	**(9 300)**
Deferred income tax provision shown in the balance sheet........	**4 522**	**11 686**		

(all amounts in thousands PLN unless stated otherwise)

The Group changed the presentation of the deferred tax assets and deferred tax provision. In the balance sheet for the period of twelve months ended 31 December 2009 the deferred tax assets and deferred tax provision were presented separately as relevant items of assets and liabilities. In the current consolidated financial statements these items are shown on a net basis. This change in presentation is shown in the table below.

Deferred tax show in balance sheet as at 31.12.2009	Assets	Liabilities
Before the change in presentation in balance sheet	9 347	21 033
After the change in presentation in balance sheet	-	11 686

Deferred tax show in balance sheet as at 01.01.2009	Assets	Liabilities
Before the change in presentation in balance sheet	8 433	29 418
After the change in presentation in balance sheet	-	20 985

Note 21. Bonds

BONDS	31.12.2010	31.12.2009
Nominal value of the issued bonds	270 000	200 000

On 5 November 2007 the Company and Bank BPH S.A. signed a Bond Issue Programme Agreement. Based on this agreement, within the seven-year term of this programme, Dom Development S.A. may issue mid-term bonds (with a maturity date exceeding 1 year, but not 7 years) with a 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 Programme. The return on bonds depends on the market conditions on the sale date and calculated according to WIBOR 3M plus margin. According to the terms of the agreement, the bonds shall be issued in series and offered to selected investors. The Company does not plan to introduce the bonds issued under the programme to public trading. The terms of the Agreement with Bank BPH S.A. are typical for such types of programmes.

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 Programme 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 these bonds are being used for financing the development of the Company. The bonds are an unsecured liability of the Company.

On 22 December 2010 the Company redeemed 3 000 I series bonds with a total value of PLN 30 000 000.

On 30 June 2010, the Company issued 8 500 unsecured series II ordinary bearer bonds of PLN 10 000 nominal value each and of the total value of PLN 85 000 000 due on 30 June 2015. The issue value of the bonds corresponds to their nominal value. The interest accruing on the bonds was fixed at WIBOR 6M plus margin. The bonds are an unsecured liability of the Company.

On 15 July 2010, the Company issued 1 500 unsecured series II ordinary bearer bonds of PLN 10 000 nominal value each and of the total value of PLN 15 000 000 due on 30 June 2015. The issue value of the bonds corresponds to their nominal value. The interest accruing on the bonds was fixed at WIBOR 6M plus margin. The bonds are an unsecured liability of the Company.

BONDS ISSUED AS AT 31.12.2010				
Series	**Issue date**	**Amount**	**Currency**	**Contractual maturity date**
I	28.11.2007	170 000	PLN	28.11.2012
II	30.06.2010	85 000	PLN	30.06.2015
II	15.07.2010	15 000	PLN	30.06.2015
	Total:	**270 000**	**PLN**	

(all amounts in thousands PLN unless stated otherwise)

Nota 22. Accrued interest liability on loans and bonds.

ACCRUED INTEREST LIABILITY ON LOANS AND BONDS	31.12.2010	31.12.2009
Accrued interest on bonds	963	1 022
Accrued interest on loans	674	839
Total accrued interest on loans and bonds	**1 637**	**1 861**

In the balance sheet presented in the financial statements for the twelve month period ended 31 December 2009 the accrued interest on loans and bonds were presented as "deferred income and accrued liabilities".

Note 23. Trade payables, tax liabilities and other liabilities

TRADE PAYABLES, TAX LIABILITIES AND OTHER LIABILITIES	31.12.2010	31.12.2009
Trade payables	95 629	83 071
Tax liabilities	24 169	5 810
Accrued costs	12 447	22 962
Company Social Benefits Fund	376	373
Other	89	183
Total	**132 710**	**112 399**
Accrued costs structure	**12 447**	**22 962**
Sites construction costs	5 747	15 997
Employee costs	5 559	4 742
Other	1 141	2 223

The table below presents the value of liabilities due to guarantee retentions connected to the realisation of construction projects. These retentions are included in the long-term and short-term trade payables. In the financial statements for the year 2010 the Company changed presentation of the guarantee retentions due in more than one year's time. They are now presented as long-term trade payables.

	31.12.2010	31.12.2009
Guarantee retentions	28 451	36 819

As at 1 January 2009 the amount of guarantee retentions was PLN 42 381thousand, in this the amount of retentions due in more than one year's time amounted to PLN 18 461 thousand.

Note 24. Short-term provisions

SHORT-TERM PROVISIONS	31.12.2010	31.12.2009
Provision for repair costs	12 580	6 042
Provision for disputable cases	5 237	9 193
Provision for retirement benefits	360	313
Other	764	1 821
Total	**18 941**	**17 369**

SHORT-TERM PROVISIONS - MOVEMENT	31.12.2010	31.12.2009
Opening balance	**17 369**	**13 725**
Provisions created in the financial year	6 635	8 131
Use of provisions in the financial year	(5 063)	(4 487)
Closing balance	**18 941**	**17 369**

(all amounts in thousands PLN unless stated otherwise)

Note 25. Deferred income

DEFERRED INCOME	31.12.2010	31.12.2009
Deferred income related to the payments received from customers for the purchase of products, not settled to the income statement	195 113	146 312
Other	-	-
Total	**195 113**	**146 312**

Note 26. Benefits after employment

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

Note 27. Financial assets and liabilities

Categories of financial assets and liabilities and maximum credit risk exposure

FINANCIAL ASSETS AND LIABILITIES	31.12.2010	31.12.2009
FINANCIAL ASSETS		
Long-term receivables	15 791	2 438
Trade receivables and other liabilities	39 911	25 671
Receivables from related entities	6	9
Total borrowings and receivables	**55 708**	**28 118**
Treasury bills and bonds	-	-
Other	32	43
Financial assets valued at their fair value through the income statement (designated for trading)	**32**	**43**
Cash in hand and at bank	1 947	3 172
Bank overdrafts	-	-
Short term deposits	432 712	227 632
Maximum credit risk exposure	**490 399**	**258 965**
FINANCIAL LIABILITIES		
Loans	208 536	320 002
Bonds issued	270 963	201 022
Trade liabilities, accrued liabilities and other liabilities	127 183	124 808
Financial liabilities valued at amortised cost	**606 682**	**645 832**

Fair value of assets and liabilities of the Group is not materially different from their balance sheet value.

(all amounts in thousands PLN unless stated otherwise)

Note 28. 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 financial results 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 2010 and 31 December 2009 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.

Interest rate risk

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

According to the current financing structure the Company 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 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:

	31.12.2010	31.12.2009
VARIABLE INTEREST RATE INSTRUMENTS		
Financial assets	434 659	230 804
Financial liabilities	479 499	521 024
Total, net	**(44 840)**	**(290 220)**

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

(all amounts in thousands PLN unless stated otherwise)

Analysis of financial results 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 2010 and 31 December 2009 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 2010				
Variable interest rate assets	3 521	(3 521)	3 521	(3 521)
Variable interest rate liabilities *)	(1 295)	1 295	(1 295)	1 295
Net sensitivity	**2 226**	**(2 226)**	**2 226**	**(2 226)**
31 December 2009				
Variable interest rate assets	1 870	(1 870)	1 870	(1 870)
Variable interest rate liabilities *)	(1 407)	1 407	(1 407)	1 407
Net sensitivity	**463**	**(463)**	**463**	**(463)**

*) 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.

Credit risk

Cash at bank, cash on hand, trade receivables and other receivables 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 12 "Trade 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.

(all amounts in thousands PLN unless stated otherwise)

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 2010					
Liabilities on account of loans	208 536	99 632	-	108 904	-
Own bonds issued	270 963	963	-	170 000	100 000
Trade liabilities and other liabilities	126 667	105 712	1 937	6 181	16 833
Financial leasing liabilities	516	282	152	78	4
Total	**606 682**	**206 589**	**2 089**	**285 163**	**116 837**
31 December 2009					
Liabilities on account of loans	320 002	85 032	50 025	94 945	90 000
Own bonds issued	201 022	1 022	-	-	200 000
Trade liabilities and other liabilities	123 388	90 539	9 826	1 852	21 171
Financial leasing liabilities	1 420	355	355	473	237
Total	**645 832**	**176 948**	**60 206**	**97 270**	**311 408**

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 2010 and 2009 the return on equity (calculated as net profit to the annual average value of shareholders' equity) amounted to 5.3% and 11.2%, respectively. In that period the average weighted cost of interest on the Company's debt amounted to 6.0% in 2010 and 6.3% in 2009.

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

The entities comprising the Group are not a subject to any external capital requirements with the exception of legal requirements of the Commercial Companies Code.

(all amounts in thousands PLN unless stated otherwise)

Note 29. Earnings per share

CALCULATION OF BASIC AND DILUTED EARNINGS PER SHARE	01.01- -31.12.2010	01.01- -31.12.2009
Basic earnings per share		
Profit for calculation of the basic earnings per share	40 415	80 207
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)	**1.65**	**3.27**
Diluted earnings per share		
Theoretical profit for the calculation of diluted earnings per share	40 415	80 207
Potential diluting shares related to Management Share Options Programme II	136 199	87 236
The weighted average number of common shares of the Company for the calculation of the basic earnings per share	24 696 421	24 647 458
Diluted earnings per share (PLN)	**1.64**	**3.25**

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

Note 30. Income tax

INCOME TAX	01.01- -31.12.2010	01.01- -31.12.2009
Current income tax	17 773	29 847
Deferred income tax	(7 164)	(9 300)
Total	**10 609**	**20 547**

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- -31.12.2010	01.01- -31.12.2009
Gross profit before taxation	51 089	100 753
Income tax rate of 19%	9 707	19 143
Permanent differences not subject to the current and deferred tax in the consolidated financial statements	164	489
Share Options valuation charge being a permanent differences for tax calculation	738	915
Dividend received	-	-
Actual income tax expense	10 609	20 547
Effective tax rate	**20.76%**	**20.39%**

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.

(all amounts in thousands PLN unless stated otherwise)

Note 31. Segment reporting

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

Note 32. Operating income

SALES REVENUES BY KIND	01.01- -31.12.2010	01.01- -31.12.2009
Sales of finished goods	501 633	687 893
Sales of services	12 005	14 838
Sales of goods for resale (land)	41	1 632
Total	**513 679**	**704 363**

Note 33. Operating costs

OPERATING COSTS	01.01- -31.12.2010	01.01- -31.12.2009
Cost of sales		
Cost of finished goods sold	(370 504)	(493 434)
Cost of services sold	(14 102)	(12 819)
Cost of land sold	(42)	(1 858)
Inventory write down to the net realisable value	503	(14 254)
Total cost of sales	**(384 145)**	**(522 365)**
Selling costs and general administrative expenses		
Selling costs	(26 316)	(22 266)
General administrative expenses	(43 144)	(43 096)
Total selling costs and general administrative expenses	**(69 460)**	**(65 362)**
Selling costs and general administrative expenses by kind		
Depreciation	(2 380)	(2 428)
Cost of materials and energy	(9 057)	(6 959)
External services	(18 110)	(17 035)
Taxes and charges	(277)	(380)
Wages and salaries	(29 562)	(28 196)
Social security and other benefits	(3 755)	(3 270)
Management Options Programme	(3 884)	(4 818)
Other costs by kind	(2 435)	(2 276)
Total selling costs and general administrative expenses by kind	**(69 460)**	**(65 362)**

Note 34. Payroll costs

PAYROLL COST AND AVERAGE EMPLOYMENT (including management staff)	01.01- -31.12.2010	01.01- -31.12.2009
Individual personnel categories (number of staff)	**123**	**126**
White-collar workers	123	126
Blue-collar workers	-	-
General remuneration elements (PLN):	**33 317**	**31 466**
Wages and salaries	29 562	28 196
Social security and other benefits	3 755	3 270

(all amounts in thousands PLN unless stated otherwise)

Note 35. Other operating income

OTHER OPERATING INCOME	01.01- -31.12.2010	01.01- -31.12.2009
Revenues from contractual penalties, arrangements and compensations	812	2 737
Release of provisions for costs	3 619	3 946
Release of provision for receivables	107	-
Other	825	565
Total	**5 363**	**7 248**

Note 36. Other operating expenses

OTHER OPERATING EXPENSES	01.01- -31.12.2010	01.01- -31.12.2009
Provision for penalties and arrangements with clients	175	297
Donations	197	92
Receivables written off	46	2 240
Provision for remuneration	-	59
Provision for disputes	-	4 087
Cost of repairs (including change in provision)	5 493	4 579
Cost of research and abandoned projects	-	604
Other	476	769
Total	**6 387**	**12 727**

Note 37. Financial income

FINANCIAL INCOME	01.01- -31.12.2010	01.01- -31.12.2009
Dividend received	-	-
Interest on deposits and other interest income	4 299	2 952
Other	817	187
Total	**5 116**	**3 139**

Note 38. Financial costs

FINANCIAL COSTS	01.01- -31.12.2010	01.01- -31.12.2009
Interest on loans and bonds (not capitalised portion)	11 578	11 604
Other interest	44	302
Foreign exchange differences	27	116
Commissions and fees	1 120	1 313
Other	308	208
Total	**13 077**	**13 543**

(all amounts in thousands PLN unless stated otherwise)

Note 39. Costs relating to interest

COSTS RELATING TO INTEREST	01.01- -31.12.2010	01.01- -31.12.2009
Financial costs (interest) capitalised under work in progress *)	12 832	15 768
Value of financial costs (interest) accounted for in the income statement..........................	11 578	11 604
Total value of the financial costs incurred on account of interest	**24 410**	**27 372**

*) 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.

Note 40. Transactions with related entities

In the twelve-month periods ended 31 December 2010 and 2009 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- 31.12.2010	01.01- 31.12.2009
Woodsford Consulting Limited..........	Consulting services as per agreement dated 1 February 2000, with further amendments	1 383	1 684
Hansom Property Company Limited..	Consulting services as per agreement dated 31 March 1999	223	240
Holland Park Advisory Limited..........	Consulting services as per agreement dated 5 January 2010	370	-
Towarzystwo Ubezpieczeń Wzajemnych „Bezpieczny Dom" under liquidation............................	Insurance of financial losses risk	(121)	(40)
Dom Development Grunty Sp. z.oo	Services as per Annex to agreement dated 12 April 2007	85	85
Fort Mokotów sp. z o.o...................	Other	-	(2)

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

Counterparty	Transaction description	01.01- -1.12.2010	01.01- 31.12.2009
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	967	301
Dom Development Grunty sp. z o.o.	Value of land transferred to Dom Development S.A. as part of mandate contracts	54 796	-

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

Counterparty	Transaction description	01.01- -31.12.2010	01.01- -31.12.2009
Fort Mokotów sp. z o.o.	The sales commission agreement and agreement for provision of advertising and marketing services dated 15 April 2002	-	600
Fort Mokotów sp. z o.o.	Repair services based on agreement dated 22 July 2005	144	144
Fort Mokotów sp. z o.o.	Other	67	27
Dom Development Grunty sp. z o.o.	Other	6	6
Dom Development Morskie Oko sp. z o.o.	Other	51	10

(all amounts in thousands PLN unless stated otherwise)

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

Counterparty	Transaction description	01.01--31.12.2010	01.01--31.12.2009
Dom Development BV	Dividend (gross)	12 397	12 397

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

Counterparty	Transaction description	01.01--31.12.2010	01.01--31.12.2009
Fort Mokotów sp. z o.o.	Dividend (gross)	-	6 370

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

Counterparty	Transaction description	01.01--31.12.2010	01.01--31.12.2009
Towarzystwo Ubezpieczeń Wzajemnych „Bezpieczny Dom" under liquidation................................	Repayment of additional payment to capital to cover the loss	-	175
Dom Development Zarządzanie Nieruchomościami Sp. z o.o.	Repayment of additional payment to capital to cover the loss	-	49

Dom Development S.A. providing loans

Counterparty	Transaction description	01.01--31.12.2010	01.01--31.12.2009
Dom Development Grunty sp. z o.o.	Loan facility	1 300	-
Dom Development Grunty sp. z o.o.	Received or accrued interest income	26	-

Balances with related entities

Balances as in the books of the Company	Receivables from related entities		Liabilities to related entities	
Entity	**31.12.2010**	**31.12.2009**	**31.12.2010**	**31.12.2009**
Total balance...	**2 552**	**57 122**	**220**	**173**
Balances below PLN 100,000	89	15	-	1
Balances over PLN 100,000..	2 463	57 107	220	172
Subsidiaries	**2 463**	**57 028**	**-**	**-**
Dom Development Morskie Oko sp. z o.o.	16	-	-	-
Dom Development Morskie Oko sp. z o.o. additional contributions to capital	1 147	1 147	-	-
Dom Development Grunty sp. z o.o.	1 300	55 881	-	-
Joint-venture	**83**	**79**	**-**	**-**
Fort Mokotów sp. z o.o.	83	79	-	-
Other entities	**-**	**-**	**220**	**172**
Woodsford Consulting Limited..	-	-	130	172
Holland Park Advisory Limited	-	-	90	-

(all amounts in thousands PLN 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)
Janusz Zalewski	29.09.2010	Promissory sale agreement concerning residential facilities with the area of 99.8 sq. m together with utility room and two parking spaces on the Saska investment	701 659.20
Yves Jean Marc Bonavero	18.11.2010	Promissory sale agreement concerning parking space and then ownership transfer agreement on 21 December 2010 on the Opera investment	50 000.00
Yves Jean Marc Bonavero	22.12.2010	Promissory sale agreement concerning residential facilities with the area of 167,5 sq. m together with two parking spaces on the Patria investment and then the additional agreement on finishing works on these residential facilities	2 634 554.00

The transactions between the related entities are conducted according to the arm's length principle.

Note 41. Incentive plan – Management Options Programme

As at 31 December 2010 there were two active Management Option Programmes 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)
	31.12.2010			31.12.2009		
Programme II	726 000	726 000	-	726 000	726 000	-
Programme III	360 000	-*)	-	-	-	-

*) the above table does not include 120 000 share options allotted conditionally in the Framework of Programme III.

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.

(all amounts in thousands PLN unless stated otherwise)

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.

The Supervisory Board of Dom Development S.A. allotted all the above mentioned options in the years 2006-2009. The value of each tranche allotted was calculated each time at the day of allotment. These values, decreased by the value of expired options, have been evenly accounted for in the income statement within the three years periods i.e. the vesting periods. The vesting periods were determined separately for each tranche.

Programme III

On the 2 December 2010 the Supervisory Board of the Company acting under the authority granted by the Ordinary General Shareholders Meeting of the Company on 20 May 2010 accepted the Rules of Dom Development S.A. Senior Executive Share Option Scheme III regarding 360 000 shares of Dom Development S.A. (Programme III). Programme III is based on the following rules and terms of granting and exercising options:

- issuing options will be limited to not more than 120 000 shares in any 12-month period,
- option exercise will be dependent on, among other conditions, fulfilment of the relevant condition to be set by the Supervisory Board relating to the minimum of the Company's total annual audited consolidated earnings per share to be achieved in the next 3 full financial years commencing after the option has been granted,
- the price at which shares may be acquired by exercising the option is PLN 1.00 per share.

On 13 December 2010 the Supervisory Board adopted a conditional resolution in respect of naming the persons authorized to participate in the first tranche of Programme III as well as the number of the said shares for each of those persons. This resolution is conditional to the Company's General Shareholders Meeting's decision that the above mention persons are authorised to subscribe for the shares on the rules and terms defined in Programme III and in the resolutions of the Supervisory Board of Dom Development S.A. regarding Programme III. The first tranche concerns conditional allotment of 120 000 share options of the Company.

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

Dividend rate (%)	2.63
Anticipated volatility rate (%)	34.01
Risk-free interest rate (%)	4.06
Anticipated period of option exercise (in years)	4.00
Share exercise price (PLN)	1.00
Current share price (PLN)	45.00

The value of the options as at the day when they were conditionally allocated was calculated on the basis of the above model and assumptions, and amounted to PLN 4 758 thousand. Such value, with the consideration of probability of their execution, is evenly accounted for in the income statement within the period of three and a half years.

Cost of Management Option Programmes written to the income statement

Within the twelve month periods which ended on 31 December 2010 and 2009 the amounts of PLN 3 884 thousand and PLN 4 818 thousand respectively were accounted for in the income statement.

(all amounts in thousands PLN 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--31.12.2010**	**01.01--31.12.2009**
Options unexercised at the beginning of the period	**Number of options**	**735 750**	**657 975**
	Total exercise price	**46 990**	**44 290**
Options allocated in a given period *)	Number of options	-	229 025
	Total option execution value	-	8 574
Options expired in a given period	Number of options	-	68 500
	Total option execution value	-	5 370
Options exercised in a given period	Number of options	9 750	82 750
	Total option execution value	60	504
	Weighted average exercised price per one share	-	-
Options unexercised at the end of the period	**Number of options**	**726 000**	**735 750**
	Total exercise price	**46 930**	**46 990**
Options possible to exercise at the beginning of the period	Number of options	159 150	-
	Total exercise price	17 163	-
Options possible to be exercised at the end of the period	Number of options	310 800	159 150
	Total exercise price	35 580	17 163

*) the above table does not include 120 000 share options allotted conditionally in the Framework of Programme III.

Structure of share options allocated and not exercised as at 31 December 2010:

Programme	**Allotment date**	**Amount of options**	**Exercise price per option (PLN)**
Programme II	6.12.2006	149 400	114.48
Programme II	7.12.2007	161 400	114.48
Programme II	10.12.2008	186 175	14.91
Programme II	15.01.2009	31 000	16.97
Programme II	10.12.2009	198 025	40.64
Total		**726 000**	

*) the above table does not include 120 000 share options allotted conditionally in the Framework of Programme III.

Note 42. Remuneration of members of the Company's management and supervisory governing bodies

Remuneration	**01.01--31.12.2010**	**01.01--31.12.2009**
1. The Management Board		
Remuneration	4 784	3 720
In this: payment out of profit	-	-
2. The Supervisory Board:		
Remuneration	852	792

The composition of the Management Board and the Supervisory Board as at 31 December 2010 has been presented in note 45.

(all amounts in thousands PLN unless stated otherwise)

Moreover, on 13 December 2010 the Supervisory Board adopted the conditional resolution regarding the number of conditionally granted share options within the framework of the first tranche of Programme III (described in note 41). In the conditional resolution there are specified numbers of shares to which the Management Board members listed below will have the subscription rights:

	Number of share options conditionally granted to the Management Board members within the Framework of Programme III
Janusz Zalewski	23 534
Jerzy Ślusarski	23 534
Janusz Stolarczyk	11 767
Terry Roydon	11 767

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 43. Contingent liabilities

CONTINGENT LIABILITIES	**31.12.2010**	**31.12.2009**
Guarantees	3 051	102
Sureties	804	1 093
Total	**3 855**	**1 195**

(all amounts in thousands PLN unless stated otherwise)

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

CONTINGENT LIABILITIES	31.12.2010	31.12.2009
Bills of exchange, including:		
– bills of exchange constituting an additional guarantee for BOŚ bank in respect of claims arising from the granted loan	134 320	140 000
– bills of exchange constituting an additional guarantee for PKO BP bank in respect of claims arising from the granted loan	65 000	105 000
– 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
– bills of exchange constituting other guarantees	1 889	-
Total	**201 209**	**247 000**

Note 44. Material court cases as at 31 December 2010

The largest proceeding concerning receivables of the entities comprising the Group 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. On 27 January 2011 the Company entered into a settlement agreement with Erabud Sp. z o.o. described in note 47 "Material post-balance sheet events".

Other proceedings involving the entities comprising the Group have no significant impact for the Group's activity.

Note 45. Changes of the composition of the Management Board and the Supervisory Board of the Company

In 2010 there were no changes to the composition of the Management Board or the Supervisory Board

Composition of the Management Board

As at 31 December 2010 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 2010 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

(all amounts in thousands PLN unless stated otherwise)

Note 46. Additional information on the operating activity of the Company

In the period of twelve months ended 31 December 2010 the following material changes in the portfolio of the Company's investments under construction took place:

The projects commenced in the period from 1 January 2010 till 31 December 2010

Project	Segment	Number of apartments
Regaty 4 phase	Popular	202
Regaty 5 phase	Popular	180
Saska I 2/1 phase	Popular	190
Saska I 2/2 phase	Popular	145
Klasyków 1 phase.........................	Popular	135
Klasyków 3 phase.........................	Popular	187
Adria 1 phase...............................	Popular	256
Derby 11	Popular	87
Derby 20......................................	Popular	90
Przy Ratuszu	Popular	465
Wilno 1 phase (part 1A)	Popular	130
Wilno 1 phase (part 1B)	Popular	84

In the period from 1 January 2010 to 31 December 2010 the Group did not finish construction of any project.

Note 47. Material post-balance sheet events

On 27 January 2011 the Company entered into a conditional settlement agreement with Erabud Sp. z o.o. which was approved by the Court on 10 February 2011. Pursuant to the said settlement, Erabud Sp. z o.o. agreed to withdraw the suit filed against the Company for the execution of a preliminary purchase agreement dated 4 January 2008 relating to the sale of land in Józefosław, municipality Piaseczno. Furthermore, Erabud Sp. z o.o. agreed to pay the sum of PLN 22 672 thousand to the Company as reimbursement of the amount paid to Erabud Sp. z o.o. by the Company at the time of conclusion of the above-referenced preliminary purchase agreement as an advance towards the price for the above real estate, within 36 months after the date of conclusion of the settlement.

The claims of the Company for payment by Erabud Sp. z o.o. of the sum of PLN 22 672 thousand with interest are secured by a warranty given by Sobiesław Zasada S.A. with its registered seat in Krakow, a blank bill of exchange issued by the warrantor, Sobiesław Zasada S.A. with its registered seat in Krakow which may be filed in accordance with the terms provided in the bill of exchange declaration (agreement), and the mortgage of up to PLN 45 345 thousand.

Concurrently, the Company was obliged to file a motion to the court enforcement officer to discontinue enforcement proceedings against Erabud Sp. z o.o. for reimbursement of PLN 22 672 thousand to the Company.

Furthermore, both the Company and Erabud Sp. z o.o. waived all claims against each other, except for the claims under the above-mentioned settlement.

Nota 48. Approval of the financial statements for 2009 and the distribution of profit

On 20 May 2010 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 2009, the report of the Management Board on the activities of Dom Development S.A. in 2009, the consolidated financial statements of Dom Development Capital Group for the year ended on 31 December 2009 and the report of the Management Board on the activities of Dom

(all amounts in thousands PLN unless stated otherwise)

Development Capital Group in 2009, 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 2009.

The Ordinary General Meeting of the Shareholders of Dom Development S.A. allotted a part of the Company's net profit for 2009 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 65 581 861.98 to increase the Company's reserve capital. The dividend day was set at 8 June 2010 and the day of payment of the dividend was set at 24 June 2010. The dividend was paid on the agreed date.

Note 49. Forecasts

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

Nota 50. Information on remuneration of the auditor Or the entity authorised to audit financial statements

The table below shows remuneration of the entity authorised to audit financial statements of the holding company paid or due for the year ended 31 December 2010 and 31 December 2009 divided up into services received:

Services received	01.01--31.12.2010*)	01.01--31.12.2009**)
– Obligatory audit of annual and review of semi-annual financial statements	290	265
– Other attesting services	-	33
– Other services	5	-
Total	**295**	**298**

*) relates to Ernst & Young Audit Sp. z o.o.
**) relates to BDO Sp. z o.o.

Note 51. 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	31.12.2010	31.12.2009
	thousand EURO	thousand EURO
Total current assets	404 219	381 822
Total assets	410 007	384 183
Total shareholders' equity	195 283	182 237
Long-term liabilities	101 222	101 072
Short-term liabilities	113 501	100 874
Total liabilities	214 723	201 946
PLN/EURO exchange rate as at the balance sheet date	*3.9603*	*4.1082*

(all amounts in thousands PLN unless stated otherwise)

SELECTED DATA FROM THE INCOME STATEMENT	**01.01- -31.12.2010**	**01.01- -31.12.2009**
	thousand EURO	thousand EURO
Sales revenue	128 280	162 272
Gross profit on sales	32 348	41 929
Operating profit	14 746	25 608
Profit before tax	12 758	23 211
Profit after tax	10 109	18 477
Average PLN/EURO exchange rate for the reporting period	*4.0044*	*4.3406*

These financial statements were prepared and approved by the Management Board of the Company on 8 March 2011.

Warsaw, 8 March 2011

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