



DOM DEVELOPMENT S.A.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD OF THREE MONTHS ENDED ON 31 MARCH 2008

PREPARED IN ACCORDANCE WITH INTERNATIONAL
FINANCIAL REPORTING STANDARDS

I. INTRODUCTION TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

The holding company of Dom Development S.A. 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, Pl. 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 Group's scope of activity is construction industry and investments connected with real property – PKD 7011Z. The Group 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 March 2008 the holding company Dom Development S.A. was controlled by Dom Development B.V. which held 63.10% of the Company's shares.

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 March 2008.

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

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

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

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

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

All entities of the Group conduct business activities in the territory of Poland 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 three months ended on 31 March 2008 the Group did not discontinue any of its operations.

3. Basis for the preparation of the consolidated financial statements

All the applicable International Financial Reporting Standards („IFRS”) adopted by the European Union and the standards applicable for the periods beginning on 1 January 2008 as well as the standards which became effective by 31 March 2008 were applied by the Company in the condensed consolidated financial statements for the period of three months ending on 31 March 2008 („condensed consolidated financial statements”).

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

These condensed consolidated financial statements were prepared pursuant to International Accounting Standard 34 "Interim financial reporting" with the application of the same accounting principles for the current and comparable period.

The consolidated financial statements were prepared based on the assumption that the Group would continue its business activities in the foreseeable future, with no threats to the continuation of these activities.

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

4. Summary of significant accounting policies

These condensed consolidated financial statements were prepared following the same accounting policies and methods of computation that were disclosed in and applied to the most recent annual consolidated financial statements of the Group.

Possible new interpretations to the International Accounting Standards that would be applicable to the Group's financial statements.

It is possible that the future financial statements may be prepared differently in terms of revenue recognition. The International Financial Reporting Interpretation Committee (IFRIC) is currently engaged in a project reviewing the interpretation of revenue recognition from real estate sales under IAS 11 and IAS 18.

IFRIC has prepared a draft interpretation (D-21 Real Estate Sales) which may introduce changes to the existing guidance on applying International Accounting Standards to real estate sales. The draft has already been discussed during the first stage of consultations with the parties involved. Some respondents have expressed many comments and reservations due to which the draft is currently being reanalysed by IFRIC. The new contents thereof are unknown as at the day of preparing these financial statements.

At present the Group prepares its financial statements under IAS 11 using a percentage of completion method. If the above interpretation is issued by IFRIC in its initial wording, it would require the Group to account for its revenues differently.

The possible change in accounting principles would not impact the profitability of completed contracts but may influence the allocation of revenues and cost of sales to individual accounting periods.

Dom Development S.A.
Consolidated balance sheets
as at 31 March 2008 and 2007
(in PLN; all amounts in thousands unless stated otherwise)

II. CONSOLIDATED BALANCE SHEETS

ASSETS	Note	31.03.2008	31.12.2007
Fixed assets			
Intangible fixed assets		580	707
Tangible fixed assets		6,670	6,548
Investments in associated entities		1,050	1,024
Deferred income tax assets		8,292	10,579
Long-term receivables		1,642	1,552
Long-term deferred costs		1,376	1,471
Total fixed assets		19,610	21,881
Current assets			
Inventory	1	909,773	862,358
Trade and other receivables		46,668	65,914
Other current assets		41,800	26,425
Cash and cash equivalents	3	254,549	275,489
Total current assets		1,252,790	1,230,186
Total assets		1,272,400	1,252,067

EQUITY AND LIABILITIES	Note	31.03.2008	31.12.2007
Equity			
Share capital	4	24,560	24,560
Share premium less treasury shares		231,535	231,535
Reserve capital from valuation of share options		9,062	7,128
Other capital (supplementary capital)		191,556	191,556
Reserve capital from reducing the share capital		510	510
Accumulated, unappropriated profit (loss)		286,369	240,849
Equity attributable to the equity holders of the holding company		743,592	696,138
Minority interest		(158)	-
Total equity		743,434	696,138
Long-term liabilities			
Long-term loans and borrowings	5	31,691	41,779
Deferred tax liability		85,426	87,876
Bonds	6	200,000	200,000
Other long-term liabilities		764	764
Total long-term liabilities		317,881	330,419
Short-term liabilities			
Trade payables and other liabilities		124,583	120,995
Short-term loans and borrowings	5	35,171	37,005
Short-term tax liabilities		8,307	6,088
Short-term provisions		12,189	12,444
Accrued liabilities and deferred income		30,835	48,978
Total short-term liabilities		211,085	225,510
Total liabilities		528,966	555,929
Total equity and liabilities		1,272,400	1,252,067

Dom Development S.A.
Consolidated income statements
for the period of three months ended on 31 March 2008 and 2007
(in PLN; all amounts in thousands unless stated otherwise)

III. CONSOLIDATED INCOME STATEMENTS

	Note	Period of three months ended on 31.03.2008	Period of three months ended on 31.03.2007	Period of three months ended on 31.03.2008	Period of three months ended on 31.03.2007
Sales revenues	10	187,541	171,877	187,541	171,877
Cost of sales	11	(112,443)	(108,855)	(112,443)	(108,855)
Gross profit on sales		75,098	63,022	75,098	63,022
Selling expenses	11	(7,532)	(6,647)	(7,532)	(6,647)
General administrative expenses	11	(15,245)	(12,633)	(15,245)	(12,633)
Other operating income		776	493	776	493
Other operating expenses		(361)	(261)	(361)	(261)
Operating profit		52,736	43,974	52,736	43,974
Financial income	12	3,931	3,129	3,931	3,129
Financial costs		(150)	(495)	(150)	(495)
Profit before tax		56,517	46,608	56,517	46,608
Income tax expense	13	(11,155)	(9,238)	(11,155)	(9,238)
Profit after tax		45,362	37,370	45,362	37,370
Profit attributable to:					
Equity holders of the holding company		45,363	37,370	45,363	37,370
Minority interests		(1)	-	(1)	-
Earnings per share:					
Basic (PLN)	7	1.85	1.52	1.85	1.52
Diluted (PLN)	7	1.85	1.52	1.85	1.52

Dom Development S.A.
Consolidated cash flow statements
for the period of three months ended on 31 March 2008 and 2007
(in PLN; all amounts in thousands unless stated otherwise)

IV. CONSOLIDATED CASH FLOW STATEMENTS

	Period of three months	
	01.01- -31.03.2008	01.01- -31.03.2007
Cash flow from operating activities		
Profit before taxation	56,517	46,608
Adjustments:		
Depreciation.....	538	467
Profit/loss on foreign exchange differences	20	12
Profit/loss on investments	(28)	(18)
Interest paid and accrued	1,759	2,069
Cost of the management option scheme	1,934	1,554
Changes in the operating capital		
Changes in provisions	5	(167)
Changes in inventory	(44,309)	(7,196)
Changes in receivables	17,690	8,826
Changes in short term liabilities excluding loans and borrowings	5,807	(21,283)
Changes in prepayments.....	(33,708)	49,880
Other adjustments.....	(46)	1,662
Cash flow generated from operating activities	6,179	82,414
Interest paid.....	(4,789)	(3,574)
Income tax paid.....	(9,851)	-
Net cash flow from operating activities.....	(8,461)	78,840
Cash flow from investing activities		
Proceeds from the sale of intangible assets and tangible fixed assets.....	53	123
Acquisition of intangible and tangible fixed assets	(558)	(660)
Net cash flow from investing activities	(505)	(537)
Cash flows from financing activities		
Proceeds from contracted loans and borrowings	7	24,409
Repayment of loans and borrowings	(11,931)	(33,517)
Payment of financial leasing liabilities.....	(50)	(21)
Net cash flow from financing activities	(11,974)	(9,129)
Increase (decrease) in net cash and cash equivalents.....	(20,940)	69,174
Cash and cash equivalents – opening balance	275,489	227,535
Cash and cash equivalents – closing balance	254,549	296,709

Dom Development S.A.
 Statements of changes in the consolidated shareholders' equity
 for the period of three months ended on 31 March 2008 and 2007
 (in PLN; all amounts in thousands unless stated otherwise)

V. STATEMENT OF CHANGES IN THE CONSOLIDATED SHAREHOLDERS' EQUITY

Share capital	Share premium less treasury shares	Other capitals (supplementary capital)	Reserve capital from reduction of share capital	Reserve capital from the valuation of shares options	Accumulated unappropriated profit (loss)	Equity attributable to the equity holders of the holding company	Minority interests	Total equity	
Balance as at 1 January 2008	24,560	231,535	191,556	510	7,128	240,849	696,138	-	696,138
Creation of reserve capital from the valuation of the share options	-	-	-	1,934	-	1,934	-	1,934	
Transfer of retained profit attributable to minority interests	-	-	-	-	157	157	(157)	-	
Profit for three months ended on 31 March 2008	-	-	-	-	45,363	45,363	(1)	45,362	
Balance as at 31 March 2008	24,560	231,535	191,556	510	9,062	286,369	743,592	(158)	743,434

Share capital	Share premium less treasury shares	Other capitals (supplementary capital)	Reserve capital from reduction of share capital	Reserve capital from the valuation of shares options	Accumulated unappropriated profit (loss)	Equity attributable to the equity holders of the holding company	Minority interests	Total equity	
Balance as at 1 January 2007	24,050	230,371	79,301	510	1,506	156,144	491,882	-	491,882
Creation of reserve capital from the valuation of the employee' options.....	-	-	-	1,554	-	1,554	-	1,554	
Increase of the capital by the issue of shares.....	510	1,164	-	-	-	1,674	-	1,674	
Profit for three months ended on 31 March 2007	-	-	-	-	37,370	37,370	-	37,370	
Balance as at 31 March 2007	24,560	231,535	79,301	510	3,060	193,514	532,480	-	532,480

VI. ADDITIONAL NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Inventories

INVENTORY	31.03.2008	31.12.2007
Advances on deliveries	102,261	150,853
in this at purchase prices/production costs	102,261	150,853
in this revaluation write down	-	-
Semi-finished goods and work in progress	718,618	611,763
in this at purchase prices/production costs	726,185	619,270
in this revaluation write down	(7,567)	(7,507)
Finished goods	88,894	99,742
in this at purchase prices/production costs	89,850	100,698
in this revaluation write down	(956)	(956)
Total	909,773	862,358

WRITE-OFFS REVALUATING THE INVENTORIES	01.01- -31.03.2008	01.01- -31.03.2007
Balance at the beginning of the period	8,463	4,764
Increase	60	3
Release	-	(51)
Balance at the end of the period	8,523	4,716

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

SECURITY ON INVENTORIES - MORTGAGE	31.03.2008	31.12.2007
Balance sheet value of inventory used to secure liabilities	235,717	170,369
Amount of security - loans	198,261	250,846

Note 2. Change in the write-offs revaluating short-term receivables

CHANGE IN THE WRITE-OFFS REVALUATING TRADE AND OTHER RECEIVABLES	01.01- -31.03.2008	01.01- -31.03.2007
Opening balance	2,547	5,895
a) Additions	329	197
b) Disposals	(1)	-
Closing balance	2,875	6,092

Note 3. Cash and cash equivalents

Cash on hand and at bank held by the Company represents cash 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	31.03.2008	31.12.2007
Cash on hand and at bank	10,533	15,048
Short-term deposits and treasury bills.....	243,947	259,848
Other	69	593
Total	254,549	275,489

Dom Development S.A.
Additional notes to the condensed consolidated financial statements
for the period of three months ended on 31 March 2008
(in PLN; all amounts in thousands unless stated otherwise)

Note 4. Share capital

SHARE CAPITAL (STRUCTURE) AS AT 31 March 2008

Series/ issue	Type of shares	Type of preference	Limitation of right to shares	Number of shares	Nominal value of series/issue (PLN)	Capital covered with	Registration date	Right to dividend (since)
A	bearer	-	-	21,344,490	21,344,490	cash	12.09.2006	12.09.2006
F	bearer	-	-	2,705,882	2,705,882	cash	31.10.2006	31.10.2006
H	bearer	-	-	172,200	172,200	cash	14.02.2007	14.02.2007
I	bearer	-	-	92,700	92,700	cash	14.02.2007	14.02.2007
J	bearer	-	-	96,750	96,750	cash	14.02.2007	14.02.2007
L	bearer	-	-	148,200	148,200	cash	14.02.2007	14.02.2007
Total number of shares				24,560,222				
Total share capital (PLN)					24,560,222			
Nominal value per share = PLN 1								

SHARE CAPITAL (STRUCTURE) AS AT 31 December 2007

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								

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

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

Dom Development S.A.
 Additional notes to the condensed consolidated financial statements
 for the period of three months ended on 31 March 2008
 (in PLN; all amounts in thousands unless stated otherwise)

Description of changes in the share capital of the holding company in the period from 1 January 2008 to the date of preparing the financial statements.

In the period from 1 January 2008 by the date of preparation of these financial statements there have been no changes to the shareholders capital.

On 14 February 2007 the District Court for the capital city of Warsaw 12th Commercial Division of the National Court Register issued the ruling concerning the registration of an increase in the share capital to the amount of PLN 24,560,222 in connection with the issue of 172,200 H series ordinary, bearer shares, 92,700 I series ordinary bearer shares, 96,750 J series ordinary bearer shares and 148,200 L series ordinary bearer shares.

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 the date of preparing these financial statements for the 1st quarter of 2008

	Shares	% of capital	Number of votes at the Shareholders Meeting	% of votes at the Shareholders Meeting
Dom Development B.V.	15,496,386	63.10	15,496,386	63.10
Jarosław Szanajca	1,734,050	7.06	1,734,050	7.06
Grzegorz Kiełpsz.....	1,390,750	5.66	1,390,750	5.66

In the period since the preparation of the last quarterly financial statements there has been no change in the number of shares owned by the above-mentioned shareholders and the percent of the share capital held by them as well as in the percent of votes to which they are entitled at the Shareholders Meeting.

The shares of Dom Development S.A. or rights thereto (options) owned by the persons performing management and supervisory functions at Dom Development SA as at the date of preparing these financial statements for the 1st quarter of 2008

	Shares	Share Options	Total
Management Board			
Jarosław Szanajca	1,734,050	-	1,734,050
Grzegorz Kiełpsz.....	1,390,750	-	1,390,750
Leszek Piotr Nałęcz	-	40,000	40,000
Jerzy Ślusarski	363	36,850	37,213
Janusz Stolarczyk	106,200	20,850	127,050
Terry Roydon	58,500	50,000	108,500
Supervisory Board			
Zygmunt Kostkiewicz	34,500	-	34,500

Since the date of preparation of the previous quarterly financial statements there has been a change in the number of shares owned by Zygmunt Kostkiewicz (from 39,376 to 34,500).

Dom Development S.A.
Additional notes to the condensed consolidated financial statements
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(in PLN; all amounts in thousands unless stated otherwise)

Note 5. Loans and borrowings

LOANS DUE WITHIN	31.03.2008	31.12.2007
1 year	35,171	37,005
More than 1 year less then 2 years	31,691	41,779
More than 2 years less then 5 years	-	-
More than 5 years	-	-
Total loans	66,862	78,784
including: long-term	31,691	41,779
short-term	35,171	37,005

As at 31 March 2008 and 31 December 2007 the Group did not have borrowing-related liabilities.

As at 31 March 2008 and 31 December 2007 all the Group's loans were expressed in Polish Zloty.

Note 6. Bonds

BONDS	31.03.2008	31.12.2007
Nominal value of the issued bonds	200,000	200,000
Interest due for payment as at balance sheet date disclosed in the item - Accrued liabilities and deferred income	1,277	1,251

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

On 28 November 2007, pursuant to the above-mentioned agreement, the Company issued 20,000 I series bonds with the nominal value of PLN 10,000 each and the total nominal value of PLN 200,000,000 under the Bond Issue 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 bonds will be used for financing the development of the Company. The bonds are an unsecured liability of the Company.

Dom Development S.A.
Additional notes to the condensed consolidated financial statements
for the period of three months ended on 31 March 2008
(in PLN; all amounts in thousands unless stated otherwise)

Note 7. Earnings per share

CALCULATION OF BASIC AND DILUTED EARNINGS PER SHARE	01.01- -31.03.2008	01.01- -31.03.2007	01.01- -31.03.2008	01.01- -31.03.2007
Basic earnings per share				
Profit attributable to the equity holders of the holding company (PLN)	45,363	37,370	45,363	37,370
The average weighted number of ordinary shares for the calculation of basic earnings per share *)	24,560,222	24,560,222	24,560,222	24,560,222
Basic earnings per share (PLN)	1.85	1.52	1.85	1.52
Diluted earnings per share				
Theoretical profit attributable to the equity holders of the holding company for the calculation of the diluted earnings per share	45,363	37,370	45,363	37,370
Potential diluting shares related to Management Share Options Programme II**)	-	-	-	-
The average weighted number of ordinary shares for the calculation of diluted earnings per share *)	24,560,222	24,560,222	24,560,222	24,560,222
Diluted earnings per share	1.85	1.52	1.85	1.52

*) For the calculation of the earnings it was adopted that 509,850 shares (H, I, J and L series shares) should be taken into account in the average weighted number of ordinary shares used for the calculation of diluted and basic earnings per share already in 2006. As at 31 December 2006 these shares were fully subscribed and their registration by the competent Registration Court was effected on 14 February 2007.

**) Options for the shares issued as part of IB programme do not result in dilution of earnings per share since they are issued and recognized in the share capital. The shares are deposited with Unicredit CA IB Polska, which is a trustee in this programme (see note 4).

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

Note 8. Key assumptions and estimate bases

Calculation of the revenues from the sales of the finished goods and the cost of the sold finished goods (see the section „long-term contract disclosure principles"), is based on detailed budgets of individual development projects prepared based on the Company's best knowledge and experience. During construction, each development project budget is updated at least once every three months.

Note 9. Segment reporting

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

Note 10. Operating income

SALES REVENUES BY KIND	01.01- -31.03.2008	01.01- -31.03.2007	01.01- -31.03.2008	01.01- -31.03.2007
Sales of finished goods	181,454	165,358	181,454	165,358
Sales of services	6,087	6,519	6,087	6,519
Sales of goods for resale (land)	-	-	-	-
Total	187,541	171,877	187,541	171,877

Dom Development S.A.
Additional notes to the condensed consolidated financial statements
for the period of three months ended on 31 March 2008
(in PLN; all amounts in thousands unless stated otherwise)

Note 11. Operating costs

OPERATING COSTS	01.01- -31.03.2008	01.01- -31.03.2007	01.01- -31.03.2008	01.01- -31.03.2007
Cost of sales				
Cost of finished goods sold	(107,611)	(103,173)	(107,611)	(103,173)
Cost of services sold	(4,832)	(5,682)	(4,832)	(5,682)
Cost of land sold	-	-	-	-
Total cost of sales	(112,443)	(108,855)	(112,443)	(108,855)
Selling costs and general administrative expenses				
Selling costs	(7,532)	(6,647)	(7,532)	(6,647)
General administrative expenses	(15,245)	(12,633)	(15,245)	(12,633)
Total selling costs and general administrative expenses.....	(22,777)	(19,280)	(22,777)	(19,280)
Selling costs and general administrative expenses by kind				
Depreciation	(538)	(467)	(538)	(467)
Cost of materials and energy	(1,730)	(1,155)	(1,730)	(1,155)
External services	(5,677)	(6,354)	(5,677)	(6,354)
Taxes and charges	(128)	(71)	(128)	(71)
Wages and salaries	(10,303)	(7,980)	(10,303)	(7,980)
Social security and other benefits	(1,925)	(1,288)	(1,925)	(1,288)
Management Options Programme	(1,934)	(1,554)	(1,934)	(1,554)
Other costs by kind	(542)	(411)	(542)	(411)
Total selling costs and general administrative expenses by kind	(22,777)	(19,280)	(22,777)	(19,280)

Note 12. Financial income

FINANCIAL INCOME	01.01- -31.03.2008	01.01- -31.03.2007	01.01- -31.03.2008	01.01- -31.03.2007
Dividends	-	-	-	-
Interest received	3,930	3,129	3,930	3,129
Other	1	-	1	-
Total	3,931	3,129	3,931	3,129

Note 13. Income tax

INCOME TAX	01.01- -31.03.2008	01.01- -31.03.2007	01.01- -31.03.2008	01.01- -31.03.2007
Current income tax	10,548	393	10,548	393
Deferred income tax	607	8,845	607	8,845
Total	11,155	9,238	11,155	9,238

Dom Development S.A.
Additional notes to the condensed consolidated financial statements
for the period of three months ended on 31 March 2008
(in PLN; all amounts in thousands unless stated otherwise)

Note 14. Transactions with related entities

In the three-month periods ended 31 March 2008 and 2007 the Company 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- -31.03.2008	01.01- -31.03.2007
Woodsford Consulting Limited	Consulting services as per agreement dated 1 February 2000, with further amendments	506	1,249
Hansom Property Company Limited.....	Consulting services as per agreement dated 31 March 1999	42	51
Towarzystwo Ubezpieczeń Wzajemnych Bezpieczny Dom"	Insurance of financial losses risk	121	54
Fort Mokotów sp. z o.o.	Real estate management	-	867
Fort Mokotów sp. z o.o.....	Other	82	52

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

Counterparty	Transaction description	01.01- -31.03.2008	01.01- -31.03.2007
Dom Development Grunty sp. z o.o.	Amounts of advances transferred to Dom Development Grunty Sp. z o.o. for the purchase of land as part of mandate contracts	-	1,820
Dom Development Grunty sp. z o.o.	Value of land transferred to Dom Development S.A. as part of mandate contracts	668	-

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

Counterparty	Transaction description	01.01- -31.03.2008	01.01- -31.03.2007
Fort Mokotów sp. z o.o.	General Project Execution agreement dated 15 April 2002	-	149
Fort Mokotów sp. z o.o.	The sales commission agreement and agreement for provision of advertising and marketing services dated 15 April 2002	150	731
Fort Mokotów sp. z o.o.	Repair services based on agreement dated 22 July 2005	36	-
Fort Mokotów sp. z o.o.	Real estate management services	10	-
Fort Mokotów sp. z o.o.	Other	4	636

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

Counterparty	Transaction description	01.01- -31.03.2008	01.01- -31.03.2007
Fort Mokotów sp. z o.o.	Dividend (gross)	-	29,400

Balances with related entities

Balances as in the books of the Company (in thousand PLN)

Entity	Receivables from related entities		Liabilities to related entities	
	31.03.2008	31.12.2007	31.03.2008	31.12.2007
Total balance	89,101	87,604	1,674	1,530
Balances below PLN 100,000	28	28	-	11
Balances over PLN 100,000.....	89,073	87,576	1,674	1,519
Subsidiaries	1,147	1,147	-	-
Dom Development Morskie Oko sp. z o.o. additional contributions to capital	1,147	1,147	-	-
Associated entities	87,200	86,429	-	-
Dom Development Grunty sp. z o.o.	87,200	86,429	-	-
Co-subsidiaries	726	-	1,674	1,268
Fort Mokotów sp. z o.o.	726	-	1,674	1,268
Other entities	-	-	-	251
Woodsford Consulting Limited.....	-	-	-	251

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

Related person	Date	Description	Value (PLN)	Cumulative payments made as at 31 March 2008 (PLN)
Janusz Stolarczyk and Danuta Stolarczyk	22.03.2007	Annex no.1 regarding purchase of additional parking space in addition to promissory sale agreement concerning residential facilities with the area of 89.1 sq. m together with two utility rooms and two parking spaces	9,000.00	9,000.00
Jakub Domalik - Plakwicz	31.01.2007	Promissory sale agreement concerning residential facilities with the area of 59,4 sq. m, together with a parking space	797,472.20	779,120.20
Jakub Domalik - Plakwicz	27.03.2008	Promissory sale agreement concerning residential facilities with the area of 104,58 sq. m, together with a parking space	1,710,074.00	85,503.70

Dom Development S.A.

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Note 15. Incentive plan – Management Options Programme

As at 31 March 2008 there were three Management Option Programmes adopted as part of the Incentive Scheme for the Management staff of the Company. They are as follows:

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)
	31.03.2008			31.12.2007		
Programme I	413,100	413,100	413,100	413,100	413,100	413,100
Programme I B	96,750	96,750	-	96,750	96,750	-
Programme II	726,000	426,950	-	726,000	435,950	-

In the first quarter 2008 the number of share options allotted under Programme II decreased due to the termination of employment contracts with a few employees who were under this Programme.

There was no allocation of additional share options in this period.

Within the two three month periods which ended on 31 March 2008 and 2007 the following amounts were accounted for in the income statement: PLN 1,934 thousand and PLN 1,554 thousand respectively.

Share options allocated and possible to be exercised as at respective balance sheet dates

SHARE OPTIONS		31.03.2008	31.12.2007
Options unexercised at the end of the period	Amount	523,700	532,700
	Total exercise price	49,467	50,498
Options possible to be exercised at the end of the period	Amount	-	-
	Total exercise price	-	-

Note 16. Contingent liabilities

CONTINGENT LIABILITIES	31.03.2008	31.12.2007
Bills of exchange, including:	112,000	112,000
– bills of exchange constituting an additional guarantee for BOŚ bank in respect of claims arising from the granted loan	70,000	70,000
– bills of exchange constituting an additional guarantee for PKO BP bank in respect of claims arising from the granted loan	40,000	40,000
– 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	2,000
Guarantees	9,888	9,800
Sureties	1,050	1,214
Total	122,938	123,014

Dom Development S.A.

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Note 17. Material court cases as at 31 March 2008

The Group is not a party in material court proceedings as at 31 March 2008.

Note 18. Additional information on the operating activity of the Company

In the period of three months ended 31 March 2008 the following material changes in the portfolio of the Company's investments under construction took place:

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

Plan	Commencement of construction and sale	Segment	Number of apartments
Derby 18.....	I Q 2008	Popular	82
Derby 16.....	I Q 2008	Popular	276
Róża Wiatrów	I Q 2008	Popular	184
Grzybowska	I Q 2008	Appartments of high er standard	287

Note 19. The factors which will influence the results achieved by the Group at least in the next quarter

The most important factors which may influence the financial situation of the Group at least in the next quarter are:

- prompt, compliant with schedules, completion of the construction works by construction companies completing individual investments of the Group in the general construction system,
- achieving the planned sales volume in terms of quantity and value, as well as in the individual market segments,
- lack of sudden changes in the legal and tax regulations that may influence in an uncontrollable manner the market demand for products offered by the Companies of the Group,
- availability of home loans, and especially convenient terms of such loans for potential clients,
- maintaining the stable political situation and creating a positive economic climate by the government and local authorities ,

Note 20. Material post-balance sheet events

There were no material post-balance sheet events in the period between the balance sheet day and the day on which these financial statements for the first quarter of 2008 were prepared.

Dom Development S.A.
Additional notes to the condensed consolidated financial statements
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Note 21. Selected consolidated financial data translated into EURO

In compliance with the reporting requirements the following financial data of the Group have been translated into euro:

SELECTED DATA FROM THE CONSOLIDATED BALANCE SHEET	31.03.2008	31.12.2007
	EURO	EURO
Total current assets	355,321	343,436
Total assets	360,883	349,544
Total shareholders' equity	210,856	194,343
Long-term liabilities	90,158	92,245
Short-term liabilities	59,869	62,956
Total liabilities	150,027	155,201
<i>PLN/EURO exchange rate as at the balance sheet date.....</i>	<i>3.5258</i>	<i>3.5820</i>

SELECTED DATA FROM THE CONSOLIDATED INCOME STATEMENT	01.01- -31.03.2008	01.01- -31.03.2007	01.01- -31.03.2008	01.01- -31.03.2007
	EURO	EURO	EURO	EURO
Sales revenue	52,719	44,000	52,719	44,000
Gross profit on sales	21,111	16,133	21,110	16,133
Operating profit.....	14,824	11,257	14,824	11,257
Profit before tax	15,887	11,931	15,887	11,931
Profit after tax.....	12,751	9,567	12,752	9,567
<i>Average PLN/EURO exchange rate for the reporting period</i>	<i>3.5574</i>	<i>3.9063</i>	<i>3.5574</i>	<i>3.9063</i>

Warsaw, 9 May 2008

Jarosław Szanajca, President of the Management Board

Leszek Piotr Nałęcz, Vice-President of the Management Board