



DOM DEVELOPMENT S.A.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF SIX MONTHS ENDED ON 30 JUNE 2008

PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS

I. INTRODUCTION TO THE 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 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 30 June 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 30 June 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	100%	100%	full consolidation
Joint-venture				
Fort Mokotów sp. z o.o.	Poland	49%	49%	proportionate consolidation

The main area of activity of the companies comprising 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 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 6 months ended on 3 June 2008 the Group did not discontinue any of its operations.

3. Basis for the preparation of the consolidated financial statements

The consolidated financial statements have been prepared based on historical acquisition cost, purchase price or production cost except for derivative financial instruments, which in accordance with International Financial Reporting Standards („IFRS”) were stated at fair values. The value of assets and liabilities being the subject of hedging

transactions, which are usually valued at cost or in the amount due for payment, will be adjusted to reflect the profit or loss attributable to a hedging transaction concluded in relation to these assets and liabilities, and the value of this adjustment is accounted for in accordance with relevant IFRS standards.

The standalone financial statements constituting the basis for the preparation of the consolidated financial statements were prepared based on the assumption that Capital Group would continue their business activities in the foreseeable future, with no threats to the continuation of these activities.

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

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

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

Statement of unreserved conformity with International Financial Reporting Standards

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

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

The Group has applied all standards and interpretations effective within the European Union as at 30 June 2008.

There is a possibility of a future change in the interpretation of IAS which is further described in section 4 “Summary of significant accounting policies”.

Basic information concerning the consolidation

The consolidated financial statements were prepared on the basis of the financial statements of the entities comprising the Group and presented as if the Group constituted a single entity. The consolidated financial statements comprise the financial statements of the holding entity (Dom Development S.A.) and the financial statements of the subsidiaries and jointly controlled entity, all of which were prepared for the 6-month period ended on 30 June 2008.

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

The consolidated cash flow statement for the 6-month period ended on 30 June 2008 contains the cash flow statements of the holding company, the subsidiaries and the jointly controlled entity, and include proper consolidation adjustments resulting from mutual transactions.

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

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

4. Summary of significant accounting policies

Interest in a jointly controlled entity

The Group has an interest in a joint-venture which is a jointly controlled entity. A joint-venture is a contractual arrangement whereby two or more parties undertake an economic activity that is a subject to joint control, and a jointly controlled entity is a joint-venture that involves the establishment of a separate entity in which each partner has an

interest. The Group recognises its interest in the joint-venture using proportionate consolidation method. The Group combines its share in each of the assets, liabilities, income and expenses of the joint-venture with similar items, line by line, in its consolidated financial statements. The financial statements of the joint-venture are prepared for the same balance sheet date as the holding entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Investments in associated entities

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

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

Tangible fixed assets

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

Inventories

Finished goods

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

Work in progress

Work in progress is valued in accordance with the principles described in the section „Long-term contract disclosure principles“.

Cost of inventories includes the transfer from the shareholders' equity of profits and losses on qualifying cash flow hedges in respect of the purchase of related real estate.

External financing costs

External financing costs (interest) that are directly attributable to work in progress (primarily financing of land and construction services) are capitalised as a part of the cost of work in progress.

The remaining external financing costs are recognised as an expense in the period in which they are incurred.

Trade and other receivables

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

Cash and cash equivalents

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

Treasury shares

The Company's shares which are reacquired from another party (treasury shares) are deducted from the shareholders' equity. No profit or loss on the purchase, sale, issue or cancellation of the Company's treasury shares is recognised in the income statement.

Revenue recognition

Revenue is recognised to the extent that it is probable that the Company 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 housing units

The revenue from the sale of housing units is recognised by reference to the stage of completion. Detailed description of the developers' project percentage of completion is provided in the section „Long-term contract disclosure principles”.

The Company begins revenue recognition on construction contract after the preliminary sales agreement with the client has been signed. The revenue is recorded gradually in line with the progress of work done and the rate of sales until the construction is complete. The basis for such a procedure is that past experience shows that virtually all sales based on preliminary sales agreements reach the legal completion stage. At this point the notary deeds transfer the legal ownership to the buyer. At each balance sheet date, Management assesses the rate of conversion of preliminary sales agreements into notary deed transfers to verify whether this accounting treatment is still appropriate.

If the situation in the future shows higher-than-expected level of clients' resignations resulting in a substantial adjustment in the sales, the Management will consider the replacement of the currently used method with another method of revenue recognition that would more adequately reflect the probability of earning revenue and present it in the financial statements.

Sale of services

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

Foreign currency translation

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

Taxes

Current tax

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

Deferred tax

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

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

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

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

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

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

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

Long-term contract disclosure and valuation principles

- a. „Work in progress” is valued in accordance with IAS 11 „Construction contracts”. Based on previous experience of the Management Board it was found that the method of income and cost recognition described in this standard is the most suitable for the Company's business. Construction of a single project exceeds 12 months and the sale of apartments in residential developments consists of concluding numerous single contracts for the construction of apartments.

If there is a probability that the total amount of costs of the developers' project shall exceed the total amount of the revenues anticipated for this project, the anticipated loss is then, according to the IAS 11, immediately disclosed as cost.

- b. Work in progress is initially valued at the amount of expenses incurred.
- c. Every month the value of „Work in progress” is adjusted in compliance with the „percentage of completion method” described below. Since the percentage of completion method is used to determine the result on the sale of apartments at housing developments during the construction period, invoiced prepayments do not constitute „Sales revenues” but increase „Deferred income” until the housing development obtains an occupation permit.
- d. The apartments are formally transferred to the customers after the construction has been completed and the occupation permit is obtained, whilst invoices for the sale of apartments are issued in accordance with the payment schedule agreed in advance with the customer.
- e. The percentage of completion method consists in recognizing the revenue based on the result of the formula referred to as „statistical revenue”:

$$\text{Statistical revenue} = \text{cost indicator} * \text{revenue indicator} * \text{budgeted revenues}$$

- f. The percentage of completion method consists in recognizing costs based on the result of the formula referred to as „statistical cost”:

$$\text{statistical cost} = \text{statistical revenue} * \frac{\text{budgeted costs}}{\text{budgeted revenue}}$$

- g. The cost indicator is a proportion of the actual costs incurred (less expenditures related to the purchase of land) to the budgeted costs (for the entire development less the cost of land).

$$\text{cost indicator} = \frac{\text{actual costs incurred}}{\text{budgeted costs}}$$

- h. The revenue indicator is a proportion of the sum of revenues from concluded preliminary sales contracts to the budgeted revenues (total expected revenues from the entire development when fully sold).

$$\text{revenue indicator} = \frac{\text{contracted revenue}}{\text{budgeted revenue}}$$

- i. By calculating the „statistical revenue“, a proportion of revenue can be recognised in the income statement, relating to the combination of progress in construction and sales calculated by the product of the cost indicator and revenue indicator.
- j. By calculating the „statistical cost“, a proportion of cost can be recognised in the income statement to the same extent that revenues are recognised (in proportion to the recognition of sales).
- k. Upon the issue of an occupancy permit the percentage of completion method is replaced. The actual sales invoices issued and the actual costs incurred (invoiced and accrued costs) are recognized in the income statement. Unsold apartments and parking spaces are transferred from work in progress to finished goods until such time as they are sold and recognized in the income statement as cost.
- l. The invoiced sales and the uninvoiced portion of the contractual sales and corresponding costs are recognized as follows:

Debit: Deferred income
Credit: Sales revenues

Debit: Cost of finished goods sold
Credit: Work in progress

- m. If „Deferred income“ is negative (which might occur if the amount of the invoiced sales revenues is relatively low, compared to the value of the concluded contracts and work advancement), then it is „zeroed out“ and „Deferred assets (part of „other current assets“)“ are increased, respectively.

Debit: Deferred assets (part of „other current assets“)
Credit: Deferred income

New interpretations to the International Accounting Standards that will be applicable to the Group's financial statements.

The International Financial Reporting Interpretation Committee (IFRIC) has completed a project reviewing the interpretation of revenue recognition from real estate sales under IAS 11 and IAS 18.

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

This interpretation, application of which will be required to the Group's financial statements for the periods beginning from 1 January 2009, will introduce changes to the currently applied accounting policies in relation to the real estate sales.

At present the Group prepares its financial statements under IAS 11 using a percentage of completion method. Application of the above interpretation will require the Group to account for its revenues differently, in accordance to IAS 18.

The change in accounting principles will not impact the profitability of the Group's real estate development projects but may influence the allocation of revenues and cost of sales to individual accounting periods.

II. CONSOLIDATED BALANCE SHEETS

ASSETS	Note	30.06.2008	31.12.2007
Fixed assets			
Intangible fixed assets	1	658	707
Tangible fixed assets	2	6,818	6,548
Investments in associated entities	5	1,050	1,024
Deferred income tax assets	15	12,805	10,579
Long-term receivables	6	1,693	1,552
Long-term deferred costs		504	1,471
Total fixed assets		23,528	21,881
Current assets			
Inventory	7	1,045,417	862,358
Trade and other receivables	8	104,710	65,914
Other current assets	10	80,227	26,425
Cash and cash equivalents	9	77,719	275,489
Total current assets		1,308,073	1,230,186
Total assets		1,331,601	1,252,067

EQUITY AND LIABILITIES	Note	30.06.2008	31.12.2007
Equity			
Share capital	11	24,560	24,560
Share premium less treasury shares	12	231,535	231,535
Reserve capital from valuation of share options		10,854	7,128
Other capital (supplementary capital)		371,837	191,556
Reserve capital from reducing the share capital		510	510
Accumulated, unappropriated profit (loss)		124,708	240,849
Equity attributable to the equity holders of the holding company		764,004	696,138
Minority interest		(160)	-
Total equity		763,844	696,138
Long-term liabilities			
Long-term loans and borrowings	14	39,613	41,779
Deferred tax liability	15	85,256	87,876
Bonds	16	200,000	200,000
Other long-term liabilities.....		764	764
Total long-term liabilities		325,633	330,419
Short-term liabilities			
Trade payables and other liabilities	17	146,055	120,995
Short-term loans and borrowings	14	17,242	37,005
Short-term tax liabilities		14,229	6,088
Short-term provisions	19	12,152	12,444
Accrued liabilities and deferred income	20	52,446	48,978
Total short-term liabilities		242,124	225,510
Total liabilities		567,757	555,929
Total equity and liabilities		1,331,601	1,252,067

III. CONSOLIDATED INCOME STATEMENTS

		Period of six months ended on	
	Note	30.06.2008	30.06.2007
Sales revenues	28	455,534	401,886
Cost of sales	29	(269,302)	(250,469)
Gross profit on sales		186,232	151,417
 Selling expenses	29	(15,929)	(14,109)
General administrative expenses	29	(32,149)	(24,788)
Other operating income	31	1,028	949
Other operating expenses	32	(3,143)	(3,583)
Operating profit		136,039	109,886
 Financial income	33	6,752	6,166
Financial costs	34	(711)	(1,350)
Profit before tax		142,080	114,702
 Income tax expense	25	(27,997)	(22,598)
Profit after tax		114,083	92,104
 Profit attributable to:			
Equity holders of the holding company		114,086	92,104
Minority interests		(3)	-
 Earnings per share:			
Basic (PLN)	24	4.65	3.75
Diluted (PLN)	24	4.65	3.75

IV. CONSOLIDATED CASH FLOW STATEMENTS

	Period of six months ended on	
	30.06.2008	30.06.2007
Cash flow from operating activities		
Profit before taxation	142,080	114,702
Adjustments:		
Depreciation.....	1,091	1,038
Profit/loss on foreign exchange differences	30	28
Profit/loss on investments	(24)	(64)
Interest paid and accrued	4,872	5,231
Cost of the management option scheme	3,726	3,122
Changes in the operating capital		
Changes in provisions	(32)	5,671
Changes in inventory	(178,085)	(162,494)
Changes in receivables	(43,714)	15,466
Changes in short term liabilities excluding loans and borrowings	33,200	(31,982)
Changes in prepayments.....	(49,804)	37,344
Other adjustments.....	(56)	1,646
Cash flow generated from operating activities	(86,716)	(10,292)
Interest paid.....	(9,558)	(7,047)
Income tax paid.....	(28,067)	(3,044)
Net cash flow from operating activities.....	(124,341)	(20,383)
Cash flow from investing activities		
Proceeds from the sale of intangible assets and tangible fixed assets.....	95	194
Acquisition of intangible and tangible fixed assets	(1,383)	(1,708)
Net cash flow from investing activities	(1,288)	(1,514)
Cash flows from financing activities		
Proceeds from contracted loans and borrowings	1	57,576
Repayment of loans and borrowings	(21,930)	(57,479)
Dividend payments	(50,103)	(3,193)
Payment of financial leasing liabilities.....	(109)	(55)
Net cash flow from financing activities	(72,141)	(3,151)
Increase (decrease) in net cash and cash equivalents.....	(197,770)	(25,048)
Cash and cash equivalents – opening balance	275,489	227,535
Cash and cash equivalents – closing balance	77,719	202,487

Dom Development S.A.
Statements of changes in the consolidated equity
for the six months ended on June 30, 2008 and 2007

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.....	-	-	-	-	3,726	-	3,726	-	3,726
Transfer of retained profit attributable to minority interests.....	-	-	-	-	-	157	157	(157)	-
Transfer of profit to supplementary capital ...	-	-	180,281	-	-	(180,281)	-	-	-
Dividend payment	-	-	-	-	-	(50,103)	(50,103)	-	(50,103)
Profit for six months ended on 30 June 2008..	-	-	-	-	-	114,086	114,086	(3)	114,083
Balance as at 30 June 2008.....	24,560	231,535	371,837	510	10,854	124,708	764,004	(160)	763,844

	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.....	-	-	-	-	3,122	-	3,122	-	3,122
Increase of the capital by the issue of shares	510	1,164	-	-	-	-	1,674	-	1,674
Transfer of profit to supplementary capital ...	-	-	112,255	-	-	(112,255)	-	-	-
Dividend payment	-	-	-	-	-	(3,684)	(3,684)	-	(3,684)
Profit for three months ended on 30 June 2007..	-	-	-	-	-	92,104	92,104	-	92,104
Balance as at 30 June 2007.....	24,560	231,535	191,556	510	4,628	132,309	585,098	-	585,098

VI. ADDITIONAL NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Intangible fixed assets

	Other intangible fixed assets	Computer software	Total
GROSS VALUE			
Balance as at 1 January 2007	953	1,331	2,284
Additions	435	89	524
(Disposals)	(347)	(189)	(536)
Balance as at 31 December 2007	1,041	1,231	2,272
Additions	42	186	228
(Disposals)	-	-	-
Balance as at 30 June 2008.....	1,083	1,417	2,500
DEPRECIATION			
Balance as at 1 January 2007	325	1,229	1,554
Additions	459	88	547
(Disposals)	(347)	(189)	(536)
Balance as at 31 December 2007	437	1,128	1,565
Additions	242	35	277
(Disposals)	-	-	-
Balance as at 30 June 2008.....	679	1,163	1,842
BALANCE SHEET VALUE			
as at 31 December 2007	604	103	707
as at 30 June 2008	404	254	658

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 30 June 2008 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 2. Tangible Fixed Assets

TANGIBLE FIXED ASSETS	30.06.2008	31.12.2007
a) tangible fixed assets, including:		
- land (including perpetual usufruct)	1,347	1,347
- buildings and constructions.....	104	106
- plant and equipment	722	745
- vehicles	3,877	3,524
- other tangible fixed assets.....	768	826
Total tangible fixed assets	6,818	6,548

Dom Development S.A.
Additional notes to the consolidated financial statements
for the six months ended on June 30, 2008

	Land and buildings	Vehicles	Machinery and other tangible fixed assets	Total
GROSS VALUE				
Balance as at 1 January 2007	1,904	3,761	4,143	9,808
Additions	71	2,449	1,157	3,677
(Disposals)	(123)	(1,298)	(2,124)	(3,545)
Balance as at 31 December 2007	1,852	4,912	3,176	9,940
Additions	35	955	199	1,189
(Disposals)	-	(319)	(55)	(374)
Balance as at 30 June 2008.....	1,887	5,548	3,320	10,755
ACCUMULATED DEPRECIATION				
Balance as at 1 January 2007	324	1,562	2,387	4,273
Additions	75	825	780	1,680
(Disposals)	-	(999)	(1,562)	(2,561)
Balance as at 31 December 2007	399	1,388	1,605	3,392
Additions	37	500	276	813
(Disposals)	-	(217)	(51)	(268)
Balance as at 30 June 2008.....	436	1,671	1,830	3,937
BALANCE SHEET VALUE				
as at 31 December 2007	1,453	3,524	1,571	6,548
as at 30 June 2008	1,451	3,877	1,490	6,818

As at 30 June 2008 the Group created a revaluation write-off for tangible fixed assets in the net amount of PLN 1,159 thousands. The whole amount of PLN 1,159 thousands represents constructions. The above amount has been appropriately accounted for in the disposals in the table above.

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

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

	30.06.2008	31.12.2007
Buildings (individual commercial space)	76	77
Constructions	28	29
Total net tangible fixed assets produced on the Group's own account	104	106

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

No security interests have been established on the fixed assets.

BALANCE SHEET TANGIBLE FIXED ASSETS (OWNERSHIP STRUCTURE)	30.06.2008	31.12.2007
owned	3,123	3,004
used on the basis of rent, tenancy or similar agreements, including lease agreements, in this:	3,695	3,544
- leasing	3,695	3,544
Total balance sheet fixed assets	6,818	6,548

OFF-BALANCE SHEET TANGIBLE FIXED ASSETS	30.06.2008	31.12.2007
used on the basis of rent, tenancy or similar agreements, including lease agreements, in this:	496	261
- value of assets under operating lease.....	496	261

Note 3. Assets available for sale

	30.06.2008	31.12.2007
Gross assets available for sale	1,347	1,347
Write-off revaluating assets available for sale	-	-
Net assets available for sale.....	1,347	1,347

The tangible fixed assets for sale consist of building lots designated for sale.

Note 4. Leasing

The Group 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 cars. The agreements contain a clause about the possibility of purchasing the fixed assets after the expiration of the lease agreement.

LEASING	30.06.2008	31.12.2007
Gross fixed assets.....	4,720	4,724
Depreciation	(1,025)	(1,180)
Balance sheet value of tangible fixed assets.....	3,695	3,544
Leased assets as a % of total fixed assets.....	54,19%	54,13%
Leasing liabilities.....	2,814	2,559
Depreciation of leased assets recognised as operating costs	471	797
Interest on lease agreements recognised as financial costs	109	134

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

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

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

Note 5. Investments in associated entities and jointly controlled entities

The Group - through the Company - holds 40.32% of the share capital and has a 0% participation in the management of Towarzystwo Ubezpieczeń Wzajemnych „Bezpieczny Dom” (“Towarzystwo”). Furthermore, the co-subsiary Fort Mokotów sp. z o.o. holds 4.03% shares in the Towarzystwo. The nominal value of the shares of the company owned by the Group was PLN 1,049,000.00. As at the balance sheet date the net value of the shares was equal to the historic cost at which they were purchased.

Information about associated entity

Towarzystwo Ubezpieczeń Wzajemnych „Bezpieczny Dom”		
	30.06.2008	31.12.2007
Balance sheet date		
Financial data:		
Total assets	5,483	5,333
Shareholders' equity	3,129	2,831
Net profit (loss)	297	512
Shares in the nominal value	1,049	1,049
% stake (a)	42,30%	42,30%

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

Information about jointly controlled entity

Fort Mokotów sp. z o.o. (b, c)		
Balance sheet date	30.06.2008	31.12.2007
Financial data:		
Current assets.....	38,178	46,362
Fixed assets.....	251	284
Shareholders' equity.....	33,939	36,512
Short-term liabilities.....	601	3,002
Long-term liabilities.....	1,559	1,559
Operating revenues.....	488	15,473
Operating costs.....	4,129	16,093
Net profit/(loss).....	(2,573)	847
% stake.....	49,%	49%

(b) For the purposes of the financial statements prepared in accordance with IFRS/IAS, Fort Mokotów sp. z o.o. is consolidated by means of the proportional consolidation method and treated as a joint venture.

(c) The balance sheet and the income statement were restated in accordance with the holding company's accounting policies.

The table below presents the effect of the revaluation of the shares of the associated entities in the income statement in the consolidated financial statements:

	01.01- -30.06.2008	01.01- -31.12.2007
Revaluation of the shares of associated entities	-	206

The Group values shares in the associated companies by means of the equity method in the consolidated income statement in the items „Other operating revenues” and „Other operating costs”. Due to the fact that the value of the above described entities is immaterial for the purposes of calculating the consolidated income statement, they are not presented separately.

Note 6. Long-term receivables

As at 30 June 2008 and 31 December 2007 the Group shows long-term receivables in the amount of PLN 1,693 thousands and PLN 1,552 thousands respectively. As at 30 June 2008 the long-term receivables include refundable deposits in the amount of related to PLN 1,602 thousands and other receivables amounting to PLN 91 thousands. As at 31 December 2007 the long-term receivables include refundable deposits in the amount of related to PLN 1,552 thousands.

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

Note 7. Inventory

INVENTORY	30.06.2008	31.12.2007
Advances on deliveries	142,635	150,853
in this at purchase prices/production costs	142,635	150,853
in this revaluation write down	-	-
Semi-finished goods and work in progress	818,881	611,763
in this at purchase prices/production costs	826,507	619,270
in this revaluation write down	(7,626)	(7,507)
Finished goods	83,901	99,742
in this at purchase prices/production costs	84,440	100,698
in this revaluation write down	(539)	(956)
Total	1,045,417	862,358

Dom Development S.A.
Additional notes to the consolidated financial statements
for the six months ended on June 30, 2008

WRITE-OFFS REVALUATING THE INVENTORIES	01.01- -30.06.2008	01.01- -30.06.2007
Balance at the beginning of the period	8,463	4,764
Increase	119	3
Release	(417)	(75)
Balance at the end of the period	8,165	4,692

The costs and revenues related to creating and releasing revaluation write-offs are recognized in other operating activity.

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

SECURITY ON INVENTORIES - MORTGAGE	30.06.2008	31.12.2007
Balance sheet value of inventory used to secure liabilities	233,028	170,369
Amount of security - loans	214,171	250,846

Preparatory work

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

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

	01.01- -30.06.2008	01.01- -31.12.2007
Preparatory work	743	812

Construction contracts

Revenues, costs and the resulting work in progress are accounted for by means of a percentage of completion method, described in the section entitled „Introduction to the consolidated financial statements“.

SETTLEMENT OF WORK IN PROGRESS	30.06.2008	31.12.2007
Planned revenues relating to current contracts.....	973,215	1,151,304
Planned costs related to current contracts	626,206	749,017
Planned margin relating to current contracts.....	347,009	402,287
Cumulative revenues recognised in income statement	405,240	460,212
Cumulative costs recognised in income statement	275,186	290,386
Cumulative margin recognised in income statement	130,054	169,826
Remaining margin to be recognised in future periods	216,955	232,461
Percentage of remaining margin to be recognised in future periods.....	62,52%	57,78%

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

	30.06.2008	31.12.2007
Withheld guarantee deposits	39,661	33,808

Note 8. Trade and other receivables

As at the balance sheet date the trade receivables and other receivables amounted to PLN 104,710k as at 30 June 2008 and PLN 65,914 as at 31 December 2007.

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 Group's best knowledge and experience.

AGING STRUCTURE OF TRADE RECEIVABLES	30.06.2008	31.12.2007
up to 3 months	77,194	24,598
from 3 to 6 months	2,112	2,576
from 6 months to 1 year	1,701	991
Above 1 year	3,708	3,119
Gross trade receivables.....	84,715	31,284
Write-offs revaluating the receivables	(2,658)	(2,247)
Net trade receivables	82,057	29,037
TRADE AND OTHER RECEIVABLES	30.06.2008	31.12.2007
Trade receivables	82,057	29,037
Receivables from the related entities	76	8
Tax receivables	22,312	36,860
Other receivables	265	9
Total	104,710	65,914

CHANGE IN THE WRITE-OFFS REVALUATING TRADE AND OTHER RECEIVABLES	01.01- -30.06.2008	01.01- -30.06.2007
Opening balance	2,547	5,895
a) Additions	440	343
b) Disposals	(29)	(4,590)
Closing balance	2,958	1,648

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

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

Note 9. 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	30.06.2008	31.12.2007
Cash on hand and at bank	6,179	15,048
Short-term deposits and treasury bills.....	71,503	259,848
Other	37	593
Total	77,719	275,489

Note 10. Other current assets

	30.06.2008	31.12.2007
OTHER CURRENT ASSETS	80,227	26,425
Including:		
Future receivables from completed developments	75,915	22,835
Deferred costs	4,312	3,590

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

Note 11. Share capital

SHARE CAPITAL (STRUCTURE) AS AT 30 June 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 depositary in this programme).

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

Description of changes in the share capital of the holding company in the period from 1 January 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 as at 30 June 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 30 June 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	34,215	-	34,215

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 34,500 to 34,215).

Note 12. Share premium less treasury shares

SHARE PREMIUM LESS TREASURY SHARES	01.01- -30.06.2008	01.01- -31.12.2007
Opening balance	231,535	230,371
Decrease/increase on account of share issue and purchase/sale of treasury shares	-	1,164
Increase on account of public issue of new F series shares	-	-
Closing balance	231,535	231,535

In the 12-month period ended on 31 December 2007, the value of the item "Share premium less treasury shares" increased by PLN 1,163,943.94 as a result of registration of 509,850 bearer shares (H, I, J and L series shares).

In the period of six months ended 30 June 2008 the amount of „Share premium less treasury shares" did not change.

Treasury shares

In the 12-month period ended on 31 December 2007 and 6-month period ended on 30 June 2008 the Company did not hold any treasury shares.

Note 13. Additional information on shareholders' equity

As at 30 June 2008 and 31 December 2007 the Company's shares were not owned by any of its subsidiaries.

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

Note 14. Loans and borrowings

Borrowings

As at 30 June 2007 and 31 December 2007 the Group did not have any outstanding borrowings.

Loans

LOANS DUE WITHIN	30.06.2008	31.12.2007
1 year	17,242	37,005
More than 1 year less than 2 years	39,613	41,779
More than 2 years less than 5 years	-	-
More than 5 years	-	-
Total loans	56,855	78,784
including: long-term	39,613	41,779
short-term	17,242	37,005

As at 30 June 2008 and 31 December 2007 the Group did not have borrowing-related liabilities.

As at 30 June 2008 and 31 December 2007 all the Group's loans were expressed in Polish Zloty.

LIABILITIES ON ACCOUNT OF LOANS as at 30.06.2008							
Bank	Registered office	Amount of loan – as per agreement		Outstanding loan amount (less accrued interest)		Interest rate	Due date
		in thousand	Currency	in thousand	Currency		
ING BANK ŚLĄSKI	Warsaw	39,613	PLN	39,613	PLN	WIBOR 1M+ Bank's margin*	30.09.2009
BOŚ	Warsaw	40,000	PLN	0	PLN	WIBOR 1M+ Bank's margin*	23.04.2010
PKO BP	Warsaw	7,241	PLN	7,241	PLN	WIBOR 1M+ Bank's margin*	01.04.2009
PKO BP	Warsaw	40,000	PLN	1	PLN	WIBOR 1M+ Bank's margin*	16.03.2010
BOŚ	Warsaw	40,000	PLN	10,000	PLN	WIBOR 1M+ Bank's margin*	30.09.2008
Total		166,854		56,855			

*) Not disclosed due to commercial reasons.

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

Note 15. Liability and assets for a deferred income tax

LIABILITY AND ASSET FOR A DEFERRED INCOME TAX – effect on consolidated balance sheet		
	30.06.2008	31.12.2007
Deferred income tax liability		
Foreign exchange differences	24	31
Interest accrued	2	97
Profit on the settlement of contracts calculated by means of the percentage of completion method	24,710	24,932
Result on the sale of facilities – without legal ownership transfer agreements	55,066	58,057
Provision for receivables	375	375
Provision for sales revenues	4,924	4,204
Other	155	180
Total deferred income tax liability	85,256	87,876
Accounted for in the financial result	85,256	87,876
Accounted for in the shareholders' equity	-	-
Deferred income tax assets		
Provision for the housing estates costs	6,136	4,420
Inventory revaluation	1,551	1,436
Provision for receivables and other provisions	1,875	1,882
Provision for employee benefits	1,191	837
Provision for other costs	1,168	933
Provisions at Fort Mokotów	53	241
Consolidation exclusions	821	821
Other	10	9
Total deferred income tax assets	12,805	10,579
Accounted for in the financial result	12,805	10,579
Accounted for in the shareholders' equity	-	-
DEFERRED TAX – effect on the consolidated income statement		
	01.01- -30.06.2008	01.01- -31.12.2007
Deferred income tax liability		
Foreign exchange differences	(7)	(6)
Interest accrued	(95)	44
Profit on the settlement of contracts calculated using the percentage of completion method .	(222)	1,360
Result on the sale of flats – without legal ownership transfer agreements	(3,003)	30,428
Provision for sales revenues	720	3,663
Provision for receivables	-	375
Other	(25)	8
Total change in deferred income tax liability	(2,632)	35,872
Deferred income tax assets		
Provision for the housing estates costs	1,716	3,329
Inventory revaluation	115	558
Revaluation of the fixed assets	-	(36)
Write-offs revaluating the receivables and other reserves	(7)	1,031
Provision for employee benefits	354	45
Provision for costs	235	(517)
Tax loss for the years 2002-2004 for settlement by Fort Mokotów	-	(1,545)
Other provisions (Fort Mokotów)	(188)	179
Consolidation exclusions	-	51
Other	1	(34)
Total change in deferred income tax assets	2,226	3,061
Net change in provision/asset for a deferred income tax – effect on the income statement	(4,858)	32,811

Note 16. Bonds

BONDS	30.06.2008	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	1,428	1,251

As at 30 June 2008 one issue of bonds by the Company took place:

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

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

Note 17. Trade payables and other liabilities

TRADE AND OTHER LIABILITIES	30.06.2008	31.12.2007
Trade payables.....	145,620	120,625
Financial liabilities.....	6	13
Earmarked funds	378	231
Other liabilities	51	126
Total	146,055	120,995

Note 18. Short-term tax liabilities

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

Note 19. Short-term provisions

SHORT-TERM PROVISIONS	30.06.2008	31.12.2007
Opening balance	12,444	3,664
Provisions created in the financial year	289	9,648
Use of provisions in the financial year	(581)	(868)
Closing balance.....	12,152	12,444

Note 20. Accrued liabilities and deferred income

SHORT-TERM ACCRUED LIABILITIES AND DEFERRED INCOME	30.06.2008	31.12.2007
Accrued liabilities, in this:	52,446	48,405
Provision for uninvoiced costs of work in progress.....	7,506	11,916
Provision for the costs of housing estates given over for use	31,741	23,511
Provision for employee benefits	5,728	4,638
Provision for the costs of property management	2,884	3,260
Provision for the costs of interest on loans and bonds	1,428	1,251
Provision for rent costs.....	1,383	1,586
Other	1,776	2,243
 Deferred income, in this:	 -	 573
Deferred income related to the payments received from customers, not settled to the income statement	-	573
Other	-	-
Total	52,446	48,978

Note 21. Benefits after employment

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

Note 22. Financial assets and liabilities

Categories of financial assets and liabilities and maximum credit risk exposure

FINANCIAL ASSETS AND LIABILITIES	30.06.2008	31.12.2007
FINANCIAL ASSETS	PLN thousand	PLN thousand
Long-term receivables	1,693	1,552
Trade receivables	82,057	29,037
Receivables from related entities.....	76	8
Short-term deposits	71,503	259,848
Total borrowings and receivables	155,329	290,445
Treasury bills and bonds	-	-
Other	37	593
Financial assets valued at their fair value through the income statement (designated for trading)	37	593
 Cash in hand and at bank	 6,179	 15,048
Maximum credit risk exposure	161,545	306,086
 FINANCIAL LIABILITIES	 PLN thousand	 PLN thousand
Loans	56,855	78,785
Bonds issued	200,000	200,000
Trade liabilities	145,626	120,638
Financial liabilities valued at the depreciated cost	402,481	399,423

Note 23. 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 Group's revenues or on the value of financial instruments held.

The market risk mainly includes such risks as:

- currency risk
- interest rate risk

Currency risk

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

As at 31 December 2007 and 30 June 2008 the Group did not have any significant assets, liabilities and future payments in foreign currencies, therefore there was no need to conclude hedging currency derivatives.

Interest rate risk

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

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

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

As at the balance sheet date the Group/Company 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:

	30.06.2008	31.12.2007
VARIABLE INTEREST RATE INSTRUMENTS	PLN thousand	PLN thousand
Financial assets	71,503	259,848
Financial liabilities	256,855	278,785
Total, net	(185,352)	(18,937)

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

Analysis of cash flow sensitivity to interest rate changes.

A 100-basis point (bp) change in the interest rate of instruments as at the balance sheet date would increase (decrease) the net assets and income statement by the amounts listed in the table below. The analysis prepared for reporting periods ended 30 June 2008 and 31 December 2007 (i.e. six and twelve month periods respectively) 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
30 June 2008	PLN thousand	PLN thousand	PLN thousand	PLN thousand
Variable interest rate assets	290	(290)	290	(290)
Variable interest rate liabilities*	(347)	347	(347)	347
Net sensitivity	(57)	57	(57)	57
 31 December 2007	 PLN thousand	 PLN thousand	 PLN thousand	 PLN thousand
Variable interest rate assets	2,105	(2,105)	2,105	(2,105)
Variable interest rate liabilities *	(753)	753	(753)	753
Net sensitivity	1,352	(1,352)	1,352	(1,352)

* The financial costs which are related to loans and bonds are capitalized by the Group 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, other receivables and investments constitute the Group's main financial assets, and represent its highest exposure to credit risk in relation to financial assets.

The Group'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 Group'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 Group, i.e. the sale of apartments and detached houses, are fully secured because release of the sold product takes place after the purchasers have paid the full price as set out in the preliminary sales agreement.

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

Liquidity risk

The liquidity risk is the risk that the Group will not be able to pay its financial liabilities when they become due. The Group'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 Group's reputation.

The table below presents the Group'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
30 June 2008	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand
Liabilities on account of loans.....	56,855	14,345	2,897	39,613	-
Own bonds issued	200,000	-	-	-	200,000
Trade liabilities	142,812	112,713	13,549	7,503	9,047
Financial leasing liabilities	2,814	703	703	938	470
Total	402,481	127,761	17,149	48,054	209,517
31 December 2007	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand
Liabilities on account of loans.....	78,785	22,656	14,350	41,779	-
Own bonds issued	200,000	-	-	-	200,000
Trade liabilities	118,079	75,073	17,997	3,268	21,741
Financial leasing liabilities	2,559	640	640	853	426
Total	399,423	98,369	32,987	45,900	222,167

The Group'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 Group 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 Group.

The Group's objective is to achieve the return on equity above 20 percent (calculated as net profit to the annual average value of shareholders' equity). For the years ended on 31 December 2007 and 2006 the rate of return amounted to 34% and 43%, respectively. In that period the average weighted cost of interest on the Company's debt amounted to 6.83% in 2007 and 6.30% in 2006.

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

Neither the Company nor its subsidiaries is subject to any external capital requirements.

Note 24. Earnings per share

	01.01- - 30.06.200 8	01.01- - 31.12.200 7
CALCULATION OF BASIC AND DILUTED EARNINGS PER SHARE		
Basic earnings per share		
Profit attributable to the equity holders of the holding company	114,086	92,104
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	4.65	3.75
Diluted earnings per share		
Theoretical profit for the calculation of diluted earnings per share	114,086	92,104
Potential diluting shares related to Management Share Options Programme II*)	-	5,483
The weighted average number of common shares of the Company for the calculation of the basic earnings per share	24,560,222	24,565,705
Diluted earnings per share	4.65	3.75

*) Options for the shares issued as part of IB program 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 S.A., which is a trustee in this program (see note 11).

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

Note 25. Income tax

INCOME TAX	01.01- -30.06.2008	01.01- -31.12.2007
Current income tax	32,855	5,602
Deferred income tax	(4,858)	16,996
Total	27,997	22,598

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 Group.

RECONCILIATION	01.01- -30.06.2008	01.01- -31.12.2007
Gross profit before taxation	142,080	114,702
Income tax rate of 19%	26,995	21,794
Permanent differences not subject to the current and deferred tax in the consolidated financial statements	299	197
Share Options valuation charge being a permanent differences for tax calculation	708	593
Other	(5)	14
Actual income tax expense	27,997	22,598
Effective tax rate	19.71%	19.70%

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

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

Note 26. 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 Group’s best knowledge and experience. During construction, each development project budget is updated at least once every three months.

Note 27. Segment reporting

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

Note 28. Operating income

SALES REVENUES BY KIND	01.01- -30.06.2008	01.01- -31.12.2007
Sales of finished goods	444,093	385,841
Sales of services	11,441	16,045
Sales of goods for resale (land)	-	-
Total	455,534	401,886

Note 29. Operating costs

OPERATING COSTS	01.01- -30.06.2008	01.01- -31.12.2007
Cost of sales		
Cost of finished goods sold	(259,247)	(237,016)
Cost of services sold	(10,055)	(13,453)
Cost of land sold	-	-
Total cost of sales	(269,302)	(250,469)
Selling costs and general administrative expenses		
Selling costs	(15,929)	(14,109)
General administrative expenses	(32,149)	(24,788)
Total selling costs and general administrative expenses	(48,078)	(38,897)
Selling costs and general administrative expenses by kind		
Depreciation	(1,091)	(1,038)
Cost of materials and energy	(4,294)	(2,568)
External services	(12,534)	(11,572)
Taxes and charges	(666)	(180)
Wages and salaries	(20,371)	(16,417)
Social security and other benefits	(3,248)	(2,128)
Management Options Programme	(3,726)	(3,122)
Other costs by kind	(2,148)	(1,872)
Total selling costs and general administrative expenses by kind.....	(48,078)	(38,897)

Note 30. Payroll costs

AVERAGE MONTHLY EMPLOYMENT (including management staff)	01.01- -30.06.2008	01.01- -31.12.2007
Individual personnel categories (number of staff)	187	164
White-collar workers.....	187	164
Blue-collar workers.....	-	-
General remuneration elements (PLN):	23,619	18,545
Wages and salaries	20,371	16,417
Social security and other benefits	3,248	2,128

Note 31. Other operating income

OTHER OPERATING INCOME	01.01- -30.06.2008	01.01- -31.12.2007
Revenues from contractual penalties, arrangements and compensations.....	438	456
Release of provisions for costs.....	490	83
Revaluation of fixed assets	-	190
Other	100	220
Total	1,028	949

Note 32. Other operating expenses

OTHER OPERATING EXPENSES	01.01- -30.06.2008	01.01- -31.12.2007
Provision for penalties and arrangements with clients	77	984
Donations	69	101
Receivables written off	732	342
Provision for remuneration	899	1,014
Provision for disputes	(75)	520
Provision for other costs	784	-
Inventory write-off.....	(298)	(71)
Revaluation of fixed assets	(35)	(35)
Other	990	728
Total	3,143	3,583

Note 33. Financial income

FINANCIAL INCOME	01.01- -30.06.2008	01.01- -31.12.2007
Interest received	6,742	6,164
Other	10	2
Total	6,752	6,166

Note 34. Financial costs

FINANCIAL COSTS	01.01- -30.06.2008	01.01- -31.12.2007
Interest on loans and bonds	-	781
Other interest.....	61	42
Foreign exchange differences.....	40	28
Mortgage loans insurance	21	81
Commissions and fees	411	-
Other	178	418
Total	711	1,350

Note 35. Costs relating to interest

COSTS RELATING TO INTEREST	01.01- -30.06.2008	01.01- -31.12.2007
Financial costs (interest) capitalised under work in progress *	9,491	6,266
Value of financial costs (interest) accounted for in the income statement.....	-	781
Total value of the financial costs incurred on account of interest	9,491	7,047

* 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 on bonds and loans taken out for the execution of investment projects.

Note 36. Transactions with related entities

In the six-month periods ended 30 June 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- -30.06.2008	01.01- -30.06.2007
Woodsford Consulting Limited	Consulting services as per agreement dated 1 February 2000, with further amendments	924	926
Hansom Property Company Limited.....	Consulting services as per agreement dated 30 June 1999	107	102
Towarzystwo Ubezpieczeń Wzajemnych Bezpieczny Dom"	Insurance of financial losses risk	182	204
Fort Mokotów sp. z o.o.	Real estate management	-	1,720
Fort Mokotów sp. z o.o.....	Other	125	145

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

Counterparty	Transaction description	01.01- -30.06.2008	01.01- -30.06.2007
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	5,217	151,362
Dom Development Grunty sp. z o.o.	Value of land transferred to Dom Development S.A. as part of mandate contracts	30,076	-

Dom Development S.A.
Additional notes to the consolidated financial statements
for the six months ended on June 30, 2008

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

Counterparty	Transaction description	01.01- -30.06.2008	01.01- -30.06.2007
Fort Mokotów sp. z o.o.	General Project Execution agreement dated 15 April 2002	-	193
Fort Mokotów sp. z o.o.	The sales commission agreement and agreement for provision of advertising and marketing services dated 15 April 2002	300	1,513
Fort Mokotów sp. z o.o.	Repair services based on agreement dated 22 July 2005	72	-
Fort Mokotów sp. z o.o.	Real estate management services	10	886
Fort Mokotów sp. z o.o.	Other	9	49

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

Counterparty	Transaction description	01.01- -30.06.2008	01.01- -30.06.2007
Dom Development BV	Dividend (gross)	31,613	2,324

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

Counterparty	Transaction description	01.01- -30.06.2008	01.01- -30.06.2007
Fort Mokotów sp. z o.o.	Dividend (gross)	-	29,400

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

Counterparty	Transaction description	01.01- -30.06.2008	01.01- -30.06.2007
Dom Development Na Dolnej Sp, z o.o, ...	Payment to cover the loss /additional payment to capital	30	-

Balances with related entities

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

Entity	Receivables from related entities		Liabilities to related entities	
	30.06.2008	31.12.2007	30.06.2008	31.12.2007
Total balance	59,028	87,604	71	1,530
Balances below PLN 100,000	10	28	3	11
Balances over PLN 100,000.....	59,018	87,576	68	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	57,794	86,429	-	-
Dom Development Grunty sp. z o.o.	57,725	86,429	-	-
Towarzystwo Ubezpieczeń Wzajemnych „Bezpieczny Dom”	69	-	-	-
Co-subsidiaries	77	-	-	1,268
Fort Mokotów sp. z o.o.	77	-	-	1,268
Fort Mokotów sp, z o.o, additional payment to equity	-	-	-	-
Other entities	-	-	68	251
Woodsford Consulting Limited	-	-	68	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 30 June 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
Wojciech Sadowski	29.05.2007	Promissory sale agreement concerning residential facilities with the area of 48.10 sq. m together with utility room and parking space	455,053.60	341,470.60
Paweł i Marta Plakwicz	17.04.2008	Agreement of the liability sale to the third party - session concerning residential facilities with the area of 104,58 sq. m, together with a parking space,	1,710,074.00	285,503.70
Jerzy i Ewa Ślusarscy	30.04.2008	Promissory sale agreement concerning residential facilities with the area of 58.3 sq. m together with parking space	384,402.00	384,402.00

Note 37. Incentive plan – Management Options Programme

As at 30 June 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)
		30.06.2008			31.12.2007	
Programme I	413,100	413,100	413,100	413,100	413,100	413,100
Programme I B	92,500	92,500	-	96,750	96,750	-
Programme II	726,000	415,450	-	726,000	435,950	-

In the first half 2008 the number of share options allotted under Programme IB and Programme II decreased due to the termination of employment contracts with a few employees who were under these Programmes. In case of Programme IB the total number of options granted decreased by 4,250 options.

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

Programme I B

On 22 March 2006 the Supervisory Board of Dom Development S.A. adopted the provisions of Management Options Programme I A related to E series shares of Dom Development S.A. („Programme I A”). According to the provisions of Programme I A, the eligible persons to whom Programme I A was directed and who entered into the preliminary agreement for the sale of shares have the right to demand that the Company enter with such an eligible person into the

agreement for the sale of shares during the option period, i.e. at the date indicated by the eligible person, which, however, cannot be earlier than 22 March 2009 and later than 22 March 2013, under terms and conditions set forth in the agreement with such an eligible person and in Programme I A. The Programme covers 96,750 shares of the Company. All the shares were offered to the members of the management staff of the Company in May 2006.

On 9 August 2006 the General Shareholders' Meeting adopted a resolution on authorizing the Company's Supervisory Board to change the provisions and introduce the changed provisions of the Management Share Options Programme IA concerning 96,750 E series shares of Dom Development and on authorizing the Management Board and the Supervisory Board to execute the above-mentioned Programme. The only changes were related to the introduction of the institution of a depositary. This function was entrusted to CDM PEKAO S.A. (see note 11 „Share capital“). The Company's intention is to continue Programme IA as the Management Share Options Programme IB concerning 96,750 J series shares of Dom Development S.A.

The changes concerning the shares covered by Programme IA have been described in note 11 „Share capital“.

The share options were allotted to the Members of the Company's management board, in this:

Buyer	Date of allotting a share option /Date of concluding the agreement	Number of shares	Option period	Purchase price per 1 share/PLN
Members of the Management Board and the Supervisory Board	-	-	-	-
Others	22.03.2006/ 11.05.2006	96,750	from 22.03.2009 to 22.03.2013	6.10
Total		96,750		

The value of the share options as at the date of allotting them, calculated on the basis of the Black-Scholes-Merton amounted to PLN 4,554,616.03. This value is proportionately carried to the income statement for the period of three years.

Programme II

On 20 April 2006 the Extraordinary General Shareholders Meeting of Dom Development S.A. accepted Management Share Options Programme II concerning 120,150 shares of the Company authorized the Management Board and the Supervisory Board to execute it. On 9 August 2006 the General Shareholders Meeting of Dom Development S.A. adopted a resolution on authorizing the Company's Supervisory Board to change the provisions and introduce the changed provisions of the Management Share Options Programme II in such a way that they will be substituted by 726,000 shares of Dom Development S.A. („Programme II“) subject to the fact that allocating the options will be limited to 242,000 shares in any period of 12 consecutive months. Moreover the General Shareholders Meeting authorized the Management Board and the Supervisory Board to execute the above-mentioned Programme II.

Under Programme II it has been planned to offer one or a number of issues of shares with the nominal value of PLN 1.00 each („Tranche“). The allocation of options is conducted by the Supervisory Board in the form of a resolution. The day of adopting the resolution on allocating the options by the Supervisory Board shall be the day of allocating the options („Allocation Date“). A resolution of the Supervisory Board shall determine the persons eligible to participate in Programme II together with the number and the issue price of shares for each of these persons.

The price at which the shares may be purchased when the option granted under the Programme is exercised amounts to PLN 114.48.

The Company shall confirm the allocation of options for taking up a given number of shares at a given price and at a given date („Option“) to those who have accepted participation in Programme II. The Supervisory Board may determine additional terms and conditions to be fulfilled in order to exercise the options. The option cannot be exercised earlier than after the lapse of 3 years from its allocation and later than after the lapse of 7 years from its allocation. In order to

execute Programme II, on 10 August 2006 the General Meeting authorized the Management Board to increase the Company's share capital as part of the authorized capital and to issue the subscription warrants which enable the execution of the right to subscribe for the Company's shares in the period of 3 years from the date on which the change of the Articles of Association. According to Programme II, after the Allocation Date for a given Tranche, should the need arise, the Management Board will propose the General Meeting to adopt the resolution in respect of changing the Articles of Association and renewing the authorization of the Management Board, for the period of 3 years since the date of registration of the change in the Articles of Association, to increase the share capital by a maximum of 726,000 shares less the shares which have already been issued pursuant to Programme II and covered by the target capital, to exclude the pre-emptive right of current shareholders upon receiving the consent of the Supervisory Board and to issue subscription warrants.

On 6 December 2006 the Supervisory Board of Dom Development S.A. adopted a resolution with respect to naming the persons authorized to participate in the Management Share Options Programme II concerning 726,000 shares of Dom Development S.A. as well as the number and the price of the said shares for each of those persons. Pursuant to the foregoing resolution 234,538 options for the Company's shares were allocated.

As at 31 December 2006 the options allocated to the management team members of the Company within Programme II were as follows:

Buyer	Date of allocating the option	Number of shares	Option period	Purchase price 1 share/PLN
Members of the Management Board and the Supervisory Board, in this:	06.12.2006	96,438	from 06.12.2009 to 06.12.2013	114.48
Janusz Zalewski		40,588		
Terry Roydon		50,000		
Janusz Stolarczyk		5,850		
Others	06.12.2006	138,100	from 06.12.2009 to 06.12.2013	114.48
Total		234,538		

The value of the options as at the day when they were allocated was calculated on the basis of the Black-Scholes-Merton model and amounted to PLN 14,273,421.53. Such value is evenly accounted for in the income statement within the period of three years.

Due to the fact that the employment agreement with Janusz Zalewski was terminated, the 40,588 share options owned by him (allotted under Program II) expired.

On 7 December 2007 the Management Board of Dom Development S.A. adopted a resolution in respect of naming the persons authorized to participate in the second tranche of Management Share Options Programme II concerning 726,000 shares of Dom Development S.A. as well as the number and the price of the said shares for each of those persons. Pursuant to the foregoing resolution another 242,000 options for the Company's shares were allocated.

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

Dividend rate (%)	1.30
Anticipated volatility rate (%)	36.00
Risk-free interest rate (%)	5.78
Anticipated period of option exercise (in years)	5.00
Share exercise price (PLN)	114.48
Current share price (PLN)	113.20

The value of the options as at the day when they were allocated was calculated on the basis of the foregoing model and assumptions and amounted to PLN 9,969,546.91. Such value is evenly accounted for in the income statement within the period of three years.

Within 6 months' periods ended on 30 June 2008 and 2007 the following amounts were accounted for in the income statement: PLN 3,726 thousand and PLN 3,122 thousand respectively.

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

SHARE OPTIONS		01.01- -30.06.2008	01.01- -31.12.2007
Options unexercised at the beginning of the period	Amount.....	532,700	331,288
	Total exercise price	50,498	27,440
Options allocated in a given period	Amount	-	242,000
	Total option execution value	-	27,704
Options expired in a given period	Amount	24,750	40,588
	Total option execution value	2,373	4,646
Options exercised in a given period	Amount	-	-
	Total option execution value	-	-
	Weighted average exercised price per one share.....	-	-
Options unexercised at the end of the period	Amount.....	507,950	532,700
	Total exercise price	48,125	50,498
Options possible to exercise at the beginning of the period	Amount	-	-
	Total exercise price	-	-
Options possible to be exercised at the end of the period	Amount	-	-
	Total exercise price	-	-

Note 38. Remuneration of members of the holding entity's management and supervisory governing bodies

Remuneration	01.01- -30.06.2008	01.01- -31.12.2007
1. The Management Board		
Remuneration	3,006	5,131
In this: payment out of profit	-	-
2. The Supervisory Board:		
Remuneration	228	456

The composition of the Management Board and the Supervisory Board as at 31 December 2007 has been presented in note 41.

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, Leszek Piotr Nałęcz, Grzegorz Kiełpsz, 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
Kiełpsz Grzegorz	6	3	First payment of 50% of 6-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	
Nałęcz Leszek Piotr	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 39. Contingent liabilities

CONTINGENT LIABILITIES	30.06.2008	31.12.2007
Guarantees	9,884	9,800
Sureties	1,000	1,214
Total	10,884	11,014

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

CONTINGENT LIABILITIES	30.06.2008	31.12.2007
Bills of exchange, including:		
– bills of exchange constituting an additional guarantee for BOŚ bank in respect of claims arising from the granted loan	67,518	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
Total	109,518	112,000

Note 40. Material court cases as at 30 June 2008

As at 30 June 2008 the entities in the Group are not parties to any judicial proceedings.

Note 41. Changes of the composition of the Management Board and the Supervisory Board of the Company

Composition of the Management Board of the Company as at 30 June 2008

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

In the 6 month period ended 30 June 2008 there were no changes in the composition of the Management Board of the Company.

On 3 April 2008, Mr. Grzegorz Kielpsz delivered to the Supervisory Board, due to personal reasons, his resignation from the position as Vice President of the Management Board in Dom Development S.A., effective from 17 September 2008. Simultaneously Mr. Grzegorz Kielpsz has received from the main Company's shareholder, Dom Development BV, which owns 63,10% of the Company's shares, a proposal that he takes on the function of the Chairman of Dom Development's Supervisory Board.

As a consequence of Mr. Grzegorz Kielpsz resignation, the Supervisory Board, during its session of 3 April 2008, appointed Mr. Jerzy Ślusarski, currently member of the Management Board, as Vice President of the Management Board. Mr. Jerzy Ślusarski will perform the duties of the Vice President of the Management Board beginning from 17 September 2008.

Composition of the Supervisory Board of the Company as at 30 June 2008

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

In the 6 months period ended 30 June 2008 there were no changes in the composition of the Supervisory Board of the Company.

On 18 August 2008, in accordance with section 7.4 of the Statute of Dom Development Spółka Akcyjna, the shareholder holding more than 50.1% shares of the Company, i.e. Dom Development B.V. with its registered offices in Breda, the Netherlands, has appointed Mr Grzegorz Kielpsz as a member of the Supervisory Board effective on 17 September 2008.

Note 42. Additional information on the operating activity of the Group

In the period of 6 months ended 30 June 2008 the following material changes in the portfolio of the Company's investments under construction took place:

The finished projects, i.e. projects for which use permits were issued:

Project	Decision on the use permit	Segment	Number of apartments
Zawiszy phase 1.....	II Q 2008	Apartments of higher standard	194
Bruna	II Q 2008	Apartments of higher standard	247

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

Project	Commencement of construction and sale	Segment	Number of apartments
Derby 18.....	I Q 2008	Popular	82
Róża Wiatrów	I Q 2008	Popular	184
Grzybowska	I Q 2008	Apartments of higher standard	287
Derby 16.....	I Q 2008	Popular	276
Laguna II.....	II Q 2008	Single family	26
Regaty I stage 3.....	II Q 2008	Popular	166
Regaty II stage 9/1	II Q 2008	Single family	27
Regaty II stage 9/3	II Q 2008	Single family	31
Akacje 11.....	II Q 2008	Popular	77

Note 43. Material post-balance sheet events

There were following material post-balance sheet events in the period between the balance sheet day and the day on which these financial statements for the second quarter of 2008 were prepared.

- On 30 July 2008 the Management Board of Dom Development S.A. entered into an agreement with Powszechna Kasa Oszczędności Bank Polski S.A. pursuant to which the Bank provided the Borrower with a loan of PLN 200,000,000 (two hundred million) for the conduct of business stated in the statute of the Borrower and the special purpose vehicles in which the Borrower will hold more than 50% of shares. The agreement was entered into for a limited duration, until 31 December 2012. The Bank's receivable under this agreement will be secured by a joint contractual mortgage and a joint ceiling mortgage. The loan shall bear interest at the rate based on the interbank interest rate for three month deposits offered on the Warsaw interbank market WIBOR 3M plus the Bank's margin.
- On 30 July 2008 the Management Board of Dom Development S.A. entered into an agreement with Bank Ochrony Środowiska S.A. pursuant to which the Bank provided the Borrower with a loan of PLN 100,000,000 (one hundred million) for financing the purchase of real estate for residential development (both single- and multi-family dwellings) or for future sale and refinancing purchases of land bought for the above purposes if the Borrower had already bought land and paid for it with its own equity. The agreement was entered into for a limited duration, until 30 June 2011. The Bank's receivable under this agreement will be secured by an ordinary mortgage and a ceiling mortgage. The loan shall bear interest at the rate based on the interbank interest rate for one month deposits offered on the Warsaw interbank market WIBOR 1M plus the Bank's margin.

Note 44. 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	30.06.2008	31.12.2007
	thousand EURO	thousand EURO
Total current assets	389,981	343,436
Total assets	396,995	349,544
Total shareholders' equity	227,728	194,343
Long-term liabilities	97,082	92,245
Short-term liabilities	72,185	62,956
Total liabilities	169,267	155,201
<i>PLN/EURO exchange rate as at the balance sheet date.....</i>	<i>3.3542</i>	<i>3.5820</i>

SELECTED DATA FROM THE CONSOLIDATED INCOME STATEMENT	01.01- -30.06.2008	01.01- -30.06.2007
	thousand EURO	thousand EURO
Sales revenue	130,991	104,424
Gross profit on sales	53,552	39,343
Operating profit.....	39,119	28,552
Profit before tax	40,856	29,803
Profit after tax.....	32,805	23,932
<i>Average PLN/EURO exchange rate for the reporting period</i>	<i>3.4776</i>	<i>3.8486</i>

Warsaw, 15 September 2008

Jarosław Szanajca
President of the Management Board

Grzegorz Kiełpsz
Vice-President of the Management Board

Leszek Piotr Nałęcz
Vice-President of the Management Board

Janusz Stolarczyk
Member of the Management Board

Terry R. Roydon
Member of the Management Board

Jerzy Ślusarski
Member of the Management Board