DOM DEVELOPMENT S.A.

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD OF SIX MONTHS ENDED ON
30 JUNE 2006
PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS

I INTRODUCTION TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information about the holding company

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 as number 0000031483, District Court for the capital city of Warsaw, 19th Commercial Division of the National Court Register, listing its main area of activities as construction and real estate developments, classified in the Polish Classification of Activities (PKD) as 7011Z. The Group conducts activities 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 2006 Dom Development B.V. controlled 81.12% of the Company's shares. The Company's minority shareholders with more than 5% of shares are Jarosław Szanajca with 8.05% and Grzegorz Kiełpsz with 6.46%. The other shares mainly belong to the key employees and the remaining Members of the Management Boards.

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 2006.

Entity name	Country of registration	% of share capital held by holding company	% of votes held by 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 City sp. z o.o.	Poland	90%	90%	full consolidation
Joint-venture (according to IAS 31):				
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 Towarzystwo Ubezpieczeń Wzajemnych "Bezpieczny Dom", the associated company, is financial risk insurance.

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 Commercial Companies Code, and have been formed for an unspecified time, with the exception of Fort Mokotów sp. z o. o.

In the period of six months ended on 30 June 2006 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 which are usually carried at cost, will be adjusted to reflect the profit or loss attributable to a hedge which has been taken out in relation to these assets and liabilities, and capitalised as such, in accordance with relevant IFRS standards.

The standalone financial statements constituting the basis for the preparation of the consolidated financial statements were drafted on a going concern basis assuming the subsidiaries comprising the Dom Development S.A. 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 financial statements are stated in Polish zloty ('PLN'). Financial data included in the consolidated financial statements are expressed in PLN or in thousand PLN, as clearly specified.

The consolidated financial statements present the Group's financial data for the reporting period from 1 January 2006 to 30 June 2006, as well as comparative financial data for the period from 1 January 2005 to 30 June 2005.

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 company.

Statement of unreserved conformity with the International Financial Reporting Standards

The consolidated financial statements of the Dom Development S.A. Capital Group covering the holding company Dom Development S.A. and its subsidiaries and jointly controlled entity were prepared in accordance with International Financial Reporting Standards approved by the European Union.

Basis of 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 company (Dom Development S.A.) and the financial statements of the subsidiaries and jointly controlled entity, all of which were prepared for the six-month period ended 30 June 2006.

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

The consolidated cash flow statements for the six-month period ended on 30 June 2006 contain 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 using the proportionate consolidation method.

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. The Group combines its share of each of the assets, liabilities, income and expenses of the joint-venture with the similar items, line by line, in its consolidated financial statements. The financial statements of the joint-venture are prepared for the same reporting year as the holding company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Investments in associates

The Group's investments in its associates are accounted for under the equity method of accounting. An associate 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 associates are carried on the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. 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 results of operations of the associates.

Tangible fixed assets

All tangible fixed assets are stated at cost less accumulated depreciation, 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 between 2.5% to 4.5% and plant and equipment from between 10% to 30%. Low-value tangible fixed assets are fully expensed in the month they are taken over for use.

Inventory

Finished goods

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

Work in progress

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

Cost of inventories includes the transfer from equity of gains 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 loan 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 equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own treasury shares.

Revenue recognition

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

Sale of 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'.

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, net of VAT.

Foreign currency translation

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

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. differences that will increase the taxable base in the future.

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 have been legally or actually binding as at the balance sheet date.

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

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 principles

a. ’Work in progress’ is valued in accordance with IAS 11 ‘Construction contracts’. Based on the to-date 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 twelve months and the sale of apartments in residential developments consists of concluding numerous single contracts for the construction of apartments.

b. Work in progress is initially valued at the expenses incurred.
Every month the value of ’Work in progress’ is adjusted in compliance with the ’percentage of completion method‘ described below.

c. 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. Apartments are formally transferred to customers after the construction is 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 the completion method consists of recognizing the revenue based on the result of the formula referred to as 'statistical revenue'

*Statistical revenue = cost indicator * revenue indicator * budgeted revenues*

f. The percentage of completion method consists of 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 (invoiced and accrued 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 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 on 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 on the income statement to the same extent that revenues are recognised (in proportion to the recognition of sales).

k. On the issue of an occupancy permit the percentage of completion method is substituted. 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 they are sold, at which time they are recognized in the income statement as cost.

l. The invoiced sales and the un-invoiced 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) 'Deferred income' 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

II. CONSOLIDATED FINANCIAL STATEMENTS

	Note	30.06.2006	30.06.2005	31.12.2005
ASSETS				
Fixed assets				
Intangible fixed assets	1	334,749.54	448,338.72	394,040.02
Tangible fixed assets	2	7,607,499.57	8,199,000.81	7,265,349.21
Investments in associates	5	512,349.00	849,000.00	559,044.00
Deferred income tax assets	18	6,908,346.67	10,452,396.73	8,217,709.93
Long-term receivables	6	927,730.36	-	927,730.36
Other long-term deferred costs		-	4,428.58	-
Total fixed assets		**16,290,675.14**	**19,953,164.84**	**17,363,873.52**
Current assets				
Inventory	7	387,981,817.71	291,439,777.77	372,091,159.86
Investments held for trading		-	-	-
Trade and other receivables	8	30,641,248.68	32,003,042.87	56,934,316.66
Other current assets	11	51,991,621.10	23,693,131.90	53,457,712.47
Cash and cash equivalents	9	148,302,197.35	74,210,223.11	73,837,309.98
Total current assets		**618,916,884.84**	**421,346,175.65**	**556,320,498.97**
Total assets		**635,207,559.98**	**441,299,340.49**	**573,684,372.49**

EQUITY AND LIABILITIES	Note	30.06.2006	30.06.2005	31.12.2005
Shareholders' equity				
Share capital	12	21,854,340.00	21,854,340.00	21,854,340.00
Share premium less treasury shares	13	11,451,033.98	10,599,408.71	10,819,818.87
Capital from revaluation		-	-	-
Other capital (supplementary capital)	14	79,301,372.14	53,403,253.44	53,403,253.44
Capital from hedging transactions	15	-	-	-
Reserve capital from the valuation of share options		415,567.16	-	-
Accumulated, unappropriated profit (loss)		78,891,954.49	6,782,429.48	47,333,300.40
Total shareholders' equity		**191,914,267.77**	**92,639,431.63**	**133,410,712.71**
Long-term liabilities				
Long-term loans and borrowings	17	72,556,143.27	135,383,925.83	78,332,948.91
Deferred income tax liability	18	34,203,589.37	14,389,836.72	22,275,290.19
Bonds	19	81,533,972.09	52,021,444.04	51,553,445.40
Other	21	1,108,438.70	3,168,153.20	3,567,210.05
Total long-term liabilities		**189,402,143.43**	**204,963,359.79**	**155,728,894.55**
Short-term liabilities				
Trade payables and other liabilities	22	136,484,716.55	56,480,434.28	134,885,296.23
Short-term loans and borrowings	17	85,252,621.70	51,918,807.93	107,035,211.89
Short-term tax liabilities	23	1,749,494.28	1,359,081.22	1,884,426.38
Short -term provisions	20, 24	1,876,406.60	918,557.44	4,377,880.98
Accrued liabilities and deferred income	25	28,527,909.65	33,019,668.20	36,361,949.75
Total short-term liabilities		**253,891,148.78**	**143,696,549.07**	**284,544,765.23**
Total liabilities		**443,293,292.21**	**348,659,908.86**	**440,273,659.78**
Total equity and liabilities		**635,207,559.98**	**441,299,340.49**	**573,684,372.49**

		Period of six months ended on 30 June	
	Note	2006	2005
Sales revenue	32	348,988,501.94	192,024,809.50
Cost of sales	33	244,885,200.95	149,250,551.44
Gross profit on sales		**104,103,300.99**	**42,774,258.06**
Selling costs	33	10,441,476.35	9,575,465.68
General administrative expenses	33	17,404,629.21	17,750,410.17
Other operating income	35	2,293,168.76	1,680,709.11
Other operating expenses	36	5,546,191.29	1,063,706.90
Operating profit		**73,004,172.90**	**16,065,384.42**
Financial income	37	1,622,167.68	2,291,746.32
Financial costs	38	3,150,570.36	4,712,642.87
Profit before tax		**71,475,770.22**	**13,644,487.87**
Income tax expense	29	13,528,997.43	2,045,243.18
Profit after tax		**57,946,772.79**	**11,599,244.69**
Earnings per share:			
Basic	28	2.65	0.53
Diluted	28	2.65	0.53

	The period of six months ended on 30 June	
	2006	2005
Cash flow from operating activities		
Profit before taxation	**71,475,770.22**	**13,644,487.87**
Adjustments:		
Depreciation	796,708.87	863,224.35
Income on foreign exchange differences	-515,989.55	619,674.46
Loss on investments	-133,804.91	-47,520.52
Interest paid and accrued	3,689,659.88	6,996,637.82
Changes in working capital		
Changes in provisions	-2,501,474.21	136,358.00
Changes in inventory	-15,890,657.85	-39,170,770.62
Changes in receivables	26,293,067.98	-2,018,586.49
Changes in short term liabilities excluding loans and borrowings	-101,356.66	-13,693,706.82
Changes in provisions and prepayments	-6,367,948.90	4,925,040.90
Other	603,477.27	-1,143,921.97
Cash flow generated from operating activities	77,347,452.13	-28,889,083.01
Interest paid	-2,713,675.20	-6,361,669.42
Income tax paid	-1,184,261.46	-793,928.32
Net cash flow from operating activities	**73,449,515.48**	**-36,044,680.75**
Cash flow from investing activities		
Proceeds from sale of financial assets	-	9,999,972.80
Proceeds from the sale of intangible assets and tangible fixed assets	427,005.75	54,721.30
Acquisition of intangible and tangible fixed assets	-1,372,769.58	-1,210,153.35
Acquisition of financial assets	-	-
Net cash flow from investing activities	**-945,763.83**	**8,844,540.75**
Cash flows from financing activities		
Proceeds from contracted loans and credits	37,220,310.00	51,572,195.32
Proceeds from issued bonds	30,000,000.00	-
Repayment of loans and borrowings	-65,210,938.96	-28,798,100.00
Financial lease liabilities payments	-48,235,32	-48,574.98
Net cash flow from financing activities	**1,961,135.72**	**22,725,520.34**
Increase (decrease) in net cash and cash equivalents	**74,464,887.37**	**-4,474,619.66**
Cash and cash equivalents – opening balance	**73,837,309.98**	**78,684,842.77**
Cash and cash equivalents – closing balance	**148,302,197.35**	**74,210,223.11**

	Share capital	Share premium less treasury shares	Other capital (supplementary capital)	Reserve capital from the valuation of share options	Capital from hedging transactions	Accumulated unappropriated profit (loss)	Total equity
Balance as at 1 January 2005	**21,854,340.00**	**10,749,168.71**	**44,366,689.49**	**-**	**-4,664,586.00**	**4,219,748.70**	**76,525,360.90**
Purchase and sale of treasury shares		70,650.16	-	-	-	-	**70,650.16**
Net loss on a cash flow hedging transaction carried forward to the initial value of the secured asset	-	-	-	-	5,758,748.00	-	**5,758,748.00**
Deferred tax concerning the loss on a transaction securing cash flows carried forward to the initial value of the secured asset	-	-	-	-	(1,094,162.00)	-	**-1,094,162.00**
Transfer of retained profit to supplementary capital	-	-	9,036,563.95	-	-	-9,036,563.95	**-**
Profit for the year ended 31 December 2005	-	-	-	-	-	52,150,115.65	**52,150,115.65**
Balance as at 31 December 2005	**21,854,340.00**	**10,819,818.87**	**53,403,253.44**	**-**	**-**	**47,333,300.40**	**133,410,712.71**
Purchase and sale of treasury shares	-	631,215.11	-	-	-	-	**631,215.11**
Reserve capital from the valuation of share options	-	-	-	415,567.16	-	-	**415,567.16**
Transfer of retained profit to supplementary capital	-	-	25,898,118.70	-		-25,898,118.70	**-**
Payment of a bonus from the profit in Fort Mokotów Sp. z o.o.	-	-	-	-	-	-490,000.00	**-490,000.00**
Profit for the period of 6 months ended on 30 June 2006	-	-	-	-	-	57,946,772.79	**57,946,772.79**
Balance as at 30 June 2006	**21,854,340.00**	**11,451,033.98**	**79,301,372.14**	**415,567.16**	**-**	**78,891,954.49**	**191,914,267.77**

	Share capital	Share premium less treasury shares	Other capital (supplementary capital)	Reserve capital from the valuation of the share options	Capital from hedging transactions	Accumulated unappropriated profit (loss)	Total equity
Balance as at 1 January 2005	**21,854,340.00**	**10,749,168.71**	**44,366,689.49**	**-**	**-4,664,586.00**	**4,219,748.70**	**76,525,360.90**
Purchase and sale of treasury shares	-	(149,760.00)	-	-	-	-	**-149,760.00**
Net loss on a cash flow hedging transaction carried forward to the initial value of the secured asset	-	-	-	-	5,758,748.00	-	**5,758,748.00**
Deferred tax concerning the loss on a transaction securing cash flows carried forward to the initial value of the secured asset	-	-	-	-	-1,094,162.00	-	**-1,094,162.00**
Transfer of retained profit to supplementary capital	-	-	9,036,563.95	-	-	-9,036,563.95	**-**
Profit for the period of 6 months ended on 30 June 2005	-	-	-	-	-	11,599,244.69	**11,599,244.69**
Balance as at 30 June 2005	**21,854,340.00**	**10,599,408.71**	**53,403,253.44**	**-**	**-**	**6,782,429.48**	**92,639,431.63**

III. 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 2005	128,715.87	1,182,677.31	1,311,393.18
Additions	404,898.00	54,984.08	459,882.08
(Disposals)	-	-	-
Balance as at 31 December 2005	**533,613.87**	**1,237,661.39**	**1,771,275.26**
Additions	34,345.00	19,916.80	54,261.80
(Disposals)	-	-	-
Balance as at 30 June 2006	**567,958.87**	**1,257,578.19**	**1,825,537.06**
DEPRECIATION			
Balance as at 1 January 2005	105,774.13	1,067,352.23	1,173,126.36
Additions	106,258.71	97,850.17	204,108.88
Balance as at 31 December 2005	**212,032.84**	**1,165,202.40**	**1,377,235.24**
Additions	78,376.07	35,176.21	113,552.28
Balance as at 30 June 2006	**290,408.91**	**1,200,378.61**	**1,490,787.52**
BALANCE SHEET VALUE			
as at 31 December 2005	**321,581.03**	**72,458.99**	**394,040.02**
as at 30 June 2006	**277,549.96**	**57,199.58**	**334,749.54**

	Other intangible fixed assets	Computer software	Total
GROSS VALUE			
Balance as at 1 January 2005	128,715.87	1,182,677.31	1,311,393.18
Additions	404,898.00	27,084.08	431,982.08
Disposals	-	-	-
Balance as at 30 June 2005	**533,613.87**	**1,209,761.39**	**1,743,375.26**
DEPRECIATION			
Balance as at 1 January 2005	105,774.13	1,067,352.23	1,173,126.36
Additions	81,627.88	40,282.30	121,910.18
Disposals	-	-	-
Balance as at 30 June 2005	**187,402.01**	**1,107,634.53**	**1,295,036.54**
BALANCE SHEET VALUE			
as at 30 June 2005	**346,211.86**	**102,126.86**	**448,338.72**

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

No circumstances occurred at the Group making it necessary to write down its intangible fixed assets as at 30 June 2006.

The costs of amortizing intangible fixed assets were charged in full to General administrative expenses.

In 2005 the Company signed a contract for the development of a customised Information Technology (IT) system supporting financial and operating activities. The total cost of this investment will approximately be PLN 1 million. By 30 June 2006 the outlays amounting to PLN 859,125.00 were incurred.

No pledges have been established on intangible fixed assets.

Note 2. Tangible Fixed Assets

TANGIBLE FIXED ASSETS	30.06.2006	30.06.2005	31.12.2005
a) tangible fixed assets, including	**7,607,499.57**	**8,199,000.81**	**7,265,349.21**
- land (including perpetual usufruct)	1,660,391.02	1,660,391.02	1,660,391.02
- buildings and constructions	1,722,904.54	2,302,898.98	2,022,606.92
- plant and equipment	745,528.69	684,974.43	667,580.67
- vehicles	2,330,727.34	1,759,384.87	1,829,730.86
- other tangible fixed assets	1,147,947.98	1,791,351.51	1,085,039.74
Total tangible fixed assets	**7,607,499.57**	**8,199,000.81**	**7,265,349.21**

	Land and buildings	Vehicles	Machinery and other tangible fixed assets	Total
GROSS VALUE				
Balance as at 1 January 2005	4,202,345.47	2,649,357.64	4,940,571.22	11,792,274.33
Additions	-	777,677.43	1,001,767.14	1,779,444.57
(Disposals)	-246,334.32	-201,287.31	-2,145,775.49	-2,593,397.12
Balance as at 31 December 2005	**3,956,011.15**	**3,225,747.76**	**3,796,562.87**	**10,978,321.78**
Additions		857,454.55	464,384.17	1,321,838.72
(Disposals)	-271,870.02	-219,621.71	-29,779,05	-521,270.78
Balance as at 30 June 2006	**3,684,141,13**	**3,863,580.60**	**4,231,167.99**	**11,778,889,72**
Including: Stated at purchase cost	**1,660,391.02**	**3,863,580.60**	**4,231,167.99**	**9,755,139.61**
ACCUMULATED DEPRECIATION				
Balance as at 1 January 2005	191,152.01	1,034,756.50	2,397,021.33	3,622,929.84
Depreciation for the period	94,160.74	550,564.92	902,608.87	1,547,334.53
(Disposals)	-12,299.54	-189,304.52	-1,255,687.74	-1,457,291.80
Balance as at 31 December 2005	**273,013.21**	**1,396,016.90**	**2,043,942.46**	**3,712,972.57**
Depreciation for the period	42,558.66	318,322.42	322,275.51	683,156.59
(Disposals)	-14,726.30	-181,486.06	-28,526.65	-224,739.01
Balance as at 30 June 2006	**300,845.57**	**1,532,853.26**	**2,337,691.32**	**4,171,390.15**
BALANCE SHEET VALUE				
as at 31 December 2005	**3,682,997.94**	**1,829,730.86**	**1,752,620.41**	**7,265,349.21**
as at 30 June 2006	**3,383,295.56**	**2,330,727.34**	**1,893,476.67**	**7,607,499.57**

	Land and buildings	Vehicles	Machinery and other tangible fixed assets	Total
GROSS VALUE				
Balance as at 1 January 2005	4,202,345.47	2,649,357.64	4,940,571.22	11,792,274.33
Additions		415,732.65	362,438.62	778,171.27
(Disposals)		-175,927.71	-40,883.89	-216,811.60
Balance as at 30 June 2005	**4,202,345.47**	**2,889,162.58**	**5,262,125.95**	**12,353,634.00**
Including: Stated at purchase cost	**1,660,391.02**	**2,889,162.58**	**5,262,125.95**	**9,811,679.55**
ACCUMULATED DEPRECIATION				
Balance as at 1 January 2005	191,152.01	1,034,756.50	2,397,021.33	3,622,929.84
Depreciation for the period	47,903.46	265,937.80	429,340.47	743,181.73
(Disposals)	-	-170,916.59	-40,561.79	-211,478,38
Balance as at 30 June 2005	**239,055.47**	**1,129,777.71**	**2,785,800.01**	**4,154,633.19**
BALANCE SHEET VALUE				
as at 30 June 2005	**3,963,290.00**	**1,759,384.87**	**2,476,325.94**	**8,199,000.81**

No circumstances occurred at the Group making it necessary to write down its tangible fixed assets as at 30 June 2006 and 2005 and 31 December 2005.

Additions to tangible fixed assets are the result of tangible fixed asset purchases or tangible fixed assets produced by the Group.

Presented in the table below are the net values of tangible fixed assets produced by the Group.

	30.06.2006	30.06.2005	31.12.2005
Buildings (individual commercial space)	390,934.47	898,349.47	654,346.87
Constructions	1,331,970.07	1,404,549.51	1,368,206.05

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)	30.06.2006	30.06.2005	31.12.2005
a) owned	5,297,437.36	6,632,749.36	5.601.067.83
b) used on the basis of rent, tenancy or similar agreements, including lease agreements, in this:	2,310,062.21	1,566,251.45	1,664,281.38
- leasing	2,310,062.21	1,566,251.45	1,664,281.38
Total balance sheet fixed assets	**7,607,499.57**	**8,199,000.81**	**7,265,349.21**

OFF-BALANCE SHEET TANGIBLE FIXED ASSETS	30.06.2006	30.06.2005	31.12.2005
used on the basis of rent, tenancy or similar agreements, including lease agreements, in this:	607,442.62	143,442.62	607,442.62
- value of assets under operating lease	607,442.62	143,442.62	607,442.62
Total off-balance sheet fixed assets	**607,442.62**	**143,442.62**	**607,442.62**

Note 3. Assets available for sale

	30.06.2006	30.06.2005	31.12.2005
Assets available for sale	1,660,391.02	1,660,391.02	1,660,391.02

Plots of land for sale are recorded under tangible fixed assets.

Note 4. Leasing

The Group is a party (as a lessee) to lease agreements relating to fixed assets that are recorded in the books of account as finance leases. 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	30.06.2006	30.06.2005	31.12.2005
Gross fixed assets	3,299,817.87	2,125,012.51	2,395,897.81
Depreciation	989,755.66	558,761.06	731,616.43
Balance sheet value of leased tangible fixed assets	**2,310,062.21**	**1,566,251.45**	**1,664,281.38**
Leased assets as a % of total fixed assets	30.37%	19.10%	22.91%
Leasing liabilities	**1,419,453.13**	**1,024,925.55**	**1,009,448.22**
Depreciation of leased assets recognised as operating costs	258,139.23	186,342.61	406,939.22
Interest on lease agreements recognised as financial costs	48,235.32	48,574.97	88,736.70

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 holds 90% of the share capital and has a 90% participation in the management of the limited liability company Dom City sp. z o.o., whose activities consisted of buying and selling land. The company stopped operating in 2005 and was removed from the register in January 2006.

The Group holds 46% of the share capital and has a 50% participation in the management of the limited liability company Dom Development Grunty sp. z o.o., whose activities consist of buying and selling land. The company's shares were valued at PLN 23,580.00 as at 30 June 2006 and PLN 23,580.00 as at 31 December 2005. Due to accounting losses, these shares were revalued to PLN 0 as at 30 June 2006 and 31 December 2005.

The Group holds 42.45% of the share capital and has a 0% participation in the management of Towarzystwo Ubezpieczeń Wzajemnych "Bezpieczny Dom". The nominal value of the shares of the company owned by the Group was PLN 849,000.00. Due to losses incurred by the company, the shares were revalued to PLN 512,349.00 as at 30 June 2006 and PLN 559,044.00at the end of 2005.

Information about associated entities

Dom Development Grunty sp. z o.o.			
Balance sheet date	**30.06.2006**	**30.06.2005**	**31.12.2005**
Financial data:			
Current assets	1,909,078.31	11,471,660.34	25,130,470.10
Fixed assets	30,000.00	-	-
Equity	-121,452.89	-37,440.83	-116,976.13
Short-term liabilities	2,060,531.20	11,509,101.17	25,247,446.23
Long-term liabilities	-	-	-
Operating revenues	23,190,982.61	-	3,188,615.04
Net profit/(loss)	-4,476.76	-1,487.97	-106,023.27
Value of shares recorded at the holding company at purchase prices	23,580.00	12,080.00	23,580.00
Revaluation	-23,580.00	-12,080.00	-23,580.00
Net balance sheet value of shares	-	-	-
% stake	46%	46%	46%
Loss in excess of the value of the holding company's shares at purchase prices	N/A	N/A	(25,190.70)

Towarzystwo Ubezpieczeń Wzajemnych „Bezpieczny Dom" (a)			
Balance sheet date	30.06.2006	30.06.2005	31.12.2005
Financial data:			
Total assets	2,596,000.00	1,648,000.00	2,055,218.52
Equity	1,253,000.00	1,797,000.00	1,316,947.00
Net profit (loss)	-112,000.00	(352,000.00)	-683,053.00
Shares at purchase price (b)	849,000.00	849,000.00	849,000.00
Total revaluation write-off of the balance sheet date	-336,651.00	-	-289,956.00
% stake (b)	42.45%	42.45%	42.45%
(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 co-subsidiaries

Fort Mokotów sp. z o.o. (b, c)			
Balance sheet date	30.06.2006	30.06.2005	31.12.2005
Financial data:			
Current assets	188,274,635.00	187,579,421.41	232,726,910.42
Fixed assets	338,111.82	307,514.92	358,720.83
Equity	126,213,044.29	74,932,067.66	114,875,183.55
Short-term liabilities	34,651,900.74	96,118,186.30	73,478,458.74
Long-term liabilities	2,262,119.78	6,465,618.78	7,280,020.50
Operating revenues	200,277,830.83	123,685,964.75	368,100,917.86
Operating costs	148,873,417.79	111,917,275.39	306,273,738.56
Net profit/(loss)	41,411,283.09	11,384,641.48	51,327,757.37
% stake	49%	49%	49%
(b) For the purposes of the financial statements prepared in accordance with IFRS/IAS, the company Fort Mokotów sp. z o.o. is consolidated using 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.			

Presented below is the effect of the revaluation of the shares of associated entities in the consolidated financial statements on the income statement:

	01.01--30.06.2006	01.01--30.06.2005	01.01--31.12.2005
Revaluation of the shares of associated entities	-46,695.00	-	-289,376.00

The Group values shares in the associated companies using equity method in the consolidated income statement in the positions '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 2006 and 2005 and as at 31 December 2005 the Group lists long-term receivables relating to security deposits in the amount of PLN 927,730.36 as at 30 June 2006, PLN 0 as at 30 June 2005 and PLN 927,730.36 as at 31 December 2005. All these receivables are denominated in PLN.

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

Note 7. Inventory

INVENTORY	30.06.2006	30.06.2005	31.12.2005
Advances on deliveries	9,294,975.51	14,413,062.69	14,953,354.95
in this at purchase prices/production costs	9,629,988.65	14,413,062.69	15,288,368.09
in this revaluation write down	-335,013.14	-	-335,013.14
Semi-finished goods and work in progress	369,570,238.44	265,093,020.11	327,894,732.71
in this at purchase prices/production costs	374,400,902.12	266,449,313.79	329,251,026.39
in this revaluation write-down	-4,830,663.68	-1,356,293.68	-1,356,293.68
Finished goods:	9,116,603.76	11,933,694.97	29,243,072.20
in this at purchase prices/production costs	10,610,192.24	13,857,984.21	30,888,214.62
in this revaluation write-down	-1,493,588.48	-1,924,289.24	-1,645,142.42
Total	**387,981,817.71**	**291,439,777.77**	**372,091,159.86**

INVENTORY WRITE-OFFS	
Balance as at 1 January 2005	3,345,888.12
Additions	829,687.14
Use	-
Releases	839,126.02
Balance as at 31 December 2005	**3,336,449.24**
Additions	3,474,370.00
Use	-
Releases	151,553.94
Balance as at 30 June 2006	**6,659,265.30**
Balance as at 1 January 2005	3,345,888.12
Additions	-
Use	-
Releases	65,305.20
Balance as at 30 June 2005	**3,280,582.92**

The costs and revenues of creating and releasing write-downs are posted to other operating activities.

<u>Balance sheet value of inventory used to secure the payment of liabilities</u>

SECURITY ON INVENTORY - MORTGAGE	30.06.2006	30.06.2005	31.12.2005
Balance sheet value of inventory used to secure liabilities (a)	225,949,067.02	116,863,136.38	157,851,455.19
Amount of security - credits (a)	276,453,119.61	118,543,818.40	194,951,347.10
Amount of security - bonds (a)	160,000,000.00	100,000,000.00	100,000,000.00
Balance sheet value of inventory used to secure liabilities (b)	-	120,034,460.60	120,034,460.60
Amount of security - credits (b)	-	73,492,798.89	32,092,798.89

(a) relates to the Company
(b) relates to Fort Mokotów sp. z o. o. This is the total value of inventory and security, irrespective of the fact that Dom Development S.A. owns 49% of the shares of Fort Mokotów sp. z o. o.

Preparatory work

If there is no certainty as to the ability to purchase land for a potential project, the costs of preparatory work associated with the project are expensed to the consolidated income statement of the Group during the year in which they occur. Remaining preparatory work is capitalised under work in progress.

Presented in the table below is preparatory work recognised in the income statement.

	01.01- -30.06.2006	01.01- -30.06.2005	01.01- -31.12.2005
Preparatory work	472,106.99	482,873.42	490,119.01

Construction contracts

Revenues, costs and the resulting work in progress are accounted for using the percentage of completion method, described in the section entitled ‘Introduction to the consolidated financial statements’.

SETTLEMENT OF WORK IN PROGRESS			
	30.06.2006	30.06.2005	31.12.2005
Planned revenues relating to current contracts	1,174,976,450.00	859,514,490.00	1,107,066,490.00
Planned costs related to current contracts	823,358,293.60	658,485,824.84	800,736,438.04
Planned margin related to current contracts	351,618,156.40	201,028,665.16	306,330,051.96
Cumulative revenues recognised in income statement	596,181,855.86	456,988,162.57	456,413,526.04
Cumulative costs recognised in income statement	439,589,137.86	358,211,910.61	355,526,824.99
Cumulative margin recognised to date in income statement	156,592,718.00	98,776,251.96	100,886,701.05
Remaining margin to be recognised in future periods	195,025,438.40	102,252,413.20	205,443,350.91
Percentage of remaining margin to be recognised in future periods	55.47%	50.86%	67.07%

Work in progress is calculated using the percentage of completion method as described in the section entitled ’Introduction to the consolidated financial statements‘.

Presented below is the value of liabilities on construction contracts and security deposits retained in accordance with construction contracts.

	30.06.2006	30.06.2005	31.12.2005
Security deposits retained from general contractor	19,777,026.30	18,223,301.38	18,024,117.55

Note 8. Trade and other receivables

As at the balance sheet date trade receivables and other receivables amounted to PLN 30,641,248.68 as at 30 June 2006, PLN 32,003,042.87 as at 30 June 2005 and PLN 56,934,316.66 as at 31 December 2005.

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.

AGEING OF OVERDUE TRADE RECEIVABLES	30.06.2006	30.06.2005	31.12.2005
up to 3 months	17,555,631.50	8,965,546.50	13,322,800.48
from 3 to 6 months	2,664,954.23	3,690,559.62	2,500.55
from 6 months to 1 year	1,301,739.17	2,164,158.45	736,335.55
Above 1 year	2,639,957.41	2,205,944.34	2,678,566.68
Gross overdue trade receivables	**24,162,282.31**	**17,026,208.91**	**16,740,203.26**
Write-offs revalating the receivables	1,686,384.13	1,514,939.06	(1,705,188.76)
Net overdue trade receivables	**22,475,898.18**	**15,511,269.85**	**15,035,014.50**
Net not overdue trade receivables and other receivables	**8,165,350.50**	**16,491,773.02**	**41,899,302.16**

Change in value of provisions for doubtful short-term receivables	01.01--30.06.2006	01.01--30.06.2005	01.01--31.12.2005
Opening balance	1,705,188.76	1,092,243.21	1,092,243.21
a) Additions	-	641,728.20	1,609,387.25
b) Disposals	18,804.63	219,032.35	996,441.70
Closing balance	**1,686,384.13**	**1,514,939.06**	**1,705,188.76**

Net trade receivables and other receivables (foreign currency structure)	30.06.2006	30.06.2005	31.12.2005
a) in PLN	30,641,248.68	32,003,042.87	56,934,316.66
b) in foreign currencies	-	-	-
Total	**30,641,248.68**	**32,003,042.87**	**56,934,316.66**

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

Note 9. Cash and cash equivalents

Cash at bank and cash on hand consist of cash held by the Group 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	30.06.2006	30.06.2005	31.12.2005
Cash on hand and at bank	9,050,462.20	8,491,111.34	46,370,088.56
Short-term deposits	139,153,423.00	65,396,461.19	27,224,290.73
Other	98,312.15	322,650.58	242,930.69
Total	**148,302,197.35**	**74,210,223.11**	**73,837,309.98**

Note 10. Financial assets and liabilities

The balance sheet value of trade, other receivables, cash and financial liabilities corresponds to their fair value.

Credit risk

Cash at bank, cash on hand, trade receivables, other receivables and investments are 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 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 agencies.

The Group has no significant concentration of credit risk. The risk is spread over a large number of partners and customers.

Note 11. Other current assets

	30.06.2006	30.06.2005	31.12.2003
OTHER CURRENT ASSETS	**51,991,621.10**	**23,693,131.90**	**53,457,712.47**
Including:			
Future receivables from completed developments	47,272,041.81	23,045,281.68	50,528,075.54
Deferred costs	4,719,579.29	647,850.22	2,929,636.93

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

Note 12. Share capital

SHARE CAPITAL (STRUCTURE) AS AT 30 JUNE 2006								
Series/ issue	Type of shares	Type of preference	Limitation of right to shares	Number of shares	Nominal value of series/issue	Capital covered with	Registration date	Right to dividend (date from)
A	registered	-	-	1,800,000	1,800,000	cash	09.07.1999	09.07.1999
B	registered	-	-	2,250,000	2,250,000	cash	20.07.2000	20.07.2000
C	registered	-	-	8,550,000	8,550,000	cash	20.07.2000	20.07.2000
D	registered	-	-	2,468,961	2,468,961	cash	20.07.2000	20.07.2000
E	registered	-	-	417,150	417,150	cash	09.11.2000	09.11.2000
F	registered	-	-	6,194,529	6,194,529	cash	26.11.2001	26.11.2001
G	registered	-	-	173,700	173,700	cash	09.07.2002	09.07.2002
Total number of shares				**21,854,340**				
Total share capital					**21,854,340**			
Nominal value per share = PLN 1								

The Company's share capital structure remained unchanged in the period from 1 January 2005 – 30 June 2006.

Note 13. Share premium less treasury shares

SHARE PREMIUM LESS TREASURY SHARES	30.06.2006	30.06.2005	31.12.2005
Share premium	12,420,203.31	12,663,004.43	12,620,074.84
Treasury shares	-969,169.33	-2,063,595.72	-1,800,255.97
Total share premium less treasury shares	**11,451,033.98**	**10,599,408.71**	**10,819,818.87**

In the first half of the year 2006 the share premium decreased by PLN 199,871.53 as a result of selling a portion of the company's treasury shares to a member of the Management Board and member of the Supervisory Board of the Company.

MOVEMENTS IN TREASURY SHARES in the period 1 January 2005-31 December 2005 and 1 January 2006-30 June 2006					
	Series	**Number of shares**	**Nominal value**	**Balance sheet value**	**Method and purpose of acquisition**
as at 01.01.2005	E	417,150	417,150.00	1,650,495.97	Acquired as a result of the take over of Dom Development Capital sp. z o.o. by the holding company in 2003. Shares issued as part of a Management Share Options Program* (Incentive Plan I).
	G	92,700	92,700.00	263,339.75	
	Total	**509,850**	**509,850.00**	**1,913,835.72**	
Additions	F	36,000	36,000.00	149,760.00	Acquired from former management team member
Disposals	G	-46,350	-46,350.00	-131,669.88	Sold to Member of the Management Board (exercised options)
	G	-46,350	-46,350.00	-131,669.87	
as at 31.12.2005	**Total**	**453,150**	**453,150.00**	**1,800,255.97**	
Disposals	F	-36,000	-36,000.00	-149,760.00	Sale of the shares to Member of the Supervisory Board
	E	-72,000	-72,000.00	-284,875.25	Sale of the shares to Members of the Management Board and the Supervisory Board (exercised share options)
	E	-77,700	-77,700.00	-307,427.87	
	E	-22,500	-22,500.00	-89,023.52	
as at 30.06.2006	**Total**	**244,950**	**244,950.00**	**969,169.33**	

* Management Share Options Programme is described in note 42.

MOVEMENTS IN TREASURY SHARES in the period 1 January 2005-30 June 2005					
	Series	**Number of shares**	**Nominal value**	**Balance sheet value**	**Method and purpose of acquisition**
as at 01.01.2005	E	417,150	417,150.00	1,650,495.97	Acquired as a result of the take over of Dom Development Capital sp. z o.o. by the holding company in 2003. Shares issued as part of a Management Share Options Program* (Incentive Plan I).
	G	92,700	92,700.00	263,339.75	
	Total	**509,850**	**509,850.00**	**1,913,835.72**	
Additions	F	36,000	36,000.00	149,760.00	Acquired from former management team member
Disposals		-	-	-	
as at 30.06.2005	**Total**	**545,850**	**545,850.00**	**2,063,595.72**	

* Management Share Options Programme is described in note 42.

Note 14. Other reserves (supplementary capital)

OTHER RESERVES (SUPPLEMENTARY CAPITAL)	**30.06.2006**	**30.06.2005**	**31.12.2005**
Created in accordance with company statute/articles of association in excess of statutory (minimal) value from distribution of profits	79,301,372.14	53,403,253.44	53,403,253.44

for the years			
Total other reserves (supplementary capital)	**79,301,372.14**	**53,403,253.44**	**53,403,253.44**

Note 15. Capital from hedging transactions

In 2004 the holding Company concluded a forward contract to hedge the USD exchange rate in order to buy land for development. The foreign exchange differences resulting from the revaluation of the hedging contract amounted to PLN 5,758,748 on 31 December 2004. This amount, reduced by deferred tax in the amount of PLN 1,094,162,00 was recorded as capital from hedging transactions. Thus the total effect of this transaction on the Group's equity in the year 2004 amounted to PLN 4,664,586.

In 2005, the forward contract was closed and the amount of PLN 5,758,748 was transferred to the opening value of the hedged assets. The corresponding deferred tax was reversed accordingly.

Note 16. Additional equity information

As at 30 June 2006, 30 June 2005 and 31 December 2005 the Company's shares were not owned by any of its subsidiaries.

Of subsidiaries which are consolidated in full, there are no minority interests in the subsidiaries as the Company owns 100% of their share capital.

Note 17. Loans and borrowings [1]

LOANS AND BORROWINGS	30.06.2006	30.06.2005	31.12.2005
including: long-term	72,556,143.27	135,383,925.83	78,332,948.91
short-term	85,252,621.70	51,918,807.93	107,035,211.89
Total	**157,808,764.97**	**187,302,733.76**	**185,368,160.80**

LOANS DUE WITHIN:	30.06.2006	30.06.2005	31.12.2005
1 year	77,543,740.90	51,918,807.93	103,277,957.77
More than 1 year less then 2 years	68,968,832.00	122,992,443.11	67,450,600.00
More than 2 years less then 5 years	-	504,000.00	3,528,000.00
More than 5 years	-	-	-
Total loans	**146,512,572.90**	**175,415,251.04**	**174,256,557.77**
including: long-term	68,968,832.00	123,496,443.11	70,978,600.00
short-term	77,543,740.90	51,918,807.93	103,277,957.77

BORROWINGS DUE WITHIN:	30.06.2006	30.06.2005	31.12.2005
1 year	7,708,880.80	-	3,757,254.12
More than 1 year less then 2 years	3,587,311.27	4,341,906.75	3,677,174.45
More than 2 years less then 5 years	-	7,545,575.97	3,677,174.46
More than 5 years	-	-	-
Total borrowings	**11,296,192.07**	**11,887,482.72**	**11,111,603.03**

[1] Borrowings are shareholders' loans

including: long-term	3,587,311.27	11,887,482.72	7,354,348.91
short-term	7,708,880.80	-	3,757,254.12

CURRENCY STRUCTURE OF LOANS AND BORROWINGS AS PER RELEVANT AGREEMENTS						
Currency	30.06.2006		30.06.2005		31.12.2005	
	Bank loans / as per agreement	Borrowing / as per agreement	Bank loans / as per agreement	Borrowing / as per agreement	Bank loans / as per agreement	Borrowing / as per agreement
PLN	252,420,600.00	-	255,760,000.00	-	151,464,900.00	-
EUR	-	-	30,000,000.00	-	30,000,000.00	-
USD	-	5,733,554.00	-	5,733,554.00	-	5,733,554.00

The balances shown in the above table are based on the relevant credit and loan agreements and do not show the outstanding liabilities related to these contracts. As at 30 June 2006 the PLN denominated facilities in the table above relate to facilities available in the amount of PLN 252,420,600.00 is available for the holding company. The other entities do not have bank loans and borrowings.

Interest rate risk

Bank credits incurred while applying fixed interest rates expose the Group to the risk of the interest rate fair value. Loans and borrowings incurred at the variable interest rate result in cash flow risk.

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

BANK LOANS as at 30.06.2006							
Bank	Registered office	Amount of loan – as per agreement		Outstanding loan amount (less accrued interest)		Interest rate	Due date
		amount	currency	amount	currency		
BOŚ S.A.	Warsaw	23,350	PLN	23,237.60	PLN	WIBOR 1M+ Bank's margin*	31.12.2006
BOŚ S.A.	Warsaw	2,000	PLN	-	PLN	WIBOR 1M+ Bank's margin*	31.12.2007
PKO BP	Warsaw	33,830	PLN	7,452.06	PLN	WIBOR 1M+ Bank's margin*	01.09.2006
PKO BP	Warsaw	10,080	PLN	6,552.00	PLN	WIBOR 1M+ Bank's margin*	01.07.2007
PKO BP	Warsaw	11,380	PLN	11,380.00	PLN	WIBOR 1M+ Bank's margin*	01.10.2007
BOŚ	Warsaw	35,000	PLN	33,447.36	PLN	WIBOR 1M+ Bank's margin*	31.12.2007
PKO BP S.A.	Warsaw	18,950	PLN	18,950.00	PLN	WIBOR 1M+ Bank's margin*	01.12.2007
PeKao SA	Warsaw	18,875	PLN	18,874.90	PLN	WIBOR 1M+ Bank's margin*	30.11.2007
Pekao SA	Warsaw	18,956	PLN	18,955.70	PLN	WIBOR 1M+ Bank's margin*	29.02.2008
PKO BP S.A.	Warsaw	40,000	PLN	-	PLN	WIBOR 1M+ Bank's margin*	15.03.2007
BOŚ.	Warsaw	40,000	PLN	7,662.95	PLN	WIBOR 1M+ Bank's margin*	30.09.2008

*) Not disclosed due to commercial reasons.

Borrowings from the Shareholders

BORROWINGS AS AT 30.06.2006							
Lender	Registered office	Amount of loan – as per agreement		Outstanding loan amount (less accrued interest)		Interest rate	Due date
		thousand	currency	thousand	currency		
Dom Development B.V.	Holland	4,702	USD	2,351	USD	LIBOR 12M + 5.5%	31.10.2008
Dom Development B.V.	Holland	1,032	USD	1,032	USD	LIBOR 12M + 5.5%	31.10.2008

The Company utilises 2 borrowings:

- a borrowing totalling USD 2,351,000 as at 30 June 2006, was taken out on 6 January 2000. The repayment of principal instalments is due to begin on 31 October 2006 and is due to end on 31 October 2008. Interest on the borrowing is calculated at LIBOR 12M + 5.5%. The borrowing is not secured on the Group's assets.
- a borrowing from 10 December 2001, totalling USD 1,031,554 as at 30 June 2006. The repayment of principal instalments is due to begin on 31 October 2006 and is due to end on 31 October 2008. Interest on the borrowing is calculated at LIBOR 12M + 5.5%. The borrowing is not secured on the Group's assets.

Note 18. Provision and assets for a deferred tax

PROVISION AND ASSETS FOR A DEFERRED TAX – effect on consolidated balance sheet			
	30.06.2006	30.06.2005	31.12.2005
Provisions for a deferred income tax			
Foreign exchange differences and valuation of SWAP contracts	606,597.00	1,465,852.00	560,718.00
Interest	57,397.00	61,349.00	84,216.06
Profit on the settlement of contracts and Fort Mokotów housing estates	18,930,803.98	10,209,134.38	17,606,749.13
Result on the sale of facilities – without transfer agreements	13,189,830.39	-	-
Provision for sales revenues	1,083,875.00	2,390,334.34	3,666,576.00
Other	335,086.00	263,167.00	357,031.00
Total deferred income tax liability	**34,203,589.37**	**14,389,836.72**	**22,275,290.19**
Accounted for in the financial result	34,203,589.37	14,389,836.72	22,275,290.19
Accounted for in equity	-	-	-
Deferred income tax assets			
Provision for the housing estates costs	1,121,763.00	3,453,610.24	1,312,199.00
Costs of the finished goods sold	-	-	322,163.00
Inventory revaluation	1,201,608.00	623,310.00	570,273.00
Write-offs revaluating the receivables	773,011.75	460,407.00	642,032.00
Provision for employee benefits	137,180.00	40,906.00	486,953.00
Provision for costs	856,566.00	275,510.00	563,041.00
Tax loss for settlement by DD S.A.	-	4,617,483.00	-
Tax loss for for the years 2002-2004 for settlement by Fort Mokotów	1,932,425.35	829,225.27	3,090,066.18
Provision for disputable cases	-	-	430,663.00
Other provisions (Fort Mokotów)	44,528.57	40,731.22	143,554.75
Consolidation exclusions	671,312.00	-	494,940.00
Foreign exchange differences and forward contracts valuation	-	-	-
Other	169,952.00	111,214.00	161,825.00
Total deferred income tax assets	**6,908,346.67**	**10,452,396.73**	**8,217,709.93**
Accounted for in the financial result	6,908,346.67	10,450,440.73	8,217,709.93
Accounted for in equity	-	1,956.00	-

DEFERRED TAX – effect on consolidated income statement			
	01.01- -30.06.2006	01.01- -30.06.2005	2005
Provisions for a deferred income tax			
Foreign exchange differences and valuation of SWAP contracts	45,879.00	-	-905,134.00
Interest	-26,819.06	7,940.06	30,981.06
Profit on the settlement of contracts and Fort Mokotów housing estates	8,889,857.54	5,569,319.75	12,966,747.55
Result on the sale of facilities – without transfer agreements	5,624,027.53	-	-
Provision for sales revenues	-2,582,701.00	-196,322.66	1,079,929.00
Other	-21,945.00	121,928.00	215,792.00
Total Deferred income tax liability	**11,928,299.01**	**5,502,865.15**	**13,388,315.61**
Deferred income tax assets			
Provision for the housing estates costs	-190,436.00	-297,234.76	-2,438,653.00
Costs of the finished goods sold	-322,163.00		322,163.00
Inventory revaluation	631,335.00	-12,408.00	-65,444.00
Write-offs revaluating the receivables	130,979.75	118,312.00	299,937.00
Provision for employee benefits	-349,773.00	-239,854.00	206,195.00
Provision for costs	293,524.00	156,592.00	444,124.00
Tax loss for settlement by DD S.A.	-	4,617,483.00	-
Tax loss for for the years 2002-2004 for settlement by Fort Mokotów	-1,157,639.99	-829,225.27	1,431,615.63
Provision for disputable cases	-430,663.00	-	430,663.00
Other provisions (Fort Mokotów)	-99,026.18	-	102,823.53
Consolidation exclusions	176,372.00	-	494,940.00
Foreign exchange differences and forward contracts valuation	-	-	-
Other	8,127.00	-54,446.00	-3,835.00
Total deferred income tax assets	**-1,309,363.42**	**3,459,218.97**	**1,224,529.16**
Net provision/asset for a deferred income tax – effect on the income statement	**13,237,662.43**	**2,043,646.18**	**12,163,786.45**

Note 19. Bonds

BONDS	30.06.2006	30.06.2005	31.12.2005
Nominal value of issued bonds	80,000,000.00	50,000,0000.00	50,000,000.00
Accumulated interest charged	7,913,307.09	4,385,334.04	6,189,890.40
Accumulated interest paid	6,379,335.00	2,363,890.00	4,636,445.00
Liability as at the end of the year	**81,533,972.09**	**52,021,444.04**	**51,553,445.40**

As at 30 June 2006 the Company completed two bonds issues:

- On 21 July 2004 the Company issued A-series bonds with a nominal value of PLN 50,000,000. The redemption date of these bonds is 21 July 2008 and an interest rate of WIBOR 6M + Bank's margin is payable on a semi-annual basis until the final settlement date. The interest payments are due in January and July for the duration of the agreement. Net revenues from the issue of bonds were used for the Group's statutory activities. Bonds are secured with a joint capped mortgage on the Group's real estate up to the amount of PLN 100,000,000.

  As per agreement with banks, in semi-annual periods ending each 30 June and 31 December, the Company, undertakes to maintain the standalone financial statements ratios within the following ranges:

Year	interest bearing debt /equity	EBITDA / cost of debt	Actual ratios		
			Date	interest debt/equity	EBITDA / cost of debt
2005	<=1.2	>=2.0	30.06.2005	1.67	2.48
			31.12.2005	1.57	2.01
2006	<=2.0**	>=1.8**	30.06.2006	0.82	2.20
2007	<=2.0**	>=5.0**			

* In 2005 the banks exempted the Company from having to maintain the debt/equity ratio at the required level.

** On 4 August 2006 an annex to the agreement of 21 July 2004 on the issue of bonds was signed. The annex changes the ratios of the interest rate debt / equity and EBITDA/costs of debt servicing for the years 2006-2007. The ratios presented in the above table comply with the changes introduced by means of the aforementioned Annex.

- On 19 June 300 A series bonds were issued with the nominal value of PLN 100,000 each, with the total nominal value of PLN 30,000,000, on the basis of the agreement on bonds servicing and guaranteeing the issue of bonds with Powszechna Kasa Oszczędności Bank Polski S.A. The bonds are secured with a joint capped mortgage on the Group's real properties up to the amount of PLN 60,000,000.

The issue took place on the basis of the resolution no. 1 of the General Shareholders' Meeting of the Company of 24 March 2006 on the issue of bonds pursuant to art. 9 of the Act on Bonds.

The issue date – 19 June 2006. The redemption date – 19 June 2011.

The funds raised as a result of the issue are to be designated for financing and refinancing the Company's development activities related to acquiring land properties as well as for covering the costs associated with the execution of residential developments.

Under the terms of the agreement on bonds servicing and guaranteeing the issue of bonds with Powszechna Kasa Oszczędności Bank Polski S.A. A series bonds and B series bonds were to be issued in the first place, followed by the next series of bonds – in the amount corresponding to the value of A series bonds, towards which their bondholders exercised the redemption option. A series bonds are secured bonds, and B series bonds and the ones from other issues will not be secured. A and B series bonds will have the same issue date. On the basis of the agreement the Issuer commissioned the bank to issue bonds as part of the programme, conducting an offer and sale of the bonds, keeping record of the bonds and performing the function of an agent dealing with payments. The Bank guaranteed the acquisition of A series bonds. The Bank fulfils its obligations related to guaranteeing the acquisition of A series bonds by taking up or acquiring such a number of A series bonds that equals the number of B series bonds the investors will not acquire due to the fact that they did not make a subscription for B series bonds or that they did not pay for the B series bonds allotted to them, while the bank may acquire 300 A series bonds in total. A series bonds taken up by the bank as a guarantor will meet the following parameters: the redemption date – 5 years after the issue date; (ii) currency of the issue – PLN; (iii) interest period – six months; (iv) the base rate – 6 M WIBOR plus the bank's margin; (v) security - a joint capped mortgage on real properties specified in the agreement, up to the amount of PLN 60,000,000.

In the case of the issue of the next series of bonds the effective allotment of such bonds to investors will result in the bank's right to exercise towards the Issuer the redemption of A series bonds in the amount of bonds allotted to the investors.

The Issuer shall be entitled to exercise a call option with regard to all A series bonds and to A series bonds with the total nominal value no less than PLN 5,000,000. The bondholders holding A series bonds shall have the right to exercise put option only with regard to such an amount of A series bonds, for which the total selling price will be not higher than 50% of the net proceeds of the Issuer from the issue of bonds in compliance to art. 9 point 1 of the Act on Bonds.
The Issuer undertook the complete redemption of bonds in order to maintain in the six-months periods, ending on each 30 June and 31 December, for the period of last 12 months the following ratios:

Year	interest debt / equity	EBITDA / cost of debt
2006	<= 2.0	>= 1.8
2007	<= 2.0	>= 5.0
2008	<= 2.0	>= 5.0
2009	<= 2.0	>= 5.0
2010	<= 1.8	>= 5.0
2011	<= 1.5	>= 5.0

The agreement contains, among others, the following obligations of the Issuer: the Issuer shall not, without first obtaining a written consent of the agent, enter into another agreement concerning the programme of the issue of bonds or other debt securities and disclose to the public the information on activities aiming at the issue of bonds or other debt securities The Issuer shall not take on any other financial obligations of a credit or guarantee nature without the agent's consent, excluding the allowed financial debt specified in the agreement. The Issuer shall not make, by means of civil law transactions, any security interest on the assets of the Issuer without first obtaining the agent's consent until the redemption date of A series bonds. This ban does not concern establishing a security interest on the assets of the Issuer concerning potential payments and raised claims of the tax authorities and claims concerning conclusion of by the Issuer of a preliminary agreements with the buyers of the facilities in investments under construction.

Failure to perform or the improper performance of any of the material provisions of material obligations resulting from the agreement constitutes a case of breach resulting in the possibility to terminate the agreement without notice.

Note 20. Provision for employee benefits

CHANGE IN SHORT-TERM PROVISION FOR RETIREMENT AND SIMILAR BENEFITS	01.01--30.06.2006	01.01--30.06.2005	01.01--31.12.2005
Opening balance	-	10,301.15	10,301.15
Additions	-	-	-
Release	-	-	10,301.15
Closing balance	**-**	**10,301.15**	**-**

In 2005 it was not necessary for the Company to create a short term provision for retirement benefits because its value was not material.

Note 21. Other long-term liabilities

OTHER LONG-TERM LIABILITIES	30.06.2006	30.06.2005	31.12.2005
Liabilities relating to retained security deposits	1,108,438.70	3,168,153.20	3,567,210.05

Note 22. Trade payables and other liabilities

TRADE PAYABLES AND OTHER LIABILITIES	30.06.2006	30.06.2005	31.12.2005
Trade liabilities	134,055,125.31	56,255,027.02	132,302,970.63
Other liabilities	2,429,591.24	225,407.26	2,582,325.60
Total	**136,484,716.55**	**56,480,434.28**	**134,885,296.23**

Note 23. Short-term tax liabilities

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

Note 24. Short-term provisions

SHORT-TERM PROVISIONS	30.06.2006	30.06.2005	31.12.2005
Opening balance	**4,377,880.98**	**792,500.59**	**792,500.59**
Provisions created in the financial year	1,246,595.00	200,000.00	3,957,880.98
Use of provisions in the financial year	3,748,069.38	73,943.15	372,500.59
Closing balance, in this:	**1,876,406.60**	**918,557.44**	**4,377,880.98**
Provisions for disputable claims	488,449.78	384,057.80	372,449.78
Provisions for settlements with clients	1,340,595.00	420,000.00	450,000.00
Provisions for URSUS project	-	200,000.00	-
Provision for receivables from tax office	-	-	943,000.00
Provision for SBM Kabaty	-	-	2,266,648.35
Provision for PBK SA	-	-	-
Other	47,361.82	10,301.15	345,782.85

Note 25. Accrued liabilities and deferred income

SHORT-TERM ACCRUED LIABILITIES AND DEFERRED INCOME	30.06.2006	30.06.2005	31.12.2005
1. Accrued liabilities, in this:	**28,527,909.65**	**30,338,156.52**	**36,361,949.75**
Provision for uninvoiced costs of work in progress	12,386,251.70	12,755,736.86	17,746,311.64
Provision for the costs of housing estates given over for use	9,759,590.92	15,069,175.96	8,191,237.03
Provision for employee benefits	722,000.00	228,555.58	2,883,785.47
Provision for the costs of property management	3,746,846.00	1,275,385.00	2,321,246.00
Provision for the costs of interest on credits	211,901.17	244,133.94	595,888.26
Provision for foreign exchange difference from the valuation of forward contracts	201,654.00	336,174.00	2,933,181.00
Provision for settlements and arrangements with clients	234,360.91	-	434,679.00
Provision for the operating costs	678,912.57	190,689.90	881,018.39
Other provisions	586,392.38	238,305.27	374,602.96
2. Deferred income, in this:	-	**2,681,511.69**	-
Deferred income	-	2,681,511.69	-
Other	-	-	-
Total	**28,527,909.65**	**33,019,668.20**	**36,361,949.75**

Note 26. Financial instruments

The Group uses foreign currency derivative instruments such as forward and SWAP contracts to hedge material future foreign currency transactions.

The PLN equivalent of foreign currency forward contracts as at various balance sheet dates are shown it the table below:

	30.06.2006	30.06.2005	31.12.2005
In USD	11,404,971.75	2,934,196.77	-
in EUR	-	464,530.00	-

As at 30 June 2006 the Group had four foreign exchange forward contracts hedging future purchase transactions and liabilities payments. Pursuant to these agreements, on 31 March 2006 the Group undertook to purchase USD 88,449.08 at the exchange rate of 3.2272 PLN/USD, USD 192,739.81 at the exchange rate of 3.2241 PLN/USD, USD 2,122,482.00 at the exchange rate of 3.2262 PLN/USD, USD 1,127,518.00 at the exchange rate of 3.2377 PLN/USD. The terms of the foreign exchange contracts were structured to correspond with the terms of the probable liabilities.

The PLN equivalent of foreign currency SWAP contracts at the various balance sheet dates is shown in the table below:

	30.06.2006	30.06.2005	31.12.2005
in USD	-	10,425,350.00	10,425,350.00
in EUR	-	54,789,000.00	54,789,000.00

As at 30 June 2006 the Group did not have any foreign currency contracts, such as swap contracts.

Note 27. Benefits after employment

As the Group does not have an employee benefits program, no benefits are paid after employment is ended.

Note 28. Earnings per share

CALCULATION OF BASIC AND DILUTED EARNINGS PER SHARE	01.01--30.06.2006	01.01--30.06.2005
Earnings		
(A) Earnings of the Group resulting from the consolidated financial statements	57,946,772.79	11,599,244.69
Number of shares		
(B) The number of ordinary shares for the purpose of earnings per share calculation	21,854,340	21,854,340
(C) Less treasury shares not held for the purpose of the share option scheme execution	-	36,000
(D) = (B) - (C) Number of ordinary shares of the Company for the purpose of diluted earnings per share calculation	21,854,340	21,818,340
Basic earnings per share $= \frac{(A)}{(B)}$	2.65	0.53
Diluted earnings per share $= \frac{(A)}{(D)}$	2.65	0.53

The calculation of the basic and diluted profit per share takes into account the number of the shares as at particular balance sheet dates.

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

Note 29. Income tax

INCOME TAX	01.01- -30.06.2006	01.01- -30.06.2005
Current income tax	291,335.00	1,597.00
Deferred income tax	13,237,662.43	2.043,646.18
Total	**13,528,997.43**	**2,045,243.18**

The table below presents the difference between the income tac 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- -30.06.2006	01.01- -30.06.2005
Gross profit before taxation	71,475,770.22	13,644,487.87
Income tax rate of 19%	13,580,396.34	2,592,452.70
Permanent differences not subject to the current and deferred tax in the consolidated financial statements	-8,737.65	100,643.61
Adjustment of the value of unrecognized asset for a deferred income tax	-42,661.26	-647,660.80
Other	-	-192.33
Actual income tax expense	**13,528,997.43**	**2,045,243.18**
Effective tax rate	**19%**	**15%**

Because of frequent changes in the tax system, 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.

Tax and other settlements (such as customs duty or transactions with foreign entities) may be the subject of inspections by 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 of filing. Under these conditions the tax risk in Poland is considerably higher than in other countries with stable tax systems.

Note 30. Key assumptions and estimate bases

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

Note 31. Segment reporting

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

Note 32. Operating income

SALES REVENUE BY KIND	01.01--30.06.2006	01.01--30.06.2005
Sales of finished goods	336,741,181.64	182,216,363.62
Sales of services	12,247,320.30	9,807,438.88
Sales of goods for resale (land)	-	1,007.00
Total	**348,988,501.94**	**192,024,809.50**

Note 33. Operating costs

OPERATING COSTS	01.01--30.06.2006	01.01--30.06.2005
Cost of sales		
Cost of finished goods sold	235,811,776.05	141,394,599.81
Cost of services sold	9,073,424.90	7,855,951.63
Cost of land sold	-	-
Total cost of sales	**244,885,200.95**	**149,250,551.44**
Selling costs and general administrative expenses		
Selling costs	10,441,476.35	9,575,465.68
General administrative expenses	17,404,629.21	17,750,410.17
Total selling costs and general administrative expenses	**27,846,105.56**	**27,325,875.85**
Selling costs and general administrative expenses by kind		
Depreciation and amortization	796,708.87	863,224.35
Cost of materials and energy	2,065,425.52	2,509,448.36
External services	8,837,329.96	9,189,976.50
Taxes and charge	114,004.42	235,135.18
Wages and salaries	13,469,434.84	11,109,541.11
Social security and other benefits	1,862,452.95	1,712,761.50
Other costs by kind	700,749.00	1,705,788.85
Total selling costs and general administrative expenses by kind	**27,846,105.56**	**27,325,875.85**

Note 34. Payroll costs

AVERAGE MONTHLY EMPLOYMENT **(including management staff)**	01.01--30.06.2006	01.01--30.06.2005
Individual personnel categories (number of staff):		
Office workers category	162	163
Manual labour category	-	-
General remuneration elements (PLN):		
Wages and salaries	13,469,434.84	11,109,541.11
Social security and other benefits	1,862,452.95	1,712,761.50

Note 35. Other operating income

OTHER OPERATING INCOME	01.01--30.06.2006	01.01--30.06.2005
Revenues from contractual penalties and compensations	187,603.69	818,867.31
Release of provisions for costs	1,905,499.89	730,103.50
Release of provisions for contractual penalties and arrangements with clients	-	-
Release of provisions for receivables	-	9,116.70
Other	200,065.18	122,621.60
Total	**2,293,168.76**	**1,680,709.11**

Note 36. Other operating expenses

OTHER OPERATING EXPENSES	01.01- -30.06.2006	01.01- -30.06.2005
Provision for penalties and arrangements with clients	890,595.00	641,728.20
Donations	59,000.00	119,970.00
Receivables written off	-18,804.63	-
Provision for remuneration	-	-
Provision for disputes	356,000.00	-
Inventory write-off	3,322,816.06	-65,305.20
Cost of discontinued production	-	-
Other	936,584.86	367,313.90
Total	**5,546,191.29**	**1,063,706.90**

Note 37. Financial income

FINANCIAL INCOME	01.01- -30.06.2006	01.01- -30.06.2005
Interest received	1,599,162.61	2,086,007.09
Other	23,005.07	205,739.23
Total	**1,622,167.68**	**2,291,746.32**

Note 38. Financial costs

FINANCIAL COSTS	01.01- -30.06.2006	01.01- -30.06.2005
Interest on credits	1,722,431.54	2,225,680.21
Interest from related entities	454,178.59	497,868.52
Other interest	209,321.47	82,908.79
Foreign exchange differences	74,539.49	934,559.24
Mortgage loans insurance	248,678.01	864,255.29
Other	441,421.26	107,370,82
Total	**3,150,570.36**	**4,712,642.87**

Note 39. Financial revenue and costs relating to interest

	01.01- -30.06.2006	01.01- -30.06.2005
Financial costs (interest) capitalised under work in progress*	4,246,172.48	8,386,377.82
Costs of credit interest recognised in the income statement	1,722,431.54	2,225,680.21
Revenue relating to interest on bank deposits recognised in the income statement	1,240,686.09	1,876,565.54

* The financial costs incurred as a result of the financing of development 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 realisation of development projects.

Note 40. Transactions with related entities

In the six-month periods ended 30 June 2006 and 2005 the Company was a party to the transactions with related companies, as listed below. Except as otherwise stated in this clause, the value of transactions and settlements between the parties have been expressed in PLN thousand. The 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 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 finished goods or services

Counterparty	Transaction description	01.01- -30.06.2006	01.01- -30.06.2005
Woodsford Consulting Limited	Consulting services as per agreement dated 1 February 2000	694,917.81	654,895.21
Hansom Property Company Limited	Consulting services as per agreement dated 31 March 1999	128,833.27	121,278.69
Towarzystwo Ubezpieczeń Wzajemnych „Bezpieczny Dom”	Insurance of financial losses risk	281,379.17	-

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

Counterparty	Transaction description	01.01- -30.06.2006	01.01- -30.06.2005
Dom Development Grunty sp. z o.o.	Amounts transferred to Dom Development Grunty Sp. z o.o. for the purchase of land as part of specified work contracts	480,870.00	9,761,925.00
Dom Development Grunty sp. z o.o.	Value of land transferred to Dom Development S.A. as part of specified work contracts	23,190,982.61	-
Dom Development Grunty sp. z o.o.	Additional VAT payments to the invoices transferring the ownership of land to Dom Development S.A.	1,992,097.31	-

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

Counterparty	Transaction description	01.01- -30.06.2006	01.01- -30.06.2005
Fort Mokotów sp. z o.o.	General Project Execution agreement dated 15 April 2002	1,913,381.92	2,654,459.36
Fort Mokotów sp. z o.o.	The sales commission agreement and agreement for provision of advertising and marketing services dated 15 April 2002	3,882,687.63	2,434,631.53
Fort Mokotów sp. z o.o.	Other	14,907.10	60,293.79

Dom Development S.A. as the payer of the share capital or additional contributions to the capital

Counterparty	Transaction description	01.01- -30.06.2006	01.01- -30.06.2005
Towarzystwo Ubezpieczeń Wzajemnych „Bezpieczny Dom”	Purchase of shares	-	800,000.00

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

Counterparty	Transaction description	01.01- -30.06.2006	01.01- -30.06.2005
Fort Mokotów sp. z o.o.	Dividend (gross)	14,245,976.95	-

Dom Development S.A. as a party receiving additional contribution to the capital

Counterparty	Transaction description	01.01- -30.06.2006	01.01- -30.06.2005
Dom Development Morskie Oko sp. z o.o.	Return of the additional contribution to the capital	14,000,000.00	-

Loan Agreements

Information on shareholders' loan agreements is presented in note 17 entitled 'Loans and borrowings'.

Dom Development S.A. as the payer of interest on the shareholders' loans

Counterparty	Transaction description	01.01- -30.06.2006	01.01- -30.06.2005
Dom Development B.V.	Cost of interest on the shareholder's loans	454,178.59	497,868.52
Dom Development B.V.	Principal repaid on the loan agreement dated 28 October 2002	-	-

Balances with related entities

Balance as in the books of the holding entity (in thousand PLN)

Entity	Receivables from related entities			Liabilities to related entities		
	30.06.2006	30.06.2005	31.12.2005	30.06.2006	30.06.2005	31.12.2005
Total balance	**34,099**	**30,855**	**72,475**	**12,563**	**11,989**	**11,222**
Balances below PLN 100,000	47	38	76	-	-	1
Balances over PLN 100,000	34,052	30,817	72,399	12,563	11,989	11,221
Subsidiaries	**3,787**	**19,966**	**17,659**	**10**		**-**
Dom City sp. z o.o.	-	111	-	-	-	-
Dom Development Morskie Oko sp. z o.o.	140	355	-	10	-	-
Dom Development Morskie Oko sp. z o.o. additional contributions to capital	3,647	19,500	17,659	-	-	-
Associated companies	**268**	**9,582**	**24,559**	**1,257**	**-**	**-**
Dom Development Grunty sp. z o.o.		9,522	24,559	1,257	-	-
Towarzystwo Ubezpieczeń Wzajemnych „Bezpieczny Dom"	268	60	-	-	-	-
Co-subsidiaries	**29,997**	**1,269**	**30,181**	**-**		**-**
Fort Mokotów sp. z o.o.	1,087	1,269	1,271	-	-	-
Fort Mokotów sp. z o.o. additional contributions to capital	28,910	-	28,910	-	-	-
Other entities	**-**	**-**	**-**	**11,296**	**11,989**	**11,221**
Woodsford Consulting Limited	-	-	-		102	109
Dom Development B.V.	-	-	-	11,296	11,887	11,112

Dom Development S.A. as the buyer/seller of treasury shares

On 31 January 2005 the Company concluded the agreement with Marek Rawdanowicz for the purchase by the Company of 36,000 F-series shares from Marek Rawdanowicz for PLN 149,760.00.

On 20 January 2006 the Company concluded the agreement with Janusz Stolarczyk for the purchase by Janusz Stolarczyk of 72,000 E-series shares from the Company for PLN 200,311.97 (exercise of the options allocated as part of the Incentive Plan 1, as described in note 42 „Options").

On 23 February 2006 the Company concluded the agreement with Terry Roydon for the purchase by Terry Roydon of 36,000 F-series shares from the Company for PLN 149,760.00.

On 15 March 2006 the Company concluded the agreement with Janusz Zalewski for the purchase by Janusz Zalewski of 77,700 E-series shares from the Company for PLN 219,637.23 (exercise of the options allocated as part of the Incentive Plan 1, as described in note 42 „Options").

On 28 June 2006 the Company concluded an agreement with Terry Roydon for the purchase by Terry Roydon of 22,500 E-series shares from the Company for PLN 61,505.91 exercise of the options allocated as part of the Incentive Plan 1, as described in note 42 „Options").

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

Affiliated entity	Date	Description	Value in PLN	Cumulative payments made as at 30 June 2006
Jarosław Szanajca and Iwona Jackowska-Szanajca	29.03.2006	Promissory sale agreement concerning residential facilities with the area of 89.1 sq. m together with two utility rooms and two parking spaces	557,743.75	195,209.56
Janusz Zalewski	12.04.2006	Promissory sale agreement concerning residential facilities with the area of 242.4 sq. m, together with two utility rooms and two parking spaces	2,.945,200.00	176,712.00
Stanisław Plakwicz and Małgorzata Domalik-Plakwicz	17.03.2005	Agreement on the cancellation of collective ownership and re-registration of residential facilities with the area of 45.3 sq. m, together with an utility room, in execution of the preliminary contract entered into before 01.01.2003 value: PLN 152,443.70	n/a	n/a

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

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

In accordance with the provisions of employment contracts with individual members of the Company's Management Board, their employment shall cease on the following terms:

Unit		Executive Name	Period of notice of termination contract (months)		Note	
			Company to Employee	Employee to Company		
The Management Board	1	**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
	2	**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
	3	**Zalewski Janusz**	6			
	4	**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

Remuneration of members of the Company's management and supervisory authorities has been presented in note 41 „Remuneration of members of the company's management and supervisory governing authorities"

Incentive plan – Management Share Options Programme

In the second half of 2006 the Company has adopted another Management Share Options Programmes, for the benefit of Management and selected staff.

As of 30 June 2006 there were three Managerial Option Programmes adopted as part of the Incentive Scheme for the managerial staff of the Company. They are as follows:

Name of the Programme	Description	Allocated options (number of shares) 30.06.2006	Exercised options (number of shares) 30.06.2006
Programme I	On 29 January 2001 the Supervisory Board of Dom Development S.A. adopted the provisions of Management Share Options Programme I related to series E shares of Dom Development S.A. („Programme I"), on 26 September 2002 the Supervisory Board of Dom Development S.A. adopted the provisions of Management Share Options Programme I related to Series G shares of Dom Development S.A. The information on the changes to Programme I has been provided in note 45 „Material Post+Balance Sheet Events"	413,100	264,900
Programme I A	On 22 March 2006 the Supervisory Board of Dom Development S.A. adopted the provisions of Management Share Options Programme I A related to series E shares of Dom Development S.A. („Programme I A"). According to the provisions of Programme I A, the eligible persons who Programme I A was directed to 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 which are currently owned by the Company. All the shares were offered to the eligible persons in May 2006 – the detailed information on the allocation of shares to particular entitled persons has been provided in note 42 „Options". The information on the changes to Programme I A has been provided in note 45 „Material Post-Balance Sheet Events"	96,750	-
Programme II	On 20 April 2006 the Extraordinary General Shareholders' Meeting of Dom Development S.A. approved of Management Share Options Programme II („Programme II") concerning 120,150 shares of Dom Development S.A. and authorized the Management Board and the Supervisory Board to execute it. According to the provisions of Programme II, one or a number of issues of up to 120,150 shares with the nominal value of PLN 1.00 each is planned, with the aim of executing Programme II as part of the authorized capital, referred to in Art. 444 and the following of the Code of Commercial Companies and Partnerships. According to Programme II, the Supervisory Board shall determine the persons eligible to participate in Programme II, together with the number and issue price of the shares for each of these persons. The issue price cannot be lower than 90% of the market value. The Company shall allocate the options to take up a specific number of shares at the fixed price and at fixed dates ("Option") to the persons who accept participation in Programme II. The Supervisory Board may determine additional conditions to be fulfilled to exercise the option. 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, the persons covered by it shall receive subscription warrants once they are allocated options. The resolution of the	-	-

Name of the Programme	Description	Allocated options (number of shares)	Exercised options (number of shares)
		30.06.2006	30.06.2006
	General Shareholders' Meeting on determining the authorized capital should be adopted not later than 3 years after the date of allocating the options to the entitled persons. The information on the changes to Programme II and its adoption by the Supervisory Board has been provided in 45 „ Material Post-Balance Sheet Events".		

Note 41. Remuneration of members of the company's management and supervisory governing authorities

Janusz Zalewski is entitled to be purchase options to 1.5% of the Company shares calculated as a percentage of the shares to be issued in a public offer.

Remuneration	01.01--30.06.2006	01.01--30.06.2005
1. The Management Bard:		
Remuneration from profit	-	-
Jarosław Szanajca	75,000.00	-
Grzegorz Kiełpsz	100,000.00	-
Janusz Zalewski	75,000.00	-
Janusz Stolarczyk	-	-
Richard Lewis	-	-
Remuneration		
Jarosław Szanajca	848,660.00	533,959.00
Grzegorz Kiełpsz	527,625.00	400,260.00
Janusz Zalewski	592,263.00	397,282.00
Janusz Stolarczyk	464,908.00	305,989.00
Terry Roydon	-	-
Richard Lewis	-	-
2. The Supervisory Board:		
Zygmunt Kostkiewicz	30,000.00	30,000.00
Stanisław Plakwicz	18,000.00	18,000.00
Teresa Rogoźnicka	18,000.00	18,000.00
Terry Roydon	18,000.00	18,000.00

Note 42. OPTIONS

Management Share Options Programme I

The preliminary shares sales agreements as part of Management Share Options Programme I concerning shares of Dom Development S.A have been described in note 40. The options have been allocated to the following members of the Company's management and supervisory authorities:

Buyer	Date of concluding the agreement	Number of shares*	Series of shares	Option period	Purchase price of 1 share in USD at the FX rate on the date of payment*
Janusz Zalewski	25.04.2001	25,100 -225,900	E	from 30.04.2003 to 30.04.2007	7.71 -0.86
Janusz Zalewski	25.11.2002	10,300 -92,700	G	from 30.04.2003 to 30.04.2007	6.43 -0.71
Terry Roydon	24.04.2001	2,500 -22,500	E	from 30.04.2003 to 30.04.2007	7.71 -0.86
Janusz Stolarczyk	25.04.2001	8,000 -72,000	E	from 30.04.2003 to 30.04.2007	7.71 -0.86

* On 18 February 2003, the Company conducted shares split as a result of which for nine shares with the nominal value of PLN 1 each were issued for 1 share with the nominal value of PLN 9. Consequently, the number of shares allocated to the eligible persons and the purchase price as specified in the preliminary agreements were modified. The table includes the data resulting from the preliminary agreements as at the date of entering into them, i.e. prior to the date of the split of the Company's shares, whereas the number of shares and the share purchase price after the split have been provided in the brackets

Due to the fact that allocating all the share options as part of Programme I took place prior to 7 November 2002 and acquiring rights to these instruments took place prior to the date on which IFRS 22 became effective, pursuant to the provisions of this standard the duty to conduct their valuation in the fair value does not arise.

By 30 June 2006 agreements ordering the sale of 264,900 shares were concluded as a result of executing by the buyers, who are members of the Company's management and supervisory bodies, share options allocated to these persons as part of Management Share Options Programme I.

Management Share Options Programme I.

The preliminary share sale agreements as part of Management Share Options Programme IA concerning the shares of Dom Development S.A have been described in note 41. The options have been allocated to the following members of the Company's managerial staff:

Buyer	Date of concluding the agreement	Number of series E	Option period	Purchase price of 1 share/PLN
Jacek Sadowski	11.05.2006	16,000	from 22.03.2009 to 22.03.2013	6.10
Jerzy Ślusarski	11.05.2006	16,000	from 22.03.2009 to 22.03.2013	6.10
Jerzy Bieniewski	11.05.2006	16,000	from 22.03.2009 to 22.03.2013	6.10
Krzysztof Krzywicki	11.05.2006	8,000	from 22.03.2009 to 22.03.2013	6.10
Dariusz Gołębiewski	11.05.2006	5,500	from 22.03.2009 to 22.03.2013	6.10
Marek Dalba	11.05.2006	5,500	from 22.03.2009 to 22.03.2013	6.10
Wojciech Kłopocki	11.05.2006	4,250	from 22.03.2009 to 22.03.2013	6.10
Ewa Dudkiewicz-Kopytko	11.05.2006	4,250	from 22.03.2009 to 22.03.2013	6.10
Waldemar Sobczyk	11.05.2006	4,250	from 22.03.2009 to 22.03.2013	6.10
Stanisław Szczygielski	11.05.2006	4,250	from 22.03.2009 to 22.03.2013	6.10
Tomasz Wielogórski	11.05.2006	4,250	from 22.03.2009 to 22.03.2013	6.10
Roman Korniak	11.05.2006	4,250	from 22.03.2009	6.10

Buyer	Date of concluding the agreement	Number of series E	Option period	Purchase price of 1 share/PLN
			to 22.03.2013	
Jacek Orkisz	11.05.2006	4,250	from 22.03.2009 to 22.03.2013	6.10

The fair value of the allocated options which may be changed into shares has been estimated as of the day of allocating the options by means of a model based on the Black-Scholes-Merton method, taking into account the conditions existing at the date of allocating the options. Below, are presented preliminary assumptions to the model for the valuation of the options allocated as part of Programme IA:

Dividend rate (%)	1.50
Anticipated volatility rate (%)	23.68
Risk-free interest rate (%)	4.03
Anticipated period of option exercise (in years)	3.00
Average weighted share price (in Euro)	54.90

The value of the options as at the date when they were alocated, calculated on the basis of the foregoing model and principles amounted to 4,554,616.03. This value is evenly accounted for in the income statement throughout the anticipated year. During the first six months of 2006, the amount of PLN 415,567.16 was accounted for in the income statement.

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

SHARE OPTIONS		01.01--30.06.2006	01.01--30.06.2005	2005
Options unexercised at the beginning of the year	Amount	320,400	413,100	413,100
	Total exercise price	888,182.44	1,011,224.69	1,011,224.69
Options alocated in a given year	Amount	96,750	-	-
	Total option execution value	590,175.00	-	-
Exercised options	Amount	172,200	-	92,700
	Total option execution value	481,455.11	-	220,410.12
	Weighted average exercised price per share	2.80	-	2.38
Options unexercised at the end of the year	Amount	244,950	413,100	320,400
	Total exercise price	994,104.57	1,040,224.69	888,182.44

Options possible to exercise at the beginning of the year	Amount	320,400	413,100	413,100
	Total exercise price	888,182.44	1,011,224.69	1,011,224.69
Options possible to exercise at the end of the year	Amount	148,200	413,100	320,400
	Total exercise price	888,182.44	1,040,224.69	888,182.44

Note 43. Contingent liabilities

CONTINGENT LIABILITIES	30.06.2006	30.06.2005	31.12.2005
Bills of exchange, including:	184,252,950.00	126,971,698.00	139,301,698.00
- bills of exchange, issued for Hochtief Poland S.A. which guarantee the contractors' claims concerning the work performed for the benefit of the Group	-	7,711,698.00	2,711,698.00
- the bills of exchange constituting an additional guarantee for BOŚ bank in respect of claims arising from the granted credit	68,012,950.00	50,000,000.00	37,000,000.00
- the bills of exchange constituting an additional guarantee for PKO BP bank in respect of claims arising from the granted credit	114,240,000.00	43,910,000.00	74,240,000.00

- the 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 Group's clients	2,000,000.00	25,350,000.00	25,350,000.00
Guarantees	26,875.00	26,875.00	26,875.00
Sureties	3,078,268.00	10,676,559.00	3,593,208.00
Total	**187,358,093.00**	**137,675,132.00**	**142,921,781.00**

Note 44 Material court cases as at 30 June 2006 (including update until the date of signing these financial statements)

With regard to proceedings before public administration authorities, as well as court and arbitration proceedings in progress during the preceding 12 months, to which the Company or the entities that are members of the Group are a party, it should be indicated that:

The most significant contentious proceeding relates to Marina Mokotów, a project of Fort Mokotów Sp. z o.o. in which the Company holds a 49% interest in the share capital. It is related to the Zoning Decision and construction permit. The above decisions were challenged by ecological organizations, Spółdzielnia Budowlano-Mieszkaniowa 'Politechnika' and natural persons.

In 2001, PKO Inwestycje sp. z o.o. (a shareholder in Fort Mokotów sp. z o.o.) received the Zoning Decision, which was later upheld by the self-government appeal court. Following the complaint regarding this ruling, the Voivodeship Administrative Court overruled this decision. Wyrok ten został zaskarżony przez PKO Inwestycje sp. z o.o. appealed against this decission to the Supreme Administrative Court, which upheld the decision of the Voivodship Administrative Court. At present, the case is being referred to the court of the first instance.

The Decision of the Supreme Administration Court poses a risk to the prompt handover of one of the buildings (the planned building cost amounts to PLN 39,832 thousand). The parties which appealed against the Zoning Decision have already announced their intention to withhold the construction permits issued pursuant to the Zoning Decision.

According to the Management Board, this risk currently involves only one residential building, however, for a limited period of time, as the final occupancy permit for it should be issued by the end of December 2006. With regard to the completed buildings of Marina Mokotów, for which final occupancy permits have already been issued, the consequences of the annulment of the Zoning Decision are remote.

The Group is a party to other court proceedings. According to the Management Board of the Company they are insignificant from the Group's point of view.

Note 45. Material post-balance sheet events

- The Company decided to make an adjustment of the settlements with the Tax Office concerning the corporate income tax ('CIT'). The to-date tax revenues, identified as at the day of giving residential facilities over for use, were replaced by the revenues from the residential facilities determined as at the day of signing the final transfer of the ownership agreement. It was the result of interpretation of the regulations of the Ministry of Finance received by the Group. As a result of calculations tax settlements for the corporate income tax for the years 2000-2005 were adjusted and declarations adjusting CIT were submitted to the Tax Office competent for the Company on 21.08.2006. As a result of the above-mentioned adjustment concerning different moment of identification of the tax liability and changes of the CIT rates, the Company calculated the total amount of the overpaid CIT at PLN 15,699,392 (in 2000 – PLN 348,988,00, 2001, 2001 – PLN 5,516,648,00, 2002 – PLN 6,441,085, 2003 – PLN 2,664,811,00, 2004 – PLN 2,227,339,00, and the underpayment in 2005 in the amount of PLN 1,519,459,00. The influence of the change resulting from the second mentioned element was valued at PLN 4,651,809,00. Due to the risk concerning frequent changes of the tax regulations and differences in interpreting the regulations of the tax law, which has been described in note 29 'Income tax', the Management Board of the Company decided to fully cover the value of the adjustment of the income tax resulting from the change in the tax rates by means of a revaluation write-off at least by the time the Company knows the position of the Tax Office competent for the Company.

- On 7 August 2006 the European Bank for Reconstruction and Development (EBRD) gave its consent to the temporary suspention or termination of some provisions of the subordination and support agreement.

- The Shareholders' subordination and support agreement as at 19 March 2003 was entered into between the Company, Dom Development B.V., Jarosław Szanajca and Grzegorz Kiełpsz and EBRD. The agreement was entered into in connection with the credit agreement of 19 March 2003 between the Company and EBRD. The agreement stipulates that all liabilities towards the shareholders of the above-mentioned Company are subject to liabilities of the Company towards EBRD. The agreement also grants certain rights to EBRD, such as the right of veto and acceptance in relation to many decisions connected with the Company's activities and corporate matters.

- On 2 August 2006 the General Shareholder's Meeting of the Company adopted a resolution based on which it redeemed E series 417,150 shares, 92.700 G series shares and lowered the Company's share capital by PLN 509,850, i.e. to the amount of PLN 21,344,490. On the same day the General Shareholders' Meeting of the Issuer adopted resolution no. 5 on raising the share capital of the Company by the amount of PLN 509,850. i.e. to the amount of PLN 21,854,340 by the issue of:

  172,200 H series registered shares with the nominal value of PLN 1 (1 złoty) each;
  92,700 I series registered shares with the nominal value of PLN 1 (1 złoty) each;
  96,750 J series registered shares with the nominal value of PLN 1 (1 złoty) each;
  148,200 L series registered shares with the nominal value of PLN 1 (1 złoty) each;
  (by the date of drawing up these financial statements this increase has not been notified to the National Court Register).

  Based on resolution No. 7 of the above-mentioned Shareholders' Meeting, 77,700 series H shares and 148,200 series L shares were offered for subscription to Mr. Janusz Zalewski, 72,000 series H shares were offered for subscription to Mr. Janusz Stolarczyk, 22,500 series H shares were offered for subscription to Mr. Terry Roydon and 96,750 J series shares were offered for subscription to Centralny Dom Maklerski Pekao S.A. which was chosen as a depositary. On October 26, 2006, the depository contract was signed and an offer to take up 96,750 J series shares by CDM Pekao S.A. was made. As at the date of these financial statements, all the above-mentioned shares, with the exception of the 96,750 J series shares, which will be offered to the depositary, have been subscribed for but have not yet been registered by the relevant Registry Court.

- on August 9, 2006, the Extraordinary General Shareholders' Meeting adopted Resolution no. 1 concerning the merger of: 1,800,000 series A registered shares, 2,250,000 series B registered shares, 8,550,000 series C registered shares, 2,468,961 series D registered shares, 6.194.529 series F registered shares, 81,000 series G registered shares into one A series and the conversion of the registered shares into bearer shares;

- on September 5, 2006 – the District Court for the City of Warsaw, XII Commercial Division of the National Court Register issued the ruling concerning the registration of a decrease in the share capital to the amount of PLN 21,344.490, redemption of 417,150 E series registered shares and 92,700 G series registered shares and the registration of the merger of the shares into one A series;

- on September 5, 2006, the Management Board adopted Resolution no. 02/09/06 concerning the increase in the share capital by means of issuing F series shares within the target capital from the amount of PLN 21,344,490 to the amount which does not exceed PLN 24,844,490;

- on September 6, 2006, the Management Board amended the above-mentioned Resolution no. 02/09/06 concerning the increase in the share capital by means of issuing F series shares within the target capital by adopting Resolution no. 03/09/06 and stated that the increase in the share capital will be effected to the amount which does not exceed PLN 24,617,490;

- finally, on October 16, 2006, the Management Board adopted Resolution no. 02/10/06 concerning the amendment of Resolution no. 02/09/06, dated September 5, 2006, which was amended by Resolution no. 03/09/06, dated

September 6, 2006. Pursuant to this Resolution, the share capital will be increased from the amount of PLN 21,344,490 to the amount of PLN 24,050,372 i.e. by the amount of PLN 2.705.882; on October 23, 2006 a petition was filed to the National Court Register concerning the registration of the increase in the share capital of the Company (the foregoing increase had not been registered prior to the day of drawing up these financial statements).

- On August 9, 2006 the General Shareholders' Meeting adopted the resolution concerning the authorization of the Supervisory Board to amend and accept the amended decisions of Programme IA of the Management Share Options (as described in Note 42 „Options") relating to 96,750 E series shares of Dom Development and the authorization of the Management Board and Supervisory Board of the Company to implement the foregoing Programme. The only amendments which are to take place are connected with the introduction of an intermediary. The Company intends to continue Programme IA as Programme IB of the Management Share Options concerning 96,750 J series shares of Dom Development S.A.
- On 10 August 2006 the General Meeting of Dom Development S.A. adopted a resolution authorizing the Supervisory Board to approve the terms and conditions of Programme II of Management Share Options („Programme II") concerning 726,000 shares of Dom Development S.A., subject to the reservation that in each 12-month period in which the Programme is in force allocation of options cannot cover more that 242,000 shares and authorized the Management Board and Supervisory Board to execute it. According to the provisions of Programme II one or a number of share issues with the nominal value of PLN 1.00 each is planed („Tranches"). Options are allocated by the Supervisory Board in the form of a resolution. The day on which the resolution on allocation of the options by the Supervisory Board is adopted shall be the day on which the options are allocated ("Allocation Date"). The resolution of the Supervisory Board shall determine persons eligible to participate in Programme II together with the number and issue price of the shares for each of these persons. The issue price cannot be lower than 90% of the market value at the Allocation Date, and in the event of a listed Company, the price cannot be lower than 90% of the arithmetic average of the closing price for 30 consecutive days on which the Company's shares were traded on the regulated market prior to the Allocation Date. 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 subscription warrants which enable executing 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 shall propose to the General Meeting adopting the resolution on amending 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 authorized capital, to exclude the pre-emptive right of the current shareholders upon receiving the consent of the Supervisory Board and to issue subscription warrants. By the date these financial statements were prepared, the Supervisory Board had not allocated options on the basis of Programme II.
- The public issue of Company's shares at the Warsaw Stock Exchange („GPW")
- By means of a public sale of series A shares of Dom Development S.A., Dom Development B.V. offered 2,231,904 shares for sale. Dom Development S.A. by means of public subscription of series F shares offered 2,705,882 shares for sale.
- From 17 to 20 October 2006 a public subscription for the Company's shares and allotment certificates took place.
- As of 22 October all of the above-mentioned shares were subscribed for and paid for by the investors.
- On 24 October 2006 the shares and allotment certificates of Dom Development S.A. were introduced to trading on the main market of the Warsaw Stock Exchange (GPW).

Note 46. Selected financial data translated to EURO

In compliance with the reporting requirements the following financial data of the Company have been translated to euro:

	30.06.2006	30.06.2005	31.12.2005
	euro	euro	euro
Total current assets	153,068,428.76	104,291,026.37	144,131,949.58
Total assets	157,097,383.39	109,229,806.31	148,630,595.49
Total equity	47,463,587.02	22,929,984.81	34,564,151.69
Long-term liabilities	46,842,296.94	50,732,249.15	40,346,363.68
Short-term liabilities	62,791,499.43	35,567,572.35	73,720,080.12
Total liabilities	109,633,796.36	86,299,821.50	114,066,443.80
Revenues from sales	89,479,642.57	47,059,137.24	N/A
Gross profit from sales	26,691,785.29	10,482,602.15	N/A
Profit on the operating activity	18,718,058.79	3,937,111.73	N/A
Gross profit	18,326,180.77	3,343,827.44	N/A
Net profit	14,857,384.95	2,842,603.77	N/A

Warsaw, 27 October, 2006

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Jarosław Szanajca, President of the Management Board

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Grzegorz Kiełpsz, Vice-President of the Management Board

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Janusz Zalewski, Vice-President of the Management Board

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Janusz Stolarczyk, Member of the Management Board

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Terry R. Roydon, Member of the Management Board