DOM DEVELOPMENT S.A.

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD OF SIX MONTHS ENDED ON
30 JUNE 2007

PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS

I. INTRODUCTION TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

The holding company of Dom Development S.A. Capital Group („the Group”) is the joint-stock company Dom Development S.A. („the Company” / „the holding company”) with its registered office in Warsaw (00-078 Warsaw, Pl. Piłsudskiego 3) entered into the National Court Register under number 0000031483, District Court for the capital city of Warsaw, 19th Commercial Division of the National Court Register. According to the Polish Classification of Business Activity the Group’s scope of activity is construction industry and investments connected with real property – PKD 7011Z. The Group conducts activities 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 2007 the holding company of Dom Development S.A. was controlled by Dom Development B.V. which held 63.10% of the Company’s shares.

2. General information about the Group

The following table presents the Group’s structure and the holding company's stake in the entities comprising the Group as at 30 June 2007.

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

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

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

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 2007 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 hedging transaction concluded in relation to these assets and liabilities, and the value of this adjustment is accounted for in accordance with relevant IFRS standards.

The standalone financial statements constituting the basis for the preparation of the consolidated financial statements were prepared based on the assumption that the subsidiaries comprising 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 2007, as well as comparative financial data for the period from 1 January 2006 to 30 June 2006.

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 International Financial Reporting Standards

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

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

The Group has applied all standards and interpretations effective within the European Union as at 30 June 2007.

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

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 on 30 June 2007.

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

The consolidated cash flow statement for the six-month period ended on 30 June 2007 contains the cash flow statements of the holding company, the subsidiaries and the jointly controlled entity, and include proper consolidation adjustments resulting from mutual transactions.

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

4. Summary of significant accounting policies

Interest in a jointly controlled entity

The Group has an interest in a joint-venture which is a jointly controlled entity. A joint-venture is a contractual arrangement whereby two or more parties undertake an economic activity that is a subject to joint control, and a jointly controlled entity is a joint-venture that involves the establishment of a separate entity in which each partner has an interest. The Group recognises its interest in the joint-venture using proportionate consolidation method. The Group combines its share in each of the assets, liabilities, income and expenses of the joint-venture with similar items, line by line, in its consolidated financial statements. The financial statements of the joint-venture are prepared for the same balance sheet date as the holding 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 in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate. After application of the equity method the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The income statement reflects the share of the Group in the financial result of the associate.

Tangible fixed assets

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

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 represents the estimated selling price evaluated by the Management Board based on the information from the Company’s Sales Department.

Work in progress

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

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

External financing costs

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

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

Trade and other receivables

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

Cash and cash equivalents

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

Treasury shares

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

Revenue recognition

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

Sale of housing units

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

The Company begins revenue recognition on construction contract after the preliminary sales agreement with the client has been signed. The revenue is recorded gradually in line with the progress of work done and the rate of sales until the construction is complete. The basis for such treatment is that past experience shows that virtually all sales (98%) based on preliminary sales agreements reach the legal completion stage. At this point the notary deeds transfer the legal ownership to the buyer. At each balance sheet date, Management has assessed the rate of conversion of preliminary sales agreements into notary deed transfers to assess whether this accounting treatment is still appropriate.

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

Sale of services

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

Foreign currency translation

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

Deferred tax

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

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

The balance sheet value of a deferred income tax 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 were 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 and valuation 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.

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

b. Work in progress is initially valued at the expenses incurred.

c. Every month the value of „Work in progress" is adjusted in compliance with the „percentage of completion method" described below. Since the percentage of completion method is used to determine the result on the sale of apartments at housing developments during the construction period, invoiced prepayments do not constitute „Sales revenues" but increase „Deferred income" until the housing development obtains an occupation permit.

d. 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 completion method consists in 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 in recognizing costs based on the result of the formula referred to as „statistical cost":

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

g. The cost indicator is a proportion of the actual costs incurred (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 the sum of revenues from concluded preliminary sales contracts to the budgeted revenues (total expected revenues from the entire development when fully sold).

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

i. By calculating the „statistical revenue", a proportion of revenue can be recognised 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

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

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

IFRIC has prepared a draft interpretation (D-21 Real Estate Sales) that may introduce changes to the existing guidance on applying International Accounting Standards to real estate sales. Currently the draft interpretation is in the construction phase with the involved parties.

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

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

II. CONSOLIDATED BALANCE SHEETS

ASSETS	Note	30.06.2007	31.12.2006
Fixed assets			
Intangible fixed assets	1	932,201.27	730,169.87
Tangible fixed assets	2	5,872,539.17	5,534,553.46
Investments in associated entities		841,053.08	841,053.08
Deferred income tax assets	15	6,278,941.29	7,517,265.14
Long-term receivables	6	11,517,905.36	1,517,905.36
Long-term deferred costs		1,470,223.94	904,749.71
Total fixed assets		**26,912,864.11**	**17,045,696.62**
Current assets			
Inventory	7	759,201,493.52	594,864,513.45
Trade and other receivables	8	32,782,833.02	60,807,971.57
Other current assets	10	7,112,803.59	23,669,995.65
Cash and cash equivalents	9	202,487,211.18	227,534,966.53
Total current assets		**1,001,584,341.31**	**906,877,447.20**
Total assets		**1,028,497,205.42**	**923,923,143.82**

EQUITY AND LIABILITIES	Note	30.06.2007	31.12.2006
Shareholders' equity			
Share capital	11	24,560,222.00	24,050,372.00
Share premium less treasury shares	12	231,534,663.27	230,370,719.33
Reserve capital from valuation of share options		4,627,632.52	1,505,790.64
Other capital (supplementary capital)		191,556,295.54	79,301,372.18
Reserve capital from reducing the share capital		509,850.00	509,850.00
Accumulated, unappropriated profit (loss)		132,308,559.63	156,143,838.13
Total shareholders' equity		**585,097,222.96**	**491,881,942.28**
Long-term liabilities			
Long-term loans and borrowings	14	15,691,000.00	22,200,000.00
Deferred tax liability	15	67,761,225.20	52,004,236.25
Bonds	16	80,000,000.00	80,000,000.00
Other		603,424.16	609,941.69
Total long-term liabilities		**164,055,649.36**	**154,814,177.94**
Short-term liabilities			
Trade payables and other liabilities	17	109,376,508.95	143,801,348.56
Short-term loans and borrowings	16	105,521,389.25	98,915,383.99
Short-term tax liabilities		3,579,317.84	638,501.42
Short -term provisions	19	9,334,377.59	3,663,773.99
Accrued liabilities and deferred income	20	51,532,739.47	30,208,015.64
Total short-term liabilities		**279,344,333.10**	**277,227,023.60**
Total liabilities		**443,399,982.46**	**432,041,201.54**
Total equity and liabilities		**1,028,497,205.42**	**923,923,143.82**

III.CONSOLIDATED INCOME STATEMENTS

	Note	Period of six months ended on 30 June 2007	2006
Sales revenues	29	401,886,001.44	348,988,501.94
Cost of sales	30	250,469,031.21	244,885,200.95
Gross profit on sales		**151,416,970.23**	**104,103,300.99**
Selling costs	30	14,109,127.22	10,441,476.35
General administrative expenses	30	24,787,527.90	17,404,629.21
Other operating income	30	949,003.12	2,293,168.76
Other operating expenses	31	3,583,252.50	5,546,191.29
Operating profit		**109,886,065.73**	**73,004,172.90**
Financial income	32	6,165,519.36	1,622,167.68
Financial costs	33	1,350,100.52	3,150,570.36
Profit before tax		**114,701,484.57**	**71,475,770.22**
Income tax expense	26	22,597,806.41	13,528,997.43
Profit after tax		**92,103,678.16**	**57,946,772.79**
Earnings per share:			
Basic	25	**3.75**	**2.65**
Diluted	25	**3.75**	**2.65**

IV. CONSOLIDATED CASH FLOW STATEMENTS

	Period of six months ended on 30 June	
	2007	**2006**
Cash flow from operating activities		
Profit before taxation	**114,701,484.57**	**71,475,770.22**
Adjustments:		
Depreciation	1,038,436.93	796,708.87
Profit/loss on foreign exchange differences	27,960.09	74,539.49
Profit/loss on investments	(64,398.08)	(133,804.91)
Interest paid and accrued	5,230,848.95	7,487,297.24
Options valuation	3,121,841.88	415,567.16
Changes in the operating capital		
Changes in provisions	5,670,603.60	(2,501,474.21)
Changes in inventory	(162,493,647.59)	(14,507,883.44)
Changes in receivables	15,466,286.80	26,293,067.98
Changes in short term liabilities excluding loans and borrowings	(31,981,918.72)	(101,356.66)
Changes in provisions and prepayments	37,344,221.76	(6,367,948.90)
Other adjustments	1,645,833.85	(402,618.93)
Cash flow generated from operating activities	**(10,292,445.96)**	**82,527,863.91**
Interest paid	(7,046,793.69)	(7,894,086.97)
Income tax paid	(3,043,641.86)	(1,184,261.46)
Net cash flow from operating activities	**(20,382,881.51)**	**73,449,515.48**
Cash flow from investing activities		
Proceeds from the sale of financial assets	-	-
Proceeds from the sale of intangible assets and tangible fixed assets	193,627.87	427,005.75
Acquisition of intangible and tangible fixed assets	(1,707,683.82)	(1,372,769.58)
Acquisition of financial assets	-	-
Net cash flow from investing activities	**(1,514,055.95)**	**(945,763.83)**
Cash flows from financing activities		
Proceeds from the issue of shares	-	-
Proceeds from contracted loans and borrowings	57,576,015.24	37,220,310.00
Proceeds from issued bonds	-	30,000,000.00
Repayment of loans and borrowings	(57,479,009.98)	(65,210,938.96)
Proceeds from dividends received	(3,192,655.30)	-
Payment of financial leasing liabilities	(55,167.85)	(48,235.32)
Net cash flow from financing activities	**(3,150,817.89)**	**1,961,135.72**
Increase (decrease) in net cash and cash equivalents	**(25,047,755.35)**	**74,464,887.37**
Cash and cash equivalents – opening balance	**227,534,966.53**	**73,837,309.98**
Cash and cash equivalents – closing balance	**202,487,211.18**	**148,302,197.35**

V. STATEMENT OF CHANGES IN THE CONSOLIDATED EQUITY

	Share capital	Share premium less treasury shares	Other capitals (supplementary capital)	Reserve capital from reducing the share capital	Reserve capital from the valuation of shares options	Accumulated unappropriated profit (loss)	Total equity
Balance as at 1 January 2007	**24,050,372.00**	**230,370,719.33**	**79,301,372.18**	**509,850.00**	**1,505,790.64**	**156,143,838.13**	**491,881,942.28**
Purchase and sale of treasury shares	-	-	-	-	-	-	**-**
Increase of the capital by the issue of shares	509,850.00	1,163,943.94	-	-	-	-	**1,673,793.94**
Creation of reserve capital from the valuation of the employee options ..	-	-	-	-	3,121,841.88	-	**3,121,841.88**
Transfer of retained profit to supplementary capital	-	-	112,254,923.36	-	-	(112,254,923.36)	**-**
Profit for the period of six months ended 30 June 2007	-	-	-	-	-	92,103,678.16	**92,103,678.16**
Dividend paid to the shareholders ..	-	-	-	-	-	(3,684,033.30)	**(3,684,033.30)**
Balance as at 30 June 2007	**24,560,222.00**	**231,534,663.27**	**191,556,295.54**	**509,850.00**	**4,627,632.52**	**132,308,559.63**	**585,097,222.96**

	Share capital	Share premium less treasury shares	Other capitals (supplementary capital)	Reserve capital from reducing the share capital	Reserve capital from the valuation of shares options	Accumulated unappropriated profit (loss)	Total equity
Balance as at 1 January 2006	**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**
Creation of reserve capital from the valuation of the employee options ..	-	-	-	-	415,567.16	-	**415,567.16**
Transfer of retained profit to supplementary capital	-	-	25,898,118.74	-	-	(25,898,118.74)	**-**
Payment of a bonus from profit in Fort Mokotów Sp. z o.o.	-	-	-	-	-	(490,000.00)	**(490,000.00)**
Profit for the period of six months ended 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**	**79,301,372.18**	**-**	**415,567.16**	**78,891,954.45**	**191,914,267.77**

VI. ADDITIONAL NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Intangible fixed assets

	Other intangible fixed assets	Computer software	Total
GROSS VALUE			
Balance as at 1 January 2006	**533,613.87**	**1,237,661.39**	**1,771,275.26**
Additions	425,228.65	93,360.72	518,589.37
(Disposals)	(5,924.10)	-	(5,924.10)
Balance as at 31 December 2006	**952,918.42**	**1,331,022.11**	**2,283,940.53**
Additions	421,871.75	26,930.00	448,801.75
(Disposals)	(2,877.77)	-	(2,877.77)
Balance as at 30 June 2007	**1,371,912.40**	**1,357,952.11**	**2,729,864.51**
DEPRECIATION			
Balance as at 1 January 2006	**212,032.84**	**1,165,202.40**	**1,377,235.24**
Additions	118,816.72	63,642.80	182,459.52
(Disposals)	(5,924.10)	-	(5,924.10)
Balance as at 31 December 2006	**324,925.46**	**1,228,845.20**	**1,553,770.66**
Additions	218,147.58	28,622.77	246,770.35
(Disposals)	(2,877.77)	-	(2,877.77)
Balance as at 30 June 2007	**540,195.27**	**1,257,467.97**	**1,797,663.24**
BALANCE SHEET VALUE			
as at 31 December 2006	**627,992.96**	**102,176.91**	**730,169.87**
as at 30 June 2007	**831,717.13**	**100,484.14**	**932,201.27**

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

No circumstances occurred at the Group making it necessary to write down its intangible fixed assets as at 30 June 2007.

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

No pledges have been established on intangible fixed assets.

Note 2. Tangible Fixed Assets

TANGIBLE FIXED ASSETS	30.06.2007	31.12.2006
a) tangible fixed assets, including:	**5,872,539.17**	**5,534,553.46**
- land (including perpetual usufruct)	1,347,188.68	1,470,385.40
- buildings and constructions	107,654.66	109,522.34
- plant and equipment	774,681.50	713,207.83
- vehicles	2,703,675.79	2,198,823.23
- other tangible fixed assets	939,338.54	1,042,614.66
Total tangible fixed assets	**5,872,539.17**	**5,534,553.46**

	Land and buildings	Vehicles	Machinery and other tangible fixed assets	Total
GROSS VALUE				
Balance as at 1 January 2006	**3,956,011.15**	**3,225,747.76**	**3,796,562.87**	**10,978,321.78**
Additions	-	1,143,440.00	708,219.58	1,851,659.58
(Disposals)	(2,052,124.99)	(608,385.88)	(361,628.65)	(3,022,139.52)
Balance as at 31 December 2006	**1,903,886.16**	**3,760,801.88**	**4,143,153.80**	**9,807,841.84**
Additions	225,498.80	887,712.35	371,169.72	1,484,380.87
(Disposals)	(313,202.34)	(99,237.08)	(179,262.54)	(591,701.96)
Balance as at 30 June 2007	**1,816,182.62**	**4,549,277.15**	**4,335,060.98**	**10,700,520.75**
ACCUMULATED DEPRECIATION				
Balance as at 1 January 2006	**273,013.21**	**1,396,016.90**	**2,043,942.46**	**3,712,972.57**
Additions	65,691.51	664,656.00	653,842.54	1,384,190.05
(Disposals)	(14,726.30)	(498,694.25)	(310,453.69)	(823,874.24)
Balance as at 31 December 2006	**323,978.42**	**1,561,978.65**	**2,387,331.31**	**4,273,288.38**
Additions	37,360.86	361,326.95	392,978.77	791,666.58
(Disposals)	-	(77,704.24)	(159,269.14)	(236,973.38)
Balance as at 30 June 2007	**361,339.28**	**1,845,601.36**	**2,621,040.94**	**4,827,981.58**
BALANCE SHEET VALUE				
as at 31 December 2006	**1,579,907.74**	**2,198,823.23**	**1,755,822.49**	**5,534,553.46**
as at 30 June 2007	**1,454,843.34**	**2,703,675.79**	**1,714,020.04**	**5,872,539.17**

As at 31 December 2006 the Group created a revaluation write-off for tangible fixed assets in the net amount of PLN 1,455,053.97, in this the land - PLN 190,005.62 and constructions - PLN 1,265,048.35. The above amount has been accordingly accounted for in disposals in the table above. As at 30 June 2007 the value of write-offs revaluating tangible fixed assets amounted to PLN 1,229,555.17 in this the land PLN 0 and constructions PLN 1,229,555.17.

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

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

	30.06.2007	31.12.2006
Buildings (individual commercial space)	77,819.20	78,890.08
Constructions	29,835.46	30,632.26
Total net tangible fixed assets produced on the Group's own account	**107,654.66**	**109,522.34**

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)	**30.06.2007**	**31.12.2006**
owned	2,993,035.68	3,181,393.42
used on the basis of rent, tenancy or similar agreements, including lease agreements, in this:	2,879,503.49	2,353,160.04
- leasing	2,879,503.49	2,353,160.04
Total balance sheet fixed assets	**5,872,539.17**	**5,534,553.46**

OFF-BALANCE SHEET TANGIBLE FIXED ASSETS	**30.06.2007**	**31.12.2006**
used on the basis of rent, tenancy or similar agreements, including lease agreements, in this:	287,000.00	232,500.00
- value of assets under operating lease...	287,000.00	232,500.00

Note 3. Assets available for sale

	30.06.2007	**31.12.2006**
Gross assets available for sale..	1,347,188.68	1,660,391.02
Write-off revaluating assets available for sale	-	(190,005.62)
Net assets available for sale...	**1,347,188.68**	**1,470,385.40**

Tangible fixed assets for sale are building lots designated for sale.

Note 4. Leasing

The Group is a party (as a lessee) to lease agreements relating to fixed assets which are recorded in the books of account as financial 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	**30.06.2007**	**31.12.2006**
Gross fixed assets...	4,430,053.01	3,597,633.45
Depreciation	(1,550,549.52)	(1,244,473.41)
Balance sheet value of tangible fixed assets	**2,879,503.49**	**2,353,160.04**
Leased assets as a % of total fixed assets...	49.03%	42.52%
Leasing liabilities...	**1,641,128.90**	**1,277,076.17**
Depreciation of leased assets recognised as operating costs	346,048.82	581,805.95
Interest on lease agreements recognised as financial costs	55,167.84	99,157.53

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 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 in buying and selling land. The company's shares were valued at PLN 23,580.00 as at 30 June 2007 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 2007 and 2005.

The Group - trough the Company - holds 49.26% of the share capital and has a 0% participation in the management of Towarzystwo Ubezpieczeń Wzajemnych „Bezpieczny Dom" ("Towarzystwo"). Furthermore, the co-subsidiary Fort Mokotów sp. z o.o. holds 4.93% shares in the Towarzystwo. The nominal value of the shares of the company owned by the Group was PLN 1,049,000.00. Due to losses incurred by Towarzystwo in 2005, the shares were revalued to PLN 825,924.00 as at 31 December 2007. This value has remained on the unchanged level as at 30 June 2007.

Information about associated entities

Dom Development Grunty sp. z o.o.		
Balance sheet date	**30.06.2007**	**31.12.2006**
Financial data:		
Current assets	185,519,793.13	33,458,895.99
Fixed assets	26,000.00	6,000.00
Equity	(131,187.85)	(125,044.07)
Short-term liabilities	185,676,980.98	33,589,940.06
Long-term liabilities	-	-
Operating revenues	10,172.00	23,190,982.61
Net profit/(loss)	(14,211.72)	(8,067.94)
Value of shares recorded in the holding company at purchase prices	23,580.00	23,580.00
Revaluation	(23,580.00)	(23,580.00)
Net balance sheet value of shares	-	-
% stake	46%	46%

Towarzystwo Ubezpieczeń Wzajemnych „Bezpieczny Dom"		
Balance sheet date	**30.06.2007**	**31.12.2006**
Financial data:		
Total assets	4,012,000.00	3,903,516.99
Equity	2,119,000.00	1,869,797.79
Net profit (loss)	249,000.00	167,250.79
Shares in the nominal value	1,049,000.00	1,049,000.00
% stake (a)	51.68%	51.68%

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

Information about jointly controlled entity

Fort Mokotów sp. z o.o. (b, c)		
Balance sheet date	**30.06.2007**	**31.12.2006**
Financial data:		
Current assets	62,357,165.68	146,777,307.54
Fixed assets	291,987.85	333,695.20
Equity	40,169,024.91	95,664,945.11
Short-term liabilities	6,254,804.50	17,467,605.77
Long-term liabilities	1,231,477.88	1,244,778.97
Operating revenues	16,155,655.12	314,098,205.25
Operating costs	12,572,639.58	230,734,286.31
Net profit/(loss)	4,504,079.80	69,863,183.91
% stake	49%	49%

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

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

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

	01.01- -30.06.2007	**01.01- -30.06.2006**
Revaluation of the shares of associated entities	-	(46,695.00)

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

Note 6. Long-term receivables

As at 30 June 2007 and 31 December 2006 the Group lists long-term receivables relating to deposits in the amount of PLN 11,517,905.36 as at 30 June 2007 and PLN 1,517,905.36 as at 31 December 2006. All these receivables are denominated in PLN.

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

Note 7. Inventory

INVENTORY	30.06.2007	31.12.2006
Advances for deliveries	202,074,161.96	104,632,284.25
in this at purchase prices/production costs	202,074,161.96	104,632,284.25
in this revaluation write down	-	-
Semi-finished goods and work in progress	520,393,603.81	477,574,316.97
in this at purchase prices/production costs	524,006,835.89	481,187,549.05
in this revaluation write down	(3,613,232.08)	(3,613,232.08)
Finished goods	36,488,727.75	12,657,912.23
in this at purchase prices/production costs	37,567,810.61	13,808,292.07
in this revaluation write down	(1,079,082.86)	(1,150,379.84)
Goods for resale	245,000.00	-
in this at purchase prices/production costs	245,000.00	-
in this revaluation write down	-	-
Total	**759,201,493.52**	**594,864,513.45**

WRITE-OFFS REVALUATING THE INVENTORY	
Balance as at 1 January 2007	**4,763,611.92**
Increase	3,673.52
Use	-
Release	74,970.50
Balance as at 30 June 2007	**4,692,314.94**
Balance as at 1 January 2006	**3,336,449.24**
Increase	4,125,222.74
Use	-
Release	2,698,060.06
Balance as at 31 December 2006	**4,763,611.92**

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

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

SECURITY ON INVENTORY - MORTGAGE	30.06.2007	31.12.2006
Balance sheet value of inventory used to secure liabilities	252,378,603.05	203,611,779.32
Amount of security – purchase of real estate	60,000,000.00	60,000,000.00
Amount of security – loans	254,794,130.98	229,571,730.78
Amount of security - bonds	160,000,000.00	160,000,000.00

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 period in which they occur. Remaining preparatory work is capitalised under work in progress.

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

	01.01- -30.06.2007	01.01- -31.12.2006
Preparatory work	321,879.29	692,591.19

Construction contracts

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

SETTLEMENT OF WORK IN PROGRESS	30.06.2007	31.12.2006
Planned revenues relating to current contracts	1,548,227,000.00	1,226,525,000.00
Planned costs related to current contracts	960,025,310.31	745,557,462.78
Planned margin related to current contracts	588,201,689.69	480,967,537.22
Cumulative revenues recognised in income statement	668,327,438.12	326,946,250.18
Cumulative costs recognised in income statement	408,328,750.54	202,882,430.13
Cumulative margin recognised in income statement	259,998,687.58	124,063,820.05
Remaining margin to be recognised in future periods	328,203,002.11	356,903,717.17
Percentage of remaining margin to be recognised in future periods	55.80%	74.21%

Work in progress is calculated by means of a percentage of completion method as described in the section entitled „Introduction to the consolidated financial statements".

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

	30.06.2007	31.12.2006
Withheld guarantee deposits	22,800,842.33	24,229,227.62

Note 8. Trade and other receivables

As at the balance sheet date trade receivables and other receivables amounted to PLN 60,807,971.57 as at 31 December 2006 and PLN 32,782,833.02 as at 30 June 2007.

The Group created provisions revaluating the receivables which have been disclosed under „other operating costs".

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

AGING STRUCTURE OF TRADE RECEIVABLES	30.06.2007	31.12.2006
up to 3 months	24,513,682.77	19,429,489.08
from 3 to 6 months	3,100,709.08	1,694,816.84
from 6 months to 1 year	975,146.74	2,050,847.96
Above 1 year	2,778,983.00	1,848,617.53
Gross trade receivables	**31,368,521.59**	**25,023,771.41**
Write-offs revaluating the receivables	(1,347,129.64)	(1,068,749.65)
Net trade receivables	**30,021,391.95**	**23,955,021.76**

TRADE AND OTHER RECEIVABLES	30.06.2007	31.12.2006
Trade receivables	30,021,391.95	23,955,021.76
Receivables from the related entities	154,513.90	29,360.46
Tax receivables	756,727.93	36,807,175.53
Other receivables	1,850,199.24	16,413.82
Total	**32,782,833.02**	**60,807,971.57**

CHANGE IN THE WRITE-OFFS REVALUATING TRADE AND OTHER RECEIVABLES	01.01--30.06.2007	01.01--31.12.2006
Opening balance	**5,894,703.65**	**6,356,997.76**
a) Additions	342,625.00	300,000.00
b) Disposals	4,590,199.01	762,294.11
Closing balance	**1,647,129.64**	**5,894,703.65**

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

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

Note 9. Cash and cash equivalents

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

CASH AND CASH EQUIVALENTS	30.06.2007	31.12.2006
Cash on hand and at bank	21,671,957.70	10,302,819.25
Short-term deposits and treasury bills	179,461,659.52	216,934,184.07
Other	1,353,593.96	297,963.21
Total	**202,487,211.18**	**227,534,966.53**

Note 10. Other current assets

	30.06.2007	31.12.2006
OTHER CURRENT ASSETS	**7,112,803.59**	**23,669,995.65**
Including:		
Future receivables from completed developments	3,992,644.17	21,444,241.58
Deferred costs	3,120,159.42	2,225,754.07

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 11. Share capital

SHARE CAPITAL (STRUCTURE) AS AT 30 June 2007								
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	bearer	-	-	21,344,490	21,344,490	cash	12.09.2006	12.09.2006
F	bearer	-	-	2,705,882	2,705,882	cash	31.10.2006	31.10.2006
H	bearer	-	-	172,200	172,200	cash	14.02.2007	14.02.2007
I	bearer	-	-	92,700	92,700	cash	14.02.2007	14.02.2007
J	bearer	-	-	96,750	96,750	cash	14.02.2007	14.02.2007
L	bearer	-	-	148,200	148,200	cash	14.02.2007	14.02.2007
Total number of shares				**24,560,222**				
Total share capital					**24,560,222**			
Nominal value per share = PLN 1								

SHARE CAPITAL (STRUCTURE) AS AT 31 DECEMBER 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	bearer	-	-	21,344,490	21,344,490	cash	12.09.2006	12.09.2006
B	bearer	-	-	2,705,882	2,705,882	cash	31.10.2006	31.10.2006
Total number of shares				**24,050,372**				
Total share capital					**24,050,372**			
Nominal value per share = PLN 1								

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

Description of changes in the share capital of the Company in the period from 1 January 2007 to the date of preparing the financial statements.

- On 29 December 2006 the Extraordinary General Shareholders' Meeting adopted Resolution no. 8 concerning the amendment of the Resolution no. 5, dated 2 August 2006 on the increase of the share capital from the amount of PLN 24,050,372 to the amount of PLN 24,560,222 by issuing 172,200 H series ordinary bearer shares, 92,700 I series ordinary bearer shares, 96,750 J series ordinary bearer shares and 148,200 L series ordinary bearer shares;
- On 14 February 2007 the District Court for the capital city of Warsaw 12th Commercial Division of the National Court Register issued the ruling concerning the registration of an increase in the share capital to the amount of PLN 24,560,222 in connection with the issue of 172,200 H series ordinary bearer shares, 92,700 I series ordinary bearer shares, 96,750 J series ordinary bearer shares and 148,200 L series ordinary bearer shares.

The list of shareholders who directly or indirectly hold through their subsidiaries at least 5 % of the total number of votes at the General Shareholders Meeting as at 30 June 2007.

	Shares	% of capital	Number of votes at the General Shareholders Meeting	% of votes at the General Shareholders Meeting
Dom Development B.V.	15,496,386	63.10	15,496,386	63.10
Jarosław Szanajca	1,759,050	7.16	1,759,050	7.16
Grzegorz Kiełpsz...............................	1,410,750	5.74	1,410,750	5.74

The list of shares of Dom Development S.A. held or entitlement to them (options) by persons who manage or supervise Dom Development SA as at 30 June 2007.

	Shares	Share options	Total
Management Board			
Jarosław Szanajca	1,759,050		1,759,050
Grzegorz Kiełpsz..	1,410,750		1,410,750
Janusz Zalewski..	399,600	40,588	440,188
Janusz Stolarczyk	106,200	5,850	112,050
Terry Roydon	58,500	50,000	108,500
Supervisory Board			
Zygmunt Kostkiewicz	44,000	-	44,000

Note 12. Surplus from the sale of shares above their nominal value less treasury shares

SURPLUS FROM THE SALE OF SHARES ABOVE THEIR NOMINAL VALUE LESS TREASURY SHARES	**01.01--30.06.2007**	**01.01-31.12.2006**
Opening balance	230,370,719.33	10,819,818.87
Decrease/increase on account of purchase/sale of treasury shares	1,163,943.94	(71,570.89)
Increase on account of public issue of new F series shares	-	219,622,471.35
Closing balance	**231,534,663.27**	**230,370,719.33**

In the six-month period ended on 30 June 2007, the value of the item "share premium less treasury shares" increased by PLN 1,163,943.94 as a result of registration of 509,850 bearer shares (H, I, J and L series shares).

As a result of the public issue of shares the surplus on account of the issue of shares above the nominal value increased by PLN 219,622,471.35 in 2006. The earnings on account of the issue of shares amounted to PLN 229,999,970, of which PLN 2,705,882 was accounted for in the share capital (nominal value of F series shares) and PLN 227,294,088.00 constitutes surplus on account of the issue of shares above the nominal value. The costs of the issue amounted to PLN 9,471,131.65 and were decreased by the amount of the corresponding reduction of the CIT liabilities, i.e. PLN 1,799,515.00.

Treasury shares

In the six-month period ended on 30 June 2007 the Company did not hold any treasury shares.

Treasury shares held by the Company in the period from 1 January to 31 December 2006 have been presented in the table below:

MOVEMENTS IN TREASURY SHARES in the period 01.01.2006–31.12.2006

	Series	Number of shares	Nominal value	Balance sheet value	Method and purpose of acquisition
	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).
	F	36,000	36,000.00	149,760.00	Acquired from former management team member
as at 01.01.2006	**Total**	**453,150**	**453,150.00**	**1,800,255.97**	
Additions	F	172,200	172,200.00	482,160.00	Shares purchased for redemption
	G	92,700	92,700.00	220,626.00	
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)	
	E	(417,150)	(417,150.00)	(1,451,329.33)	Redemption of treasury shares
	G	(92,700)	(92,700.00)	(220,626.00)	
as at 31.12.2006	**Total**	**-**	**-**	**-**	

* Management Share Options Programme is described in note 38.

Note 13. Information on additional equity

As at 30 June 2007 and 31 December 2006 the Company's shares were not owned by any of its subsidiaries.

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

Note 14. Loans and borrowings

Borrowings

As at 30 June 2007 and 31 December 2006 the Group did not have any outstanding borrowings.

Loans

LOANS DUE WITHIN	30.06.2007	31.12.2006
1 year	105,521,389.25	98,915,383.99
More than 1 year less then 2 years	15,691,000.00	22,200,000.00
More than 2 years less then 5 years	-	-
More than 5 years	-	-
Total loans	**121,212,389.25**	**121,115,383.99**
including: long-term	15,691,000.00	22,200,000.00
short-term	105,521,389.25	98,915,383.99

As at 30 June 2007 and 31 December 2006 all loans were taken out in PLN and the Group did not have any loans in foreign currencies.

LIABILITIES ON ACCOUNT OF LOANS as at 30.06.2007							
Bank	**Registered office**	**Amount of loan – as per agreement**		**Outstanding loan amount (less accrued interest)**		**Interest rate**	**Due date**
		in thousand	currency	in thousand	Currency		
PKO BP S,A,	Warsaw	10,080	PLN	504	PLN	WIBOR 1M+ Bank's margin*	01.07.2007
PKO BP	Warsaw	11,380	PLN	6,503	PLN	WIBOR 1M+ Bank's margin*	01.10.2007
BOŚ S,A,	Warsaw	35,000	PLN	20,107	PLN	WIBOR 1M+ Bank's margin*	31.12.2007
PeKao SA	Warsaw	18,875	PLN	7,550	PLN	WIBOR 1M+ Bank's margin*	30.11.2007
PeKao SA	Warsaw	18,956	PLN	13,269	PLN	WIBOR 1M+ Bank's margin*	29.02.2008
PKO BP S,A,	Warsaw	40,000	PLN	7,782	PLN	WIBOR 1M+ Bank's margin*	15.03.2007
BOŚ S,A,	Warsaw	40,000	PLN	36,788	PLN	WIBOR 1M+ Bank's margin*	30.09.2008
PKO BP S,A,	Warsaw	7,241	PLN	7,241	PLN	WIBOR 1M+ Bank's margin*	01.04.2009
BOŚ S,A,	Warsaw	30,000	PLN	21,468	PLN	WIBOR 1M+ Bank's margin*	23.04.2008
Total		**211,532**		**121,212**			

*) Not disclosed due to commercial reasons.

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.

Note 15. Liability and assets for a deferred income tax

LIABILITY AND ASSET FOR A DEFERRED INCOME TAX – effect on consolidated balance sheet	30.06.2007	31.12.2006
Deferred income tax liability		
Foreign exchange differences	35,855.00	37,933.00
Interest accrued	256,136.00	52,537.63
Profit on the settlement of contracts calculated by means of the percentage of completion method	49,399,751.00	23,572,126.00
Result on the sale of facilities – without legal ownership transfer agreements	17,331,148.19	27,628,151.62
Provision for sales revenues	561,672.67	541,587.00
Other	176,662.34	171,901.00
Total deferred income tax liability	**67,761,225.20**	**52,004,236.25**
Accounted for in the financial result	67,761,225.20	52,004,236.25
Accounted for in equity	-	-
Deferred income tax assets		
Provision for the housing estates costs	777,538.00	1,090,229.00
Inventory revaluation	865,156.00	878,702.00
Revaluation of the fixed assets	-	36,101.00
Write-offs revaluating the receivables	1,233,466.71	850,731.92
Provision for employee benefits	614,078.00	791,090.00
Provision for other costs	1,944,281.46	1,450,098.00
Tax loss for the years 2002-2004 for settlement by Fort Mokotów	-	1,545,032.67
Other provisions (Fort Mokotów)	4,837.12	61,579.55
Consolidation exclusions	792,298.00	770,173.00
Other	47,286.00	43,528.00
Total deferred income tax assets	**6,278,941.29**	**7,517,265.14**
Accounted for in the financial result	6,278,941.29	7,517,265.14
Accounted for in equity	-	-

DEFERRED TAX – effect on consolidated income statement	01.01- -30.06.2007	01.01- -31.12.2006
Deferred income tax liability		
Foreign exchange differences	(2,078.00)	(522,785.00)
Interest accrued	203,598.37	(31,678.43)
Profit on the settlement of contracts calculated using the percentage of completion method .	25,827,625.00	5,965,376.87
Result on the sale of flats – without legal ownership transfer agreements	(10,297,003.43)	14,926,030.62
Provision for sales revenues	20,085.67	(3,124,989.00)
Other	4,761.34	(185,130.00)
Total deferred income tax liability	**15,756,988.95**	**17,026,825.06**
Deferred income tax assets		
Provision for the housing estates costs	(312,691.00)	(221,970.00)
Costs of the finished goods sold	-	(322,163.00)
Inventory revaluation	(13,546.00)	308,429.00
Revaluation of the fixed assets	(36,101.00)	36,101.00
Write-offs revaluating the receivables and other reserves	382,734.79	208,699.92
Provision for employee benefits	(177,012.00)	304,137.00
Provision for costs	494,183.46	887,057.00
Tax loss for settlement by Dom Development S.A.	-	(1,654,538.00)
Tax loss for the years 2002-2004 for settlement by Fort Mokotów	(1,545,032.67)	(1,545,033.51)
Provision for disputable cases	-	(430,663.00)
Other provisions (Fort Mokotów)	(56,742.43)	(81,975.20)
Consolidation exclusions	22,125.00	275,233.00
Costs of the shares issue	-	(1,799,515.00)
Other	3,758.00	(118,297.00)
Total deferred income tax assets	**(1,238,323.85)**	**(4,154,497.79)**
Net provision/asset for a deferred income tax – effect on the income statement	**16,995,312.80**	**21,181,322.85**

Note 16. Bonds

BONDS	30.06.2007	31.12.2006
Nominal value of the issued bonds	**80,000,000.00**	**80,000,000.00**
Accrued interest as at balance sheet date disclosed in the item „Accrued liabilities and deferred income”	1,566,357.95	1,594,138.05

As at 30 June 2007 two issues of bonds by the Company took place:

- 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 the interest rate of WIBOR 6M plus the 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 term of the agreement. Net revenues from the issue of bonds were used for the Company's statutory activities. The bonds are secured with a joint capped mortgage on the Company's real estate up to the amount of PLN 100,000,000.

  Pursuant to the agreement with the banks in the six-month periods ending each 30 June and 31 December, the Company undertook to maintain selected financial ratios (interest debt/equity and EBIDTA/debt servicing) at an appropriate level.

On 28 August 2007 the Company exercised a CALL option under the Agreement for Servicing and Guaranteeing Bond Issue, which has been described in note 44 "Material post-balance sheet events".

- On 19 June 2006 the Company (hereinafter referred to as the „Issuer") issued 300 A series bonds with the nominal value of PLN 100,000 each and 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 Article 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 Article 9 point 1 of the Act on Bonds.

  The issuer undertook, until a complete buy-out of the bonds, to maintain – in six-month periods ending on each 30 June and 31 December for the period of the last 12 months – the financial ratios (interest debt/equity and EBIDTA/debt servicing) at an appropriate level.

  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 collateral 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.

As at 30 June 2007 and 31 December 2006 the financial ratios of the Company listed in the agreement for servicing the bonds were maintained at appropriate levels. Values of these ratios are monitored on a regular basis.

Note 17. Trade payables and other liabilities

TRADE PAYABLES AND OTHER LIABILITIES	30.06.2007	31.12.2006
Trade liabilities	108,707,237.50	140,804,597.54
Financial liabilities	12,430.57	11,277.61
Earmarked funds	252,717.53	130,403.02
Other liabilities	404,123.35	2,855,070.39
Total	**109,376,508.95**	**143,801,348.56**

Note 18. Short-term tax liabilities

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

Note 19. Short-term provisions

SHORT-TERM PROVISIONS	30.06.2007	31.12.2006
Opening balance	**3,663,773.99**	**4,377,880.98**
Provisions created in the financial year	5,821,323.93	3,663,773.99
Use of provisions in the financial year	150,720.33	4,377,880.98
Closing balance	**9,334,377.59**	**3,663,773.99**

Note 20. Accrued liabilities and deferred income

SHORT-TERM ACCRUED LIABILITIES AND DEFERRED INCOME	30.06.2007	31.12.2006
Accruals, in this:	**28,368,815.70**	**30,208,015.64**
Provision for uninvoiced costs of work in progress	10,580,346.81	5,808,928.07
Provision for uninvoiced services	131,240.00	176,531.85
Provision for the costs of housing estates given over for use	4,902,409.88	9,850,241.28
Provision for employee benefits	3,002,116.00	4,200,948.84
Provision for the costs of property management	6,180,247.00	6,348,543.49
Provision for the costs of interest on loans and bonds	1,566,357.95	2,185,032.64
Provision for foreign exchange difference from the valuation of forward contracts	-	-
Provision for settlements and arrangements with clients	-	-
Provision for the operating costs	-	-
Other	2,006,098.06	1,637,789.47
Deferred income, in this:	**23,163,923.77**	**-**
Deferred income related to the payments received from customers, not settled to the income statement	23,163,923.77	-
Other	-	-
Total	**51,532,739.47**	**30,208,015.64**

Note 21. Financial instruments

Should there be any significant currency positions, the Group uses foreign currency derivative instruments such as forward and SWAP contracts to hedge material future foreign currency transactions.

As at 30 June 2007 and 31December 2006 the Group did not have opened foreign currency hedging transactions.

Note 22. Benefits after employment

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

Note 23. Financial assets and equity and liabilities

Categories of financial assets and liabilities and maximum credit risk exposure

FINANCIAL ASSETS AND EQUITY AND LIABILITIES	30.06.2007	31.12.2006
FINANCIAL ASSETS	PLN thousand	PLN thousand
Long-term receivables	11,518	1,518
Trade receivables	30,021	23,955
Receivables from related entities	155	29
Short-term deposits	91,781	216,934
Total borrowings and receivables	**133,475**	**242,436**
Treasury bills and bonds	87,681	-
Other	2,006	3,823
Financial assets valued AT their fair value through the income statement (designated for trading)	**89,687**	**3,823**
Cash in hand and at bank	21,672	10,303
Maximum credit risk exposure	**244,834**	**256,562**
FINANCIAL EQUITY AND LIABILITIES	PLN thousand	PLN thousand
Loans	121,212	121,115
Bonds issued	80,000	80,000
Trade liabilities	109,377	143,801
Financial equity and liabilities valued at the depreciated cost	**310,589**	**344,916**

Note 24. Managing the Financial Risk

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

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

Market Risk

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

The market risk mainly includes such risks as:

- currency risk
- interest rate risk

Currency risk

Currently, the Group/Company does not have any significant assets, liabilities and future payments in foreign currencies, therefore there is no need to conclude hedging currency derivatives.

Interest rate risk

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

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

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

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

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

	30.06.2007	31.12.2006
VARIABLE INTEREST RATE INSTRUMENTS	PLN thousand	PLN thousand
Financial assets	179,462	216,934
Financial liabilities	201,212	201,115
Total, net	**(21,750)**	**15,819**

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

Analysis of cash flow sensitivity to interest rate changes.

A 100-basis point (bp) change in the interest of instruments as at the balance sheet date would increase (decrease) the net assets and income statement by the amounts listed in the table below. The analysis prepared for 6-month periods assumes that all other variables remain unchanged.

	Income statement		**Net assets**	
	Increase by 100 bp	Decrease by 100 bp	Increase by 100 bp	Decrease by 100 bp
30 June 2007	PLN thousand	PLN thousand	PLN thousand	PLN thousand
Variable interest rate assets	897	-897	897	-897
Variable interest rate liabilities*	671	-671	671	-671
Net sensitivity	**226**	**-226**	**226**	**-226**
31 December 2006	PLN thousand	PLN thousand	PLN thousand	PLN thousand
Variable interest rate assets	1,085	-1,085	1,085	-1,085
Variable interest rate liabilities *	671	-671	671	-671
Net sensitivity	**414**	**-414**	**414**	**-414**

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

Credit risk

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

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

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

Liquidity risk

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

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

	Balance-sheet value	0 - 6 months	6-12 months	1 – 2 years	2 – 5 years
30 June 2007	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand
Liabilities on account of loans..............	121,212	84,494	21,027	15,691	-
Own bonds issued	80,000	-	-	50,000	30,000
Trade liabilities..................................	107,736	17,957	17,956	35,912	35.911
Financial leasing liabilities	1,641	410	410	547	274
Total	**310,589**	**102,861**	**39,393**	**102,150**	**66,185**
31 December 2006	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand
Liabilities on account of loans..............	121,115	43,600	55,315	22,200	-
Own bonds issued	80,000	-	-	50,000	30,000
Trade liabilities..................................	142,524	23,754	23,754	47,508	47,508
Financial leasing liabilities	1,277	319	319	426	213
Total	**344,916**	**67,673**	**79,388**	**120,134**	**77,721**

The Company's/Group's liquidity management is mainly exercised by:

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

Managing the capital

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

The Group's objective is to achieve return on equity within the range of 20-40 percent; in the first half of 2007 the rate (annualized) amounted to 37% (87% in the first half of 2006). As compared to the weighted average cost of debt interest, it was at the level of 6.4% in the first half of 2007 (6.3% in 2006).

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

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

Note 25. Earnings per share

CALCULATION OF BASIC AND DILUTED EARNINGS PER SHARE	01.01- -30.06.2007	01.01- -30.06.2006
Basic earnings per share		
Profit for the calculation of the basic earnings per share	92,103,678.16	57,946,772.79
The weighted average number of common shares of the Company for the calculation of the basic earnings per share *)	24,560,222	21,854,340
Basic earnings per share	**3.75**	**2.65**
Diluted earnings per share		
Theoretical profit for the calculation of diluted earnings per share	92,103,678.16	57,946,772.79
Potential diluting shares related to Management Share Options Programme II**)	5,483	-
The weighted average number of common shares of the Company for the calculation of the basic earnings per share *)	24,565,705	21,854,340
Diluted earnings per share	**3.75**	**2.65**

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

**) Options for the shares issued as part of IB program do not result in dilution of earnings per share since they are issued and recognized in the share capital. The shares are deposited with CDM PEKAO S.A., which is a trustee in this program.

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

Note 26. Income tax

INCOME TAX	01.01- -30.06.2007	01.01- -30.06.2006
Current income tax	5,602,493.61	291,335.00
Deferred income tax	16,995,312.80	13,237,662.43
Total	**22,597,806.41**	**13,528,997.43**

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

RECONCILIATION	**01.01- -30.06.2007**	**01.01- -30.06.2006**
Gross profit before taxation	114,701,484.57	71,475,770.22
Income tax rate of 19%	21,793,282.07	13,580,396.34
Permanent differences not subject to the current and deferred tax in the consolidated financial statements	197,412.31	(87,695.41)
Share Options valuation charge being a permanent differences for tax calculation	593,149.96	78,957.76
Other	13,962.07	(42,661.26)
Actual income tax expense	**22,597,806.41**	**13,528,997.43**
Effective tax rate	**19.70%**	**18.93%**

In 2006 the Company decided on making adjustments of the settlements with the Tax Office concerning corporate income tax („CIT”). Tax revenues accrued so far which were identifiable as of the date of delivering the apartments for use were Lreplaced with the revenues from the sale of apartments established as at the day of signing the final agreement on the transfer of ownership. This resulted from the interpretation of the regulations of the Minister of Finance received by the Group. As the result of the calculations tax settlements on account of the CIT for the years 2000-2005 were adjusted and the corrective CIT returns were submitted to a Tax Office competent for the Company on 21 August 2006. In the result of the above, the adjustments on account of a different moment of identifying a tax obligation and a change in the CIT rates, the Company recognized an overpayment of the CIT for the total amount of PLN 15,699,392.00. (in particular years: in 2000 – PLN 348,988.00, in 2001 – PLN 5,516,648.00, in 2002 - PLN 6,441,085, in 2003 – PLN 2,664,811.00, in 2004 – PLN 2,227,339.00 and an underpayment in 2005 in the amount of PLN 1,519,459.00) The effect of the change resulting from the latter of the specified elements was evaluated for the amount of PLN 4,651,809.00. Due to the risk described above, concerning frequent changes in the tax regulations and changes in interpretation of the regulations of the tax law the Management of the Company decided to cover the value of the income tax resulting from the change in the tax rates with a revaluation write-off until the time the Company acquires the opinion of the Tax Office competent for the Company.

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 27. 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 28. Segment reporting

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

Note 29. Operating income

SALES REVENUES BY KIND	01.01--30.06.2007	01.01--30.06.2006
Sales of finished goods	385,840,802.82	336,741,181.64
Sales of services	16,045,198.62	12,247,320.30
Sales of goods for resale (land)	-	-
Total	**401,886,001.44**	**348,988,501.94**

Note 30. Operating costs

OPERATING COSTS	01.01--30.06.2007	01.01--30.06.2006
Cost of sales		
Cost of finished goods sold	237,016,494.67	235,811,776.05
Cost of services sold	13,452,536.54	9,073,424.90
Cost of land sold	-	-
Total cost of sales	**250,469,031.21**	**244,885,200.95**
Selling costs and general administrative expenses		
Selling costs	14,109,127.22	10,441,476.35
General administrative expenses	24,787,527.90	17,404,629.21
Total selling costs and general administrative expenses	**38,896,655.12**	**27,846,105.56**
Selling costs and general administrative expenses by kind		
Depreciation and amortization	1,038,436.93	796,708.87
Cost of materials and energy	2,568,338.89	2,065,425.52
External services	11,571,690.66	8,837,329.96
Taxes and charges	180,283.64	114,004.42
Wages and salaries	16,416,555.45	13,053,867.68
Social security and other benefits	2,127,980.80	1,862,452.95
Management Options Programme	3,121,841.88	415,567.16
Other costs by kind	1,871,526.87	700,749.00
Total selling costs and general administrative expenses by kind	**38,896,655.12**	**27,846,105.56**

Note 31. Payroll costs

AVERAGE MONTHLY EMPLOYMENT (including management staff)	01.01--30.06.2007	01.01--30.06.2006
Individual personnel categories (number of staff)		
White-colour workers	164	170
Blue-collar workers	-	-
General remuneration elements (PLN):		
Wages and salaries	16,416,555.45	13,053,867.68
Social security and other benefits	2,127,980.80	1,862,452.95

Note 32. Other operating income

OTHER OPERATING INCOME	01.01--30.06.2007	01.01--30.06.2006
Revenues from contractual penalties, arrangements and compensations	456,196.15	187,603.69
Release of provisions for costs	82,616.83	1,905,499.89
Release of provisions for contractual penalties and arrangements with clients	-	-
Release of provisions for receivables	-	-
Revaluation of fixed assets	190,005.62	-
Other	220,184.52	200,065.18
Total	**949,003.12**	**2,293,168.76**

Note 33. Other operating expenses

OTHER OPERATING EXPENSES	01.01--30.06.2007	01.01--30.06.2006
Provision for penalties and arrangements with clients	983,861.05	890,595.00
Donations	101,134.76	59,000.00
Receivables written off	342,625.00	(18,804.63)
Provision for remuneration	1,014,101.00	-
Provision for disputes	520,757.00	356,000.00
Inventory write-off	(71,296.98)	3,322,816.06
Revaluation of fixed assets	(35,493.18)	-
Other	727,563.85	936,584.86
Total	**3,583,252.50**	**5,546,191.29**

Note 34. Financial income

FINANCIAL INCOME	01.01--30.06.2007	01.01--30.06.2006
Interest received	6,163,990.02	1,599,162.61
Other	1,529.34	23,005.07
Total	**6,165,519.36**	**1,622,167.68**

Note 35. Financial costs

FINANCIAL COSTS	01.01--30.06.2007	01.01--30.06.2006
Interest on loans	781,040.55	1,722,431.54
Interest on borrowings from related entities	-	454,178.59
Other interest	42,478.88	209,321.47
Foreign exchange differences	27,960.09	74,539.49
Mortgage loans insurance	81,072.73	248,678.01
Other	417,548.27	441,421.26
Total	**1,350,100.52**	**3,150,570.36**

Note 36. Costs relating to interest

COSTS RELATING TO INTEREST	01.01--30.06.2007	01.01--30.06.2006
Financial costs (interest) capitalised under work in progress *	6,265,753.14	4,246,172.48
Value of financial costs (interest) accounted for in the income statement	781,040.55	1,722,431.54
Total value of the financial costs incurred on account of interest	**7,046,793.69**	**5,968,604.02**

* The financial costs incurred as a result of the financing of investment projects are generally capitalised in line with work in progress and relate to the costs of interest on bonds and loans taken out for the execution of investment projects.

Note 37. Transactions with related entities

In the six-month periods ended 30 June 2007 and 2006 the Company was a party to the transactions with related companies, as listed below. Descriptions of transactions have been presented in the form of tables. In exceptional cases, descriptions of particular agreements or explanations have also been provided in a descriptive form. Due to the Company turnover, it has been assumed that in the event in which transactions with a given related entity did not exceed in any of the presented periods PLN 100 thousand, the transactions have been omitted in the summary.

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

Counterparty	Transaction description	01.01--30.06.2007	01.01--30.06.2006
Woodsford Consulting Limited..................	Consulting services as per agreement dated 1 February 2000 with further amendments	925,989.30	694,917.81
Hansom Property Company Limited..........	Consulting services as per agreement dated 30 June 1999	101,838.25	128,833.27
Towarzystwo Ubezpieczeń Wzajemnych Bezpieczny Dom"	Insurance of financial losses risk	203,810.92	281,379.17
Fort Mokotów sp. z o.o.	Costs related to property management	1,720,297.53	870,880.06
Fort Mokotów sp. z o.o.	Other	144,698.99	30,441.66

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

Counterparty	Transaction description	01.01--30.06.2007	01.01--30.06.2006
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	151,362,182.70	480,870.00
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--30.06.2007	01.01--30.06.2006
Fort Mokotów sp. z o.o.	General Project Execution agreement dated 15 April 2002	192,801.62	1,913,381.92
Fort Mokotów sp. z o.o.	The sales commission agreement and agreement for provision of advertising and marketing services dated 15 April 2002	1,513,444.29	3,882,687.63
Fort Mokotów sp. z o.o.	Property management services	885,985.72	389,986.24
Fort Mokotów sp. z o.o.	Other	49,250.64	14,907.10

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

Counterparty	Transaction description	01.01--30.06.2007	01.01--30.06.2006
Fort Mokotów sp. z o.o.	Dividend (gross)	29,400,000.00	14,245,976.95

Dom Development S.A. as a dividend payer

Counterparty	Transaction description	01.01--30.06.2007	01.01--30.06.2006
Dom Development B.V.	Dividend (gross)	2,324,458.00	-

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

Counterparty	Transaction description	01.01--30.06.2007	01.01--30.06.2006
Fort Mokotów sp. z o.o.	Return of the additional contribution to the capital	-	-
Dom Development Morskie Oko sp. z o.o.	Return of the additional contribution to the capital	-	14,000,000.00

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

Counterparty	Transaction description	01.01--30.06.2007	01.01--30.06.2006
Dom Development B.V.	Cost of interest on the shareholders' borrowings	-	454,178.59
Dom Development B.V.	Capital repaid from borrowings agreements	-	-

Balances with related entities

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

	Receivables from related entities		Liabilities to related entities	
Entity	**30.06.2007**	**31.12.2006**	**30.06.2007**	**31.12.2006**
Total balance..	**187,830**	**35,269**	**789**	**264**
Balances below PLN 100,000	3	44	-	31
Balances over PLN 100,000..	187,827	35,225	789	233
Subsidiaries	**1,166**	**1,147**	**-**	**-**
Dom Development Na Dolnej sp, z o,o, ...	19	-	-	-
Dom Development Morskie Oko sp. z o.o. additional contributions to capital...	1,147	1,147	-	-
Associated companies...	**185,680**	**33,590**	**-**	**-**
Dom Development Grunty sp. z o.o.	185,666	33,590	-	-
Towarzystwo Ubezpieczeń Wzajemnych „Bezpieczny Dom"	14	-		
Co-subsidiaries	**863**	**488**	**-**	**-**
Fort Mokotów sp. z o.o.	863	488	-	-
Fort Mokotów sp. z o.o. additional contributions to capital...	-	-		-
Other entities...	**118**	**-**	**789**	**233**
Woodsford Consulting Limited..	-	-	789	233
Dom Development B.V.	118	-	-	-

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

In the six-month period ended on 30 June 2007, there were no purchase/sales transactions of treasury shares.

In the six-month period ended on 30 June 2006, there were the following purchase/sales transactions of treasury shares:

- On 20 January 2006 an agreement concerning the sale of 72,000 E series ordinary registered shares with Janusz Stolarczyk was signed for the total amount of PLN 200,311.97 (exercise of the options allocated as part of the Incentive Programme I described in note 38 "Incentive plan – Management Options Programme"),
- On 23 February 2006 an agreement concerning the sale of 36,000 F series ordinary registered shares with Terry Roydon PLN for the total amount of PLN 149,760.00,
- On 15 March 2006 an agreement concerning the sale of 77,700 E series ordinary registered shares with Janusz Zalewski for the total amount of PLN 219,637.23 (exercise of the options allocated as part of the Incentive Programme I described in note 38 "Incentive plan – Management Options Programme"),
- On 28 June 2006 an agreement concerning the sale of 22,500 E series ordinary registered shares with Terry Roydon for the total amount of PLN 61,505.91 (exercise of the options allocated as part of the Incentive Programme I described in note 38 "Incentive plan – Management Options Programme"),

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

Related entity	Date	Description	Value in PLN	Cumulative payments made as at 31 December 2006
Janusz Stolarczyk oraz Danuta Stolarczyk	22.03.2007	Annex no.1 regarding purchase of additional parking space in addition to promissory sale agreement concerning residential facilities with the area of 89.1 sq. m together with two utility rooms and two parking spaces	9,000.00	9,000.00
Janusz Stolarczyk oraz Danuta Stolarczyk	18.04.2007	Annex no.1 regarding purchase of additional parking space in addition to promissory sale agreement concerning residential facilities with the area of 122.93 sq. m together with two parking spaces	36,000.00	36,000.00
Janusz Zalewski	23.03.2007	Annex no. 2 regarding purchase of additional parking space in addition to the promissory sale agreement concerning residential facilities with the area of 242.4 sq. m, together with two utility rooms and two parking spaces	38,000.00	38,000.00
Janusz Zalewski	15.05.2007	Annex no. 3 regarding purchase of additional parking space in addition to the promissory sale agreement concerning residential facilities with the area of 242.4 sq. m, together with two utility rooms and three parking spaces	20,865.00	20,865.00
Jakub Domalik - Plakwicz	31.01.2007	Promissory sale agreement concerning residential facilities with the area of 59,4 sq. m, together with a parking space	776,876.60	427,277.13
Wojciech Sadowski	29.05.2007	Promissory sale agreement concerning residential facilities with the area of 48.1 sq. m, together with one utility room and one parking space	454,332.00	22,716.60

Note 38. Incentive plan – Management Options Programme

As at 3June 2007 there were three Management Option Programmes adopted as part of the Incentive Scheme for the Management staff of the Company. They are as follows:

Name of the Programme	Share options in the programme (number of shares)	Allocated options (number of shares)	Exercised options (number of shares)	Share options in the programme (number of shares)	Allocated options (number of shares)	Exercised options (number of shares)
	30.06.2007			31.12.2006		
Programme I	413,100	413,100	413,100	413,100	413,100	413,100
Programme I B	96,750	96,750	-	96,750	96,750	-
Programme II	726,000	234,538	-	726,000	234,538	-

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 and on 26 September 2002 series G shares of Dom Development S.A. („Programme I").

Since the allotment of all the share options under Programme I took place before 7 November 2002 and the rights to these instruments were purchased before the MSSF 2 became effective, in compliance with this standard there has been no obligation of valuating them at fair value.

By 31 December 2006 agreements on the sale of all 413,100 shares were concluded as a result of exercising by members of the management and supervisory bodies of the Company the share options allotted to them under Management Share Options Programme I.

Programme I B (previously: Programme I A)

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

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

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

Buyer	Date of allotting a share option /Date of concluding the agreement	Number of shares	Option period	Purchase price per 1 share/PLN
Members of the Management Board and the Supervisory Board	-	-	-	-
	22.03.2006/		from 22.03.2009	

Buyer	Date of allotting a share option /Date of concluding the agreement	Number of shares	Option period	Purchase price per 1 share/PLN
Members of the Management Board and the Supervisory Board	-	-	-	-
Others	11.05.2006	96,700	to 22.03.2013	6.10
Total		**96,700**		

The fair value of the allocated options which may be changed into shares was estimated as of the day of allocating the options by means of a model based on the Black-Scholes-Merton, taking into account the conditions existing at the date of allocating the options. Below, are presented preliminary assumptions to the model for the valuation of the options allocated as part of the first tranche 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
Share exercise price (PLN)	6.10
Current share price (PLN)	54.90

The value of the share options as at the date of allotting them, calculated on the basis of the model and assumptions described above, amounted to PLN 4,554,616.03. This value is proportionately carried to the income statement for the period of three years. In the periods of six months ended 30 June 2007 and 2006 the amounts of PLN 764,643.60 and PLN 415,567.16 were carried to the income statement respectively.

Programme II

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

According to Programme II one or a number of issues of shares with the nominal value of PLN 1.00 each („Tranche"). The allocation of options is conducted by the Supervisory Board in the form of a resolution. The day of adopting the resolution on allocating the options by the Supervisory Board shall be the day of allocating the options („Allocation Date"). A resolution of the Supervisory Board shall determine the persons eligible to participate in Programme II together with the number and the issue price of shares for each of these persons. The 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 are 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 changing the Articles of Association and renewing the authorization of the Management Board, for the period of 3 years since the date of registration of the change in the Articles of Association, to increase the share capital by a maximum of 726,000 shares less the shares which have already been issued pursuant to Programme II and covered by the target capital, to exclude the pre-emptive right of current shareholders upon receiving the consent of the Supervisory Board and to issue subscription warrants.

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

As at 30 June 2007 the options allocated to the management team members of the Company within Programme II were as follows:

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

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

Dividend rate (%)	0.77
Anticipated volatility rate (%)	30.72
Risk-free interest rate (%)	4.78
Anticipated period of option exercise (in years)	5.00
Share exercise price (PLN)	114.48
Current share price (PLN)	144.50

The value of the options as at the day when they were allocated was calculated on the basis of the foregoing model and assumptions and amounted to PLN 14,273,421.53. Such value is evenly accounted for in the income statement within the period of three years. In the periods of six months ended 30 June 2007 and 2006 the amounts of PLN 2,357,198.26 and PLN 0 were carried to the income statement respectively.

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

SHARE OPTIONS		**01.01.-30.06.2007**	**01.01.-31.12.2006**
Options unexercised at the beginning of the period	**Amount**	**331,288**	**320,400**
	Total exercise price	**27,440,085.24**	**888,182.44**
Options allocated in a given period	Amount	-	331,288
	Total option execution value	-	27,440,085.24
Options exercised in a given period	Amount	-	320,400
	Total option execution value	-	843,889.46
	Weighted average exercised price per one share	-	2.55
Options unexercised at the	**Amount**	**331,288**	**331,288**

end of the period	**Total exercise price**	**27,440,085.24**	**27,440,085.24**
Options possible to exercise at the beginning of the period	Amount	-	320,400
	Total exercise price	-	888,182.44
Options possible to exercise at the end of the period	Amount	-	-
	Total exercise price	-	-

Note 39. Remuneration of members of the holding company's management and supervisory governing bodies

Remuneration	01.01--30.06.2007	01.01--30.06.2006
1. The Management Board		
Remuneration	2,791,546.00	2,683,456.00
included: payment out of profit	-	250,000.00
2. The Supervisory Board:		
Remuneration	264,000.00	84,000.00

The composition of the Management Board and the Supervisory Board as at 30 June 2007 has been presented in note 42.

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

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.

	Executive Name	Period of notice of termination contract (months)		Note	
		Company to Employee	Employee to Company		
The Management Board	Szanajca Jarosław	8		First payment of 50% of 8-times monthly remuneration to be paid after giving a termination notice	The balance of 50% to be paid in 5 equal monthly payments
	Kiełpsz Grzegorz	6	3	First payment of 50% of 6-times monthly remuneration to be paid after giving a termination notice	The balance of 50% to be paid in 5 equal monthly payments
	Zalewski Janusz	6			
	Stolarczyk Janusz	9	3	First payment of 50% of 9-times monthly remuneration to be paid after giving a termination notice	The balance of 50% to be paid in 8 equal monthly payments

Note 40. Contingent liabilities

CONTINGENT LIABILITIES	30.06.2007	31.12.2006
Bills of exchange, including:	165,248,440.00	156,463,340.00
– bills of exchange, issued for Hochtief Poland S.A. which guarantee the contractors' claims concerning the work performed for the benefit of the Company	-	-
– bills of exchange constituting an additional guarantee for BOŚ bank in respect of claims arising from the granted loan	61,460,000.00	74,053,340.00

– bills of exchange constituting an additional guarantee for PKO BP bank in respect of claims arising from the granted loan	101,788,440.00	80,410,000.00
– bills of exchange constituting an additional guarantee for BOŚ bank in respect of claims arising from the trilateral contract on insurance of loan guarantees of the Company's clients	2,000,000.00	2,000,000.00
Guarantees	11,510,643.00	26,875.00
Sureties	1,321,730.86	2,248,994.00
Total	**178,080,813.86**	**158,739,209.00**

Note 41. Material court cases as at 30 June 2007

With regards 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 being members of the Group are a party, it should be indicated that:

The most significant contentious proceedings relate 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 refers to the Zoning Decision and the construction permit. Several organizations and natural persons appealed against these decisions.

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. PKO Inwestycje sp. z o.o. appealed against this decision to the Supreme Administrative Court, which upheld the decision of the Voivodeship Administrative Court. At present, the case is being referred to the court of the first instance.

There are other proceedings pending before the Voivodeship Administrative Court which are similar in nature to those described above and refer to Marina Mokotów housing estate, nevertheless, they were suspended due to material formal obstacles.

Despite the fact that there were appeals against the decision to grant the construction permit and the Zoning Decision, the investment was accomplished without any hindrance. It must be stressed here that the anticipated annulment of the construction permits will not have any negative effects for both the investor and the buyers of the apartments in the finished buildings, due to the fact that the investments have been accomplished and the use permits have been obtained.

Therefore, the Management Board of the Company is of the same opinion as the Management Board of Fort Mokotów sp. z o.o. which considers the risks faced by Fort Mokotów sp. z o.o – and therefore the whole Group – in connection with the foregoing proceedings as negligible and declares that there is no need for creating provisions with respect to the said proceedings.

The Group is also the part to other court proceedings, however, according to the opinion of the Management Board, such proceedings are irrelevant as far as the Company and the Group is concerned.

Note 42. Changes of the composition of the Management Board and the Supervisory Board of the Company

In the six-month period ended on 30 June 2007, there were no changes in the composition of the Management Board and Supervisory Board.

<u>Composition of the Management Board of the holding entity of the Group as at 30 June 2007</u>

Jarosław Szanajca	– President of the Management Board
Janusz Zalewski*	– Vice-President of the Management Board
Grzegorz Kiełpsz	– Vice-President of the Management Board
Janusz Stolarczyk	– Member of the Management Board

Terry Roydon – Member of the Management Board

* On 26 April 2007, Mr. Janusz Zalewski, the Vice-President of the Company's Management Board, resigned from the function of the Vice-President of the Management Board. Mr Janusz Zalewski will hold the function of the Vice-President of the Management Board until 28 September 2007.

On 29 December 2006 all members of the Supervisory Board were appointed for a joint three-year term.

Composition of the Supervisory Board of the Company as at 30 June 2007

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

On 29 December 2006 all members of the Supervisory Board were appointed for a joint three-year term.

Note 43. Additional information on the operating activity of the Group

In the period of six months ended 30 June 2007 the following material changes in the portfolio of the Group's investments under construction took place:

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

Plan	Decision on the use permit	Segment	Number of apartments
Olimpia 2 phase 3	I Q 2007	popular	116
Derby 7 phase 1/2	II Q 2007	popular	127

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

Plan	Commencement of construction and sale	Segment	Number of apartments
Derby 15	I Q 2007	popular	277
Olbrachta phase 1	II Q 2007	popular	243
Olimpia 2 phase 5	II Q 2007	popular	63
Derby 17	II Q 2007	popular	185

Note 44. Material post-balance sheet events

On 19 July 2007, Dom Development S.A. concluded with Archicom Projekt 8 Sp. z o.o. an agreement for the purchase of perpetual usufruct right to the land belonging to Wrocław municipality, located in Wrocław at Nyska Street with the area of approximately 1.9 hectare. The Company plans to execute on this land a real estate development project consisting of approximately 500 apartments with the total value of about PLN 200,000,000. The Company plans to start executing this project at the end of 2008.

Dom Development S.A. purchased the land real property for about PLN 92 million for the construction of almost 1,600 apartments at Kępa Gocławska in Warsaw. The area of the purchased land is 67,244 m2 and is located near Bora-Komorowskiego Street, N-S Expressway and Anińska Expressway. The Company plans to execute on this land a real estate development project with the total value of about PLN 745,000,000. The Company plans to start executing this project in spring 2009.

On 28 August 2007, the Company exercised the CALL option under the Agreement for Servicing and Guaranteeing Bond Issue of 22 June 2004 concluded with PKO BP S.A. and BOŚ S.A. Consequently, the Company purchased 250 Series A

Bonds in order to redeem them. The average unit purchase price (nominal value and interest) amounts to PLN 201,547.44, whereas the nominal value of 1 bond amounts to PLN 200,000.00. The total value of the purchased bonds amounts to PLN 50,386,860.00.

Note 45. Selected consolidated financial data translated to EURO

In compliance with the reporting requirements the following financial data of the Group have been translated to EURO:

SELECTED DATA FROM THE CONSOLIDATED BALANCE SHEET	**30.06.2007**	**31.12.2006**
	EURO	EURO
Total current assets	265,968,543.55	236,708,458.76
Total assets	273,115,196.09	241,157,638.29
Total equity	155,371,295.07	128,388,479.40
Long-term liabilities	43,564,620.89	40,408,795.66
Short-term liabilities	74,179,280.13	72,360,363.23
Total liabilities	117,743,901.02	112,769,158.89
PLN/EURO exchange rate as at the balance sheet date	*3.7658*	*3.8312*

SELECTED DATA FROM THE CONSOLIDATED INCOME STATEMENT	**01.01- -30.06.2007**	**01.01- -30.06.2006**
	EURO	EURO
Sales revenue	104,423,946.74	89,479,642.57
Gross profit on sales	39,343,389.86	26,691,785.29
Operating profit	28,552,217.88	18,718,058.79
Profit before tax	29,803,431.01	18,326,180.76
Profit after tax	23,931,735.74	14,857,384.95
Average PLN/EURO exchange rate for the reporting period	*3.8486*	*3.9002*

Warsaw, 11 September 2007

Jarosław Szanajca, President of the Management Board

Grzegorz Kiełpsz, Vice-President of the Management Board

Janusz Zalewski, Vice-President of the Management Board

Janusz Stolarczyk, Member of the Management Board

Terry R. Roydon, Member of the Management Board