DOM DEVELOPMENT S.A.

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED ON
31 DECEMBER 2006

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 31 December 2006 the holding company of Dom Development S.A. was controlled by Dom Development B.V. which held 64.43% of the Company's shares. The other shareholders holding as of 31 December 2006 over 5% of the Company's shares are Jarosław Szanajca - 7.31% shares and Grzegorz Kiełpsz - 5.87% shares of the Company.

2. General information about the Group

The following table presents the Group's structure and the holding company's stake in the entities comprising the Group as at 31 December 2006.

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 twelve months ended on 31 December 2006 the Group did not discontinue any of its operations.

3. Basis for the preparation of the consolidated financial statements

The consolidated financial statements have been prepared based on historical acquisition cost, purchase price or production cost except for derivative financial instruments, which in accordance with International Financial Reporting Standards („IFRS") were stated at fair values. The value of assets and liabilities which are usually carried at cost, will be adjusted to reflect the profit or loss attributable to a 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 31 December 2006, as well as comparative financial data for the period from 1 January 2005 to 31 December 2005.

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

Statement of unreserved conformity with 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 31 December 2006.

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 twelve-month period ended on 31 December 2006.

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 twelve-month period ended on 31 December 2006 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".

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 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.

They are currently preparing a draft interpretation that may supersede existing guidance on applying International Accounting Standards to real estate sales.

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

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	31.12.2006	31.12.2005
Fixed assets			
Intangible fixed assets	1	730,169.87	394,040.02
Tangible fixed assets	2	5,534,553.46	7,265,349.21
Investments in associated entities		841,053.08	559,044.00
Deferred income tax assets	16	7,517,265.14	9,872,247.93
Long-term receivables	6	1,517,905.36	927,730.36
Long-term deferred costs		904,749.71	1,135,749.71
Total fixed assets		**17,045,696.62**	**20,154,161.23**
Current assets			
Inventory	7	594,864,513.45	396,650,227.86
Trade and other receivables	8	60,807,971.57	43,422,831.66
Other current assets	11	23,669,995.65	52,321,962.76
Cash and cash equivalents	9	227,534,966.53	73,837,309.98
Total current assets		**906,877,447.20**	**566,232,332.26**
Total assets		**923,923,143.82**	**586,386,493.49**

EQUITY AND LIABILITIES	Note	31.12.2006	31.12.2005
Shareholders' equity			
Share capital	12	24,050,372.00	21,854,340.00
Share premium less treasury shares	13	230,370,719.33	10,819,818.87
Reserve capital from valuation of share options		1,505,790.64	-
Other capital (supplementary capital)		79,301,372.18	53,403,253.44
Reserve capital from reducing the share capital		509,850.00	-
Accumulated, unappropriated profit (loss)		156,143,838.13	47,333,300.40
Total shareholders' equity		**491,881,942.28**	**133,410,712.71**
Long-term liabilities			
Long-term loans and borrowings	15	22,200,000.00	78,332,948.91
Deferred tax liability	16	52,004,236.25	34,977,411.19
Bonds	17	80,000,000.00	50,000,000.00
Other		609,941.69	3,567,210.05
Total long-term liabilities		**154,814,177.94**	**166,877,570.15**
Short-term liabilities			
Trade payables and other liabilities	18	143,801,348.56	134,885,296.23
Short-term loans and borrowings	15	98,915,383.99	107,035,211.89
Short-term tax liabilities		638,501.42	1,884,426.38
Short -term provisions	20	3,663,773.99	4,377,880.98
Accrued liabilities and deferred income	21	30,208,015.64	37,915,395.15
Total short-term liabilities		**277,227,023.60**	**286,098,210.63**
Total liabilities		**432,041,201.54**	**452,975,780.78**
Total equity and liabilities		**923,923,143.82**	**586,386,493.49**

III. CONSOLIDATED INCOME STATEMENTS

	Note	Period of twelve months ended on 31 December 2006	2005
Sales revenues	**28**	**729,816,267.55**	**537,165,772.66**
Cost of sales	**29**	496,870,869.09	407,673,964.64
Gross profit on sales		**232,945,398.46**	**129,491,808.02**
Selling costs	**29**	21,669,004.60	21,570,600.20
General administrative expenses	**29**	41,291,638.68	31,904,331.11
Other operating income	**31**	5,730,671.97	3,780,142.99
Other operating expenses	**32**	10,757,377.76	8,289,384.52
Operating profit		**164,958,049.39**	**71,507,635.18**
Financial income	**33**	7,152,224.62	3,801,320.14
Financial costs	**34**	4,337,407.39	10,646,880.22
Profit before tax		**167,772,866.62**	**64,662,075.10**
Income tax expense	**25**	32,574,210.15	12,511,959.45
Profit after tax		**135,198,656.47**	**52,150,115.65**
Earnings per share:			
Basic	**24**	6.06	2.39
Diluted	**24**	6.06	2.39

IV. CONSOLIDATED CASH FLOW STATEMENTS

	Period of twelve months ended on 31 December 2006	2005
Cash flow from operating activities		
Profit before taxation	**167,772,866.62**	**64,662,075.10**
Adjustments:		
Depreciation	1,566,649.57	1,751,443.40
Profit/loss on foreign exchange differences	229,440.78	(1,205,466.12)
Profit/loss on investments	1,310,364.37	1,160,089.52
Interest paid and accrued	13,032,456.18	11,813,439.92
Options valuation	1,505,790.64	-
Changes in the operating capital		
Changes in provisions	(714,106.82)	3,595,681.54
Changes in inventory	(193,011,707.37)	(88,759,213.15)
Changes in receivables	(25,267,482.60)	(49,186,199.64)
Changes in short term liabilities excluding loans and borrowings	6,434,859.01	64,090,381.74
Changes in provisions and prepayments	21,211,286.41	(20,953,078.25)
Other adjustments	(720,729.76)	975,711.27
Cash flow generated from operating activities	**(6,650,312.97)**	**(12,055,134.67)**
Interest paid	(17,750,619.69)	(20,250,070.02)
Income tax paid	(5,900,234.61)	(3,066,647.00)
Net cash flow from operating activities	**(30,301,167.27)**	**(35,371,851.69)**
Cash flow from investing activities		
Proceeds from the sale of financial assets	-	9,999,972.80
Proceeds from the sale of intangible assets and tangible fixed assets	562,699.92	97,662.80
Acquisition of intangible and tangible fixed assets	(1,982,248.95)	(2,189,677.19)
Acquisition of financial assets	(337,575.00)	(870,500.00)
Net cash flow from investing activities	**(1,757,124.03)**	**(7,037,458.41)**
Cash flows from financing activities		
Proceeds from the issue of shares	220,528,838.35	-
Proceeds from contracted loans and borrowings	46,302,580.00	127,622,795.32
Proceeds from issued bonds	30,000,000.00	-
Repayment of loans and borrowings	(110,968,322.11)	(104,088,320.74)
Payment of financial leasing liabilities	(107,148.39)	(47,614.09)
Net cash flow from financing activities	**185,755,947.85**	**23,486,860.49**
Increase (decrease) in net cash and cash equivalents	**153,697,656.55**	**(4,847,532.79)**
Cash and cash equivalents – opening balance	**73,837,309.98**	**78,684,842.77**
Cash and cash equivalents – closing balance	**227,534,966.53**	**73,837,309.98**

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	Capital from hedging transactions	Accumulated unappropriated profit (loss)	Total equity
Balance as at 1 January 2005	**21,854,340.00**	**10,749,168.71**	**44,366,689.49**	**-**	**-**	**(4,664,586.00)**	**4,219,748.70**	**76,525,360.90**
Purchase and sale of treasury shares		70,650.16	-	-	-	-	-	**70,650.16**
Net loss on a cash flow hedging transaction carried forward to the initial value of the secured asset	-	-	-	-	-	5,758,748.00	-	**5,758,748.00**
Deferred tax concerning the loss on a cash flow hedging transaction carried forward to the initial value of the secured asset	-	-	-	-	-	(1,094,162.00)	-	**(1,094,162.00)**
Transfer of retained profit to supplementary capital	-	-	9,036,563.95	-	-	-	(9,036,563.95)	**-**
Profit for the year ended 31 December 2005	-	-	-	-	-	-	52,150,115.65	**52,150,115.65**
Balance as at 31 December 2005	**21,854,340.00**	**10,819,818.87**	**53,403,253.44**	**-**	**-**	**-**	**47,333,300.40**	**133,410,712.71**
Purchase and sale of treasury shares	-	(71,570.89)	-	-	-	-	-	(71,570.89)
Reduction of the share capital	(509,850.00)	-	-	509,850.00	-	-	-	**-**
Increase of the capital by the issue of shares	2,705,882.00	227,294,088.00	-	-	-	-	-	**229,999,970.00**
Net costs of the issue of shares	-	(7,671,616.65)	-	-	-	-	-	**(7,671,616.65)**
Creation of reserve capital from the valuation of the employee options	-	-	-	-	1,505,790.64	-	-	**1,505,790.64**
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 12 months ended on 31 December 2006	-	-	-	-	-	-	135,198,656.47	**135,198,656.47**
Balance as at 31 December 2006	**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**

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 2005	128,715.87	1,182,677.31	1,311,393.18
Additions	404,898.00	54,984.08	459,882.08
(Disposals)	-	-	-
Balance as at 31 December 2005	**533,613.87**	**1,237,661.39**	**1,771,275.26**
Additions	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**
DEPRECIATION			
Balance as at 1 January 2005	105,774.13	1,067,352.23	1,173,126.36
Additions	106,258.71	97,850.17	204,108.88
Balance as at 31 December 2005	**212,032.84**	**1,165,202.40**	**1,377,235.24**
Additions	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**
BALANCE SHEET VALUE			
as at 31 December 2005	**321,581.03**	**72,458.99**	**394,040.02**
as at 31 December 2006	**627,992.96**	**102,176.91**	**730,169.87**

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 31 December 2006.

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	31.12.2006	31.12.2005
a) tangible fixed assets, including:	**5,534,553.46**	**7,265,349.21**
- land (including perpetual usufruct)	1,470,385.40	1,660,391.02
- buildings and constructions	109,522.34	2,022,606.92
- plant and equipment	713,207.83	667,580.67
- vehicles	2,198,823.23	1,829,730.86
- other tangible fixed assets	1,042,614.66	1,085,039.74
Total tangible fixed assets	**5,534,553.46**	**7,265,349.21**

	Land and buildings	Vehicles	Machinery and other tangible fixed assets	Total
GROSS VALUE				
Balance as at 1 January 2005	4,202,345.47	2,649,357.64	4,940,571.22	11,792,274.33
Additions	-	777,677.43	1,001,767.14	1,779,444.57
(Disposals)	(246,334.32)	(201,287.31)	(2,145,775.49)	(2,593,397.12)
Balance as at 31 December 2005	**3,956,011.15**	**3,225,747.76**	**3,796,562.87**	**10,978,321.78**
Additions	-	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**
Including: Stated at purchase cost				
ACCUMULATED DEPRECIATION				
Balance as at 1 January 2005	191,152.01	1,034,756.50	2,397,021.33	3,622,929.84
Additions	94,160.74	550,564.92	902,608.87	1,547,334.53
(Disposals)	(12,299.54)	(189,304.52)	(1,255,687.74)	(1,457,291.80)
Balance as at 31 December 2005	**273,013.21**	**1,396,016.90**	**2,043,942.46**	**3,712,972.57**
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**
BALANCE SHEET VALUE				
as at 31 December 2005	**3,682,997.94**	**1,829,730.86**	**1,752,620.41**	**7,265,349.21**
as at 31 December 2006	**1,579,907.74**	**2,198,823.23**	**1,755,822.49**	**5,534,553.46**

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 properly accounted for in disposals in the table above. As at 31 December 2005 the value of write-offs revaluating tangible fixed assets amounted to PLN 0.

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.

	31.12.2006	31.12.2005
Buildings (individual commercial space)	78,890.08	654,346.87
Constructions	30,632.26	1,368,260.05
Total net tangible fixed assets produced on the Group's own account	**109,522.34**	**2,022,606.92**

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)	**31.12.2006**	**31.12.2005**
owned	3,181,393.42	5,601,067.83
used on the basis of rent, tenancy or similar agreements, including lease agreements, in this:	2,353,160.04	1,664,281.38
- leasing	2,353,160.04	1,664,281.38
Total balance sheet fixed assets	**5,534,553.46**	**7,265,349.21**

OFF-BALANCE SHEET TANGIBLE FIXED ASSETS	**31.12.2006**	**31.12.2005**
used on the basis of rent, tenancy or similar agreements, including lease agreements, in this:	232,500.00	607,442.62
- value of assets under operating lease	232,500.00	607,442.62

Note 3. Assets available for sale

	31.12.2006	**31.12.2005**
Gross assets available for sale	1,660,391.02	1,660,391.02
Write-off revaluating assets available for sale	(190,005.62)	-
Net assets available for sale	**1,470,385.40**	**1,660,391.02**

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	**31.12.2006**	**31.12.2005**
Gross fixed assets	3,597,633.45	2,395,897.81
Depreciation	(1,244,473.41)	(731,616.43)
Balance sheet value of tangible fixed assets	**2,353,160.04**	**1,664,281.38**
Leased assets as a % of total fixed assets	42.52%	22.91%
Leasing liabilities	**1,277,076.17**	**1,009,448.22**
Depreciation of leased assets recognised as operating costs	581,805.95	406,939.22
Interest on lease agreements recognised as financial costs	99,157.53	88,736.70

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

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

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

Note 5. Investments in associated entities and jointly controlled entities

The Group holds 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 31 December 2006 and PLN 23,580.00 as at 31 December 2005. Due to accounting losses, these shares were revalued to PLN 0 as at 31 December 2006 and 2005.

The Group holds 49.26% of the share capital and has a 0% participation in the management of Towarzystwo Ubezpieczeń Wzajemnych „Bezpieczny Dom". 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 the company, the shares were revalued to PLN 825,924.00 as at 31 December 2006 and PLN 559,044.00 at the end of 2005.

Information about associated entities

Dom Development Grunty sp. z o.o.		
Balance sheet date	**31.12.2006**	**31.12.2005**
Financial data:		
Current assets	33,458,895.99	25,130,470.10
Fixed assets	6,000.00	-
Equity	(125,044.07)	(116,976.13)
Short-term liabilities	33,589,940.06	25,247,446.23
Long-term liabilities	-	-
Operating revenues	23,190,982.61	3,188,615.04
Net profit/(loss)	(8,067.94)	(106,023.27)
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" (a)		
Balance sheet date	**31.12.2006**	**31.12.2005**
Financial data:		
Total assets	3,903,516.99	2,055,218.52
Equity	1,869,797.79	1,316,947.00
Net profit (loss)	167,250.79	(683,053.00)
Shares in the nominal value	1,049,000.00	849,000.00
% stake (b)	51.68%	42.45%

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

Information about jointly controlled entity

Fort Mokotów sp. z o.o. (b, c)		
Balance sheet date	**31.12.2006**	**31.12.2005**
Financial data:		
Current assets	146,777,307.54	232,726,910.42
Fixed assets	333,695.20	358,720.83
Equity	95,664,945.11	114,875,183.55
Short-term liabilities	17,467,605.77	73,478,458.74
Long-term liabilities	1,244,778.97	7,280,020.50
Operating revenues	314,098,205.25	368,100,917.86
Operating costs	230,734,286.31	306,273,738.56
Net profit/(loss)	69,863,183.91	51,327,757.37
% 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- -31.12.2006	**01.01- -31.12.2005**
Revaluation of the shares of associated entities	84,434.08	(289,376.00)

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 31 December 2006 and 2005 the Group lists long-term receivables relating to deposits in the amount of PLN 1,517,905.36 as at 31 December 2006 and PLN 927,730.36 as at 31 December 2005. All these receivables are denominated in PLN.

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

Note 7. Inventory

INVENTORY	**31.12.2006**	**31.12.2005**
Advances for deliveries	104,632,284.25	39,512,422.95
in this at purchase prices/production costs	104,632,284.25	39,847,436.09
in this revaluation write down	-	(335,013.14)
Semi-finished goods and work in progress	477,574,316.97	327,894,732.71
in this at purchase prices/production costs	481,187,549.05	329,251,026.39
in this revaluation write down	(3,613,232.08)	(1,356,293.68)
Finished goods	12,657,912.23	29,243,072.20
in this at purchase prices/production costs	13,808,292.07	30,888,214.62
in this revaluation write down	(1,150,379.84)	(1,645,142.42)
Total	**594,864,513.45**	**396,650,227.86**

Under the value of advances for deliveries as at 31 December 2005 the funds for the purchase of land were disclosed which the Company passed to the associated entity Dom Development Grunty sp. z o.o. (in the amount of PLN 24,559,068.00), which in the previously published financial statements were presented in the item „Trade and other receivables – receivables from related entities".

WRITE-OFFS REVALUATING THE INVENTORY	
Balance as at 1 January 2005	3,345,888.12
Increase	829,687.14
Use	-
Release	839,126.02
Balance as at 31 December 2005	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	**31.12.2006**	**31.12.2005**
Balance sheet value of inventory used to secure liabilities **(a)**	203,611,779.32	157,851,455.19
Amount of security – purchase of real estate **(a)**	60,000,000.00	60,000,000.00
Amount of security – loans **(a)**	229,571,730.78	194,951,347.10
Amount of security - bonds **(a)**	160,000,000.00	100,000,000.00
Balance sheet value of inventory used to secure liabilities **(b)**	-	120,034,460.60
Amount of security - loans **(b)**	-	32,092,798.89

(a) relates to the Company

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

Preparatory work

If there is no certainty as to the ability to purchase land for a potential project, the costs of preparatory work associated with the project are expensed to the consolidated income statement of the Group during the 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--31.12.2006	01.01--31.12.2005
Preparatory work	692,591.19	490,119.01

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	31.12.2006	31.12.2005
Planned revenues relating to current contracts	1,226,525,000.00	1,107,066,490.00
Planned costs related to current contracts	745,557,462.78	800,736,438.04
Planned margin related to current contracts	480,967,537.22	306,330,051.96
Cumulative revenues recognised in income statement	326,946,250.18	456,413,526.04
Cumulative costs recognised in income statement	202,882,430.13	355,526,824.99
Cumulative margin recognised in income statement	124,063,820.05	100,886,701.05
Remaining margin to be recognised in future periods	356,903,717.17	205,443,350.91
Percentage of remaining margin to be recognised in future periods	74.21%	67.07%

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.

	31.12.2006	31.12.2005
Withheld guarantee deposits	24,229,227.62	18,024,117.55

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 43,422,831.66 as at 31 December 2005.

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

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

AGING STRUCTURE OF TRADE RECEIVABLES	31.12.2006	31.12.2005
up to 3 months	19,429,489.08	13,322,800.48
from 3 to 6 months	1,694,816.84	2,500.55
from 6 months to 1 year	2,050,847.96	736,335.55
Above 1 year	1,848,617.53	2,678,566.68
Gross trade receivables	**25,023,771.41**	**16,740,203.26**
Write-offs revaluating the receivables	(1,068,749.65)	(1,705,188.76)
Net trade receivables	**23,955,021.76**	**15,035,014.50**

TRADE AND OTHER RECEIVABLES	31.12.2006	31.12.2005
Trade receivables	23.955.021,76	15.035.014,50
Receivables from the related entities	29.360,46	0,00
Tax receivables	36.807.175,53	27.613.912,75
Other receivables	16.413,82	773.904,41
Total	**60.807.971,57**	**43.422.831,66**

CHANGE IN THE WRITE-OFFS REVALUATING TRADE AND OTHER RECEIVABLES	01.01- -31.12.2006	01.01- -31.12.2005
Opening balance	6,356,997.76	5,744,052.21
a) Additions	300,000.00	1,609,387.25
b) Disposals	762,294.11	996,441.70
Closing balance	**5,894,703.65**	**6,356,997.76**

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 at bank and cash on hand consist of cash held by the Company and short-term bank deposits which will mature within 3 months. The book value of these assets corresponds to their fair value.

CASH AND CASH EQUIVALENTS	31.12.2006	31.12.2005
Cash on hand and at bank	10,302,819.25	46,370,088.56
Short-term deposits and treasury bills	216,934,184.07	27,224,290.73
Other	297,963.21	242,930.69
Total	**227,534,966.53**	**73,837,309.98**

Note 10. Financial assets and liabilities

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

Credit risk

Cash at bank, cash on hand, trade receivables, other receivables and investments are the Group's main financial assets, and represent its highest exposure to credit risk in relation to financial assets.

The Group’s credit risk is mostly related to trade receivables. The amounts presented in the balance sheet are net amounts and include write-offs revaluating bad debts valued by the Group’s Management on the basis of previous experiences and analysis of the current economic environment.

Credit risk relating to liquid funds and derivative financial instruments is limited since the transactions were concluded with reputable banks, which have been awarded with good credit ratings by international rating agencies.

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

Note 11. Other current assets

	31.12.2006	31.12.2005
OTHER CURRENT ASSETS ...	**23,669,995.65**	**52,321,962.76**
Including:		
Future receivables from completed developments ...	21,444,241.58	50,528,075.54
Deferred costs ...	2,225,754.07	1,793,887.22

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

Note 12. Share capital

SHARE CAPITAL (STRUCTURE) AS AT 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
F	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								

SHARE CAPITAL (STRUCTURE) AS AT 31 DECEMBER 2005

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

The public issue of the Company's shares at the Warsaw Stock Exchange („GPW")

By means of public sale of A series shares of Dom Development S.A., Dom Development B.V. offered 2,231,904 shares for sale. Dom Development S.A. by means of the public subscription of F series shares offered 2,705,882 shares for sale.

In the period from 17 to 20 October 2006 a public subscription for the Company's shares and pre-emptive right to acquire shares took place.

As at 22 October all of the above-mentioned shares and pre-emptive right to acquire shares were subscribed and paid by the investors.

On 24 October 2006 the shares and pre-emptive right to acquire shares of Dom Development S.A. were introduced to trading at the main market of GPW.

Description of changes in the share capital of the Company in the period from 1 January 2006 to the date of preparing the financial statements.

- As at 31 December 2006 the share capital of the Company amounted to PLN 24,050,372;
- On 2 August 2006 the Extraordinary General Shareholders' Meeting of the Company adopted:
  - Resolution no. 1 on redemption of a part of the shares – 417,150 E series registered shares, 92,700 G series registered shares – in total 509,850 shares,
  - Resolution no. 2 on reducing the share capital – to the amount of PLN 21,344,490,
  - Resolution no. 5 on increasing the share capital by PLN 509,850 by issuing 172,200 H series ordinary, registered shares, 92,700 I series ordinary registered shares, 96,750 J series ordinary registered shares, 148,200 L series ordinary registered shares;
- On 9 August 2006, the Extraordinary General Shareholders' Meeting adopted Resolution no. 1 concerning the merger of: 1,800,000 A series registered shares, 2,250,000 B series registered shares, 8,550,000 C series registered shares, 2,468,961 D series registered shares, 6,194,529 F series registered shares, 81,000 G series registered shares into one A series and the conversion of the registered shares into bearer shares;
- On 5 September 2006 – the District Court for the City of Warsaw, 12th Commercial Division of the National Court Register issued the ruling concerning the registration of a decrease in the share capital to the amount of PLN 21,344,490, redemption of 417,150 E series registered shares and 92,700 G series registered shares (as described above) and the registration of the merger of the shares into one A series;

The increase of the share capital within the target capital:

- On 5 September 2006, the Management Board adopted Resolution no. 02/09/06 concerning the increase in the share capital by means of issuing F series shares within the target capital from the amount of PLN 21,344,490 to the amount which does not exceed PLN 24,844,490;
- On 6 September 2006, the Management Board amended the above-mentioned Resolution no. 02/09/06 concerning the increase in the share capital by means of issuing F series shares within the target capital by adopting Resolution no. 03/09/06 and stated that the increase in the share capital will be effected to the amount which does not exceed PLN 24,617,490;
- Finally, on 16 October 2006, the Management Board adopted Resolution no. 02/10/06 concerning the amendment of Resolution no. 02/09/06, dated 5 September 2006, which was amended by Resolution no. 03/09/06, dated 6 September 2006. Pursuant to this Resolution, the share capital will be increased from the amount of PLN 21,344,490 to the amount of PLN 24,050,372 i.e. by the amount of PLN 2,705,882;
- On 31 October 2006 the District Court for the capital city of Warsaw, 12th Commercial Division of the National Court Register issued the ruling concerning the registration of the increase in the share capital up to the amount of PLN 24,050,372, by issuing 2,705,882 F series ordinary bearer shares;
- 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;

Share purchase agreement:

- On 20 January 2006 an agreement concerning the sale of 72,000 E series ordinary registered shares with Janusz Stolarczyk was signed (exercise of the options allocated as part of the Incentive Scheme I described in note 37),
- On 23 February 2006 an agreement concerning the sale of 36,000 F series ordinary registered shares with Terry Roydon,

- On 15 March 2006 an agreement concerning the sale of 77,700 E series ordinary registered shares with Janusz Zalewski (exercise of the options allocated as part of the Incentive Scheme I described in note 37),
- On 28 June 2006 an agreement concerning the sale of 22,500 E series ordinary registered shares with Terry Roydon (exercise of the options allocated as part of the Incentive Scheme I described in note 37),
- On 2 August 2006 Dom Development S.A. concluded share purchase agreements (for the purpose of redemption for a fee) with:
    - Mr. Janusz Zalewski – related to the purchase of 77,700 of E series ordinary registered shares and 92,700 of G series ordinary registered shares,
    - Mr. Janusz Stolarczyk – related to the purchase of 72,000 of E series ordinary registered shares,
    - Mr. Terry Roydon - related to the purchase of 22,500 of E series ordinary registered shares,
- On 10 August 2006 agreements on taking up shares in the increased share capital of Dom Development S.A. were concluded with:
    - Mr. Terry Roydon – concerning taking up 22,500 H series ordinary bearer shares,
    - Mr. Janusz Zalewski – concerning taking up 77,700 H series ordinary bearer shares, 92,700 I series ordinary bearer shares, 74,100 L series ordinary bearer shares (exercise of the options allocated as part of the Incentive Scheme I described in note 37),
    - Mr. Janusz Stolarczyk – concerning taking up 72,000 H series ordinary bearer shares,
- On 26 October 2006 an agreement concerning taking up of 74,100 L series ordinary bearer shares in the increased share capital of Dom Development S.A. was signed,
- 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).

Note 13. 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	**31.12.2006**	**31.12.2005**
Surplus from the sale of shares above their nominal value and treasury shares as at 1 January	10,819,818.87	10,749,168.71
Decrease/increase on account of purchase/sale of treasury shares	(71,570.89)	70,650.16
Increase on account of public issue of new F series shares	219,622,471.35	-
Surplus on the sale of shares above their nominal value and treasury shares as at 31 December	**230,370,719.33**	**10,819,818.87**

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. 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.

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)	(307,427.870)	
	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 37.

TABLE OF CHANGES OF TREASURY SHARES in the period 01.01.2005-31.12.2005					
	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).
	G	92,700	92,700.00	263,339.75	
as at 01.01.2005	**Total**	**509,850**	**509,850.00**	**1,913,835.72**	
Additions	F	36,000	36,000.00	149,760.00	Acquired from former management team member
Disposals	G	(46,350)	(46,350.00)	(131,669.88)	Sale of the shares to Members of the Management Board and the Supervisory Board (exercised share options)
	G	(46,350)	(46,350.00)	(131,669.87)	
as at 31.12.2005	**Total**	**453,150**	**453,150.00**	**1,800,255.97**	

* Management Share Options Programme is described in note 37.

Note 14. Information on additional equity

As at 31 December 2006 and 31 December 2005 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 15. Loans and borrowings [1]

LOANS AND BORROWINGS	**31.12.2006**	**31.12.2005**
including: long-term	22,200,000.00	78,332,948.91
short-term	98,915,383.99	107,035,211.89
Total	**121,115,383.99**	**185,368,160.80**

LOANS DUE WITHIN	**31.12.2006**	**31.12.2005**
1 year	98,915,383.99	103,277,957.77
More than 1 year less then 2 years	22,200,000.00	67,450,600.00
More than 2 years less then 5 years	-	3,528,000.00
More than 5 years	-	-
Total loans	**121,115,383.99**	**174,256,557.77**
including: long-term	22,200,000.00	70,978,600.00
short-term	98,915,383.99	103,277,957.77

BORROWINGS DUE WITHIN	**31.12.2006**	**31.12.2005**
1 year	-	3,757,254.12
More than 1 year less then 2 years	-	3,677,174.45
More than 2 years less then 5 years	-	3,677,174.46
More than 5 years	-	-
Total borrowings	**-**	**11,111,603.03**
including: long-term	-	7,354,348.91
short-term	-	3,757,254.12

CURRENCY STRUCTURE OF LOANS AND BORROWINGS AS PER RELEVANT AGREEMENTS				
	31.12.2006		**31.12.2005**	
Currency	**Bank loans / as per agreement**	**Borrowing / as per agreement**	**Bank loans / as per agreement**	**Borrowing / as per agreement**
PLN	218, 590, 600.00	-	289,964,900.00	-
EUR	-	-	30,000,000.00	-
USD	-	-	-	5,733,554.00

The balances shown in the above table are based on the relevant loan and borrowings agreements and do not show the outstanding liabilities related to these contracts. As at 31 December 2006 the amount of loans granted in PLN and disclosed above in the amount of PLN 218,590,600.00 was available to the holding entity. Other entities do not have loans and borrowings.

[1] Borrowings are the shareholders' borrowings

LIABILITIES ON ACCOUNT OF LOANS as at 31.12.2006							
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		
BOŚ S.A.	Warsaw	23,350	PLN	3,834	PLN	WIBOR 1M+ Bank's margin*	31.12.2006
BOŚ S.A.	Warsaw	2,000	PLN	-	PLN	WIBOR 1M+ Bank's margin*	31.12.2007
PKO BP	Warsaw	10,080	PLN	3,528	PLN	WIBOR 1M+ Bank's margin*	01.07.2007
PKO BP	Warsaw	11,380	PLN	11,380	PLN	WIBOR 1M+ Bank's margin*	01.10.2007
BOŚ S.A.	Warsaw	35,000	PLN	34,489	PLN	WIBOR 1M+ Bank's margin*	31.12.2007
PKO BP S.A.	Warsaw	18,950	PLN	14,350	PLN	WIBOR 1M+ Bank's margin*	01.12.2007
PeKao SA	Warsaw	18,875	PLN	18,875	PLN	WIBOR 1M+ Bank's margin*	30.11.2007
PeKao SA	Warsaw	18,956	PLN	18,956	PLN	WIBOR 1M+ Bank's margin*	29.02.2008
PKO BP S.A.	Warsaw	40,000	PLN	-	PLN	WIBOR 1M+ Bank's margin*	15.03.2007
BOŚ S.A.	Warsaw	40,000	PLN	15,703	PLN	WIBOR 1M+ Bank's margin*	30.09.2008
Total		**218,591**		**121,115**			

*) Not disclosed due to commercial reasons.

Borrowings from the Shareholders

As at 31 December 2006 the Group did not have any borrowings from the shareholders.

All borrowings whose balances as at 31 December 2005 are listed in the following table, were paid off in 2006.

LIABILITIES ON ACCOUNT OF BORROWINGS as at 31.12.2005							
Lender	**Registered office**	**Amount of borrowing – as per agreement**		**Outstanding loan amount (less accrued interest)**		**Interest rate**	**Due date**
		in thousand	currency	in thousand	currency		
Dom Development B.V. ...	Holland	4,702	USD	2,351	USD	LIBOR 12M + 5.5%	31.10.2008
Dom Development B.V. ...	Holland	1,032	USD	1,032	USD	LIBOR 12M + 5.5%	31.10.2008

Interest rate risk

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

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

Note 16. Liability and assets for a deferred income tax

LIABILITY AND ASSET FOR A DEFERRED INCOME TAX – effect on consolidated balance sheet		
	31.12.2006	**31.12.2005**
Deferred income tax liability		
Foreign exchange differences and valuation of SWAP contracts	37,933.00	560,718.00
Interest	52,537.63	84,216.06
Profit on the settlement of contracts and Fort Mokotów housing estates calculated by means of the percentage of completion method	23,572,126.00	17,606,749.13
Result on the sale of facilities – without transfer agreements	27,628,151.62	12,702,121.00
Provision for sales revenues	541,587.00	3,666,576.00
Other	171,901.00	357,031.00
Total deferred income tax liability	**52,004,236.25**	**34,977,411.19**
Accounted for in the financial result	52,004,236.25	34,977,411.19
Accounted for in equity	-	-
Deferred income tax assets		
Provision for the housing estates costs	1,090,229.00	1,312,199.00
Costs of the finished goods sold	-	322,163.00
Inventory revaluation	878,702.00	570,273.00
Revaluation of the fixed assets	36,101.00	-
Write-offs revaluating the receivables	850,731.92	642,032.00
Provision for employee benefits	791,090.00	486,953.00
Provision for costs	1,450,098.00	563,041.00
Tax loss for settlement by DD S.A.	-	1,654,538.00
Tax loss for the years 2002-2004 for settlement by Fort Mokotów	1,545,032.67	3,090,066.18
Provision for disputable cases	-	430,663.00
Other provisions (Fort Mokotów)	61,579.55	143,554.75
Consolidation exclusions	770,173.00	494,940.00
Foreign exchange differences and forward contracts valuation	-	-
Other	43,528.00	161,825.00
Total deferred income tax assets	**7,517,265.14**	**9,872,247.93**
Accounted for in the financial result	7,517,265.14	9,872,247.93
Accounted for in equity	-	-

DEFERRED TAX – effect on consolidated income statement	**01.01--31.12.2006**	**01.01--31.12.2005**
Deferred income tax liability		
Foreign exchange differences and valuation of SWAP contracts	(522,785.00)	(905,134.00)
Interest	(31,678.43)	30,981.06
Profit on the settlement of contracts and Fort Mokotów housing estates calculated using the percentage of completion method	5,965,376.87	12,966,747.55
Result on the sale of facilities – without transfer agreements	14,926,030.62	-
Provision for sales revenues	(3,124,989.00)	1,079,929.00
Other	(185,130.00)	215,792.00
Total deferred income tax liability	**17,026,825.06**	**13,388,315.61**
Deferred income tax assets		
Provision for the housing estates costs	(221,970.00)	(2,438,653.00)
Costs of the finished goods sold	(322,163.00)	322,163.00
Inventory revaluation	308,429.00	(65,444.00)
Revaluation of the fixed assets	36,101.00	-
Write-offs revaluating the receivables	208,699.92	299,937.00
Provision for employee benefits	304,137.00	206,195.00
Provision for costs	887,057.00	444,124.00
Tax loss for settlement by DD S.A.	(1,654,538.00)	-
Tax loss for the years 2002-2004 for settlement by Fort Mokotów	(1,545,033.51)	1,431,615.63
Provision for disputable cases	(430,663.00)	430,663.00
Other provisions (Fort Mokotów)	(81,975.20)	102,823.53
Consolidation exclusions	275,233.00	494,940.00
Costs of the issue	(1,799,515.00)	-
Other	(118,297.00)	(3,835.00)
Total deferred income tax assets	**(4,154,497.79)**	**1,224,529.16**
Net provision/asset for a deferred income tax – effect on the income statement	**21,181,322.85**	**12,163,786.45**

Note 17. Bonds

BONDS	**31.12.2006**	**31.12.2005**
Nominal value of the issued bonds	**80,000,000.00**	**50,000,000.00**
Interest on bonds as at 31 December:		
Accumulated interest charged	10,712,126.55	6,189,890.40
Accumulated interest paid	9,117,988.50	4,636,445.00
Interest due for payment as at balance sheet date disclosed in the item „Accrued liabilities and deferred income”	**1,594,138.05**	**1,553,445.40**

As at 31 December 2006 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.

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

Year	interest bearing debt /equity	EBITDA / cost of debt
2005	<=1.2*	>=2.0
2006	<=2.0**	>=1.8**
2007	<=2.0**	>=5.0**

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

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

- On 19 June 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 the complete redemption of bonds in order to maintain in the six-month periods, ending on each 30 June and 31 December, for the period of last 12 months the following ratios:

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

The agreement contains, among others, the following obligations of the Issuer: the Issuer shall not, without first obtaining a written consent of the agent, enter into another agreement concerning the programme of the issue of bonds or other debt securities and disclose to the public the information on activities aiming at the issue of bonds or other debt securities The Issuer shall not take on any other financial obligations of a credit or guarantee nature without the agent's consent, excluding the allowed financial debt specified in the agreement. The Issuer shall not make, by means of civil law transactions, any 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.

Note 18. Trade payables and other liabilities

TRADE PAYABLES AND OTHER LIABILITIES	31.12.2006	31.12.2005
Trade liabilities	140,804,597.54	132,302,970.63
Financial liabilities	11,277.61	1,722,000.00
Earmarked funds	130,403.02	50,697.47
Other liabilities	2,855,070.39	809,628.13
Total	**143,801,348.56**	**134,885,296.23**

Note 19. Short-term tax liabilities

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

Note 20. Short-term provisions

SHORT-TERM PROVISIONS	31.12.2006	31.12.2005
Opening balance	**4,377,880.98**	**782,199.44**
Provisions created in the financial year	3,663,773.99	3,957,880.98
Use of provisions in the financial year	4,377,880.98	362,199.44
Closing balance	**3,663,773.99**	**4,377,880.98**

Note 21. Accrued liabilities and deferred income

SHORT-TERM ACCRUED LIABILITIES AND DEFERRED INCOME	31.12.2006	31.12.2005
Accruals, in this:	**30,208,015.64**	**37,915,395.15**
Provision for uninvoiced costs of work in progress	5,808,928.07	17,746,311.64
Provision for uninvoiced services	176,531.85	-
Provision for the costs of housing estates given over for use	9,850,241.28	8,191,237.03
Provision for employee benefits	4,200,948.84	2,883,785.47
Provision for the costs of property management	6,348,543.49	2,321,246.00
Provision for the costs of interest on loans and bonds	2,185,032.64	2,149,333.66
Provision for foreign exchange difference from the valuation of forward contracts	-	2,933,181.00
Provision for settlements and arrangements with clients	-	434,679.00
Provision for the operating costs	-	881,018.39
Other provisions	1,637,789.47	374,602.96
Deferred income, in this:	**-**	**-**
Deferred income	-	-
Other	-	-
Total	**30,208,015.64**	**37,915,395.15**

Note 22. Financial instruments

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

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

As at 31 December 2005 the Group had three foreign currency SWAP contracts designated for securing future liabilities on account of the received loans and borrowings. On the basis of these agreements on 31 March 2006 the Group was obligated to purchase USD 3,250,000.00 at the exchange rate of PLN/USD 3.2078, EUR 6,000,000.00 at the exchange rate of PLN/EUR 4.2147 and EUR 7,000,000.00 at the exchange rate of PLN/EUR 4.2144.

Note 23. Benefits after employment

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

Note 24. Earnings per share

CALCULATION OF BASIC AND DILUTED EARNINGS PER SHARE	01.01- -31.12.2006	01.01- -31.12.2005
Basic earnings per share		
Profit for the calculation of the basic earnings per share	135,198,656.47	52,150,115.65
The average weighted number of common shares of the Company for the calculation of the basic earnings per share *)	22,313,969	21,854,340
Basic earnings per share	6.06	2.39
Diluted earnings per share		
Profit for the calculation of diluted earnings per share	135,198,656.47	52,150,115.65
The average weighted number of common shares of the Company for the calculation of the basic earnings per share *)	22,313,969	21,854,340
Diluted earnings per share	6.06	2.39

*) 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.

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

Note 25. Income tax

INCOME TAX	01.01- -31.12.2006	01.01- -31.12.2005
Current income tax	11,392,887.30	348,173.00
Deferred income tax	21,181,322.85	12,163,786.45
Total	**32,574,210.15**	**12,511,959.45**

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- -31.12.2006	01.01- -31.12.2005
Gross profit before taxation	167,772,866.62	64,662,075.10
Income tax rate of 19%	31,876,844.66	12,285,794.27
Permanent differences not subject to the current and deferred tax in the consolidated financial statements	697,365.49	226,165.18
Other	-	-
Actual income tax expense	**32,574,210.15**	**12,511,959.45**
Effective tax rate	**19.42%**	**19.35%**

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 replaced 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 26. Key assumptions and estimate bases

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

Note 27. Segment reporting

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

Note 28. Operating income

SALES REVENUES BY KIND	01.01- -31.12.2006	01.01- -31.12.2005
Sales of finished goods	701,348,364.56	512,958,854.81
Sales of services	25,748,830.88	24,206,917.85
Sales of goods for resale (land)	2,719,072.11	-
Total	**729,816,267.55**	**537,165,772.66**

Note 29. Operating costs

OPERATING COSTS	01.01- -31.12.2006	01.01- -31.12.2005
Cost of sales		
Cost of finished goods sold	473,475,977.96	391,462,809.93
Cost of services sold	19,429,733.86	16,211,154.71
Cost of land sold	3,965,157.27	-
Total cost of sales	**496,870,869.09**	**407,673,964.64**
Selling costs and general administrative expenses		
Selling costs	21,669,004.60	21,570,600.20
General administrative expenses	41,291,638.68	31,904,331.11
Total selling costs and general administrative expenses	**62,960,643.28**	**53,474,931.31**
Selling costs and general administrative expenses by kind		
Depreciation and amortization	1,566,649.57	1,751,443.40
Cost of materials and energy	4,520,164.33	4,145,830.79
External services	20,212,071.21	15,489,785.67
Taxes and charges	383,951.69	412,129.03
Wages and salaries	29,334,077.76	23,986,103.87
Social security and other benefits	3,297,691.85	2,792,273.11
Management Options Programme	1,505,790.64	-
Other costs by kind	2,140,246.23	4,897,365.45
Total selling costs and general administrative expenses by kind	**62,960,643.28**	**53,474,931.31**

Note 30. Payroll costs

AVERAGE MONTHLY EMPLOYMENT (including management staff)	01.01--31.12.2006	01.01--31.12.2005
Individual personnel categories (number of staff)		
White-collar workers	161	159
Blue-collar workers	-	-
General remuneration elements (PLN):		
Wages and salaries	29,334,077.76	23,986,103.87
Social security and other benefits	3,297,691.85	2,792,273.11

Note 31. Other operating income

OTHER OPERATING INCOME	01.01--31.12.2006	01.01--31.12.2005
Revenues from contractual penalties, arrangements and compensations	881,112.60	2,611,437.17
Release of provisions for costs	1,610,293.49	587,635.32
Release of provisions for contractual penalties and arrangements with clients	240,000.00	88,360.07
Release of provisions for receivables	797,131.06	-
Revaluation of inventories	1,356,293.68	-
Other	845,841.14	492,710.43
Total	**5,730,671.97**	**3,780,142.99**

Note 32. Other operating expenses

OTHER OPERATING EXPENSES	01.01--31.12.2006	01.01--31.12.2005
Provision for penalties and arrangements with clients	2,555,851.80	702,610.09
Donations	221,523.09	216,130.00
Receivables written off	1,027,743.88	1,130,398.93
Provision for remuneration	218,015.00	885,280.90
Provision for disputes	784,576.86	3,846,896.87
Inventory write-off	3,118,469.50	416,253.01
Revaluation of fixed assets	1,455,053.97	760,705.03
Other	1,376,143.66	331,109.69
Total	**10,757,377.76**	**8,289,384.52**

Note 33. Financial income

FINANCIAL INCOME	01.01--31.12.2006	01.01--31.12.2005
Interest received	7,129,780.23	3,583,195.56
Other	22,444.39	218,124.58
Total	**7,152,224.62**	**3,801,320.14**

Note 34. Financial costs

FINANCIAL COSTS	01.01--31.12.2006	01.01--31.12.2005
Interest on loans	1,840,255.76	4,016,807.21
Interest from related entities	924,478.29	1,013,548.71
Other interest	7,960.51	31,877.07
Foreign exchange differences	229,440.78	3,514,114.78
Mortgage loans insurance	417,656.38	1,348,366.26
Other	917,615.67	722,166.19
Total	**4,337,407.39**	**10,646,880.22**

Note 35. Costs relating to interest

COSTS RELATING TO INTEREST	01.01--31.12.2006	01.01--31.12.2005
Financial costs (interest) capitalised under work in progress *	14,431,982.69	15,980,750.84
Value of financial costs (interest) accounted for in the income statement	2,764,734.05	5,030,355.92
Total value of the financial costs incurred on account of interest	**17,196,716.74**	**21,011,106.76**

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

Note 36. Transactions with related entities

In the twelve-month periods ended 31 December 2006 and 2005 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--31.12.2006	01.01--31.12.2005
Woodsford Consulting Limited	Consulting services as per agreement dated 1 February 2000	2,093,503.23	1,299,460.17
Hansom Property Company Limited	Consulting services as per agreement dated 31 March 1999	234,295.84	252,119.57
Towarzystwo Ubezpieczeń Wzajemnych Bezpieczny Dom”	Insurance of financial losses risk	1,031,296.22	385,642.93

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

Counterparty	Transaction description	01.01--31.12.2006	01.01--31.12.2005
Dom Development Grunty sp. z o.o.	Amounts transferred to Dom Development Grunty Sp. z o.o. for the purchase of land as part of specified work contracts	32,396,479.64	17,463,810.35
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	16,578,026.28
Dom Development Grunty sp. z o.o.	Additional VAT payments to the invoices transferring the ownership of land to Dom Development S.A.	4,924,799.57	701,495.31

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

Counterparty	Transaction description	01.01- -31.12.2006	01.01- -31.12.2005
Fort Mokotów sp. z o.o.	General Project Execution agreement dated 15 April 2002	3,110,384.90	5,640,017.00
Fort Mokotów sp. z o.o.	The sales commission agreement and agreement for provision of advertising and marketing services dated 15 April 2002	6,245,132.75	6,863,239.00
Fort Mokotów sp. z o.o.	Other	772,676.54	231,100.86

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

Counterparty	Transaction description	01.01- -31.12.2006	01.01- -31.12.2005
Dom Development Grunty sp. z o.o.	Purchase of shares in PTI Sp. z o.o.	24,000.00	-
Towarzystwo Ubezpieczeń Wzajemnych „Bezpieczny Dom"	Purchase of shares	-	800,000.00
Towarzystwo Ubezpieczeń Wzajemnych „Bezpieczny Dom"	Contribution for the coverage of losses from the previous years	175,000.00	-

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

Counterparty	Transaction description	01.01- -31.12.2006	01.01- -31.12.2005
Fort Mokotów sp. z o.o.	Dividend (gross)	14,245,976.95	-

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

Counterparty	Transaction description	01.01- -31.12.2006	01.01- -31.12.2005
Fort Mokotów sp. z o.o.	Return of the additional contribution to the capital	28,910,000.00	-
Dom Development Morskie Oko sp. z o.o.	Return of the additional contribution to the capital	16,500,000.00	-

Loan agreements

Information on shareholders' loan agreements is presented in note 15 entitled „Loans and borrowings".

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

Counterparty	Transaction description	01.01- -31.12.2006	01.01- -31.12.2005
Dom Development B.V.	Cost of interest on the shareholders' borrowings	874,251.29	988,256.66
Dom Development B.V.	Capital repaid from borrowings agreements	10,148,676.76	-

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	**31.12.2006**	**31.12.2005**	**31.12.2006**	**31.12.2005**
Total balance...	**35,269**	**72,475**	**264**	**11,222**
Balances below PLN 100,000	44	76	31	1
Balances over PLN 100,000................................	35,225	72,399	233	11,221
Subsidiaries	**1,147**	**17,659**		**-**
Dom Development Morskie Oko sp. z o.o. additional contributions to capital	1,147	17,659		-
Associated companies................................	**33,590**	**24,559**		**-**
Dom Development Grunty sp. z o.o.	33,590	24,559		-
Co-subsidiaries...	**488**	**30,181**		**-**
Fort Mokotów sp. z o.o.	488	1,271		-
Fort Mokotów sp. z o.o. additional contributions to capital	-	28,910		-
Other entities...	**-**	**-**	**233**	**11,221**
Woodsford Consulting Limited............................	-	-	233	109
Dom Development B.V.	-	-		11,112

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

The sale/purchase transactions in treasury shares in 2006 are described in Note 12 „Share capital":

The sale/purchase transactions in treasury shares in 2005:

- On 5 August 2005 the Company concluded with Janusz Zalewski the agreement of purchase by Janusz Zalewski from the Company of 46,350 G series shares, for the total amount of PLN 111,413.74.
- On 27 December 2005 the Company concluded with Janusz Zalewski the agreement of purchase by Janusz Zalewski from the Company of 46,350 G series shares, for the total amount of PLN 108,996.38.

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**
Jarosław Szanajca and Iwona Jackowska-Szanajca	29.03.2006	Promissory sale agreement concerning residential facilities with the area of 89.1 sq. m together with two utility rooms and two parking spaces	557,743.75	557,743.75
Janusz Zalewski	12.04.2006	Promissory sale agreement concerning residential facilities with the area of 242.4 sq. m, together with two utility rooms and two parking spaces	2,945,200.00	265,068.00

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

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

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

<table>
<tr><th rowspan="2"></th><th rowspan="2">Executive Name</th><th colspan="2">Period of notice of termination contract (months)</th><th colspan="2" rowspan="2">Note</th></tr>
<tr><th>Company to Employee</th><th>Employee to Company</th></tr>
<tr><td rowspan="4">The Management Board</td><td>Szanajca Jarosław ....</td><td colspan="2">8</td><td>First payment of 50% of 8-times monthly remuneration to be paid after giving a termination notice</td><td>The balance of 50% to be paid in 5 equal monthly payments</td></tr>
<tr><td>Kiełpsz Grzegorz ....</td><td>6</td><td>3</td><td>First payment of 50% of 6-times monthly remuneration to be paid after giving a termination notice</td><td>The balance of 50% to be paid in 5 equal monthly payments</td></tr>
<tr><td>Zalewski Janusz ....</td><td colspan="2">6</td><td colspan="2"></td></tr>
<tr><td>Stolarczyk Janusz ....</td><td>9</td><td>3</td><td>First payment of 50% of 9-times monthly remuneration to be paid after giving a termination notice</td><td>The balance of 50% to be paid in 8 equal monthly payments</td></tr>
</table>

Remuneration of members of the Company's management and supervisory bodies has been presented in note 38 „Remuneration of members of the company's management and supervisory governing bodies".

Note 37. Incentive plan – Management Options Programme

As at 31 December 2006 there were three Management Option Programmes adopted as part of the Incentive Scheme for the Management staff of the Company. They are as follows:

Name of the Programme	Share options in the programme (number of shares)	Allocated options (number of shares)	Exercised options (number of shares)	Share options in the programme (number of shares)	Allocated options (number of shares)	Exercised options (number of shares)
	31.12.2006			31.12.2005		
Programme I	413,100	413,100	413,100	413,100	413,100	92,700
Programme I B	96,750	96,750	-	-	-	-
Programme II	726,000	234,538	-	-	-	-

<u>Programme I</u>

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").

Share options were allotted to the following members of the management and supervisory bodies of the Company:

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

Janusz Stolarczyk	25.04.2001	8,000 (72,000)	E	from 30.04.2003 to 30.04.2007	7.71 (0.86)

* On 18 February 2003 the Company conducted a split of the shares, as a result of which 9 shares with the value of PLN 1 each were issued in exchange for 1 share with the nominal value of PLN 9. As a result the number of shares allotted to the entitled persons and the purchase price specified in the preliminary agreements changed. The table presents the data resulting from the preliminary agreements on the date of their conclusion, i.e. before the slit of the Company shares, whereas the number of shares and the purchase price of the shares after the split were indicated in the brackets.

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 is no obligation of valuating them at fair value.

By 31 December 2006 agreements on the sale of 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 which are to take place are related to introducing the institution of a trustee. This function was entrusted to CDM PEKAO S.A. (see note 12 „Share capital”). The Company's intention is to continue Programme IA as the Management Share Options Programme IB concerning 96,750 J series shares of Dom Development S.A.

The changes concerning the shares covered by Programme IA have been described in note 12 „Share capital”.

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	-	-	-	-
Others	22.03.2006/ 11.05.2006	96,700	from 22.03.2009 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 period of twelve months of 2006 the amount of PLN 1,180,210.77 was carried to the income statement.

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 were traded on the regulated market prior to the Allocation Date. The Company shall confirm the allocation of options for taking up a given number of shares at a given price and at a given date („Option") to those who have accepted participation in Programme II. The Supervisory Board may determine additional terms and conditions to be fulfilled in order to exercise the options. The option cannot be exercised earlier than after the lapse of 3 years from its allocation and later than after the lapse of 7 years from its allocation. In order to execute Programme II, on 10 August 2006 the General Meeting authorized the Management Board to increase the Company's share capital as part of the authorized capital and to issue subscription warrants which enable executing the right to subscribe for the Company's shares in the period of 3 years from the date on which the change of the Articles of Association. According to Programme II, after the Allocation Date for a given Tranche, should the need arise, the Management Board shall propose to the General Meeting adopting the resolution on 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 31 December 2006 the options allocated to the management team members of the Company within Programme II were as follows:

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

The 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. Within the period of twelve months of 2006, the amount of PLN 325,579.87 was accounted for in the income statement.

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

SHARE OPTIONS		**01.01--31.12.2006**	**01.01--31.12.2005**
Options unexercised at the beginning of the period	**Amount**........	**320,400**	**413,100**
	Total exercise price	**888,182.44**	**1,011,224.69**
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	92,700
	Total option execution value	843,889.46	220,410.12
	Weighted average exercised price per one share........	2.55	2.38
Options unexercised at the end of the period	**Amount**........	**331,288**	**320,400**
	Total exercise price	**27,440,085.24**	**888,182.44**
Options possible to exercise at the beginning of the period	Amount	320,400	413,100
	Total exercise price	888,182.44	1,011,224.69
Options possible to exercise at the end of the period	Amount	-	320,400
	Total exercise price	-	888,182.44

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

Remuneration	**01.01- -31.12.2006**	**01.01- -31.12.2005**
1. The Management Board		
Remuneration		
Jarosław Szanajca	1,506,740.00	1,042,080.00
Grzegorz Kiełpsz	1,070,441.00	742,500.00
Janusz Zalewski	1,083,614.00	766,543.00
Janusz Stolarczyk	748,468.00	581,569.00
Terry Roydon	-	-
Richard Lewis	-	-
In this remuneration from profit		
Jarosław Szanajca	75,000.00	-
Grzegorz Kiełpsz	100,000.00	-
Janusz Zalewski	75,000.00	-
Janusz Stolarczyk	-	-
Richard Lewis	-	-
2. The Supervisory Board:		
Zygmunt Kostkiewicz	72,000.00	60,000.00
Richard Lewis	29,515.00	-
Marham Dumas	29,900.00	-
Włodzimierz Bogucki	25,900.00	-
Michael Cronk	25,900.00	-
Stanisław Plakwicz	48,000.00	36,000.00
Teresa Rogoźnicka	18,000.00	36,000.00
Terry Roydon	18,485.00	36,000.00

The composition of the Management Board and the Supervisory Board as at 31 December 2006 has been presented in note 42.

Note 39. Contingent liabilities

CONTINGENT LIABILITIES	31.12.2006	31.12.2005
Bills of exchange, including:	156,463,340.00	139,301,698.00
– bills of exchange, issued for Hochtief Poland S.A. which guarantee the contractors' claims concerning the work performed for the benefit of the Company	-	2,711,698.00
– bills of exchange constituting an additional guarantee for BOŚ bank in respect of claims arising from the granted loan	74,053,340.00	37,000,000.00
– bills of exchange constituting an additional guarantee for PKO BP bank in respect of claims arising from the granted loan	80,410,000.00	74,240,000.00
– 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	25,350,000.00
Guarantees	26,875.00	26,875.00
Sureties	2,248,994.00	3,593,208.00
Total	**158,739,209.00**	**142,921,781.00**

Note 40. Material court cases as at 31 December 2006

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

Composition of the Management Board of the holding entity of the Group as at 31 December 2006

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 29 December 2006, pursuant to point 11.2 and in connection with 6.2.2 of the Articles of Association, on account of the expiration of term of office of the current members of the Management Board of the Company, the shareholder controlling over 50.1 % of the Company's shares appointed Mr. Jarosław Szanajca President of the Management Board of the Company, Mr. Janusz Zalewski Vice-President of the Management Board of the Company, Mr. Terry Roydon Member of the Management Board of the Company and the Supervisory Board of the Company appointed Mr. Grzegorz Kiełpsz Vice-president of the Management Board of the Company and Mr. Janusz Stolarczyk Member of the Management Board of the Company.

Pursuant to point 6.2.3 of the Articles of Association, all members of the Supervisory Board were appointed for a joint three-year term.

Composition of the Supervisory Board of the Company as at 31 December 2006

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, pursuant to point 11.2 and in connection with point 7.3, 7.4 of the Articles of Association of the Company, on account of the expiration of the term of office of the current members of the Supervisory Board of the Company, the shareholder controlling over 50.1 % of the Company's shares appointed Mr. Richard Lewis Vice-Chairman of the Supervisory Board, Mr. Markham Dumas Member of the Supervisory Board of the Company and Mr. Michael Cronk Member of the Supervisory Board and the Extraordinary General Shareholders' Meeting appointed Mr. Zygmunt Kostkiewicz Chairman of the Supervisory Board of the Company, Mr. Stanisław Plakwicz Member of the Supervisory Board of the Company and Mr. Włodzimierz Bogucki Member of the Supervisory Board of the Company.

Pursuant to point 7.9 of the Articles of Association, all members of the Supervisory Board were appointed for a joint three-year term.

Note 42. The shares of the Company held by the Management Board and the Supervisory Board of the holding entity

As at 31 December 2006 members of the Management Board and the Supervisory Board, including the shares subscribed by the balance sheet date but registered on 14 February 2007 (H, I, J and L series shares – see notes 12 and 44) held the shares and share options in the following proportions:

	Shares	Share options	Total
The 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
The Supervisory Board			
Zygmunt Kostkiewicz	90,000	-	90,000

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

In 2006 the following material changes in the portfolio of the Group's investments under construction took place:

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

Plan	Decision on the use permit	Segment	Number of apartments
Akacje 10 phase 1B	I Q 2006	popular	136
Akacje 10 phase 1A	II Q 2006	popular	66
Derby 5 phase 2...........................	II Q 2006	popular	138
Marina Mokotów phase 4	II Q 2006	apartments of higher standard	64 *
Marina Mokotów phase 1	II Q 2006	single-family houses	2 *
Kasztanowa Aleja II phase 2	II Q 2006	popular	217
Laguna phase 3............................	III Q 2006	single-family houses	30
Marina Mokotów phase 3	III Q 2006	apartments of higher standard	9 *
Marina Mokotów phase 3	III Q 2006	luxury apartments	40 *
Marina Mokotów phase 2	III Q 2006	single-family houses	8 *
Bemowo	IV Q 2006	popular	152
Olimpia 2 phase 1	IV Q 2006	popular	205
Fort Bema....................................	IV Q 2006	popular	248
Derby 7 phase 1/1........................	IV Q 2006	popular	127
Marina Mokotów phase 4	IV Q 2006	apartments of higher standard	101 *
Marina Mokotów phase 2	IV Q 2006	single-family houses	1 *
Marina Mokotów phase 3	IV Q 2006	single-family houses	8 *
Marina Mokotów phase 4	IV Q 2006	single-family houses	12 *

* 49% of the overall number of apartments was considered, which reflects the share of the Company in the jointly-controlled entity of Fort Mokotów sp. z o.o.

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

Plan	Commencement of construction and sale	Segment	Number of apartments
Olimpia 2 phase 2	I Q 2006	popular	273
Derby 7 phase 1...........................	I Q 2006	popular	254
Gdański	I Q 2006	apartments of higher standard	260
Bruna	III Q 2006	apartments of higher standard	247
Derby 8	III Q 2006	popular	263
Derby 10......................................	III Q 2006	popular	364
Olimpia 2 phase 4	III Q 2006	popular	282
Zawiszy phase 1...........................	IV Q 2006	popular	194
Zawiszy phase 2...........................	IV Q 2006	popular	161

Note 44. Material post-balance sheet events

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.

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	**31.12.2006**	**31.12.2005**
	EURO	EURO
Total current assets	236,708,458.76	146,699,915.09
Total assets	241,157,638.29	151,921,470.93
Total equity	128,388,479.40	34,564,151.69
Long-term liabilities	40,408,795.66	43,234,771.27
Short-term liabilities	72,360,363.23	74,122,547.96
Total liabilities	112,769,158.89	117,357,319.23
PLN/EURO exchange rate as at the balance sheet date	*3.8312*	*3.8598*

SELECTED DATA FROM THE CONSOLIDATED INCOME STATEMENT	**01.01--31.12.2006**	**01.01--31.12.2005**
	EURO	EURO
Sales revenue	187,175,570.66	133,513,725.71
Gross profit on sales	59,743,376.28	32,185,471.63
Operating profit	42,306,698.83	17,773,378.86
Profit before tax	43,028,613.43	16,071,899.96
Profit after tax	34,674,323.94	12,962,025.12
Average PLN/EURO exchange rate for the reporting period	*3.8991*	*4.0233*

Warsaw, 8 March 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