Translation from Polish

ERBUD CAPITAL GROUP

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2012 (in PLN thousands)

	Note	Year ended 31 December 2011	Year ended 31 December 2010
CONTINUING OPERATIONS			
Revenues from sales of products and services and of goods and materials	**26**	1 527 832	1 103 907
Cost of sold products and services and of goods and materials	**27**	1 491 405	1 028 031
Profit (loss) on sales before tax		36 427	75 876
Cost of sales		3 670	2 991
General and administrative costs		45 897	50 831
Other operating income	**28**	5 244	5 769
Other operating expenses	**28**	4 365	6 951
Profit (loss) on operating activities		-12 261	20 872
Other gains (losses) on investments	**29**	0	1 950
Financial income	**29**	7 694	4 347
Financial expenses	**29**	16 436	8 181
Profit (loss) on continuing operations before tax		-21 003	18 988
Income tax	**30**	-1 288	6 838
Net profit (loss) on continuing operations		-19 715	12 150
Net profit (loss) on discontinued operations		0	0
Net profit (loss) for the financial year		-19 715	12 150
attributable to:			
Shareholders of the parent company		-20 358	12 094
Minority shareholders		643	56
Weighted average number of shares / Weighted average diluted number of shares (in units)		**12 644 169/ 12 644 169**	**12 579 532/ 12 657 881**
Earnings (loss) per share / Diluted earnings (loss) per share on continuing operations (in PLN)	**31**	**-1.61/ -1.61**	**0.97/ 0.96**

Consolidated net profit	**-19 715**	**12 150**
Exchange rate differences on valuation of foreign branches and entities	1 141	-579
Deferred tax on other total income items	0	0
Other total net income	**1 141**	**-579**
Total net income for the period	-18 574	11 571
attributable to:		
Shareholders of the parent company	-19 344	11 578
Minority shareholders	770	-7

Signature of person preparing the Financial Statement

Mariola Zielińska
/Chief Accountant/

Signatures of Board Members

Józef Zubelewicz
/Member of the Board/

Dariusz Grzeszczak
/Member of the Board/

Warsaw, 25 April 2012

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
for the year ended 31 December 2011 (in PLN thousands)

	Note	31 December 2011	31 December 2010
ASSETS		**774 762**	**623 886**
Fixed assets		**126 702**	**112 611**
Tangible fixed assets	**6**	29 666	33 343
Real estate investments	**8**	5 693	5 776
Goodwill	**10**	20 102	20 102
Intangibles	**9**	02	406
Financial assets available for sale	**12**	0	0
Other non-current financial assets	**12**	31 770	29 481
Long-term receivables	**14**	120	130
Long-term prepayments		0	11
Deferred tax assets	**30**	38 749	23 362
Current assets		**648 060**	**511 275**
Inventory	**13**	107 943	95 872
Delivery, services and other receivables	**14**	235 606	173 898
Income tax receivables	**14**	6 957	5 179
Financial assets		571	5 030
Cash and cash equivalents	**16**	161 291	147 229
Construction contracts		92 896	51 505
Short-term prepayments	**15**	729	546
Building securities	**14, 25**	42 067	32 016
LIABILITIES		**774 762**	**623 886**
Equity attributable to shareholders of the parent company		**220 464**	**239 199**
Share capital	**17.1**	1 264	1 260
Foreign exchange differences from translation of foreign entities		1 014	0
Treasury shares (stocks)		0	0
Supplementary capital	**17.2**	240 255	209 558
Capital reserve		0	0
Undistributed profits		-22 069	28 381
Minority interests		**9 983**	**9 381**
Total shareholders' equity		**230 447**	**248 580**
Long-term liabilities		**108 668**	**53 904**
Bank loans and borrowings	**18**	12 564	14 822
Other financial liabilities	**20.1**	5 182	5 744
Provision for retirement and similar benefits	**21**	1 320	1 358
Other provisions	**21**	1 816	1 074
Other liabilities	**20.2**	6 859	8 491
Provision for issuance of bonds		50 000	0
Provision for deferred income tax	**30**	30 927	22 415
Short-term liabilities		**435 647**	**321 402**
Bank credits and loans	**18**	66 978	24 146
Derivative financial instruments		0	56
Trade and other liabilities	**22**	223 493	191 454
Current tax liabilities	**22**	1 311	2 393
Provision for retirement and similar benefits	**21**	4 826	3 109
Provisions	**21**	10 960	7 776
Building deposits	**22, 25**	79 211	68 108
Liabilities related to fixed assets classified as held for sale		0	0
Building contracts	**24**	29 034	7 745
Other accruals	**15**	19 834	13 147
Other liabilities	**22**	0	3 468

Signature of person preparing the Financial Statement

Mariola Zielińska
/Chief Accountant/

Signatures of Board Members

Józef Zubelewicz
/Member of the Board/

Dariusz Grzeszczak
/Member of the Board/

Warsaw, 25 April 2012

CONSOLIDATED STATEMENTS OF CASH FLOW
for the year ended 31 December 2011 (in PLN thousands)

	Note	Year ended 31 December 2011	Year ended 31 December 2010
Cash flow from operating activities			
Net profit (loss)		**-19 715**	**12 150**
Total adjustments:		**-48 531**	**11 408**
Depreciation and amortization		7 797	8 162
Profit / loss from exchange rate differences		158	32
Interest and share in profit (dividends)		3 709	3 058
Profit / loss on investment activities		2 378	-1 955
Change in provisions	**16**	14 330	7 064
Change in inventory	**16**	-11 912	4 383
Change in receivables	**16**	-72 792	8 858
Change in short-term liabilities, excluding loans and borrowings	**16**	38 592	27 078
Change in prepayments and accruals	**16**	-29 462	-48 034
Other adjustments, including		-1 429	2 762
- Foreign currency operations		0	0
Net cash used in operating activities		**-68 346**	**23 558**
Cash flow from investment activities			
Inflows		**8 378**	**7 788**
Disposal of intangible and tangible fixed assets		2 273	5 509
Disposal of investments in real property		0	0
From financial assets, including		6 105	2 093
- Assets in associates		0	0
- Repayment of granted loans		5 133	8
- Dividends and interest received		971	1 735
- Disposal of financial assets		1	350
Other, including		0	186
- Currency options		0	0
Outflows		**6 948**	**52 089**
Acquisition of intangible and tangible fixed assets		2 172	4 622
Investments in real property		0	0
Acquisition of financial assets		4 752	32 391
Net cash acquired with subsidiary undertaking		0	0
Other, including		24	15 076
- Currency options		0	15 076
Net cash flow from investment activities		**1 430**	**-44 301**
Cash flow from financial activities			
Inflows		**131 769**	**40 806**
Net inflows from shares and other capital instruments issued and from capital contributions		456	655
Credits and loans		81 145	37 673
Issuance of debt securities		50 000	0
Other		168	2 478
Outflows		**50 791**	**45 381**
Acquiring own shares (stocks)		0	0
Dividends and other payments to shareholders		287	6 266
Repayment of credits and loans		41 821	32 439
Payment of liabilities arising from financial leases		4 246	3 615

Interest paid	4 305	2 470
Other	132	591
Net cash flows from financial activities	**80 978**	**-4 575**
Total net cash flows	**14 062**	**-25 318**
Balance sheet change in cash, including	**14 062**	**-25 318**
- Change in cash due to exchange differences	0	0
Cash opening balance	**147 229**	**172 547**
Closing balance of cash, including	**161 291**	**147 229**
- Restricted cash	35 437	27 280

Signature of person preparing the Financial Statement

Mariola Zielińska
/Chief Accountant/

Signatures of Board Members

Józef Zubelewicz
/Member of the Board/

Dariusz Grzeszczak
/Member of the Board/

Warsaw, 25 April 2012

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Capital attributable to shareholders of the Parent Company for the year ended 31 December 2011 (in PLN thousands)

	Share capital	Treasury shares	Other capital	Foreign exchange differences on translation of foreign entities	Undistributed profit (loss)		Total	Minority interests	Total equity
					Retained profit / accumulated loss brought forward	Net profit / net loss			
As at 1 January 2011	**1 260**	**0**	**209 558**	**0**	**28 381**	**0**	**239 199**	**9 381**	**248 580**
Profit / loss for the period	0	0	0	0	0	-20 358	**-20 358**	643	**-19 715**
Other total income	0	0	0	1 014	0	0	**1 014**	127	**1 141**
Total income for the period	**0**	**0**	**0**	**1 014**	**0**	**-20 358**	**-19 344**	**770**	**-18 574**
Dividend to shareholders of GWI	0	0	0	0	0	0	**0**	-168	**-168**
Increase in share capital under the authorized capital	4	0	451	0	0	0	**455**	0	**455**
Shares-based payment	0	0	154	0	0	0	**154**	0	**154**
Previous years result of the parent company brought forward to supplementary capital	0	0	30 004	0	-30 004	0	**0**	0	**0**
Presentation change	0	0	88	0	-88	0	**0**	0	**0**
As at December 2010	**1 264**	**0**	**240 255**	**1 014**	**-1 711**	**-20 358**	**220 464**	**9 983**	**230 447**

Signature of person preparing the Financial Statement

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Warsaw, 25 April 2012

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Capital attributable to shareholders of the Parent Company for the year ended 31 December 2010 (in PLN thousands)

	Share capital	Treasury shares	Other capital	Foreign exchange differences on translation of foreign entities	Undistributed profit (loss)		Total	Minority interests	Total equity
					Retained profit / accumulated loss brought forward	Net profit / net loss			
As at 1 January 2010	**1 257**	**-1 994**	**180 510**	**64**	**55 710**	**0**	**235 547**	**2 892**	**238 439**
Profit / loss for the period						12 094	**12 094**	56	**12 150**
Other total income	0	0	0	-64	-452	0	**-516**	-63	**-579**
Total income for the period	**0**	**0**	**0**	**-64**	**-452**	**12 094**	**11 578**	**-7**	**11 571**
Dividend to Erbud SA shareholders	0	0	0	0	-6 266	0	**-6 266**	0	**-6 266**
Increase in share capital under the authorized capital	3	0	345	0	0	0	**348**	0	**348**
Shares-based payment	0	0	2 053	0	0	0	**2 053**	0	**2 053**
Shares-based payment - allocated shares	0	0	-6 292	0	0	0	**-6 292**	6 403	**111**
Acquiring of Erbud Energetyka Sp. z o.o. shares	0	0	214	0	0	0	**214**	-234	**-20**
Increase in share capital of PBDI	0	0	150	0	0	0	**150**	50	**200**
Previous years result of the parent company brought forward to supplementary capital	0	0	32 704	0	-32 704	0	**0**	0	**0**
Presentation change	0	0	-806	0	529	0	**-277**	277	**0**
Disposal of treasury shares	0	1 994	484	0	0	0	**2 478**	0	**2 478**
Other	0	0	8	0	0	0	8	0	8
Dividend - Budlex subsidiary	0	0	0	0	-530	0	**-530**	0	**-530**
Budlex Sp. z o.o. - agio obtained from increase in capital	0	0	188	0	0	0	**188**	0	**188**
As at December 2010	**1 260**	**0**	**209 558**	**0**	**16 287**	**12 094**	**239 199**	**9 381**	**248 580**

KEY ITEMS CONVERTED TO THE EURO

	31 December 2011		31 December 2010	
	PLN	EUR	PLN	EUR
Fixed assets	126 702	28 686	112 611	28 435
Current assets	648 060	146 726	511 275	129 100
Shareholders' equity	230 447	52 175	248 580	62 768
Liabilities and provisions for liabilities	544 315	123 237	375 306	94 767

Items of the balance sheet as at 31 December 2011 were converted at the Euro rate which was set by the NBP on that date i.e. 4.4168 PLN/EUR.

Items of the balance sheet as at 31 December 2010 were converted at the Euro rate which was set by the NBP on that date i.e. 3.9603 PLN/EUR.

	Year ended 31 December 2011		Year ended 31 December 2010	
	PLN	EUR	PLN	EUR
Revenues from sales of products, services, goods and materials	1 527 832	369 033	1 103 907	275 674
Cost of products, services, goods and materials sold	1 491 405	360 234	1 028 031	256 725
Profit on sales before tax	36 427	8 799	75 876	18 948
Profit on operating activities	-12 261	-2 962	20 872	5 212
Gross profit (loss)	-21 003	-5 073	18 988	4 742
Net profit (loss)	-19 715	-4 762	12 150	3 034

Items of the profit and loss statement for the year ended 31 December 2011 were translated at the EURO mid-rate, which was calculated as an arithmetic mean of average rates prevailing as at the last day of each month during the said period, set by the NBP as at that date, i.e. 4.1401 PLN/EUR.

Items of the profit and loss statement for the year ended 31 December 2010 were translated at the EURO mid-rate, which was calculated as an arithmetic mean of average rates prevailing as at the last day of each month during the said period, set by the NBP as at that date, i.e. 4.0044 PLN/EUR.

	Year ended 31 December 2010		Year ended 31 December 2009	
	PLN	EUR	PLN	EUR
Cash flows from operating activities	-68 346	-16 508	23 558	5 883
Cash flows from investment activities	1 430	345	-44 301	-11 063
Cash flows from financial activities	80 978	19 559	-4 575	-1 142
Net cash flows	14 062	3 397	-25 318	-6 323
Cash opening balance	147 229	37 176	172 547	42 001
Cash closing balance	161 291	36 518	147 229	37 176

Cash flow items for the year ended 31 December 2011 were translated at the mid-rate which was calculated as an arithmetic mean of average rates prevailing as at the last day of each month during the said period, set by the NBP as at that date, i.e. 4.1401 PLN/EUR.

Cash flow items for the year ended 31 December 2010 were translated at the mid-rate which was calculated as an arithmetic mean of average rates prevailing as at the last day of each month during the said period, set by the NBP as at that date, i.e. 4.0044 PLN/EUR.

For translating cash as at 1 January 2011 it was applied the exchange rate set by the NBP as of that day, i.e. 3.9603 PLN/EUR.

For translating cash as at 1 January 2010 it was applied the exchange rate set by the NBP as of that day, i.e. 4,1082 PLN/EUR.

For translating cash as at 31 December 2011 it was applied the exchange rate set by the NBP as of that day, i.e. 4.4168 PLN/EUR.

For translating cash as at 31 December 2010 it was applied the exchange rate set by the NBP as of that day, i.e. 3,9603 PLN/EUR.

ADDITIONAL INFORMATION AND EXPLANATIONS

1. General information

The ERBUD Joint Stock Company (Erbud S.A.), seated in Warsaw,300A Puławska Street, which was established in way of conversion of the Erbud Limited Lliability Company (Erbud Sp. z o.o) registered in the National Court Register on 29 November 2006 under the KRS number 0000268667, is the parent company [the "Parent Company" or "Parent"] of the ERBUD Group (the "Group").

The Erbud Limited Liability Company was founded on 28 August 1990 and registered in the National Court Register on 8 August 2001 under the KRS number 0000034299.

Services in the field of general building (PKD 4521A) are the subject of the Parent basic activity.

Widely understood construction and assembly works performed in general contracting in Poland and abroad are the subject of the Group operations. Erbud S.A. is the management, financial and advisory centre.

The duration period of the Parent Company and entities of the Group and is not definite.

The Consolidated Financial Statements have been approved for publication by the Management Board on 27 April 2012.

The Statements have been prepared in accordance with International Financial Reporting Standards (the "IFRS"), cover the year ended 31 December 2011 and include comparative figures for the year ended 31 December 2010 and as at 31 December 2010.

The Consolidated Financial Statements are presented in Polish currency (the "PLN") and all values are given in thousands of PLN.

1.1. Composition of the Group

The Group consists of the Parent Company ERBUD S.A. with its headquarters in Warsaw and the following subsidiaries:

Business unit	Seat	Activity range	Percentage share of the Group in equity as at	
			31 December 2011	31 December 2010
Erbud International Sp. z o.o.	Toruń	Construction	100%	100%
ER Services Sp. z o.o.	Toruń	Construction	100%	100%
GWI GmbH	Germany	Construction	85%	85%
Ersteel Sp. z o.o.	Toruń	Steel structures	100%	100%
Erbud Rzeszów Sp. z o.o.	Rzeszów	Construction	79%	79%
Delta Sp. z o.o.	Toruń	Construction	100%	100%
Erbud Construction Sp. z o.o.	Toruń	Construction	100%	100%
Toruńska Sportowa Sp. z o.o.	Toruń	Construction	39%	39%
Erbud Ireland	Irleland	Construction	100%	100%
Grupa Budlex	Warszawa	Building development	90%	90%
Przedsiębiorstwo Budownictwa Drogowo -Inżynieryjnego S.A.	Toruń	Road-engineering	94,27%	94,27%
Erbud Energetyka sp. z o.o.	Katowice	Construction	86,36%	86,36%

Parent Company

The Parent Company ERBUD S.A is not controlled by any other company.

Subsidiaries brought into the Consolidated Financial Statements of the Group using full consolidation:

1. Erbud International Sp. z o.o.
- GWI GmbH
- Grupa Budlex (Budlex Group)
- Przedsiębiorswo Budownictwa Drogowo Inżynieryjnego S.A.
- Erbud Energetyka Sp. z o.o.
- Ersteel Sp. z o.o.

Subsidiaries excluded from the Consolidated Financial Statements of the Group:

- Erbud Rzeszów Sp. z o.o.
- Erbud Construction Sp. z o.o.
- Delta Sp. z o.o.
- Erbud Ireland LTD.
- ER Services Sp. z o.o. (formerly TOPLUX Sp. z o.o.).

The above subsidiaries were not consolidated in view of the immateriality.

1.2. Jointly controlled entities

Within the Group there are no entities under common control.

1.3. Membership of the Management Board of the Parent

Over the period from 1 January 2011 to the date of preparing these Financial Statements the composition of the Management Board of the Company was constant.

As at 31 December 2011 the Management Board of the Parent was consisted of:

Dariusz Grzeszczak	- Board Member
Józef Zubelewicz	- Board Member

As at 31 December 2011 the Supervisory Board of the Parent was consisted of:

Udo Berner	- Chairman of the Supervisory Board
Józef Olszyński	- Deputy Chairman
Albert Durr	- Member of the Supervisory Board
Gabriel Główka	- Member of the Supervisory Board
Lech Wysokiński	- Member of the Supervisory Board
Zofia Dzik	- Member of the Supervisory Board

1.4. Going-concern assumption

The Consolidated Financial Statements of the Capital Group for the year ended 31 December 2011 was prepared under the presumption, that the Group units will continue their business activity over next 12 months after the balance sheet date. The Management Board of the Parent Company did not state as at the day of signing the financial statement facts and circumstances which would indicate the possibility of risk to continue operations in the period of 12 months after the closing balance date as a result of intentional or involuntary omissions or significantly reducing the current activity.

1.5. Statement of compliance with IFRS

The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and cover the year ended 31 December 2011 and include comparative data for the year ended 31 December 2010 and as at 31 December 2010.

1.6. Approval of Financial Statements

These Consolidated Financial Statements were approved by the Management Board for publication on 25 April 2012.

2. Significant accounting policies applied

The accounting policies applied when preparing the consolidated financial statements are presented below and were applied in all periods presented on a continuous basis, unless otherwise stated.

2.1. Basis for preparing the consolidated financial statements

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and in accordance with IFRS approved by the EU for the financial statements beginning on 1 January 2008. IFRS include standards and interpretations approved by the International Accounting Standards Board ("IASB") and the Committee on International Financial Reporting Interpretations ("IFRIC").

Taking into account the approval process for IFRS by the European Union, as at the day of publication of these consolidated financial statements, there are no differences in accounting principles adopted by the Group under IFRS and IFRS, which have been approved by the European Union.

New and revised standards and interpretations

Adopted rules (policy) are consistent with the accounting principles applied in previous years except for the following new or revised IFRS regulations and new IFRIC interpretations being in force since 1 January 2011 or later.

- IAS 24 *Related Party Disclosures (Amendment)*

The IASB published an amendment to IAS 24. It clarifies and simplifies the definition of a related party. The new definition emphasizes the symmetry of relationships between related parties and explain the circumstances in which persons and management are related entities with respect to the entity. The amendment removes the requirement to disclose details of all transactions with the government and other government-related entities, who has control or joint control over a reporting entity or has a significant impact on it, and in relation to the another entity, which is a related party, because the same government has control or joint control over the reporting entity and the second entity or has a significant impact on them. Applying this change did not have any impact on the financial position or r operating results of the Group.

- *IAS 32 Financial Instruments: Presentation* (*Amendment)*

The definition of a financial liability in IAS 32 was changed to clarify the classification of rights issue and certain options and warrants as equity instruments. The amendment applies to situation in which these rights are granted pro rata to all existing owners of the same group of non-derivative equity instruments, and entitled to purchase a fixed number of equity instruments for a fixed value expressed in any currency. Applying this change did not have any impact on the financial position or operating results of the Group.

- IFRIC 14 *Prepayments of a Minimum Funding Requirement (Amendment)*

The amendment removes the unintended consequence of IFRIC 14 in case when an entity makes voluntary early payments of contributions to pension plans and there is a minimum funding requirement. It permits such an entity to treat the economic benefit of such an early payment, which results from reductions in future contributions to the plan with minimum funding requirements, as an asset. The Group is not subject to minimum funding requirements

in Euroland. Therefore, the amendment to the Interpretation did not affect the financial position or operating results of the Group.

- *FRIC 19 Extinguishing Financial Liabilities with Equity Instruments*

FRIC 19 is effective for annual periods beginning on July 2010 or later. The interpretation clarifies that an equity instrument issued to a creditor to settle a financial liability is classified as payment. Issued equity instruments are measured at their fair value. IIf their fair value cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. All gains and losses are recognized immediately in profit. Applying this change did not have any impact on the financial position or operating results of the Group.

- Amendments to IFRS arising from the annual improvements project published in May 2010, and effective for annual periods beginning on or after 1 July 2010, depending on, which IFRS is affected by the amendment. Applying this change did not have any impact on the financial position or results of operations of the Group.

Published standards that are not yet effective

Below are presented published new accounting standards, amendments to existing standards and interpretations that are not applicable in 2011:

IFRS 9 *Financial Instruments,* effective for annual periods beginning on or after 1 January 2011. IFRS 9 is the first part of Phase I of the IASB's project to replace IAS 39. IFRS 9 introduces an improved and simplified approach to the classification and valuation of financial assets, compared with the requirements of IAS 39. This standard has not yet been approved by the EU.

IFRS 10 *Consolidated financial statements*, effective for annual periods beginning on or after 1 January 2013. IFRS 10 will replace IAS 27 and SIC 12. This standard has not yet been approved by the EU.

IFRS 11 J*oint Arrangements,* effective for annual periods beginning on or after 1 January 2013. IFRS 11 will replace IAS 31 and SIC 13. This standard has not yet been approved by the EU.

IFRS 12 *Disclosure of Interests in Other Entities*, effective for annual periods beginning on or after 1 January 2013. IFRS 12 requires the expanded disclosure of information on the reporting entity that has an interest in its subsidiaries, affiliates, joint arrangements (joint operations or joint ventures), associates and unconsolidated structured entities. The entity shall disclose information that enables users of its consolidated financial statements to evaluate the nature of shares held and the nature of the risks associated with it, and impact of its ownership on the financial statements. This standard has not yet been approved by the EU.

IFRS 13 *Fair Value Measurement*, effective for annual periods beginning on or after 1 January 2013. IFRS 13 consolidates and clarifies the guidance on how to measure fair value. This standard has not yet been approved by the EU.

Amendments to IFRS 7 *Disclosures - Transfers of Financial Assets*. The amendments shall help users of financial statements to evaluate the risks exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position as well as promote transparency in the reporting of transfer transactions, particularly those that involve securitisation of financial assets. Entities be obliged to apply amendments for annual periods beginning on or after 1 July 2011. The amendments have not yet been approved by the EU.

Amendments to IFRS 12 *Income Tax: Deferred Tax: Recovery of Underlying Assets,* effective for annual periods beginning on or after 1 January 2012. The amendments have not yet been approved by the EU.

Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards: Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*, effective for annual periods beginning on or after 1 July 2011. The amendments have not yet been approved by the EU.

Amendments to IAS 27 *Separate Financial Statements*, effective for annual periods beginning on or after 1 January 2013. The amendments have not yet been approved by the EU.

Amendments to IAS 28 *Investments in Associates and Joint Ventures*, effective for annual periods beginning on or after 1 January 2013. The amendments have not yet been approved by the EU.

Amendments to IAS 1 *Presentation of Items of Other Comprehensive Income*, effective for annual periods beginning on or after 1 July 2012. The amendments have not yet been approved by the EU.

Amendments to IAS 19 *Improvements to the Accounting for Post-employment Benefit*s, effective for annual periods beginning on or after 1 January 2013. The amendments have not yet been approved by the EU.

Amendments to IAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities,* effective for annual periods beginning on or after 1 January 2014.

IFRIC 20 interpretation *Stripping Costs in the Production Phase of a Surface Mine*, effective for annual periods beginning on or after 1 January 2013.

The Group is in the course of evaluating the impact of these standards and interpretations on the Group's reporting.

2.2. Consolidation principles

The consolidated financial statements include the financial report of Erbud SA and financial reports of subsidiaries, each made for the year ended 31 December 2011. The financial statements of subsidiaries are prepared for the same period as the statement of the Parent, on the basis of uniform accounting rules applied to transactions and economic events of a similar nature.

2.2.1. Subsidiaries

The undertakings of the Group keep their account books in accordance with the policy (rules) set by the the Accounting Law of 29 September 1994 (the "Act"), as amended and by regulations issued on basis thereof ("National Accounting Standards").

Ebud S.A. and Erbud International Sp. z o. o. had a foreign branch in 2011. The entity was subject to tax and accounting rules being in force in Germany i.e. the country where they operate. In accordance with section 13 of the German Commercial Code (HGB) the subsidiaries are obliged to keep books and draw up a balance sheet. According to section 264 paragraph 1 and in relation to section 242 paragraph 3 of the German Commercial Code (HGB), the annual balance consists of: balance sheet, profit and loss account, annex. Branches are treated as small capital companies in terms of section 267 paragraph 1 of the German Commercial Code, as they were not exceeded at least two of the three volumes in two successive balance periods (balance sheet total, revenues from the turnover, number of employees).

Due to the winding-up of the Erbud SA Branch data from the financial statements of the branch have been recorded in the accounts of the parent as at 31 December 2010.

The consolidated financial statements contain adjustments not included in the books of the Group undertakings made in order to comply the reports of these units with the standards issued by the Council on International Accounting Standards and the Committee on International Financial Reporting Interpretations (IFRIC).

The subsidiaries are subject to consolidation for the period from the date of taking control of them by the Group and are not consolidated from the date of lose control. Controlling by the Parent Company is when it directly or indirectly, through its subsidiaries has more than half of the voting power in that company, except that it is possible to prove that this property does not constitute the control. The control also occurs when the Company has the option to decide on financial and operating policy of the entity.

Acquisition of the subsidiaries by the Group is accounted under the method of acquisition.

The Parent and the subsidiaries have been consolidated under the full method subject to the following principles:

- all relevant items of assets and liabilities of subsidiaries and the Parent have been summarized in the full amount regardless of what part of the subsidiary owns the Parent,
- consolidation adjustments and exclusions were made after the summarizing,
- all relevant items of income and expenses of subsidiaries and the Parent have been summarized in the full amount regardless of what part of the subsidiary owns the Parent,
- consolidation adjustments and exclusions were made after the summarizing.

From the consolidated financial statements have been excluded:

- equity of subsidiaries as on day of taking control over them,
- value of the shares in subsidiaries held by the Parent and other entities included in the consolidation,
- intra-group claims and liabilities, and other settlements of similar nature of consolidated units,
- income and expenses relating to operations carried out between the units included in the consolidation,
- profits from operations carried out between consolidated units, which were unrealized from the point of view of the Group, and included in consolidated assets and liabilities as well as unrealized losses,
- dividends accrued or paid by subsidiaries to the Parent and other entities covered by the consolidation.

2.2.2. Affiliated undertakings

A company is an associated one when the Parent has a significant impact on it and which is neither a subsidiary nor a joint venture. Investments in associates are accounted by using the equity method. The financial statements of associates are the basis for valuation under the equity method of shares owned by the Parent. The financial year of associates and the Parent is the same. The Group undertakings keep their accounting records in accordance with the policy (rules) set by the Accounting Law of 29 September 1994 (the "Act"), as amended and by regulations issued under them ("National Accounting Standards"). The consolidated financial statements contain adjustments not included in the books of the Group undertakings made in order to comply the reports of these units with the standards issued by the Council on International Accounting Standards and the Committee on International Financial Reporting Interpretations (IFRIC).

Investments in associates are reported in the balance sheet at acquisition cost, including subsequent changes in the Parent share in net assets of these undertakings, less any impairment losses. Profit and loss account reflects the share in the operating results of associates. In the event of a change recognized directly under equity of associates, the Parent Company recognizes its share in any adjustment, and if appropriate, reported it in the report on equity changes.

Gains and losses arising from transactions between the Group and the affiliated entity are subject to consolidation exclusion in accordance with the Capital Group share in the equity of the associate company.

2.2.3. Joint venture

The Group holds a stake in a joint venture which is jointly controlled entity, in which - in accordance with the agreement concluded - the partners established a common control over its business activity. In order to make financial and operational decisions, the agreement requires unanimous consent of the shareholders. The Group recognized its interests in jointly controlled entity by equity method. Financial statements of the joint venture are prepared as at the same reporting date as the financial statements of the Group. Any adjustments are intended to eliminate differences in the rules (policy) accounts applied.

2.2.4. Non-controlling shareholders

Transactions with minority shareholders are recorded in correspondence with the capital.

2.3. Currency of the measurement and currency of financial statements

Items reported in the financial statements are valued in the currency of the primary economic environment in which the entity operates ("functional currency").

The Consolidated Financial Statements of the Group is presented in PLN (Polish zloty), which is the functional currency and presentation currency of the Parent.

Transactions in foreign currency are disclosed in the accounts at nominal value converted into PLN at the rate of average rates of Polish National Bank. At the time of execution, foreign exchange differences are recorded as income or expense.

As of the balance sheet date, cash assets and liabilities quoted in other currencies than the PLN are converted into PLN by using the current average rate for the given currency fixed by the Polish National Bank at the end of the reporting period. The exchange differences resulting from translation are included respectively in income (expense), or in the cases referred to the accounting rules (policy), are capitalized in the value of assets. The non-monetary assets and liabilities recognized at historical cost in foreign currency are recorded at the historical rate valid on the transaction date. The non-monetary assets and liabilities recognized at fair value in foreign currency are translated at the rate of the date of valuation to fair value.

Below are presented rates used for the valuation of balance sheet:

Currency	31 December 2011	31 December 2010
EUR	4.4168	3.9603

Assets, liabilities and results of foreign branches of subsidiaries and subsidiaries with different functional currency.

The EURO is a functional currency of foreign subsidiaries. As at the balance sheet date, assets and liabilities of foreign entities were translated at the Group's presentation currency as follows:

- assets and liabilities of branches and any balance sheet presented here (i.e. taking into account comparable data) are translated at the closing rate on a given balance date,
- revenues and expenses are translated at average exchange rate (unless the conversion using the average exchange rate would be significantly different from the values obtained by using the exchange rates valid as at the date of transaction).

Exchange differences arising from the conversion are recognized as a separate component of equity under "Exchange differences on translation of foreign branches".

At the time of disposal of a foreign entity, accumulated deferred exchange differences recognized under the shareholders' equity are reported in profit and loss account.

2.4. Estimates and assumptions

The estimates and assumptions that arise from past experiences and predictions on future events are verified at each balance date.

2.4.1. Opinion of the management in the implementation of accounting policy

In the process of applying the accounting policies (rules), the management makes various judgements, apart from those involving estimations, that can significantly affect the amounts it recognises in the financial statements. The estimates of the Group relate mainly to provisions, depreciation on assets, valuation of construction contracts and depreciation rates applied.

2.4.2. Estimation uncertainty

Basic assumptions on the future events and other key sources of uncertainty occurring as at the balance sheet date, giving a significant risk of substantial adjustment to the carrying amounts of assets and liabilities within the next fiscal year are as follows.

Provisions for legal claims

In case where undertakings are parties to legal proceedings, legal entities that support the units of the Group and the Boards of companies constituting the ERBUD Group they estimate the amount of reserves to cover the effects of the ongoing proceedings.

Provisions for employee benefits

Provisions for employee benefits were estimated by the Company taking into account the turnover ratio, likely granting and the discount rate current at the estimate date.

Provisions for remedying defects

In case of construction works, the companies of the Erbud Group are obliged to provide warranties on their services. Methodology of creation of guarantee repair provisions has been described in section 2.18 below.

Depreciation rates

Depreciation rates are calculated on the basis of the anticipated period of economic usefulness of components of tangible fixed assets and intangible assets. Based on current estimates the Group verified every year the periods of economic utility.

Recognition of incomes from long-term contracts

The Group uses a method of percentage progress of works to settle the long-term contracts. Revenues and expenditures due the execution of building contracts from the contract conclusion to the balance date, are set in proportion to the construction stage according to the measurement report on work carried out, after adding incomes and costs which affected the financial results in previous years.

If the result of works may not be reliably set on the balance date, it is deemed that the income is equal to the costs incurred in the given period, but not higher than the costs, which will be probable covered by the customer in the future.

Deferred tax assets

The Group recognizes an item of deferred tax assets basing on the assumption that future tax profits will be achieved as to realize the assets.

Impairment of assets

The Group tests its assets for indications of impairment where such indications exist and at least once a year reviews additionally value of the Company. Recoverable value is estimated for each asset item, unless this item does not generate cash inflows that are considerably independent of cash inflows from other assets or groups of assets. If this occurs, the value recovered is determinated at level of the cash generating unit to which the asset item belongs. Estimation of the value-in-use consists in determination of future cash flows generated by the cash-generating unit and in establishing discount rate to apply in order to calculate the present value of these flows.

2.5. Property, plant and equipment

Tangible fixed assets are stated at purchase price / production cost less depreciation and impairment losses. Initial value of fixed assets includes the purchase price increased by all costs directly related to the purchase and adaptation of a property component to be capable to use. The cost of replacing parts of plant and equipment at the time they are incurred is included in expenses if the recognition criteria are met. Costs incurred after the date of commissioning, such as costs of maintenance and repairs charge the profit and loss account as incurred, except where it is possible to show that these costs caused an increase in expected future economic benefits from the ownership of an fixed asset. The expenses incurred increase then the initial value of the fixed asset.

Fixed assets, excluding land, are depreciated linearly over a period corresponding to the estimated duration of their economic usefulness. Amortization begins when the property, plant and equipment is available for use.

The period of use of property, plant and equipment is as follows:

		Annual depreciation rate
1	Buildings and structures	2 - 4.5 %
2	Technical equipment and plant	6 - 30 %
3	Vehicles	12.5 - 20 %
4	Other	10 - 30 %

Subsequent expenditure are included in the carrying amount of an fixed asset or recognized as a separate fixed asset only if probably is that an inflow of economic benefits to the Group from this item will take place and the cost of given item can be reliably measured. Other costs incurred after the initial recognition, such as the cost of repairs, maintenance and commission fees affect the financial results of the reporting period in which they are incurred, except of general service costs, which are included in the carrying amount of the relevant item of tangible fixed assets.

The final value and duration of use of fixed assets are verified at least once a year and, where appropriate, are revised. If there are indications that it may be impaired and the carrying amount exceeds the estimated recoverable amount, the value of the asset or cash-generating units which own those assets are reduced to the level of the recoverable amount. The recoverable amount is the higher one of the following two values: the fair value less costs of sell or the value in use. When determining value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects the current market assessment of money value over time and risk associated with the given asset item. In the case where an asset item does not generate cash income in a manner substantially independent, the recoverable amount is establish for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the profit and loss account under "Cost of sales".

An item of tangible fixed assets may be derecognized after its disposal or where economic benefits resulting from the further use of the asset are not expected. Any gains or losses resulting from the derecognition of the given asset (calculated as the difference between any net incomes from the sale and the carrying amount of given item) are recognized in the profit and loss account during the period in which they were recognized.

Gains and losses on disposal of fixed assets are estimated by comparison of the incomes from the sale with their carrying amount and are recognized in profit and loss account. The final value, duration of use and depreciation method of assets is verified and, if necessary revised, at the end of each financial year.

Investments on fixed assets under construction are valued at the amount of the total cost which is in direct relation to their acquisition or construction, including financing costs and less any impairment losses. Fixed assets under construction are not depreciated until the completion, i.e. until they are available for use.

Transfers under the item "Buildings and land" concern items transferred to the long-term investments; reduction under the item "Land" applies to the land value transferred to the long-term investments, and increase under the item "Buildings and structures" applies to changes in the proportion between the part of building used for own needs and the other one considered as a long-term investment.

2.6. Lease

Finance lease contracts which transfer all the risks and rewards incidental to ownership of assets under a lease, are capitalized at the day when the lease is coming into force at the lower of the following two values: the fair value of the lease subject or the present value of the minimum lease payments. Lease payments are divided between finance costs and payments of principal repayment, taking into account the fixed rate of interest with regard to the obligation.

Financial expenses are recognized immediately in profit or loss account. Fixed assets used under finance leases are subject to depreciation according to the rules applied to the assets that are owned.

In the absence of certainty, that after the end of the lease agreement the Company receives the right to property, assets are written off over a shorter of two following periods: the lease period or the period of economic usefulness.

Lease contracts under which the lessor retains substantially all the risks and rewards of ownership of assets under a lease are classified as operating lease contracts. Lease payments due to operating leases and the subsequent lease payments are recognized in the profit and loss account as expense using the line method over the duration of the lease.

2.7. Impairment of non-financial assets

At each balance sheet date the Group undertakings evaluate whether there is any objective indication that an asset may be impaired. If such indication exists, the Company estimates the recoverable amount and a write-off is made in an amount equal to the difference between the possible value to recover the carrying amount. The recoverable amount is the higher of its fair value less costs to sell and its value in use. For purposes of analysis in terms of impairment, assets are grouped at the lowest possible level in respect of which there are separately identifiable cash-generating units. The cash-generating unit is the smallest identifiable group of assets generating cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Loss resulting from impairment is recognized in the profit and loss account.

The Group assesses at each balance sheet date whether there is any indication that an impairment loss recognised in prior periods may no longer exist or may have decreased. In the event that such indication exists, the impairment loss recognised in prior periods is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. In such case, the carrying amount of the asset item is increased to its recoverable amount. However, he increased carrying amount attributable to a reversal of an impairment loss can not exceed the carrying amount of the asset that would have been determined had no impairment loss been recognised in prior years. The reversal of an impairment loss for an asset is recognized immediately as income in the profit or loss, unless the given item of asset is carried at revalued amount; in this case, the reversal is treated as an increase in revaluation capital.

2.8. Borrowing costs

As binding the Group adopts the rule that allowed alternative approach clarified by IAS 23 Borrowing costs. According to this approach:

- borrowing costs are recognized as an expense in the period in which it incurs them, except costs capitalized in accordance with the principle set out below,
- borrowing costs that are directly attributable to the acquisition, construction or production of an qualifying asset item are activated as part of the purchase or manufacturing cost of that asset item.

The amount of borrowing costs eligible for capitalisation is determined in accordance with the above-cited standard.

Qualifying assets of the Erbud Group are primarily inventories in development companies as well as fixed assets, investment properties and intangible assets.

2.9. Investment property

Investment property is real estate to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes, or sale in the ordinary course of business.

Real estate investment is initially valued at purchase price or cost of production. The initial valuation includes the transaction costs.
Subsequent expenditures on investment property increase its value if the future economic benefits that are associated with the investment property will flow to the entity will exceed costs incurred for the investment property.

To measure the property after the initial recognition, the Company has chosen a cost model, under which all of its investment properties are valued at purchase price or production cost less any accumulated depreciation and write-off due to permanent impairment.

The useful life of the property investment in the Group are as follows:

- Buildings and structures 10-50 years
- Other investment property 2-10 years

Investment property assets are derecognized when disposed of or in the case of permanent decommissioning of a given property when no further benefits from its sale are expected. Any profits or losses due to derecognition of an investment property are charged to the profit and loss account in the period in which such derecognition occurred.

Transfers of assets to investment property are made only if there is a change in use, evidenced by the end of the asset by the owner, conclusion an operating lease contract or completion of the investment property construction. In the event of transfer of the investment property to the assets used by the owner or to the inventories, the alleged cost of such asset item, which will be adopted for the purpose of its inclusion in another category is equal to the fair value of the property at the date of modification of its use. If an asset used by the owner i.e. the Group becomes an investment property, the Group applies the principles set out in the section "Property, plant and equipment" up to the date of change in use. In case of transfer of assets from the inventories to the investment property, the difference between the fair value of the property determined as on the date of transfer and its previous carrying amount is recognized in the profit and loss account. When the Group finishes the building or execution of the investment property, the difference between the fair value of the property as on that date and its previous carrying amount is recognized in the profit and loss account.

2.10. Intangible assets

Intangible assets are recognized if it is likely that in the future they will bring to the unit an inflow of economic benefits that can be directly related to those assets.

The initial recognition of intangible assets is recorded at the purchase price or cost of production. After initial recognition, intangible assets are valued at purchase price or production cost less any accumulated amortization and write-downs due to permanent impairment. Intangible assets are amortized linearly over a period corresponding to the duration of their estimated economic usefulness, which for the Group is as follows:

- Patents and licenses 5 -15 years
- Software 1-5 years

The Group determinates whether the useful life of intangible assets is finite or indefinite. Intangible assets with an finite useful life are amortized over the useful life and tested for impairment, whenever there is an indication of impairment. The period and method of amortization of intangible assets with an finite useful life reviewed at least at the end of each financial year. Changes in the expected useful life or the expected way of consumption of economic benefits from a given asset are recognized by changing the period or method of depreciation and treated as changes in estimates.

Intangible assets with an indefinite useful life and those that are not used, each year are subject to verification of the possible impairment of individual assets or at the level of cash-generating unit.

Expenditure on intangible assets produced in-house, with the exception of capitalized expenditures incurred for development, are not capitalized and are included in the cost of the period in which they are incurred.

Gains or losses resulting from the derecognition of intangible assets are valued at the difference between the net sales income and the carrying amount of the given asset and are recognized in the profit and loss account upon derecognition of the asset.

2.11. Goodwill

Goodwill on consolidation is recognized at cost which is the surplus of the costs of consolidation of business entities over the share of the acquiring entity in the fair value of identifiable assets, liabilities and contingent liabilities as of the acquisition date.

Goodwill is reported as an asset and is not subjected to depreciation, but at least once a year is subject to analysis in terms of impairment losses. Any impairment is recognized in the profit and loss, and is not subjected to reversal in subsequent reporting periods.

If the goodwill is a part of the cash-generating unit and a part of activity of that unit is sold then the goodwill related to the disposed business is taken into account when determining the gain or loss on disposal.

2.12. Financial instruments

Financial assets and liabilities are recognized on the balance sheet of the Group, when the Group becomes a binding party to a contract.
Instruments owned are recognized in the Group balance sheet by the following categories:

- financial assets, financial assets available for sale, financial assets held to maturity, loans and receivables, financial assets carried at fair value by profit and loss account (including financial derivatives);
- financial liabilities and equity instruments, bank credits and loans , trade payables, liabilities carried at fair value by profit and loss account (including financial derivatives).

The classification is based on the goal criterion of investment purchase or entering into the commitment. The Management Board determines the classification to each category of investments or liabilities by their initial recognition and then verifies as on each balance date.

Financial assets carried at fair value, with gains or losses accounted in the profit and loss account include two categories:

- financial assets held for trading and
- financial assets held at the time of initial recognition of fair value and gains or losses recognized in the profit and loss account

Financial assets are classified as current assets or liabilities held for trading if they:

- were purchased primarily for the purpose of sale or redemption in the short period
- are a derivative (except for hedging instruments).

Changes in the value of these financial instruments are included in income or financial costs. Assets valued at fair value through profit or are classified as current assets.

Loans and receivables are financial assets with fixed or determinable payments not quoted in an active market and not included in the derivative. They are included in current assets, unless their maturity not exceeding 12 months from the balance sheet date. Loans and receivables with maturity is over 12 months from the balance sheet date are classified as current assets.

Trade receivables for the ongoing construction contracts and due to advances are classified as short-term receivables, as it is expected that they will be settled in the normal unit operating cycle.

Claims arising from the deposit guarantees and the loan, the maturity of which is less than 12 months, are recorded as accounts receivable. Long-term receivables due to the deposit guarantees are subject to the discount of present value at the effective interest rates.

Loans and trade receivables are initially recognized at fair value and subsequently measured at amortized cost and reducing by the write-offs due to permanent impairment. Impairment losses for the accounts receivable are created when there is objective evidence that the Group will not be able to receive all amounts owed under the original terms of receivables.

Investments held to maturity are financial assets not classified as financial assets held for trading or loans and receivables, with fixed or determinable payments and fixed maturity which the Group's Management Board intends and is able to hold to maturity.

Purchases and sales of investments are recognized on the transaction date, i.e. the date on which the Group commits itself to purchase or sell an asset. The investment is initially recorded at fair value plus transaction costs. In the next periods the investments held to maturity are valued according to the adjusted purchase price (amortized cost).

Financial assets available for sale are financial instruments not qualified for any of the other categories of financial instruments.

Financial assets available for sale are carried after the initial recognition at fair value. If it is not possible to determine the fair value of financial assets available for sale, and the maturity is fixed, they are measured at the amortized cost; if the assets have no fixed maturity date, the valuation is made at purchase cost.

Profits and losses of changes in fair value are carried in the period they arise. The occurred differences in the carrying amount are recognized directly in equity. Financial assets available for sale classified as non-monetary , where the fair value is impossible to determine, are valued at acquiring cost less any permanent impairment. In the event of sale of securities included in the "available for sale", the total adjustments to the level of the current fair value is recognized in equity, are carried in the profit and loss account as gains and losses on financial assets.

Financial instruments are derecognizerd from the balance sheet when the Group loses control over the contractual rights constituting the financial instrument. Generally it takes place when the instrument is sold or when all flows attributable to that instrument are transferred to the independent third party.

Purchase and sale of financial assets are recognized as of the date of transaction. At the time of initial recognition they are measured at purchase cost, i.e. at fair value, including transaction costs.

Exemption from the statement of financial position

The Group excludes the financial asset item (or part thereof or part of a group of similar financial assets) from the statement of financial position when:

- right to receive cash flows from the financial asset has expired;
- the Group has assign the right to receive cash flows from the asset, or pledged to transfer the cash received without undue delay to a third party dealing as a broker and either (a) the Group has transferred in substance all the risks and rewards of ownership of the asset, or (b) the Group has not retained nor transferred in substance all risks and rewards of the asset but has assigned the control of the financial asset.

If the Group has transferred its rights to receive cash flows from the asset, or pledged to intermediate in the transaction, but not transferred or retained in substance all the risks and rewards of ownership of an asset or the said transfer did not result in the assign of control of the asset, then the new asset is recognized to the extent to which the Group continues its involvement in the asset.

In this case, the Group recognizes the related liability. The transferred asset and associated liability is valued having regard to rights and obligations the Group has retained.

Involvement in the asset, which takes the form of guarantees, is measured at the lower of two values: the initial carrying amount of the asset and the maximum amount that the Group may be required to pay for this asset.

2.13. Impairment of financial assets

At each balance sheet date the Group assesses whether there are objective indications of impairment of a financial asset or group of financial assets.

If there are objective indications that the loss has been suffered due to the impairment of loans and receivables measured at amortized cost, the amount of impairment loss is equal to the difference between the carrying amount of financial asset and the present value of estimated future cash flows (excluding not yet incurred future losses due to bad debts), discounted at original effective interest rate (i.e. the interest rate fixed at initial recognition). The carrying amount of the asset is reduced either directly or through the reserve. The amount of losses is recognized in the profit and loss account.

At first the Group assesses whether there are objective indications of impairment of individual components of financial assets that are individually significant, and an indications of impairment of financial assets that are not individually significant. If the analysis shows that there are no objective indications of impairment of individually assessed financial asset, regardless of whether it is a significant one or not, the Group includes this component to financial assets with a similar credit risk characteristics and completely assesses for impairment. Assets that are individually assessed for impairment and for which an impairment loss was recognized or was found that the current impairment will not change, are not taken into account when totally assessing assets for impairment.

If impairment loss has decreased in the next period, and that reduction can be objectively related to an event following the impairment recognition, the previously recognized impairment is to be reversed. Subsequent reversal of an impairment loss is recognized in the profit and loss account to the scope in which the carrying amount of asset does not exceed its amortized cost as at the reversal date.

Financial assets recognized at cost

If there are objective indications of impairment of non-quoted equity instrument that is not carried at fair value because its fair value can not be reliably determined, or a derivative, which is associated and must be settled by delivery of such non-recorded equity instrument, the amount of impairment losses is stated as the difference between the carrying amount of financial assets and the present value of estimated future cash flows discounted using current market rates of return for similar financial assets.

Financial assets available for sale

If there are objective indications that an impairment of financial assets available for sale has occurred, the amount representing the difference between the cost of the asset (less any repayment of capital and depreciation) and its current fair value, less any impairment losses previously recognized in the profit or loss account, is derecognized from equity and transferred to the profit and loss account. Reversal of an impairment loss of equity instruments classified as available for sale can not be recognized in the profit or loss account. If in a subsequent period the fair value of debt instruments available for sale increases, and this increase can be objectively related to an event following the recognition of impairment losses in the profit and loss account, the amount of reversed impairment is recognized in the profit or loss account.

2.14. Inventories

Materials, goods, work in progress and finished goods are current assets inventories.

The Group applies the following rules of inventory classification to the specific categories:

- **materials** – elements stored in the storage places for use in manufacturing processes, particularly for construction purposes;
- **work in progress** – includes costs of development projects under construction as well as materials of general-purpose stock and low-processing materials, which can easily and without incurring significant costs be used for other contracts or sold (if they are required for this contract);
- **goods** – the stock acquired in the purpose of their resale, including land for development projects in the implementation of development projects;
- **finished goods** – products of own production, which proceeding been fully completed, apartments, premises and buildings for sale.

Elements stored on construction sites to be used by the Company or a subcontractor for specific purposes on particular site only, which probably cannot be used by execution of other contracts or sold, are not are considered to be the inventory. These items are related directly to the cost of the contract and included in the valuation of the contract according to the stage.

Inventories are measured at the lower of the two values: purchase cost or net selling price.

Costs incurred to bring each item of inventories to its present location and value, both for the current and previous year, are recognized in the following manner:

- **materials** - at purchase cost determined by the using the FIFO method

- **work in progress and finished products** - cost of direct materials and labour and manufacturing overhead costs under the assumption of normal capacity utilization, excluding borrowing costs
- **goods** - at purchase cost determined by the using the FIFO method.

Net selling price is the available sale price without VAT and excise taxes, less discounts and other costs related to the adaptation of the item for sale and to selling it, achievable as at the balance sheet date.

2.15. Trade and other receivables

Claims due to supplies and services, whose maturity is usually between 30 and 180 days, are recorded and reported according to the amounts originally invoiced, including provision for bad debts. Provision for uncollectibles is assessed when it is improbable to recover receivables. Bad debts are written off in the profit and loss at the time of their loss.

Where the effect of money inflow over time is substantial, the value of accounts receivable is determined by discounting the anticipated cash flows to the present value using a gross discount rate that reflects the current assessment of market value of money over time. In case the discounting method has been used, the increase in receivables on an accrual basis is recognised as financial income.

2.16. Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with maturity not exceeding three months.

As cash restricted the Group treats, above all, measures

- which are a collateral for bank guarantees and liabilities due to derivatives
- collected on escrow accounts in the development companies

if their maturity does not exceed 3 months.

Cash at bank and in hand are valued at their nominal value.
The Group shows cash restricted in the balance sheet under cash and cash equivalents. For the purpose of cash flow statement, cash at the beginning and end of the period is reduced by cash restricted and it balance change is recognised in the flows from operating activities.

2.17. Capitals

Share capital comprises ordinary shares and is recognised at their nominal value (in accordance with the statutes of the Parent and the entry into the National Court Register).

The amount resulting from the difference between the premium price of shares covered by the Parent and their nominal value make a surplus from the sale of shares above their nominal value.

Minority interests are a part of equity of affiliates under full consolidation, which belongs to other shareholders than those included in the Group.
Profit (loss) of subsidiaries in part which belongs to other shareholders than those included in the Group is a profit (loss) on non-controlling interests.

Treasury shares

Redemption of own shares is recorded at cost and deducted from equity. Gains or losses occurred at the redemption, sale, issue or cancellation of treasury shares does not affect the profit and loss account. The difference between the carrying value and the purchase price in case of re-issue of shares is recorded in the surplus from the sale of shares above their nominal value. The rights attributable to treasury shares are cancelled and payment of dividends is not allocated to them.

2.18. Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) arising from the past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Where the influence of the money value over time is material, the provision is determined by discounting the anticipated cash flows to the present value using a gross discount rate that reflects the current assessment of market value of money over time and the potential risks associated with the given liability. If the discount method has been used, the increase in reserves on an accrual basis is recognized as financial expense.

Provisions for liabilities include, inter alia:

- guarantee repair provision,
- provision for contract losses,
- provision for litigations,
- unused leave provision,
- retirement provision,
- provision for anniversary awards.

Guarantee repair provision

In the case of construction contracts the companies forming the Erbud Group are obliged to provide guarantees on their services.

The general rule is creation of provisions for guarantee costs based on the rate of guarantee costs calculated as the quotient of guarantee repair costs to the revenues from the given contract and charging costs of services sold. This value is subject to individual review and may increase or decrease in justified cases.

In some cases, the provision for guarantee repair is recognized as at balance sheet date in the amount established on the basis of past experience in the field of a guarantee repairs.

Provision for litigations

The legal divisions and boards of companies of the Group make detailed analysis of potential risks related to ongoing operations and on this basis decide if recognition of the effects of those proceedings in the books of the Group entities is necessary and state the amount of provision.

Unused leave provision

The basis for calculating the reserve for holiday leave provision is a list of unused leave days as at the given balance sheet date, divided by individual employees their daily gross salary plus social security overheads.

Provision for retirement benefits, disability pensions and anniversary awards

The Group entities are required to pay severance and pension allowances in accordance with relevant regulations. The Group also committed to running the awards program. Therefore, there are created provisions for the present value of liabilities arising from the above-mentioned benefits. Payments are written off in the profit and loss account so as to stagger the benefits for the entire period the persons are employed. The year 2011 was the last year of the awards program.

Group companies have adopted a policy of recognizing actuarial gains and losses in the period in which they occur. All actuarial gains and losses are recognized in profit or loss.

The Group does not create a special fund for collecting payments due to future benefits.

Cost of retirement and pension allowances as well as awards, and the present value of liabilities due to the fore-said titles is determined using actuarial techniques. Making an actuarial valuation requires assumptions: discount rates, projected ratios of return on assets and increases in salaries. Because of the complexity of valuation, assumptions made, and the long-term nature, the liabilities under the above benefits are very sensitive to changes in assumptions. All assumptions are reviewed at each reporting date.

2.19. Bank credits and loans, debt securities

Loans and bank credits and at their initial recognition are recorded at purchase price equal to the fair value of cash received, less any costs related to obtaining bank credits or loans.

In subsequent periods, credits and loans are valued at amortized cost using the effective interest rate. When determining the amortized cost all costs related to obtaining bank credits or loans and discounts or premiums to account for the settlement of liabilities.

In the profit and loss account are recognized all results of the adjusted purchase price and effects of the debt derecognition or it impairment.

2.20. Trade and other liabilities

Due to the characteristics, liabilities are divided into::

- provisions,
- contingent liabilities,
- financial liabilities,
- current liabilities,
- long-term liabilities.

Contingent liabilities are potential liabilities which depends on a possible event or situation to occur. These liabilities are disclosed in the notes and additional information.

Financial liabilities are obligations to deliver financial assets or to exchange financial instruments with another entity to adverse conditions.

Current liabilities are all liabilities for supplies and services as well as a whole or that part of the other debts that are due in less than 12 months from the balance sheet date. Liabilities are valued as of the balance sheet date in the amount payable.

Long-term liabilities are liabilities for any other items than supplies and services which are due for more than 12 months from the balance sheet date.

Liabilities for supplies and services due to ongoing building contracts and advance payments received are classified as current liabilities, as it is expected that they will be settled in the normal operating cycle of the unit.

Liabilities arising from the deposit guarantee, which the maturity is less than 12 months are recognized as current liabilities. Long-term debts under the guarantee deposit are to be discounted to present value on the effective interest rates.

2.21. Prepayments and accruals

The Company records receivables and prepayments if they relate to future reporting periods.

The most important condition to recognize costs on an accrual basis is to meet the requirement of accounting them to the unit's assets i.e. to stocks with reliably determined value, which were generated as a result of past events that will impact the future economic benefits for the undertaking.

Impairment of deferred expenditures may be recognised pursuant to the laps of time or amount of benefits. Time and method of settlement must be justified by the nature of costs, observing precautions.

In the case of deferred expenditures those will not be accounted in the next 12 months from the balance sheet date, such settlement should be presented as a separate item on the balance of the long-term accruals.

2.22. Recognition of incomes and expenses

Revenue is recognized at that amount at which the Group will likely obtain economic benefits that are associated with a transaction and where the amount of revenue can be estimated reliably. Revenue is recognized at fair value after deduction of tax on goods and services (VAT) and excise duty as well as discounts.

Revenue from sales of products and goods is recognized when the significant risks and rewards of ownership of the goods and products were transferred to the buyer and the amount of revenue can be estimated reliably.

Income from construction contracts is recognized in accordance with Group's principles of accounting set out in the section "Long-term contracts".

Income from dividends is recognized when the shareholders' right to receive them is granted.

Income from interest is recognized gradually as they rise (taking into account the effective interest method i.e. the discount rate on future cash inflows over the estimated working life of financial instruments) in relation to the net carrying amount of the assets.

Income from rental of investment property in respect of open contracts is recognized on a line basis over a period of rental.

In accordance with the principle of accrual basis the Group recognized all costs for the reporting period, irrespective of the duration of its settlement, in the profit and loss account The costs incurred but not related to this period are recognized as receivables and prepayments, and costs not incurred but related to the given period are recognised as accruals and deferred income.

2.23. Construction contracts

The Group's companies recognize revenue from contracts executed by reference to the stage of completion of the contract. The budgets of individual contracts are subject to a formal update procedure based on current information in the course of the year and are approved by the Management Board.

The method of the stage of completion can be applied when an entity can reliably measure the amount of outcome of its construction services.

In accordance with the above method, revenue from the contract are recognized in the profit and loss account as income of that period in which the relevant works covered by the contract were executed. Contract costs related to the given works are recognized in the profit and loss account as an expense attributable to that period in which such works were executed. When it is probable that total costs will exceed total income on contract, the expected loss is recognized as an expense in the period in which it was disclosed.

By determining the stage of completion, the unit uses the method that will reliably state the work already performed. These methods may, depending on the nature of the contract, include:

- measurement of works performed,
- proportion of contract costs incurred for works performed to date relative to the estimated total contract costs,
- comparison of works de facto carried out with the work under the contract.

When determining the state of progress on the basis of contract costs incurred to date, only those costs that reflect work performed are recognised.

If the result of the construction contract can not be measured reliably, revenue is recognized only to the amount of the costs incurred, which are likely to be recovered, and contract costs are recognized as an expense in the period in which they were incurred.

The measurement results are recognized in assets and liabilities respectively in the consolidated statements of financial position under "Construction Contracts".

2.24. Housing development contracts

Revenues from sales of property development are recognized upon transfer of control, all the significant risks and rewards attributable to the ownership of the property to the final recipient. The Company considers that the transfer of risks, benefits and control occurs at the time of signing a notarial deed on transfer of ownership of real estate.

Until recognition of revenue from development business, costs incurred are recognized in assets under "Work in progress". At the time of recognition of income from the sale, the Group recognizes the cost of production of given area (proportional to the area sold).

2.25. Profit/loss on sales before tax

Pre-tax profit (loss) on sales is a difference between:

- revenue from sales of basic production and other services rendered within the core business of the Group units and of goods and materials, and
- production costs of products and services sold and the value of goods and materials sold.

2.26. Profit/loss on operating activity

Profit (loss) from operations includes revenues and expenses from operating activities without financial costs and incomes, to which primarily belong interests, foreign exchange differences and costs of bank commissions and guarantees.

2.27. Taxes

Current tax is calculated on the basis of the tax result (tax base) of the financial year. Tax profit (loss) differs from accounting profit (loss) in connection with dercognicion of tax deductible costs which are tax deductibles in the following years and the items of costs and revenues, which will never be subject to tax. Taxes are calculated on the basis of tax rates in force during the financial year.

Income tax on income earned in the country is calculated in accordance with local tax law and income of units operating abroad are subject to tax according to local regulations, having regard to the agreements on the avoidance of double taxation.

In view of the differences between the book value of the assets and liabilities and their tax base and the deductible tax loss in the future, the Group companies establish a provision and assets for deferred income taxes.

Provision for deferred tax liability is recognized in reference to all positive temporary differences in the amount of income tax, which requires payment in the future:

except where the deferred income tax provision arises from depreciation of goodwill or from the initial recognition of an asset or liability in a transaction other than merger of entities, and at the point of the transaction it has no influence on the gross financial result, nor for the taxable income or deductible loss, and

in the case of positive temporary differences arising from investments in subsidiaries or associates and participation in joint ventures - except where the timing of the reversal of temporary differences is controlled by the building investor and it is probable that in the foreseeable future the temporary difference will not be reversed.

The deferred tax assets are recognised as an amount to be deducted in the future from income tax in respect of deductible temporary differences and tax loss deductions, observing precautions:

except where the deferred tax due to temporary differences arises from the initial recognition of an asset or liability in a transaction other than a business combination and at its conclusion does not affect neither the accounting profit nor taxable profit nor tax loss, and

in the case of negative temporary differences resulting from investments in subsidiaries or associates and participation in joint ventures, the deferred tax asset is recognized in the balance sheet only in the amount, in which it is probable that in the foreseeable future, the above temporary differences will reversed and the taxable income will be achieved to deduct the negative temporary differences.

The carrying value of a deferred tax asset is reviewed at each balance sheet date, and is reduced accordingly to the extent that it is no longer likely to achieve taxable income sufficient for partial or full realization of a deferred income tax asset.

Deferred tax assets and provision for deferred tax are measured using tax rates that will apply during the period when the asset is realized or reserve resolved, based on tax regulations in force as at the balance sheet date.

The income tax regarding items directly recognized in equity is recognized in equity and not in the profit and loss account.

Assets and provisions for deferred income tax are compensated within the individual entities composing the Group.

2.28. Assets held for sale and discontinued operations

Fixed assets available for sale and discontinued operations are assets or their groups classified it this category and are recognized in the financial statements at an amount lower than their carrying amount or fair value less costs of sell.

The condition to recognise assets to this group is an active search for buyers and a high probability of disposal of these assets within one year from the date of their classification and the availability of these assets for immediate sale.

2.29. Operating segments reporting

The breakdown of the Group's reporting is based on geographical segments (domestic and Western European countries) and business segments (as described in detail in Note 5).

2.30. Earnings per share

Basic earnings per share for each period is calculated by dividing net profit for the period by the weighted average number of shares outstanding during the reporting period.

Diluted earnings per share is calculated by dividing net profit for the period attributable to ordinary shareholders (after deducting the interest on the redeemable preference shares convertible into ordinary shares) by the weighted average number of ordinary shares outstanding during the period (adjusted for the impact of dilutive options and dilutive redeemable preference shares convertible into ordinary shares).

2.31. Share-based payment

The Erbud Capital Group manages a program of share-based payments settled in equity instruments, under which employees receive equity instruments of Erbud SA and its subsidiaries. The fair value of employee services in exchange for equity instruments of the Group or its subsidiaries is accounted for as an increase in capital reserve for a period in which the acquisition conditions are met (the vesting period). The fair value of employee services is determined indirectly by reference to the fair value of the equity instruments granted at the grant date of instruments. Vesting conditions, other than market conditions are taken into account by adjusting the number of equity instruments included in the measurement of the transaction amount so that, ultimately, the amount recognised for goods or services rendered is based on the number of equity instruments that eventually vest.

3. Changes in accounting policies applied

3.1. Error adjustment

During the period ended 31 December 2011, there were no error adjustments, which would affect the current period or past periods.

3.2. Changes in estimates

During the reporting period ended 31 December 2011, no changes in the methodology for making estimates took place.

4. Discontinued operations

In the year ended 31 December 2011 and the year ended 31 December 2010, there was no discontinued operations within the meaning of IFRS 5.

5. Information on operating segments

In the year ended 31 December 2011, the Group conducted operations within the following business segments:

- large-volume building,
- housing development,
- road-engineering,
- construction for the energy sector,
- steel structures production.

In the year ended 31 December 2011, the Group conducted operations within the following geographical segments:

- domestic market,
- abroad (Germany, France, Belgium. Luxembourg).

The segmentation has been made by classification of the individual entities on basis of their statutory activities. The Group applies an uniform accounting policies for all segments.

Business segments

The following tables present data on income and profit as well as selected assets and liabilities of business segments of the Group as at 31 December 2011:

Revenue and costs by business segments

For the period from 1 January to 31 December 2011	Cubage building	Housing development	Road-engineering	Construction for energy sector	Steel structures production	Exemptions	Total
Sale to external clients	1 182 737	58 548	233 842	42 484	10 221	0	**1 527 832**
Sale between segments	0	0	89 605	0	0	-89 605	**0**
Total income	**1 182 737**	**58 548**	**323 447**	**42 484**	**10 221**	**-89 605**	**1 527 832**
Cost of products, goods and materials sold to external clients	1 176 102	49 091	214 336	40 018	11 858	0	**1 491 405**
Cost of products, goods and materials sold to other segments	0	0	89 605	0	0	-89 605	**0**
Total cost of products, goods and materials sold	**1 176 102**	**49 091**	**303 941**	**40 018**	**11 858**	**-89 605**	**1 491 405**
Total gross sales	**6 635**	**9 457**	**19 506**	**2 466**	**-1 637**	**0**	**36 427**
Sales costs	0	2 194	1 181	0	295	0	**3 670**
General and administrative costs	32 553	3 210	7 102	1 543	1 489	0	**45 897**
Result on other operating activity	1 212	227	267	-202	-625	0	**879**
Segment result	**-24 706**	**4 280**	**11 490**	**721**	**-4 046**	**0**	**-12 261**
Result on financing activity	-7 845	193	-927	-10	-153	0	**-8 742**
Income tax	-1 707	726	243	46	-596	0	**-1 288**
Net profit	**-30 844**	**3 747**	**10 320**	**665**	**-3 603**	**0**	**-19 715**

Other items by business segments

For the period from 1 January to 31 December 2011	Cubage building	Housing development	Road-engineering	Construction for energy sector	Steel structures production	Total
Segment depreciation and amortisation	2 540	687	4 230	33	307	**7 797**
Interest income	4 291	1 444	25	2	2	**5 764**
Interest costs	4 588	1 129	977	12	155	**6 861**
Impairment of assets	153	1 358	13	167	229	**1 920**
Reversal of impairment losses on assets	2 811	861	0	0	0	**3 672**
Capital expenditure for:	3 406	534	3 278	4	82	**7 304**
- Tangible fixed assets	1 069	430	545	3	82	**2 129**
- Intangible fixed assets	370	12	22	1	0	**405**
- Increase due to acquisition	0	0	0	0	0	**0**
Other non-cash outlays	1 967	92	2 711	0	0	**4 770**

Assets and liabilities by business segments

As at 31 December 2011	Cubage building	Housing development	Road-engineering	Construction for energy sector	Steel structures production	Total
Segment assets	530 092	158 287	44 279	670	2 685	**736 013**
Investment in associates						
Deferred tax assets	27 610	5 118	4 088	31	1 902	**38 749**
Total assets	**557 702**	**163 405**	**48 367**	**701**	**4 587**	**774 762**
Total liabilities	**427 009**	**68 500**	**46 746**	**256**	**1 804**	**544 315**

Business segments

The following tables present data on income and profit as well as selected assets and liabilities of business segments of the Group as at 31 December 2010:

For the period from 1 January to 31 December 2010	Cubage building	Housing development	Road-engineering	Construction for energy sector	Steel structures production	Exemptions	Total
Sale to external clients	941 588	45 329	83 322	24 447	9 221	0	**1 103 907**
Sale between segments	0	0	23 974	0	0	-23 974	**0**
Total income	**941 588**	**45 329**	**107 296**	**24 447**	**9 221**	**-23 974**	**1 103 907**
Cost of products, goods and materials sold to external clients	865 372	39 920	86 622	23 370	12 747	0	**1 028 031**
Cost of products, goods and materials sold to other segments	0	0	23 974	0	0	-23 974	**0**
Total cost of products, goods and materials sold	**865 372**	**39 920**	**110 596**	**23 370**	**12 747**	**-23 974**	**1 028 031**
Total gross sales	**76 216**	**5 409**	**-3 300**	**1 077**	**-3 526**	**0**	**75 876**
Sales costs	0	2 181	0	0	810	0	**2 991**
General and administrative costs	40 759	2 110	6 076	551	1 335	0	**50 831**
Result on other operating activity	1 673	-3 125	200	20	50	0	**-1 182**
Segment result	**37 130**	**-2 007**	**-9 176**	**546**	**-5 621**	**0**	**20 872**
Result on financing activity	-1 307	-60	-426	1	-92	0	**-1 884**
Income tax	7 930	985	-999	-63	-1 015	0	**6 838**
Net profit	**27 893**	**-3 052**	**-8 603**	**610**	**-4 698**	**0**	**12 150**

For the period from 1 January to 31 December 2010	Cubage building	Housing development	Road-engineering	Construction for energy sector	Steel structures production	Total
Segment depreciation and amortisation	2 243	974	4 498	61	386	**8 162**
Interest income	2 826	98	297	9	85	**3 315**
Interest costs	765	1 639	613	8	173	**3 198**
Impairment of assets	438	554	21	0	8	**1021**
Reversal of impairment losses on assets	-715	0	55	0	33	**-627**
Capital expenditure for:	4 447	727	4 941	179	1 423	**11 717**
- Tangible fixed assets	1 611	360	2 673	45	633	**5 322**
- Intangible fixed assets	163	39	36	29	20	**287**
- Increase due to acquisition						
Other non-cash outlays	2 673	328	2 232	105	770	**6 108**

Assets and liabilities by business segments

As at 31 December 2011	Cubage building	Housing development	Road-engineering	Construction for energy sector	Steel structures production	Total
Segment assets	417 310	130 841	41 950	1 558	8 865	**600 524**
Investment in associates						
Deferred tax assets	14 509	4 127	3 051	74	1 601	**23 362**
Total assets	**431 819**	**134 968**	**45 001**	**1 632**	**10 466**	**623 886**
Total liabilities	**285 923**	**49 662**	**32 573**	**478**	**6 670**	**375 306**

Region segments

The following tables present data on income and profit as well as selected assets and liabilities of business segments of the Group as at 31 December 2011:

Income and expenses by geographical segments

Year ended 31 December 2011	Domestic market	Abroad	Total
Sale to external clients	1 420 460	107 372	**1 527 832**
Total income	**1 420 460**	**107 372**	**1 527 832**
Cost of products, goods and materials sold to external clients	1 390 872	100 533	**1 491 405**
Total cost of products, goods and materials sold	**1 390 872**	**100 533**	**1 491 405**
Total gross sales	**29 588**	**6 839**	**36 427**
Sales costs	3 670	0	**3 670**
General and administrative costs	37 897	8 000	**45 897**
Result on other operating activity	-1 839	2 718	**879**
Segment result	**-13 818**	**1 557**	**-12 261**
Result on financing activity	-8 529	-213	**-8 742**
Income tax	-2 872	1 584	**-1 288**
Net profit	**-19 475**	**-240**	**-19 715**

Year ended 31 December 2011	Domestic market	Abroad	Total
Segment depreciation and amortisation	7 429	368	**7 797**
Interest income	4 101	1 663	**5 764**
Interest costs	5 983	878	**6 861**
Impairment of assets	1 920	0	**1 920**
Reversal of impairment losses on assets	1 074	2 598	**3 672**
Capital expenditure for:	**6 540**	**764**	**7 304**
- Tangible fixed assets	1 642	487	**2 129**
- Intangible fixed assets	405	0	**405**
- Increase due to acquisition			
Other non-cash outlays	4 493	277	**4 770**

Assets and liabilities by geographical segments

Year ended 31 December 2011	Domestic market	Abroad	Total
Segment assets	674 982	61 031	**736 013**
Deferred tax assets	36 807	1 942	**38 749**
Total assets			
Segment liabilities	711 789	62 973	**774 762**
Total liabilities	**511 446**	**32 869**	**544 315**

The following tables present data on income, expenditures and selected assets of geographical segments of the Group as at 31 December 2010:

Income and expenses by geographical segments

Year ended 31 December 2010	Domestic market	Abroad	Total
Sale to external clients	1 003 273	100 634	**1 103 907**
Total income	**1 003 273**	**100 634**	**1 103 907**
Cost of products, goods and materials sold to external clients	931 281	96 750	**1 028 031**
Total cost of products, goods and materials sold	**931 281**	**96 750**	**1 028 031**
Total gross sales	**71 992**	**3 884**	**75 876**
Sales costs	2 991	0	**2 991**
General and administrative costs	42 731	8 100	**50 831**
Result on other operating activity	-1 693	511	**-1 182**
Segment result	**24 577**	**-3 705**	**20 872**
Result on financing activity	-2 343	459	**-1 884**
Income tax	6 260	578	**6 838**
Net profit	**15 974**	**-3 824**	**12 150**

Year ended 31 December 2010	Domestic market	Abroad	Total
Segment depreciation and amortisation	7 905	256	**8 161**
Interest income	2 426	889	**3 315**
Interest costs	2 866	332	**3 198**
Impairment of assets	758	0	**758**
Reversal of impairment losses on assets	1 455	-2 082	**-627**
Capital expenditure for:	**10 661**	**1 056**	**11 717**
- Tangible fixed assets	4 270	1 052	**5 322**
- Intangible fixed assets	283	4	**287**
- Increase due to acquisition			
Other non-cash outlays	6 108	0	**6 108**

Assets and liabilities by geographical segments

Year ended 31 December 2010	Domestic market	Abroad	Total
Segment assets	556 966	43 558	**600 524**
Deferred tax assets	22 349	1 013	**23 362**
Total assets	**579 315**	**44 571**	**623 886**
Segment liabilities	346 213	29 093	**375 306**
Total liabilities	**346 213**	**29 093**	**375 306**

In 2010, the Capital Group recorded revenue from two customers exceeding 10% of total income:

1) Guava Sp. z o.o. (contract for construction the Victoria Shopping Mall in Walbrzych) - revenue of approx. PLN 120 million

2) Braten Pedersen Plus Partners Sp.z o.o (contract for construction the Agora Shopping Centre in Bytom) - revenue of approximately PLN 122 million.

In 2011, revenues from any of the customers of the Capital Group did not exceed 10% of aggregate income.

6. Tangible fixed assets

2011	Land (incl. perpetual usufruct)	Buildings and structures	Plant and equipment	Means of transport	Other tangible fixed assets	Fixed assets under construction	Prepaid tangible fixed assets under construction	Total
Gross book value as at 1 January 2011	**5 813**	**10 880**	**22 486**	**14 911**	**2 856**	**158**	**0**	**57 104**
Increases:	**17**	**158**	**4 826**	**3 660**	**607**	**443**	**0**	**9 711**
- Purchase	3	13	171	966	533	443	0	**2 129**
- Lease	0	0	4 610	2 628	0	0	0	**7 238**
- Foreign exchange differences	14	145	45	66	74	0	0	**344**
- Acquisition of fixed assets under construction	0	0	0	0	0	0	0	**0**
- Reclassification adjustments	0	0	-40	0	98	-82	24	**0**
- Transfers	0	0	0	0	0	0	0	**0**
Decreases:	**1 612**	**353**	**6 839**	**2 027**	**37**	**485**	**0**	**11 353**
- Sale	1 612	353	6 441	1 065	31	135	0	**9 637**
- Liquidation	0	0	398	0	6	0	0	**404**
- Lease adjustment and other adjustments	0	0	0	962	0	350	0	**1 312**
Gross book value as at 31 December 2011	**4 218**	**10 685**	**20 433**	**16 544**	**3 524**	**34**	**24**	**55 462**
Accumulated depreciation as at 1 January 2011	**11**	**4 539**	**9 866**	**7 353**	**1 992**	**0**	**0**	**23 761**
Accumulated depreciation for the period:								
Amortization	3	515	3 614	2 853	578	0	0	**7 563**
Decreases:	**0**	**-59**	**4 243**	**1 363**	**-19**	**0**	**0**	**5 528**
- Sale	0	40	3 978	444	27	0	0	**4 489**
- Liquidation	0	0	300	0	6	0	0	**306**
- Lease adjustment and other adjustments	0	0	0	0	0	0	0	**0**
- Reclassification adjustments	0	0	0	962	0	0	0	**962**
- Foreign exchange differences from translation of foreign entities	0	-99	-35	-43	-52	0	0	**-229**
Accumulated depreciation	**14**	**5 113**	**9 237**	**8 843**	**2 589**	**0**	**0**	**25 796**

as at 31 December 2011								
Impairment	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
as at 1 January 2011								
Impairment	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
as at 31 December 2011								
Net book value	**5 802**	**6 341**	**12 622**	**7 558**	**864**	**158**	**0**	**33 343**
as at 1 January 2011								
Net book value	**4 204**	**5 572**	**11 196**	**7 701**	**935**	**34**	**24**	**29 666**
as at 31 December 2011								

2010	Land (incl. perpetual usufruct)	Buildings and structures	Plant and equipment	Means of transport	Other tangible fixed assets	Fixed assets under construction	Prepaid tangible fixed assets under construction	Total
Gross book value								
as at 1 January 2010	**4 970**	**16 549**	**20 056**	**10 933**	**2 448**	**513**	**0**	**55 469**
Increases:	**60**	**227**	**5 203**	**5 352**	**667**	**280**	**0**	**11 789**
- Purchase	63	281	2 661	1 377	639	280	0	**5 301**
- Lease	0	0	2 240	3 868	0	0	0	**6 108**
- Foreign exchange differences	-3	-54	-17	-11	-110	0	0	**-195**
- Acquisition of fixed assets under construction	0	0	0	0	20	0	0	**20**
- Reclassification adjustments	0	0	319	118	118	0	0	**555**
- Transfers	1 612	845	0	0	0	-554	0	**1 903**
Decreases:	**829**	**6 741**	**2 773**	**1 374**	**259**	**81**	**0**	**12 057**
- Sale	829	6 741	2 070	927	96	42	0	**10 705**
- Liquidation	0	0	271	34	116	0	0	**421**
- Lease adjustment and other adjustments	0	0	432	413	47	39	0	**931**
Gross book value								
as at 31 December 2010	**5 813**	**10 880**	**22 486**	**14 911**	**2 856**	**158**	**0**	**57 104**
Accumulated depreciation								
as at 1 January 2010	**10**	**5 303**	**6 948**	**5 663**	**1 655**	**0**	**0**	**19 579**
Accumulated depreciation								
for the period:	**4**	**1 004**	**3 890**	**2 421**	**557**	**0**	**0**	**7 876**
Amortization	4	1 004	3 890	2 421	557	0	0	**7 876**
Decreases:	**3**	**1 768**	**972**	**731**	**220**	**0**	**0**	**3 694**
- Sale	2	1 721	519	369	80	0	0	**2 691**
- Liquidation	0	0	439	89	112	0	0	**640**
- Lease adjustment and other adjustments	0	0	318	380	44	0	0	**742**
- Reclassification adjustments	0	0	-319	-118	-118	0	0	**-555**
- Foreign exchange differences from translation of foreign entities	1	47	15	11	102	0	0	**176**
Accumulated depreciation								
as at 31 December 2010	**11**	**4 539**	**9 866**	**7 353**	**1 992**	**0**	**0**	**23 761**
Impairment								
as at 1 January 2010	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Impairment								
as at 31 December 2010	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Net book value								
as at 1 January 2010	**4 960**	**11 246**	**13 108**	**5 270**	**793**	**513**	**0**	**35 891**
Net book value								
as at 31 December 2010	**5 802**	**6 341**	**12 620**	**7 558**	**864**	**158**	**0**	**33 343**

6.1. Depreciation of property, plant and equipment

Depreciation of property, plant and equipment for the period ended 31 December 2011 and 31 December 2010 was recognised in the following positions:

	Year ended 31 December 2011	Year ended 31 December 2010
General and administrative expenses	3 026	3 820
Cost of manufacturing sold products and services	4 537	4 056
Total	**7 563**	**7 876**

6.2. Tangible fixed assets used under financial leasing contracts

The Group as a lessee has used the following tangible fixed assets under finance leases:

	31 December 2011		31 December 2010	
	Opening balance of fixed assets under financial lease	Net carrying amount of fixed assets under financial lease	Opening balance of fixed assets under financial lease	Net carrying amount of fixed assets under financial lease
Plant and equipment	12 068	7 495	7 636	4 671
Means of transport	11 638	6 001	8 261	5 559
Other fixed assets	118	3	118	33
Total	**23 824**	**13 499**	**16 015**	**10 263**

6.3. Fixed assets under construction

In the period ended 31 December 2011, the amount of of borrowing costs capitalized has not occurred.

In the period ended 31 December 2010, the amount of of borrowing costs capitalized has not occurred.

6.4. Tangible fixed assets to secure

As at 31 December 2011, there were established securities on property, plant and equipment of units of the Group amounting to PLN 96,353 thousand.

As at 31 December 2010, there were established securities on property, plant and equipment of units of the Group amounting to PLN 4,548 thousand.

6.5. The amount of contractual commitments for the acquisition of property, plant and equipment

In the period ended 31 December 2011 and In the period ended 31 December 2010, there were no contractual obligations of the companies incorporated in the Group due to the acquisition of property, plant and equipment.

6.6. The amount of compensation received from third parties for loss of value or loss of property, plant and equipment

In the period ended 31 December 2011 and in the period ended 31 December 2010, the Group did not receive from third parties any compensation for the loss of value or loss of items of property, plant and equipment.

7. Fixed assets held for sale

The Group does not classified any assets as held for sale as of 31 December 2011 as well as , the Group did not have any assets held for sale for the financial year ended 31 December 2010.

8. Investment property

	2011	2010
Gross book value as at 1 January	**6 262**	**8 898**
Increases:	**0**	**70**
- Purchase	0	70
Decreases:	**0**	**2 706**
- Sale	0	800
- Transfer to fixed assets available as held for sale	0	0
- Transfer to inventories	0	0
- Transfer to tangible fixed assets	0	0
- Transfer	-58	1 906
Gross book value as at 31 December	**6 204**	**6 262**
Accumulated depreciation as at 1 January	**486**	**449**
- Amortization for the period	25	81
- Sale	0	0
- Transfer	0	24
- Other	0	20
Accumulated depreciation as at 31 December	**511**	**486**
Impairment as at 1 January	**0**	**0**
- Increases	0	0
- Decreases	0	0
Impairment as at 31 December	**0**	**0**
Net book value as at 1 January	**5 776**	**8 449**
Net book value as at 31 December	**5 693**	**5 776**

8.1. Restrictions on the benefits from investment property

As at 31 December 2011 and 31 December 2010, there were no loans on real estate investments held by the units of the Group which would limit the benefits of investment property or a transfer of income and profit arising from this title.

8.2. Recognition in profit or loss

Depreciation of investment property for the year ended 31 December 2011 and 31 December 2010 was recognized in the statement of comprehensive income under the item "Cost of sold products and services".

The companies of the Group have recognized in the profit and loss account the following amounts of revenues and expenses with respect to investment property:

	Year ended 31 December 2011	Year ended 31 December 2010
Rental income	26	28
Direct operating costs (including repairs and maintenance) of an investment property that brought income from rentals during the reported period	15	11
Direct operating costs (including repairs and maintenance) of an investment property that did not bring income from rentals during the reported period	24	0

9. Intangible fixed assets

2011	Other	Total
Gross book value as at 1 January 2011	**1 388**	**1 388**
Increases:	**405**	**405**
- Purchase	405	405
- Acquisition of fixed assets under construction	0	0
- Reclassification adjustments	0	0
Decreases:	**-4**	**-4**
- Sale	3	3
- Liquidation	-7	-7
- Foreign exchange differences	0	0
Gross book value as at 31 December 2011	**1 797**	**1 797**
Accumulated depreciation as at 1 January 2011	**982**	**982**
- Amortization for the period	209	209
- Decreases:	**-4**	**-4**
Accumulated depreciation as at 31 December 2011	**1 195**	**1 195**
Net book value as at 1 January 2011	**406**	**406**
Net book value as at 31 December 2011	**602**	**602**

2010	Other	Total
Gross book value as at 1 January 2010	**1 066**	**1 066**
Increases:	**386**	**386**
- Purchase	269	269
- Acquisition of fixed assets under construction	18	18
- Reclassification adjustments	99	99
Decreases:	**64**	**64**
- Sale	14	14
- Liquidation	48	48
- Foreign exchange differences	2	2
Gross book value as at 31 December 2010	**1 388**	**1 388**
Accumulated depreciation as at 1 January 2010	**727**	**727**
- Amortization for the period	204	204
- Decreases:	**-51**	**-51**
Accumulated depreciation as at 31 December 2010	**982**	**982**
Net book value as at 1 January 2010	**339**	**339**
Net book value as at 31 December 2010	**406**	**406**

9.1. Recognition in profit or loss

Depreciation and amortization of intangible assets has been recognized in the following items of the profit and loss account:

	Year ended 31 December 2011	Year ended 31 December 2010
Manufacturing costs of products and services sold	0	0
General and administrative expenses	209	204
Total	**209**	**204**

9.2. Legal restrictions

As at 31 December 2011 and 31 December 2010, there were no loans on intangible assets held by the Group's entities which would limit the legal title and secured its liabilities.

10. Consolidated goodwill

	31 December 2011	31 December 2010
Gross book value at the beginning of the period	**20 102**	**20 102**
Increases	0	0
Decreases	0	0
Gross book value at the end of the period	**20 102**	**20 102**
Impairment at the beginning of the period	**0**	**0**
Impairment at the end of the period	**0**	**0**
Net book value at the end of the period	**20 102**	**20 102**

The goodwill recognized in the balance sheet as at 31 December 2011 and 31 December 2010 refers to:

- Erbud International Sp. z o.o. with the value of PLN 1,420 thousand
- Przedsiębiorstwo Budownictwa Drogowo-Inżynieryjnego SA with the value of PLN 18,274 thousand
- Erbud Energetyka Sp. z o.o. with the value of PLN 408 thousand.

Based on the test for impairment of goodwill, which was carried out as of 31 December 2011, the Management Board stated that there is no need to make write-offs.

11. Shares or stocks in subsidiaries

No.	Name and legal form of the subsidiary	Seat	Business area	Type of relationship	Method of consolidation / equity method or indication that the unit is not subject to consolidation/ valuation by equity method	Value adjustments (total)	Carrying amount of shares /stocks in separate statement of Erbud S.A.	Equity stake held	Voting power at the AGM
1.	Delta Sp. z o.o.	Toruń	construction	subsidiary	not consolidated - not relevant	32	0	100%	100%
2.	Erbud Construction Sp. z o.o.	Toruń	construction	subsidiary	not consolidated - not relevant	39	0	100%	100%
3.	Toruńska Sportowa S A	Toruń	construction	associated	not consolidated - not relevant	39	0	39%	39%
4.	Erbud Rzeszów Sp. z o.o.	Rzeszów	construction	subsidiary	not consolidated - not relevant	0	79	79%	79%
5.	Erbud International Sp. z o.o.	Toruń	construction	subsidiary	full method	0	50	100%	100%
6.	ER Services Sp. z o.o.	Toruń	construction	subsidiary	not consolidated - not relevant	0	100	100%	100%
7.	GWI GmbH	Dusseldorf, Germany	construction	subsidiary	full method	0	347	85%	85%
8.	Budlex Sp. z o.o.	Toruń	housing development	subsidiary	full method	0	73 575	90%	90%
9.	Przedsiębiorstwo Budownictwa Drogowo Inżynieryjnego	Toruń	road engineering	subsidiary	full method	0	49 554	94.27%	94.27%
10.	Erbud Energetyka Sp. z o.o.	Katowice	construction	subsidiary	full method	0	1 510	86.36%	86.36%
11.	Erbud Ireland Limited *)	Dublin, Irleland	construction	indirect controlled subsidiary	not consolidated - not relevant	0	50	100%	100%
12.	ErsteelSp. z o.o.	Toruń	steel structures	subsidiary	full method	2 850	7 750	100%	100%
				Stocks or shares in controlled entities as at 31.12.2011		2 960	133 015		

In the current period, it has been increased the share capital in the subsidiary Ersteel Sp. z o.o. by PLN 4,900 thousand and created impairment loss of the company's shares amounting 2.850 thousand.

*) Erbud S.A. is an indirect owner of Erbud Ireland Limited

Name and legal form of the subsidiary	Seat	Business area	Type of relationship	Method of consolidation / equity method or indication that the unit is not subject to consolidation/ valuation by equity method	Value adjust-ments (total)	Carrying amount of shares /stocks in separate statement of Erbud S.A.	Equity stake held	Voting power at a GM
Delta Sp. z o.o.	Toruń	construction	subsidiary	not consolidated - not relevant	32	0	100%	100%
Erbud Construction Sp. z o.o.	Toruń	construction	subsidiary	not consolidated - not relevant	39	0	100%	100%
Toruńska Sportowa S A	Toruń	construction	associated	not consolidated - not relevant	39	0	39%	39%
Erbud Rzeszów Sp. z o.o.	Rzeszów	construction	subsidiary	not consolidated - not relevant	0	79	79%	79%
Erbud International Sp. z o.o.	Toruń	construction	subsidiary	full method	0	50	100%	100%
ER Services Sp. z o.o.	Toruń	construction	subsidiary	not consolidated - not relevant	0	100	100%	100%
Erbud Ireland Limited	Dublin, Irleland	construction	indirect controlled subsidiary	not consolidated - not relevant	0	50	100%	100%
GWI GmbH	Dusseldorf, Germany	construction	subsidiary	full method	0	347	85%	85%
Budlex Sp. z o.o.	Toruń	housing development	subsidiary	full method	0	73 575	90%	90%
Przedsiębiorstwo Budownictwa Drogowo Inżynieryjnego SA	Toruń	road engineering	subsidiary	full method	0	49 554	94,27%	94,27%
Erbud Energetyka sp z oo	Katowice	construction	subsidiary	full method	0	1 510	86,36%	86,36%
Erstell Sp. z o.o.	Toruń	steel structures	subsidiary	full method	0	5 700	100%	100%
				Stocks or shares in controlled entities as at 31.12.2010	110	130 965		

12. Financial instruments

12.1. Carrying amount

The following tables summarize the carrying amounts of all financial instruments of the Group by classes and categories of assets and liabilities as at 31 December 2011.

Classes of financial instruments	Financial instruments					
	Available for-sale financial assets	Financial assets at fair value through profit or loss	Loans and receivables	Financial liabilities at fair value through profit or loss	Financial liabilities at amortized cost	Total
Loans granted	0	0	30 809	0	0	**30 809**
Financial assets available for sale	740	0	0	0	0	**740**
Building contracts securities	0	0	42 067	0	(79 210)	**(37 143)**
Delivery and services receivables	0	0	218 234	0	0	**218 234**
Receivables from customers under building contracts	0	0	92 896	0	0	**92 896**
Derivative financial instruments	0	0	0	(1 583)	0	**(1 583)**
Other financial assets	0	791	0	0	0	**791**
Cash and cash equivalents	0	161 291	0	0	0	**161 291**
Credits, loans and other borrowing costs	0	0	0	0	(141 095)	**(141 095)**
Amounts due to customers under building contracts	0	0	0	0	(29 034)	**(29 034)**
Liabilities due to deliveries and services and other	0	0	0	0	(195 010)	**(195 010)**
Other receivables and liabilities	0	0	6 095	0	(19 195)	**(13 100)**
Total	**740**	**162 082**	**390 101**	**(1 583)**	**(463 544)**	**87 795**

12.2 Income, expenses, gains and losses recognized in profit and loss account by categories of financial instruments

for the period from 1 January 2011 to 31 December 2011

Classes of financial instruments	Financial instruments						
	Assets held to maturity	**Available for-sale financial assets**	**Financial assets at fair value through profit or loss**	**Loans and receivables**	**Financial liabilities at fair value through profit or loss**	**Financial liabilities at amortized cost**	**Total**
Interest income (expense)	17	0	822	3 143	163	(6 709)	**(2 564)**
Gains (losses) from exchange rate differences	0	0	(1)	2 579	0	(472)	**2 106**
Impairment charges (impairment release)	0	0	0	2 158	0	0	**2 158**
Gains (losses) on valuation	0	0	(9)	17	(1 437)	0	**(1 429)**
Gains (losses) on sale and settlement of financial instruments	0	0	0	(3 242)	0	0	**(3 242)**
Total	**17**	**0**	**812**	**4 655**	**(1 274)**	**(7 181)**	**(2 971)**

Carrying amount

The following tables summarize the carrying amounts of all financial instruments of the Group by classes and categories of assets and liabilities as at 31 December 2010.

Classes of financial instruments	Financial instruments					
	Available for-sale financial assets	Financial assets at fair value through profit or loss	Loans and receivables	Financial liabilities at fair value through profit or loss	Financial liabilities at amortized cost	Total
Loans granted	0	0	32 825	0	0	**32 825**
Financial assets available for sale	736	0	0	0	0	**736**
Building contracts securities	0	0	32 015	0	(68 108)	**(36 093)**
Delivery and services receivables	0	0	151 245	0	0	**151 245**
Receivables from customers under building contracts	0	0	51 505	0	0	**51 505**
Derivative financial instruments	0	0	0	(56)	0	**(56)**
Other financial assets	0	960	0	0	0	**950**
Cash and cash equivalents	0	147 229	0	0	0	**147 229**
Credits, loans and other borrowing costs	0	0	0	0	(48 269)	**(48 269)**
Amounts due to customers under building contracts	0	0	0	0	(7 746)	**(7 746)**
Liabilities due to deliveries and services and other	0	0	0	0	(150 750)	**(150 750)**
Other receivables and liabilities	0	0	19 020	0	(12 682)	**6 338**
Total	**736**	**148 179**	**286 610**	**(56)**	**(287 555)**	**147 914**

Income, expenses, gains and losses recognized in profit and loss account by categories of financial instruments

for the period from 1 January 2010 to 31 December 2010

Classes of financial instruments	Financial instruments						
	Assets held to maturity	**Available for-sale financial assets**	**Financial assets at fair value through profit or loss**	**Loans and receivables**	**Financial liabilities at fair value through profit or loss**	**Financial liabilities at amortized cost**	**Total**
Interest income (expense)	290		1 790	1 205		(3 120)	**165**
Gains (losses) from exchange rate differences	(37)		(274)	(978)		392	**(897)**
Impairment charges (impairment release)				189			**189**
Gains (losses) on valuation					(280)		**(280)**
Gains (losses) on sale and settlement of financial instruments		263					**263**
Total	**253**	**263**	**1 516**	**416**	**(280)**	**(2 728)**	**(560)**

Financial assets and liabilities measured at fair value and available for sale

The following tables provide an analysis of assets and financial liabilities of the Group which, after initial recognition measured at fair value, are grouped into levels 1-3, depending on the degree of observability of the source data used to determine fair value.

	31 December 2011			
	Fair value measurement			
	Level 1	Level 2	Level 3	Total
Financial assets available for sale	0	740	0	**736**
Financial assets measured at fair value trough profit or loss account, of which:				
Cash and cash equivalents	161 291	0	0	**161 291**
Other financial assets	791	0	0	791
Total	**162 082**	**740**	**0**	**162 822**

	31 December 2011			
	Fair value measurement			
	Level 1	Level 2	Level 3	Total
Financial liabilities measured at fair value trough profit or loss account, of which:				
Derivative financial instruments	0	1 583	0	**1 583**
Total	**0**	**1 583**	**0**	**1 583**

	31 December 2010			
	Fair value measurement			
	Level 1	Level 2	Level 3	Total
Financial assets available for sale	0	736	0	**736**
Financial assets measured at fair value trough profit or loss account, of which:				
Cash and cash equivalents	147 229	0	0	**147 229**
Other financial assets	950	0	0	**950**
Total	**148 179**	**736**	**0**	**148 179**

	31 December 2010			
	Fair value measurement			
	Level 1	Level 2	Level 3	Total
Financial liabilities measured at fair value trough profit or loss account, of which:				
Derivative financial instruments	0	56	0	**56**
Total	**0**	**56**	**0**	**56**

12.3 Derivative financial instruments

In the financial year ended 31 December 2010 the Group entered into a denominated contract in Euro. The subject of the contract is on providing the company Deptak Projekt P2 Sp. z o.o. loan in the amount of 3.500 thousand Euro. The NBP average exchange rate EURO/PLN amounted to PLN 3.9443 as at the transaction date. Repayment of loan is scheduled by 30 July 2015. Since the group was not able to secure the exchange rate risk for such a long time, it has been decided to arrange a phase security and conclude a forward exchange contract , initially for three years.

As at 31 December 2011, valuation under this instrument was PLN 1,583 thousand.

As at 31 December 2010, valuation under this instrument was PLN 56 thousand.

13. Inventories

	31 December 2011	31 December 2010
Materials	7 601	6 632
Semi-products and unfinished products	54 244	35 170
Finished products	17 916	26 648
Goods	28 342	28 398
Advances for deliveries	1 779	0
Gross book value of inventories at the end of the period	**109 882**	**96 848**
Impairments of inventories at the beginning of the period	**976**	**473**
Created in other operating costs	1 282	542
Created in manufacturing cost of products sold	0	0
Reversed into other operating costs	0	0
Used	319	39
Impairments of inventories at the end of the period	**1 939**	**976**
Net book value of inventories at the end of the period	**107 943**	**95 872**

14. Trade and other receivables

	31 December 2011	31 December 2010
Long-term receivables before tax		
Due to deliveries and services	0	130
- from associates	0	0
- from other entities	0	130
From the public sector	0	0
Other	120	0
Impairment of receivables	**0**	**0**
Long-term net receivables	**120**	**130**

	31 December 2011	31 December 2010
Short-term receivables before tax		
Due to deliveries and services	267 068	191 786
- from associates	90	62

- from other entities	266 978	191 724
From the public sector	16 526	7 941
Other	7 822	20 766
Impairment of receivables	**6 786**	**9 400**
Short-term net receivables	**284 630**	**211 093**

The fair value of trade receivables and other receivables is nearly equal to their carrying amount.

The age structure of receivables is presented in the table below:

	31 December 2011	**31 December 2010**
a) Up to 3 months	222 940	136 533
b) Between 3 and 6 months	5 872	19 778
c) Between 6 and 12 months	18 204	13 012
d) Over 12 months	6 937	14 092
e) Overdue debts	13 115	8 371
Total trade receivables (gross)	**267 068**	**191 786**
f) Impairments from trade receivables	6 767	8 525
Total net trade receivables	**260 301**	**183 261**

Write-offs on receivables are created for overdue debts over 180 days at their full value.

In single, justified cases, can be applied individual principles of accounting an impairment.

The amount of overdue more than 1 year not covered by the write-down includes mainly receivables of PLN 3,815 from Koncepta Spółka z o.o., on which it was established mortgage on property belonging to the company Koncepta.

The following table presents the value of impairments from trade and other receivables:

	31 December 2011	**31 December 2010**
Impairments at the beginning of the period	**9 400**	**13 878**
Created in other operating costs	639	217
Reversed into other operating costs	3 672	-627
Used	37	4 999
Currency translation differences	456	-323
Impairments at the end of the period	**6 786**	**9 400**

As the Group has a large number of domestic and foreign clients there is no concentration of a credit risk for trade receivables

15. Prepayments and accruals

Receivables and prepayments	31 December 2011	31 December 2010
Insurances	262	260
Financial lease costs	30	84
Prepayments	10	139
Bonds issue costs	386	0
Other	41	63
Total	**729**	**546**

Accruals and deferred income	31 December 2011	31 December 2010
Costs of works before invoice	40	25
Advances for purchase of apartments, premisses and parking places	19 582	13 068
Other	212	54
Total	**19 834**	**13 147**

16. Cash and cash equivalents

	31 December 2011	31 December 2010
Cash in hand	98	46
Cash at bank	148 949	130 558
- current accounts	80 838	62 451
- overnight deposits	19 090	6 587
- other deposits	2 789	1 547
- term investments	46 232	59 973
Other cash	12 244	16 625
Total cash	**161 291**	**147 229**
Restricted cash and cash equivalents	35 437	27 280
Cash and cash equivalents for cash flow	**161 291**	**147 229**

The Group's restricted cash and cash equivalents are:

	31 December 2011	31 December 2010
Cash deposits as collateral for bank guarantees	13 097	18 161
Fiscal limit deposit (collateral due to currency options liabilities)	0	0
Works Staff Welfare Fund	185	71
Cash for repayment of credits		
Other	1 935	0
Funds on trust accounts	20 220	9 048
Total	**35 437**	**27 280**

Reconciliation of movements in balance sheet items to changes shown in the statement of cash flows for the year 2011 is presented below:

	31 December 2011
Change in balance inventories	**14 118**
Balance as at the date of acquiring entities	0
Consolidation adjustment concerning intra-Group sales	212
Change in inventories in the cash flow account	**14 330**

	31 December 2011
Change in balance inventories	**-12 071**
Balance as at the date of acquiring entities	0
Consolidation adjustment concerning intra-Group sales	-1 494
Capitalised financing costs	1 653
Change in inventories in the cash flow account	**-11 912**

	31 December 2011
Change in balance inventories	**-73 529**
Balance as at the date of acquiring entities	0
Settlement discount	737
Change in inventories in the cash flow account	**4 383**

	31 December 2011
Change in balance prepayments and accruals	**-28 976**
Balance as at the date of acquiring entities	0
Consolidation adjustment concerning intra-Group sales	-486
Change in prepayments and accruals in the cash flow account	**-29 462**

Reconciliation of movements in balance sheet items to changes shown in the statement of cash flows for the year 2010 is presented below:

	31 December 2011
Change in balance inventories	**3 629**
Balance as at the date of acquiring entities	0
Capitalised financing costs	754
Change in inventories in the cash flow account	**4 383**

	31 December 2011
Change in balance accounts receivable	**24 320**
Balance as at the date of acquiring units	0
Liabilities arising from the acquisition of a 25% stake in Budlex	2 758
Change in accounts receivables in the cash flow account	**27 078**

Other disclosures with regard to the consolidated cash flow statement

Non-cash transactions:

Increase of fixed assets used under finance lease amounted to PLN 7,238 thousand.

17. Equity

17.1. Share capital

The share capital as of 31 December 2011 consists of 12,644,169 shares with a total value of PLN 1,264,416.90. The shareholding of the Parent Company as at 31 December 2011 was as follows:

Series	Shareholder	Class of shares	Preferences on shares	Restrictions on shares	Number of shares	% of equity shareholding	Restrictions on disposal
A	Wolff & Muller Holding Gmbh & Co.KG	Ordinary	None	None	282 137	2.23%	None
A	Wolff & Muller Baubeteiligungen Gmbh & Co.KG	Ordinary	None	None	717 863	5.68%	None
B	Wolff & Muller Baubeteiligungen Gmbh & Co.KG	Ordinary	None	None	3 152 865	24.94%	None
	Total	Ordinary	None	None	**4 152 865**	**32.84%**	None
B	Juladal Investment Ltd	Ordinary	None	None	2 818 174	22.29%	None
A	Dariusz Grzeszczak	Ordinary	None	None	750 000	5.93%	None
D	AVIVA Otwarty Fundusz Emerytalny BZ WBK	Ordinary	None	None	1 183 146	9.36%	None
D	ING Otwarty Fundusz Emerytalny	Ordinary	None	None	1 269 709	10.04%	None
D,E,C, F	Free Float	Ordinary	None	None	2 470 275	19.54%	None
	Total				**12 644 169**	**100%**	

The share capital as of 31 December 2010 consists of 12,602,711 shares with a total value of PLN 1.260.271,10. The shareholding of the Parent Company as at 31 December 2010 was as follows:

Series	Shareholder	Class of shares	Preferences on shares	Restrictions on shares	Number of shares	% of equity shareholding	Restrictions on disposal
A	Wolff & Muller Holding Gmbh & Co.KG	Ordinary	None	None	282 137	2.24%	None
A	Wolff & Muller Baubeteiligungen Gmbh & Co.KG	Ordinary	None	None	717 863	5.70%	None
B	Wolff & Muller Baubeteiligungen Gmbh & Co.KG	Ordinary	None	None	3. 304 865	26.22%	None
	Total				**4 304 865**	**34.16%**	
B	Juladal Investment Ltd	Ordinary	None	None	2 761 147	21.91%	None
A	Dariusz Grzeszczak	Ordinary	None	None	750 000	5.95%	None
D	AVIVA Otwarty Fundusz Emerytalny BZ WBK	Ordinary	None	None	927 978	7.36%	None

D	ING Otwarty Fundusz Emerytalny	Ordinary	None	None	786 677	6.24%	None
D,E,C	Free Float	Ordinary	None	None	3 072 044	24.38%	None
	Total				**12 602 711**	**100%**	

The table shows shareholders having more than 5% of the capital.

Significant movements in the share capital of the Company during the period from 1 January 2011 to the preparation of financial statements.

In the twelve months of 2011, the main changes concerned the shareholders of the Parent Company were: reducing the ownership of shares by Wolff & Muller Baubeteiligungen Gmbh & Co.KG by 1.32 percentage point, increase in ownership of shares by AVIVA Otwarty Fundusz Emerytalny BZ WBK by 2 percentage point, increase in ownership of shares by ING Otwarty Fundusz Emerytalny by 3.82 percentage point and increase in ownership of shares by Juladal Investment Ltd by 0.17 percentage point.

Except for rights arising from the directly held shares of Erbud SA, the major shareholders have no other voting rights at a general meeting.
Shares of Erbud SA owned by the above mentioned persons are not preference ones.

The Company's Statute does not grant the below mentioned shareholders any personal rights in relation to Erbud SA, in particular, does not give the right to appoint members neither of the Management Board nor the Supervisory Board of Erbud SA.

On 24 May 2011, the Management Board passed Resolution No. 2/2011 on the Company's share capital increase under the authorised capital by issuing shares of series F and depriving the existing shareholders of their pre-emptive rights to acquire shares Series F. The issue was addressed to employees authorized in connection with the second tranche of the Staff Incentive Scheme. On 10 August 2011, the Management Board adopted Resolution No. 4/2011 on the amount the share capital and on specifying the value of subscribed capital in the Articles of Association. In the increased share capital of the Company (under the authorised capital) acquired was an additional number of 41,458 ordinary bearer shares of series F with a nominal value of PLN 0.10 each one. Therefore, the share capital of PLN 4,145.80 has been subscribed under the capital increase. The share capital after increase amounts to PLN 1,264,416.90. The authorized share capital after issuing shares of Series F was registered on 15 September 2011 by the District Court for the Capital City of Warsaw, XIII Commercial Department.

The number of shares constituting the authorized capital is equal to the number of shares issued.
Nominal value per share is PLN 0.10.
No shares have been reserved for issuance under the sale option.

17.2. Supplementary capital

	31 December 2011	**31 December 2010**
From sale of shares over their nominal value	154 412	154 412
Capital established in accordance with the statutes/agreement over the statutory minimum	0	0
Distributions to shareholders	0	0
Other (by sort)	**85 843**	**55 146**
From profit	91 420	61 416
Shareholder contributions	14	14
Due to Increase of capital in Rembert	-750	-750
Acquiring of remaining shares in PRD SA	-9	-9
Income tax adjustment for the cost of issuance	767	767

Acquiring of remaining shares in Budlex	-4 636	-4 636
Presentation change of supplementary capital	-718	-806
Share-based payment	2 207	2 053
From a reserve created to purchase of own shares	2 000	2 000
Sale of treasury shares	484	484
Purchase of shares in Erbud Energetyka	214	214
Share-based payment - allocation of shares	-6 292	-6 292
Increase in the capital of Budlex - agio	188	188
Increase in share capital within the authorized capital	796	345
Increase in the capital of PRD	150	150
Other	8	8
Total	**240 255**	**209 558**

17.3. Capital management policies and procedures

The supplementary capital is created in accordance with the provisions of the Commercial Companies Code and he decisions of the shareholders. Pursuant to the Commercial Companies Code, to cover losses, it should be established a supplementary capital, which will be supported by at least 8% of the profit for the financial year, as long as the capital will reach at least one-third of the nominal capital. Capital created in such manner is not subject to distribution. Decision of using the supplementary and reserve capital makes the Shareholders' General Meeting; however, a pert of the capital may be used only to cover the losses shown in the financial statements and is not subject to the division for other purposes.

The main objective of the Group's capital management is to maintain a good credit rating and secure capital ratios, which would support the operational activities of the Group and maximize its goodwill.

The Group manages the capital structure and adjusted it as a result of changes in economic conditions. In order to maintain or correct the capital structure, the Group may respectively pay dividends to shareholders of the Parent or issue new shares.

18. Bank credits and loans

	31 December 2011	31 December 2010
Long-term	**12 564**	**14 822**
Bank credits	12 564	14 822
Short-term	**66 978**	**24 146**
Overdraft credit	39 483	7 177
Bank credits and loans	27 495	16 969
Bank credits and loans total	**79 542**	**38 968**

Maturity of long-term credits and loans was as follows:

	31 December 2011	31 December 2010
a) up to 1 year	66 978	24 146
b) between 1 and 3 years	7 008	14 822
c) between 3 and 5 years	5 239	0
d) over 5 years	317	0
Total	**79 542**	**38 968**

The carrying amount of long-term loans approximates their fair value because contract conditions of interest rates of credit are based on the variable rate of interest.

Long-term liabilities due to credits and loans as at 31 December 2011

Bank loans:	Credit / loan amount under agreement		Credit /loan currency	Credit / loan amount outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
	12 000	PLN	PLN	6 589	PLN	Wibor 1M + 2.0%	20.08.2012	ING Bank Śląski SA

Loan repayment collaterals/guarantees - Budlex

Final collaterals:

Assignment of debts from contracts signed by Erbud SA - established by ERBUD SA

Security deposit established by ERBUD SA

Assignment of rights under insurance policy for real estate, on which a conventional mortgage has been established

Temporary collateral:

Statement on submission to execution up to PLN 60,000,000 expired on 20.03.2022

Bank loans:	Credit / loan amount under agreement		Credit /loan currency	Credit / loan amount outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
	600	PLN	PLN	575	PLN	Wibor 1M + 2.1%	28.12.2012	Bank PKO BP SA

Final collaterals:

Blank promissory note together with note declaration

Capped mortgage up to PLN 900,000

Civil law guarantee by Budlex Invest Sp. z o.o

Temporary collateral:

None

Bank loans:	Credit / loan amount under agreement		Credit /loan currency	Credit / loan amount outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
	8 367	PLN	PLN	3 129	PLN	Wibor 6M +5.5%	28.12.2012	BRE BANK HIPOTECZNY SA

Loan repayment collaterals/guarantees - Budlex Construction

Final collaterals:

Capped mortgage up to PLN 10,556,246.98

Registered pledge on all shares of the Company established by the shareholders together with a statement on submission to enforcement of the shareholders as Assets Debtors

Guarantee covering the loan amount, including interests, granted by the Shareholders of the Borrower until the final entry of mortgages and the establishment of a registered pledge

Deposit of PLN 360, 000 which will be supplemented and from which interest will be paid

Subordination of all commitments and payments of the Borrower to the Shareholder with respect to the payments under the Loan Agreement

Attorney for the Bank to dispose of all the Borrower's bank accounts

Attorney for the Bank to operate the escrow accounts until the total loan repayment of Budlex Magnuszewska and Budlex Partner

Statement of the Borrower on submission to enforcement up to PLN 16,733,692

Blank promissory note issued by the Shareholder

Agreement on Supporting the Project by the Borrower's Shareholder which is obliged to provide funds for the required interest installment from the date due

Agreement on escrow account held by the Bank for all settlements connected with the Project

Temporary collateral:

None

Bank loans:	Credit / loan amount under agreement		Credit /loan currency	Credit / loan amount outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
	26 000	PLN	PLN	0	PLN	Wibor 3M + 2.95%	15.09.2015	BRE BANK HIPOTECZNY SA

Loan repayment collaterals/guarantees - Budlex Glinki A3

Final collaterals:

Mortgage up to PLN 52,000,000

Registered pledge on all shares of the Borrower

Blank promissory note issued by the Borrower, incl. bill declaration issued by the Borrower and guaranteed by the Shareholder until the effective establishment of deposit mortgage and registered pledge for the benefit of the Bank

Assignment of rights from sales agreements and insurance policy or bank guarantee

Assignment of rights to compensation under an insurance policy against the building risks in connection with the construction of the building and after the completion - an insurance against fire and other perils

Attorney for the Bank to operate the escrow accounts

Support Agreement providing the subordination of payments, and including the Shareholder's statement on his commitments to cover the additional paid-in capital, to support the budget if the costs are exceeded, to grant subordinated loans or to increase the Borrower's share capital

Statement of the Borrower on submission to enforcement up to PLN 52,000,000

Statement by the owner of shares in the Borrower’s company to submit to the enforcement of the shares up to PLN 26,000,000.00 issued under Article. 97 of Banking Law, authorizing the Bank to apply for granting a writ of execution to the bank enforcement title

Authorisation to dispose of the account in Bre Bank Hipoteczny S.A. and all accounts of the Borrower in other banks

Agreement on sharing the mortgage

Bank loans:	Credit / loan amount under agreement		Credit /loan currency	Credit / loan amount outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
	9 200	PLN	PLN	5 239	PLN	Wibor 3M + 3.3%	15.01.2015	BRE BANK HIPOTECZNY SA

Loan repayment collaterals/guarantees - Budlex Koszarowa

Final collaterals:

Capped mortgage up to PLN 18,400,000

Registered pledge on all shares of the Borrower

Blank promissory note and bill declaration issued by the Borrower and guaranteed by the shareholders until the effective establishment of capped mortgage and registered pledge to the Bank

Assignment of rights under sale contracts and insurance policy or bank guarantee

Assignment of rights to compensation under an insurance policy against the building risks in connection with the construction of the building and after the completion - an insurance against fire and other perils

Bank account agreement, including a power of attorney for the Bank to dispose of the balance of bank account

Support Agreement providing the subordination of payments, and including the Shareholder's statement on his commitments to cover the additional paid-in capital, to support the budget if the costs are exceeded, to grant subordinated loans or to increase the Borrower's share capital

Statement of the Borrower on submission to execution up to PLN 18,400,000

The Shareholders' commitment not to made additional payments into the escrow account according to the income schedule, distribute dividends before credit repayment, incur debts, redeem shares and give guarantees

Power of attorney to dispose of the bank account in BRE Bank Hipoteczny S.A and of all Borrower's accounts in other banks

Agreement on sharing the mortgage

The Lender is entitled to demand repayment of debts due to the loan granted when the Borrower will a have negative equity, or the Borrower's loss listed in the quarterly reports F-01-GUS will exceed 5% of the equity.

Bank loans:	Credit / loan amount under agreement		Credit /loan currency	Credit / loan amount outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
	12 286	PLN	PLN	359	PLN	Wibor 6M + 2.6%	130.11.2014	BOŚ SA

Loan repayment collaterals/guarantees - Budlex Pestalozziego

Final collaterals:

Mortgage up to PLN 13,397,535 since releasing the second tranche of the loan

Deposit of PLN 350 000, - PLN since releasing the second tranche of the loan

Blank promissory note and bill declaration guaranteed by ERBUD SA

Power of attorney to dispose of the account at Bank Ochrony Środowiska SA

Temporary collateral:

Mortgage up to PLN 14,491,585 since releasing the second tranche of the loan

Deposit of PLN 120 000 since releasing the second tranche of the loan

Bank loans:	Credit / loan amount under agreement		Credit /loan currency	Credit / loan amount outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
	9 300	PLN	PLN	3 059	PLN	Wibor 1M + 2.4%	31.12.2012	Bank Pocztowy SA

Loan repayment collaterals/guarantees - Budlex Winnica L4

Final collaterals:

Fixed-rate mortgage up to PLN 14,880,000

Assignment of rights to compensation under an insurance policy against the building risks in connection with the construction of the building and after the completion - an insurance against fire and other perils

Blank promissory note together with the bill declaration, guaranteed by a shareholder

Assignment of the sale receivables

Renewable deposit in the amount of PLN 250,000.00

Power of attorney to dispose of the current account and of all other Borrower's accounts held by the Bank

Assignment of receivables from construction contract signed by the Borrower with the General Contractor

Statement of the Borrower on submission to execution up to PLN 13,950,000

Statement by the Borrower to submit to enforcement to the delivery of a real estate

Agreement on sharing the mortgage

Temporary collateral:

None

Bank loans:	Credit / loan amount under agreement		Credit /loan currency	Credit / loan amount outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
	600	PLN	PLN	223	PLN	Wibor 1M + 2.4%	31.10.2012	Bank Pocztowy SA

Loan repayment collaterals/guarantees - Budlex Winnica L4

Final collaterals:

Fixed-rate mortgage up to PLN 960,000

Assignment of rights to compensation under an insurance policy against the building risks in connection with the construction of the building and after the completion - an insurance against fire and other perils

Blank promissory note together with the bill declaration, guaranteed by a shareholder

Assignment of the sale receivables

Assignment of rights form technical and design documentation related to the project

Renewable deposit in the amount of PLN 250,000.00

Power of attorney to dispose of the current account and of all other Borrower's accounts held by the Bank

Assignment of receivables from construction contract signed by the Borrower with the General Contractor

Statement by the Borrower on submission to execution up to PLN 960,000

Statement by the Borrower on submission to enforcement to the delivery of a real estate

Agreement on sharing the mortgage

Temporary collateral:

None

Bank loans:	Credit / loan amount under agreement		Credit /loan currency	Credit / loan amount outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
	10 000	PLN	PLN	7 007	PLN	Wibor 6M + 3.5%	15.05.2014	BRE BANK HIPOTECZNY SA

Loan repayment collaterals/guarantees - Budlex Partner

Final collaterals:

Capped mortgage up to PLN 20,000,000

Registered pledge on all shares of the Borrower

Blank promissory note, incl. bill declaration issued by the Borrower and guaranteed by the shareholders until the effective establishment of capped mortgage and registered pledge to the Bank

Assignment of rights under sale contracts and insurance policy or bank guarantee

Assignment of rights to compensation under an insurance policy against the building risks in connection with the construction of the building and after the completion - an insurance against fire and other perils

Bank account agreement authorising the Bank to dispose of the balance of bank account

Support Agreement providing the subordination of payments, and including the Shareholder's statement on his commitments to cover the additional paid-in capital, to support the budget if the costs are exceeded, to grant subordinated loans or to increase the Borrower's share capital

Statement of the Borrower on submission to execution up to PLN 20,000,000

The Shareholders' commitment not to made additional payments into the escrow account according to the income schedule, distribute dividends before credit repayment, incur debts, redeem shares and give guarantees

Power of attorney to dispose of the bank account in BRE Bank Hipoteczny S.A and of all Borrower's accounts in other banks

Agreement on sharing the mortgage

Assignment of rights under a bank or insurance performance bond, penalties and other guarantees on contract performance with the General Contractor, provided by the General Contractor

The Lender is entitled to demand repayment of debts due to the loan granted when the Borrower will a have negative equity, or the Borrower's loss listed in the quarterly reports F-01-GUS will exceed 5% of the equity.

Temporary collateral:

None

Bank loans:	Credit / loan amount under agreement		Credit /loan currency	Credit / loan amount outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
	9 008	PLN	PLN	1 173	PLN	Wibor 3M+2,8%	31.12.2012	PKO Bank Polski SA

Loan repayment collaterals/guarantees - Budlex Sielanka Sp. z o.o.

Final collaterals:

Fixed-rate mortgage up to PLN 15,313,480

Claim deductions clause from the accounts held by PKO BP

Blank promissory note issued by the Borrower and guaranteed by Budlex Sp. z o.o.

Assignment of rights to compensation under an insurance policy against the building risks in connection with the construction of the building and after the completion - an insurance against fire and other perils

Agreement on the transfer of receivables for the benefit of the Bank due to already concluded and future contracts for the sale of apartments, parking places and utilities

Statement of the Borrower on submission to execution up to PLN 13,511,897

Temporary collateral:

None

Bank loans:	Credit / loan amount under agreement		Credit /loan currency	Credit / loan amount outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
	11 437	PLN	PLN	3 425	PLN	Wibor 3M + 2.8%	30.09.2012	PKO Bank Polski SA

Loan repayment collaterals/guarantees - Budlex Sielanka

Final collaterals:

Mortgage up to PLN 19,442,580

Claim deductions clause from the accounts held by PKO BP

Blank promissory note issued by the Borrower and guaranteed by Budlex Sp. z o.o.

Assignment of rights to compensation under an insurance policy against the building risks in connection with the construction of the building and after the completion - an insurance against fire and other perils

Agreement on assignment of receivables for the benefit of the Bank due to already concluded and future contracts for the sale of dwellings, parking places and facilities
Statement of the Borrower on submission to execution up to PLN 17,155,214
Irrevocable authorisation to operate the account of the Borrower

Temporary collateral:

None

Bank loans:	Credit / loan amount under agreement		Credit /loan currency	Credit / loan amount outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
	3 000	PLN	PLN	2 923	PLN	Wibor 1M + 2.5%	30.08.2012	Fortis Bank Polska S.A.

Loan repayment collaterals/guarantees - PBDI

Final collaterals:

Blank promissory note together with bill declaration
Statement on submission to execution
Assignment of future receivables

Bank loans:	Credit / loan amount under agreement		Credit /loan currency	Credit / loan amount outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
	5 000	PLN	PLN	0	PLN	Wibor 1M + 1.9%	20.08.2012	ING Bank Śląski

Final collaterals:

Statement on submission to execution

Capped mortgage up to PLN 96m under the right for perpetual usufruct of land and building ownership

Temporary collateral:

None

Bank loans:	Credit / loan amount under agreement		Credit /loan currency	Credit / loan amount outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
	320	80	EUR	318	72	2.99%	05.2017	Deutsche Bank

Loan repayment collaterals/guarantees - GWI

Final collaterals:

Property mortgage

Bank loans:	Credit / loan amount under agreement		Credit /loan currency	Credit / loan amount outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
	11 925	2 700	EUR	11 925	2 700	2.59%	07.2012	Deutsche Bank

Final collaterals:

Guarantee by ERBUD SA in he amount of 2,700,000 EUR

Bank loans:	Credit / loan amount under agreement		Credit /loan currency	Credit / loan amount outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
	6 625	1 500	EUR	199	45	2.50%	25.10.2012	KBC Bank

Final collaterals:

Guarantee by ERBUD SA in he amount of 2,000,000 EUR

Bank loans:	Credit / loan amount under agreement		Credit /loan currency	Credit / loan amount outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
	4 427	1 000	EUR	4 426	1 002	0,055	31.05.2012	Commerzbank

Final collaterals:

Guarantee by BRE Bank in he amount of 1,000,000 EUR

Temporary collateral:

None

Bank loans:	Credit / loan amount under agreement		Credit /loan currency	Credit / loan amount outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
	4 000	PLN	PLN	312	PLN	WIBOR 3M+1.6%	05.07.2012	Bank Millenium

Loan repayment collaterals/guarantees - Erbud International

Final collaterals:

Civil law guarantee covering 100% of the loan

Temporary collateral:

None

Bank loans:	Credit / loan amount under agreement		Credit /loan currency	Credit / loan amount outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
	20 000	PLN	PLN	9 270	PLN	Call rate of PKO BP + magin	29.06.2012	PKO BP

Loan repayment collaterals/guarantees - Erbud SA

Final collaterals:

Capped mortgage to the amount of PLN 65 m. on the property, which are the undeveloped plots Nos. 275/3, 288/10 and 288/17, for which the District Court in Torun keeps Land and Mortgage Register under No. No. TO1T/00003133/2.

Assignment of receivables under the contract GUM/CMI/BIII/88/2009 dated 20.05.2009 on construction works as general contractor concluded with the Medical University of Gdansk, based in Gdansk.

Assignment of receivables from the contract No PLM/K/96/2010 of 14.09..2010 for the construction of the part of the Warszwa Modlin Airport concluded with Mazowiecki Port Lotniczy Warszawa Modlin Sp. z o.o. with a net value of PLN 87,911,621.

Blank bill of exchange issued by Erbud SA together with the bill declaration

Clause on claim deductions from accounts of Erbud SA conducted by PKO BP

Bank loans:	Credit / loan amount under agreement		Credit /loan currency	Credit / loan amount outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
	10 000	PLN	PLN	8 490	PLN	WIBOR for overnight deposits plus bank margin	31.12.2011	BRE Bank S.A.

Final collaterals:

Own blank bill of exchange

assignment of claims covering the loan value

Bank loans:	Credit / loan amount under agreement		Credit /loan currency	Credit / loan amount outstanding		Interest	Maturity date	Name of bank / entity providing loan
	[PLN]	[CU]		[PLN]	[CU]			
	15 000	PLN	PLN	10 901	PLN	Arithmetic average for WIBOR 1M from a given calendar month on the last working day of each calendar month add bank margin	31.12.2011	BGŻ S.A.

Final collaterals:

Assignment of the receivables from contracts concluded by the Erbud SA within the framework of conducting business, in each case approved by the Bank, transferred to the Bank under the agreement on transfer receivables from trade contract.

Conventional mortgage on real estate established by PBDI SA (a subsidiary of the Borrower) up to PLN 96 m. under the perpetual lease of land and the ownership of buildings and facilities on property located in Torun, 113 Polna St.

Total loans and credits **79 542**

Terms and conditions of loan agreements

Under the loan agreements, the Companies of Erbud Group are obliged to meet certain financial ratios (so-called loan covenants). As required by IAS 1, a breach of loan covenants which could potentially result in a reduction of unconditional access to credit during the next year, makes it necessary to qualify such liabilities as current ones.
In the twelve months of 2011, loan covenants were breaking by Erbud SA related to overdrive credits in PKO BP, BRE Bank and BGŻ. The violation concerned the following ratios: return on sales, current liquidity, net profit margin, debt service coverage. The aggregate value of liabilities arising from overdraft loans, for which covenants have been breached, amounted to PLN 28,663,000 as at 31 December 2011.
Total liabilities from overdraft loans has been presented as current liabilities.
As at the date of preparing Consolidated Financial Statement, the Management Board of the Parent Company does not see any significant problems with maintaining the current bank financing, despite breaking the contractual loan covenants.

19. Liabilities arising from issuance of debt and equity securities

On 14 July 2011, the Parent issued 50,000 units of unsecured three-year bearer bonds with a total par value of PLN 50,000,000. The issue price of bonds equals the nominal value and the interest rate was set based on WIBOR 6M plus a margin of 3.4% per year. Interest is payable every 6 months, and the next interest payment date fell on 15 January 2011.

On 2 August 2011, bearer bonds of Series A issued by the Parent were introduced to the BondSpot alternative trading system on the Catalyst market. The first day of trading fell on 9 August 2011.

In the year ended 31 December 2010, the Group companies did not have any debt securities issued.

On 9 July 2010, the Issuer's Board adopted at its meeting Resolution No. 4/2010 on specifying the value of subscribed capital in connection with the Board's Resolution No. 3 / 2010. In accordance with Resolution No. 4/2010 the capital increase was of PLN 3,168.60 to value of PLN 1,260,271.10. The increase in share capital has been carried out in accordance with Art. 5 item 5 of the Company's Statute and the Executive Board's Resolution No. 3/2010 of 17 May 2010 on share capital increase under the authorised capital by issuing shares of Series E and depriving existing shareholders of their pre-emptive rights to acquire shares Series E. The capital increase took place within the framework of the Staff Incentive Scheme. 31,696 shares of series E were registered and introduced to trading on 22 December. The capital increase resulted from the implementation of the I tranche of the Management Stock Option Program, which provides for three issues of shares for persons entitled employed by the Company and its subsidiaries. Next two issues should be carried out respectively by the end of May 2011 and the end of May 2012. Each of the successive equity increases provides for a maximum of 50,000 shares with a maximum value of PLN 5,000. On the basis of results set out in the Program Rules, the Board will determinate the number of shares to be offered to the person entitled.
Impact of the management options was recognized in the consolidated financial statements of the Group in salary costs and as an increase in share capital.

On 16 June and **2 September 2010**, the Issuer sold within the procedure of an ordinary session transaction all treasury shares he held and respectively 10,500 and 39,016 units. The reason and purpose of disposing shares was the implementation of resolution of the Extraordinary General Shareholders Meeting of 8 December 2009 on the repeal of Resolution No. 14/2009 adopted by the Annual General Meeting of Shareholders on 25 June 2009 and on consent to sale the treasury shares which the Company has acquired in accordance with the above mentioned resolution and the authorisation for the Board to determine terms and conditions for sale of these shares.

On 24 May 2011, the Management Board passed Resolution No. 2/2011 on the Company's share capital increase under the authorised capital by issuing shares of series F and depriving the existing shareholders of their pre-emptive rights to acquire shares Series F. The issue was addressed to employees authorized in connection with the second tranche of the Staff Incentive Scheme. On 10 August 2011, the Management Board adopted the Resolution No. 4/2011 on the amount the share capital and on specifying the value of subscribed capital in the Articles of Association. In the increased share capital of the Company (under the authorised capital) acquired was an additional number of 41,458 ordinary bearer shares of series F with a nominal value of PLN 0.10 each one. Therefore, the share capital of PLN 4,145.80 has been subscribed under the capital increase. The share capital after increase amounts to PLN 1,264,416.90.

20.1. Other long-term financial liabilities

	31 December 2011	31 December 2010
Long-term liabilities under financial lease	5 182	5 744

20.2. Other long-term liabilities

	31 December 2011	31 December 2010
Foreign exchange risk hedging - Budlex Sp. z o.o	1 583	0
Liabilities due to the purchase of shares in Budlex Sp. z o. o.	5 276	8 491

21. Provisions for liabilities and other liabilities

	Provision for guarantee works	Provision for legal claims and indemnity	Provision for work-related benefits and pension benefits	Other	Total
As at 1 January 2011	**6 351**	**619**	**4 467**	**1 880**	**13 317**
Increase	6 664	155	5 283	7 030	**19 132**
Created in this year	0	0	0	0	**0**
Released	626	0	3 284	8 427	**12 337**
Used	778	0	352	60	**1 190**
Transfers	0	0	32	-32	**0**
As at 31 December 2011	**11 611**	**774**	**6 146**	**391**	**18 922**

	Provision for guarantee works	Provision for legal claims and indemnity	Provision for work-related benefits and pension benefits	Other	Total
As at 1 January 2010	**5 870**	**725**	**5 173**	**760**	**12 528**
Increase	2 261	66	1 256	1 808	**5 391**
Created in this year	0	0	0	0	**0**
Released	823	172	1 529	396	**2 920**
Used	849	0	299	292	**1 440**
Transfers	-108	0	-134	0	**-242**
As at 31 December 2010	**6 351**	**619**	**4 467**	**1 880**	**13 317**

Age structure of the provisions as at 31 December 2011 and 31 December 2010 is presented in the table below:

	31 December 2011	31 December 2010
Non-current	3 136	2 432
Current	15 786	10 885
Total	**18 922**	**13 317**

21.1. Provision for guarantee repairs

The Group has recognized the balance provision for guarantee repairs in the amount of PLN 11,611 thousand as at 31 December 2011 and PLN 6,351 thousand as at 31 December 2010. The Group creates a provision for anticipated guarantee repair costs based on the level of repair works recorded in previous years. The assumptions used to calculate the reserve for guarantee repairs and refunds were grounded on records of repair works carried out in the years 2009-2011.

21.2. Provision for litigation and claims

The provision as at 31 December 2011 consists mainly from the reserve created in 2007 related to proceedings at law brought by Euroconstruction Sp. z o.o., seated in Poznań. The legal status as of the balance sheet date: first instance, the value of dispute: PLN 451 thousand. The case is pending before the Appeal Court and the final is difficult to predict because of its complicated nature.

22. Trade and other liabilities, income tax liabilities, building contracts securities

Short-term liabilities	**31 December 2011**	**31 December 2010**
Deliveries and services	274 220	218 859
From associates	852	1 005
From other entities	273 368	217 854
Due to public sector	13 794	15 660
Corporate income tax	1 311	2 393
Value Added Tax	6 101	7 908
Income tax on natural persons	1 384	1 164
Other	4 998	4 195
Financial liabilities, incl.	6 372	3 557
Interest	90	0
Bond interest	1 889	0
Leases	4 393	3 557
Other	9 629	27 347
Labour costs	4 946	3 807
Advance payments received	127	19 470
Liabilities due to shares	3 451	3 468
Other	1 105	602
Total	**304 015**	**265 423**

23. Liabilities under financing lease

Present value of net minimum lease charges was as follows:

	31 December 2011	**31 December 2010**
	Fees current value	**Fees current value**
Up to 1 year	4 393	4 014
Between 1 and 5 years	5 182	6 260
Total value of net minimum lease charges	**9 575**	**10 274**

24. Long-term construction contracts

Long-term construction contracts were valued using method of progress of works resulting from measurement. Revenues, expenses and profit were recognized in proportion to the stage of completion of works.

	Year ended 31 December 2011	Year ended 31 December 2010
Incomes from building contracts	1 454 666	1 046 953
Expenses from building contracts, incl.:	1 427 904	974 188
Recognized loss	162	481
Profit before tax	**26 762**	**72 785**

The value of recognized assets and liabilities arising from long-term contracts for the delivery of construction services in the Group is presented in the following table:

	31 December 2011	31 December 2010
Assets:		
Amounts due from customers, incl.	**92 896**	**51 505**
Contracts valuation	92 896	51 505
Liabilities:		
Amounts due to customers, incl.:	**29 034**	**8 226**
Contracts valuation	29 034	7 745
Provision for loss on contracts	0	481

25. Retentions under construction contracts

Retentions in respect of construction contracts as at 31 December 2011 and 31 December 2010 were as follows:

	31 December 2011	31 December 2010
Retentions held by customers		
Retentions to be returned beyond 12 months	8 593	6 341
Retentions to be returned within 12 months	33 474	25 675
Total	**42 067**	**32 016**
Retentions retained to suppliers		
Retentions to be returned beyond 12 months	8 248	8 007
Retentions to be returned within 12 months	70 963	60 101
Total	**79 211**	**68 108**

Retentions due to construction contracts with a payment period of over one year shall be discounted and are recognized in the balance sheet at current value.
The discount amounts recognized in the balance sheet (reducing the nominal value of debts and liabilities due to the deposits):

	31 December 2011	31 December 2010
Discount of retentions held by customers	-737	-755
Discount of retentions retained to suppliers	-1817	-2 202

Discounts recognized in profit or loss:

	Derecognition of liabilities discount as at 1 January 2011	Derecognition of discount as at 1 January 2011	Recognition of discount as at 31 December 2011	Recognition of liabilities discount as at 31 December 2011	Total impact of discounting in the period ended 31 December 2011
Impact on gross profit/loss	-2 202	755	1 817	-737	-367
Impact on net profit/loss	-1 783	611	1 472	-597	-297

	Derecognition of liabilities discount as at 1 January 2010	Derecognition of discount as at 1 January 2010	Recognition of discount as at 31 December 2010	Recognition of liabilities discount as at 31 December 2010	Total impact of discounting in the period ended 31 December 2010
Impact on gross profit/loss	-2 256	977	2 202	-755	168
Impact on net profit/loss	-1 827	791	1 783	-611	136

26. Revenues on sales

	Year ended 31 December 2011	Year ended 31 December 2010
Revenues on sales of finished products	68 750	51 176
Revenues on sales of services	1 455 487	1 049 804
Revenues on sales of goods and materials	3 595	2 927
Total	**1 527 832**	**1 103 907**

27. Costs by sort

	Year ended 31 December 2011	Year ended 31 December 2010
Depreciation and amortization	7 797	8 162
Consumption of materials and power	228 132	163 284
External services	1 159 444	782 655
Taxes and charges	6 514	4 962
Payroll	104 865	92 929
Social security and other benefits	23 028	18 396
Other costs	14 427	12 879
Goods and materials sold	3 084	2 049
Total expenses by sort	**1 547 291**	**1 085 316**
Change in inventories, products and deferred expenditures due to construction contracts	-6 319	-3 463
Cost of production for in-house use (negative value)	0	0
Cost of sales (negative value)	-3 670	-2 991
General and administrative costs (negative value)	-45 897	-50 831
Manufacturing cost of products sold	**1 491 405**	**1 028 031**

28. Other revenues and operating costs

Other operating income	Year ended 31 December 2011	Year ended 31 December 2010
Gain on disposal of non-financial fixed assets, incl.:	357	43
Fixed assets and fixed assets under construction	357	43
Reversal of impairment, incl.:	3 459	-627
Receivables	3 459	-627
Other	0	0
Release of provisions, incl.:	272	3 135
Guarantee repairs	250	1 385
Litigation and claims	5	172
Other	17	1 578
Other, incl.:	1 156	3 218
Indemnities	104	366
Penalties, fines and indemnities imposed	807	609
Presentation adjustments	0	-3 741
Reversal of impairment losses on receivables	0	4 989
VAT adjustment	0	211
Other	245	784
Total	**5 244**	**5 769**

Other operating expenses	Year ended 31 December 2011	Year ended 31 December 2010
Loss on disposal of non-financial fixed assets	70	1 713
Impairment, incl.:	1 920	758
Receivables	638	217
Inventories	1 282	541
Provisions, incl.:	581	2 040
Guarantee repairs	426	1 974
Litigation and claims	155	66
Other		0
Other, incl.:	1 794	2 440
Penalties, fines and indemnities	744	701
Legal action costs	48	54
Written-off receivables	662	3 957
Presentation adjustments	0	- 3 747
Liquidation of other assets	0	787
Cost of disposal of shares	0	229
Other	340	459
Total	**4 365**	**6 951**

29. Financial income and expenses

Financial income	Year ended 31 December 2011	Year ended 31 December 2010
Dividends and share in profit	757	1 050
Valuation of financial instruments	0	0
Gain on disposal of investments	0	1 950
Interests on loans granted	2 984	1 004
Interests on bonds	72	0
Other interests	1 160	2 311
Discount of deposits	107	-55
Positive exchange differences incl.:	2 602	31
Gained	638	31
Unrealized	1 964	0

Other	12	6
Total	**7 694**	**6 297**

Financial income	**Year ended 31 December 2011**	**Year ended 31 December 2010**
Valuation of financial instruments	3 486	225
Loss on disposal of financial assets	0	0
Interests on credits and loans received	3 531	2 285
Costs of finance lease	855	672
Other interests	515	185
Negative exchange differences, incl.:	496	929
Gained	995	465
Unrealized	-499	464
Bank guarantee fees	561	632
Discount of deposits and other liabilities	776	678
Front-end fee paid to the bank	2 649	1 857
Revaluation of investments	0	25
Impairment loss on Erbud Ireland loans	3 243	0
Other	324	693
Total	**16 436**	**8 181**

30. Current and deferred income tax

The main tax items for the year ended 31 December 2011 and 31 December 2010 are as follows:

	Year ended 31 December 2011	**Year ended 31 December 2010**
Profit or loss	-1 288	6 838
Current tax	5 487	2 324
Deferred tax on origination and reversal of temporary differences	-6 775	4 514
Other liabilities	**0**	**0**
Equity	**0**	**0**
Reimbursement of income tax on the issue cost	0	0

Reconciliation of the income tax on profit before tax of tax calculated at an effective tax rate for the year ended 31 December 2011 and 31 December 2010 is summarized in the following table:

	Year ended 31 December 2011	**Year ended 31 December 2010**
Profit before tax on continuing operations	-21 003	18 988
Pre-tax result of discontinued operations	0	0
Profit before tax	**-21 003**	**18 988**
Tax at the statutory tax rate applicable in Poland amounted to 19% in 20110 and 2010	**-4 445**	**4 992**
Additional burden arising from the rate exceeding 19% in Germany and France	91	254
Adjustments of current tax from previous years	0	34
Unrecognised tax losses	**691**	**1 197**
Excess costs which are not tax deductibles over income not recognized as taxable income	**2 375**	**361**
Tax recognized in the consolidated profit and loss statement	**-1 288**	**6 838**

In the year ended 31 December 2011, there was no change in the applicable tax rate compared to the previous financial period.

In the year ended 31 December 2011, there were no items of temporary differences in respect of which the deferred tax assets were not recognized in the balance sheet nor any provision for deferred tax was established.

Provision on deferred tax	**31 December 2011**	**31 December 2010**
Valuation of long-term contracts	21 482	13 480
Land	0	0
Intangible assets	0	0
Revaluation of assets	6 832	7 554
Financial expenses capitalized	321	266
Balance valuation - obligations discounting	493	418
Balance valuation - interest	986	0
Other	813	697
Total	**30 927**	**22 415**

Deferred tax assets	**31 December 2011**	**31 December 2010**
Valuation of building contracts	11 306	7 785
Provisions	2 779	1 208
Tax loss	14 703	5 074
Profit margin on intra-Group sales	487	0
Income adjustment in connection with the settlement (Angel)	0	2 060
Other fees charged statistically	806	49
Claims capitalization	1 193	668
Other financial liabilities	1 143	775
Financial instruments		1 341
Consolidation adjustments	2 456	3 350
Accrued costs	2 841	0
Other	1 035	1 052
Total	**38 749**	**23 362**

The assets and liabilities for deferred taxes are compensated when there is a legal title to compensate tax receivables and current tax liabilities and when deferred taxes is under the same tax jurisdiction and will be paid in similar periods.

31. Loans granted

As at 31 December 2011, the Group granted two loans in euros to two related and non-consolidated special-purpose companies:

The borrower	**Outstanding loan amount**		**Interest**	**Maturiy date**
	[PLN]	**[EUR]**		
Deptak Projekt P2 Sp. z o.o.	15 459	3 500	7.5%	30.07.2015

The borrower	**Outstanding loan amount**		**Interest**	**Maturiy date**
	[PLN]	**[EUR]**		
DPDI Düsseldorf Beuth Lofts & Houses GmbH	11 877	2 689	10%	31.12.2015

32. Earnings per share

Basic earnings per share is calculated by dividing the net profit for the period attributable to the ordinary shareholders of the Parent by the weighted average number of ordinary shares issued during the period.

Diluted earnings per share is calculated by dividing the net profit for the period attributable to the ordinary shareholders (after deducting interests on the depreciable preference shares convertible into ordinary shares) by the weighted average number of ordinary shares issued during the period (adjusted for the impact of dilutive options and dilutive depreciable preference shares convertible into ordinary shares).

Below are presented data on earnings and shares used to calculate current and diluted earnings per share:

	Year ended 31 December 2011	Year ended 31 December 2010
Net profit (loss) attributable to the shareholders of the Parent	-20 358	12 094
Weighted average number of shares (in units)	12 644 169	12 579 532
Net profit (loss) per share (in PLN)	**-1,61**	**0,97**
Diluted weighted average number of shares	12 644 169	12 657 881
Diluted earnings (loss) per share (in PLN)	**-1,61**	**0,96**

33. Dividends paid and declared to be paid, dividend per share

In the current reporting period the company did not pay dividends.

34. Changes in the composition of the Capital Group

The below described changes took place in the composition of the Capital Group during the reporting period from 1 January 2011 to 31 December 2011.

On 22 November 2011, an increase in the share capital of Ersteel Sp. z o.o has been registered. The share capital was increased by the amount of PLN 4,900 thousand and fully covered by an existing shareholder Erbud S.A. The Parent Company still holds 100% stake in Ersteel Sp. z o.o.

In 2011, there was also a change in the legal form of a subsidiary Budlex Sp. Ltd., which was transformed into Budlex S.A.

35. Share-based payment

From 2010, there is a Share Award Scheme in the Erbud Group, which is classified as a share-based payment. Under this program, a right to three tranches of shares in a maximum of 50,000 units each was granted to the Board members and senior management of the Group. The first tranche (31,686 shares) was allocated to employees in 2010. Subsequent tranches will be awarded after meeting the conditions in 2011 and 2012. The fair value of shares on the grant date was PLN 47.69.

Shares are granted on the base of the Group's results achieved in 2008-2010 (consolidated result of more than PLN 10 million) and in accordance with the following conditions:

- position at the company,
- responsibilities,
- assessment of the achievements,
- value of sales revenue and gross profit for subsidiaries or volume of work and marginal return for construction sites and branches.

In the 12 months period ended 31 December 2010 the fair value of services received which were identified in pursuant to IFRS 2 has been recognized under salary costs in the amount of PLN 2 034 thousand.

36. Transactions with related parties

The following tables present the aggregate amount of transactions entered into by the Parent with associates that are not subject to consolidation for the year ended 31 December 2011 and as at the date as well as for the year ended 31 December 2010 and as at the date:

	Receivables/assets	Liabilities	Income	Expenses
	31 December 2011		Year ended 31 December 2011	
- deliveries and services	90	852	53	3 001
- disposal of fixed assets	0	0	0	0
- other	0	0	25	0
- inventories	0	0	0	0
- loans	30 474	0	2 943	0

	Receivables/assets	Liabilities	Income	Expenses
	31 December 2010		Year ended 31 December 2010	
- deliveries and services	62	1 005	0	0
- disposal of fixed assets	0	0	0	0
- other	0	0	0	0
- inventories	0	0	0	0
- loans	2 713		117	0

Transactions with related parties are concluded on market conditions.

37. Transactions with key members of the company's management

As at 31 December 20011 the managing persons (members of the Board and holders of a commercial power of attorney) held the following number of shares:

Shareholder	Class of shares	Number of shares	Equity stake held	Number of votes	% of voting rights at AGM
Juladal Investments Ltd. (controlled by members of the Board of Erbud SA)	Ordinary	2,818,174	22.29%	2,818,174	22.29%
Dariusz Grzeszczak	Ordinary	750,000	5.93%	750,000	5.93%
Józef Adam Zubelewicz	Ordinary	250,000	1.98%	250,000	1.98%
Walenty Twardy Procurator of ERBUD SA	Ordinary	12,384	0.10%	12,384	0.10%
Piotr Augustyniak Procurator of ERBUD SA	Ordinary	8,747	0.07%	8,747	0.07%
Agnieszka Głowacka Procurator of ERBUD SA	Ordinary	5,436	0.04%	5,436	0.04%
Grzegorz Krzywicki Procurator of ERBUD SA	Ordinary	3,033	0.02%	3,033	0.02%
Bogdan Duerr Procurator of ERBUD SA	Ordinary	6,712	0.05%	6,712	0.05%
Włodzimierz Czystowski Procurator of ERBUD SA	Ordinary	12,463	0.10%	12,463	0.10%
Tomasz Krzywicki Procurator of ERBUD SA (by a person related)	Ordinary	3,636	0.03%	3,636	0.03%

Mirosław Młynarski	Ordinary	4,479	0.04%	4,479	0.04%
Procurator of ERBUD SA					
Radosław Kałamaga	Ordinary	3,704	0.03%	3,704	0.03%
Procurator of ERBUD SA					
Tomasz Krzywicki	Ordinary	2,750	0.02%	2,750	0.02%
Procurator of ERBUD SA					
Maciej Wyrzykowski	Ordinary	1,200	0.01%	1,200	0.01%
Procurator of ERBUD SA					
Mariola Zielińska	Ordinary	4,318	0.03%	4,318	0.03%
Chief Accountant of Erbud S.A.					

As at 31 December 20010 the managing persons (members of the Board and holders of a commercial power of attorney) held the following number of shares:

Shareholder	**Class of shares**	**Number of shares**	**Equity stake held**	**Number of votes**	**% of voting rights at AGM**
Juladal Investments Ltd. (controlled by members of the Board of Erbud SA)	Common	2 761 147	21.91%	2 761 147	21.91%
Dariusz Grzeszczak	Common	750 000	5.95%	750 000	5.95%
Board"s member of ERBUD SA					
Józef Adam Zubelewicz	Common	250 000	1.98%	250 000	1.98%
Board"s member of ERBUD SA					
Walenty Twardy	Common	5 884	0.05%	5 884	0.05%
procurist of Erbud S.A.					
Piotr Augustyniak	Common	7 397	0.06%	7 397	0.06%
procurist of Erbud S.A.					
Agnieszka Głowacka	Common	4 136	0.03%	4 136	0.03%
procurist of Erbud S.A.					
Grzegorz Krzywicki	Common	2 872	0.02%	2 872	0.02%
procurist of Erbud S.A.					
BogdanDuerr	Common	4 895	0.04%	4 895	0.04%
procurist of Erbud S.A.					
Włodzimierz Czystowski	Common	3 225	0.03%	3 225	0.03%
procurist of Erbud S.A.					
Tomasz Krzywicki	Common	1 250	0.01%	1 250	0.01%
procurist of Erbud S.A.					
Maciej Wyrzykowski procurist of Erbud S.A.	Common	1 000	0.01%	1 000	0.01%

As of the date of submitting the statements, the Board members and procurists do not have any Erbud's stock options. In accordance with Resolution No. 6/2009 of the Extraordinary General Meeting of 8 December 2009, the Company carried out in the current reporting period the II tranche of the of the Management Stock Option Program, under which the holders were given the opportunity to acquire shares issued within the authorised capital.

On 24 May 2011, the Management Board adopted Resolution No. 2/2011 on the Company's share capital increase under the authorised capital by issuing shares of series F and depriving the existing shareholders of their pre-emptive rights to acquire shares Series F.

On 10 August 2011, the Management Board adopted Resolution No. 4/2011 on specifying the value of subscribed capital and the share capital in the Articles of Association. In the equity increased under the authorized capital, an additional number of 41,458 ordinary bearer shares of series F with par value of PLN 0.10 each has been acquired; thus the share capital of PLN 4,145.80 has been covered under the capital increase. The Company's share capital after the increase amounts to PLN 1,264,416.90.

Under the Employee Incentive Scheme Program the following number of shares of series F have been granted to the managing staff:

Shareholder	Class of shares	Number of shares
Walenty Twardy Procurist of Erbud S.A.	Ordinary	4 500
Piotr Augustyniak Procurist of Erbud S.A.	Ordinary	2 350
Maciej Wyrzykowski Procurist of Erbud S.A.	Ordinary	1 200
Agnieszka Głowacka Procurist of Erbud S.A.	Ordinary	2 500
Grzegorz Krzywicki Procurist of Erbud S.A.	Ordinary	161
BogdanDuerr Procurist of Erbud S.A.	Ordinary	1 817
Tomasz Krzywicki Procurist of Erbud S.A.	Ordinary	1 500
Włodzimierz Czystowski Procurist of Erbud S.A.	Ordinary	1 800
Radosław Kałamaga Procurist of Erbud S.A.	Ordinary	1 683
Mirosław Młynarski Procurist of Erbud S.A.	Ordinary	2 409M

Members of the Supervisory Board, of the Management Board of the Parent and of key management personnel, as at 31 December 2011 and as at 31 December 2010 did not have outstanding loans, credits or a guarantees granted by the companies of the Erbud Group.

Members of the Supervisory Board, of the Management Board of the Parent and of key management personnel, as at 31 December 2011 and as at 31 December 2010 were not a party to the contract obliging to render services to the companies of the Erbud Group.

38. Remuneration of key senior management members

Remuneration of the Supervisory Board members of ERBUD SA in the year ended 31 December 2011 and as at 31 December 2010 roku paid by ERBUD SA and its subsidiaries

Name and surname	Position/Function	Total value of remuneration paid and benefits in kind granted in the year ended 31 December 2011	Total value of remuneration paid and benefits in kind granted in the year ended 31 December 2010
Udo Berner	President of the Supervisory Board	60	60
Józef Olszyński	Vice-President of the Supervisory Board	44	44
Albert Durr	Member of the Supervisory Board	40	40
Gabriel Główka	Member of the Supervisory Board	40	40
Lech Wysokiński	Member of the Supervisory Board	40	40
Zofia Dzik	Member of the Supervisory Board	21	0

Remuneration of the Management Board members of ERBUD SA paid by ERBUD SA and its subsidiaries

Name and surname	Position/Function	Total value of remuneration paid and benefits in kind granted in the year ended 31 December 2011	Total value of remuneration paid and benefits in kind granted in the year ended 31 December 2010
Dariusz Grzeszczak	Member of the Management Board	1 282	1 481
Józef Adam Zubelewicz	Member of the Management Board	1 216	1 446

Remuneration of senior management members of Erbud S.A. paid by ERBUD SA and its subsidiaries

Name and surname	Position/Function	Total value of remuneration paid and benefits in kind granted in the year ended 31 December 2011	Total value of remuneration paid and benefits in kind granted in the year ended 31 December 2010
Agnieszka Głowacka	Joint proxy	294	237
Piotr Jan Augustyniak	Joint proxy	831	506
Walenty Twardy	Joint proxy	848	764
Maciej Piotr Wyrzykowski	Joint proxy	242	238
Grzegorz Krzywicki	Joint proxy	265	382
Bogdan Durr	Joint proxy	358	560
Tomasz Krzywicki	Joint proxy	372	414
Włodzimierz Czystowski	Joint proxy	177	186
Waldemar Kozłowski	Joint proxy	336	342

39. Contingent liabilities and receivables

The off-balance sheet items due the Group's debts, liabilities and other balance sheet items are as follows:

	31 December 2011	31 December 2010
Contingent receivables	**28 018**	**0**
From related parties	**25 176**	**0**
Guarantees received	0	0
Litigation and claims	0	0
Bills of exchange received as collateral	0	0
From other entities	**2 842**	**0**
Guarantees received	2 842	0
Litigation and claims	0	0
Bills of exchange received as collateral	0	0
Total contingent receivables	**28 018**	**0**
		0
Contingent liabilities	**362 088**	**301 712**
To related parties	**30 847**	**1 203**
Guarantees granted	30 847	1 203
Litigation and claims	0	0
Promissory notes	0	0
To other entities	**331 241**	**300 509**
Guarantees granted	331 241	300 509
Litigation and claims	0	0
Promissory notes	0	0

Total contingent liabilities	**362 088**	**301 712**
Total off-balance sheet items	**362 088**	**301 712**

40. Court proceedings

As at 31 December 2011, not any major lawsuit was brought by Erbud SA, except those mentioned in the note 41.

Important court cases in which Erbud SA is the defendant are described in section 21.2

41. Capital expenditures

Scheduled capital expenditures for 2012 amount to PLN 3,120 thousand, of which
- Erbud S.A. : PLN 1,000 thousand
- Budlex: PLN 1,700 thousand
- PBDI SA: PLN 220 thousand
- GWI: PLN 200 thousand.

42. Employment structure

The average employment in the Group was as follows:

	31 December 2011	**31 December 2010**
White-collar workers	959	1 228
White-collar workers	546	575
Total	**1 505**	**1 803**

43. Objectives and principles of financial risk management

In the course of the business conducted, the ERBUD Group is exposed to various types of financial risks: currency risk, price risk, interest rate risk, credit risk and liquidity risk. The Management Board verifies and sets the principles of management of each of these risks.

Foreign exchange risk

As a part of the core operations, the subsidiaries incorporated in the Group conclude construction contracts, which are denominated in foreign currencies (mainly in the Euro). Adopted by the Management Board policy of currency risk management consists in matching the contract currency to the currency of expenditure related to this contract.
The Group does not apply hedge accounting.

	PLN	**EUR**	**Total**
Cash and cash equivalents	145 993	15 298	**161 291**
Trade and other receivables	219 968	15 638	**235 606**
Loans granted	0	30 809	30 809
Total	**365 961**	**61 745**	**427 706**
Credits and loans liabilities	62 682	16 860	**79 542**
Trade and other liabilities	208 587	208 587	**223 493**
Lease liabilities	10 458	0	**10 458**
Bonds issued	50 000	0	**50 000**
Total	**331 727**	**31 766**	**363 493**
Exposure to currency risk	**34 234**	**29 979**	**64 213**

Risk of interest rates

The risk of interest rates is mainly due to the use by companies of the bank credits, loans and finance lease. These financial instruments are based on variable rates and expose the Group to the risk of changes in cash flows.

The risks associated with existing debts was considered to be irrelevant from the point of view of impacting the results of the Group, therefore the currently management by interest rate risk is limited to monitoring the present market situation. In case of an increase in debt of the Group in respect of bank loans will be taken measures to protect against changes in interest rates.

The following table presents the carrying value of financial instruments as at 31 December 2011, which are exposed to the interest rate risk, by categories of age:

Fixed interest rates

	Up to 1 year	1-3 years	3-5 years	Over 5 years	**Total**
Loan bonds	0	0	0	0	**0**
Cash assets - term deposits	49 021	0	0	0	**49 021**
Bonds of 5,8 %	0	0	0	0	**0**
Depreciable preference shares convertible into ordinary shares	0	0	0	0	**0**

Variable interest rates

	Up to 1 year	1-3 years	3-5 years	Over 5 years	**Total**
Cash at bank accounts	112 171	0	0	0	**112 171**
Overdrafts	39 483	0	0	0	**39 483**
Liabilities due to finance lease	4 393	4 660	522	0	**9 575**
Bank credit secured	27 495	7 008	5 239	317	**40 059**
Total	**183 542**	**11 668**	**5 761**	**317**	**201 288**

Price risk

The Group is exposed to the price risk related to increases in the prices of construction materials most purchased such as steel and concrete. The opening of the European labour markets brings the outflow of skilled construction workers abroad and this effects the growth in wage costs. As a result of increase of material prices and labour costs, costs of the services rendered for the Group by the subcontracting companies may rise as well. Prices in the agreements signed with the investors are usually fixed for the duration of a contract performance - usually between 6 and 36 months, while contracts with subcontractors are concluded at a later date, with the progress of individual works.

In order to reduce price risks, the Erbud Group monitors the prices frequently purchased building materials and the contracts are signed with the observance of parameters in respect to, inter alia, market situation, and duration and value of contracts.

Credit risk

Financial assets of the Group, which are exposed to increased credit risk are trade receivables. The Erbud Group applies the policy of evaluation and verification of credit risk connected with all contracts, whether on the before-offer stage as well as during the execution of contracts.

Before signing the contract, each contractor is evaluated for the ability of meeting its financial obligations. In the event of a negative assessment of the contractor's payment capacity, the agreement conclusion depends on the

establishment of appropriate financial or property guarantees. In addition, the conditions of agreements with building investors provide for the right to suspend the execution of works, in case of any delay in payment for services rendered.

If possible, agreements include provisions which conditioning payments to the subcontractors from the inflow of funds from the building investor.

The age structure of debt is presented in Note 14.

Liquidity risk

In order to reduce the liquidity risk, the Group companies keep an adequate amount of cash and transferable securities, and enter into contracts for credit lines, which serve as an additional security measure of liquidity. To finance investment purchases, the Group uses its own funds or long-term financial leases providing adequate financing structure of such assets.

The Group companies co-operate, both in cash and capital transactions with financial institutions that are high reliable without causing a significant concentration of credit risk. At the same time, the Group applies a policy of limiting the credit exposure to various financial institutions and issuers of debt securities which are acquired as temporary investment of surplus cash.

Managing the liquidity is supported by the current system of reporting liquidity forecasts by the companies of the Group.

The tables below summarize the Group's financial liabilities as at 31 December 2011 and as at 31 December 2010 by the maturity on the basis of contractual undiscounted payments:

31 December 2011	Up to 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Total
Credits and loans at interest	576	66 403	12 246	317	**79 542**
Lease liabilities	627	3 765	5 183	0	**9 575**
Trade liabilities and construction deposits liabilities	195 469	70 558	8 193	0	**274 220**
Income tax liabilities	1 311	0	0	0	**1 311**
Salary liabilities	4 946	0	0	0	**4 946**
Derivatives	1 644	0	0	0	**1 644**
Total	**204 573**	**140 726**	**25 622**	**317**	**371 238**

31 December 2010	Up to 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Total
Credits and loans at interest	1 446	22 700	14 822	0	**38 968**
Lease liabilities	828	2 729	5 744	0	**9 301**
Trade liabilities and construction deposits liabilities	152 729	59 685	6 445	0	**218 859**
Income tax liabilities	591	0	1 802	0	**2 393**
Salary liabilities	3 807	0	0	0	**3 807**
Derivatives	56	0	0	0	**56**
Total	**159 457**	**85 114**	**28 813**	**0**	**273 384**

Sensitivity analysis for currency and interest rates risk

The influence of potential changes on market risk were estimated by the Group as follows:
100 bsp - change in the PLN interest rate (increase or decrease in interest rate)
100 bsp - change in the EUR interest rate (increase or decrease in interest rate)
10% - change in the exchange rate PLN/EUR (revaluation or devaluation of PLN).

Sensitivity analysis by the Group does not include the effects of taxation.
The influence of potential changes on profit before tax and the Company's capital is summarized below:

Sensitivity analysis for currency and interest rates risk

Item	Value in PLN	interest rate risk		Currency risk			
		Influence on profit		Influence on profit		Influence on capital	
		+ 100 pbs in PLN + 100 pbs in EUR	+ 100 pbs in PLN + 100 pbs in EUR	10% PLN revaluation	10% PLN devaluation	10% PLN revaluation	10% PLN devaluation
Cash and cash equivalents	161 291	1 613	-1 613	-278	278	-1 252	1 252
Trade and other receivables	235 606	0	0	-139	139	-1 425	1 425
Loans granted	30 809	308	-308	-1 700	1 700	-1 381	1 381
Influence on financial assets	**-**	**1 921**	**-1 921**	**-2 118**	**2 118**	**-4 057**1 686	**4 057**
Credits and loans liabilities	79 542	-795	795	0	0	1 686	-1 686
Bonds issued	50 000	-500	500	0	0	0	0
Lease liabilities	9 575	-96	96	0	0	0	0
Trade and other liabilities	223 493	0	0	91	-91	1 399	-1 399
Influence on financial liabilities	**362 610**	**-1 391**	**1 391**	**91**	**-91**	**3 085**	**-3 085**
Total increase (decrease)	**-**	**530**	**-530**	**-2 026**	**2 026**	**-972**	**972**

44. Asset-backed securities

Budownictwa Drogowo Inżynieryjnego S.A with its registered seat in Toruń.

1) The basic characteristics of assets (type and number votes at the GM), on which the pledge was established: In order to secure an agreement with the Seller, the Issuer has entered into an lien agreement (possessory and registered), under which the Buyer established to the Seller an possessory lien and upon entry in pledge register will establish an registered lien on 3,899 shares representing 29% stake in Przedsiębiorstwo Budownictwa Drogowo Inżynieryjnego S.A headquartered in Toruń. The possessory lien shall expire upon entry of the registered lien in the register of pledges.

2) Inventory value of the above shares in the books of the Issuer:

Name and legal form of the subsidiary	Seat	Core business	Type of the relationship (subsidiary, interdependent, associate, detailing the direct and indirect relationships)	Method of consolidation / equity method or indication that the unit is not subject to consolidation / to valuation by equity method	Value adjustment (total)	Carrying amount of shares /stocks	Equity stake held	Voting power at the GM
Przedsiębiorstwo Budownictwa Drogowo Inżynieryjnego S.A	Toruń	road engineering	subsidiary	full method	0	49 554	94,27%	94,27%

3) Relationship type between Erbud and persons managing or supervising Erbud and the pledgee (Rison Limited, based in Nicosia, Cyprus):

None

4) Percentage of the pledged shares in the nominal capital of PBDI S.A. and the value at par of shares and their character as long-term or current capital investment of Erbud:

Pledged shares represent 29% of the nominal capital of PBDI S.A

45. Litigation

On 22 December 2010, Erbud SA brought to the Regional Court in Warsaw, XVI Commercial Division an action for payment against Bank Millennium S.A.
Value of the dispute: PLN 71,065,496. The respondent: Bank Millennium S.A. in Warsaw.

In 2008, the Bank Millennium S.A. advised the Issuer (Erbud S.A.) concluding a transaction on currency options to protect euro-denominated contracts executed by the Issuer against an exchange rate risk. The Bank's offer followed the Issuer's need to adequate secure its situation. According to the Company, the product was not optimally adapted to the needs of Erbud SA. In the fourth quarter of 2008, as a result of the drastic depreciation of the Polish zloty against euro, the Bank Millennium S.A. reported to the Issuer a negative valuation of its exposure. At the same time, there arose a dispute as to content of the currency options transactions, primarily concerning exclusion of optional structures.

During many talks, the Issuer presented its position to the Bank, which requested to execute of the transaction with taking action for compulsory execution of claims. In order to reduce the amount of potential loss, the disputed transactions were restructured, and the Bank has been informed about future legal action to compensate damage resulting from the transactions of currency options.
The restructuring details were announced by the Issuer in the Current Report No. 43/2008 of 21.11.2008, and in the financial statements for the year 2008. The Issuer has never agreed with the position of the Bank Millennium S.A. and therefore called the Bank twice to pay the amount of PLN 71,065,496, which consists of amounts collected by the Bank from the Issuer's bank account, lost benefits, and legal and financial advisors' fees. Accordingly, the Issuer has decided to enter a lawsuit for payment in order to compensate the damage suffered.

46. Events after the end of the reporting period

After the balance sheet date until the date of the financial statements there were no events which have not been, but should be recognized in the accounts of the financial year.

Signature of person preparing the Financial Statement

Mariola Zielińska
/Chief Accountant/

Signatures of Board Members

Józef Zubelewicz
/Member of the Board/

Dariusz Grzeszczak
/Member of the Board/

Warsaw, 25 April 2012