

DOM DEVELOPMENT S.A.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

PREPARED IN ACCORDANCE
WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS



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1 APPROVAL OF THE FINANCIAL STATEMENTS BY THE MANAGEMENT BOARD OF THE COMPANY

These financial statements for the year ended on 31 December 2021, comprising:

- balance sheet prepared as at 31 December 2021,
- income statement for the twelve-month period ended 31 December 2021,
- statement of comprehensive income for the twelve-month period ended 31 December 2021,
- cash flow statement for the twelve-month period ended 31 December 2021,
- statement of changes in shareholders' equity for the twelve-month period ended 31 December 2021,
- additional notes to the financial statements

were prepared and approved by the Management Board of Dom Development S.A. on 17 March 2022.

The Management Board of Dom Development S.A. declares that to the best of its knowledge, these annual financial statements for 2021 with comparative data have been prepared in accordance with the applicable accounting policies, and reflect a true and fair economic and financial position of the Company and its financial result.

Jarosław Szanajca
President of the Management Board

Leszek Stankiewicz
Vice President of the Management Board

Małgorzata Kolarska
Vice President of the Management Board

Mikołaj Konopka
Member of the Management Board

Terry R. Roydon
Member of the Management Board

2 BALANCE SHEET

ASSETS	Note	31.12.2021	31.12.2020
Fixed assets			
Intangible assets	7.6	18 659	15 014
Tangible fixed assets	7.7	23 371	26 561
Investments in subsidiaries, associates and jointly controlled entities	7.8	383 796	366 671
Deferred tax assets	7.22	11 365	-
Loans granted and other long-term receivables		28 274	55 069
Other long-term assets		11 550	85
TOTAL FIXED ASSETS		477 015	463 400
Current assets			
Inventory	7.10	1 921 213	1 641 331
Trade and other receivables	7.11	38 149	48 588
Income tax receivables		-	27 909
Other current assets	7.12	3 232	2 940
Loans granted	7.8	197 760	27 089
Short-term financial assets	7.13	32 604	12 358
Cash and cash equivalents	7.14	364 394	531 841
TOTAL CURRENT ASSETS		2 557 352	2 292 056
TOTAL ASSETS		3 034 367	2 755 456
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	7.15	25 398	25 218
Share premium	7.16	258 358	251 038
Other capital (supplementary capital)		626 738	614 804
Reserve capital from valuation of cash flow hedges		7 647	(3 591)
Reserve capital from reduction of share capital		510	510
Unappropriated profit		306 767	264 217
TOTAL SHAREHOLDERS' EQUITY		1 225 418	1 152 196
Long-term liabilities			
Loans, long-term portion	7.19	-	10 000
Bonds, long-term portion	7.20	310 000	250 000
Deferred tax provision	7.22	-	25 677
Long-term provisions	7.23	12 645	13 305
Lease liabilities, long-term portion	7.25	16 717	20 033
Other long-term liabilities	7.24	69 390	63 458
TOTAL LONG-TERM LIABILITIES		408 752	382 473
Short-term liabilities			
Trade payables, tax and other liabilities	7.26	200 064	272 734
Loans, short-term portion	7.19	-	-
Bonds, short-term portion	7.20	50 000	110 000
Accrued interest on loans and bonds	7.21	1 584	1 399
Lease liabilities, short-term portion	7.25	52 796	67 951
Corporate income tax payables	7.33	28 057	-
Short-term provisions	7.27	20 768	16 982
Deferred income	7.28	1 046 928	751 721
TOTAL SHORT-TERM LIABILITIES		1 400 197	1 220 787
TOTAL LIABILITIES		1 808 949	1 603 260
TOTAL EQUITY AND LIABILITIES		3 034 367	2 755 456

All amounts in PLN '000.

3 INCOME STATEMENT

	Note	Year ended	
		31.12.2021	31.12.2020
Sales revenue	7.35	1 234 988	1 255 689
Cost of sales	7.35	(856 935)	(870 415)
Gross profit on sales	7.35	378 053	385 274
Selling costs	7.36	(42 811)	(42 911)
General administrative expenses	7.36	(80 490)	(74 958)
Other operating income	7.38	3 150	1 747
Other operating expenses	7.39	(15 200)	(14 761)
Operating profit		242 702	254 391
Financial income	7.40	122 607	71 897
Financial costs	7.41	(10 458)	(12 279)
Profit before tax		354 851	314 009
Income tax	7.33	(48 084)	(49 792)
Net profit		306 767	264 217
Earnings per share:			
Basic (in PLN)	7.32	12.09	10.49
Diluted (in PLN)	7.32	12.01	10.41

All amounts in PLN '000 unless stated otherwise.

4 STATEMENT OF COMPREHENSIVE INCOME

	Year ended	
	31.12.2021	31.12.2020
Net profit	306 767	264 217
Other comprehensive income:		
Net change to cash flow hedges	13 874	(1 765)
Items to be accounted for in the income statement	13 874	(1 765)
Items not to be accounted for in the income statement		
Other net comprehensive income / (loss), before tax	13 874	(1 765)
Income tax on other net comprehensive income to be accounted for in the income statement	(2 636)	335
Other net comprehensive income	11 238	(1 430)
Total net comprehensive income	318 005	262 787

All amounts in PLN '000.

5 CASH FLOW STATEMENT

	Note	Year ended	
		31.12.2021	31.12.2020
Cash flow from operating activities			
Profit before tax		354 851	314 009
Adjustments:			
Depreciation		10 344	10 278
(Profit)/loss on foreign exchange differences		(1)	139
(Profit)/loss on investments		(112 093)	(67 734)
Interest cost/(income)		8 082	10 817
Cost of the valuation of management option programmes		1 701	5 999
Changes in the operating capital:			
Changes in provisions		3 126	6 109
Changes in inventory		(282 745)	93 338
Changes in receivables		6 127	(25 000)
Changes in short-term liabilities, excluding loans and bonds		(98 536)	4 588
Changes in prepayments and deferred income		296 086	193 601
Other adjustments		1	(139)
Cash flow generated from operating activities		186 943	546 005
Interest received		-	954
Interest paid		(11 488)	(13 709)
Income tax paid		(31 797)	(89 376)
Net cash flow from operating activities		143 658	443 874
Cash flow from investing activities			
Proceeds from the sale of intangible assets and tangible fixed assets		551	704
Dividends received		112 608	67 635
Proceeds from borrowings granted		62 663	48 351
Other proceeds from financial assets		18 025	11 093
Borrowings granted		(199 627)	(27 000)
Acquisition of intangible and tangible fixed assets		(11 218)	(8 602)
Acquisition of financial assets and additional contributions to the share capital of subsidiaries		(37 623)	(750)
Net cash flow from investing activities		(54 621)	91 431
Cash flows from financing activities			
Proceeds from issue of shares (exercise of share options)	7.15	7 500	6 000
Proceeds from contracted loans	7.19	-	210 000
Proceeds from commercial papers issued	7.20	110 000	100 000
Repayment of loans and borrowings	7.19	(10 000)	(200 000)
Redemption of commercial papers	7.20	(110 000)	(100 000)
Dividends paid	7.18	(253 984)	(239 575)
Net cash flow from financing activities		(256 484)	(223 575)
Increase / (decrease) in net cash and cash equivalents		(167 447)	311 730
Cash and cash equivalents – opening balance	7.14	531 841	220 111
Cash and cash equivalents – closing balance	7.14	364 394	531 841

All amounts in PLN '000.



6 STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

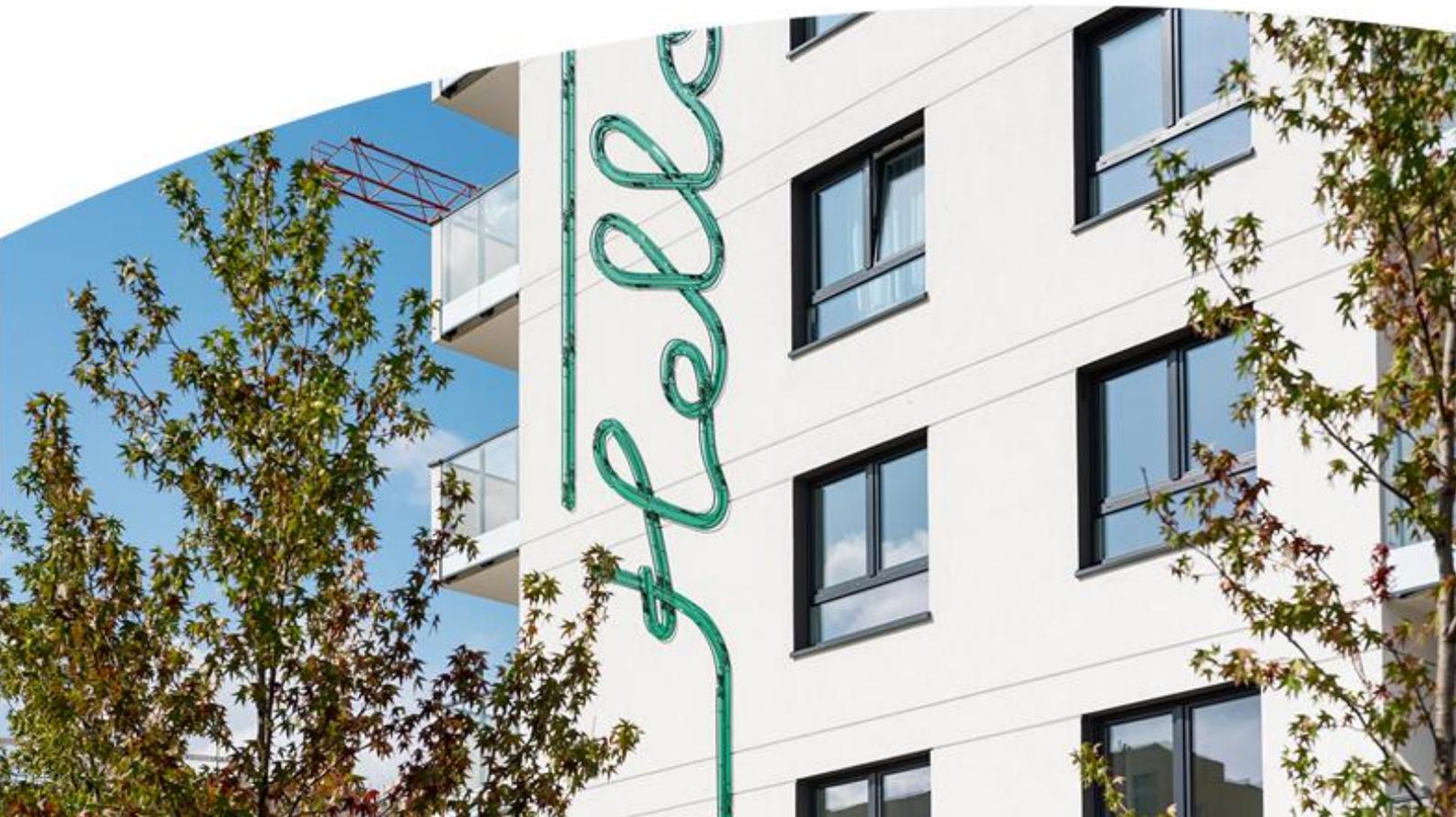
	Share capital	Share premium less treasury shares	Other capital (supple- mentary capital)	Reserve capital		Accumulated, unappropri- ated profit / (loss)	Total shareholders' equity
				from reduction of share capital	from valuation of cash flow hedges		
Balance as at 1 January 2021	25 218	251 038	614 804	510	(3 591)	264 217	1 152 196
Share capital increase by exercising share options (note 7.15 and 7.16)	180	7 320	-	-	-	-	7 500
Profit transfer to supplementary capital (note 7.18)	-	-	10 233	-	-	(10 233)	-
Dividends to shareholders (note 7.18)	-	-	-	-	-	(253 984)	(253 984)
Creation of reserve capital from the valuation of the share options (note 7.44)	-	-	1 701	-	-	-	1 701
Net profit for the reporting period	-	-	-	-	-	306 767	306 767
Other net comprehensive income for the reporting period	-	-	-	-	11 238	-	11 238
Total net comprehensive income	-	-	-	-	11 238	306 767	318 005
Increase / (decrease) in equity capital	180	7 320	11 934	-	11 238	42 550	73 222
Balance as at 31 December 2021	25 398	258 358	626 738	510	7 647	306 767	1 225 418

All amounts in PLN '000.

	Share capital	Share premium less treasury shares	Other capital (supple- mentary capital)	Reserve capital		Accumulated, unappropri- ated profit / (loss)	Total shareholders' equity
				from reduction of share capital	from valuation of cash flow hedges		
Balance as at 1 January 2020	25 068	245 188	543 715	510	(2 161)	304 665	1 116 985
Share capital increase by exercising share options (note 7.15)	150	5 850	-	-	-	-	6 000
Transfer of profit to supplementary capital	-	-	65 090	-	-	(65 090)	-
Dividends to shareholders (note 7.18)	-	-	-	-	-	(239 575)	(239 575)
Creation of reserve capital from the valuation of the share options (note 7.44)	-	-	5 999	-	-	-	5 999
Net profit for the reporting period	-	-	-	-	-	264 217	264 217
Other net comprehensive income for the reporting period	-	-	-	-	(1 430)	-	(1 430)
Total net comprehensive income	-	-	-	-	(1 430)	264 217	262 787
Increase / (decrease) in equity capital	150	5 850	71 089	-	(1 430)	(40 448)	35 211
Balance as at 31 December 2020	25 218	251 038	614 804	510	(3 591)	264 217	1 152 196

All amounts in PLN '000.

7 ADDITIONAL NOTES TO THE FINANCIAL STATEMENTS



7.1 GENERAL INFORMATION ABOUT DOM DEVELOPMENT S.A.

The joint stock company Dom Development S.A. (the “Company”) is the parent company of Dom Development S.A. Capital Group (the “Group”). The registered office of the Company is in Warsaw (00-078 Warsaw, Pl. Piłsudskiego 3). The Company has been entered into the National Court Register under number 0000031483 maintained by the District Court for the capital city of Warsaw in Warsaw, 12th Commercial Division of the National Court Register.

According to the Polish Classification of Business Activity the Company’s scope of activity is the development of building projects – PKD 4110Z (NACE F41.1). The Company conducts its activities mainly in Warsaw and its vicinity. The Company also has subsidiaries that run their real estate development activities in the Wrocław, Tricity and Kraków markets.

The Company is a majority-owned subsidiary of Groupe Belleforêt S.à r.l. with its registered office in Luxembourg (see note 7.15). As at 31 December 2021, Groupe Belleforêt S.à r.l. controlled 55.74% of the Company’s shares.

The main area of activity of the Company is the construction and sale of residential real estate.

The Company conducts its activities in the territory of Poland in compliance with the Code of Commercial Companies and Partnerships and its term of operations is unlimited.

In the twelve-month period ended 31 December 2021 the Company did not discontinue any of its activities.

7.2 BASIS FOR THE PREPARING OF THE FINANCIAL STATEMENTS

These financial statements have been prepared on a historical cost basis.

The financial statements have been prepared on the assumption that the Company will continue as a going concern in the foreseeable future.

The Russian invasion of Ukraine launched on 24 February 2022 is a factor significantly destabilising the economic environment throughout the region. The Company and its subsidiaries operate exclusively in Poland. The Company’s Management Board believes that the war in Ukraine may mostly affect the demand for dwellings, construction costs, and the availability of subcontractors. As at the date of the preparation of this financial statements all of the Company’s development projects were progressing as planned or more quickly than planned. The Company’s Management Board continuously monitors the situation and analyses its potential impact from the perspective of individual projects, the Company as a whole, and its long-term objectives. In the opinion of the Management Board of the Company no circumstances that would indicate that there is a threat to the continued activity of the Company are known as at the date of the approval of these financial statements.

The Polish zloty is the functional currency for the Company. These financial statements are stated in Polish zloty (PLN). Financial data included in the financial statements are expressed in thousands of PLN unless stated otherwise.

The Company has also prepared consolidated financial statements for Dom Development Capital Group for the twelve-month period ended 31 December 2021. These statements were approved by the Management Board of the Company on 17 March 2022.

7.3 COMPLIANCE STATEMENT

Polish law requires the Company to prepare its financial statements in accordance with the International Financial Accounting Standards (IFRS) adopted by the European Union (EU). Having considered the process of IFRS introduction that takes place in the EU and the activities of the Company, in the context of accounting policies applied by the Company there are no differences in IFRS that have been put into force and IFRS that have been endorsed by the EU for the financial year ended 31 December 2021.

These financial statements were prepared in accordance with all applicable IFRSs that have been adopted by the European Union.

IFRSs comprise standards and interpretations approved by the International Accounting Standards Board (“IASB”) and the International Financial Reporting Interpretations Committee (“IFRIC”).

These financial statements are prepared based on the same accounting principles (policies) as for the financial statements of the Company for the year ended 31 December 2020, except for the following amendments to existing standards and new interpretations that are effective for annual periods beginning on 1 January 2021:

- Amendments to IFRS 16 *Leases*. Due to the coronavirus (COVID-19) pandemic an amendment to IFRS 16 was introduced in 2020. It permits a simplified assessment of whether changes to leases made during the pandemic is a lease modification. As a result, the Lessees were able to elect simplify accounting by electing not to apply the IFRS 16 guidelines for lease modification. As this amendment concerned concessions on rents owed on or before 30 June 2021, in March 2021 the IASB extended the availability of a practical expedient related to rent concessions until June 2022. The amendment is effective from 1 April 2021, and can be applied earlier.

This amendment had no impact on Company’s financial position, operating results or the scope of information presented in the financial statements.

The Company has not decided for earlier adoption of the following standards, interpretations or improvements/amendments, which were published and has not yet come into force:

- Amendments to IAS 1 *Presentation of Financial Statements* and the IFRS Advisory Council's guidance on disclosure of accounting policies in practice. The amendment to IAS 1 requires disclosure of material information on accounting policies as defined in the standard. The amendment clarifies that information on accounting policies is material if, in the absence of such information, users of financial statements would not be able to understand other material information in the financial statements. Moreover, the Advisory Council's guidance on the application of the materiality concept have also been amended to provide guidance on the application of the concept of materiality to disclosures of accounting policies. These improvements have not been endorsed by the EU as at the date of these financial statements,
- Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. In February 2021, the Council published an amendment to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors in the Definition of Estimates. This amendment to IAS 8 explains how entities should distinguish changes in accounting policies from changes in accounting estimates. These improvements have not been endorsed by the EU as at the date of these financial statements,
- Amendments to IFRS 10 and IAS 28 concerning sale or contribution of assets between an investor and its associate or joint venture. They remove the existing inconsistency between IFRS 10 and IAS 28. The accounting treatment depends on whether non-cash assets sold or contributed to an associate or a joint venture constitute a business. If the non-cash assets constitute a business the investor discloses a full gain or loss on the transaction. If the assets cannot be classified as a business the investor recognises the gain or loss only in the scope of the shares of other investors therein. The amendments were published on 11 September 2014. The approval of this amendment has been postponed by the EU as at the date of these financial statements.
- IAS 1 *Presentation of Financial Statements*, Amendments to IAS 1 Presentation of Financial Statements. The IASB published amendments to IAS 1 which clarify the presentation issue of long-term and short-term liabilities. The published amendments are effective for financial statements for the periods beginning on or after 1 January 2023 . These amendments have not been endorsed by the EU as at the date of these financial statements,
- Amendments to IAS 16 *Property, Plant and Equipment*. The amendment prohibits the adjustment of production cost of property, plant and equipment by any proceeds from selling items produced while preparing the asset to being capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, directly in an income statement. The amendments are effective for financial statements for the periods beginning on or after 1 January 2022.
- Amendments to IAS 37 *Provisions, Contingent liabilities and Contingent assets*. The amendments to IAS 37 provide clarifications regarding the costs that an entity is to consider when assessing whether a contract is an onerous contract. The amendments are effective for financial statements for the periods beginning on or after 1 January 2022.
- Annual improvements to IFRS 2018 - 2020 introduce improvements to the following standards: IFRS 1 first-time Adoption of International Financial Reporting Standards, IFRS 9 Financial instruments, IAS 41 Agriculture, and examples illustrating IFRS 16 Leases. The amendments include clarifications and fine tune guidelines for standards in respect of recognition and measurement. These improvements have not been endorsed by the EU as at the date of these financial statements,

The Management Board is verifying effect of the above standards on the Company's financial position, operating results or the scope of information presented in the Company's financial statements. It is not expected by the Management Board of the Company that new standards and amendments to the existing standards could have a significant impact on the financial statements of the Company for the period, when they are adopted for the first time.

7.4 MATERIAL ACCOUNTING POLICIES

INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

Shares in subsidiaries, associates and jointly controlled entities are stated at historical acquisition cost less impairment write downs.

TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at purchase price less accumulated depreciation (except for land), less accumulated impairment write downs. Replacement cost of existing parts of a tangible fixed asset can be capitalised, if material. Depreciation is calculated on straight-line basis over the useful life of the asset. Depreciation rates for buildings and structures range from 2.5% to 4.5%, for vehicles the rate applied is 20% and for other fixed assets from 10% to 30%.

The right-of-use of office space is recognised in accordance with the rules set out in IFRS 16 *Leases*, and is amortised over the term of the lease.

INVENTORY

Finished goods

Finished goods represent mainly housing units and parking places. They are measured at the lower of either the cost of production or net realisable value.

The net realisable value is the estimated sales price evaluated by the Management Board based on market prices.

Work in progress

Work in progress is measured at the lower of either the purchase price/cost of production or net realisable value. In case of discrepancies an impairment write down is made. For the Company's real estate development projects, assessment of the need for impairment write down is determined using the "inventory impairment test" described below based on the analysis of production costs and net realisable value.

Inventory impairment test

If a development project is expected to generate a loss, this entails a revaluation write down of work in progress, which is immediately recognised in the income statement. The write down may also relate to the property, for which an inherent risk of postponement is associated with the development process.

For each real estate development project there are budgets prepared, which cover both, past and future cash flows for each undertaken project. These budgets are subject to revaluation at least once every three months. For the purposes of impairment review, budgets of projects cover all past and projected net revenues less direct costs of land acquisition, design, construction and other costs related to the preparation of a project, show-flats and sales offices on-site. These budgets are also encumbered with related past and projected costs of external financing and projected claims from customers (if applicable).

The budgets of projects are prepared in compliance with the prudence principle.

If a project contribution, calculated taking into account all revenues and the above-mentioned costs, is positive, there is no need to make an inventory impairment revaluation write down. A negative contribution implies that there is a potential problem of impairment, which, following a thorough analysis of cash flows for a given project, results in the recording of an impairment revaluation write down in the amount of the estimated negative value of this contribution.

The revaluation write down is recognised as the cost of sales in "Inventory write down to the net realisable value". The reversal, if any, of such an impairment write down for a given project is possible if the projected contribution for this project assumes a positive value.

If the project consists of several stages, the inventory impairment review is conducted in the following manner:

- a) all future phases of the project are treated as a single project for the purposes of impairment review,
- b) each phase of the project, in which sales and construction have already begun, is separated from the rest of the (construction) project and is considered separately for the purposes of impairment review.

COSTS OF EXTERNAL FINANCING

Costs of external financing are disclosed as costs in the income statement in the period, in which they were incurred, except for capitalised costs, i.e. costs that may be assigned to costs of production of qualifying assets (in the case of the Company: to work-in-progress) as a part of their production costs.

The financial costs are capitalised into work-in-progress exclusively in the period, during which the real estate development project is active. The project is considered active if designing or construction work is underway for the acquired land and during the process of obtaining key administrative decisions necessary to run the project.

The financial costs cease to be capitalised upon completion of substantially all activities, which have to be undertaken in order to prepare flats for hand-over to customers.

The capitalisation of financial costs is suspended in the case of suspension of activities connected with the project-related investment activity, including works related to design, the construction process and obtaining required permits and administrative decisions concerning the project.

TRADE AND OTHER RECEIVABLES

Trade receivables and other receivables are measured in accordance with IFRS 9, which introduced the concept of estimating impairment losses on financial assets with the use of a model based on expected losses.

BANK DEPOSITS WITH A MATURITY OVER THREE MONTHS

Bank deposits with a maturity over three months (as of the date when they are made) are presented in “Short-term financial assets”.

CASH AND CASH EQUIVALENTS

Cash and short-term deposits with the maturity of up to three months (when created) are disclosed in the balance sheet at a nominal value and comprise cash at banks, in hand and short-term deposits with an original maturity of three months or less. For the purpose of the cash flow statement, the balance of cash and cash equivalents consist of cash and cash equivalents as defined above less outstanding bank overdrafts.

INTEREST-BEARING LOANS, BORROWINGS AND COMMERCIAL PAPERS

All loans, borrowings and commercial papers are initially recognised at the fair value less transaction costs associated with the loans or borrowings.

After initial recognition, interest-bearing loans, borrowings and commercial papers are subsequently valued at amortised cost, using the effective interest rate method.

Amortised cost is calculated by taking into account any transaction costs for loan or borrowing, and any discount or premium related to raising the funds.

TRADE PAYABLES, TAX AND OTHER LIABILITIES

Short-term trade payables, and tax and other liabilities are disclosed at the amount due and payable.

If the effect of the time value of money is material (in particular it relates to the guarantee retentions), the value of payables is determined by discounting the estimated future cash flows to present value. Where discounting is used, any decrease in the balance due to the passage of time is recognised as financial cost.

PROVISIONS

Provisions are created when the Company has a present obligation (legal or constructive) as a result of a past event, and if 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. The expense relating to any provision is disclosed in the income statement net of any reimbursement.

REVENUE RECOGNITION

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

Sale of products

The revenue from the sale of real estate (housing units, commercial space, etc.) is recognised at the moment when control over the real estate is transferred to the buyer of said real estate together with the transfer of significant risks and rewards typical to the ownership rights. According to the Company’s judgement this occurs at the moment of handover of the real estate to the buyer, which is based on a handover document signed by both parties and subject to the condition that the buyer has made 100% payment of the sale price for the real estate.

If a real estate development project related to the sale of a property (a residential unit, commercial space, etc.) is pursued on real property (land) owned by a third party, but the project development (marketing, sale, customer service, and design and

construction) is carried out by the Company and the risks associated with the project development are borne by the Company, any revenue from the sale of such real estate is recognised in the same way as described above in respect of development projects carried out on properties owned by the Company or held under perpetual usufruct.

Sale of services

The revenue from the sale of services, including income from housing real estate administration fees, is recognised within the period, in which a service is provided.

FOREIGN CURRENCY TRANSLATION

The financial statements are presented in PLN, which is the Company's functional (for measurement) and presentation currency. Transactions in foreign currencies are initially recorded at the exchange rate of the functional currency at the date of the transaction. Pecuniary assets and liabilities in foreign currencies are translated at the exchange rate of the functional currency applicable on the balance sheet date. The exchange rate differences are recognised in the income statement as financial income/cost.

TAXES

Current tax

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

Deferred tax

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

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

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

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

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

The income tax for the items recognised outside of the income statement is recognised outside of the income statement, that is in other comprehensive income for items recognised as other comprehensive income or directly in the shareholders' equity for items recognised as the shareholders' equity.

The assets and provisions for deferred tax are offset by the Company only if a legally enforceable right exists to offset the current tax assets against current tax liabilities and the deferred tax relates to the same taxable entity and the same taxation authority.

DIVIDENDS

Dividends are recognised when the shareholders' rights to receive the payment are established.

EARNINGS PER SHARE

Earnings per share for each reporting period is calculated as the quotient of the net profit for the given accounting period and the weighted average of shares in that period.

LEASE

The Company recognises assets and liabilities for all lease transactions concluded for a period of over 12 months, except for when an asset is of low value; and recognises depreciation of the leased asset separately from the interest on the lease liability in the income statement.

Right-of-use assets are recognised in the balance sheet within the same item in which the relevant underlying assets would be presented if they were owned by the Company (as lessee).

right-of-use of office space

Costs - right-of-use of office space is depreciated and financial costs due to leasing are recognised.

Asset – the related asset is recognised in the balance sheet under *Tangible fixed assets*.

Liability - the liability is recognised under long- or short-term liabilities, respectively.

rights of perpetual usufruct of land

Costs – costs related to lease of perpetual usufruct of land are expensed as *Inventories (Semi-finished goods and work in progress)* for the duration of the property project development.

Asset – the related asset is recognised in the balance sheet under *Inventory or Short-term receivables*.

Liability – the liability has been recognised in its entirety under short-term liabilities.

The choice of this method of allocating the fees for perpetual usufruct right of land is due to the fact that these rights concern the properties on which the Company carries out its development projects. Consequently, lease costs of perpetual usufruct are expensed as inventories (Work in progress), and subsequently expensed, together with the cost of sales of finished goods, to the income statement in the period in which the finished goods are delivered to clients (i.e. at the point in time when sales are recognised).

On 20 July 2018, the Act on the transformation of perpetual usufruct of land developed for residential purposes into ownership of that land came into force. The Company treats land subject to the above-described conversion in a similar way as the land of which it has been the existing perpetual usufructuary, accounting for conversion fees just as for perpetual usufruct fees.

justification for the classification of assets and liabilities arising from lease of perpetual usufruct of land in the balance sheet

Generally, the rights of perpetual usufruct of land with property development projects in progress are classified as inventory. The liability to pay for these rights will be settled by way of their transfer to the respective buyers of apartments to which these rights are appurtenant. Liabilities related to these rights are classified as short-term liabilities. This is consistent with the classification of inventories to which these liabilities pertain (which are recognised as current assets). The classification of liabilities and inventories as short-term liabilities results from the fact that they are settled (i.e. the sale of apartments and the transfer of the related liabilities) within the period that is the Company's "operating cycle". The operating cycle is the period from the start of the property development project until the realisation of inventories as cash.

The Company is legally released from the debt arising from the obligation to pay perpetual usufruct fees or transformation fees only upon the legal (notarised) transfer to the buyer of the interest in the land appurtenant to the unit sold. Accordingly, until the time of transfer of the above mentioned ownership, land-related lease liabilities remain on the balance sheet of the Company. Therefore, at the time of handover of the unit (which is also the time of recognition of the revenue from the sale of the unit), the portion of the asset related to the lease that is appurtenant to that unit is transferred from Inventory to Receivables from the buyer, in the amount corresponding to the recognised land-related lease liability.

Until the time of transfer of the ownership to the buyer, both the receivable and the liability are recognised as a short-term receivable or liability, as they will be settled through the transfer to the buyer within the "operating cycle". At the date of ownership transfer to the buyer, land-related lease liability and the related receivables from the buyer of the unit are reversed from the accounting records.

All future payments arising from its being the holder of perpetual usufruct right, to be made during the period for which such right is granted in respect of individual properties (and which may be up to 99 years) are discounted. This period does not depend on the period of time during which the Company expects to remain the holder of such perpetual usufruct right, that is on the planned use of these properties for development projects.

7.5 KEY FIGURES BASED ON PROFESSIONAL JUDGEMENT AND BASIS FOR ESTIMATES

In addition to the accounting estimations, when applying the accounting policies in relation to the issues described below, the most significant was the professional judgement and the assumptions made by the management.

BUDGETS OF THE DEVELOPMENT PROJECTS

The decision to purchase real estate (land) is based upon analysis, where the so called "purchase budget" is the major component. This budget is prepared to assess the future profitability of projects. The budgets for these construction projects are updated based on management's best knowledge and experience from when the real estate is purchased. The budgets for

all construction projects are verified and updated when necessary, at least once every three months. Updated project budgets are the basis for:

- verification of their profitability and any potential inventory impairment write down,
- preparation of financial forecasts, annual budgets and medium term plans.

RECOGNITION OF REVENUE FROM THE SALE OF PRODUCTS

The revenue from the sale of real estate (housing units, commercial space, etc.) is recognised at the moment when control over the real estate is transferred to the buyer of said real estate together with the transfer of significant risks and rewards typical to the ownership rights. According to the Company's judgement this occurs at the moment of handover of the real estate to the buyer, which is based on a handover document signed by both parties and subject to the condition that the buyer has made 100% payment of the sale price for the real estate.

7.6 INTANGIBLE ASSETS

INTANGIBLE ASSETS	Other intangible assets	Computer software	Intangible assets under implementation process	Total
GROSS VALUE				
Balance as at 1 January 2020	15 725	12 244	2 174	30 143
Additions	171	74	8 212	8 457
Transfers	425	9 961	(10 386)	-
(Disposals)	(9 174)	(546)	-	(9 720)
Balance as at 31 December 2020	7 147	21 733	-	28 880
Additions	624	6 964	7 220	14 808
Transfers	(1 339)	1 339	(6 950)	(6 950)
(Disposals)	-	-	-	-
Balance as at 31 December 2021	6 432	30 036	270	36 738
ACCUMULATED DEPRECIATION				
Balance as at 1 January 2020	13 175	6 466	-	19 641
Additions	1 640	2 304	-	3 944
(Disposals)	(9 173)	(546)	-	(9 719)
Balance as at 31 December 2020	5 642	8 224	-	13 866
Additions	886	3 327	-	4 213
(Disposals)	(1 335)	1 335	-	-
Balance as at 31 December 2021	5 193	12 886	-	18 079
NET VALUE				
as at 31 December 2020	1 505	13 509	-	15 014
as at 31 December 2021	1 239	17 150	270	18 659

Intangible assets are depreciated throughout their estimated economic useful lives, which is 2-5 years on average. There are no intangible assets with an undefined useful life.

As at 31 December 2021 there were no circumstances that would require the Company to create revaluation write downs for its intangible assets.

The costs of amortising intangible assets were disclosed in selling costs and general administrative expenses.

No collaterals have been established on intangible assets.

7.7 TANGIBLE FIXED ASSETS

TANGIBLE FIXED ASSETS	Right-of-use of office space	Vehicles transportation	Equipment and other tangible fixed assets	Total
GROSS VALUE				
Balance as at 1 January 2020	29 935	8 985	10 885	49 805
Additions	-	245	652	897
(Disposals)	-	(2 149)	(1 390)	(3 539)
Balance as at 31 December 2020	29 935	7 081	10 147	47 163
Additions	419	1 637	1 086	3 142
(Disposals)	-	(1 049)	(129)	(1 178)
Balance as at 31 December 2021	30 354	7 669	11 104	49 127
ACCUMULATED DEPRECIATION				
Balance as at 1 January 2020	3 748	6 281	7 471	17 500
Additions	3 784	1 021	1 529	6 334
(Disposals)	-	(1 891)	(1 341)	(3 232)
Balance as at 31 December 2020	7 532	5 411	7 659	20 602
Additions	3 805	843	1 482	6 130
(Disposals)	-	(847)	(129)	(976)
Balance as at 31 December 2021	11 337	5 407	9 012	25 756
NET VALUE				
as at 31 December 2020	22 403	1 670	2 488	26 561
as at 31 December 2021	19 017	2 262	2 092	23 371

The additions to tangible fixed assets are the result of tangible fixed assets purchased.

As at 31 December 2021 there were no circumstances that would require the Company to create revaluation write downs for its tangible fixed assets.

No collaterals have been established on fixed assets.

7.8 INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITY	31.12.2021	31.12.2020
Interest in subsidiaries, associates and jointly controlled entity	383 796	366 671
Closing balance	383 796	366 671

BORROWINGS GRANTED TO RELATED ENTITIES

The borrowings of related entities from the Company and their status as at 31 December 2021, including accrued interest, have been presented in the table below:

Date of the agreement	Borrower	Loan amount	Maturity	Balance as at 31.12.2021
26.02.2019	Euro Styl S.A.	150 000	31.12.2022	108 000
27.09.2019	Dom Development Wrocław Sp. z o.o.	100 000	31.12.2022	25 000
03.12.2020	Sento 22 Sp. z o.o. *)	23 000	31.12.2022	24 467
23.06.2021	Sento 22 Sp. z o.o. *)	15 800	31.12.2022	16 293
24.09.2021	Sento 22 Sp. z o.o. *)	28 480	31.12.2025	21 780
11.10.2021	Sento 22 Sp. z o.o. *)	4 800	31.12.2025	4 800
20.07.2021	Sento S.A.	27 131	31.08.2022	24 000
Total				224 340

*) Sento 22 Sp. z o.o. was merged with Sento S.A. effective as of 19 October 2021

INTEREST IN SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITY

Investments in subsidiaries, associates and jointly controlled entity have been presented in the table below:

INTEREST IN SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITY

	As at 31.12.2021			As at 31.12.2020		
	Company's interest (%)	Value of total investment	Net investment carrying value	Company's interest (%)	Value of total investment	Net investment carrying value
Dom Development Grunty sp. z o.o.	46%	24	24	46%	24	24
Dom Development Wrocław sp. z o.o.	100%	79 002	79 002	100%	79 002	79 002
Dom Development Kredyty sp. z o.o.	100%	505	505	100%	505	505
Mirabelle Investments sp. z o.o.	100%	58	58	100%	58	58
Euro Styl S.A. *)	100%	265 473	265 473	100%	265 473	265 473
Euro Styl Development sp. z o.o. *)	100%	252	252	100%	252	252
Dom Construction sp. z o.o.	100%	3 103	3 103	100%	3 103	3 103
Sento S.A. **)	77%	35 379	35 379	-	-	-
M2 Biuro sp. z o.o.	-	-	-	100%	18 254	18 254
Total		383 796	383 796		366 671	366 671

*) Euro Styl S.A. is the parent company of the Euro Styl S.A. Capital Group, with non-controlling interests held by Euro Styl Development Sp. z o.o. As a result of the acquisition of both these companies, Dom Development S.A. has full control over the Euro Styl S.A. Capital Group.

***) Sento S.A. is the parent company of Sento S.A. Capital Group

- Euro Styl S.A. Capital Group

Euro Styl S.A. Capital Group operates as a developer in the housing segment in the Tricity market and in the surrounding areas. The composition of Euro Styl Group as of 31 December 2021 is presented in the table below:

COMPANIES OF EURO STYL S.A. CAPITAL GROUP	Percentage share in the SPVs operating within the Euro Styl S.A. Capital Group as at 31 December 2021	
	Euro Styl S.A.	Euro Styl Development sp. z o.o.
Euro Styl Construction sp. z o.o.	100.00%	-
Euro Styl Montownia sp. z o.o.	100.00%	-
Euro Styl Development sp. z o.o. KWARTET POLANKI sp.k.	99.975%	0.025%
GGI Dolne Miasto sp. z o.o.	100.00%	-
Your Destination sp. z o.o.	100.00%	-

- Dom Development Wrocław sp. z o.o.

The scope of operations of this company involves real estate development projects in the Wrocław area.

- Dom Development Kredyty sp. z o.o.

As part of its statutory operations, this company provides credit intermediation services for financial institutions.

- Mirabelle Investments sp. z o.o.

On 7 September 2017 the Company acquired 100% of the shares in the share capital of Mirabelle Investments sp. z o.o. with its registered office in Warsaw. Mirabelle Investments Sp. z o.o. was the addressee of administrative decisions and the party to the agreements required for the development of the Żoliborz Artystyczny housing project on the land acquired by the Company.

It is not the Company's intention to carry out operations through Mirabelle Investments Sp. z o.o., and the said housing project is being developed directly by Dom Development S.A..

- Dom Development Grunty spółka z o.o.

The Company holds 46.00% shares in the share capital of Dom Development Grunty spółka z o.o. That is a company participating in property (land) transactions within the Group.

- Dom Construction sp. z o.o.

In 2018, Dom Construction sp. z o.o. was set up as a subsidiary to operate as the general contractor in residential development projects. Dom Construction sp. z o.o. provides services only to the Group companies (to the Company and to Dom Development Wrocław sp. z o.o.).

DESCRIPTION OF MATERIAL CHANGES IN THE PERIOD FROM 1 JANUARY UNTIL 31 DECEMBER 2021

- M2 Biuro sp. z o.o.

On 11 December 2018, the Company established a company styled M2 Biuro sp. z o.o. The share capital of this company was partially covered with non-cash contribution in the form of a share in the perpetual usufruct right to land and in the documentation, including the copyrights attached to this documentation. This company was formed in connection with the planned sale by the Company of some land situated near Żwirki i Wigury street and Raclawicka street in Warsaw and earmarked for office and service development.

On 31 January 2019, the Company entered into a preliminary agreement sale for all shares in the share capital of M2 Biuro sp. z o.o.

On 23 April 2021, the Company entered into an sale agreement for all shares in the share capital of that subsidiary.

- Acquisition of shares in Sento S.A.

On 1 July 2021 the Company acquired 77% of the shares in Sento S.A., a company with its registered office in Kraków, from Reno Sp. z o.o., another company with its registered office in Kraków (the "Transaction"). As a result of the Transaction, Dom Development S.A. controls Sento S.A. and its subsidiaries ("Sento Group") which operate in the residential real estate development market in Kraków.

The Company paid PLN 35 379 thousand as the initial sale price for the shares, as calculated according to the formula defined in the share sale agreement. In the agreement, the parties also agreed the manner of calculating the adjusted sale price to account for the revaluation of its net assets at the time of the Transaction. The procedure of setting the adjusted sale price has not yet been completed until the date of the preparation of these financial statements.

Through this acquisition, Dom Development S.A. Capital Group initiated its real estate development operations in the Kraków market, where Sento Group operates, with a desire to ensure the long-term growth of the consolidated income and profits of the Company.

The costs, in the amount of PLN 623 thousand, of the acquisition (such as the cost of due diligence in many areas) have been recognised directly in the income statement as “Other operating expenses”.

The structure of Sento Group as of 31 December 2021 is presented in the table below:

Sento S.A. Group	% of the share capital held by the parent company	% of the votes held by the parent company
Nestobud Sp. z o.o.	100%	100%
Sento 17 Sp. z o.o.	100%	100%
Sento 18 Sp. z o.o.	100%	100%
Sento 21 Sp. z o.o.	100%	100%
Sento 32 Sp. z o.o.	100%	100%
Sento 18 Sp. z o.o. Sp. k.	66.66%	not applicable
Sento 21 Sp. z o.o. Sp. k.	66.66%	not applicable
Sento 32 Sp. z o.o. Sp. k.	98.04%	not applicable

7.9 LONG-TERM RECEIVABLES

As at 31 December 2021 and 31 December 2020, the Company disclosed long-term receivables in the amount of PLN 1 694 thousand and PLN 1 390 thousand respectively. As at 31 December 2021 the long-term receivables included refundable deposits in the amount of PLN 1 492 thousand and other long-term receivables amounting to PLN 202 thousand. As at 31 December 2020 the long-term receivables included refundable deposits in the amount of PLN 1 384 thousand and other long-term receivables amounting to PLN 6 thousand. All these receivables are denominated in PLN.

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

7.10 INVENTORY

INVENTORY	31.12.2021	31.12.2020
Advances on deliveries	189 306	208 379
including: at purchase prices/production costs	189 306	208 379
write down to the net realisable value	-	-
Semi-finished goods and work in progress	1 558 097	1 112 005
including: at purchase prices/production costs	1 542 383	1 104 017
rights of perpetual usufruct of land (lease)	44 036	37 179
write down to the net realisable value	(28 322)	(29 191)
Finished goods	173 810	320 947
including: at purchase prices/production costs	180 239	328 497
write down to the net realisable value	(6 429)	(7 550)
Total	1 921 213	1 641 331

INVENTORY REVALUATION WRITE DOWNS	01.01.- 31.12. 2021	01.01.- 31.12. 2020
Opening balance	36 741	39 660
Increments	-	284
(Decrease)	(1 990)	(3 203)
Closing balance	34 751	36 741

The value of inventory revaluation write downs have resulted from the impairment tests and analysis performed by the Company.

The methodology of inventory impairment reviews has been described in note 7.4 “Material accounting policies”.

CARRYING VALUE OF INVENTORY USED TO SECURE THE PAYMENT OF LIABILITIES AND VALUE OF THE MORTGAGES ESTABLISHED	31.12.2021	31.12.2020
MORTGAGES - value of mortgages to secure liabilities under:		
Real estate purchase agreements	-	-
Loan agreements of the Company	-	-
Loan agreements of the Company and Group companies	577 500	502 500

PREPARATORY WORKS

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

The below table presents the cost of preparatory works recognised in the income statement.

	01.01.-31.12. 2021	01.01.-31.12. 2020
Preparatory works	1 072	1 011

7.11 TRADE AND OTHER RECEIVABLES

TRADE AND OTHER RECEIVABLES	31.12.2021	31.12.2020
Trade receivables	24 177	41 812
Receivables from related entities	2 446	1 546
Tax receivables	2 022	5 230
Other receivables	9 504	-
Total	38 149	48 588

The tax receivables incorporate VAT receivables in the amount of PLN 2 022 thousand and PLN 5 230 thousand as at 31 December 2021 and 31 December 2020 respectively.

The Company made receivables revaluation write downs, which have been disclosed under "Other operating costs".

The revaluation write downs have been made based on the Company's best knowledge and experience as well as analysis of particular balances.

AGING STRUCTURE OF TRADE RECEIVABLES	31.12.2021	31.12.2020
Up to 3 months	21 057	40 206
From 3 to 6 months	1 047	896
From 6 months to 1 year	1 143	1 341
Over 1 year	6 206	4 001
Gross trade receivables	29 453	46 444
Receivables revaluation write downs	(5 276)	(4 632)
Net trade receivables	24 177	41 812

The write downs fully relate to overdue trade receivables.

CHANGE IN THE WRITE DOWNS FOR TRADE AND OTHER RECEIVABLES	01.01.-31.12. 2021	01.01.-31.12. 2020
Opening balance	4 632	3 744
Additions	644	1 017
(Disposals)	-	(129)
Closing balance	5 276	4 632

The revaluation write-down balance as at 31 December 2021 included revaluation write-down of trade receivables in the amount of PLN 5 276 thousand. As at 31 December 2020, the corresponding amount was PLN 4 632 thousand.

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

The costs and revenues associated with the creation and reversal of receivables revaluation write downs are recognised under *other operating expenses or other operating income respectively*.

7.12 OTHER CURRENT ASSETS

OTHER CURRENT ASSETS	31.12.2021	31.12.2020
Accrued costs	3 232	2 940
Accrued financial income on deposits	-	-
Total	3 232	2 940

7.13 SHORT-TERM FINANCIAL ASSETS

SHORT-TERM FINANCIAL ASSETS	31.12.2021	31.12.2020
Bank deposits with a maturity over three months	-	-
Cash in open-end residential escrow accounts	11 035	12 358
Other short-term financial assets	21 569	-
Total	32 604	12 358

Cash received from the Company's customers as advances for the sale of products which is deposited in open-end residential escrow accounts until the relevant requirements specified in the "Act on the Protection of Rights of a Dwelling Unit or House Buyer" are met, is presented in *Cash in open-end residential escrow accounts*.

Other short-term financial assets are the funds accumulated in the escrow account in connection with the construction of outdoor infrastructure related to the property development projects carried out by the Company in the Metro Zachód project.

7.14 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are represented by cash at bank and cash in hand, including short-term bank deposits with up to three months maturity on the date when they are made. The book value of these assets corresponds to their fair value.

CASH AND CASH EQUIVALENTS	31.12.2021	31.12.2020
Cash in hand and at bank	362 288	528 194
Short-term deposits	2 106	3 606
Other	-	41
Total	364 394	531 841

7.15 SHARE CAPITAL

DESCRIPTION OF CHANGES TO THE SHARE CAPITAL IN THE COMPANY IN THE PERIOD FROM 1 JANUARY UNTIL 31 December 2021

CHANGE IN THE REPORTING PERIOD	Share capital		Share premium
	Number of shares	Value at the nominal value	
Balance as at 01.01.2021	25 218 422	25 218	251 038
Change	180 000	180	7 320
Balance as at 31.12.2021	25 398 422	25 398	258 358

PROCEEDS FROM ISSUE OF SHARES	01.01.-31.12. 2021	01.01.-31.12. 2020
Proceeds from issue of shares, at nominal value	180	150
Share premium	7 320	5 850
Total	7 500	6 000

EXERCISE OF COMPANY'S SHARE OPTIONS

On 21 January 2021, the Management Board resolved to increase Company's share capital from PLN 25 218 422.00 to PLN 25 398 422.00, i.e. by PLN 180 000.00, by issuing 100 000 series AC ordinary bearer shares with PLN 1.00 nominal each and 80 000 series AD ordinary bearer shares with PLN 1.00 nominal each. The issue price of AC and AD series shares was set at PLN 35.00 and PLN 50.00 per share, respectively. The issue of series AC and AD shares took place through a private placement. The purpose of issuing series AC and series AD shares as part of the authorised capital is to enable the Company to fulfil its obligations resulting from:

- Management Option Programme IV for Małgorzata Kolarska, Vice President of the Management Board - Chief Executive Director, concerning 500 000 shares in Dom Development S.A.,
- Management Option Programme V for Mikołaj Konopka, Member of the Management Board, concerning 250 000 shares in Dom Development S.A., and
- Management Option Programme VI for Marcin Drobek, Adviser to the Management Board and the Chief Construction Officer, concerning 150 000 shares in Dom Development S.A. (see note 7.21).

The Supervisory Board of the Company agreed to fully deprive the existing shareholders of their pre-emptive right to 100 000 series AC shares and 80 000 series AD shares. The exclusion of pre-emptive rights of the existing shareholders is justified by the fact that the issue of series AC shares is addressed only to Ms Małgorzata Kolarska, as the Participant in Programme IV, while the issue of series AD shares is addressed only to Mr Mikołaj Konopka, as the Participant in Programme V and Mr Marcin Drobek as the Participant in Programme VI, to enable them to exercise their rights under the subscription warrants.

On 22 January 2021:

- Ms Małgorzata Kolarska exercised her share options in the Company by exercising her rights under subscription warrants and subscribing for 100 000 shares. The issue price for the new series AC shares was PLN 35.00 per share.
- Mr Mikołaj Konopka exercised his share options in the Company by exercising his rights under subscription warrants and subscribing for 50 000 shares. The issue price for the new series AD shares was PLN 50.00 per share.
- Mr Marcin Drobek exercised his share options in the Company by exercising his rights under subscription warrants and subscribing for 30 000 shares. The issue price for the new series AD shares was PLN 50.00 per share.

On 26 January 2021, the Management Board of the Company adopted a resolution on the allocation of 100 000 series AC shares to Ms Małgorzata Kolarska, 50 000 series AD shares to Mr Mikołaj Konopka and 30 000 series AD shares to Mr Marcin Drobek.

These shares were registered by the District Court for the capital city of Warsaw in Warsaw, 12th Commercial Division of the National Court Register on 18 February 2021.

These shares were registered by Krajowy Depozyt Papierów Wartościowych S.A. (National Depository for Securities) in the securities depository and admitted to stock exchange trading at the WSE Main Market on 23 April 2021.

SHARE CAPITAL STRUCTURE FOR THE COMPANY AS AT 31 DECEMBER 2021

SHARE CAPITAL (STRUCTURE) AS AT 31.12.2021

Series/ issue	Type of share	Number of shares	Nominal value of series/issue (in PLN)	Capital covered with	Registration date	Right to dividends (from)
A	Bearer	21 344 490	21 344 490	cash	12.09.2006	12.09.2006
F	Bearer	2 705 882	2 705 882	cash	31.10.2006	31.10.2006
H	Bearer	172 200	172 200	cash	14.02.2007	14.02.2007
I	Bearer	92 700	92 700	cash	14.02.2007	14.02.2007
J	Bearer	96 750	96 750	cash	14.02.2007	14.02.2007
L	Bearer	148 200	148 200	cash	14.02.2007	14.02.2007
Ł	Bearer	110 175	110 175	cash	12.03.2012	07.05.2012
M	Bearer	24 875	24 875	cash	03.10.2012	09.11.2012
N	Bearer	20 000	20 000	cash	03.10.2012	09.11.2012
O	Bearer	26 000	26 000	cash	05.03.2013	17.05.2013
P	Bearer	925	925	cash	31.10.2013	23.12.2013
R	Bearer	11 000	11 000	cash	31.10.2013	23.12.2013
S	Bearer	17 075	17 075	cash	20.03.2014	02.05.2014
T	Bearer	1 000	1 000	cash	14.01.2015	27.03.2015
U	Bearer	10 320	10 320	cash	17.05.2016	01.06.2016
V	Bearer	1 000	1 000	cash	17.05.2016	01.06.2016
W	Bearer	85 830	85 830	cash	10.01.2017	10.03.2017
Y	Bearer	100 000	100 000	cash	29.03.2018	21.05.2018
Z	Bearer	100 000	100 000	cash	28.02.2019	24.04.2019
AA	Bearer	100 000	100 000	cash	31.03.2020	28.05.2020
AB	Bearer	50 000	50 000	cash	31.03.2020	28.05.2020
AC	Bearer	100 000	100 000	cash	18.02.2021	23.04.2021
AD	Bearer	80 000	80 000	cash	18.02.2021	23.04.2021

Total number of shares 25 398 422

Total share capital 25 398 422

Each share in Dom Development S.A. has a nominal value of PLN 1.

None of the Company's shares are preference and restricted shares.

LIST OF SHAREHOLDERS WHO HOLD, DIRECTLY OR INDIRECTLY THROUGH SUBSIDIARIES, AT LEAST 5% OF THE OVERALL NUMBER OF VOTES AT THE GENERAL SHAREHOLDERS MEETING ("GSM") AS AT 31 DECEMBER 2021

	Shares	% shares	Number of votes at the GSM	% votes at the GSM
Groupe Belleforêt S.à r.l.	14 155 491	55.74	14 155 491	55.74
Aviva OFE*	1 686 676	6.64	1 686 676	6.64
Jarosław Szanajca	1 454 050	5.72	1 454 050	5.72
Grzegorz Kiełpsz	1 280 750	5.04	1 280 750	5.04

* Shareholding by Aviva Otwarty Fundusz Emerytalny Aviva Santander (open-end pension fund) has been presented as per the latest notice dated 31 December 2021. The shareholding by AVIVA OFE is 1 313 383 shares in the Company as per the latest notice prepared as at 11 July 2011.

SHARES OF DOM DEVELOPMENT S.A. OR RIGHTS THERETO (OPTIONS) OWNED BY THE PERSONS PERFORMING MANAGEMENT AND SUPERVISORY FUNCTIONS AT DOM DEVELOPMENT S.A. AS AT 31 December 2021

	AS AT 31 DECEMBER 2021				CHANGE FROM 31 December 2020	
	Shares	Nominal value of shares (in PLN '000)	Share options	Shares and options, total	Shares	Share options
MANAGEMENT BOARD						
Jarosław Szanajca	1 454 050	1 454	-	1 454 050	-	-
Małgorzata Kolarska*)	303 544	304	100 000	403 544	83 309	(100 000)
Leszek Stankiewicz	-	-	-	-	-	-
Mikołaj Konopka*)	88 981	89	150 000	238 981	50 000	(50 000)
Terry Roydon	58 500	59	-	58 500	-	-
SUPERVISORY BOARD						
Grzegorz Kiełpsz	1 280 750	1 281	-	1 280 750	-	-
Janusz Zalewski	300 000	300	-	300 000	-	-
Marek Moczulski	-	-	-	-	-	-
Mark Spiteri	900	1	-	900	-	-
Markham Dumas	-	-	-	-	-	-
Krzysztof Grzyliński	-	-	-	-	-	-
Dorota Podedworna-Tarnowska	-	-	-	-	-	-

*) On 1 February 2022 Małgorzata Kolarska and Mikołaj Konopka subscribed respectively, for 100 000 and 50 000 shares in Dom Development S.A. in the exercise of the Company's share options.

The Members of the Management Board and the Supervisory Board of the Company did not hold any shares in other companies operating within the Group, except for in Dom Land Sp. z o.o., in which Jarosław Szanajca, Grzegorz Kiełpsz and Mark Spiteri held 20% of the shares each at 31 December 2021.

7.16 SHARE PREMIUM

In the twelve-month period ended 31 December 2021, the value of the item *Share premium* changed by PLN 7 320 thousand as a result of the increase of the share capital, described in note 7.15.

The value of the share premium was PLN 258 358 thousand and PLN 251 038 thousand as at 31 December 2021 and 31 December 2020 respectively.

7.17 ADDITIONAL INFORMATION ON SHAREHOLDERS' EQUITY

As at 31 December 2021 and 31 December 2020 the Company's shares were not owned by any of its subsidiaries.

In the twelve-month period ended 31 December 2021 and 2020 the Company did not hold any treasury shares.

7.18 DIVIDEND AND PROFIT DISTRIBUTION

The Annual General Meeting of the Company resolved on 27 May 2021 to allocate the 2020 net profit of the Company to:

- payment of dividend to the shareholders of the Company in the amount of PLN 253 984 220, which corresponds to PLN 10.00 per share
- increase of the Company's supplementary capital by PLN 10 232 417.73.

The 2020 dividend in the amount of PLN 253 984 220 (i.e. PLN 10 per share) was paid on 28 June 2021.

In the preceding year, the dividend allocation was PLN 239 575 009.00, and the dividend payment amounted to PLN 9.50 per share.

7.19 LOANS

DESCRIPTION OF MATERIAL CHANGES IN THE TWELVE-MONTH PERIOD ENDED 31 DECEMBER 2021

There were no loan agreements or any other agreements within the Company that expired in the twelve month period ended 31 December 2021.

The structure of these liabilities in terms of their maturity has been presented in the table below.

LOANS DUE WITHIN	31.12.2021	31.12.2020
Less than 1 year	-	-
More than 1 year and less than 2 years	-	10 000
More than 2 years and less than 5 years	-	-
Over 5 years	-	-
Total loans	-	10 000
including: long-term	-	10 000
short-term	-	-

As at 31 December 2021 and 31 December 2020 all the loans held by the Company were expressed in Polish zloty.

BANK LOANS AS AT 31.12.2021						
Bank	Registered office	Loan amount as per agreement	Currency	Outstanding loan amount (less accrued interest)	Currency	Due date
PKO BP	Warsaw	150 000	PLN	-	PLN	26.02.2023
mBank	Warsaw	185 000	PLN	-	PLN	31.01.2023
Millennium	Warsaw	50 000	PLN	-	PLN	18.12.2022
Total bank loans				-	PLN	

CORE DETAILS CONCERNING CREDIT LINES HELD BY THE COMPANY

- Loan at PKO BP
Revolving loan in the credit facility account up to PLN 150 000 thousand. Pursuant to the agreement with the bank, Euro Styl S.A. may use up to PLN 50 000 thousand of this credit limit. As at 31 December 2021, no funds were drawn from this credit line either by Dom Development S.A. or Euro Styl S.A.
- Credit at mBank
Revolving loan in the credit facility account up to PLN 185 000 thousand. Under the said agreement, Dom Development Wrocław Sp. z o.o. may use up to PLN 60 000 thousand of this credit limit, and Euro Styl S.A. may use up to PLN 100 000 thousand of this credit limit. As at 31 December 2021, no funds were drawn from this credit line either by Dom Development S.A. or other Group companies.
- Loan at Millennium Bank
Revolving loan up to PLN 50 000 thousand. As at 31 December 2021 Dom Development S.A. has not drawn any funds from the said credit limit.

The Company recognises the nominal value of the liability under *Loans*, and the interest charged as at the balance sheet date are presented separately under *Accrued interest on loans and bonds*.

Due to the fact that the interest on the loans is correlated to the WIBOR interest rate, the Company's Management Board estimates that the fair value of the loans taken by the Company approximately equals their book value, including accrued interest.

7.20 BONDS

BONDS	31.12.2021	31.12.2020
Nominal value of the bonds issued, long-term portion	310 000	250 000
Nominal value of the bonds issued, short-term portion	50 000	110 000
Nominal value of the bonds issued	360 000	360 000



The Company recognises the nominal value of the bond liabilities under *Bonds*, and the interest charged as at the balance sheet date are presented separately under *Accrued interest on loans and bonds*.

Due to the fact that the interest on the bonds is correlated to the WIBOR interest rate, the Company's Management Board estimates that the fair value of the bonds issued by the Company approximately equals their book value, including accrued interest.

CORE DETAILS CONCERNING THE BONDS ISSUED

Agreement with Trigon Dom Maklerski S.A. and Trigon Investment Banking Spółka z ograniczoną odpowiedzialnością & Wspólnicy S.K.

Pursuant to the agreement, Dom Development S.A. may issue bonds with a total value of up to PLN 400 million, understood as the nominal value of all outstanding bonds. The limit of the Programme is renewable. In accordance with the agreement, bonds may be issued by the Company as various series by 17 November 2027.

DESCRIPTION OF MATERIAL CHANGES IN THE TWELVE-MONTH PERIOD ENDED 31 DECEMBER 2021

On 11 May 2021, Dom Development S.A. prematurely redeemed for cancellation 32 076 unsecured bearer bonds, series DOMDE6151121, with a nominal value of PLN 1 000 each and maturing on 15 November 2021. The aggregate nominal value of the redeemed bonds is PLN 32 076 thousand. The redemption price per one bond was PLN 1 005.50. The total redemption price of the bonds was PLN 32 252 thousand.

On 12 May 2021, the Company issued 110 000 000 unsecured bonds, series DOMDET4250925, with the nominal value of PLN 1 000 each and the aggregate nominal value of PLN 110 000 thousand. The maturity date for these bonds is 12 May 2026. The issue value equals the nominal value of the bonds. The interest rate is set at WIBOR 6M plus margin, and will be paid semi-annually. No purpose for the bond issue was specified. The funds from the issue have been designated for current operations of the Company.

On 5 November 2021, the bond issue programme agreement for up to PLN 400 000 thousand in total, concluded with Bank Polska Kasa Opieki S.A. on 5 November 2007, expired.

On 15 November 2021, the Company redeemed 77 924 bearer bonds, series DOMDE6151121, with the nominal value of PLN 1 000 each and the aggregate nominal value 77 924 thousand as maturing on this date.

BONDS ISSUED AS AT 31.12.2021

Series	Issue date	Amount	Currency	Maturity date
DOMDET1151222	15.12.2017	50 000	PLN	15.12.2022
DOMDET2091023	09.10.2018	50 000	PLN	09.10.2023
DOMDET3121224	12.12.2019	50 000	PLN	12.12.2024
DOMDET4250925	25.09.2020	100 000	PLN	25.09.2025
DOMDET5120526	12.05.2021	110 000	PLN	12.05.2026
Total		360 000	PLN	

7.21 ACCRUED INTEREST ON LOANS AND BONDS

ACCRUED INTEREST ON LOANS AND BONDS	31.12.2021	31.12.2020
Accrued interest on bonds	1 584	1 399
Accrued interest on loans	-	-
Total accrued interest on loans and bonds	1 584	1 399

7.22 DEFERRED TAX ASSETS AND PROVISIONS

Deferred tax is the outcome of the following items:

DEFERRED TAX ASSETS AND PROVISIONS	Balance sheet		Income statement / Statement of comprehensive income	
	31.12.2021	31.12.2020	01.01-31.12.2021	01.01-31.12.2020
Deferred tax provision				
Foreign exchange differences	-	-	-	(27)
Accrued interest	372	17	355	(7)
Discounting of liabilities	1 354	760	594	(645)
Difference between the tax and accounting result on products sold, including provisions for costs	-	41 232	(41 232)	23 643
Capitalised financial costs	1 988	2 613	(625)	(403)
Valuation of financial assets	1 745	-	1 745	-
Other	-	-	-	(47)
Total deferred tax provision	5 459	44 622	(39 163)	22 514
Deferred tax assets				
Foreign exchange differences	-	-	-	-
Difference between the tax and accounting result on products sold, including provisions for costs	692	-	692	-
Inventory revaluation	6 603	6 981	(378)	(554)
Receivables revaluation write downs and other provisions	727	605	122	177
Provision for employee benefits	3 646	5 534	(1 888)	279
Provision for other costs	4 740	4 950	(210)	750
Financial costs	-	-	-	-
Valuation of financial assets	-	875	(875)	282
Tax loss on equity-related activity	416	-	416	-
Other	-	-	-	-
Total deferred tax assets	16 824	18 945	(2 121)	934
Deferred tax expense concerning income statement			(39 678)	21 915
Deferred tax expense concerning other net comprehensive income			2 636	(335)
Deferred tax net asset shown in the balance sheet	11 365			
Deferred tax provision shown in the balance sheet, net		25 677		

7.23 LONG-TERM PROVISIONS

LONG-TERM PROVISIONS	31.12.2021	31.12.2020
Provision for repair costs, long-term portion	12 394	13 179
Provision for retirement benefits	251	126
Total	12 645	13 305

LONG-TERM PROVISIONS – CHANGES	01.01.-31.12. 2021	01.01.-31.12. 2020
Opening balance	13 305	13 808
Provisions created in the financial year	125	889
Provisions used/reversed in the financial year	(785)	(1 392)
Closing balance	12 645	13 305

7.24 OTHER LONG-TERM LIABILITIES

OTHER LONG-TERM LIABILITIES	31.12.2021	31.12.2020
Guarantee retentions, long-term portion	43 782	55 079
Other	25 608	8 379
Closing balance	69 390	63 458

7.25 LEASE LIABILITIES

In accordance with the IFRS 16 adoption, the following lease liabilities were recognised in the Company's balance sheet:

- right-of-use of office space,
- rights of perpetual usufruct of land.

Note 7.4 *Material accounting policies* describes in detail lease-related accounting policies, specifically, it explains the classification of such liabilities as long- or short-term.

LEASE LIABILITIES	31.12.2021	31.12.2020
Lease liabilities, short-term portion, including:	52 796	67 951
liabilities on account of perpetual usufruct right of land	48 278	63 518
liabilities on account of the right of use of office space	4 518	4 433
Other	-	-
Lease liabilities, long-term portion, including:	16 717	20 033
liabilities on account of the right of use of office space	16 717	20 033
Other	-	-
Total	69 513	87 984

As estimated by the Management Board based on property development projects planned on specific land to which the Company held the perpetual usufruct right as at 31 December 2021, out of PLN 48 278 thousand of the land-related lease liabilities recognised as short-term:

- PLN 2 847 thousand is payable by the Company within 12 months following the balance sheet date,
- PLN 5 318 thousand is payable by the Company later than 12 months following the balance sheet date,
- PLN 40 113 thousand is to be transferred to the respective buyers of units.

7.26 TRADE PAYABLES, TAX AND OTHER LIABILITIES

TRADE PAYABLES, TAX AND OTHER LIABILITIES	31.12.2021	31.12.2020
Trade payables, including guarantee retentions (short-term portion)	101 848	152 791
Tax liabilities	5 212	1 251
Accrued costs	92 688	118 498
Company Social Benefits Fund	316	194
Total liabilities	200 064	272 734
Accrued costs structure	92 688	118 498
- estate construction costs	76 872	92 291
- employee costs	10 038	19 840
- rent for office space	1 642	1 977
- other	4 136	4 390

Trade payables are not interest-bearing liabilities. In addition to the guarantee retentions (as described below), the maturity for the trade payables is from 14 to 30 days.

The table below presents the carrying value of liabilities due to guarantee retentions connected to the execution of real estate development projects. The short-term and long-term portion of these liabilities are disclosed in relevant items of short-term and long-term liabilities.

GUARANTEE RETENTIONS	31.12.2021	31.12.2020
Guarantee retentions, short-term portion	14 890	39 717
Guarantee retentions, long-term portion	43 782	55 079
Total guarantee retentions	58 672	94 796

7.27 SHORT-TERM PROVISIONS

SHORT-TERM PROVISIONS	31.12.2021	31.12.2020
Provision for repair costs, short-term portion	4 131	4 393
Retirement provision	146	362
Provision for disputes	16 491	12 227
Total	20 768	16 982

SHORT-TERM PROVISIONS – CHANGES	01.01.-31.12. 2021	01.01.-31.12. 2020
Opening balance	16 982	10 370
Provisions created in the financial year	10 838	11 287
Provisions used/reversed in the financial year	(7 052)	(4 675)
Closing balance	20 768	16 982

7.28 DEFERRED INCOME

DEFERRED INCOME	31.12.2021	31.12.2020
Deferred income related to the payments received from customers for the purchase of products, not yet included as income in the income statement	1 046 928	751 721
Other	-	-
Total	1 046 928	751 721

7.29 BENEFITS AFTER EMPLOYMENT

The Company does not operate a special employee benefits programme after termination of employment.

7.30 FINANCIAL ASSETS AND LIABILITIES

CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES, AND MAXIMUM CREDIT RISK EXPOSURE

FINANCIAL ASSETS AND LIABILITIES	31.12.2021	31.12.2020
FINANCIAL ASSETS		
Long-term receivables	1 694	1 390
Trade and other receivables	33 681	68 901
Receivables from related entities	2 446	1 546
Total receivables	37 821	71 837
Other	-	41
Financial assets valued at their fair value through the income statement (designated for trading)		
Cash in hand and at bank	362 288	528 194
Short-term deposits	2 106	3 606
Short-term financial assets	32 604	12 358
Maximum credit risk exposure	434 819	616 036
FINANCIAL LIABILITIES		
Loans	-	10 000
Own bonds issued	361 584	361 399
Trade payables, accrued and other liabilities	263 926	334 747
Lease liabilities	69 513	87 984
Financial liabilities valued at amortised cost	695 023	794 130

Fair value of financial assets and liabilities of the Company is not materially different from their carrying value.

7.31 FINANCIAL RISK MANAGEMENT

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

- market risk (interest rate risk)
- credit risk
- liquidity risk

MARKET RISK

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

The market risk generally incorporates risks such as:

- currency risk
- interest rate risk

Currency risk

If there are significant foreign currency items, the Company uses foreign currency derivatives (forward and swap) to hedge its significant F/X transactions.

As at 31 December 2021 and 31 December 2020, the Company did not have any significant assets, liabilities and future payments in foreign currencies, therefore there was no need to have hedging currency derivatives.

Interest rate risk

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

The current financing structure implies that the Company does not have fixed rate loans or bonds. Currently, the Company has short-term, medium-term and long-term variable interest rate loans and bonds which results in the cash flow risk exposure.

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

A great deal of interest rate risk is limited naturally by holding both financial liabilities and financial assets bearing variable interest rate. Interest rate risk exposure for bond debt is reduced through hedging instruments such as:

- CAP options where a bank warrants to reimburse to the Company any difference resulting from an increase in market interest rates above the level agreed under the option. The Company hedges in that manner against increases in interest rates while maintaining the possibility to take advantage of any possible decrease of the interest rates,

- IRS (Interest Rate Swap) - the transaction that involves a swap with the bank of interest payments calculated according to one interest rate for interest payments calculated according to a different interest rate. The Company swaps a variable interest rate for a fixed interest rate. Both interest payments are calculated on the basis of the nominal amount agreed in the transaction and their settlement takes place on the agreed dates through comparing the relevant reference rate with the contracted interest rate.

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

VARIABLE INTEREST RATE INSTRUMENTS	31.12.2021	31.12.2020
Financial assets	396 998	544 158
Financial liabilities	361 584	371 399
Net total	35 414	172 759

Interest bearing financial assets, i.e. bank deposits, are disclosed as financial assets. Interest bearing financial liabilities, i.e. loans and own bond, are disclosed as financial liabilities.

Analysis of financial result sensitivity to interest rate change

A 100-basis point (bp) change in the interest rate of instruments as at the balance sheet date would increase (decrease) the net assets and income statement (after tax) by the amounts listed in the table below. The analysis prepared for twelve-month periods ended 31 December 2021 and 31 December 2020 assumes that all other variables remain unchanged.

INTEREST RATE SENSITIVITY	Income statement		Net assets	
	Increase by 100 bp	Decrease by 100 bp	Increase by 100 bp	Decrease by 100 bp
31 December 2021				
Variable interest rate assets	1 072	(1 072)	1 072	(1 072)
Variable interest rate liabilities *)	(976)	976	(976)	976
Net sensitivity	96	(96)	96	(96)
31 December 2020				
Variable interest rate assets	1 469	(1 469)	1 469	(1 469)
Variable interest rate liabilities *)	(1 003)	1 003	(1 003)	1 003
Net sensitivity	466	(466)	466	(466)

*) The financial costs which are related to loans and bonds, and financial income related to deposits are capitalised by the Company to work-in-progress. These costs (and income) are gradually moved to the income statement together with the manufacturing costs of the inventories sold. It has been assumed in the above analysis that one third of the financial costs and income accrued in a given period are disclosed in the income statement, while the remaining portion is capitalised in the inventory and will be disclosed in the income statement in the following accounting periods.

CREDIT RISK

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

The Company's credit risk is mostly related to trade receivables. The amounts presented in the balance sheet are net amounts and include write-downs revaluating bad debts, estimated by the Company's Management Board on the basis of previous experience, specific nature of the operations and analysis of the current economic environment.

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

In order to maintain the financial liquidity and the expected level of funds availability the Company has a specialised unit that monitors this aspect. The unit monitors the liquid funds and the forecasted cash flow on a current basis and decides on their allocation in order to maximise the attainable financial income while hedging the Company against the credit risk.

Credit risk is not highly concentrated in the Company. The risk is spread over a large number of partners and customers. Furthermore, it has to be pointed out that the receivables from the main activity of the Company, i.e. the sale of apartments, retail units and garages, are fully secured because release of the sold product takes place after a buyer has paid the full price as set out in the preliminary sales agreement.

The ageing structure of trade receivables has been presented in note 7.11 *Trade and other receivables*.

LIQUIDITY RISK

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

The table below presents the total value of future non-discounted cash flows for Company's financial liabilities, broken up by the maturity dates as set out in the contracts:

MATURITY STRUCTURE FOR LIABILITIES	Total	0 – 6 months	6 – 12 months	1 – 2 years	2 – 5 years
31 December 2021					
Loans	-	-	-	-	-
Own bonds issued	411 281	8 100	58 006	63 388	281 787
Trade and other payables	263 926	188 776	5 760	37 173	32 217
Lease liabilities *)	69 513	2 308	2 308	7 462	57 435
Total	744 720	199 184	66 074	108 023	371 439
31 December 2020					
Loans	10 320	80	80	10 160	-
Own bonds issued	380 092	3 600	113 325	54 958	208 209
Trade and other payables	334 747	272 981	8 125	14 731	38 910
Lease liabilities *)	87 984	4 805	2 264	5 287	75 628
Total	813 143	281 466	123 794	85 136	322 747

*) Lease liabilities are for more than 5 years.

The Company manages its liquidity mostly by:

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

Capital management

It is fundamental for the policy of the Management Board to maintain a strong capital base in order to secure the trust of investors, creditors and the market as well as to ensure further growth of the Company.

For the years ended 31 December 2021 and 2020 the return on equity (calculated as net profit to the annual average value of shareholders' equity) amounted to 25.8% and 23.3%, respectively. In that period, the average weighted cost of interest on the Company's debt amounted to 2.6% in 2021 and 3.0% in 2020.

As at 31 December 2021 and 2020 the net financial leverage ratio (calculated as the loans and bonds payable less cash and cash equivalents and short-term financial assets divided by equity) amounted to (2.9)% and (15.1)% respectively.

The Company does not have in place a defined plan of buy-out of the treasury shares.

The Company is not a subject to any external capital requirements, except for the legal regulations of the Code of Commercial Companies.

7.32 EARNINGS PER SHARE

CALCULATION OF BASIC AND DILUTED EARNINGS PER SHARE	01.01.-31.12. 2021	01.01.-31.12. 2020
BASIC EARNINGS PER SHARE		
Profit for calculation of the basic earnings per share	306 767	264 217
The weighted average number of ordinary shares for the calculation of basic earnings per share	25 374 258	25 181 127
Basic earnings per share (in PLN)	12.09	10.49
DILUTED EARNINGS PER SHARE		
Profit for calculation of the diluted earnings per share	306 767	264 217
Potential diluting shares related to the Management Share Option Programmes	160 519	193 045
The weighted average number of ordinary shares for the calculation of diluted earnings per share	25 534 776	25 374 172
Diluted earnings per share (in PLN)	12.01	10.41

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

7.33 INCOME TAX

INCOME TAX	01.01.-31.12. 2021	01.01.-31.12. 2020
Current income tax	(87 762)	(27 877)
Deferred tax	39 678	(21 915)
Total	(48 084)	(49 792)

The corporate income tax payables of the Company was PLN 28 057 thousand as at 31 December 2021. As at 31 December 2020, the Company's receivable in that regard amounted to PLN 27 909 thousand.

The difference between the income tax calculated as the product of the gross profit before tax and the statutory tax rate and the actual income tax expense accounted for in the income statement of the Company is presented in the table below.

RECONCILIATION	01.01.-31.12. 2021	01.01.-31.12. 2020
Gross profit before tax	354 851	314 009
As per 19% tax rate	67 422	59 662
Permanent differences not subject to the current and deferred tax in the financial statements (except for cost of the management options)	1 735	1 841
Tax effect of management options permanently not being a tax deductible cost	323	1 140
Dividends received	(21 396)	(12 851)
Other	-	-
Actual income tax expense	48 084	49 792
Effective tax rate	13.55%	15.86%

Regulations concerning value added tax, corporate income tax and social security contributions are subject to frequent change. These frequent changes result in a lack of reference points, incoherent interpretations and the scarcity of applicable case law. The regulations in force are also riddled with ambiguities, which gives rise to contradictory opinions regarding the interpretation of tax regulations, both among government authorities and business entities.

Tax settlements and other activities (such as customs or foreign currency matters) may be audited by competent authorities, which have the right to impose substantial penalties and fines; any additional tax imposed as a result of an audit carries a hefty interest rate. Accordingly, the tax risk is higher in Poland than in other countries with a more mature tax system.

Consequently, notwithstanding the fact that the Company's tax policies have been very cautious and conservative, it is unlikely but not impossible that the figures presented and disclosed in the financial statements may be subject to change in the future as a result of a final decision of a tax audit authority.

Starting from 15 July 2016, General Anti-Avoidance Rules (GAAR) have been introduced to the Polish Tax Code. The purpose of the GAAR is to prevent the establishment and exploitation of artificial legal schemes aimed at the avoidance of paying taxes in Poland. The GAAR defines tax avoidance as an arrangement whose main purpose is to obtain a tax advantage that defeats, in the given circumstances, the object or purpose of a tax regulation. According to the GAAR, such an arrangement may not result in a tax advantage if it was artificial. Any occurrence of: (i) the division of a transaction into several steps without a valid reason, (ii) the employment of an intermediary despite the absence of an economic or commercial reason to do so, (iii) elements that offset or cancel out one another and/or (iv) any other arrangements similar to those mentioned above may be deemed a premise of an artificial arrangement that is subject to the GAAR provisions. These new regulations will require the courts to exercise a significantly higher degree of consideration when assessing the tax effects of a transaction.

The GAAR provision shall apply to transactions made following its entry into force and to those transactions that were made prior to the entry into force of the GAAR provision but in respect of which tax advantages have been obtained following the entry into force of the GAAR provision. The introduction of the above mentioned regulations will allow Polish tax audit authorities to question the taxpayers' legal arrangements and understandings such as the restructuring and reorganisation of a group.

7.34 SEGMENT REPORTING

The operations of the Company are generally in a single segment and involve mainly the development and sale of residential and retail (commercial) units and related support activities. The Company operates only in the Warsaw market, while Dom Development S.A. Capital Group with the Company as the parent, also operates on the Tricity, Wrocław and Kraków markets. The operations on the Wrocław, Tricity and Kraków markets are carried out through the Group's subsidiaries.

In view of the above, segmentation for reporting purposes was made on the basis of the geographical location within the Group:

- the Warsaw segment
- the Tricity segment
- the Wrocław segment
- the Kraków segment

The results of the individual segments are assessed mainly on the basis of sale revenues and profit, and gross margin on sales generated by the individual segments.

Due to the fact that the Company's operating activities are carried out in the Warsaw market, i.e. within one segment, these financial statements do not include segment-specific information.

Information on the business segments is provided in the consolidated financial statements of the Company, which shows the operating activities on all the above mentioned markets (operating segments and reporting segments).

7.35 SALES REVENUE AND COST OF SALES

ANALYSIS OF SALES REVENUE AND COST OF SALES	01.01.-31.12. 2021	01.01.-31.12. 2020
Sales of finished goods	1 215 823	1 234 312
Sales of services	18 165	13 531
Sales of goods (land)	1 000	7 846
Sales revenue, total	1 234 988	1 255 689
Cost of finished goods sold	(843 248)	(848 393)
Cost of services sold	(13 509)	(13 363)
Cost of goods sold	(2 168)	(11 578)
Inventory write down to the net realisable value	1 990	2 919
Cost of sales, total	(856 935)	(870 415)
Gross profit on sales	378 053	385 274

7.36 COSTS BY TYPE

OPERATING COSTS	01.01.-31.12. 2021	01.01.-31.12. 2020
Cost of sales	(856 935)	(870 415)
Selling costs	(42 811)	(42 911)
General administrative expenses	(80 490)	(74 958)
Total	(980 236)	(988 284)
Costs by type		
Depreciation	(10 344)	(10 278)
Cost of materials and energy	(478 051)	(120 387)
External services	(725 087)	(716 405)
Taxes and charges	(9 934)	(4 444)
Payroll costs	(65 407)	(64 893)
Other expenses	(2 362)	(4 615)
Goods and materials sold	(2 168)	(11 578)
Change in inventory of products and work in progress	306 175	(63 895)
Cost of services and products for own use	6 942	8 211
Total	(980 236)	(988 284)

7.37 PAYROLL COSTS AND EMPLOYMENT

PAYROLL COSTS AND AVERAGE EMPLOYMENT (including the executives)	01.01.-31.12. 2021	01.01.-31.12. 2020
Individual personnel categories (number of staff)	193	193
White-collar workers	193	193
Blue-collar workers	-	-
Payroll costs		
Payroll costs, including:	58 302	58 633
- cost of share-based payments (note 7.44)	1 701	5 999
Social security and other benefits	7 105	6 260
Payroll costs, total	65 407	64 893

7.38 OTHER OPERATING INCOME

OTHER OPERATING INCOME	01.01.-31.12. 2021	01.01.-31.12. 2020
Revenues from contractual penalties, arrangements and compensations	419	816
Reversal of provision for costs	2 348	91
Revenues from compensations	-	48
Revenues from the liquidation of a subsidiary	-	-
Revenues from betterment levy refund	-	-
Other	383	792
Total	3 150	1 747

7.39 OTHER OPERATING EXPENSES

OTHER OPERATING EXPENSES	01.01.-31.12. 2021	01.01.-31.12. 2020
Provision for penalties and arrangements	-	605
Donations	509	653
Provision for other costs	7 631	5 760
Bad debt written down	645	1 231
Cost of repairs and defects (including change in provision)	3 073	5 282
Costs of discontinued projects	763	247
Costs associated with the acquisition of subsidiaries	2 291	-
Cost of betterment levies	-	-
Other	288	983
Total	15 200	14 761

7.40 FINANCIAL INCOME

FINANCIAL INCOME	01.01.-31.12. 2021	01.01.-31.12. 2020
Interest on bank deposits and borrowings (non-capitalised part of interest)	6 671	4 167
Discounting of liabilities	3 125	-
Dividends received	112 608	67 635
Other interest	203	73
Foreign exchange differences	-	22
Total	122 607	71 897

7.41 FINANCIAL COSTS

FINANCIAL COSTS	01.01.-31.12. 2021	01.01.-31.12. 2020
Interest on loans and bonds (non-capitalised part of interest)	6 038	4 693
Other interest	240	871
Commissions and fees	967	649
Foreign exchange differences	55	1 166
Lease financial costs	900	1 013
Discounting of liabilities	-	3 395
Valuation of CAP hedging instruments	636	274
Loss on investments sold	1 438	-
Other	184	218
Total	10 458	12 279

7.42 INTEREST COST

INTEREST COST	01.01.-31.12. 2021	01.01.-31.12. 2020
Financial costs (interest) capitalised under work in progress *)	4 580	6 925
Financial costs (interest) disclosed in the income statement	6 278	5 564
Total interest costs	10 858	12 489

*) The financial costs incurred as a result of the financing of real estate development projects are generally capitalised as work in progress and relate to the costs of interest, commissions and fees on bonds and loans taken for the execution of the projects. This amount consists of the difference between financial costs on the above mentioned sources of financing and financial income obtained as a result of investing free cash into short-term deposits and similar financial instruments.

7.43 TRANSACTIONS WITH RELATED ENTITIES

In the twelve-month periods ended 31 December 2021 and 2020, the Company was a party to transactions with related entities, as listed below. Descriptions of the transactions have been presented in the tables. In exceptional cases, descriptions of particular agreements or explanations have also been provided.

DOM DEVELOPMENT S.A. AS A BUYER OF GOODS OR SERVICES:

Counterparty	Transaction description	01.01.-31.12.	01.01.-31.12.
		2021	2020
Woodsford Consulting Limited	Consulting services as per the agreement dated 27.06.2007 as annexed	2 138	1 901
Hansom Property Company Limited	Consulting services as per the agreement dated 02.01.2001 as annexed	1 567	1 371
M & M Usługi Doradcze M. Kolarski	Consulting services	149	66
Dom Development Grunty sp. z o.o.	Services performed as per the contract of mandate for the activities related to the purchase of land and management thereof, as annexed	-	30
Dom Development Wrocław sp. z o.o.	Cooperation Agreements	-	2
Mirabelle Investments sp. z o.o.	Other	5	11
Euro Styl S.A.	Cooperation Agreements	233	-
Euro Styl Construction sp. z o.o.	Cooperation Agreements	-	14
Dom Construction sp. z o.o.	Construction services	363 777	345 696
Dom Construction sp. z o.o.	Other	603	597
Dom Land sp. z o.o.	Purchase of real properties	8 117	-
Sento S.A.	Cooperation Agreements	668	-
Doradztwo w zakresie infrastruktury technicznej Rafał Kierski (technical infrastructure consulting)	Cooperation Agreements	2 165	-

DOM DEVELOPMENT S.A. AS A SELLER OF GOODS OR SERVICES:

Counterparty	Transaction description	01.01.-31.12.	01.01.-31.12.
		2021	2020
Dom Development Grunty sp. z o.o.	Other	18	18
Euro Styl S.A.	Cooperation Agreement	2 406	866
Euro Styl Construction sp. z o.o.	Cooperation Agreement	73	8
Dom Land sp. z o.o.	Other	11	11
Dom Development Wrocław sp. z o.o.	Cooperation Agreements	1 797	1 005
Dom Development Kredyty sp. z o.o.	Cooperation Agreements	507	432
Dom Construction sp. z o.o.	Cooperation Agreements	8 074	6 275
M2 Biuro sp. z o.o.	Cooperation Agreements	3	5
M2 Hotel sp. z o.o.	Cooperation Agreements	-	2
Mirabelle Investments sp. z o.o.	Other	10	85
Sento S.A.	Other	163	-
Nestobud sp. z o.o.	Other	40	-
Groupe Belleforêt S.à r.l	Other	11	-

DOM DEVELOPMENT S.A. AS A LENDER:

Counterparty	Transaction description	01.01.-31.12.	01.01.-31.12.
		2021	2020
Dom Development Wrocław sp. z o.o.	Borrowing provided	40 000	-
Dom Development Wrocław sp. z o.o.	Loan repaid	(15 000)	(25 000)
Dom Development Wrocław sp. z o.o.	Interest received on the borrowing	346	1 098
Euro Styl S.A.	Borrowing provided	55 000	-
Euro Styl S.A.	Loan repaid	(680)	(16 320)
Euro Styl S.A.	Interest received on the borrowing	2 399	2 762
Sento S.A. (including Sento 22 Sp. z o.o.)	Borrowing provided	113 827	-
Sento S.A. (including Sento 22 Sp. z o.o.)	Loan repaid	(24 447)	-
Sento S.A. (including Sento 22 Sp. z o.o.)	Interest received on the borrowing	1 648	-

DOM DEVELOPMENT S.A. AS A CONTRIBUTOR OF SHARE CAPITAL TO SUBSIDIARIES:

Counterparty	Transaction description	01.01.-31.12.	01.01.-31.12.
		2021	2020
Dom Construction sp. z o.o.	Share capital increase *)	-	3 000
Dom Construction sp. z o.o.	Additional contribution to the share capital *)	-	(3 000)
M2 Biuro sp. z o.o.	Additional contribution to the share capital *)	(750)	750

*) share capital contribution and additional contribution to the share capital of the subsidiaries have been recognised in the balance sheet under "Investments in subsidiaries, associates and jointly controlled entities".

DOM DEVELOPMENT S.A. AS A PAYER OF PREPAYMENTS:

Counterparty	Transaction description	01.01.-31.12.	01.01.-31.12.
		2021	2020
Dom Development Grunty sp. z o.o.	(Net) prepayment transferred for the purchase of land	8 666	-
Dom Land sp. z o.o.	(Net) prepayment transferred for the purchase of land	(7 915)	7 996
Woodsford Consulting Limited	(Net) prepayments for consulting services	580	-
Hansom Property Company Limited	(Net) prepayments for consulting services	1 120	-

DOM DEVELOPMENT S.A. AS RETENTIONS CLEARING PARTY:

Counterparty	Transaction description	01.01.-31.12.	01.01.-31.12.
		2021	2020
Dom Construction sp. z o.o.	Guarantee retentions	653	-

DOM DEVELOPMENT S.A. AS A DIVIDEND PAYER:

Counterparty	Transaction description	01.01.-31.12.	01.01.-31.12.
		2021	2020
Groupe Belleforêt S.à r.l	Dividend paid	141 559	134 481

DOM DEVELOPMENT S.A. AS A DIVIDEND RECIPIENT

Counterparty	Transaction description	01.01.-31.12.	01.01.-31.12.
		2021	2020
Euro Styl S.A.	Dividend received	82 836	56 318
Dom Construction sp. z o.o.	Dividend received	17 537	8 199
Dom Development Wrocław sp. z o.o.	Dividend received	9 272	-
Dom Development Kredyty sp. z o.o.	Dividend received	2 963	3 118

BALANCES WITH RELATED ENTITIES – balances as in the books of the Company

	Receivables from related entities		Liabilities to related entities	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Total balance	314 259	142 292	18 756	75 818
Subsidiaries	311 967	132 457	16 873	75 530
Dom Development Grunty sp. z o.o.	12 142	1 482	-	-
Dom Development Wrocław sp. z o.o. additional contributions to the share capital*)	75 000	75 000	-	-
Dom Development Wrocław sp. z o.o. borrowings provided	25 000	-	-	-
Dom Development Wrocław sp. z o.o.	295	55	-	-
Euro Styl S.A. loans granted	108 000	53 680	-	-
Euro Styl S.A.	687	3	-	-
Dom Development Kredyty sp. z o.o.	-	-	-	1
Dom Construction sp. z o.o.	1 311	1 487	16 220	75 529
Dom Construction sp. z o.o. retentions	-	-	653	-
M2 Biuro sp. z o.o. additional contributions to the share capital*)	-	750	-	-
Sento S.A. borrowings provided	89 380	-	-	-
Sento S.A.	103	-	-	-
Nestobud sp. z o.o.	49	-	-	-
Other entities	2 292	9 835	1 883	288
Dom Land sp. z o.o.	100	9 835	-	-
Hansom Property Company Limited	1 120	-	143	125
Woodsford Consulting Limited	580	-	-	163
Doradztwo w zakresie infrastruktury technicznej Rafał Kierski (technical infrastructure consulting)	492	-	1 740	-

*) additional contribution to the share capital of the subsidiaries has been recognised in the balance sheet under "Investments in subsidiaries, associates and jointly controlled entities".

The transactions with the related entities are based on the arm's length principle.

7.44 COMPANY'S SHARE OPTIONS

COMPANY'S SHARE OPTIONS ON ACCOUNT OF THE OPTION TO ACQUIRE NON-CONTROLLING INTERESTS IN SENTO S.A.

On 1 July 2021, the Company acquired a controlling interest (77%) in Sento S.A. The remaining 23% of the shares are subject to put and call options, as described in detail in note 7.8.

Since the Company has a call option to Bad Leaver shares exercisable at any time if a minority shareholder terminates their cooperation with Sento S.A., it means that it is possible for the Shareholder to receive the Company's shares as a result of exercised "ordinary" call/put option only when the Shareholder continues to cooperate with Sento S.A. until the "ordinary" put/call option becomes exercisable. This means that the "ordinary" put/call option contains two components:

- employee benefit for the minority shareholder constituting a share-based payment settled in equity instruments (i.e. shares in the Company), and subject to IFRS 2; and
- purchase price of shares in Sento S.A. (23%).

The value of share-based payment transactions in accordance with IFRS 2 is PLN 9 933 thousand. The said amount is the difference between the measurement of the Company's put option for 23% of the shares in Sento S.A. to be sold by non-controlling shareholders at PLN 20 501 thousand (with standard error of PLN 379 thousand) and the liability (fair value of the exercise price) on account of call option for 23% of the shares in Sento S.A. to be purchased by Dom Development S.A. from the non-controlling shareholders, exercisable only in the event of resignation from the provision of services to Sento S.A. by the non-controlling shareholders being individuals before the 7th anniversary of the date of the agreement or in the event of breach of the provisions of the said agreement by non-controlling shareholders (Bad Leaver condition). The exercise price of the call option when the Bad Leaver condition is met is equal to the number of shares subject to such option multiplied by the price per share equal to the price paid by Dom Development S.A. to acquire the 77% controlling interest in Sento S.A., plus interest of 2.5% per annum, accruing from 1 July 2021.

The value of the put option for 23% shares in Sento S.A. to be sold by non-controlling shareholders in exchange for an unknown number of shares in Dom Development S.A. (according to the formula based on net profit and carrying value of Sento and Dom Development) was estimated using the Monte Carlo based on the assumption that the prices of shares in Sento S.A. and Dom Development S.A. change according to the stochastic model of a geometric Brownian Motion. The volatility of the Company's share prices and the volatility of the Sento S.A. share prices were adopted at the same level determined on the basis of historical observations of daily logarithmic changes in the Company's share prices at the WSE, and amounted to 33.99%. It was assumed that Dom Development S.A. will pay dividend at the level projected by the Company's Management Board. In accordance with the provisions of the investment agreement Sento S.A. may not distribute dividend for 11 years. The option exercise time is determined as per the square regression equation determined on the basis of all simulations with a positive intrinsic value of the option at any given time.

INCENTIVE PLAN – MANAGEMENT OPTION PROGRAMMES

As at 31 December 2021 there were two active Management Option Programmes adopted as part of the Incentive Scheme for the executives in the Company.

Name of the Programme Options in the programme (number of shares)	31.12.2021			31.12.2020		
	Options in the programme (number of shares)	Options granted (number of shares)	Options exercised (number of shares)	Options in the programme (number of shares)	Options granted (number of shares)	Options exercised (number of shares)
Programme IV	500 000	500 000	400 000	500 000	500 000	300 000
Programme V	250 000	250 000	100 000	250 000	250 000	50 000
Programme VI*)	-	-	-	150 000	150 000	-

*) Share options under Programme VI expired as described below. By the expiry date of these options, 30 thousand options were exercised under Programme VI.

Active management option programmes at 31 December 2021

- Management Option Programme IV

On 1 December 2017, the Supervisory Board of the Company acting pursuant to the authorisation granted to it by the Annual General Shareholders' Meeting of the Company, passed a resolution concerning the acceptance of the Rules for Management Option Programme IV regarding allotment of 500 000 shares in Dom Development S.A. to Ms Małgorzata Kolarska, Vice President of the Management Board and Chief Executive Officer ("Programme IV"). Under Programme IV, Ms Małgorzata Kolarska received a one-off award of options authorising her to subscribe for 500 000 shares in Dom Development S.A. for the price of PLN 35.00 per share. The exercise of these options will be limited to 100 000 shares in any 12 month consecutive period, starting from 1 January 2018, and the non-exercised options may be exercised at a later time, however not later than by 31 December 2027.

- Management Option Programme V

On 29 November 2019, the Supervisory Board of the Company acting pursuant to the authorisation granted to it by the Annual General Shareholders' Meeting of the Company, passed a resolution concerning the acceptance of the Rules for Management Option Programme V regarding allotment of 250 000 shares in Dom Development S.A. to Mr Mikołaj Konopka, Member of the Management Board ("Programme V"). Under Programme V, Mr Mikołaj Konopka received a one-off award of options authorising him to subscribe for 250 000 shares in Dom Development S.A. for the price of PLN 50.00 per share. The exercise of these options will be limited to 50 000 shares in any 12 month consecutive period, starting from 1 January 2021, and the non-exercised options may be exercised at a later time, however not later than by 31 December 2029.

Grant of new share options under the management option programme

In the twelve-month period ended 31 December 2021 the Company did not grant any new share options.

Exercise of share options under the management option programme

On 21 January 2021, the Management Board increased Company's share capital by issuing 100 000 series AC ordinary bearer shares and 80 000 series AD ordinary bearer shares. The issue price of AC and AD series shares was set at PLN 35.00 and PLN 50.00 per share, respectively.

The AC series shares were issued in a private placement addressed to Ms Małgorzata Kolarska, Vice President of the Management Board as a participant in Management Options Programme IV and the AD series shares were issued in a private placement addressed to Mr Mikołaj Konopka, Member of the Management Board as a participant in Management Options Programme V and Marcin Drobek, at that time Adviser to the Management Board and the Chief Construction Officer as a participant in Management Options Programme VI (which was described in detail in note 7.15).

These shares were registered by the District Court for the capital city of Warsaw in Warsaw, 12th Commercial Division of the National Court Register on 18 February 2021.

Expiry of share options under the management option programme

Due to the termination of the employment contract between Marcin Drobek and the Company by agreement of the parties, on 30 November 2021 the Company's Supervisory Board adopted a resolution according to which the options granted to Marcin Drobek, Adviser to the Management Board and the Chief Construction Officer under Management Options Programme VI ("Programme VI"), comprising 150 000 shares in Dom Development S.A., authorising Mr Marcin Drobek to subscribe for a total of 120 000 shares in Dom Development S.A. for the price of PLN 50.00 (fifty zlotys only) per share, expired and may not be exercised. Therefore, Programme VI has been discontinued.

In the twelve-month period ended 31 December 2020 no share options expired.

COST OF MANAGEMENT OPTION PROGRAMMES ACCOUNTED FOR IN THE INCOME STATEMENT AND THE SHAREHOLDERS' EQUITY

In the twelve-month periods ended 31 December 2021 and 2020 the amounts of PLN 1 701 thousand and PLN 5 999 thousand respectively, were accounted for in the income statement for the management options granted and in the supplementary capital.

SHARE OPTIONS GRANTED AND EXERCISABLE AS AT RESPECTIVE BALANCE SHEET DATES, AND CHANGES IN THE PRESENTED PERIODS:

SHARE OPTIONS

		01.01.-31.12. 2021	01.01.-31.12. 2020
Unexercised options at the beginning of the period	Number of options	550 000	550 000
	Total exercise price	24 500	23 000
Options granted in the period	Number of options	-	150 000
	Total option exercise value	-	7 500
Options expired in the period	Number of options	120 000	-
	Total option exercise value	6 000	-
Options exercised in the period	Number of options	180 000	150 000
	Total option exercise value	7 500	6 000
	Weighted average exercise price per share (PLN per share)	41.67	40.00
Unexercised options at the end of the period	Number of options	250 000	550 000
	Total exercise price	11 000	24 500
Exercisable options at the beginning of the period	Number of options	180 000	150 000
	Total exercise price	7 500	6 000
Exercisable options at the end of the period	Number of options	-	-
	Total exercise price	-	-

*) The above list does not include Company's share options arising from the option to acquire non-controlling interests in Sento S.A. as both the number of Company shares and the option exercise value are variable over time.

7.45 REMUNERATION OF MEMBERS OF THE COMPANY'S MANAGEMENT AND SUPERVISORY BODIES

Remuneration for key executives	01.01.-31.12. 2021	01.01.-31.12. 2020
MANAGEMENT BOARD		
Remuneration	13 131	13 118
Non-pay benefits	360	239
Total remuneration	13 491	13 358
SUPERVISORY BOARD		
Remuneration	1 266	1 260
Non-pay benefits	43	35
Total remuneration	1 309	1 295

The cost of management option programme that accounted for PLN 1 701 thousand and PLN 5 999 in the years ended 31 December 2021 and 2020, respectively, have not been disclosed in the table above.

The composition of the Management Board and the Supervisory Board as at 31 December 2021 has been presented in note 7.49.

AGREEMENTS CONCLUDED BETWEEN THE COMPANY AND THE MEMBERS OF THE MANAGEMENT AND SUPERVISORY BODIES WHICH PROVIDE FOR COMPENSATION IN THE EVENT OF THEIR RESIGNATION OR REMOVAL FROM OFFICE

Members of the Management Board of the Company: Jarosław Szanajca, Janusz Zalewski and Małgorzata Kolarska were employed by the Company under contracts of employment until April 2019. As of May 2019 all members of the Company's Management Board have been remunerated on the basis of the resolutions of the Supervisory Board.

None of the Company's Management Board members is entitled to compensation in the event of resignation from their function. In accordance with the resolutions of the Supervisory Board, the following Management Board members: Jarosław Szanajca, Małgorzata Kolarska, Leszek Stankiewicz and Mikołaj Konopka, in the case of dismissal for reasons other than violation of their fundamental obligations or non re-appointment for another term of office, are entitled to the payment of 6 months' remuneration.

7.46 CONTINGENT LIABILITIES

CONTINGENT LIABILITIES	31.12.2021	31.12.2020
Guarantees	17 324	963
Sureties	14 655	24 155
Total	31 979	25 118

Additionally, some of the Company's liabilities are secured with promissory notes:

COLLATERALS FOR LIABILITIES	31.12.2021	31.12.2020
Promissory notes, including:		
UNIQA TU SA	1 400	-
Total	1 400	-

7.47 MATERIAL COURT CASES AS AT 31 DECEMBER 2021

As at 31 December 2021 the Company was not a party to any material court cases.

7.48 APPROVAL OF THE FINANCIAL STATEMENTS FOR 2020

On 27 May 2021, the Annual General Shareholders' Meeting of Dom Development S.A. approved the financial statements of Dom Development S.A. for the year ended on 31 December 2020, the Management's report of activities of Dom Development S.A. in 2020 and the consolidated financial statements of Dom Development S.A. Capital Group for the year ended on 31 December 2020 and the Management's report of activities of Dom Development S.A. Capital Group in 2020, as presented by the Management Board. The Annual General Shareholders' Meeting of Dom Development S.A. gave a vote of approval for the Management Board of the Company for the year 2020.

7.49 CHANGES TO THE COMPOSITION OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD OF THE COMPANY

In the period from 1 January until 12 March 2021 the Management Board of Dom Development S.A. was composed of the following five members:

Jarosław Szanajca, President of the Management Board
Małgorzata Kolarska, Vice President of the Management Board
Janusz Zalewski, Vice President of the Management Board
Terry Roydon, Member of the Management Board
Mikołaj Konopka, Member of the Management Board

In view of the resignation on 12 March 2021 by Mr. Janusz Zalewski from his position as Vice-President and Member of the Company's Management Board on account of reaching the retirement age, a shareholder holding at least 50.1 % of the Company's shares appointed, as of 15 March 2021, Mr Leszek Stankiewicz for a joint three-year term of office as a Member and Vice President of the Management Board of the Company responsible for finances of Dom Development S.A., in accordance with the Management Board bylaws.

Accordingly, in the period from 15 March 2021 until 31 December 2021 the Management Board of Dom Development S.A. was composed of the following five members:

Jarosław Szanajca, President of the Management Board
Małgorzata Kolarska, Vice President of the Management Board
Leszek Stankiewicz, Vice President of the Management Board
Terry Roydon, Member of the Management Board
Mikołaj Konopka, Member of the Management Board

In the period from 1 January 2021 until 12 March 2021 the Supervisory Board of Dom Development S.A. was composed of seven members as follows:

Grzegorz Kiełpsz, Chairman of the Supervisory Board
Markham Dumas, Vice Chairman of the Supervisory Board
Marek Moczulski, Vice Chairman of the Supervisory Board (Independent Member)
Mark Spiteri, Member of the Supervisory Board
Michael Cronk, Member of the Supervisory Board
Dorota Podedworna-Tarnowska, Member of the Supervisory Board (Independent Member)
Krzysztof Grzyliński, Member of the Supervisory Board (Independent Member).

As of 12 March 2021, Mr Michael Cronk, Member of the Company's Supervisory Board, resigned from his position of Member of the Company's Supervisory Board on account of his retirement. Moreover, as of 12 March 2021, Mr Markham Dumas, Member and Vice Chairman of the Company's Supervisory Board, resigned from his position of Vice Chairman of the Supervisory Board while remaining a Member of the Company's Supervisory Board. As of 15 March 2021, a shareholder holding at least 50.1 % of the Company's shares appointed Mr Janusz Zalewski for a joint three-year term of office as a Member and Vice Chairman of the Company's Supervisory Board.

Consequently, in the period from 15 March 2021 until 31 December 2021, the Supervisory Board of Dom Development S.A. was composed of seven members as follows:

Grzegorz Kiełpsz, Chairman of the Supervisory Board
 Janusz Zalewski, Vice Chairman of the Supervisory Board,
 Marek Moczulski, Vice Chairman of the Supervisory Board (Independent Member)
 Mark Spiteri, Member of the Supervisory Board
 Markham Dumas, Member of the Supervisory Board
 Dorota Podedworna-Tarnowska, Member of the Supervisory Board (Independent Member)
 Krzysztof Grzyliński, Member of the Supervisory Board (Independent Member).

7.50 ADDITIONAL INFORMATION ON THE OPERATING ACTIVITY OF THE COMPANY

In the twelve-month period ended 31 December 2021 the following material changes in the portfolio of the Company's ongoing development investments in the Warsaw market took place:

DEVELOPMENT PROJECTS COMMENCED FROM 1 JANUARY 2021 UNTIL 31 DECEMBER 2021:			
PROJECT	LOCATION	STARTED IN	NUMBER OF APARTMENTS AND RETAIL UNITS
Apartamenty Służewiec	Warsaw	Q1 2021	37
Dzielnica Mieszkaniowa Metro Zachód, stage 3 phase 1	Warsaw	Q1 2021	145
Wilno IV, phase 3	Warsaw	Q1 2021	154
Wilno IV, phase 5	Warsaw	Q1 2021	158
Dzielnica Mieszkaniowa Metro Zachód, stage 3 phase 2	Warsaw	Q2 2021	153
Osiedle Ceramiczna II, phase 1	Warsaw	Q3 2021	188
Osiedle Ceramiczna II, phase 2	Warsaw	Q3 2021	158
Osiedle Urbino	Warsaw	Q3 2021	124
Osiedle Bokserska 71	Warsaw	Q3 2021	234
Dzielnica Mieszkaniowa Metro Zachód, stage 11 phase 2	Warsaw	Q3 2021	88
Dzielnica Mieszkaniowa Metro Zachód, stage 4 phase 1	Warsaw	Q4 2021	110
Apartamenty Ludwika, stage 1	Warsaw	Q4 2021	105
Apartamenty Ludwika, stage 2	Warsaw	Q4 2021	327
Total			1 981

DEVELOPMENT PROJECTS COMPLETED FROM 1 JANUARY 2021 UNTIL 31 DECEMBER 2021:			
PROJECT	LOCATION	COMPLETED IN	NUMBER OF APARTMENTS AND RETAIL UNITS
Wilno VI, stage 3 phase 2	Warsaw	Q1 2021	228
Dzielnica Mieszkaniowa Metro Zachód, phase 1	Warsaw	Q2 2021	134
Osiedle Wilno V, phase 1	Warsaw	Q3 2021	326
Osiedle Głębocka, phase 1	Warsaw	Q4 2021	60
Osiedle Głębocka, phase 2	Warsaw	Q4 2021	211
Żoliborz Artystyczny, stage 13 phase 1	Warsaw	Q4 2021	158
Żoliborz Artystyczny, stage 13 phase 2	Warsaw	Q4 2021	55
Żoliborz Artystyczny, phase 14	Warsaw	Q4 2021	280
Dzielnica Mieszkaniowa Metro Zachód, phase 2/1	Warsaw	Q4 2021	129
Dzielnica Mieszkaniowa Metro Zachód, phase 2/2	Warsaw	Q4 2021	124
Stacja Grochów, phase 3	Warsaw	Q4 2021	125
Total			1 830

Moreover, in 2021 Dom Development S.A. Capital Group carried out real property development projects in the Wrocław market through its subsidiary Dom Development Wrocław Sp. z o.o., in the Tricity market through Euro Styl S.A. Capital Group, which it controls in 100%, as well as in Kraków - through Sento S.A. Capital Group, in which the Company acquired the majority shareholding on 1 July 2021.

INFORMATION ON DELIVERIES OF RESIDENTIAL AND RETAIL UNITS

Number of residential and retail units delivered to customers in the twelve-month period ended 31 December 2021 has been presented in the following table:

NUMBER OF APARTMENTS AND RETAIL UNITS DELIVERED	2021	2020
Q1 (01.01.-31.03)	906	430
Q2 (01.04-30.06)	295	500
Q3 (01.07-30.09)	141	195
Q4 (01.10-31.12)	456	682
Total	1 798	1 807

7.51 MATERIAL POST-BALANCE SHEET EVENTS

ACQUISITION OF 100% OF THE SHARES IN THE BUMA GROUP COMPANIES BASED IN KRAKÓW

On 28 February 2022, the Company signed sale agreements with Giovanni Fundusz Inwestycyjny Zamknięty (hereinafter the "Seller"), whereby the Company acquired 100% of the shares in the following BUMA Group companies: Buma Development sp. z o.o., Buma Management sp. z o.o., Buma Development 22 sp. z o.o., Buma Development 21 sp. z o.o., Buma Development 20 sp. z o.o., Buma Development 12 sp. z o.o., Buma Development 8 sp. z o.o., while Dom Construction Sp. z o.o., a 100% subsidiary of the Company, acquired 100% of the shares in Buma Contractor 1 sp. z o.o. (hereinafter the "Transaction").

Transaction value was PLN 209.5 million, of which PLN 151.4 million as the total sale price of the shares in the aforementioned companies and PLN 58.1 million for taking over loans granted by the Seller to the companies acquired in the Transaction. The assets of the companies subject to the Transaction include investment land in Kraków with the potential to develop 1 370 units, projects under construction with 224 units, and PLN 51.5 million in cash, with the PLN 1.9 million debt under bank loans.

In addition to this, the Company and the Seller entered into a conditional preliminary agreement for the purchase of 100% of the shares in RSKK sp. z o.o. for PLN 9.6 million, according to which the final agreement for the transfer of title to RSKK sp. z o.o. will be signed by 30 June 2022, subject to conditions precedent.

EXERCISE OF COMPANY'S SHARE OPTIONS

On 27 January 2022, the Management Board increased Company's share capital from PLN 25 398 422.00 to PLN 25 548 422.00, i.e. by PLN 150 000.00, by issuing 100 000 series AE ordinary bearer shares with PLN 1.00 nominal each and 50 000 series AF ordinary bearer shares with PLN 1.00 nominal each. The issue price of AE and AF series shares was set at PLN 35.00 and PLN 50.00 per share, respectively. The issue of series AE and AF shares took place through a private placement. The purpose of issuing series AE and series AF shares as part of the authorised capital is to enable the Company to fulfil its obligations resulting from:

- Management Option Programme IV for Małgorzata Kolarska, Vice President of the Management Board - Chief Executive Director, concerning 500 000 shares in Dom Development S.A., and
- Management Option Programme V for Mikołaj Konopka, Member of the Management Board, concerning 250 000 shares in Dom Development S.A. (see note 7.44).

The Supervisory Board of the Company agreed to fully deprive the existing shareholders of their pre-emptive right to 100 000 series AE shares and 50 000 series AF shares. The exclusion of pre-emptive rights of the existing shareholders is justified by the fact that the issue of series AE shares is addressed only to Ms Małgorzata Kolarska, as the Participant in Programme IV, while the issue of series AF shares is addressed only to Mr Mikołaj Konopka, as the Participant in Programme V to enable them to exercise their rights under the subscription warrants.

On 1 February 2022:

- Ms Małgorzata Kolarska exercised her share options in the Company by exercising her rights under subscription warrants and subscribing for 100 000 shares. The issue price for the new series AE shares was PLN 35.00 per share.
- Mr Mikołaj Konopka exercised his share options in the Company by exercising his rights under subscription warrants and subscribing for 50 000 shares. The issue price for the new series AF shares was PLN 50.00 per share.

On 3 February 2022, the Management Board of the Company adopted a resolution on the allocation of 100 000 series AE shares to Ms Małgorzata Kolarska and 50 000 series AF shares to Mr Mikołaj Konopka.

These shares were registered by the District Court for the capital city of Warsaw in Warsaw, 12th Commercial Division of the National Court Register on 2 March 2022.

RUSSIAN INVASION OF UKRAINE

The Russian invasion of Ukraine launched on 24 February 2022 is a factor significantly destabilising the economic environment throughout the region. The Company and its subsidiaries operate exclusively in Poland. The Company's Management Board believes that the war in Ukraine may mostly affect the demand for dwellings, construction costs, and the availability of subcontractors. Due to highly volatile situation as at the date of this report the Company's Management Board is unable to estimate the scale of the impact of the war in Ukraine on the Company's and the Group's operations.

The military mobilisation in Ukraine can result in a partial outflow of workers from the construction industry. In-house general contracting, direct relationships with subcontractors and the economies of scale that facilitate optimisation of resources cause the Group to have all means for achieving its objectives in the upcoming year quarters, while strengthening its competitive position. As at the date of this report all of the Group's development projects were progressing as planned or more quickly than planned.

The Company's Management Board continuously monitors the situation and analyses its potential impact from the perspective of individual projects, the Group as a whole, and its long-term objectives.

IN the opinion of the Management Board, Dom Development S.A. has a relatively strong competitive position. Thanks to consistently implemented policy of strong balance sheet and low net debt, the Group companies can run their business with confidence and build long-term growth potential. The Company's Management Board recognises the good growth prospects for the Group in Kraków, which is reflected in the acquisition of the BUMA Group companies in Kraków on 28 February 2022, resulting in a step growth of the potential in this market.

7.52 FORECASTS

The Management Board of Dom Development S.A. does not publish any financial forecasts concerning both, the parent company and the Group.

7.53 INFORMATION ON REMUNERATION OF THE STATUTORY AUDITOR OR THE ENTITY AUTHORISED TO AUDIT FINANCIAL STATEMENTS

The following table presents a fee of the entity licensed to audit the Company's financial statements (including the consolidated financial statements).

The financial statements for 2021 and 2020 were audited by PricewaterhouseCoopers Polska spółka z o.o. Audyt sp.k. and other PricewaterhouseCoopers Polska spółka z o.o. Audyt sp.k. related companies.

The fee paid or payable for the year ended 31 December 2021 and 31 December 2020 broken up by services, has been presented below:

SERVICES	01.01.-31.12. 2021	01.01.-31.12. 2020
Financial statements audit	235	205
Review of semi-annual financial statements	90	75
Assessment of the report on remuneration for management board and supervisory board	30	30
Total	355	310

PricewaterhouseCoopers Polska spółka z o.o. Audyt sp.k. also provides audit service in relation to the consolidation package prepared for the purpose of consolidation by Groupe Belleforêt S.à r.l., the parent company. The fee agreed for this service is EUR 6 150 per year. This cost is borne by Groupe Belleforêt S.à r.l., and is not included in the above list.

7.54 SELECTED FINANCIAL DATA TRANSLATED INTO EURO

In accordance with the financial reporting requirements the following financial data of the Company have been translated into euro:

SELECTED DATA FROM THE BALANCE SHEET	31.12.2021	31.12.2020
	in EUR '000	in EUR '000
Total current assets	556 019	496 675
Total assets	659 731	597 091
Total shareholders' equity	266 430	249 674
Long-term liabilities	88 871	82 880
Short-term liabilities	304 430	264 537
Total liabilities	393 301	347 417
<i>PLN/EURO exchange rate as at the balance sheet date</i>	<i>4.5994</i>	<i>4.6148</i>

SELECTED DATA FROM THE INCOME STATEMENT	01.01-31.12.2021	01.01.-31.12.2020
	in EUR '000	in EUR '000
Sales revenue	269 795	280 651
Gross profit on sales	82 589	86 110
Operating profit	53 021	56 857
Profit before tax	77 521	70 182
Net profit	67 016	59 053
<i>Average PLN/EURO exchange rate for the reporting period</i>	<i>4.5775</i>	<i>4.4742</i>