



DOM DEVELOPMENT S.A.

FINANCIAL STATEMENTS FOR THE YEAR ENDED

31 December 2019

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 2019, comprising:

- balance sheet prepared as at 31 December 2019,
- income statement for the twelve-month period ended 31 December 2019,
- statement of comprehensive income for the twelve-month period ended 31 December 2019
- cash flow statement for the twelve-month period ended 31 December 2019,
- statement of changes in shareholders' equity for the twelve-month period ended 31 December 2019,
- additional notes to the financial statements

were prepared and approved by the Management Board of the Company on 4 March 2020.

The Management Board of Dom Development S.A. declares that to the best of its knowledge, these annual financial statements for 2019 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

Janusz Zalewski,
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	31.12.2019	31.12.2018
Fixed assets			
Intangible assets	7.6	10 502	5 329
Tangible fixed assets	7.7	32 305	7 511
Investments in subsidiaries, associates and jointly controlled entities	7.8	471 987	371 458
Long-term receivables	7.9	1 504	1 538
Other long-term assets		169	626
Total fixed assets		516 467	386 462
Current assets			
Inventory	7.10	1 736 487	1 622 336
Trade and other receivables	7.11	26 531	27 017
Other current assets	7.12	3 085	4 083
Short-term financial assets	7.13	9 511	20 501
Cash and cash equivalents	7.14	220 111	209 393
Total current assets		1 995 725	1 883 330
Total assets		2 512 192	2 269 792

EQUITY AND LIABILITIES	Note	31.12.2019	31.12.2018
Shareholders' equity			
Share capital	7.15	25 068	24 968
Share premium	7.16	245 188	241 788
Other capital (supplementary capital)		543 715	551 395
Reserve capital from valuation of cash flow hedges		(2 161)	(2 148)
Reserve capital from reduction of share capital		510	510
Unappropriated profit		304 665	214 098
Total shareholders' equity		1 116 985	1 030 611
Liabilities			
Long-term liabilities			
Loans, long-term portion	7.19	-	-
Bonds, long-term portion	7.20	260 000	310 000
Deferred tax provision	7.22	4 097	15 000
Long-term provisions	7.23	13 808	14 771
Lease liabilities, long-term portion	7.25	22 388	-
Other long-term liabilities	7.24	60 725	56 652
Total long-term liabilities		361 018	396 423
Short-term liabilities			
Trade payables, tax and other liabilities	7.26	252 561	278 831
Loans, short-term portion	7.19	-	50 000
Bonds, short-term portion	7.20	100 000	-
Accrued interest on loans and bonds	7.21	1 311	1 180
Lease liabilities, short-term portion	7.25	81 208	-
Corporate income tax payables	7.33	33 590	30 052
Short-term provisions	7.27	10 370	6 009
Deferred income	7.28	555 149	476 686
Total short-term liabilities		1 034 189	842 758
Total liabilities		1 395 207	1 239 181
Total equity and liabilities		2 512 192	2 269 792



3. INCOME STATEMENT

	Note	Year ended	
		31.12.2019	31.12.2018
Sales revenue	7.35	1 353 580	1 267 639
Cost of sales	7.35 7.36	(951 786)	(895 843)
Gross profit on sales		401 794	371 796
Selling costs	7.36	(47 655)	(55 740)
General administrative expenses	7.36	(70 718)	(65 922)
Other operating income	7.38	5 863	2 488
Other operating expenses	7.39	(17 050)	(9 565)
Operating profit		272 234	243 057
Financial income	7.40	91 780	21 006
Financial costs	7.41	(5 116)	(1 930)
Profit before tax		358 898	262 133
Income tax	7.33	(54 233)	(48 035)
Net profit		304 665	214 098
Earnings per share:			
Basic (PLN)	7.32	12.16	8.58
Diluted (PLN)	7.32	12.09	8.53



4. STATEMENT OF COMPREHENSIVE INCOME

	Year ended	
	31.12.2019	31.12.2018
Net profit	304 665	214 098
Other comprehensive income		
Net change to cash flow hedges	(16)	(2 879)
Income tax	3	547
Other net comprehensive income	(13)	(2 332)
Total net comprehensive income	304 652	211 766



5. CASH FLOW STATEMENT

		Year ended	
	Note	31.12.2019	31.12.2018
Cash flow from operating activities			
Profit before tax		358 898	262 133
Adjustments:			
Depreciation		10 658	6 895
(Profit)/loss on foreign exchange differences		(144)	(3)
(Profit)/loss on investments		(87 815)	(19 608)
Interest cost/(income)		9 546	10 543
Cost of the valuation of management option programmes		5 091	5 785
Changes in the operating capital			
Changes in provisions		3 399	(261)
Changes in inventory		(115 095)	(79 632)
Changes in receivables		3 578	2 489
Changes in short-term liabilities, excluding loans and bonds		61 971	40 024
Changes in prepayments and deferred income		78 678	57 122
Other adjustments		144	3
Cash flow generated from operating activities		328 909	285 490
Interest received		2 114	1 733
Interest paid		(12 948)	(11 588)
Income tax paid		(61 595)	(56 594)
Net cash flow from operating activities		256 480	219 041
Cash flow from investing activities			
Proceeds from the sale of intangible assets and tangible fixed assets		496	379
Dividends received		88 266	19 650
Proceeds from borrowings granted		1 966	-
Other proceeds from financial assets		-	484
Borrowings granted		(98 000)	-
Acquisition of intangible and tangible fixed assets		(9 166)	(8 128)
Acquisition of financial assets and additional contributions to the share capital of subsidiaries		(5 955)	(37 856)
Net cash flow from investing activities		(22 393)	(25 471)
Cash flows from financing activities			
Proceeds from issue of shares (exercise of share options)	7.15	3 500	3 500
Proceeds from contracted loans	7.19	-	50 000
Proceeds from commercial papers issued	7.20	50 000	50 000
Repayment of loans and borrowings	7.19	(50 000)	(50 000)
Redemption of commercial papers	7.20	-	(50 000)
Dividends paid	7.18	(226 869)	(189 760)
Net cash flow from financing activities		(223 369)	(186 260)
Increase / (decrease) in net cash and cash equivalents		10 718	7 310
Cash and cash equivalents – opening balance	7.14	209 393	202 083
Cash and cash equivalents – closing balance	7.14	220 111	209 393



Dom Development S.A.

Statement of changes in shareholders' equity for the year ended 31 December 2019
(all amounts in thousands PLN unless stated otherwise)

6. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Share premium less treasury shares	Other capital (supplementary capital)	Reserve capital		Accumulated, unappropriated profit/(loss)	Total shareholders' equity
				from reduction of share capital	from valuation of cash flow hedges		
Balance as at 1 January 2019	24 968	241 788	551 395	510	(2 148)	214 098	1 030 611
Share capital increase by exercising share options (note 7.15 and 7.16)	100	3 400	-	-	-	-	3 500
Profit transfer to supplementary capital (note 7.18)	-	-	(12 771)	-	-	12 771	-
Dividends to shareholders (note 7.18)	-	-	-	-	-	(226 869)	(226 869)
Creation of reserve capital from the valuation of the share options (note 7.44)	-	-	5 091	-	-	-	5 091
Net profit for the reporting period	-	-	-	-	-	304 665	304 665
Other net comprehensive income for the reporting period	-	-	-	-	(13)	-	(13)
Balance as at 31 December 2019	25 068	245 188	543 715	510	(2 161)	304 665	1 116 985

	Share capital	Share premium less treasury shares	Other capital (supplementary capital)	Reserve capital		Accumulated, unappropriated profit/(loss)	Total shareholders' equity
				from reduction of share capital	from valuation of cash flow hedges		
Balance as at 1 January 2018	24 868	238 388	549 257	510	184	186 113	999 320
Share capital increase by exercising share options (note 7.15 and 7.16)	100	3 400	-	-	-	-	3 500
Profit transfer to supplementary capital (note 7.18)	-	-	(3 647)	-	-	3 647	-
Dividends to shareholders (note 7.18)	-	-	-	-	-	(189 760)	(189 760)
Creation of reserve capital from the valuation of the share options (note 7.44)	-	-	5 785	-	-	-	5 785
Net profit for the reporting period	-	-	-	-	-	214 098	214 098
Other net comprehensive income for the reporting period	-	-	-	-	(2 332)	-	(2 332)
Balance as at 31 December 2018	24 968	241 788	551 395	510	(2 148)	214 098	1 030 611



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 and Tricity 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 2019, Groupe Belleforêt S.à r.l. controlled 56.47% 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 2019 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. 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 S.A. Capital Group for the twelve-month period ended 31 December 2019. These statements were approved by the Management Board of the Company on 4 March 2020.

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 2019.

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 2018, except for the following amendments to existing standards and new interpretations that are effective for annual periods beginning on 1 January 2019:

- IFRS 16 *Leases*

This new standard sets the principles for recognition, measurement, presentation and reporting of leases. All lease transactions result in the lessee obtaining the right to use the leased asset and incurring a liability for the payment obligation. Hence, IFRS 16 eliminates the classification of leases as either operating leases or financial leases, as defined by IAS 17, and introduces a single model for lease accounting by the lessee. In Note 7.4 the following information has been presented:

- general information about the new standard with regard to the Company,
 - method of IFRS 16 adoption by the Company and its impact on the opening balance,
 - measurement and presentation of Leases in the financial statements of the Company, and
 - impact of first-time adoption of IFRS 16 as at 1 January 2019.
- IFRIC 23 *Uncertainty over Income Tax Treatments*,
 - Amendments to IFRS 9 *Prepayment Features with Negative Compensation*,
 - Amendments to IAS 28 *Investments in associates and joint ventures*,
 - Amendments to IAS 19 *Employee Benefits*,
 - Annual improvements to IFRS 2015 - 2017: introduce improvements to the following 4 standards: IFRS 3 *Business Combinations*, IFRS 11 *Joint Arrangements*, IAS 12 *Income Taxes* and IAS 23 *Borrowing Costs* (the amendments include clarifications and fine tune guidelines for standards in respect of recognition and measurement).

All of the introduced amendments were scrutinized by the Management Board of the Company. In addition to the amendments introduced as a consequence of the Company applying IFRS 16 from 1 January 2019 (which has been described in note 7.4), the Management Board of the Company is of the opinion that the remaining of the above listed amendments do not materially affect the Company's financial position, operating results or the scope of information presented in these financial statements.

The Company has not decided for earlier adoption of any standard, interpretation or improvement/amendment, which was published and has not yet come into force.

The following standards and interpretations issued by the International Accounting Standards Board or the International Financial Reporting Interpretation Committee that have not come into force:

- Amendments to IFRS 10 and IAS 28 *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 effective date for the amendments has not been defined by the International Accounting Standards Board. The approval of this amendment has been postponed by the European Union as at the date of these interim condensed financial statements,
- Amendments to IFRS 3 *Business Combinations*. As a result of the amendments to IFRS 3 the definition of a "business" has been modified. The amendment narrowed the definition of a business. This is likely to cause more acquisition transactions to be classified as the asset acquisition. Amendments to IFRS 3 are effective for annual periods beginning on or after 1 January 2020; Not endorsed by the European Union until the date of approval of these interim condensed financial statements,
- IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. A new definition of "material" was published by the Board. Amendments to IAS 1 and IAS 8 fine tune the definition of materiality and increase consistency between standards, but it is not expected that they will have a significant impact on the preparation of the financial statements. The amendments are effective for annual periods beginning on or after 1 January 2020;

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. Significant 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

All 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%.

Inventory

Finished goods

Finished goods represent mainly housing units and parking places. They are valued at the lower of either the cost or net realizable 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 valued 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 recognized 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 capitalized 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 capitalized 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 capitalized upon completion of substantially all activities, which have to be undertaken in order to prepare flats for hand-over to customers.

The capitalization 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

IFRS 9 introduces a new concept for estimating impairment allowances for financial assets. The model of incurred losses as applied in IAS 39 has been replaced by a new model based on expected losses.

Due to the nature of our receivables, despite introducing the changes required by the standard, the impairment allowance has remained at a similar level as calculated according to the principles in force before 1 January 2018. The implementation of IFRS 9 had a negligible impact.

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 recognized 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 recognized 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.

Sale of services

The revenue from the sale of services, including income from housing real estate administration fees, is recognized 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 recognized 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

First-time adoption of IFRS 16 *Leases*

- **General information about the new standard with regard to the Company**

The Company adopted IFRS 16 *Leases* beginning on 1 January 2019.

This standard sets the principles for recognition, measurement, presentation and reporting of leases. All lease transactions result in the lessee obtaining the right to use the leased asset and incurring a liability for the payment obligation. Hence, IFRS 16 eliminates the classification of leases as either operating leases or financial leases, as previously defined by IAS 17, and introduces a single model for lease accounting by the lessee. Currently the lessee is obliged to recognise:

- assets and liabilities for all leasing transactions concluded for a period of 12 months or more, except when the asset is of low value; and
- depreciation of leased assets separately from interest on lease liabilities in the income statement.

The analysis conducted by the Management Board has shown that, as at the date of initial application of IFRS 16, the following new significant assets that meet the criteria of the new standard were recognized in the Company's balance sheet. These are:

- right-of-use of office space (on the basis of lease agreements),
- rights of perpetual usufruct of land.

- **Method of IFRS 16 adoption by the Company and its impact on the opening balance**

The Company has decided to adopt IFRS 16 using the simplified approach, i.e. retrospectively, with the cumulative effect of first-time adoption of this standard recognized as at the date of its initial application. This eliminates the need for converting comparative data and allows for the effect of application of this standard to be recognized as an adjustment to the opening balance of retained profits as at the date of its initial application.

As a result of the analysis of lease agreements, the Management Board of the Company takes the view that the adoption of this new standard had no effect on the financial results presented by the Company to date and there was no need for any adjustment to the opening balance of retained profits as at 1 January 2019.

- **Measurement and presentation of Leases in the financial statements of the Company**

As at 1 January 2019, the Company as lessee recognized lease liabilities as measured at the present value of unavoidable future lease payments, discounted at the marginal interest rates of the Company, and recognize assets arising from the right-of-use at an amount equal to the lease liabilities.

The Company has decided to present right-of-use assets within the same item in which the relevant underlying assets would be presented if they were owned by the Company (as lessee). Namely:

- *right-of-use of office space*

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

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, as was the case before.

Asset – the related asset is recognised in the balance sheet under Inventory or Short-term receivables (see description below).

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 recognized).

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. In respect of land on which as of 1 January residential buildings were built for which an occupancy permit had been issued prior to that date, the perpetual usufruct of that land shall be transformed into ownership of that land. As regards land developed with multi-family residential buildings that have not been commissioned before 1 January 2019, the conversion date for such properties will be the day on which the decision permitting the occupancy of the building becomes final.

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.

The reason for the classification of lease liabilities arising from perpetual usufruct of land as short-term liabilities

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 manner of exclusion from the balance sheet of lease liabilities of perpetual usufruct of land

Lease liabilities are covered by IFRS 9 in respect of determination when these liabilities meet the criteria for their deletion from the balance sheet. In accordance with IFRS 9, Sections B.3.3.1-B.3.3.4, financial liability is extinguished when discharged, expired or when the debtor is legally released from the liability, e.g. through the assignment of the debt to another party.



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.

- **Impact of first-time adoption of IFRS 16 as at 1 January 2019**

The impact of first-time adoption of IFRS 16 as at 1 January 2019 is presented in the following table:

Assets	01.01.2019	adjustments	31.12.2018
Fixed assets			
Tangible fixed assets	36 910	29 399	7 511
Current assets			
Inventory	1 708 766	86 430	1 622 336

Equity and liabilities	01.01.2019	adjustments	31.12.2018
Shareholders' equity			
Unappropriated profit	214 098	-	214 098
Long-term liabilities			
Lease liabilities, long-term portion	25 072	25 072	-
Short-term liabilities			
Lease liabilities, short-term portion, including:	90 757	90 757	-
liabilities on account of perpetual usufruct right of land	86 430	86 430	-
liabilities on account of the right of use of office space	4 327	4 327	-

As described above, due to the application of IFRS 16 assets and liabilities on account of perpetual usufruct right of land are recognized at the present value of unavoidable future payments of perpetual usufruct fees.

In accordance with the new standard, the Company is obligated to discount 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). 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.

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 1 January 2019, out of PLN 86 430 thousand of the land-related lease liabilities recognised as short-term:

- PLN 3 507 thousand is payable by the Company within 12 months following 1 January 2019,
- PLN 3 126 thousand is payable by the Company later than 12 months following 1 January 2019,
- PLN 79 797 thousand is to be transferred to the respective buyers of units.



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 construction 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

	Other intangible assets	Computer software	Intangible assets under implementation process	Total
GROSS VALUE				
Balance as at 1 January 2018	11 130	5 127	-	16 257
Additions	2 998	1 910	-	4 908
(Disposals)	-	-	-	-
Balance as at 31 December 2018	14 128	7 037	-	21 165
Additions	1 597	39	7 342	8 978
Transfers	-	5 168	(5 168)	-
(Disposals)	-	-	-	-
Balance as at 31 December 2019	15 725	12 244	2 174	30 143
ACCUMULATED DEPRECIATION				
Balance as at 1 January 2018	8 258	4 011	-	12 269
Additions	2 642	925	-	3 567
(Disposals)	-	-	-	-
Balance as at 31 December 2018	10 900	4 936	-	15 836
Additions	2 275	1 530	-	3 805
(Disposals)	-	-	-	-
Balance as at 31 December 2019	13 175	6 466	-	19 641
NET VALUE				
as at 31 December 2018	3 228	2 101	-	5 329
as at 31 December 2019	2 550	5 778	2 174	10 502

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 2019 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	Tight-of-use of office space *)	Vehicles	Equipment and other tangible fixed assets	Total
GROSS VALUE				
Balance as at 1 January 2018	-	9 603	7 915	17 518
Additions	-	1 256	1 979	3 235
(Disposals)	-	(776)	(177)	(953)
Balance as at 31 December 2018	-	10 083	9 717	19 800
First-time adoption of IFRS 16 <i>Leases</i>	29 399	-	-	29 399
Additions	536	435	1 562	2 533
(Disposals)	-	(1 533)	(394)	(1 927)
Balance as at 31 December 2019	29 935	8 985	10 885	49 805
ACCUMULATED DEPRECIATION				
Balance as at 1 January 2018	-	5 093	4 568	9 661
Additions	-	1 494	1 834	3 328
(Disposals)	-	(559)	(141)	(700)
Balance as at 31 December 2018	-	6 028	6 261	12 289
Additions	3 748	1 536	1 569	6 853
(Disposals)	-	(1 283)	(359)	(1 642)
Balance as at 31 December 2019	3 748	6 281	7 471	17 500
NET VALUE				
as at 31 December 2018	-	4 055	3 456	7 511
as at 31 December 2019	26 187	2 704	3 414	32 305

*) The Company adopted IFRS 16 *Leases* beginning on 1 January 2019. As a result of the application of this standard, as at 1 January 2019, an asset in the form of right-of-use of office space was recognised in the balance sheet. The asset is recognised in the balance sheet under *Tangible fixed assets*.

Further information concerning the adoption of IFRS 16 *Leases* can be found in Note 7.4 *Significant accounting policies*.

The right-of-use of office space is amortised over the lease term.

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

As at 31 December 2019 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 entities	31.12.2019	31.12.2018
Interest in subsidiaries, associates and jointly controlled entities	376 987	371 458
Borrowings granted to related entities	95 000	-
Closing balance	471 987	371 458

Borrowings granted to related entities

The borrowing agreement for the amount of up to PLN 150 000 thousand was concluded by the Company and Euro Styl S.A. on 26 February 2019. As at 31 December 2019 a borrowing of PLN 70 000 thousand was drawn under the said agreement.

The borrowing agreement for the amount of up to PLN 100 000 thousand was concluded by the Company and Dom Development Wrocław spółka z o.o. on 27 September 2019. As at 31 December 2019 a borrowing of PLN 25 000 thousand was drawn under the said agreement.

Interest in subsidiaries, associates and jointly controlled entities

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

INTEREST IN SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES	Status as at 31.12.2019				Status as at 31.12.2018			
	Company's interest (%)	Value of total investment	Value of impairment write down	Net investment carrying value	Company's interest (%)	Value of total investment	Value of impairment write down	Net investment carrying value
Dom Development Grunty sp. z o.o.	46%	24	-	24	46%	24	24	-
Dom Development Morskie Oko sp. z o.o. w likwidacji **) (under liquidation)	100%	-	-	-	100%	50	-	50
Dom Development Wrocław sp. z o.o.	100%	79 002	-	79 002	100%	73 447	-	73 447
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
M2 Biuro sp. z o.o.	100%	17 504	-	17 504	100%	17 504	-	17 504
M2 Hotel sp. z o.o.	100%	11 066	-	11 066	100%	11 066	-	11 066
Total		376 987	-	376 987		371 482	24	371 458

*) Euro Styl S.A. is the parent company of the Euro Styl S.A. Capital Group, with non-controlling interest 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.

**) Dom Development Morskie Oko sp. z o.o. w likwidacji (*under liquidation*) was wound up on 28 June 2019.



- Dom Development Wrocław sp. z o.o.

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

- Euro Styl Capital Group

On 8 June 2017, the Company acquired 100% of the shares in Euro Styl S.A. with its registered office in Gdańsk and 100% of the shares in the share capital of Euro Styl Development sp. z o.o. with its registered office in Gdańsk (the "Transaction"). As a result of the Transaction, Dom Development S.A. controls the Euro Styl S.A. Capital Group that is a residential developer in the market of Tricity and its vicinity. The composition of Euro Styl Group as of 31 December 2019 is presented in the table below:

Companies operating within the Euro Styl Group	Percentage share in the SPVs operating within the Euro Styl Group as at 31.12.2019	
	Euro Styl S.A.	Euro Styl Development spółka z o.o.
Euro Styl Construction Sp. z o.o.	100.00%	-
Euro Styl Development Sp. z o.o. FUTURA PARK Sp.k.	99.98%	0.02%
Euro Styl Development Sp. z o.o. KWARTET POLANKI Sp.k.	99.975%	0.025%
GGI Dolne Miasto Sp. z o.o.	50.00%	-
GGI Dolne Miasto Sp. z o.o. Sp.k.	49.975%	-

- 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 a purchase agreement and transfer agreement concerning perpetual usufruct of real properties located in the Żoliborz District, Warsaw, where in 2018 the Company commenced development of further stages of Żoliborz Artystyczny, were entered into by the Company and Acciona Nieruchomości Żoliborz sp. z o.o. with its registered office in Warsaw

Moreover, 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 housing project on the above mentioned properties.

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

- 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 the first quarter of 2018, the Management Board of Dom Development S.A. decided to diversify the manner of developing projects by the Company. To this end, on 13 March 2018 a subsidiary, namely Dom Construction Sp. z o.o., was set up to focus on residential developments exclusively for the Group companies (for the Company and for Dom Development Wrocław Sp. z o.o.). Dom Development S.A. and Dom Development Wrocław Sp. z o.o. gradually introduce developments erected by the company, while complementing this general contractorship model with the model existing so far of cooperation with external general contractors.



- M2 Biuro sp. z o.o. and M2 Hotel sp. z o.o.

On 11 December 2018, the Company established two limited liability companies: M2 Biuro sp. z o.o. and M2 Hotel sp. z o.o. The share capital of both newly created companies was partially covered with an in-kind contribution in the form of an interest in the perpetual usufruct of land and the documentation, including the copyrights to the same. These companies were formed in connection with the planned sale by the Company of some land situated near Żwirki i Wigury street and Raławicka street in Warsaw and earmarked for hotel, office and service development.

On 31 January 2019, the Company concluded a preliminary sale agreement for all shares in the share capital of M2 office sp. z o.o., while on 11 February 2019, the Company concluded a preliminary sale agreement for shares in M2 Hotel sp. z o.o.

Description of material changes in the period from 1 January until 31 December 2019

Within the twelve-month period ended 31 December 2019, the Company did not make any other material changes in the structure of investing in subsidiaries, associates and joint ventures.

7.9. Long-term receivables

As at 31 December 2019 and 31 December 2018, the Company disclosed long-term receivables in the amount of PLN 1 504 thousand and PLN 1 538 thousand respectively. As at 31 December 2019 the long-term receivables included refundable deposits in the amount of PLN 1 384 thousand and other long-term receivables amounting to PLN 120 thousand. As at 31 December 2018 the long-term receivables included refundable deposits in the amount of PLN 1 384 thousand and other long-term receivables amounting to PLN 154 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	31.12.2019	31.12.2018
Advances on deliveries	192 608	83 431
including: at purchase prices/production costs	192 608	83 431
write down to the net realisable value	-	-
Semi-finished goods and work in progress	1 366 726	1 229 864
including: at purchase prices/production costs	1 326 786	1 262 558
rights of perpetual usufruct of land (lease) *)	71 901	-
write down to the net realisable value	(31 961)	(32 694)
Finished goods	177 153	309 041
including: at purchase prices/production costs	184 852	317 615
write down to the net realisable value	(7 699)	(8 574)
Total	1 736 487	1 622 336

*) The Company adopted IFRS 16 *Leases* beginning on 1 January 2019. As a result of the application of this standard, as at 1 January 2019, an asset in the form of *rights of perpetual usufruct of land (lease)* was recognised in the balance sheet. The asset is recognised in the balance sheet under *Inventory*.

Further information concerning the adoption of IFRS 16 *Leases* can be found in Note 7.4 Significant accounting policies.

INVENTORY REVALUATION WRITE DOWNS	01.01- - 31.12.2019	01.01- - 31.12.2018
Opening balance	41 268	41 763
Increments	2 770	1 227
(Decrease)	(4 378)	(1 722)
Closing balance	39 660	41 268



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 "Significant accounting policies".

CARRYING VALUE OF INVENTORY USED TO SECURE THE PAYMENT OF LIABILITIES AND VALUE OF THE MORTGAGES ESTABLISHED	31.12.2019	31.12.2018
Mortgages:		
Value of mortgages established to secure real estate purchase agreements	13 669	-
Value of mortgages established to secure loan agreements of the Company	-	352 500
Value of mortgages established to secure loan agreements of the Company and Group companies	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- -31.12.2019	01.01- -31.12.2018
Preparatory works	757	684

7.11. Trade and other receivables

TRADE AND OTHER RECEIVABLES	31.12.2019	31.12.2018
Trade receivables	15 784	9 505
Receivables from related entities	1 167	6 724
Tax receivables	5 680	9 857
Other receivables	3 900	931
Total	26 531	27 017

The tax receivables incorporate VAT receivables in the amount of PLN 5 680 thousand and PLN 9 857 thousand as at 31 December 2019 and 31 December 2018 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	31.12.2019	31.12.2018
Up to 3 months	13 683	8 164
From 3 to 6 months	248	443
From 6 months to 1 year	1 103	696
Over 1 year	4 494	2 302
Gross trade receivables	19 528	11 605
Receivables revaluation write downs	(3 744)	(2 100)
Net trade receivables	15 784	9 505



The write downs fully relate to overdue trade receivables.

CHANGE IN THE WRITE DOWNS FOR TRADE AND OTHER RECEIVABLES	01.01- -31.12.2019	01.01- -31.12.2018
Opening balance	3 100	3 086
Increments	1 647	76
(Decrease)	(1 003)	(62)
Closing balance	3 744	3 100

The revaluation write-down balance as at 31 December 2019 included revaluation write-down of trade receivables in the amount of PLN 3 744 thousand. There was no need to create revaluation write-downs for receivables from related entities. As at 31 December 2018 these were: PLN 2 100 thousand of the trade receivables write-down and PLN 1 000 thousand of the write-down for receivables from related entities.

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	31.12.2019	31.12.2018
Deferred costs	3 019	4 021
Accrued financial income on deposits	66	62
Total	3 085	4 083

7.13. Short-term financial assets

SHORT-TERM FINANCIAL ASSETS	31.12.2019	31.12.2018
Bank deposits with a maturity over three months	50	50
Cash in open-end residential escrow accounts	9 461	20 451
Total	9 511	20 501

Bank deposits with a maturity over three months as of the date when they are made are presented in "Bank deposits with a maturity over three months".

The Company makes bank deposits with various maturity based on current analysis of cash needs and realizable rate of return on deposits offered by banks.

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".

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	31.12.2019	31.12.2018
Cash in hand and at bank	9 755	6 075
Short-term deposits	210 314	203 300
Other	42	18
Total	220 111	209 393



7.15. Share capital

Description of changes to the share capital in the Company in the period from 1 January until 31 December 2019

Change in the reporting period	Share capital		Share premium
	Number of shares	Value at the nominal value	
Balance as at 1.01.2019	24 968 422	24 968	241 788
Change	100 000	100	3 400
Status as at 31.12.2019	25 068 422	25 068	245 188

On 24 January 2019, the Management Board of the Company increased the share capital of the Company from the current amount of PLN 24 968 422.00 to PLN 25 068 422.00, i.e. by PLN 100 000.00, by way of issue of 100 000 series Z bearer ordinary shares with the nominal value of PLN 1.00 each. The issue of series Z shares took place through a private placement. The purpose of the series Z shares issue was to enable the Company to fulfil its obligations arising from Management Options Programme IV for Ms Małgorzata Kolarska related to 500 000 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 Z bearer ordinary shares. The reason for the exclusion of the pre-emptive right from the existing shareholders is that the issue of series Z shares is addressed only to Ms Małgorzata Kolarska as a participant in Programme IV and in order to allow her to exercise her rights under subscription warrants.

On 1 February 2019, Ms Małgorzata Kolarska exercised her share options in the Company by exercising her rights under subscription warrants and subscribing for the shares. The issue price for the new series Z shares was PLN 35.00 per share. On 4 February 2019, the Management Board of the Company adopted a resolution on the allocation of 100 000 series Z shares to Ms Małgorzata Kolarska. 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 28 February 2019.

On 24 April 2019, Krajowy Depozyt Papierów Wartościowych S.A. (National Depository for Securities) issued a registration statement for 100 000 series Z shares.

Information on the majority shareholder

SCOP Poland S.à r.l. (now: Groupe Belleforêt S.à r.l.; name change has been described below) holds over 50% of the total number of votes at the general meeting of shareholders of Dom Development S.A.

The shares in the Company were acquired through a cross-border merger between Dom Development B.V. with its registered office in Rotterdam ("Dom Development B.V.", the former majority shareholder in the Company) and the majority shareholder in Dom Development B.V., i.e. SCOP Poland S.à r.l., as carried out within the meaning of the Directive of the European Parliament and of the Council (EU) 2017/1132 of 14 June 2017 on certain aspects of company law. As a result of the said merger:

- i. Dom Development B.V. has ceased to exist,
- ii. all assets of the Dom Development B.V., as the acquired company were transferred to SCOP Poland S.à r.l., as the acquiring company,
- iii. SCOP Poland S.à r.l. subrogated all the rights and obligations of Dom Development B.V., as the acquired company.

The merger became effective on 17 May 2019, i.e. on the date, when the minutes of the meeting of shareholders in SCOP Poland S.à r.l. approving the said cross-border merger were published on the official electronic platform (Electronique Recueil des Sociétés et Associations) in Luxembourg.

In Q3 2019, there was a name change of the Company's majority shareholder. SCOP Poland S.à r.l. now operates under the business name of Groupe Belleforêt S.à r.l. The name change have not affected the shareholding in the Company.



Consequently, Groupe Belleforêt S.à r.l. holds 14 155 941 shares in the Company, representing 56.47% of the share capital in the Company, with attached 14 155 941 votes at the general meeting of shareholders; the said votes account for 56.47% of the total number of votes, i.e. exactly the same number of votes as Dom Development B.V. held before the abovedescribed merger.

Groupe Belleforêt S.à r.l., is a limited liability company (société à responsabilité limitée), organised and existing under the laws of the Grand Duchy of Luxembourg, with its registered office at 12E Rue Guillaume Kroll, 1882 Luxembourg, Grand Duchy of Luxembourg, and registered in the Luxembourg Register of Commerce and Companies (Registre de Commerce et des Sociétés de Luxembourg) under number B101812.

SHARE CAPITAL (STRUCTURE) AS AT 31.12.2019								
Series/issue	Type of share	Type of preference	Limitation of right to shares	Number of shares	Nominal value of series/issue (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
Total number of shares				25 068 422				
Total share capital					25 068 422			
Nominal value per share = PLN 1								

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 2019.

Balance as at 31 December 2019				
	Shares	% of capital	Number of votes at the GSM	% of votes at the GSM
Groupe Belleforêt S.à r.l.*)	14 155 941	56.47	14 155 941	56.47
Jarosław Szanajca	1 454 050	5.80	1 454 050	5.80
Aviva Otwarty Fundusz Emerytalny Aviva Santander **)	1 313 383	5.24	1 313 383	5.24
Grzegorz Kielpsz	1 280 750	5.11	1 280 750	5.11

*) Formerly SCOP Poland S.à r.l.,

***) Shareholding of Aviva OFE Aviva Santander (formerly Aviva OFE Aviva BZ WBK) has been presented as per the latest notice as of 11.07.2011 received by the Company from Aviva PTE Aviva BZ WBK S.A. (formerly Aviva PTE Aviva BZ WBK S.A.).



The 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 2019.

Balance as at 31 December 2019			
	Shares	Share options	Total
The Management Board			
Jarosław Szanajca	1 454 050	-	1 454 050
Małgorzata Kolarska *)	181 500	300 000	481 500
Janusz Zalewski	350 000	-	350 000
Terry Roydon	58 500	-	58 500
Mikołaj Konopka	1 292	250 000	251 292
The Supervisory Board			
Grzegorz Kiełpsz	1 280 750	-	1 280 750
Mark Spiteri	900	-	900

*) details on options granted to Ms Małgorzata Kolarska under Management Option Programme IV and to Mr Mikołaj Konopka under Management Option Programme V have been described in note 7.44

7.16. Share premium

In the twelve-month period ended 31 December 2019, the value of the item *Share premium* changed by PLN 3 400 thousand as a result of the increase of the share capital, described in note 7.15.

The value of the share premium was PLN 245 188 thousand and PLN 241 788 thousand as at 31 December 2019 and 31 December 2018 respectively.

7.17. Additional information on shareholders' equity

As at 31 December 2019 and 31 December 2018 the Company's shares were not owned by any of its subsidiaries.

In the twelve-month period ended 31 December 2019 and 2018 the Company did not hold any treasury shares.

7.18. Dividend and profit distribution

The Ordinary General Meeting of the Company resolved on 30 May 2019 to assign PLN 226 869 219.10 to dividends, including:

- PLN 214 098 396.63 net profit of Dom Development S.A. for the year ended 31 December 2018, and
 - PLN 12 770 822.47 that is a portion of the Dom Development S.A. supplementary capital derived from the profit carried forward,
- that is PLN 9.05 per each share.

The dividend date was set at 18 June 2019, and the dividend payment day was set at 26 June 2019.

The dividend was paid out in accordance with the resolution.

In the preceding year, the dividend allocation was PLN 189 760 007.20, and the dividend payment amounted to PLN 7.60 per share.



7.19. Loans

Description of material changes in the twelve-month period ended 31 December 2019

On 21 January 2019, mBank S.A. and Dom Development S.A. entered into annex to the loan agreement for a revolving credit facility in PLN, dated 18 May 2015. Under this annex, a new loan repayment date was fixed, falling on 22 January 2019. The said agreement expired on 22 January 2019.

- On 22 January 2019, mBank S.A. and Dom Development S.A., Dom Development Wrocław Sp. z o.o. and Euro Styl S.A. entered into annex to the "Umbrella Wieloproduktowa" Agreement of multi-product line for group companies. As a result of the signed annex, the availability period of credit limit was extended until 31 January 2023 and the credit limit amount was increased, which currently stands at PLN 185 million. Under the said agreement, Dom Development S.A. may now use the credit up to the credit limit of PLN 185 million, and Dom Development Wrocław Sp. z o.o. may use part of this credit limit, up to PLN 60 million, and Euro Styl S.A. may use part of this credit limit, up to PLN 100 million.

On 27 February 2019, PKO Bank Polski S.A. and Dom Development S.A. and Euro Styl S.A. entered into annex to the overdraft facility agreement, dated 27 July 2015. As a result of the signed annex, the availability period of credit limit was extended until 26 February 2023 and the credit limit amount was increased, which currently stands at PLN 150 million. Under the said agreement, Dom Development S.A. may now use the credit up to the credit limit of PLN 150 million, and Euro Styl S.A. may use part of this credit limit, up to PLN 50 million.

On 18 December 2019, Bank Millennium S.A. and Dom Development S.A. signed a multi-currency credit line agreement under which Bank Millennium S.A. extend a revolving (working capital) loan up to PLN 50 million. This loan matures on 18 December 2022.

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

LOANS DUE WITHIN	31.12.2019	31.12.2018
Less than 1 year	-	50 000
More than 1 year and less than 2 years	-	-
More than 2 years and less than 5 years	-	-
Over 5 years	-	-
Total loans	-	50 000
including: long-term	-	-
short-term	-	50 000

As at 31 December 2019 and 31 December 2018 all the loans taken by the Company were expressed in Polish zloty.

BANK LOANS AS AT 31.12.2019						
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	

*) 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 2019 Euro Styl S.A. drawn PLN 14 thousand from the said credit limit, and Dom Development S.A. has not drawn any funds therefrom.

***) 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 2019 Dom Development Wrocław Sp. z o.o has drawn PLN 35 000 thousand and Euro Styl S.A. has drawn PLN 50 000 thousand from the said credit limit, and Dom Development S.A. has not drawn any funds therefrom.



In "Loans" the Company states the nominal value of the liability, and the interest charged as at the balance sheet date are presented separately in "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	31.12.2019	31.12.2018
Nominal value of the bonds issued, long-term portion	260 000	310 000
Nominal value of the bonds issued, short-term portion	100 000	-
Nominal value of the bonds issued	360 000	310 000

In the "Bonds" item the Company states the nominal value of the bond liabilities, and the interest charged as at the balance sheet date are presented separately in the item "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 PeKaO S.A.
Under this agreement, Dom Development S.A. is allowed to issue mid-term bonds (with a maturity over 1 year and under 7 years) with an aggregate value of no more than PLN 400 million, which is to be construed as the nominal value of all issued and unredeemed bonds on any day during the term of the Programme. In accordance with the agreement, bonds may be issued by the Company as various series by 5 November 2021.
- 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 2019

On 12 December 2019, the Company issued 50 000 unsecured bonds with the nominal value of PLN 1 000 each and the aggregate nominal value of PLN 50 000 thousand. The maturity date for these bonds is 12 December 2024. The issue value equals 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.

BONDS ISSUED AS AT 31 DECEMBER 2019				
Series	Issue date	Amount	Currency	Contractual maturity date
DOMDE5120620	12.06.2016	100 000	PLN	12.06.2020
DOMDE6151121	15.11.2016	110 000	PLN	15.11.2021
DOMDET1151222	15.12.2017	50 000	PLN	15.12.2022
DOMDET2091023	09.10.2018	50 000	PLN	09.10.2023
DOMDET312122024	12.12.2019	50 000	PLN	12.12.2024
Total:		360 000	PLN	



7.21. Accrued interest on loans and bonds

ACCRUED INTEREST ON LOANS AND BONDS	31.12.2019	31.12.2018
Accrued interest on bonds	1 311	1 180
Accrued interest on loans	-	-
Total accrued interest on loans and bonds	1 311	1 180

7.22. Deferred tax assets and provisions

Deferred tax is the outcome of the following items:

	Balance sheet		Income statement / Statement of comprehensive income	
	31.12.2019	31.12.2018	01.01- 31.12.2019	01.01- 31.12.2018
Deferred tax provision				
Foreign exchange differences	27	-	27	-
Accrued interest	24	12	12	(11)
Discounting of liabilities	1 405	1 291	114	144
Result on the sale of units – without legal ownership transfer agreements	17 589	29 630	(12 041)	(12 265)
Capitalised financial costs	3 016	3 127	(111)	(88)
Other	47	2	45	-
Total deferred tax provision	22 108	34 062	(11 954)	(12 220)
Deferred tax assets				
Foreign exchange differences	-	1	(1)	-
Inventory revaluation	7 535	7 841	(306)	(94)
Receivables revaluation write downs and other provisions	428	115	313	2
Provision for employee benefits	5 255	5 961	(706)	1 161
Provision for other costs	4 200	4 512	(312)	132
Financial costs	-	-	-	-
Valuation of financial assets	593	627	(34)	537
Other	-	5	(5)	-
Total deferred tax assets	18 011	19 062	(1 051)	1 738
Deferred tax expense concerning income statement			(10 900)	(13 411)
Deferred tax expense concerning other net comprehensive income			(3)	(547)
Deferred tax provision shown in the balance sheet, net	4 097	15 000		

7.23. Long-term provisions

LONG-TERM PROVISIONS	31.12.2019	31.12.2018
Provision for repair costs, long-term portion	13 278	14 127
Provision for retirement benefits	530	644
Total	13 808	14 771



LONG-TERM PROVISIONS – CHANGES	01.01- -31.12.2019	01.01- -31.12.2018
Opening balance	14 771	14 224
Provisions created in the financial year	1 996	1 293
Provisions used/reversed in the financial year	(2 959)	(746)
Closing balance	13 808	14 771

7.24. Other long-term liabilities

OTHER LONG-TERM LIABILITIES	31.12.2019	31.12.2018
Guarantee retentions, long-term portion	53 840	50 397
Other	6 885	6 255
Closing balance	60 725	56 652

7.25. Lease liabilities

The Company adopted IFRS 16 Leases beginning on 1 January 2019 (see note 7.3).

As a result of the IFRS 16 adoption, the following lease liabilities were recognized in the Company's balance sheet:

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

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

Lease liabilities	31.12.2019	31.12.2018 *)
Lease liabilities, short-term portion, including:	81 208	-
- liabilities on account of perpetual usufruct right of land	76 881	-
- liabilities on account of the right of use of office space	4 327	-
- other	-	-
Lease liabilities, long-term portion, including:	22 388	-
- liabilities on account of the right of use of office space	22 388	-
- other	-	-
Total	103 596	-

*) The Company has decided to adopt IFRS 16 using the simplified approach, i.e. retrospectively, with the cumulative effect of first-time adoption of this standard recognized as at the date of its initial application. This eliminates the need for converting comparative data and allows for the effect of application of this standard to be recognized as an adjustment to the opening balance of retained profits as at the date of its initial application.

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 2019, out of PLN 76 881 thousand of the land-related lease liabilities recognised as short-term:

- PLN 3 113 thousand is payable by the Company within 12 months following the balance sheet date,
- PLN 1 188 thousand is payable by the Company later than 12 months following the balance sheet date,
- PLN 72 579 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	31.12.2019	31.12.2018
Trade payables, including guarantee retentions (short-term portion)	137 929	166 459
Tax liabilities	1 184	1 399
Accrued costs	113 285	110 870
Company Social Benefits Fund	163	103
Total liabilities	252 561	278 831
Accrued costs structure	113 285	110 870
- estate construction costs	87 979	80 721
- employee costs	19 333	23 757
- rent for office space	2 311	2 645
- other	3 662	3 747

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 60 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.

	31.12.2019	31.12.2018
Guarantee retentions, short-term portion	36 127	45 941
Guarantee retentions, long-term portion	53 840	50 397
Total guarantee retentions	89 967	96 338

7.27. Short-term provisions

SHORT-TERM PROVISIONS	31.12.2019	31.12.2018
Provision for repair costs, short-term portion	4 426	4 709
Retirement provision	221	-
Provision for disputes	5 723	1 300
Total	10 370	6 009

SHORT-TERM PROVISIONS – CHANGES	01.01- -31.12.2019	01.01- -31.12.2018
Opening balance	6 009	6 816
Provisions created in the financial year	9 770	4 997
Provisions used/reversed in the financial year	(5 409)	(5 804)
Closing balance	10 370	6 009

7.28. Deferred income

DEFERRED INCOME	31.12.2019	31.12.2018
Deferred income related to the payments received from customers for the purchase of products, not yet included as income in the income statement	555 149	476 686
Other	-	-
Total	555 149	476 686



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	31.12.2019	31.12.2018
FINANCIAL ASSETS		
Long-term receivables	1 504	1 538
Trade and other receivables	19 684	10 436
Receivables from related entities	1 167	6 724
Total borrowings and receivables	22 355	18 698
Other	42	18
Financial assets valued at their fair value through the income statement (designated for trading)		
Cash in hand and at bank	9 755	6 075
Short-term deposits	210 314	203 300
Short-term financial assets	9 511	20 501
Maximum credit risk exposure	251 977	248 592
FINANCIAL LIABILITIES		
Loans	-	50 000
Own bonds issued	361 311	311 180
Trade payables, accrued and other liabilities	311 939	333 981
Lease liabilities	103 596	-
Financial liabilities valued at amortised cost	776 846	695 161

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 2019 and 31 December 2018, 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.

Furthermore, the Company has short-term bank deposits which bear variable interest, the gains from which depend on the benchmark interest rate change and partially offsets the cash flow risk associated with financing.

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	31.12.2019	31.12.2018
Financial assets	229 580	229 876
Financial liabilities	361 311	361 180
Net total	(131 731)	(131 304)

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 2019 and 31 December 2018 assumes that all other variables remain unchanged.



	Income statement		Net assets	
	Increase by 100 bp	Decrease by 100 bp	Increase by 100 bp	Decrease by 100 bp
31 December 2019				
Variable interest rate assets	620	(620)	620	(620)
Variable interest rate liabilities *)	(976)	976	(976)	976
Net sensitivity	(356)	356	(356)	356
31 December 2018				
Variable interest rate assets	621	(621)	621	(621)
Variable interest rate liabilities *)	(975)	975	(975)	975
Net sensitivity	(354)	354	(354)	354

*) The financial costs which are related to loans and bonds, and financial income related to deposits are capitalized 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 aging 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:

	Total	0 – 6 months	6 – 12 months	1 – 2 years	2 – 5 years
31 December 2019					
Loans	-	-	-	-	-
Own bonds issued	391 746	106 682	4 940	119 358	160 766
Trade and other payables	311 939	252 436	5 669	8 540	45 294
Lease liabilities *)	103 596	5 277	2 163	5 079	91 077
Total	807 281	364 395	12 772	132 977	297 137
31 December 2018					
Loans	50 027	50 027	-	-	-
Own bonds issued	346 798	6 355	6 355	110 489	223 599
Trade and other payables	333 981	274 505	9 079	4 381	46 016
Total	730 806	330 887	15 434	114 870	269 615

*) 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 2019 and 2018 the return on equity (calculated as net profit to the annual average value of shareholders' equity) amounted to 28.4% and 21.1%, respectively. In that period, the average weighted cost of interest on the Company's debt amounted to 3.7% in 2019 and 3.9% in 2018.

As at 31 December 2019 and 2018 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 11.7% and 12.6% 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	01.01-31.12.2019	01.01-31.12.2018
Basic earnings per share		
Profit for calculation of the basic earnings per share	304 665	214 098
The weighted average number of ordinary shares for the calculation of basic earnings per share	25 052 258	24 944 312
Basic earnings per share (PLN)	12.16	8.58
Diluted earnings per share		
Profit for calculation of the diluted earnings per share	304 665	214 098
Potential diluting shares related to the Management Share Option Programme	148 521	158 115
The weighted average number of ordinary shares for the calculation of diluted earnings per share	25 200 779	25 102 427
Diluted earnings per share (PLN)	12.09	8.53

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	01.01-31.12.2019	01.01-31.12.2018
Current income tax	65 133	60 858
Income tax carried forward *)	-	588
Deferred tax	(10 900)	(13 411)
Total	54 233	48 035

*) Adjustment of income tax for 2018. This adjustment has effected in the adjustment of the same amount to the deferred tax.

The corporate income tax payables of the Company as at 31 December 2019 and 2018 was PLN 33 590 thousand and PLN 30 052 thousand, respectively.

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	01.01-31.12.2019	01.01-31.12.2018
Gross profit before tax	358 898	262 133
As per 19% tax rate	68 191	49 805
Permanent differences not subject to the current and deferred tax in the financial statements (except for cost of the management options)	1 846	879
Tax effect of management options permanently not being a tax deductible cost	967	1 099
Dividends received	(16 771)	(3 734)
Other	-	(14)
Actual income tax expense	54 233	48 035
Effective tax rate	15.11%	18.32%

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 and Wrocław markets. The operations on the Wrocław and Tricity 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 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- 31.12.2019	01.01- 31.12.2018
Sales of finished goods	1 324 264	1 246 724
Sales of services	15 410	16 241
Sales of goods (land)	13 906	4 674
Sales revenue, total	1 353 580	1 267 639
Cost of finished goods sold	(920 214)	(874 328)
Cost of services sold	(18 534)	(17 702)
Cost of goods sold	(14 646)	(4 308)
Inventory write down to the net realisable value	1 608	495
Cost of sales, total	(951 786)	(895 843)
Gross profit on sales	401 794	371 796

7.36. Costs by type

OPERATING COSTS	01.01- 31.12.2019	01.01- 31.12.2018
Cost of sales	(951 786)	(895 843)
Selling costs	(47 655)	(55 740)
General administrative expenses	(70 718)	(65 922)
Total	(1 070 159)	(1 017 505)
Costs by type		
Depreciation and amortisation	(10 658)	(6 895)
Cost of materials and energy	(142 039)	(114 865)
External services	(770 981)	(858 043)
Taxes and charges	(3 561)	(4 167)
Payroll costs	(60 095)	(70 254)
Other expenses	(5 454)	(5 499)
Goods and materials sold	(14 646)	(4 308)
Change in inventory of products and work in progress	(68 946)	44 235
Cost of services and products for own use	6 221	2 291
Total	(1 070 159)	(1 017 505)

7.37. Payroll costs and employment

PAYROLL COSTS AND AVERAGE EMPLOYMENT (including the executives)	01.01- 31.12.2019	01.01- 31.12.2018
Individual personnel categories (number of staff)	176	192
White-collar workers	176	192
Blue-collar workers	-	-
Payroll costs		
Payroll costs, including:	53 251	62 363
- cost of share-based payments (note 7.44)	5 091	5 785
Social security and other benefits	6 844	7 891
Payroll costs, total	60 095	70 254



7.38. Other operating income

OTHER OPERATING INCOME	01.01- 31.12.2019	01.01- 31.12.2018
Revenues from contractual penalties, arrangements and compensations	252	189
Reversal of provision for costs	1 557	644
Revenues from compensations	1 836	834
Revenues from the liquidation of a subsidiary	133	484
Revenues from betterment levy refund	1 207	-
Other	878	337
Total	5 863	2 488

7.39. Other operating expenses

OTHER OPERATING EXPENSES	01.01- 31.12.2019	01.01- 31.12.2018
Provision for penalties and arrangements	828	289
Donations	600	1 143
Provision for other costs	5 123	739
Bad debt written down	1 725	35
Cost of repairs and defects (including change in provision)	6 422	5 979
Costs of discontinued projects	634	-
Cost of betterment levies	89	950
Other	1 629	430
Total	17 050	9 565

7.40. Financial income

FINANCIAL INCOME	01.01- 31.12.2019	01.01- 31.12.2018
Interest on bank deposits and borrowings (non-capitalized part of interest)	2 353	542
Revenue from discounting receivables and payables	599	756
Dividends received	88 267	19 650
Other interest	352	15
Foreign exchange differences	209	43
Total	91 780	21 006

7.41. Financial costs

FINANCIAL COSTS	01.01- 31.12.2019	01.01- 31.12.2018
Interest on loans and bonds (non-capitalized part of interest)	2 780	639
Other interest	136	92
Commissions and fees	456	546
Foreign exchange differences	-	-
Lease financial costs	1 108	-
Valuation of long-term investments (CAP options)	636	653
Total	5 116	1 930



7.42. Interest cost

INTEREST COST	01.01- 31.12.2019	01.01- 31.12.2018
Financial costs (interest) capitalised under work in progress*)	7 439	8 791
Financial costs (interest) disclosed in the income statement	2 916	731
Total interest costs	10 355	9 522

*) 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 2019 and 2018, 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- 31.12.2019	01.01- 31.12.2018
Woodsford Consulting Limited	Consulting services as per the agreement dated 27.6.07 as annexed	2 440	2 154
Hansom Property Company Limited	Consulting services as per the agreement dated 2.1.01 as annexed	1 203	1 009
Kirkley Advisory Limited	Consulting services as per the agreement dated 29.09.2017	-	96
M & M Usługi Doradcze M. Kolarski	Consulting services	147	277
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	30
Dom Development Grunty sp. z o.o.	Other	-	55
Dom Development Wrocław sp. z o.o.	Cooperation Agreements	46	309
Mirabelle Investments sp. z o.o.	Other	32	144
Euro Styl S.A.	Cooperation Agreements	16	499
Euro Styl Construction sp. z o.o.	Cooperation Agreements	231	30
Dom Construction sp. z o.o.	Construction services	269 362	31 727
Dom Construction sp. z o.o.	Other	802	99
Dom Development Kredyty sp. z o.o.	Cooperation Agreements	-	257



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

Counterparty	Transaction description	01.01- 31.12.2019	01.01- 31.12.2018
Fort Mokotów sp. z o.o., w likwidacji (under liquidation)	Repair services as per the agreement dated 22 July 2005	-	32
Dom Development Grunty sp. z o.o.	Other	18	18
Dom Development Morskie Oko sp. z o.o. w likwidacji (under liquidation)	Other	3	5
Euro Styl S.A.	Cooperation Agreement	500	75
Euro Styl Construction sp. z o.o.	Cooperation Agreement	35	-
Dom Land sp. z o.o.	Other	11	11
Dom Development Wrocław sp. z o.o.	Cooperation Agreements	759	450
Dom Development Kredyty sp. z o.o.	Cooperation Agreements	343	274
Dom Construction sp. z o.o.	Cooperation Agreements	2 806	675
M2 Biuro sp. z o.o.	Cooperation Agreements	5	-
M2 Hotel sp. z o.o.	Cooperation Agreements	5	-
Mirabelle Investments sp. z o.o.	Other	10	10

DOM DEVELOPMENT S.A. AS A LENDER:

Counterparty	Transaction description	01.01- 31.12.2019	01.01- 31.12.2018
Dom Development Wrocław sp. z o.o.	Borrowing provided	25 000	-
Dom Development Wrocław sp. z o.o.	Interest received on the borrowing	186	-
Euro Styl S.A.	Borrowing provided	70 000	-
Euro Styl S.A.	Interest received on the borrowing	1 709	-

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

Counterparty	Transaction description	01.01- 31.12.2019	01.01- 31.12.2018
Dom Development Wrocław sp. z o.o.	Additional contribution to the share capital *)	5 555	34 000
Dom Development Morskie Oko sp. z o.o. w likwidacji (under liquidation)	Additional contribution to the share capital *)	(1 147)	-
Dom Construction sp. z o.o.	Share capital contribution *)	-	100
Dom Construction sp. z o.o.	Additional contribution to the share capital *)	-	3 000
M2 Biuro sp. z o.o.	Contribution in kind to the share capital*)	-	17 205
M2 Biuro sp. z o.o.	Cash contribution to the share capital*)	200	-
M2 Hotel sp. z o.o.	Contribution in kind to the share capital*)	-	10 800
M2 Hotel sp. z o.o.	Cash contribution to the share capital*)	200	-

*) 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 TRANSFEREE OF ASSETS FOLLOWING THE LIQUIDATION OF SUBSIDIARIES::

Counterparty	Transaction description	01.01- 31.12.2019	01.01- 31.12.2018
Fort Mokotów sp. z o.o., w likwidacji (under liquidation)	Receipt under the shares	-	484



DOM DEVELOPMENT S.A. AS A PAYER OF PREPAYMENTS:			
Counterparty	Transaction description	01.01- 31.12.2019	01.01- 31.12.2018
Dom Construction sp. z o.o.	(Net) prepayment for construction services	(3 500)	3 500
Dom Development Grunty sp. z o.o.	(Net) prepayment transferred for the purchase of land	-	455

DOM DEVELOPMENT S.A. AS A DIVIDEND PAYAER:			
Counterparty	Transaction description	01.01- 31.12.2019	01.01- 31.12.2018
Groupe Belleforêt S.à r.l. (previously in SCOP Poland S.à.r.l., and before then Dom Development B.V.)	Dividend paid	128 111	107 919

DOM DEVELOPMENT S.A. AS A DIVIDEND RECIPIENT:			
Counterparty	Transaction description	01.01- 31.12.2019	01.01- 31.12.2018
Euro Styl S.A.	Dividend received	87 694	18 850
Mirabelle Investments sp. z o.o.	Dividend received	-	800
Dom Development Grunty sp. z o.o.	Dividend received	32	-
Dom Development Kredyty sp. z o.o.	Dividend received	540	-

DOM DEVELOPMENT S.A. AS A BUYER OF THE TITLE TO LAND:			
Counterparty	Transaction description	01.01- 31.12.2019	01.01- 31.12.2018
Dom Development Grunty sp. z o.o.	(net) purchase of plots of land	-	4 314

DOM DEVELOPMENT S.A. AS A SELLER OF THE TITLE TO LAND:			
Counterparty	Transaction description	01.01- 31.12.2019	01.01- 31.12.2018
Dom Development Grunty sp. z o.o.	Termination of the agreement for the sale of interest in real property	-	(10 802)
Dom Land sp. z o.o.	Termination of the agreement for the sale of interest in real property	-	(2 478)



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

Entity	Receivables from related entities		Liabilities to related entities	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Total balance	175 649	81 667	37 273	8 225
Subsidiaries	175 649	81 649	36 904	8 082
Dom Development Morskie Oko sp. z o.o., w likwidacji (under liquidation) additional contributions to the share capital	-	1 147	-	-
Dom Development Grunty sp. z o.o.	1 482	1 482	-	-
Dom Development Wrocław sp. z o.o. additional contributions to the share capital*)	75 000	69 445	-	-
Dom Development Wrocław sp. z o.o. loans granted	25 000	-	-	-
Dom Development Wrocław sp. z o.o.	57	36	1	-
Euro Styl S.A. loans granted	70 000	-	-	-
Euro Styl S.A.	242	65	-	-
Euro Styl Construction sp. z o.o.	21	-	71	-
Mirabelle Investments sp. z o.o.	1	-	-	23
Dom Development Kredyty sp. z o.o.	10	1	-	-
Dom Construction sp. z o.o.	836	32	36 832	6 073
Dom Construction sp. z o.o. guarantee retentions	-	-	-	1 586
Dom Construction sp. z o.o. additional contributions to the share capital*)	3 000	3 000	-	-
M2 Biuro sp. z o.o.	-	3 957	-	-
M2 Hotel sp. z o.o.	-	2 484	-	-
M2 office sp. z o.o. cash contribution to the share capital	-	-	-	200
M2 Hotel sp. z o.o. cash contribution to the share capital	-	-	-	200
Other entities	-	18	369	143
Dom Land sp. z o.o.	-	18	-	-
M&M Usługi Doradcze M. Kolarski	-	-	1	3
Woodsford Consulting Limited	-	-	368	140

*) 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".

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

7.44. Incentive Plan – Management Option Programmes

As at 31 December 2019 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)	Options granted	Options exercised
		(number of shares)	(number of shares)
31.12.2019			
Programme IV	500 000	500 000	200 000
Programme V	250 000	250 000	-

Options in the programme (number of shares)	Options granted	Options exercised
	(number of shares)	(number of shares)
31.12.2018		
500 000	500 000	100 000
-	-	-



Active Management Option Programmes at 31 December 2019

Management Option Programme IV

On 1 December 2017, the Supervisory Board of the Company acting pursuant to the power of attorney granted by the Ordinary 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. ("Programme IV") to Ms Małgorzata Kolarska, Vice President of the Management Board and Chief Operating Officer. Under Program IV, Mrs 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 2019, 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 power of attorney granted by the Ordinary 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. ("Programme V") to Mr Mikołaj Konopka, Member of the Management Board. In accordance with the terms of 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 2020, 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

In the twelve-month period ended 31 December 2019 the Company granted share options under Programme V as described above.

In the twelve-month period ended 31 December 2018 the Company did not grant any new share options.

The fair value of the options convertible into shares granted under this tranche was estimated as on the grant date based on the Black-Scholes-Merton model, taking into account the conditions existing on the grant date. The preliminary assumptions taken in the model for the valuation of these options are as follows:

Options grant date	29 November 2019
Options exercise period start date	5 tranches of 50 000 options each, every 12 months from 1 January 2020.
Options maturity date	31 December 2029
Dividend rate (%) for subsequent tranches	0.00; 7.33; 8.02; 8.17; 8.02
Anticipated volatility rate (%)	20.85
Risk-free interest rate (%)	1.50
Anticipated options exercise period:	31 March 2020; 31 March 2021; 31 March 2022; 31 March 2023; 31 March 2024
Exercise price per option (PLN)	50.00
Current share price (PLN)	92.20

The value of the options calculated based on the above model and assumptions on the grant date was PLN 7 580 thousand. The values of each tranche options are recognized proportionately in the income statement for the period from the option grant date to the expected date of the start of the exercise period for each individual tranche.

Exercise of the share options

On 24 January 2019, the Management Board of the Company adopted a resolution on the increase of share capital in the Company by issuing 100 000 series Z ordinary bearer shares. The shares were issued in a private placement addressed to Mr Małgorzata Kolarska, Vice President of the Management Board as a participant in Management Options Programme IV (which was described in detail in note 7.15). These shares were registered by the District Court for the capital city of Warsaw on 18 March 2019.



Expiry of share options

In the twelve-month periods ended 31 December 2019 and 31 December 2018 no share options expired.

Cost of Management Option Programmes accounted for in the income statement and the shareholders' equity

In the three-month periods ended 31 December 2019 and 2018 the amounts of PLN 5 091 thousand and PLN 5 785 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- 31.12.2019	01.01- 31.12.2018
Unexercised options at the beginning of the period	Number of options	400 000	500 000
	Total exercise price	14 000	17 500
Options granted in the period	Number of options	250 000	-
	Total option exercise value	12 500	-
Options expired in the period	Number of options	-	-
	Total option exercise value	-	-
Options exercised in the period	Number of options	100 000	100 000
	Total option exercise value	3 500	3 500
	Weighted average exercise price per share (PLN per share)	35,00	35,00
Unexercised options at the end of the period	Number of options	550 000	400 000
	Total exercise price	23 000	14 000
Exercisable options at the beginning of the period	Number of options	100 000	100 000
	Total exercise price	3 500	3 500
Exercisable options at the end of the period	Number of options	-	-
	Total exercise price	-	-

7.45. Remuneration of members of the Company's management and supervisory bodies

Remuneration for key executives	01.01- 31.12.2019	01.01- 31.12.2018
1. The Management Board		
Remuneration	9 258	7 644
including payments from profit	-	-
Non-pay benefits	75	71
Total remuneration	9 333	7 715
2. The Supervisory Board		
Remuneration	1 301	1 300

The cost of management option programme that accounted for PLN 5 091 thousand and PLN 5 785 in the years ended 31 December 2019 and 2018, respectively, have not been disclosed in the table above.

The composition of the Management Board and the Supervisory Board as at 31 December 2019 has been presented in Note 7.49.



The agreements concluded between the Company and the members of the management which provide for the compensation in the event of their resignation or dismissal 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 and Mikołaj Konopka, in the case of dismissal for reasons other than the violation of their fundamental obligations or no re-appointment for another term of office, are entitled to the payment of 6 months' remuneration. On the basis of the resolution of the Supervisory Board, Janusz Zalewski, a Management Board member, in the case of dismissal for reasons other than the violation of his fundamental obligations is entitled to the payment equal to the full one month salary as calculated for the period from the day following the expiry of the term of office to 1 October 2021.

7.46. Contingent liabilities

CONTINGENT LIABILITIES	31.12.2019	31.12.2018
Guarantees	963	111
Sureties	42 034	21 743
Total	42 997	21 854

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

COLLATERALS FOR LIABILITIES	31.12.2019	31.12.2018
Promissory notes, including:		
– promissory notes as an additional guarantee for PKO BP bank in respect of claims arising from the granted loan	-	100 000
– promissory notes as other security	2 000	2 000
Total	2 000	102 000

7.47. Material court cases as at 31 December 2019

As at 31 December 2019 the Company was not a party to any material court cases.

7.48. Approval of the financial statements for 2018

On 30 May 2019, the Ordinary General Shareholders Meeting of Dom Development S.A. approved the financial statements of Dom Development S.A. for the year ended on 31 December 2018, the Management Board's report of activities of Dom Development S.A. in 2018 and the consolidated financial statements of Dom Development S.A. Capital Group for the year ended on 31 December 2018 and the Management's report of activities of Dom Development S.A. Capital Group in 2018, as presented by the Management Board. The Ordinary General Shareholders Meeting gave a vote of approval for the Management Board for the year 2018.

7.49. Changes to the composition of the Management Board and the Supervisory Board of the Company

The Supervisory Board

No changes in the composition of the Supervisory Board of the Company took place in 2019.



As at 31 December 2019 the Supervisory Board of Dom Development S.A. was composed of 7 members:

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

The Management Board

No changes in the composition of the Management Board of the Company took place in 2019.

As at 31 December 2019 the Management Board of Dom Development S.A. was composed of 5 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 R. Roydon, Member of the Management Board
Mikołaj Konopka, Member of the Management Board

7.50. Additional information on the operating activity of the Company

In the twelve-month period ended 31 December 2019 the following material changes in the portfolio of the Company's ongoing development investments in the Warsaw market took place:

Projects where the construction was commenced by the Company in the period from 1 January 2019 until 31 December 2019:

Project	Standard	Number of apartments	Number of commercial units	Started in
Żoliborz Artystyczny, phase 11	Popular	372	9	Q1 2019
Żoliborz Artystyczny, phase 12	Popular	95	11	Q1 2019
Apartamenty Ogrodowa	Apartments	155	5	Q1 2019
Wilno VI, phase 3/1	Popular	197	-	Q1 2019
Apartamenty Włodarzewska 70	Popular	102	-	Q2 2019
Port Żerań, phase 3	Popular	152	-	Q2 2019
Wilno VI, phase 3/2	Popular	225	3	Q3 2019
Dzielnica Mieszkaniowa Metro Zachód, phase 1	Popular	128	6	Q4 2019
Total		1 426	34	



Projects where the construction was completed by the Company in the period from 1 January 2019 until 31 December 2019:

Project	Standard	Number of apartments	Number of commercial units	Completed in
Amsterdam, phase 2	Popular	307	7	Q1 2019
Cybernetyki 17, phase 3	Popular	240	-	Q2 2019
Regaty, phase 2	Popular	198	2	Q2 2019
Forma, stage 2 phase 2	Popular	210	3	Q2 2019
Port Żerań, phase 2	Popular	330	-	Q3 2019
Amsterdam, phase 3	Popular	188	14	Q4 2019
Apartamenty Dolny Mokotów	Apartments	148	5	Q4 2019
Wille Taneczna 2	Popular	81	-	Q4 2019
Żoliborz Artystyczny, phase 10	Popular	261	12	Q4 2019
Total		1 963	43	

Moreover, in 2019 Dom Development Capital Group carried out real property development projects in the Wrocław market through its subsidiary Dom Development Wrocław Sp. z o.o. and in the Tricity market through Euro Styl Capital Group, which it controls in 100% (see note 7.8).

Information on deliveries of residential and commercial units in the reporting period

Number of residential and commercial units delivered to customers in the twelve-month period ended 31 December 2019 has been presented in the following table:

Number of apartments and retail units delivered	2019	2018
Q1	1 112	384
Q2	369	688
Q3	633	248
Q3	684	1 291
Total	2 798	2 611

7.51. Material post-balance sheet events

Exercise of Company share options

On 21 January 2020, the Management Board increased Company's share capital from PLN 25 068 422.00 to PLN 25 218 422.00, i.e. by PLN 150 000.00, by issuing 100 000 series AA ordinary bearer shares with PLN 1.00 nominal each, numbered 1 to 100 000 and 50 000 series AB ordinary bearer shares with PLN 1.00 nominal each, numbered 1 to 50 000. The issue of series AA and AB shares took place through a private placement. The purpose of issuing series "AA" and series "AB" shares as part of the authorised capital is to enable the Company to fulfil its obligations resulting from the 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 the Management Option Programme V for Mikołaj Konopka, Management Board member of Dom Development S.A., concerning 250 000 shares of 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 AA shares and 50 000 series AB shares. The exclusion of pre-emptive rights of the existing shareholders is justified by the fact that the issue of series AA shares is addressed only to Ms Małgorzata Kolarska, Vice President of the Management Board of the Company as the Participant in Program IV, while the issue of series AB shares is addressed only to Mikołaj Konopka, a member of the Management Board of the company as the Participant in Program V, to enable them to exercise their rights under the subscription warrants.

On 3 February 2020:

- 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 AA 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 AB shares was PLN 50.00 per share.



On 4 February 2020, the Management Board of the Company adopted a resolution on the allocation of 100 000 series AA shares to Ms Małgorzata Kolarska and 50 000 series AB shares to Mr Mikołaj Konopka.

7.52. Forecasts

The Management Board of Dom Development S.A. does not publish any financial forecasts concerning both, the parent company and the Capital 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 2019 and 2018 were audited by PricewaterhouseCoopers Polska spółka z o.o. Audyty sp.k. and other PricewaterhouseCoopers Polska spółka z o.o. Audyty sp.k. related companies.

The fee paid or payable for the year ended 31 December 2019 and 31 December 2018 broken up by services, has been presented below:

SERVICES	01.01- -31.12.2019	01.01- -31.12.2018
- Financial statements audit	170	270
- Review of semi-annual financial statements	75	100
- Other services	-	-
Total	245	270

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	31.12.2019	31.12.2018
	thousand EURO	thousand EURO
Total current assets	468 645	437 984
Total assets	589 924	527 859
Total shareholders' equity	262 295	239 677
Long-term liabilities	84 776	92 191
Short-term liabilities	242 853	195 991
Total liabilities	327 629	288 182
<i>PLN/EURO exchange rate as at the balance sheet date</i>	<i>4.2585</i>	<i>4.3000</i>

SELECTED DATA FROM THE INCOME STATEMENT	01.01- -31.12.2019	01.01- -31.12.2018
	thousand EURO	thousand EURO
Sales revenue	314 654	297 087
Gross profit on sales	93 401	87 135
Operating profit	63 284	56 963
Profit before tax	83 430	61 434
Net profit	70 823	50 176
<i>Average PLN/EURO exchange rate for the reporting period</i>	<i>4.3018</i>	<i>4.2669</i>