



DOM DEVELOPMENT S.A.

FINANCIAL STATEMENTS FOR THE YEAR ENDED

31 DECEMBER 2012

Prepared in accordance
with the International Financial Reporting Standards



CONTENTS

1.	APPROVAL OF THE FINANCIAL STATEMENTS BY THE MANAGEMENT BOARD OF THE COMPANY	3
2.	BALANCE SHEET	4
3.	INCOME STATEMENT	5
4.	STATEMENT OF COMPREHENSIVE INCOME	6
5.	CASH FLOW STATEMENT	7
6.	STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	8
7.	ADDITIONAL NOTES TO THE FINANCIAL STATEMENTS	9
7.1.	General information about Dom Development S.A.	9
7.2.	Basis for the preparing of the financial statements	9
7.3.	Compliance statement	9
7.4.	Significant accounting policies	11
7.5.	Key figures based on professional judgement and basis for estimates.....	14
7.6.	Intangible assets	15
7.7.	Tangible fixed assets	16
7.8.	Lease.....	17
7.9.	Investments in subsidiaries, associates and jointly controlled entities.....	17
7.10.	Long-term receivables	17
7.11.	Inventory.....	18
7.12.	Trade and other receivables	19
7.13.	Other current assets	20
7.14.	Short-term financial assets.....	20
7.15.	Cash and cash equivalents	20
7.16.	Share capital	21
7.17.	Share premium.....	22
7.18.	Additional information on shareholders' equity	22
7.19.	Dividend and profit distribution	23
7.20.	Loans	23
7.21.	Deferred tax assets and provisions	24
7.22.	Long-term provisions	25
7.23.	Other long-term liabilities.....	25
7.24.	Bonds	25
7.25.	Accrued interest on loans and bonds	26
7.26.	Trade payables, tax and other liabilities	26
7.27.	Short-term provisions	27
7.28.	Deferred income.....	27
7.29.	Benefits after employment	27
7.30.	Financial assets and liabilities	28
7.31.	Financial risk management.....	28
7.32.	Earnings per share	31
7.33.	Income tax	31
7.34.	Segment reporting.....	32
7.35.	Operating income	32
7.36.	Operating costs	33
7.37.	Payroll costs.....	33
7.38.	Other operating income	33
7.39.	Other operating expenses	34
7.40.	Financial income.....	34
7.41.	Financial costs.....	34



7.42. Interest cost	34
7.43. Transactions with related entities	35
7.44. Incentive Plan – Management Option Programmes	36
7.45. Remuneration of members of the Company's management and supervisory bodies	39
7.46. Contingent liabilities	39
7.47. Material court cases as at 31 December 2012.....	40
7.48. Changes in the composition of the Management Board and the Supervisory Board of the Company	40
7.49. Additional information on the operating activity of the Company	40
7.50. Material post-balance sheet events	41
7.51. Approval of the financial statements for 2011.....	41
7.52. Forecasts	42
7.53. Information on remuneration of the statutory auditor or the entity authorised to audit financial statements.....	42
7.54. Selected financial data translated into EURO	42



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

These financial statements for the year ended 31 December 2012 were prepared and approved by the Management Board of the Joint Stock Company Dom Development S.A. on 26 February 2013.

Jarosław Szanajca,
President of the Management Board

Janusz Zalewski,
Vice President of the Management Board

Jerzy Ślusarski,
Vice President of the Management Board

Janusz Stolarczyk,
Member of the Management Board

Terry R. Roydon,
Member of the Management Board



2. BALANCE SHEET

ASSETS	Note	31.12.2012	31.12.2011
Fixed assets			
Intangible assets	7.6	1 211	1 204
Tangible fixed assets	7.7	5 308	4 711
Investments in subsidiaries, associates and a jointly controlled entities	7.9	368	935
Long-term receivables	7.10	1 679	1 588
Other financial assets		38	-
Total fixed assets		8 604	8 438
Current assets			
Inventory	7.11	1 305 568	1 465 828
Trade and other receivables	7.12	27 993	49 269
Other current assets	7.13	7 217	13 248
Short-term financial assets	7.14	234 769	-
Cash and cash equivalents	7.15	173 045	376 833
Total current assets		1 748 592	1 905 178
Total assets		1 757 196	1 913 616

EQUITY AND LIABILITIES	Note	31.12.2012	31.12.2011
Shareholders' equity			
Share capital	7.16	24 715	24 560
Share premium	7.17	233 733	231 535
Other capital (supplementary capital)		517 362	471 528
Reserve capital from valuation of share options	7.44	25 089	24 280
Reserve capital from valuation of cash flow hedges		(58)	-
Reserve capital from reduction of share capital		510	510
Accumulated, unappropriated profit (loss)		91 207	82 839
Total shareholders' equity		892 558	835 252
Liabilities			
Long-term liabilities			
Long-term loans	7.20	177 000	160 000
Bonds, long-term portion	7.24	220 000	100 000
Deferred tax provision	7.21	7 866	10 328
Long-term provisions	7.22	13 509	13 597
Other long-term liabilities	7.23	32 583	35 049
Total long-term liabilities		450 958	318 974
Short-term liabilities			
Trade payables, tax and other liabilities	7.26	131 201	196 148
Short-term part of long-term loans	7.20	33 000	57 134
Bonds, short-term portion	7.24	-	170 000
Accrued interest on loans and bonds	7.25	4 310	2 220
Corporate income tax payables		2 507	2 179
Short-term provisions	7.27	5 749	4 394
Deferred income	7.28	236 913	327 315
Total short-term liabilities		413 680	759 390
Total liabilities		864 638	1 078 364
Total equity and liabilities		1 757 196	1 913 616



3. INCOME STATEMENT

	Note	Year ended	
		31.12.2012	31.12.2011
Sales revenue	7.35	851 591	578 902
Cost of sales	7.36	(647 535)	(388 377)
Gross profit on sales		204 056	190 525
Selling costs	7.36	(38 837)	(35 308)
General administrative expenses	7.36	(46 249)	(43 691)
Other operating income	7.38	3 951	3 628
Other operating expenses	7.39	(8 899)	(11 626)
Operating profit		114 022	103 528
Financial income	7.40	6 769	7 094
Financial costs	7.41	(7 305)	(6 985)
Profit before tax		113 486	103 637
Income tax	7.33	(22 279)	(20 798)
Net profit		91 207	82 839
Earnings per share:			
Basic (PLN)	7.32	3.70	3.37
Diluted (PLN)	7.32	3.69	3.35



4. STATEMENT OF COMPREHENSIVE INCOME

	Year ended	
	31.12.2012	31.12.2011
Net profit	91 207	82 839
Other comprehensive income		
Net change to cash flow hedges	(72)	-
Income tax	14	-
Other net comprehensive income	(58)	-
Total net comprehensive income	91 149	82 839



5. CASH FLOW STATEMENT

	Note	Year ended	
		31.12.2012	31.12.2011
Cash flow from operating activities			
Profit before tax		113 486	103 637
Adjustments:			
Depreciation		2 993	2 447
(Profit)/loss on foreign exchange differences		321	(161)
(Profit)/loss on investments		1 053	346
Interest cost/(income)		19 036	13 130
Cost of the management option programmes		809	1 670
Changes in the operating capital			
Changes in provisions		1 266	1 874
Changes in inventory		160 688	(354 950)
Changes in receivables		21 185	7 534
Changes in trade payables and other liabilities		(68 289)	79 838
Changes in prepayments and deferred income		(90 517)	131 887
Other adjustments		(321)	161
Cash flow generated from operating activities		161 710	(12 587)
Interest received		24 077	15 084
Interest paid		(35 359)	(29 073)
Income tax paid		(24 399)	(13 253)
Net cash flow from operating activities		126 029	(39 829)
Cash flow from investing activities			
Proceeds from the sale of intangible assets and tangible fixed assets		268	54
Proceeds from financial assets, including dividends		-	709
Proceeds from borrowings granted		137	-
Other income from financial assets		-	965
Bank deposits made with a maturity over three months		(233 910)	-
Acquisition of intangible and tangible fixed assets		(3 641)	(2 904)
Acquisition of financial assets		(880)	-
Net cash flow from investing activities		(238 026)	(1 176)
Cash flows from financing activities			
Proceeds from issue of shares (exercise of share options)		2 353	-
Proceeds from contracted loans	7.20	50 000	189 317
Commercial papers issued	7.24	120 000	-
Repayment of loans and borrowings	7.20	(57 134)	(180 045)
Redemption of commercial papers	7.24	(170 000)	-
Dividends paid	7.19	(37 006)	(22 104)
Payment of financial lease liabilities		(4)	(81)
Net cash flow from financing activities		(91 791)	(12 913)
Increase / (decrease) in net cash and cash equivalents		(203 788)	(53 918)
Cash and cash equivalents – opening balance	7.15	376 833	430 751
Cash and cash equivalents – closing balance	7.15	173 045	376 833



DOM DEVELOPMENT S.A.
Statement of changes in shareholders' equity
for the year ended 31 December 2012
(all amounts in thousand 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 shareholder s' equity
				from reduction of share capital	from valuation of cash flow hedges	from valuation of share options		
Balance as at 1 January 2012	24 560	231 535	471 528	510	-	24 280	82 839	835 252
Share capital increase by exercising share options (note 7.8)	155	2 198	-	-	-	-	-	2 353
Transfer of profit to supplementary capital	-	-	45 834	-	-	-	(45 834)	-
Payment of dividends to shareholders	-	-	-	-	-	-	(37 005)	(37 005)
Creation of reserve capital from the valuation of the share options	-	-	-	-	-	809	-	809
Net profit for the reporting period	-	-	-	-	-	-	91 207	91 207
Other net comprehensive income for the reporting period	-	-	-	-	(58)	-	-	(58)
Balance as at 31 December 2012	24 715	233 733	517 362	510	(58)	25 089	91 207	892 558

	Share capital	Share premium less treasury shares	Other capital (supplementary capital)	Reserve capital			Accumulated, unappropriated profit (loss)	Total shareholder s' equity
				from reduction of share capital	from valuation of cash flow hedges	from valuation of share options		
Balance as at 1 January 2011	24 560	231 535	453 943	510	-	22 610	39 689	772 847
Share capital increase	-	-	-	-	-	-	-	-
Transfer of profit to supplementary capital	-	-	17 585	-	-	-	(17 585)	-
Payment of dividends to shareholders	-	-	-	-	-	-	(22 104)	(22 104)
Creation of reserve capital from the valuation of the share options	-	-	-	-	-	1 670	-	1 670
Net profit for the reporting period	-	-	-	-	-	-	82 839	82 839
Other net comprehensive income for the reporting period	-	-	-	-	-	-	-	-
Balance as at 31 December 2011	24 560	231 535	471 528	510	-	24 280	82 839	835 252



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 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, 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, and Wrocław.

The Company is a majority-owned subsidiary of Dom Development B.V. with its registered office in the Netherlands. As at 31 December 2012, Dom Development B.V. controlled 61.53% of the Company’s shares and was a parent company for Dom Development S.A..

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 2012 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 2012. These statements were approved by the Management Board of the Company on 26 February 2013.

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 2012.

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 2011, except for the following amendments to existing standards and new interpretations that are effective for annual periods beginning on 1 January 2012:

- Amendments to IFRS 7 *Financial Instruments: Disclosures: Transfer of Financial Assets* – effective for annual periods beginning on or after 1 July 2011. The adoption of these amendments has not affected the Company's financial condition or operating results or the scope of information presented in the Company's 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 Council or the International Financial Reporting Interpretation Committee that have not come into force:

- Phase one for IFRS 9 *Financial Instruments: Classification and Measurement* – effective for annual periods beginning on or after 1 January 2015 – not endorsed by the EU until the date of approval of these financial statements. The International Accounting Standards Board is addressing collaterals and impairment in the next phases. The adoption of the phase one of IFRS 9 will impact the classification and measurement of financial assets of the Company. The company will review this impact in conjunction with other phases, when published, in order to present a consistent picture,
- Amendments to IAS 12 *Income Taxes: Recovery of Underlying Assets* – effective for annual periods beginning on or after 1 January 2012 – in the EU effective latest for annual periods beginning on or after 1 January 2013,
- Amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards: Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* – effective for annual periods beginning on or after 1 July 2011 – in the EU effective latest for annual periods beginning on or after 1 January 2013,
- IFRS 10 *Consolidated Financial Statements* – effective for annual periods beginning on or after 1 January 2013 – in the EU effective latest for annual periods beginning on or after 1 January 2014,
- IFRS 11 *Joint Ventures* – effective for annual periods beginning on or after 1 January 2013 – in the EU effective latest for annual periods beginning on or after 1 January 2014,
- IFRS 12 *Disclosure of Interests in Other Entities* – effective for annual periods beginning on or after 1 January 2013 – in the EU effective latest for annual periods beginning on or after 1 January 2014,
- IFRS 13 *Fair Value Measurement* – effective for annual periods beginning on or after 1 January 2013,
- *Amendments to IAS 19 Employee Benefits* – effective for annual periods beginning on or after 1 January 2013,
- Amendments to IAS 1 *Presentation of Financial Statements: Presentation of other comprehensive income* – effective for annual periods beginning on or after 1 July 2012,
- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* – effective for annual periods beginning on or after 1 January 2013,
- Amendments to IFRS 7 *Financial Instruments: Disclosures: Offsetting of Financial Assets and Financial Liabilities* – effective for annual periods beginning on or after 1 January 2013,
- Amendments to IAS 32 *Financial Instruments: Presentation: Offsetting of Financial Assets and Financial Liabilities* – effective for annual periods beginning on or after 1 January 2014,
- Amendments to IFRS 10, IFRS 11 and IFRS 12 *Transition Guidance* – effective for annual periods beginning on or after 1 January 2013 – not endorsed by the EU until the date of approval of these financial statements,
- IAS 27 *Separate Financial Statements* – effective for annual periods beginning on or after 1 January 2013 – in the EU effective latest for annual periods beginning on or after 1 January 2014,
- IAS 28 *Investments in Associates and Joint Ventures* – effective for annual periods beginning on or after 1 January 2013 – in the EU effective latest for annual periods beginning on or after 1 January 2014,
- *Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards: Government Loans* – effective for annual periods beginning on or after 1 January 2012 – not endorsed by the EU until the date of approval of these financial statements,



- Improvements resulting from IFRS reviews (published in May 2012) – effective for annual periods beginning on or after 1 January 2013 – not endorsed by the EU until the date of approval of these financial statements,
- Amendments to IFRS 10, IFRS 12 and IFRS 27 *Investment Entities* (published on 31 October 2012) – effective for annual periods beginning on or after 1 January 2014 – not endorsed by the EU until the date of approval of these financial statements.

The Company's Management Board does not expect that the introduction of the above mentioned standards and interpretations should materially impact the accounting policies adopted by the Company.

The Company intends to introduce the above amendments as regarding consolidation and presentation of a joint venture in the Group's consolidated financial statements for 2013 and in the Group's interim condensed financial statements in 2013.

7.4. Significant accounting policies

Investments in subsidiaries, associates and joint ventures

Shares in subsidiaries, associates and joint ventures 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%, and for plants and equipment 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 construction project is expected to generate a loss, this entails a revaluation write down of work in progress (including the value of land), which is immediately recognised in the income statement.

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

Trade receivables are recognised and disclosed at original invoice amounts less provision for bad debts. Revaluation write down for doubtful debt is estimated when it is unlikely to collect the full amount of a receivable.

If the effect of the time value of money is material, the value of receivables is determined by discounting the estimated future cash flows to present value. Where discounting is used, any increase in the balance due to the passage of time is recognized as financial income.

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 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.) – pursuant to the guidelines included in IFRIC 15 “Agreements for the Construction of Real Estate” – this revenue 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 when a service is provided.

Foreign currency translation

The financial statements are presented in PLN, which is the Company’s functional 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.

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	Total
GROSS VALUE			
Balance as at 1 January 2011	1 138	3 617	4 755
Additions	43	950	993
(Disposals)	-	-	-
Balance as at 31 December 2011	1 181	4 567	5 748
Additions	175	828	1 003
(Disposals)	-	-	-
Balance as at 31 December 2012	1 356	5 395	6 751
DEPRECIATION			
Balance as at 1 January 2011	1 036	2 867	3 903
Additions	7	634	641
(Disposals)	-	-	-
Balance as at 31 December 2011	1 043	3 501	4 544
Additions	88	908	996
(Disposals)	-	-	-
Balance as at 31 December 2012	1 131	4 409	5 540
NET VALUE			
as at 31 December 2011	138	1 066	1 204
as at 31 December 2012	225	986	1 211

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

As at 31 December 2012 there were no circumstances that would require the Company to create revaluation write downs for its intangible assets.

The costs of depreciating 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	31.12.2012	31.12.2011
Tangible fixed assets, including:		
- plants and equipment	1 129	1 054
- vehicles	2 931	2 338
- other tangible fixed assets	1 248	1 319
Total tangible fixed assets	5 308	4 711

TANGIBLE FIXED ASSETS	Land and buildings	Vehicles	Equipment and other tangible fixed assets	Total
GROSS VALUE				
Balance as at 1 January 2011	-	4 959	4 811	9 770
Additions	-	1 191	720	1 911
(Disposals)	-	(187)	(167)	(354)
Balance as at 31 December 2011	-	5 963	5 364	11 327
Additions	-	1 689	966	2 655
(Disposals)	-	(957)	(214)	(1 171)
Balance as at 31 December 2012	-	6 695	6 116	12 811
ACCUMULATED DEPRECIATION				
Balance as at 1 January 2011	-	2 864	2 300	5 164
Additions	-	948	857	1 805
(Disposals)	-	(187)	(166)	(353)
Balance as at 31 December 2011	-	3 625	2 991	6 616
Additions	-	1 035	962	1 997
(Disposals)	-	(896)	(214)	(1 110)
Balance as at 31 December 2012	-	3 764	3 739	7 503
NET VALUE				
as at 31 December 2011	-	2 338	2 373	4 711
as at 31 December 2012	-	2 931	2 377	5 308

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

No collaterals have been established on fixed assets.

BALANCE SHEET TANGIBLE FIXED ASSETS(OWNERSHIP STRUCTURE)	31.12.2012	31.12.2011
owned	5 280	4 348
used on the basis of rental, lease or other agreement, including lease agreement, in this:	28	363
- lease	28	363
Total balance sheet tangible fixed assets	5 308	4 711



7.8. Lease

The Company is a party (as a lessee) to lease agreements relating to fixed assets which are recorded in the books as financial lease. The lease agreements are as a rule concluded for a three-year term and as such all liabilities are also due within 3 years. The subjects of the leases are mainly cars. The agreements contain a buy-out clause after the expiration of the lease term.

LEASE	31.12.2012	31.12.2011
Gross fixed assets	74	807
Amortisation	(46)	(444)
Carrying value of tangible fixed assets	28	363
Leased assets as a % of total fixed assets	0.52%	7.71%
Lease liabilities	4	85
Depreciation of leased assets recognised as an operating cost	89	349
Interest on lease agreements recognised as a financial cost	4	81

The fair value of lease liabilities approximately equals their book value. The Company's financial lease liabilities are secured by the leased assets.

The Company is a party to the lease agreement for office space and parking places for the purpose of its headquarters in Warsaw (operating lease). The agreement was signed for a period of seven years and will expire on 15 November 2018. The rent is determined in Euro and is indexed on an annual basis by the Consumer Price Index.

7.9. Investments in subsidiaries, associates and jointly controlled entities

The Company holds 49.00% of the share capital in Fort Mokotów sp. z o.o., under liquidation (a joint venture). The nominal value of the shares owned by the Company in the joint venture is PLN 1 960 thousand and equals the historical amount paid for the shares less the share revaluation write down, namely PLN 1 960 thousand as at 31 December 2012. This write down went up by PLN 489 thousand in 2012.

The Company holds 46.00% of the share capital in Dom Development Grunty spółka z o.o., a company operating within the Group and dealing with real estate purchase transactions. The nominal value of the shares in this entity disclosed in the Company's balance sheet is PLN 24 thousand. Due to negative accumulated financial results presented by the company as at 31 December 2012 and 2011, and based on the Company's Management assessment, it was necessary to make revaluation write downs for the total value of the shares. As at 31 December 2012 the value of these shares in the Company's balance sheet is zero.

On 20 July 2010 the Company granted a loan in the amount of PLN 1 300 thousand to Dom Development Grunty spółka z o.o. for its ongoing commercial activities. According to the agreement, the loan will be repaid by 31 May 2013. The loan bears the market interest rate. As at the balance sheet dated the Company made a share revaluation write down in the amount of PLN 982 thousand.

The Company holds 100.00% of the share capital in Dom Development Morskie Oko spółka z o.o., under liquidation. The nominal value of the shares owned by the Company in this entity is PLN 50 thousand and equals the historical amount paid for the shares. As at 31 December 2012 and 31 December 2011, the carrying value of these shares equals the purchase price paid.

7.10. Long-term receivables

As at 31 December 2012 and 31 December 2011, the Company disclosed long-term receivables in the amount of PLN 1 679 thousand and PLN 1 588 thousand respectively. As at 31 December 2012 the long-term receivables included refundable deposits in the amount of PLN 1 537 thousand and other long-term receivables amounting to PLN 142 thousand. As at 31 December 2011 the long-term receivables included refundable deposits in the amount of PLN 1 426 thousand and other long-term receivables amounting to PLN 162 thousand. All these receivables are denominated in PLN.

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



7.11. Inventory

INVENTORY	31.12.2012	31.12.2011
Advances on deliveries	16 614	8 197
including: at purchase prices/production costs	16 683	8 266
write down to the net realisable value	(69)	(69)
Semi-finished goods and work in progress	945 529	1 237 579
including: at purchase prices/production costs	958 998	1 247 551
write down to the net realisable value	(13 469)	(9 972)
Finished goods	343 425	220 052
including: at purchase prices/production costs	350 073	227 260
write down to the net realisable value	(6 648)	(7 208)
Total	1 305 568	1 465 828

INVENTORY REVALUATION WRITE DOWNS	01.01- - 31.12.2012	01.01- - 31.12.2011
Opening balance	17 249	12 989
Increments	9 970	4 625
Use	(7 033)	(365)
Closing balance	20 186	17 249

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	31.12.2012	31.12.2011
Carrying value of inventory used to secure liabilities	337 000	454 000
Mortgages:		
Value of mortgages used to secure real estate purchase agreements	22 000	34 000
Value of mortgages used to secure loans	315 000	420 000

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- -31.12.2012	01.01- -31.12.2011
Preparatory works	890	666



7.12. Trade and other receivables

As at the balance sheet date the trade and other receivables amounted to PLN 27 993 thousand as at 31 December 2012, and PLN 49 269 thousand as at 31 December 2011.

TRADE AND OTHER RECEIVABLES	31.12.2012	31.12.2011
Trade receivables	22 759	43 314
Receivables from related entities	170	268
Tax receivables	4 321	4 575
Other receivables	743	1 112
Total	27 993	49 269

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	31.12.2012	31.12.2011
Up to 3 months	3 478	24 789
From 3 to 6 months	3	29
From 6 months to 1 year	582	122
Over 1 year	21 337	20 753
Gross trade receivables	25 400	45 693
Receivables revaluation write downs	(2 641)	(2 379)
Net trade receivables	22 759	43 314

The write downs fully relate to overdue trade receivables.

As at 31 December 2012 the main item in trade receivables over one year are receivables in the nominal amount of PLN 18 580 thousand due from Erabud for the refund of a prepayment for the purchase of land (the amount is exclusive of VAT).

On 27 January 2011 the Company entered into a conditional settlement agreement with Erabud Sp. z o.o. with registered office in Warsaw which was approved by the court on 10 February 2011. Pursuant to the said settlement, Erabud Sp. z o.o. agreed to withdraw the suit filed against the Company for the execution of a preliminary sale agreement dated 4 January 2008 related to the sale of land in Józefosław, Piaseczno commune. Furthermore, Erabud Sp. z o.o. agreed to pay the sum of PLN 22 672 thousand (inclusive of VAT) to the Company as reimbursement of the amount paid to Erabud Sp. z o.o. by the Company at the time of conclusion of the above-mentioned preliminary sale agreement as an advance payment towards the price for the above real estate, within 36 months after the date of conclusion of the settlement.

The claims of the Company for payment by Erabud Sp. z o.o. of the sum of PLN 22 672 thousand with interest are secured by a warranty given by Sobiesław Zasada S.A. with its registered office in Krakow, a blank promissory note issued by the warrantor, Sobiesław Zasada S.A. with its registered office in Krakow which may be filed out in accordance with the terms provided in the promissory note declaration (agreement), and the mortgage of up to PLN 45 345 thousand.

CHANGE IN THE WRITE DOWNS FOR TRADE AND OTHER RECEIVABLES	01.01- -31.12.2012	01.01- -31.12.2011
Opening balance	3 809	3 577
a) Additions	502	232
b) Disposals	(240)	-
Closing balance	4 071	3 809

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.



7.13. Other current assets

OTHER CURRENT ASSETS	31.12.2012	31.12.2011
Deferred costs	2 567	2 302
Accrued financial income on deposits	4 650	2 946
Advance payment for conditional purchase of shares	-	8 000
Total	7 217	13 248

The Company purchased 51% of shares in Perlo Sp. z o.o. on 30 December 2011. In accordance with the share sale agreement the Company submitted to notarial deposit the amount of PLN 8 million constituting the payment of the price for the acquired shares. The payment was to be released to the seller after the conditions stipulated in the agreement were met. Since these conditions have not been met on 2 February 2012, the Company exercised its right to withdraw from the aforementioned agreement. On 3 February 2012 it received the refund of the entire amount paid from the notarial deposit.

7.14. Short-term financial assets

SHORT-TERM FINANCIAL ASSETS	31.12.2012	31.12.2011
Bank deposits with a maturity over three months	233 910	-
Cash in an escrow account	859	-
Total	234 769	-

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 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 an escrow account".

7.15. 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	31.12.2012	31.12.2011
Cash in hand and at bank	5 977	6 075
Short-term deposits	167 023	370 707
Other	45	51
Total	173 045	376 833

In accordance with the adopted accounting policies, the Company discloses overdrafts as a reduction in cash and cash equivalents when it holds deposits that exceed the overdrafts in the same banks.



7.16. Share capital

SHARE CAPITAL (STRUCTURE) AS AT 31.12.2012

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
Total number of shares				24 715 272				
Total share capital					24 715 272			
Nominal value per share = PLN 1								

SHARE CAPITAL (STRUCTURE) AS AT 31.12.2011

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
Total number of shares				24 560 222				
Total share capital					24 560 222			
Nominal value per share = PLN 1								

Description of changes to the share capital in the Company in the period from 1 January until 31 December 2012

On 20 January 2012, the Company's Management Board adopted a resolution on the increase of the share capital of the Company, within the authorised capital, from the amount of PLN 24 560 222.00 to PLN 24 670 397.00 by issuing 110 175 "Ł" series ordinary bearer shares.

The increase of the Company's share capital by issuance of 110 175 "Ł" series ordinary bearer shares was registered by the District Court for the capital city of Warsaw, 12th Commercial Division of the National Court Register on 12 March 2012. The "Ł" series shares were issued in a private placement procedure addressed to participants in Management Share Option Programme II.

The Management Board of the Company, pursuant to a resolution dated 9 August 2012 as amended on 11 September 2012, increased the share capital in the Company within the authorized capital, from the amount of PLN 24 670 397.00 up to PLN 24 715 272 by the issue of 24 875 "M" series ordinary bearer shares and 20 000 "N" series ordinary bearer shares.

This increase of the Company's share capital was registered by the District Court for the capital city of Warsaw in Warsaw, 12th Commercial Division of the National Court Register on 3 October 2012. The "M" and "N" series shares were issued in a private placement procedure addressed to participants in Management Share Option Programme II.



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 2012.

Status as at the date of preparing of the financial statements				
	Shares	% of capital	Number of votes at the GSM	% of votes at the GSM
Dom Development B.V.	15 206 172	61.53	15 206 172	61.53
Jarosław Szanajca	1 534 050	6.21	1 534 050	6.21
Aviva Powszechnie Towarzystwo Emerytalne Aviva BZ WBK SA *)	1 313 383	5.31	1 313 383	5.31
Grzegorz Kiełpsz	1 280 750	5.18	1 280 750	5.18

*) Shareholding of Aviva Powszechnie Towarzystwo Emerytalne AVIVA BZ WBK S.A. (*General Pension Society*) ("Society") has been presented as per the latest notice as of 11.07.2011 received by the Company from the Society.

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 2012.

Status as at the date of preparing of these financial statements			
	Shares	Share options	Total
The Management Board			
Jarosław Szanajca	1 534 050	-	1 534 050
Zalewski Janusz	300 000	103 534	403 534
Jerzy Ślusarski	5 363	78 634	83 997
Janusz Stolarczyk	105 200	49 447	154 647
Terry Roydon	58 500	61 767	120 267
The Supervisory Board			
Grzegorz Kiełpsz	1 280 750	-	1 280 750
Markham Dumas	5 000	-	5 000
Mark Spiteri	711	12 330	13 041

7.17. Share premium

In the twelve-month period ended 31 December 2012, the value of the item „Share premium” changed by PLN 2 198 thousand as a result of the increase of the share capital, described in note 7.16.

The value of the share premium was PLN 233 733 thousand and PLN 231 535 thousand as at 31 December 2012 and 31 December 2011 respectively.

7.18. Additional information on shareholders' equity

As at 31 December 2012 and 31 December 2011 the Company's shares were not owned by any of its subsidiaries.

In the twelve-month period ended 31 December 2012 and 2011 the Company did not hold any treasury shares.



7.19. Dividend and profit distribution

On 23 May 2012, the Ordinary General Meeting of the Shareholders of the Company resolved to assign PLN 37 005 thousand from the Company's profit for 2011 to dividends. This implies the payment of PLN 1.50 per share. The dividend day was set at 12 June 2012 and the dividend payment day was set at 26 June 2011. The dividend was paid out in accordance with the resolution. While the amount of PLN 45 834 thousand was allocated to the increase of the Company's supplementary capital. In the year ended 31 December 2011, the dividend allocation was PLN 22 104 thousand and the dividend payment amounted to PLN 0.90 per share.

7.20. Loans

Description of material changes in the twelve-month period ended 31 December 2012

In 2012, the Company prematurely repaid two loans: the last tranche of the loan in the amount of PLN 45 million provided by PKO BP S.A. due on 31 December 2012 and the investment loan in the amount of PLN 12.1 million provided by Bank Millennium S.A. due on 30 June 2012. On 29 March 2012, the Company and PKO BP S.A. signed Annex no. 1 to the investment loan agreement dated 11 October 2011 under which the loan amount was increased by PLN 50 million, that is up to PLN 210 million. The loan is to be entirely repaid in December 2016.

LOANS DUE WITHIN	31.12.2012	31.12.2011
Less than 1 year	33 000	57 134
More than 1 year and less than 2 years	33 000	25 000
More than 2 years and less than 5 years	144 000	135 000
Over 5 years	-	-
Total loans	210 000	217 134
including: long-term	177 000	160 000
short-term	33 000	57 134

As at 31 December 2012 and 31 December 2011 all the loans taken by the Company were expressed in the Polish zloty.

BANK LOANS AS AT 31.12.2012						
Bank	Registered office	Loan amount as per agreement	Currency	Outstanding loan amount (less accrued interest)	Currency	Due date
PKO BP	Warsaw	210 000	PLN	210 000	PLN	31.12.2016
Total bank loans				210 000	PLN	

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 Group approximately equals their book value, including accrued interest.

Bank overdrafts

In the case that the Company holds overdrafts and deposits in the same banks and the amount of deposits exceeds the amount of overdrafts, and the deposit end date falls earlier than repayment of the overdrafts, the Company discloses these overdrafts as a reduction in cash and cash equivalents in the balance sheet.



OVERDRAFTS AS AT 31.12.2012

Bank	Registered office	Loan amount as per agreement	Currency	Outstanding loan amount (less accrued interest)	Currency	Due date
Bank Pocztowy	Warsaw	5 000	PLN	-	PLN	05.07.2013
Total overdrafts		5 000	PLN	-	PLN	

OVERDRAFTS AS AT 31.12.2011

Bank	Registered office	Loan amount as per agreement	Currency	Outstanding loan amount (less accrued interest)	Currency	Due date
BOŚ	Warsaw	5 000	PLN	-	PLN	19.08.2012
Total overdrafts		5 000	PLN	-	PLN	

The Company's Management Board estimates that the fair value of overdrafts taken by the Company approximately equals their book value.

7.21. Deferred tax assets and provisions

Deferred tax is the outcome of the following items:

	Balance sheet		Income statement / Statement of comprehensive income	
	31.12.2012	31.12.2011	01.01-31.12.2012	01.01-31.12.2011
Deferred tax provision				
Foreign exchange differences	-	78	(78)	37
Accrued interest	883	575	308	285
Discounting of liabilities	629	357	272	(81)
Result on the sale of units – without legal ownership transfer agreements	12 964	12 806	158	7 620
Capitalised financial costs	5 418	6 409	(991)	86
Other	2	12	(10)	(44)
Total deferred tax provision	19 896	20 237	(341)	7 903
Deferred tax assets				
Foreign exchange differences	28	-	28	-
Inventory revaluation	3 822	3 264	558	809
Receivables revaluation write downs and other provisions	627	739	(112)	(287)
Provision for employee benefits	2 309	1 609	700	483
Provision for other costs	4 453	3 371	1 082	1 052
Financial costs	673	673	-	-
Discounting of receivables	9	252	(243)	(82)
Valuation of financial assets	104	-	104	-
Other	5	1	4	(2)
Total deferred tax assets	12 030	9 909	2 121	1 973
Deferred tax expense concerning income statement			(2 448)	5 930
Deferred tax expense concerning other net comprehensive income			(14)	-
Deferred tax provision shown in the balance sheet, net	7 866	10 328		



7.22. Long-term provisions

LONG-TERM PROVISIONS	31.12.2012	31.12.2011
Provision for repair costs, long-term portion	12 140	11 922
Provision for disputes	907	1 264
Provision for retirement benefits	462	411
Total	13 509	13 597

SHORT-TERM PROVISIONS – CHANGES	01.01- -31.12.2012	01.01- -31.12.2011
Opening balance	13 597	12 179
Provisions created in the financial year	1 382	3 241
Provisions used in the financial year	(1 470)	(1 823)
Closing balance	13 509	13 597

7.23. Other long-term liabilities

OTHER LONG-TERM LIABILITIES	01.01- -31.12.2012	01.01- -31.12.2011
Guarantee retentions, long-term portion	21 548	17 603
Real estate purchase liabilities	9 096	17 384
Other	1 939	62
Closing balance	32 583	35 049

7.24. Bonds

BONDS	31.12.2012	31.12.2011
Nominal value of the bonds issued, long-term portion	220 000	100 000
Nominal value of the bonds issued, short-term portion	-	170 000
Nominal value of the bonds issued	220 000	270 000

In "Bonds" the Company states the nominal value of the liability, and the interests 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 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

On 5 November 2007, the Company and Bank BPH S.A. (currently Pekao S.A.) signed a Bond Issue Programme Agreement, pursuant to which 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.



Description of material changes in the twelve-month period ended 31.12.2012

On 2 February 2012, the Company issued 12 000 unsecured bonds with the nominal value of PLN 10 000 each and the aggregate nominal value of PLN 120 000 thousand. The maturity date for these bonds is 2 February 2017. The issue value equals their nominal value. The interest rate is set at WIBOR 6M plus margin.

Concurrently, on 2 February 2012 and 24 February 2012 the Company purchased for redemption 9 120 bonds with the nominal value of PLN 8 500 each and the aggregate nominal value of PLN 77 520 thousand, and 700 bonds with the nominal value of PLN 8 500 each and the aggregate nominal value of PLN 5 950 thousand respectively. The maturity date for these bonds is 28 November 2012. The purchase price equals their nominal value.

On 3 April 2012 the Company purchased for redemption 4 000 bonds with the nominal value of PLN 8 500 each and the aggregate nominal value of PLN 34 000 thousand. The maturity date for these bonds is 28 November 2012. The purchase price equals their nominal value.

On 28 November 2012, that is on the maturity date, the Company purchased for redemption 6 180 bonds with the nominal value of PLN 8 500 each and the aggregate nominal value of PLN 52 530 thousand.

BONDS ISSUED AS AT 31.12.2012					
Series	Issue date	Amount	Currency	Contractual maturity date	
II	30.06.2010	85 000	PLN	30.06.2015	
II	15.07.2010	15 000	PLN	30.06.2015	
III	02.02.2012	120 000	PLN	02.02.2017	
Total:		220 000	PLN		

7.25. Accrued interest on loans and bonds

ACCRUED INTEREST ON LOANS AND BONDS	31.12.2012	31.12.2011
Accrued interest on bonds	4 310	1 093
Accrued interest on loans	-	1 127
Total accrued interest on loans and bonds	4 310	2 220

7.26. Trade payables, tax and other liabilities

TRADE PAYABLES, TAX AND OTHER LIABILITIES	31.12.2012	31.12.2011
Trade payables, including guarantee retentions (short-term portion)	103 821	171 612
Tax liabilities	1 058	2 150
Accrued costs	25 819	21 970
Company Social Benefits Fund	501	414
Other	2	2
Total liabilities	131 201	196 148
Accrued costs structure	25 819	21 970
- estate construction costs	10 209	11 700
- employee costs	9 517	8 048
- rent for office space	1 284	173
- other	4 809	2 049



Trade payables, tax and other liabilities are not interest-bearing liabilities. In addition to the guarantee retentions (as described below), the maturity for the trade payables, tax and other liabilities is from 14 to 120 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.

	31.12.2012	31.12.2011
Guarantee retentions, short-term portion	26 121	19 729
Guarantee retentions, long-term portion	21 548	17 603
Total guarantee retentions	47 669	37 332

7.27. Short-term provisions

SHORT-TERM PROVISIONS	31.12.2012	31.12.2011
Provision for repair costs, short-term portion	4 047	3 974
Provision for disputes	1 202	420
Other	500	-
Total	5 749	4 394

SHORT-TERM PROVISIONS – CHANGES	01.01- -31.12.2012	01.01- -31.12.2011
Opening balance	4 394	3 939
Provisions created in the financial year	5 749	4 298
Provisions used in the financial year	(4 394)	(3 843)
Closing balance	5 749	4 394

7.28. Deferred income

DEFERRED INCOME	31.12.2012	31.12.2011
Deferred income related to the payments received from customers for the purchase of products, not settled as income in the income statement	236 913	327 315
Other	-	-
Total	236 913	327 315

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	31.12.2012	31.12.2011
FINANCIAL ASSETS		
Long-term receivables	1 679	1 588
Trade and other receivables	23 502	44 426
Receivables from related entities	1 470	1 568
Total borrowings and receivables	26 651	47 582
Other	45	51
Financial assets valued at their fair value through the income statement (designated for trading)	45	51
Cash in hand and at bank	5 977	6 075
Short-term deposits	167 023	370 707
Short-term financial assets	234 769	-
Maximum credit risk exposure	434 465	424 415
FINANCIAL LIABILITIES		
Loans	210 000	218 261
Own bonds issued	224 310	271 093
Trade payables, accrued and other liabilities	162 225	228 633
Financial liabilities valued at amortised cost	596 535	717 987

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 2012 and 31 December 2011 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. Currently, the Company has only short- and medium-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.

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

VARIABLE INTEREST RATE INSTRUMENTS	31.12.2012	31.12.2011
Financial assets	407 769	376 782
Financial liabilities	434 310	489 354
Total, net	(26 541)	(112 572)

Interest bearing financial assets, i.e. bank deposits, are disclosed as financial assets. Interest bearing financial liabilities, i.e. loans, own bonds and financial lease liabilities, 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 12-month periods ended 31 December 2012 and 31 December 2011 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 2012				
Variable interest rate assets	1 101	(1 101)	1 101	(1 101)
Variable interest rate liabilities*	(1 173)	1 173	(1 173)	1 173
Net sensitivity	(72)	72	(72)	72
31 December 2011				
Variable interest rate assets	1 017	(1 017)	1 017	(1 017)
Variable interest rate liabilities*	(1 321)	1 321	(1 321)	1 321
Net sensitivity	(304)	304	(304)	304

* 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 and detached houses, 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 7.12 "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 2012					
Loans	249 282	6 773	39 773	44 417	158 319
Own bonds issued	275 352	8 228	8 228	16 456	242 440
Trade and other payables	168 151	131 646	9 755	4 711	22 039
Financial lease liabilities	4	4	-	-	-
Total	692 789	146 651	57 756	65 584	422 798
31 December 2011					
Loans	259 915	18 749	51 462	35 221	154 483
Own bonds issued	309 389	10 204	179 119	8 040	112 026
Trade and other payables	233 145	202 884	8 619	7 492	14 150
Financial lease liabilities	85	37	21	27	-
Total	802 534	231 874	239 221	50 780	280 659

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 2012 and 2011 the return on equity (calculated as net profit to the annual average value of shareholders' equity) amounted to 10.6% and 10.3%, respectively. In that period, the average weighted cost of interest on the Company's debt amounted to 7.5% in 2012 and 6.5% in 2011.

As at 31 December 2012 and 2011 the net financial leverage ratio (calculated as the loans and bonds payable less cash and cash equivalents and short-term financial assets divided by equity) amounted to 2.5% and 13.2% respectively.

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

The Company is not 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	01.01-31.12.2012	01.01-31.12.2011
Basic earnings per share		
Profit for calculation of the basic earnings per share	91 207	82 839
The weighted average number of ordinary shares for the calculation of basic earnings per share	24 659 635	24 560 222
Basic earnings per share (PLN)	3.70	3.37
Diluted earnings per share		
Profit for calculation of the diluted earnings per share	91 207	82 839
Potential diluting shares related to the Management Share Option Programme	30 930	132 308
The weighted average number of ordinary shares for the calculation of diluted earnings per share	24 690 565	24 692 530
Diluted earnings per share (PLN)	3.69	3.35

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	01.01-31.12.2012	01.01-31.12.2011
Current income tax	24 727	14 868
Deferred tax	(2 448)	5 930
Total	22 279	20 798



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- -31.12.2012	01.01- -31.12.2011
Gross profit before tax	113 486	103 637
As per 19% tax rate	21 562	19 691
Permanent differences not subject to the current and deferred tax in the financial statements (except for cost of the management options and dividend received)	563	925
Tax effect of management options permanently not being a tax deductible cost	154	317
Dividends received	-	(135)
Actual income tax expense	22 279	20 798
Effective tax rate:	19.63%	20.07%

The legal regulations relating to VAT, corporate income tax, personal income tax and social insurance premiums are frequently amended due to frequent changes in the tax system. The applicable regulations are often unclear which brings about differences in interpretation from one tax authority to another as well as between tax authorities and tax payers.

The tax and other settlements (such as customs duty or transactions with foreign entities) may be the subject of inspections by the tax authorities or other authorities, which are authorised to impose significant fines. All tax arrears identified in the course of audit are subject to high interest. Tax settlements may be audited at any time within 5 years from the end of the accounting period when they are due. Under these conditions, the tax risk in Poland is considerably higher than in other countries with stable tax systems.

7.34. Segment reporting

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

7.35. Operating income

REVENUE BREAKDOWN	01.01- 31.12.2012	01.01- 31.12.2011
Sales of finished goods	838 786	568 082
Sales of services	12 805	10 820
Sales of goods (land)	-	-
Total	851 591	578 902

The Company has changed the presentation of revenue concerning pass-through costs. These are predominantly the cost of utilities incurred by the Company and then charged to construction works contractors hired by the Company. In the income statement incorporated in the financial statements for 2011, the revenue concerning pass-through costs and the costs to be passed-through were disclosed separately in "Sales of services" and "Cost of services sold" respectively. The above mentioned revenue and cost are disclosed as net value in these financial statements. As a result of this change in the income statement for 2011 incorporated in these financial statements, the above mentioned revenue and costs have been reduced by the amount of PLN 5 592 thousand.



7.36. Operating costs

OPERATING COSTS	01.01- 31.12.2012	01.01- 31.12.2011
Cost of sales		
Cost of finished goods sold	(630 270)	(372 653)
Cost of services sold	(14 140)	(11 464)
Cost of goods sold	-	-
Inventory write down to the net realisable value	(3 125)	(4 260)
Total cost of sales	(647 535)	(388 377)
Selling costs, and general administrative expenses		
Selling costs	(38 837)	(35 308)
General administrative expenses	(46 249)	(43 691)
Total selling costs, and general administrative expenses	(85 086)	(78 999)
Selling costs, and general administrative expenses by kind		
Depreciation	(2 993)	(2 447)
Cost of materials and energy	(11 953)	(12 587)
External services	(23 454)	(20 355)
Taxes and charges	(206)	(197)
Remuneration	(38 056)	(34 100)
Social security and other benefits	(4 021)	(4 065)
Management Option Programme	(809)	(1 670)
Other prime costs	(3 594)	(3 578)
Total selling costs, and general administrative expenses by kind	(85 086)	(78 999)

The presentation of pass-through costs was changed by the Company which has been described in note 7.35.

7.37. Payroll costs

PAYROLL COST AND AVERAGE EMPLOYMENT (including the management)	01.01- 31.12.2012	01.01- 31.12.2011
Individual personnel categories (number of staff)	152	133
White-collar workers	152	133
Blue-collar workers	-	-
General remuneration elements, including:	42 077	38 165
Remuneration	38 056	34 100
Social security and other benefits	4 021	4 065

7.38. Other operating income

OTHER OPERATING INCOME	01.01- 31.12.2012	01.01- 31.12.2011
Revenues from contractual penalties, arrangements and compensations	2 991	425
Reversal of provision for costs	170	4
Reversal of provision for receivables	582	-
Other	208	3 199
Total	3 951	3 628



7.39. Other operating expenses

OTHER OPERATING EXPENSES	01.01- 31.12.2012	01.01- 31.12.2011
Provision for penalties and arrangements with customers	1 033	295
Donations	173	91
Provision for other costs	1 622	2 414
Cost of repairs and defects (including change in provision)	5 180	6 191
Cost of research and abandoned projects	315	2 500
Other	576	135
Total	8 899	11 626

7.40. Financial income

FINANCIAL INCOME	01.01- 31.12.2012	01.01- 31.12.2011
Dividends	-	709
Interest on bank deposits and other (non-capitalized part of interest)	3 940	6 165
Revenue from discounting receivables and payables	2 714	-
Other	115	220
Total	6 769	7 094

7.41. Financial costs

FINANCIAL COSTS	01.01- 31.12.2012	01.01- 31.12.2011
Interest on loans and bonds (non-capitalized part of interest)	5 359	6 283
Other interest	43	156
Foreign exchange differences	375	59
Commissions and fees	261	279
Valuation of long-term investments	1 260	127
Other	7	81
Total	7 305	6 985

7.42. Interest cost

INTEREST COST	01.01- 31.12.2012	01.01- 31.12.2011
Financial costs (interest) capitalised under work in progress*)	9 693	10 128
Financial costs (interest) disclosed in the income statement	5 359	6 283
Total interest costs	15 052	16 411

*) 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 2012 and 2011, 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- 31.12.2012	01.01- 31.12.2011
Woodsford Consulting Limited	Consulting services as per the agreement dated 27 June 2007	1 606	1 471
Hansom Property Company Limited	Consulting services as per the agreement dated 31 March 1999	255	238
Holland Park Advisory Limited	Consulting services as per the agreement dated 5 January 2011	98	384
Kirkley Advisory Limited	Consulting services as per the agreement dated 01 March 2012	50	-
Dom Development Grunty sp. z o.o.	Services rendered as per the annex to the agreement dated 12 April 2007	85	85

DOM DEVELOPMENT S.A. AS A SERVICE PROVIDER (SELLER)			
Counterparty	Transaction description	01.01- 31.12.2012	01.01- 31.12.2011
Fort Mokotów sp. z o.o., under liquidation	Repair services as per the agreement dated 22 July 2005	414	336
Fort Mokotów sp. z o.o., under liquidation	Other	21	41
Dom Development Grunty sp. z o.o.	Other	6	6
Dom Development B.V.	Other	-	25
Dom Development Morskie Oko sp. z o.o.	Other	5	5

DOM DEVELOPMENT S.A. AS A RECIPIENT OF A VALUE OF CONTRIBUTED SHARES			
Counterparty	Transaction description	01.01- 31.12.2012	01.01- 31.12.2011
Towarzystwo Ubezpieczeń Wzajemnych Bezpieczny Dom, under liquidation	Refund of the value of contributed shares in association with liquidation of the Towarzystwo (<i>insurance company</i>)	-	1 674

DOM DEVELOPMENT S.A. AS A LENDER			
Counterparty	Transaction description	01.01- 31.12.2012	01.01- 31.12.2011
Dom Development Grunty sp. z o.o.	Interest accrued on the borrowing	59	78

DOM DEVELOPMENT S.A. AS A DIVIDEND PAYER			
Counterparty	Transaction description	01.01- 31.12.2012	01.01- 31.12.2011
Dom Development B.V.	Dividends	22 809	13 686



BALANCES WITH RELATED ENTITIES – balances as in the books of the Company				
Entity	Receivables from related entities		Liabilities to related entities	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Total balance	2 470	2 646	128	224
Subsidiaries	2 447	2 525	-	-
Dom Development Morskie Oko sp. z o.o. additional contributions to the capital	1 147	1 147	-	-
Dom Development Morskie Oko sp. z o.o.	-	-	-	-
Dom Development Grunty sp. z o.o.	1 300	1 378	-	-
Joint-ventures	23	121	-	-
Fort Mokotów sp. z o.o., under liquidation	23	121	-	-
Other entities	-	-	128	224
Woodsford Consulting Limited	-	-	128	120
Holland Park Advisory Limited	-	-	-	104

In 2012 the Company did not enter into any sale agreements with members of the management or their families.

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 2012 there were two active Management Option Programmes adopted as part of the Incentive Scheme for the Management staff of the Company.

Name of the Programme	Options in the programme (number of shares)	Options granted (number of shares)	Options exercised (number of shares)	Options in the programme (number of shares)	Options granted (number of shares)	Options exercised (number of shares)
	31.12.2012					
Programme II	726 000	726 000	155 050	726 000	726 000	-
Programme III	360 000	120 000	-	360 000	120 000	-

Management Option Programme II

The Management Option Programme II concerns 726 000 shares in Dom Development S.A. ("Programme II"). Under Programme II a few issues of share options with the nominal value of PLN 1.00 each ("Tranche") took place. The option may not be exercised earlier than 3 years and later than 7 years from its grant.

The Supervisory Board of Dom Development S.A. granted all the above mentioned options in the years 2006-2012. The value of each Tranche was calculated each time at the grant date. These values, reduced by the value of expired options, have been evenly accounted for in the income statement through the three-year periods i.e. the vesting period. The vesting period was determined individually for each tranche.



Management Option Programme III

On 2 December 2010, the Supervisory Board of the Company acting pursuant to the power of attorney granted by the Ordinary General Shareholders Meeting of the Company on 20 May 2010, accepted the Rules of Senior Management Option Programme III regarding 360 000 shares in Dom Development S.A. (Programme III). Programme III is based on the following terms and conditions for the grant and exercising of the options:

- the grant of options will be limited up to 120 000 shares in any 12-month period,
- the exercise of options will depend on inter alia the fulfilment of significant condition to be set by the Supervisory Board and related to the minimum of the Company's total annual audited consolidated earnings per share to be achieved in the 3 full financial years commencing after the date when the option has been granted,
- the share buy-out price will be PLN 1.00 per share.

On 19 May 2011 the General Meeting of Shareholders adopted a resolution identifying the persons eligible to participate in Programme III, in particular to cover 120 000 shares under the first tranche of Programme III on the terms and conditions specified in the resolution by the Supervisory Board dated 13 December 2010.

Changes to the Management Option Programmes

On 29 March 2012 the Supervisory Board of the Company adopted a resolution concerning Management Share Option Programme II for 726 000 Shares in Dom Development S.A. (hereinafter "Program II") and Management Share Option Programme III for Senior Executives for 360 000 Shares in Dom Development S.A. (hereinafter "Program III"), pursuant to which the Supervisory Board decided not to grant any options to any person under the programmes concerned.

The Supervisory Board granted 726 000 options under Programme II. In the case that any of these options expires, the number of shares attributable to the expired options will not be taken into account by the Supervisory Board and the options will not be granted again.

The Supervisory Board granted 120 000 options under Programme III. None of the remaining 240 000 options will be granted by the Supervisory Board. Just like in Programme II, in the case that any of these 120 000 options expires, the number of shares attributable to the expired options will not be taken into account by the Supervisory Board and the options will not be granted again.

Grant of new share options

In the twelve-month period ended 31 December 2012 the Company did not grant any new share options.

Exercise of the share options

The increase of the Company's share capital by issuance of 110 175 "Ł" series ordinary bearer shares was registered on 12 March 2012 (see note 7.16). The "Ł" series shares were issued in a private placement procedure addressed to participants in Management Share Option Programme II.

The increase of the Company's share capital by issuance of 24 875 "M" series ordinary bearer shares and 20 000 "N" series ordinary bearer shares (see note 7.16) was registered on 3 October 2012 (see note 7.16). The "M" and "N" series shares were issued in a private placement procedure addressed to participants in Management Share Option Programme II.

Expiry of share options

In the twelve-month period ended 31 December 2012 the number of share options eligible to participate in Management Option Programme II was reduced by 30 510 options and the number of share options eligible to participate in Management Option Programme III was reduced by 11 767 options as a result of termination of employment contracts with the persons eligible to participate in these Programmes.



Cost of Management Option Programmes accounted for in the income statement

In the twelve-month period ended 31 December 2012 and 2011 the amounts of PLN 809 and PLN 1 670 thousand respectively, were accounted for in the income statement for the management options granted and in the reserve capital from valuation of share options.

Share options granted and exercisable as at respective balance sheet dates, and changes in the presented periods

SHARE OPTIONS		01.01- 31.12.2012	01.01- 31.12.2011
Unexercised options at the beginning of the period	Number of options	846 000	726 000
	Total exercise price	46 927	46 930
Options granted in the period	Number of options	-	126 000
	Total option exercise value	-	385
Options expired in the period	Number of options	42 277	6 000
	Total option exercise value	2 101	388
Options exercised in the period	Number of options	155 050	-
	Total option exercise value	2 353	-
	Weighted average exercise price per share	-	-
Unexercised options at the end of the period	Number of options	648 673	846 000
	Total exercise price	42 473	46 927
Exercisable options at the beginning of the period	Number of options	490 975	310 800
	Total exercise price	37 968	35 580
Exercisable options at the end of the period	Number of options	534 440	490 975
	Total exercise price	42 100	37 968

Structure of share options granted and not exercised, and not expired as at 31 December 2012:

Programme	Grant date	Number of options	Exercise price per option (PLN)
Programme II	6.12.2006	144 900	114.48
Programme II	7.12.2007	151 400	114.48
Programme II	10.12.2008	48 125	14.91
Programme II	15.01.2009	11 000	16.97
Programme II	10.12.2009	179 015	40.64
Programme II	12.07.2011	6 000	44.16
Programme III	13.12.2010	108 233	1.00
Total		648 673	



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

Remuneration for key executives	01.01- 31.12.2012	01.01- 31.12.2011
1. The Management Board		
Remuneration	5 163	4 651
including payments from profit	-	-
2. The Supervisory Board		
Remuneration	1 032	1 032

The composition of the Management Board and the Supervisory Board as at 31 December 2012 has been presented in note 7.48.

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

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

Under these contracts, the employment of individual members of the Management Board may be terminated pursuant to the following conditions:

Full name of the member of the Management Board	Notice period (months) when given by		Comments
	the Company	the Employee	
Szanajca Jarosław	8	8	First payment of 50% of 8-times monthly remuneration to be paid after providing a termination notice The balance of 50% to be paid in 5 equal monthly payments
Ślusarski Jerzy	6	6	No special clauses
Zalewski Janusz	6	6	No special clauses
Stolarczyk Janusz	9	3	First payment of 50% of 9-times monthly remuneration to be paid after providing a termination notice The balance of 50% to be paid in 8 equal monthly payments

7.46. Contingent liabilities

CONTINGENT LIABILITIES	31.12.2012	31.12.2011
Guarantees	2 105	2 110
Sureties	489	727
Total	2 594	2 837

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

COLLATERALS FOR LIABILITIES	31.12.2012	31.12.2011
Promissory notes, including:		
– promissory notes as an additional guarantee for BOŚ bank in respect of claims arising from the granted loan	-	5 000
– promissory notes as an additional guarantee for Bank Pocztowy in respect of claims arising from the granted loan	5 000	-
– promissory notes as an additional guarantee for PKO BP bank in respect of claims arising from the granted loan	210 000	175 000
– promissory notes as other guarantees	1 889	1 889
Total	216 889	181 889



7.47. Material court cases as at 31 December 2012

As at 31 December 2012 the Company was not a party to any material court cases.

7.48. Changes in the composition of the Management Board and the Supervisory Board of the Company

The Management Board

No changes in the composition of the Management Board took place in 2012.

As at 31 December 2012 the Management Board of Dom Development S.A. was composed of 5 members:

Jarosław Szanajca, President of the Management Board
Janusz Zalewski, Vice President of the Management Board
Jerzy Ślusarski, Vice President of the Management Board
Janusz Stolarczyk, Member of the Management Board
Terry Roydon, Member of the Management Board

The Supervisory Board

In the period from 1 January until 31 March 2012 the Supervisory Board was composed of the following members:

Grzegorz Kiełpsz, Chairman of the Supervisory Board
Marek Moczulski, Vice Chairman of the Supervisory Board
Richard Lewis, Vice Chairman of the Supervisory Board
Krzysztof Grzyliński, Member of the Supervisory Board
Michael Cronk, Member of the Supervisory Board
Markham Dumas, Member of the Supervisory Board
Włodzimierz Bogucki, Member of the Supervisory Board.

Mr. Richard Lewis resigned from the position of Member and Vice Chairman of the Supervisory Board of the Company on 28 November 2011, with effect on 31 March 2012. The reason for the resignation of Mr. Richard Lewis was his retirement effective on 31 March 2012.

Consequently, Dom Development B.V. with its registered office in Rotterdam appointed Mr. Mark Spiteri as a Member of the Supervisory Board and Mr. Markham Dumas as the Vice Chairman of the Supervisory Board, with effect on 1 April 2012, pursuant to par. 7.4 of the Articles of Association of the Company.

In the period from 1 April 2012 until 31 December 2012 the Supervisory Board was composed of the following members:

Grzegorz Kiełpsz, 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
Włodzimierz Bogucki, Member of the Supervisory Board
Krzysztof Grzyliński, Member of the Supervisory Board.

7.49. Additional information on the operating activity of the Company

In the twelve-month period ended 31 December 2012 the following material changes in the portfolio of the Company's development investments under construction took place:



Projects where the construction commenced in the period from 1 January 2012 until 31 December 2012

Project	Standard	Number of apartments
Derby 14, phase 2	Popular	154
Wilno, phase 4	Popular	109
Młyny Królewskie	Popular	294
Saska I, phase 3/1	Popular	159
Wilno, phase 2B	Popular	124
Derby 14, phase 3	Popular	189
Klasyków I, phase 2	Popular	236
Saska I, phase 3/2	Popular	163
Willa na Harfowej	Popular	90
Adria, phase 3	Popular	183

Projects where the construction was completed in the period from 1 January 2012 until 31 December 2012

Project	Standard	Number of apartments
Wilno, phase 1 (stage 1A)	Popular	130
Regaty, phase 5	Popular	180
Klasyków I, phase 3	Popular	187
Opera B	Luxury apartments	11
Przy Ratuszu	Popular	465
Saska I, phase 2/1	Popular	190
Wilno, phase 1B	Popular	84
Derby 14, phase 1	Popular	174
Adria, phase 2	Popular	230
Saska I, phase 2/2	Popular	144
Wilno, phase 2 (stage 2A)	Popular	117
Akropol	Popular	366
Oaza, phase 1	Popular	116
Saska I, phase 2/3	Popular	105

7.50. Material post-balance sheet events

Share capital increase

On 21 January 2013 the Management Board of Dom Development S.A. adopted a resolution to increase the share capital by issuing 26 000 "O" series ordinary bearer shares as a part of the authorised capital from the then current amount of PLN 24 715 272.00 up to PLN 24 741 272.00, that is by PLN 26 000.00. The "O" series shares were issued in a private placement procedure addressed to participants in Management Share Option Programme II. As at 21 February 2013 all of the 26 000 shares were subscribed. The shares have not yet been registered by the Court of Registration.

7.51. Approval of the financial statements for 2011

On 23 May 2012 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 2011, the Management Board's report of activities of Dom Development S.A. in 2011 and the consolidated financial statements of Dom Development S.A. Capital Group for the year ended on 31 December 2011 and the Management Board's report of activities of Dom Development S.A. Capital Group in 2011, as presented by the Management Board. The Ordinary General Shareholders Meeting gave a vote of approval for the Management Board for the year 2011.



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

Fee (net, exclusive of VAT) of Ernst & Young spółka z o.o. that is the entity authorised to audit financial statements of the Company paid or due for the year ended 31 December 2012 and 31 December 2011 broken up by services, is presented in the table below:

SERVICES	01.01- -31.12.2012	01.01- -31.12.2011
- Obligatory audit of annual and review of semi-annual financial statements	270	280
- Other attestation services	40	-
- Other services	7	4
Total	317	284

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	31.12.2012 thousand EURO	31.12.2011 thousand EURO
Total current assets	427 717	431 348
Total assets	429 821	433 259
Total shareholders' equity	218 325	189 108
Long-term liabilities	110 307	72 218
Short-term liabilities	101 189	171 933
Total liabilities	211 496	244 151
<i>PLN/EURO exchange rate as at the balance sheet date</i>	<i>4.0882</i>	<i>4.4168</i>

SELECTED DATA FROM THE INCOME STATEMENT	01.01- -31.12.2012 thousand EURO	01.01- -31.12.2011 thousand EURO
Sales revenue	204 042	139 828
Gross profit on sales	48 892	46 020
Operating profit	27 320	25 007
Profit before tax	27 192	25 033
Net profit	21 853	20 009
<i>Average PLN/EURO exchange rate for the reporting period</i>	<i>4.1736</i>	<i>4.1401</i>