DOM DEVELOPMENT S.A.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED

31 DECEMBER 2014

Prepared in accordance
with the International Financial Reporting Standards

Warsaw, 25 February 2015

CONTENTS

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

These financial statements for the year ended on 31 December 2014, comprising:

- the balance sheet prepared as at 31 December 2014 with the balance of total assets and total liabilities in the amount of PLN 1 604 565 thousand;
- income statement for the period from 1 January 2014 to 31 December 2014 with a net profit of PLN 55 822 thousand;
- statement of comprehensive income for the period from 1 January 2014 to 31 December 2014 with a total net comprehensive income of PLN 55 844 thousand;
- statement of changes in shareholders' equity in the period from 1 January 2014 to 31 December 2014 with the balance of shareholders' equity in the amount of PLN 858 127 thousand as at 31 December 2014;
- cash flow statement for the period from 1 January 2014 to 31 December 2014 with the PLN 317 382 thousand net cash and cash equivalents as at 31 December 2014;
- additional notes to the financial statements

were prepared and approved by the Management Board of the Company on 25 February 2015.

Jarosław Szanajca,
President of the Management Board

Janusz Zalewski,
Vice President of the Management Board

Małgorzata Kolarska,
Vice President of the Management Board

Janusz Stolarczyk,
Member of the Management Board

Terry R. Roydon,
Member of the Management Board

(all amounts in thousands PLN unless stated otherwise)

2. BALANCE SHEET

ASSETS	Note	31.12.2014	31.12.2013
Fixed assets			
Intangible assets	7.6	2 593	1 189
Tangible fixed assets	7.7	6 286	4 690
Investments in subsidiaries, associates and jointly controlled entities	7.9	50	68
Long-term receivables	7.10	1 626	1 601
Other financial assets		2 645	9
Total fixed assets		**13 200**	**7 557**
Current assets			
Inventory	7.11	1 230 738	1 344 296
Trade and other receivables	7.12	5 558	43 421
Other current assets	7.13	3 224	4 071
Short-term financial assets	7.14	34 463	5 157
Cash and cash equivalents	7.15	317 382	321 307
Total current assets		**1 591 365**	**1 718 252**
Total assets		**1 604 565**	**1 725 809**

EQUITY AND LIABILITIES	Note	31.12.2014	31.12.2013
Shareholders' equity			
Share capital	7.16	24 770	24 753
Share premium	7.17	234 520	234 283
Other capital (supplementary capital)		517 379	517 521
Reserve capital from valuation of share options	7.44	25 126	25 113
Reserve capital from valuation of cash flow hedges		-	(22)
Reserve capital from reduction of share capital		510	510
Unappropriated profit		55 822	54 352
Total shareholders' equity		**858 127**	**856 510**
Liabilities			
Long-term liabilities			
Loans, long-term portion	7.20	98 000	174 000
Bonds, long-term portion	7.21	170 000	270 000
Deferred tax provision	7.23	9 673	7 779
Long-term provisions	7.24	12 040	12 898
Other long-term liabilities	7.25	27 654	21 388
Total long-term liabilities		**317 367**	**486 065**
Short-term liabilities			
Trade payables, tax and other liabilities	7.26	138 708	140 021
Loans, short-term portion	7.20	26 000	-
Bonds, short-term portion	7.21	100 000	-
Accrued interest on loans and bonds	7.22	3 745	3 803
Corporate income tax payables		75	1 628
Short-term provisions	7.27	8 967	6 229
Deferred income	7.28	151 576	231 553
Total short-term liabilities		**429 071**	**383 234**
Total liabilities		**746 438**	**869 299**
Total equity and liabilities		**1 604 565**	**1 725 809**

(all amounts in thousands PLN unless stated otherwise)

3. INCOME STATEMENT

		Year ended	
	Note	**31.12.2014**	**31.12.2013**
Sales revenue	**7.35**	784 274	676 387
Cost of sales	**7.36**	(632 215)	(519 316)
Gross profit on sales		**152 059**	**157 071**
Selling costs	**7.36**	(39 797)	(40 106)
General administrative expenses	**7.36**	(47 834)	(42 709)
Other operating income	**7.38**	15 249	10 005
Other operating expenses	**7.39**	(10 887)	(11 219)
Operating profit		**68 790**	**73 042**
Financial income	**7.40**	5 675	2 575
Financial costs	**7.41**	(5 257)	(6 166)
Profit before tax		**69 208**	**69 451**
Income tax	**7.33**	(13 386)	(15 099)
Net profit		**55 822**	54 352
Earnings per share:			
Basic (PLN)	**7.32**	**2.25**	2.20
Diluted (PLN)	**7.32**	**2.25**	2.20

(all amounts in thousands PLN unless stated otherwise)

4. STATEMENT OF COMPREHENSIVE INCOME

	Year ended	
	31.12.2014	**31.12.2013**
Net profit	**55 822**	**54 352**
Other comprehensive income		
Net change to cash flow hedges	27	**44**
Income tax	(5)	(8)
Other net comprehensive income	**22**	**36**
Total net comprehensive income	**55 844**	**54 388**

(all amounts in thousands PLN unless stated otherwise)

5. CASH FLOW STATEMENT

	Note	Year ended 31.12.2014	31.12.2013
Cash flow from operating activities			
Profit before tax		**69 208**	**69 451**
Adjustments:			
Depreciation		3 259	3 139
(Profit)/loss on foreign exchange differences		(237)	9
(Profit)/loss on investments		46	3
Interest cost/(income)		18 550	15 701
Cost of the management option programmes		13	24
Changes in the operating capital			
Changes in provisions		1 880	(131)
Changes in inventory		110 040	(40 175)
Changes in receivables		37 838	(15 350)
Changes in short-term liabilities, excluding loans and bonds		5 553	(6 658)
Changes in prepayments and deferred income		(82 029)	(6 051)
Other adjustments		237	(9)
Cash flow generated from operating activities		**164 358**	**19 953**
Interest received		8 591	17 414
Interest paid		(23 417)	(28 397)
Income tax paid		(13 050)	(16 073)
Net cash flow from operating activities		**136 482**	**(7 103)**
Cash flow from investing activities			
Proceeds from the sale of intangible assets and tangible fixed assets		232	79
Proceeds from borrowings granted		445	359
Bank deposits with a maturity over three months (made and/or closed)		(30 001)	233 863
Acquisition of intangible and tangible fixed assets		(6 273)	(2 476)
Acquisition of financial assets		(585)	-
Net cash flow from investing activities		**(36 182)**	**231 825**
Cash flows from financing activities			
Proceeds from issue of shares (exercise of share options)		270	588
Proceeds from contracted loans	**7.20**	20 000	30 000
Commercial papers issued	**7.21**	-	50 000
Repayment of loans and borrowings	**7.20**	(70 000)	(66 000)
Redemption of commercial papers	**7.21**	-	-
Dividends paid	**7.19**	(54 495)	(91 048)
Payment of financial lease liabilities		-	-
Net cash flow from financing activities		**(104 225)**	**(76 460)**
Increase / (decrease) in net cash and cash equivalents		**(3 925)**	**148 262**
Cash and cash equivalents – opening balance	**7.15**	**321 307**	**173 045**
Cash and cash equivalents – closing balance	**7.15**	**317 382**	**321 307**

(all amounts in thousands PLN unless stated otherwise)

6. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Share premium less treasury shares	Other capital (supplementary capital)	Reserve capital from reduction of share capital	Reserve capital from valuation of cash flow hedges	Reserve capital from valuation of share options	Accumulated, unappropriated profit (loss)	Total shareholders' equity
Balance as at 1 January 2014	**24 753**	**234 283**	**517 521**	**510**	**(22)**	**25 113**	**54 352**	**856 510**
Share capital increase by exercising share options (note 7.16, 7.17)	17	237	-	-	-	-	-	**254**
Transfer of profit to supplementary capital	-	-	(142)	-	-	-	142	**-**
Payment of dividends to shareholders	-	-	-	-	-	-	(54 494)	**(54 494)**
Creation of reserve capital from the valuation of the share options	-	-	-	-	-	13	-	**13**
Net profit for the reporting period	-	-	-	-	-	-	55 822	**55 822**
Other net comprehensive income for the reporting period	-	-	-	-	22	-	-	**22**
Balance as at 31 December 2014	**24 770**	**234 520**	**517 379**	**510**	**-**	**25 126**	**55 822**	**858 127**

	Share capital	Share premium less treasury shares	Other capital (supplementary capital)	Reserve capital from reduction of share capital	Reserve capital from valuation of cash flow hedges	Reserve capital from valuation of share options	Accumulated, unappropriated profit (loss)	Total shareholders' equity
Balance as at 1 January 2013	**24 715**	**233 733**	**517 362**	**510**	**(58)**	**25 089**	**91 207**	**892 558**
Share capital increase by exercising share options (note 7.16, 7.17)	38	550	-	-	-	-	-	**588**
Transfer of profit to supplementary capital	-	-	159	-	-	-	(159)	**-**
Payment of dividends to shareholders	-	-	-	-	-	-	(91 048)	**(91 048)**
Creation of reserve capital from the valuation of the share options	-	-	-	-	-	24	-	**24**
Net profit for the reporting period	-	-	-	-	-	-	54 352	**54 352**
Other net comprehensive income for the reporting period	-	-	-	-	36	-	-	**36**
Balance as at 31 December 2013	**24 753**	**234 283**	**517 521**	**510**	**(22)**	**25 113**	**54 352**	**856 510**

7. ADDITIONAL NOTES TO THE FINANCIAL STATEMENTS

7.1. General information about Dom Development S.A.

The joint stock company Dom Development S.A. (the "Company") is the parent company of Dom Development S.A. Capital Group (the "Group"). The registered office of the Company is in Warsaw (00-078 Warsaw, Pl. Piłsudskiego 3). The Company has been entered into the National Court Register under number 0000031483 maintained by the District Court for the capital city of Warsaw, 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 2014, Dom Development B.V. controlled 59.45% 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 2014 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 2014. These statements were approved by the Management Board of the Company on 25 February 2015.

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 2014.

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 2013, except for the following amendments to existing standards and new interpretations that are effective for annual periods beginning on 1 January 2014:

- Amendments to IAS 32 *Financial instruments: presentation: Offsetting of Financial Assets and Financial Liabilities* – effective for financial years beginning on or after 1 January 2014.
- Amendments to IFRS 10, IFRS 12 and IAS 27 *Investment Entities* (issued on 31 October 2012) – effective for financial years beginning on 1 January 2014.
- Amendments to IAS 36 *Recoverable Amount Disclosures for Non-financial Assets* (issued on 29 May 2013) – effective for financial years beginning on or after 1 January 2014.
- Amendments to IAS 39 *Novation of Derivatives and Continuation of Hedge Accounting* (issued on 27 June 2013) – effective for financial years beginning on or after 1 January 2014.

The introduced amendments and new standards were scrutinized by the Company and they do not materially affect the Company's financial position, operating results or the scope of information presented in these financial statements.

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

- IFRS 9 *Financial Instruments* (published on 24 July 2014) – effective for annual periods beginning on or after 1 January 2018 – not endorsed by the EU until the date of approval of these financial statements,
- IFRIC 21 *Levies* (published on 20 May 2013) – effective for annual periods beginning on or after 1 January 2014; in the EU effective latest for annual periods beginning on or after 17 June 2014,
- Amendments to IAS 19 *Defined benefit plans: Employee Contributions* (published on 21 November 2013) – effective for annual periods beginning on or after 1 July 2014; in the EU effective latest for annual periods beginning on or after 1 February 2015,
- *Improvements resulting from IFRS reviews 2010-2012* (published on 12 December 2013) – some amendments are effective for annual periods beginning on or after 1 July 2014, and some prospectively for the transactions effected on or after 1 July 2014; in the EU effective latest for annual periods beginning on or after 1 February 2015,
- *Improvements resulting from IFRS reviews 2011-2013* (published on 12 December 2013) – effective for annual periods beginning on or after 1 July 2014; in the EU effective latest for annual periods beginning on or after 1 February 2015,
- IFRS 14 *Regulatory Deferral Accounts* (published on 30 January 2014) – effective for annual periods beginning on or after 1 January 2016 - have not been decided as to the time frame of individual stages of EFRAG endorsement of this standard – not endorsed by the EU until the date of approval of these financial statements,
- Amendments to IFRS 11 *Accounting for Acquisitions of Interests in Joint Operations* (published on 6 May 2014) – effective for annual periods beginning on or after 1 January 2016 – not endorsed by the EU until the date of approval of these financial statements,
- Amendments do IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation* (published on 12 May 2014) – effective for annual periods beginning on or after 1 January 2016 – not endorsed by the EU until the date of approval of these financial statements,
- IFRS 15 *Revenue from Contracts with Customers* (published on 28 May 2014) – effective for annual periods beginning on or after 1 January 2017 – not endorsed by the EU until the date of approval of these financial statements,
- Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants* (published on 30 June 2014) – effective for annual periods beginning on or after 1 January 2016 – not endorsed by the EU until the date of approval of these financial statements,
- Amendments to IAS 27 *Equity Method in Separate Financial Statements* (published on 12 August 2014) – effective for annual periods beginning on or after 1 January 2016 – not endorsed by the EU until the date of approval of these financial statements,

- Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (published on 11 September 2014) – effective for annual periods beginning on or after 1 January 2016 – not endorsed by the EU until the date of approval of these financial statements,
- *Improvements resulting from IFRS reviews 2012-2014* (published on 25 September 2014) – effective for annual periods beginning on or after 1 January 2016 – not endorsed by the EU until the date of approval of these financial statements,
- Amendments to IFRS 10, IFRS 12 and IAS 28 *Investment Entities: Applying the Consolidation Exception* (published on 18 December 2014) – effective for annual periods beginning on or after 1 January 2016 – not endorsed by the EU until the date of approval of these financial statements,
- Amendments to IAS 1 *Disclosure Initiative* (published on 18 December 2014) – effective for annual periods beginning on or after 1 January 2016 – not endorsed by the EU until the date of approval of these financial statements,

The Management Board is verifying effect of the above standards on the Company's financial position, operating results or the scope of information presented in the Company's financial statements.

7.4. Significant accounting policies

Investments in subsidiaries, associates and jointly controlled entities

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

Tangible fixed assets

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

Inventory

Finished goods

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

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

Work in progress

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

Inventory impairment test:

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

Interest-bearing loans, borrowings and commercial papers

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

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

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

Trade payables, tax and other liabilities

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

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

Provisions

Provisions are created when the Company has a present obligation (legal or constructive) as a result of a past event, and if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is disclosed in the income statement net of any reimbursement.

Revenue recognition

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

Sale of products

The revenue from the sale of real estate (housing units, commercial space, etc.) – 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, in which a service is provided.

Foreign currency translation

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

Taxes

Current tax

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

Deferred tax

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

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

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

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

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

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

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

Dividends

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

Earnings per share

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

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.

(all amounts in thousands PLN unless stated otherwise)

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 2013	**1 356**	**5 395**	**6 751**
Additions	860	278	1 138
(Disposals)	(239)	(2 526)	(2 765)
Balance as at 31 December 2013	**1 977**	**3 147**	**5 124**
Additions	1 764	1 010	2 774
(Disposals)	-	-	-
Balance as at 31 December 2014	**3 741**	**4 157**	**7 898**
DEPRECIATION			
Balance as at 1 January 2013	**1 131**	**4 409**	**5 540**
Additions	343	817	1 160
(Disposals)	(149)	(2 616)	(2 765)
Balance as at 31 December 2013	**1 325**	**2 610**	**3 935**
Additions	775	595	1 370
(Disposals)	-	-	-
Balance as at 31 December 2014	**2 100**	**3 205**	**5 305**
NET VALUE			
as at 31 December 2013	**652**	**537**	**1 189**
as at 31 December 2014	**1 641**	**952**	**2 593**

Intangible assets are depreciated throughout their estimated economic useful lives, which for computer software is 2-3 years on average. There are no intangible assets with an undefined useful life.

As at 31 December 2014 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	31.12.2014	31.12.2013
Tangible fixed assets, including:		
- plants and equipment	682	699
- vehicles	3 572	2 566
- other tangible fixed assets	2 032	1 425
Total tangible fixed assets	**6 286**	**4 690**

(all amounts in thousands PLN unless stated otherwise)

TANGIBLE FIXED ASSETS	Land and buildings	Vehicles	Equipment and other tangible fixed assets	Total
GROSS VALUE				
Balance as at 1 January 2013	**-**	**6 695**	**6 116**	**12 811**
Additions	-	579	790	1 369
(Disposals)	-	(397)	(384)	(781)
Balance as at 31 December 2013	**-**	**6 877**	**6 522**	**13 399**
Additions	-	2 067	1 532	3 599
(Disposals)	-	(1 565)	(235)	(1 800)
Balance as at 31 December 2014	**-**	**7 379**	**7 819**	**15 198**
ACCUMULATED DEPRECIATION				
Balance as at 1 January 2013	**-**	**3 764**	**3 739**	**7 503**
Additions	-	946	1 035	1 981
(Disposals)	-	(399)	(376)	(775)
Balance as at 31 December 2013	**-**	**4 311**	**4 398**	**8 709**
Additions	-	975	894	1 869
(Disposals)	-	(1 479)	(187)	(1 666)
Balance as at 31 December 2014	**-**	**3 807**	**5 105**	**8 912**
NET VALUE				
as at 31 December 2013	**-**	**2 566**	**2 124**	**4 690**
as at 31 December 2014	**-**	**3 572**	**2 714**	**6 286**

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

No collaterals have been established on fixed assets.

All tangible fixed assets were owned by the Company on the balance sheet date.

7.8. Lease

As at the balance sheet date the Company is not a party (as a lessee) to lease agreements relating to fixed assets which are recorded in the books as financial lease.

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 entered into 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 2014 and as at 31 December 2013.

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 2014 and 31 December 2013, 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 2014 and 31 December 2013 the value of these shares in the Company's balance sheet was zero.

As at 31 December 2014 the Company disclosed a loan in the amount of PLN 600 thousand granted to Dom Development Grunty spółka z o.o. The purpose of the loan was to fund ongoing commercial activities of Dom

(all amounts in thousands PLN unless stated otherwise)

Development Grunty spółka z o.o. According to the agreement, the loan will be repaid by 31 May 2015. The loan bears the market interest rate. As at the balance sheet date a revaluation write down for the loan is PLN 600 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 2014 and 31 December 2013, the carrying value of these shares equals the purchase price paid.

7.10. Long-term receivables

As at 31 December 2014 and 31 December 2013, the Company disclosed long-term receivables in the amount of PLN 1 626 thousand and PLN 1 601 thousand respectively. As at 31 December 2014 the long-term receivables included refundable deposits in the amount of PLN 1 537 thousand and other long-term receivables amounting to PLN 89 thousand. As at 31 December 2013 the long-term receivables included refundable deposits in the amount of PLN 1 537 thousand and other long-term receivables amounting to PLN 64 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	**31.12.2014**	**31.12.2013**
Advances on deliveries	**56 193**	**24 943**
including: at purchase prices/production costs	56 362	24 943
write down to the net realisable value	(169)	-
Semi-finished goods and work in progress	**999 618**	**1 160 727**
including: at purchase prices/production costs	1 011 937	1 172 301
write down to the net realisable value	(12 319)	(11 574)
Finished goods	**174 927**	**158 626**
including: at purchase prices/production costs	178 138	162 876
write down to the net realisable value	(3 211)	(4 250)
Total	**1 230 738**	**1 344 296**

INVENTORY REVALUATION WRITE DOWNS	**01.01- - 31.12.2014**	**01.01- - 31.12.2013**
Opening balance	**15 824**	**20 186**
Increments	3 966	1 161
Decrease	(4 091)	(5 523)
Closing balance	**15 699**	**15 824**

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	**31.12.2014**	**31.12.2013**
Carrying value of inventory used to secure liabilities	168 889	267 320
Mortgages: Value of mortgages established to secure real estate purchase agreements	8 400	18 000
Value of mortgages established to secure loan agreements (cap)	306 000	291 000

(all amounts in thousands PLN unless stated otherwise)

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--31.12.2014	01.01--31.12.2013
Preparatory works	681	453

7.12. Trade and other receivables

As at the balance sheet date the trade and other receivables amounted to PLN 5 558 thousand as at 31 December 2014, and PLN 43 421 thousand as at 31 December 2013.

TRADE AND OTHER RECEIVABLES	31.12.2014	31.12.2013
Trade receivables	4 171	24 304
Receivables from related entities	167	184
Tax receivables	544	18 235
Other receivables	676	698
Total	**5 558**	**43 421**

The tax receivables incorporate VAT receivables in the amount of PLN 544 thousand and PLN 18 235 thousand as at 31 December 2014 and 31 December 2013 respectively.

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

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

AGING STRUCTURE OF TRADE RECEIVABLES	31.12.2014	31.12.2013
Up to 3 months	3 419	5 193
From 3 to 6 months	96	94
From 6 months to 1 year	1 396	264
Over 1 year	1 829	19 774
Gross trade receivables	**6 740**	**25 325**
Receivables revaluation write downs	(2 569)	(1 021)
Net trade receivables	**4 171**	**24 304**

The write downs fully relate to overdue trade receivables.

As at 31 December 2013 the main item in trade receivables over one year were 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). This prepayment was refunded in full in 2014.

CHANGE IN THE WRITE DOWNS FOR TRADE AND OTHER RECEIVABLES	01.01--31.12.2014	01.01--31.12.2013
Opening balance	**2 486**	**4 071**
a) Additions	1 658	230
b) Disposals	(110)	(1 815)
Closing balance	**4 034**	**2 486**

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

(all amounts in thousands PLN unless stated otherwise)

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	31.12.2014	31.12.2013
Deferred costs	2 347	3 253
Accrued financial income on deposits	877	818
Total	**3 224**	**4 071**

7.14. Short-term financial assets

SHORT-TERM FINANCIAL ASSETS	31.12.2014	31.12.2013
Bank deposits with a maturity over three months	30 048	47
Cash in escrow accounts	4 415	5 110
Total	**34 463**	**5 157**

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	31.12.2014	31.12.2013
Cash in hand and at bank	8 068	6 695
Short-term deposits	309 290	314 580
Other	24	32
Total	**317 382**	**321 307**

(all amounts in thousands PLN unless stated otherwise)

7.16. Share capital

SHARE CAPITAL (STRUCTURE) AS AT 31.12.2014								
Series / issue	Type of share	Type of preference	Limitation of right to shares	Number of shares	Nominal value of series/issue (PLN)	Capital covered with	Registration date	Right to dividends (from)
A	Bearer	-	-	21 344 490	21 344 490	cash	12.09.2006	12.09.2006
F	Bearer	-	-	2 705 882	2 705 882	cash	31.10.2006	31.10.2006
H	Bearer	-	-	172 200	172 200	cash	14.02.2007	14.02.2007
I	Bearer	-	-	92 700	92 700	cash	14.02.2007	14.02.2007
J	Bearer	-	-	96 750	96 750	cash	14.02.2007	14.02.2007
L	Bearer	-	-	148 200	148 200	cash	14.02.2007	14.02.2007
Ł	Bearer	-	-	110 175	110 175	cash	12.03.2012	07.05.2012
M	Bearer	-	-	24 875	24 875	cash	03.10.2012	09.11.2012
N	Bearer	-	-	20 000	20 000	cash	03.10.2012	09.11.2012
O	Bearer	-	-	26 000	26 000	cash	05.03.2013	17.05.2013
P	Bearer	-	-	925	925	cash	31.10.2013	23.12.2013
R	Bearer	-	-	11 000	11 000	cash	31.10.2013	23.12.2013
S	Bearer	-	-	17 075	17 075	cash	20.03.2014	02.05.2014
Total number of shares				**24 770 272**				
Total share capital					**24 770 272**			
Nominal value per share = PLN 1								

SHARE CAPITAL (STRUCTURE) AS AT 31.12.2013								
Series/ issue	Type of share	Type of preference	Limitation of right to shares	Number of shares	Nominal value of series/issue (PLN)	Capital covered with	Registration date	Right to dividends (from)
A	Bearer	-	-	21 344 490	21 344 490	cash	12.09.2006	12.09.2006
F	Bearer	-	-	2 705 882	2 705 882	cash	31.10.2006	31.10.2006
H	Bearer	-	-	172 200	172 200	cash	14.02.2007	14.02.2007
I	Bearer	-	-	92 700	92 700	cash	14.02.2007	14.02.2007
J	Bearer	-	-	96 750	96 750	cash	14.02.2007	14.02.2007
L	Bearer	-	-	148 200	148 200	cash	14.02.2007	14.02.2007
Ł	Bearer	-	-	110 175	110 175	cash	12.03.2012	07.05.2012
M	Bearer	-	-	24 875	24 875	cash	03.10.2012	09.11.2012
N	Bearer	-	-	20 000	20 000	cash	03.10.2012	09.11.2012
O	Bearer	-	-	26 000	26 000	cash	05.03.2013	17.05.2013
P	Bearer	-	-	925	925	cash	31.10.2013	23.12.2013
R	Bearer	-	-	11 000	11 000	cash	31.10.2013	23.12.2013
Total number of shares				**24 753 197**				
Total share capital					**24 753 197**			
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 2014

On 21 January 2014 the Management Board of Dom Development S.A. adopted a resolution to increase the share capital by issuing 17 075 S series ordinary bearer shares as a part of the authorised capital from the then current amount of PLN 24 753 197 up to PLN 24 770 272, that is by PLN 17 075.00. The increase of the Company's share capital by issuance of 17 075 S 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 20 March 2014. The S series shares were issued in a private placement procedure addressed to participants in Management Share Option Programme II. The 17 075 S series ordinary bearer shares were registered in the National Depository for Securities (*Krajowy Depozyt Papierów*

(all amounts in thousands PLN unless stated otherwise)

Wartościowych S.A.; KDPW) and were introduced into trading in the regulated market under the standard procedure on 2 May 2014.

Moreover, on 18 November 2014 the Management Board of Dom Development S.A. adopted a resolution to increase the share capital by issuing 1 000 T series ordinary bearer shares as a part of the authorised capital from the then current amount of PLN 24 770 272 up to PLN 24 771 272, that is by PLN 1 000. The T series shares were issued in a private placement procedure addressed to participant in Management Share Option Programme II. These shares were registered by the District Court for the capital city of Warsaw in Warsaw, 12th Commercial Division of the National Court Register on 14 January 2015.

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 2014.

	Status as at the date of preparing of these financial statements			
	Shares	**% of capital**	**Number of votes at the GSM**	**% of votes at the GSM**
Dom Development B.V.	14 726 172	59.45	14 726 172	59.45
Jarosław Szanajca	1 534 050	6.19	1 534 050	6.19
Aviva Powszechne Towarzystwo Emerytalne Aviva BZ WBK SA *)	1 313 383	5.30	1 313 383	5.30
Grzegorz Kiełpsz	1 280 750	5.17	1 280 750	5.17

*) Shareholding of Aviva Powszechne 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 2014.

	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
Janusz Zalewski	311 000	92 534	403 534
Małgorzata Kolarska	6 500	-	6 500
Janusz Stolarczyk	105 200	28 597	133 797
Terry Roydon	58 500	11 767	70 267
The Supervisory Board			
Grzegorz Kiełpsz	1 280 750	-	1 280 750
Mark Spiteri	500	2 330	2 830

7.17. Share premium

In the twelve-month period ended 31 December 2014, the value of the item „Share premium" changed by PLN 237 thousand as a result of the increase of the share capital, described in note 7.16.

The value of the share premium was PLN 234 520 thousand and PLN 234 283 thousand as at 31 December 2014 and 31 December 2013 respectively.

(all amounts in thousands PLN unless stated otherwise)

7.18. Additional information on shareholders' equity

As at 31 December 2014 and 31 December 2013 the Company's shares were not owned by any of its subsidiaries.

In the twelve-month period ended 31 December 2014 and 2013 the Company did not hold any treasury shares.

7.19. Dividend and profit distribution

On 22 May 2014, the Ordinary General Meeting of the Shareholders of the Company resolved that the aggregate amount of PLN 54 494 598.40 be appropriated for the payment of a dividend to the Shareholders in Dom Development S.A. The aggregate amount includes:

- PLN 54 352 343.33 net profit of Dom Development S.A. for the year ended 31 December 2013,
- PLN 142 255.07 that is a portion of the Dom Development S.A. supplementary capital derived from the profit carried forward,

that is PLN 2.20 per each share. The dividend day was set at 12 June 2014 and the dividend payment day was set at 27 June 2014. The dividend was paid out in accordance with the resolution.

In the year 2013, the dividend paid from the Company's profit for 2012 was PLN 91 047 880.96, and the dividend payment amounted to PLN 3.68 per share.

7.20. Loans

Description of material changes in the twelve-month period ended 31 December 2014

On 5 February 2014 the Company and mBank Spółka Akcyjna entered into an agreement for the loan facility in aggregate amount of PLN 50 000 thousand to be used to finance current business operations of the Company. The term of the Agreement is until 3 February 2017.

The loan in the amount of PLN 20 000 thousand was drawn at mBank on 29 August 2014.

In 2014, the Company prematurely repaid the loan at PKO Bank Polski S.A. On 28 February 2014 the instalment of PLN 20 000 thousand was repaid and on 29 August 2014 the instalment of PLN 20 000 thousand.

In 2014, the Company's outstanding balance of the loan at Alior Bank S.A. has been reduced by PLN 30 000 thousand.

A notice of termination for the loan agreement dated 18 September 2013 was served by the Company at Alior Bank S.A. on 15 December 2014. The 30 (thirty) day notice period has been lapsing from the date that the written notice of termination was served at Alior Bank S.A.

LOANS DUE WITHIN		31.12.2014	31.12.2013
Less than 1 year		26 000	-
More than 1 year and less than 2 years		78 000	66 000
More than 2 years and less than 5 years		20 000	108 000
Over 5 years		-	-
Total loans		**124 000**	**174 000**
including:	long-term	98 000	174 000
	short-term	26 000	-

As at 31 December 2014 and 31 December 2013 all the loans taken by the Company were expressed in Polish zloty.

(all amounts in thousands PLN unless stated otherwise)

BANK LOANS AS AT 31.12.2014						
Bank	**Registered office**	**Loan amount as per agreement**	**Currency**	**Outstanding loan amount (less accrued interest)**	**Currency**	**Due date**
PKO BP	Warsaw	210 000	PLN	104 000	PLN	31.12.2016
Alior Bank	Warsaw	*) 50 000	PLN	-	PLN	18.09.2016
mBank	Warsaw	*) 50 000	PLN	20 000	PLN	03.02.2017
Total bank loans				**124 000**	**PLN**	

*) revolving loan in the credit account

In the "Loans" item the Company states the nominal value of loan liabilities, and the interest charged as at the balance sheet date are presented separately in the item "Accrued interest on loans and bonds".

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

7.21. Bonds

BONDS	31.12.2014	31.12.2013
Nominal value of the bonds issued, long-term portion	170 000	270 000
Nominal value of the bonds issued, short-term portion	100 000	-
Nominal value of the bonds issued	**270 000**	**270 000**

In the "Bonds" item the Company states the nominal value of the bond liabilities, and the interest charged as at the balance sheet date are presented separately in the item "Accrued interest on loans and bonds".

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

Core details concerning the bonds issued

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.

On 5 November 2014, the Company and Pekao S.A. signed an Annex to the Bond Issue Programme Agreement dated 5 November 2007, pursuant to which the period of bond issue programme has been extended by 7 years (until 5 November 2021).

Description of material changes in the twelve-month period ended 31 December 2014

The total bond issue liabilities in the twelve-month period ended 31 December 2014 have not changed.

BONDS ISSUED AS AT 31 DECEMBER 2014				
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
IV	26.03.2013	50 000	PLN	26.03.2018
	Total:	**270 000**	**PLN**	

(all amounts in thousands PLN unless stated otherwise)

7.22. Accrued interest on loans and bonds

ACCRUED INTEREST ON LOANS AND BONDS	31.12.2014	31.12.2013
Accrued interest on bonds	3 745	3 803
Accrued interest on loans	-	-
Total accrued interest on loans and bonds	**3 745**	**3 803**

7.23. Deferred tax assets and provisions

Deferred tax is the outcome of the following items:

	Balance sheet		Income statement / Statement of comprehensive income	
	31.12.2014	31.12.2013	01.01-31.12.2014	01.01-31.12.2013
Deferred tax provision				
Foreign exchange differences	15	-	15	-
Accrued interest	167	155	12	(728)
Discounting of liabilities	413	473	(60)	(157)
Result on the sale of units – without legal ownership transfer agreements	13 365	11 724	1 641	(1 302)
Capitalised financial costs	4 588	5 833	(1 245)	415
Other	2	2	-	-
Total deferred tax provision	**18 550**	**18 187**	**363**	**(1 772)**
Deferred tax assets				
Foreign exchange differences	-	30	(30)	2
Inventory revaluation	2 950	3 006	(56)	(816)
Receivables revaluation write downs and other provisions	186	337	(151)	(290)
Provision for employee benefits	2 024	2 397	(373)	88
Provision for other costs	3 627	3 906	(279)	(547)
Financial costs	-	673	(673)	-
Discounting of receivables	-	-	-	(9)
Valuation of financial assets	85	54	31	(50)
Other	5	5	-	-
Total deferred tax assets	**8 877**	**10 408**	**(1 531)**	**(1 622)**
Deferred tax expense concerning income statement			**1 889**	**(158)**
Deferred tax expense concerning other net comprehensive income			**5**	**8**
Deferred tax provision shown in the balance sheet, net	**9 673**	**7 779**		

7.24. Long-term provisions

LONG-TERM PROVISIONS	31.12.2014	31.12.2013
Provision for repair costs, long-term portion	11 476	12 385
Provision for retirement benefits	564	513
Total	**12 040**	**12 898**

(all amounts in thousands PLN unless stated otherwise)

LONG-TERM PROVISIONS – CHANGES	01.01--31.12.2014	01.01--31.12.2013
Opening balance	**12 898**	**13 509**
Provisions created in the financial year	2 781	296
Provisions used/reversed in the financial year	(3 639)	(907)
Closing balance	**12 040**	**12 898**

7.25. Other long-term liabilities

OTHER LONG-TERM LIABILITIES	31.12.2014	31.12.2013
Guarantee retentions, long-term portion	22 487	19 254
Real estate purchase liabilities	3 484	-
Other	1 683	2 134
Closing balance	**27 654**	**21 388**

7.26. Trade payables, tax and other liabilities

TRADE PAYABLES, TAX AND OTHER LIABILITIES	31.12.2014	31.12.2013
Trade payables, including guarantee retentions (short-term portion)	111 677	109 895
Tax liabilities	1 329	1 318
Accrued costs	25 388	28 284
Company Social Benefits Fund	314	524
Total liabilities	**138 708**	**140 021**
Accrued costs structure	**25 388**	**28 284**
- estate construction costs	14 698	9 379
- employee costs	8 172	9 714
- rent for office space	847	1 065
- other	1 671	8 126

Trade payables are not interest-bearing liabilities. In addition to the guarantee retentions (as described below), the maturity for the trade payables is from 14 to 90 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.

	31.12.2014	31.12.2013
Guarantee retentions, short-term portion	20 153	25 995
Guarantee retentions, long-term portion	22 487	19 254
Total guarantee retentions	**42 640**	**45 249**

7.27. Short-term provisions

SHORT-TERM PROVISIONS	31.12.2014	31.12.2013
Provision for repair costs, short-term portion	3 826	4 129
Provision for disputes	5 141	2 100
Total	**8 967**	**6 229**

(all amounts in thousands PLN unless stated otherwise)

SHORT-TERM PROVISIONS – CHANGES	01.01- -31.12.2014	01.01- -31.12.2013
Opening balance	**6 229**	**5 749**
Provisions created in the financial year	8 967	4 316
Provisions used/reversed in the financial year	(6 229)	(3 836)
Closing balance	**8 967**	**6 229**

7.28. Deferred income

DEFERRED INCOME	31.12.2014	31.12.2013
Deferred income related to the payments received from customers for the purchase of products, not settled as income in the income statement	151 551	231 553
Other	25	-
Total	**151 576**	**231 553**

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	31.12.2014	31.12.2013
FINANCIAL ASSETS		
Long-term receivables	1 626	1 601
Trade and other receivables	4 847	25 002
Receivables from related entities	167	1 184
Total borrowings and receivables	**6 640**	**27 787**
Other	24	32
Financial assets valued at their fair value through the income statement (designated for trading)	**24**	**32**
Cash in hand and at bank	8 068	6 695
Short-term deposits	309 290	314 580
Short-term financial assets	34 463	5 157
Maximum credit risk exposure	**358 485**	**354 251**
FINANCIAL LIABILITIES		
Loans	124 000	174 000
Own bonds issued	273 745	273 803
Trade payables, accrued and other liabilities	164 719	159 567
Financial liabilities valued at amortised cost	**562 464**	**607 370**

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

(all amounts in thousands PLN unless stated otherwise)

- 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 2014 and 31 December 2013 the Company did not have any significant assets, liabilities and future payments in foreign currencies, therefore there was no need to have hedging currency derivatives.

Interest rate risk

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

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

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

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

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

VARIABLE INTEREST RATE INSTRUMENTS	31.12.2014	31.12.2013
Financial assets	351 821	326 432
Financial liabilities	397 745	447 803
Net total	**(45 924)**	**(121 371)**

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

Analysis of financial result sensitivity to interest rate change

A 100-basis point (bp) change in the interest rate of instruments as at the balance sheet date would increase (decrease) the net assets and income statement (after tax) by the amounts listed in the table below. The analysis prepared for twelve-month periods ended 31 December 2014 and 31 December 2013 assumes that all other variables remain unchanged.

(all amounts in thousands PLN unless stated otherwise)

	Income statement		Net assets	
	Increase by 100 bp	**Decrease by 100 bp**	**Increase by 100 bp**	**Decrease by 100 bp**
31 December 2014				
Variable interest rate assets	950	(950)	950	(950)
Variable interest rate liabilities*	(1 074)	1 074	(1 074)	1 074
Net sensitivity	**(124)**	**124**	**(124)**	**124**
31 December 2013				
Variable interest rate assets	881	(881)	881	(881)
Variable interest rate liabilities*	(1 209)	1 209	(1 209)	1 209
Net sensitivity	**(328)**	**328**	**(328)**	**328**

* 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:

(all amounts in thousands PLN unless stated otherwise)

	Total	0 – 6 months	6 – 12 months	1 – 2 years	2 – 5 years
31 December 2014					
Loans	132 234	2 282	28 281	81 609	20 062
Own bonds issued	297 750	108 100	5 100	130 200	54 350
Trade and other payables	168 635	130 751	8 422	10 939	18 523
Total	**598 619**	**241 133**	**41 803**	**222 748**	**92 935**
31 December 2013					
Loans	193 475	3 769	3 769	73 538	112 399
Own bonds issued	311 023	8 235	8 235	113 420	181 133
Trade and other payables	164 007	135 875	4 923	4 246	18 963
Total	**668 505**	**147 879**	**16 927**	**191 204**	**312 495**

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 2014 and 2013 the return on equity (calculated as net profit to the annual average value of shareholders' equity) amounted to 6.5% and 6.2%, respectively. In that period, the average weighted cost of interest on the Company's debt amounted to 5.4% in 2014 and 6.0% in 2013.

As at 31 December 2014 and 2013 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 4.9% and 13.6% respectively.

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

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

(all amounts in thousands PLN unless stated otherwise)

7.32. Earnings per share

CALCULATION OF BASIC AND DILUTED EARNINGS PER SHARE	01.01-31.12.2014	01.01-31.12.2013
Basic earnings per share		
Profit for calculation of the basic earnings per share	55 822	54 352
The weighted average number of ordinary shares for the calculation of basic earnings per share	24 766 576	24 738 706
Basic earnings per share (PLN)	**2.25**	**2.20**
Diluted earnings per share		
Profit for calculation of the diluted earnings per share	55 822	54 352
Potential diluting shares related to the Management Share Option Programme	27 009	15 814
The weighted average number of ordinary shares for the calculation of diluted earnings per share	24 793 586	24 754 520
Diluted earnings per share (PLN)	**2.25**	**2.20**

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--31.12.2014	01.01--31.12.2013
Current income tax	11 497	15 257
Deferred tax	1 889	(158)
Total	**13 386**	**15 099**

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--31.12.2014	01.01--31.12.2013
Gross profit before tax	**69 208**	**69 451**
As per 19% tax rate	13 150	13 196
Permanent differences not subject to the current and deferred tax in the financial statements (except for cost of the management options)	234	1 898
Tax effect of management options permanently not being a tax deductible cost	2	5
Actual income tax expense	**13 386**	**15 099**
Effective tax rate	**19,34%**	**21.74%**

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.

(all amounts in thousands PLN unless stated otherwise)

7.34. Segment reporting

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

7.35. Operating income

REVENUE BREAKDOWN	01.01-31.12.2014	01.01-31.12.2013
Sales of finished goods	770 760	655 671
Sales of services	12 423	20 716
Sales of goods (land)	1 091	-
Total	**784 274**	**676 387**

7.36. Operating costs

OPERATING COSTS	01.01-31.12.2014	01.01-31.12.2013
Cost of sales		
Cost of finished goods sold	(616 194)	(501 884)
Cost of services sold	(15 358)	(21 725)
Cost of goods sold	(957)	-
Inventory write down to the net realisable value	294	4 293
Total cost of sales	**(632 215)**	**(519 316)**
Selling costs, and general administrative expenses		
Selling costs	(39 797)	(40 106)
General administrative expenses	(47 834)	(42 709)
Total selling costs, and general administrative expenses	**(87 631)**	**(82 815)**
Selling costs, and general administrative expenses by kind		
Depreciation	(3 259)	(3 139)
Cost of materials and energy	(13 441)	(13 400)
External services	(22 351)	(21 444)
Taxes and charges	(157)	(149)
Remuneration	(39 255)	(36 592)
Social security and other benefits	(4 784)	(4 562)
Management Option Programme	(13)	(24)
Other prime costs	(4 371)	(3 505)
Total selling costs, and general administrative expenses by kind	**(87 631)**	**(82 815)**

7.37. Payroll costs

PAYROLL COST AND AVERAGE EMPLOYMENT (including the management)	01.01-31.12.2014	01.01-31.12.2013
Individual personnel categories (number of staff)	**158**	**152**
White-collar workers	158	152
Blue-collar workers		-
General remuneration elements, including:	**44 039**	**41 154**
Remuneration	39 255	36 592
Social security and other benefits	4 784	4 562

(all amounts in thousands PLN unless stated otherwise)

7.38. Other operating income

OTHER OPERATING INCOME	01.01-31.12.2014	01.01-31.12.2013
Revenues from contractual penalties, arrangements and compensations	9 590	7 922
Reversal of provision for costs	4 433	1 507
Other	1 226	576
Total	**15 249**	**10 005**

7.39. Other operating expenses

OTHER OPERATING EXPENSES	01.01-31.12.2014	01.01-31.12.2013
Provision for penalties and arrangements with customers	182	692
Donations	195	196
Provision for other costs	506	347
Provision for disputes and receivables	3 080	6 249
Cost of repairs and defects (including change in provision)	6 556	3 504
Other	368	231
Total	**10 887**	**11 219**

7.40. Financial income

FINANCIAL INCOME	01.01-31.12.2014	01.01-31.12.2013
Interest on bank deposits and borrowings (non-capitalized part of interest)	1 693	2 451
Other interest	3 782	80
Foreign exchange differences	199	-
Other	1	44
Total	**5 675**	**2 575**

7.41. Financial costs

FINANCIAL COSTS	01.01-31.12.2014	01.01-31.12.2013
Interest on loans and bonds (non-capitalized part of interest)	3 819	4 804
Other interest	311	95
Foreign exchange differences	-	220
Commissions and fees	246	192
Cost from discounting receivables and payables	314	781
Valuation of long-term investments (CAP options)	567	74
Total	**5 257**	**6 166**

(all amounts in thousands PLN unless stated otherwise)

7.42. Interest cost

INTEREST COST	01.01-31.12.2014	01.01-31.12.2013
Financial costs (interest) capitalised under work in progress*)	12 182	11 585
Financial costs (interest) disclosed in the income statement	4 130	4 892
Total interest costs	**16 312**	**16 477**

*) 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 2014 and 2013, 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**	**01.01-31.12.2014**	**01.01-31.12.2013**
Woodsford Consulting Limited	Consulting services as per the agreement dated 27 June 2007	1 670	1 541
Hansom Property Company Limited	Consulting services as per the agreement dated 31 March 1999	264	246
Hansom Property Company Limited	Other	190	117
M&M Usługi Doradcze M. Kolarski	Consulting services	156	-
Kirkley Advisory Limited	Consulting services as per the agreement dated 1 March 2012	50	59
Kirkley Advisory Limited	Other	91	56
Dom Development Grunty sp. z o.o.	Services performed as per the contract of mandate for the activities related to the purchase of land and management thereof	479	327

DOM DEVELOPMENT S.A. AS A SERVICE PROVIDER (SELLER)			
Counterparty	**Transaction description**	**01.01-31.12.2014**	**01.01-31.12.2013**
Fort Mokotów sp. z o.o., under liquidation	Repair services as per the agreement dated 22 July 2005	160	241
Fort Mokotów sp. z o.o., under liquidation	Other	6	22
Dom Development Grunty sp. z o.o.	Other	6	6
Dom Development Morskie Oko sp. z o.o., under liquidation	Other	5	5

DOM DEVELOPMENT S.A. AS A LENDER			
Counterparty	**Transaction description**	**01.01-31.12.2014**	**01.01-31.12.2013**
Dom Development Grunty sp. z o.o.	Repayment received for a portion of the borrowing	400	300
Dom Development Grunty sp. z o.o.	Interest accrued on the borrowing	45	59

(all amounts in thousands PLN unless stated otherwise)

DOM DEVELOPMENT S.A. AS A DIVIDEND PAYER			
Counterparty	**Transaction description**	**01.01-31.12.2014**	**01.01-31.12.2013**
Dom Development B.V.	Dividends	32 398	55 959

DOM DEVELOPMENT S.A. AS A LAND BUYER UNDER AN AGENCY AGREEMENT			
Counterparty	**Transaction description**	**01.01-31.12.2014**	**01.01-31.12.2013**
Dom Development Grunty sp. z o.o.	(net) prepayment for or purchase of land under the agency agreement	26 994	6 741

DOM DEVELOPMENT S.A. AS A LAND SELLER UNDER A SALE AGREEMENT			
Counterparty	**Transaction description**	**01.01-31.12.2014**	**01.01-31.12.2013**
Dom Development Grunty sp. z o.o.	(net) sale of the interest in long-term leasehold of the land	800	-

BALANCES WITH RELATED ENTITIES – balances as in the books of the Company				
Entity	**Receivables from related entities**		**Liabilities to related entities**	
	31.12.2014	**31.12.2013**	**31.12.2014**	**31.12.2013**
Total balance	**2 752**	**2 184**	**7 310**	**123**
Subsidiaries	**2 732**	**2 147**	**7 160**	**-**
Dom Development Morskie Oko sp. z o.o., under liquidation additional contributions to the capital	1 147	**1 147**	-	-
Dom Development Morskie Oko sp. z o.o., under liquidation	-	**-**	-	-
Dom Development Grunty sp. z o.o.	1 585	**1 000**	7 160	-
Jointly controlled entities	20	**37**	**-**	**-**
Fort Mokotów sp. z o.o., under liquidation	20	**37**	-	-
Other entities	**-**	**-**	**150**	**123**
M&M Usługi Doradcze M. Kolarski	-	-	48	-
Woodsford Consulting Limited	-	-	102	123
Holland Park Advisory Limited	-	-	-	-

DOM DEVELOPMENT AS A SELLER (PLN)			
Transactions with Members of the Management Board	**Transaction description**	**Transaction date**	**Transaction amount**
A person closely related to Małgorzata Kolarska	Agreement for the sale of residential unit with an area of 71.60 sq.m. ,and a parking place in the Saska project	22.12.2014	492 587.04
Jerzy Ślusarski and persons closely related	Developmetn agreement for the sale of residential unit with an area of 79.92 sq.m. in the Żoliborz Artystyczny Project	15.07.2014	1 160 438.40
Jerzy Ślusarski and persons closely related	Preliminary sale agreement for two parking places in the garage in the Żoliborz Artystyczny project	15.07.2014	60 720.00

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 2014 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)
	31.12.2014			31.12.2013		
Programme II	726 000	726 000	210 050	726 000	726 000	192 975
Programme III	360 000	120 000	-	360 000	120 000	-

The exercise of 1 000 options paid for in November 2014 and registered as shares on 14 January 2015 have not been included in the above figures.

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 new 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 2014 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 17 075 S series ordinary bearer shares was registered on 20 March 2014 (see note 7.16). The S series shares were issued in a private placement procedure addressed to participants in Management Share Option Programme II.

Moreover, on 18 November 2014 the Management Board of Dom Development S.A. adopted a resolution to increase the share capital by issuing 1 000 T series ordinary bearer shares (see note 7.16). The T series shares were issued in a private placement procedure addressed to participants in Management Share Option Programme II. These shares have not been registered by the District Court for the capital city of Warsaw in Warsaw until 31 December 2014.

Expiry of share options

In the twelve-month period ended 31 December 2014 the number of share options eligible to participate in Management Option Programme II was reduced by 25 850 options and the number of share options eligible to participate in Management Option Programme III was not reduced as a result of termination of employment contracts with the persons eligible to participate in these Programmes.

In addition to this, in the twelve-month period ended 31 December 2014 the number of share options eligible to participate in Management Option Programme II was reduced by 113 425 options as a result of expiry of the subscription period on 7 December 2014.

Cost of Management Option Programmes accounted for in the income statement

In the twelve-month periods ended 31 December 2014 and 2013 the amounts of PLN 13 thousand and PLN 24 thousand respectively, were accounted for in the income statement for the management options granted and in the reserve capital from valuation of share options.

(all amounts in thousands PLN unless stated otherwise)

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

SHARE OPTIONS		01.01-31.12.2014	01.01-31.12.2013
Unexercised options at the beginning of the period	**Number of options**	**417 001**	**648 673**
	Total exercise price	**22 594**	**42 473**
Options granted in the period	Number of options	-	-
	Total option exercise value	-	-
Options expired in the period	Number of options	139 275	193 747
	Total option exercise value	15 593	19 291
Options exercised in the period	Number of options	17 075	37 925
	Total option exercise value	255	588
	Weighted average exercise price per share (PLN per share)	14.91	15.51
Unexercised options at the end of the period	**Number of options**	**260 651**	**417 001**
	Total exercise price	**6 746**	**22 594**
Exercisable options at the beginning of the period	Number of options	314 535	534 440
	Total exercise price	22 234	42 100
Exercisable options at the end of the period	Number of options	164 185	314 535
	Total exercise price	6 650	22 234

Structure of share options granted and not exercised, and not expired as at 31 December 2014:

Programme	Grant date	Number of options	Exercise price per option (PLN)
Programme II	10.12.2008	1 000	14.91
Programme II	10.12.2009	162 185	40.64
Programme II	12.07.2011	1 000	44.16
Programme III*)	13.12.2010	96 466	1.00
Total		**260 651**	

*) The above table includes the options (96 466 share options) granted under Programme III that have not yet expired. As the significant entitlement condition has not been met for the exercise of these options, the options under Programme III will not be able to be exercised.

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

Remuneration for key executives	01.01-31.12.2014	01.01-31.12.2013
1. The Management Board		
Remuneration	6 828	5 462
including payments from profit	-	-
2. The Supervisory Board		
Remuneration	1 124	1 044

The composition of the Management Board and the Supervisory Board as at 31 December 2014 has been presented in note 7.48.

(all amounts in thousands PLN unless stated otherwise)

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 Management Board of the Company: Jarosław Szanajca, Janusz Zalewski, Janusz Stolarczyk and Małgorzata Kolarska 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
Małgorzata Kolarska	6	6	No special clauses	
Janusz Zalewski	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	31.12.2014	31.12.2013
Guarantees	141	141
Sureties	367	357
Total	**508**	**498**

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

COLLATERALS FOR LIABILITIES	31.12.2014	31.12.2013
Promissory notes, including:		
– promissory notes as an additional guarantee for PKO BP bank in respect of claims arising from the granted loan	210 000	210 000
– promissory notes as other guarantees	-	-
Total	**210 000**	**210 000**

7.47. Material court cases as at 31 December 2014

As at 31 December 2014 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

In the period from 1 January until 30 September 2014 the Management Board of the Company was composed of the following five 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

(all amounts in thousands PLN unless stated otherwise)

As Mr Jerzy Ślusarski had resigned from the function of a Member and the Vice President of the Management Board of Dom Development S.A., the Supervisory Board appointed Ms Małgorzata Kolarska to be a Member and the Vice President of the Management Board of Dom Development S.A. effective as of 1 October 2014. Ms Małgorzata Kolarska has been appointed for a three-year term of office.

Accordingly, in the period from 1 October until 31 December 2014 the Management Board of the Company was composed of the following five members:

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

The Supervisory Board

No changes in the composition of the Management Board took place in 2014.

As at 31 December 2014 the Supervisory Board of Dom Development S.A. was composed of seven 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 2014 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 2014 until 31 December 2014:

Project	Standard	Number of apartments
Żoliborz Artystyczny, phase 3	Popular	228
Aura, phase 1b	Popular	64
Willa Lindego	Popular	121
Wilno, phase 2 (stage 2A)	Popular	149
Rezydencja Mokotów	Luxury apartments	134
Apartementy Saska nad Jeziorem, phase 2	Popular	224
Aleja Piastów , phase 1	Popular	90
Aleja Piastów , phase 2	Popular	81
Żoliborz Artystyczny, phase 4	Popular	222
Klasyków II, phase 1	Popular	231
Osiedle Pod Różami	Popular	107
Wilno II, phase 2	Popular	249

(all amounts in thousands PLN unless stated otherwise)

Projects where the construction was completed in the period from 1 January 2014 until 31 December 2014:

Project	Standard	Number of apartments
Derby 14, phase 3	Popular	189
Młyny Królewskie	Popular	294
Klasyków I, phase 2	Popular	236
Wilno, phase 2b	Popular	124
Adria, phase 3	Popular	183
Willa na Harfowej	Popular	90
Saska I, phase 3/3	Popular	170
Saska I, phase 3/4	Popular	178
Żoliborz Artystyczny, phase 1	Popular	223
Żoliborz Artystyczny, phase 2	Popular	152
Derby 14, phase 4	Popular	188

7.50. Material post-balance sheet events

No material post-balance sheet events took place at the Company.

7.51. Approval of the financial statements for 2013

On 22 May 2014 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 2013, the Management's report of activities of Dom Development S.A. in 2013 and the consolidated financial statements of Dom Development S.A. Capital Group for the year ended on 31 December 2013 and the Management's report of activities of Dom Development S.A. Capital Group in 2013, as presented by the Management Board. The Ordinary General Shareholders Meeting gave a vote of approval for the Management Board for the year 2013.

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 Audyt Polska spółka z o.o. spółka komandytowa (*limited partnership*) that is the entity authorised to audit financial statements of the Company paid or due for the year ended 31 December 2014 and 31 December 2013 broken up by services, is presented in the table below:

SERVICES	01.01- -31.12.2014	01.01- -31.12.2013
– Obligatory audit of annual and review of semi-annual financial statements	**265**	**261**
– Other attestation services	**-**	**30**
– Other services	**2**	**13**
Total	**267**	**304**

(all amounts in thousands PLN unless stated otherwise)

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	**31.12.2014** **thousand EURO**	**31.12.2013** **thousand EURO**
Total current assets	373 358	414 316
Total assets	376 455	416 138
Total shareholders' equity	201 330	206 527
Long-term liabilities	74 459	117 203
Short-term liabilities	100 666	92 408
Total liabilities	175 125	209 611
PLN/EURO exchange rate as at the balance sheet date	***4.2623***	***4.1472***

SELECTED DATA FROM THE INCOME STATEMENT	**01.01-** **-31.12.2014** **thousand EURO**	**01.01-** **-31.12.2013** **thousand EURO**
Sales revenue	187 211	160 625
Gross profit on sales	36 297	37 300
Operating profit	16 421	17 346
Profit before tax	16 520	16 493
Net profit	13 325	12 907
Average PLN/EURO exchange rate for the reporting period	***4.1893***	***4.2110***