



## Independent Registered Auditor's Report

To the General Shareholders' Meeting and the Supervisory Board of Dom Development S.A.

### Report on the audit of the consolidated financial statements

#### Our opinion

In our opinion, the attached annual consolidated financial statements of the Dom Development Group ("the Group") in which Dom Development S.A. is the Parent Company ("the Parent Company"):

- give a fair and clear view of the Group's financial position as at 31 December 2019 and of its consolidated results of operation and consolidated cash flows for the financial year then ended, in accordance with the applicable International Financial Reporting Standards endorsed by the European Union and the adopted accounting policies;
- comply in terms of form and content with the applicable laws and the Parent Company's Articles of Association;

Our opinion is consistent with our additional report to the Audit Committee, issued on the date of this report.

#### What we have audited

We have audited the annual consolidated financial statements of the Dom Development S.A. Group, which comprise:

- the consolidated balance sheet as at 31 December 2019;
- and the following documents prepared for the financial year from 1 January to 31 December 2019:
- the consolidated income statement;
  - the consolidated statement of comprehensive income;
  - the statement of changes in consolidated equity;
  - the consolidated statement of cash flows, and
  - additional notes and explanations to the financial statements

#### Basis for the opinion

##### Basis for the opinion

We conducted our audit in accordance with the International Standards on Auditing adopted as the National Standards on Auditing by the National Council of Statutory Auditors (the "NSA") and pursuant to the provisions of the Act of 11 May 2017 on Registered Auditors, Registered Audit Companies and Public Supervision ("*the Act on Registered Auditors*" – Journal of Laws of 2019, item 1421), as well as Regulation (EU) No 537/2014 of 16 April 2014 on specific requirements regarding the statutory audit of public-interest entities (the "*EU Regulation*" – OJ EU L158). Our responsibilities under the NSA are further described in the *Auditor's responsibilities for the audit of the*

*consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### Independence and ethics

We are independent of the Group in accordance with the Code of Ethics for Professional Accountants issued by the International Federation of Accountants ("*the IFAC Code*") together with the adopted Resolutions of the National Council of Statutory Auditors and ethical requirements which are relevant to our audit of financial statements in Poland. We have fulfilled our other ethical obligations in

accordance with these requirements and the IFAC Code. During the audit, the key registered auditor and the registered audit company remained independent of the Group in

accordance with the independence requirements set out in the Act on Registered Auditors and in the EU Regulation.

## Our audit approach

### Summary



- Overall materiality adopted for the audit was set at PLN 16,000 thousand which represents 5% of profit before tax.
- We have audited the Group's annual consolidated financial statements for the period ended 31 December 2019.
- We conducted an audit of the Parent Company and consolidation procedures of the Parent Company's Group in respect of the subsidiaries: Euro Styl S.A., Euro Styl Construction Sp. z o.o., Dom Construction Sp. z o.o., Dom Development Wrocław Sp. z o.o.
- The audit team visited the following subsidiaries: Euro Styl S.A., Euro Styl Construction Sp. z o.o., Dom Construction Sp. z o.o., Dom Development Wrocław Sp. z o.o.
- The scope of our audit covered 100% of the Group's revenue and 100% of the total assets of all consolidated Group companies before consolidation eliminations.
- Revenue recognition

We designed our audit by determining materiality and assessing the risk of material misstatements in the consolidated financial statements. In particular, we considered where the Parent Company's Management Board made subjective judgements; for example, with regard to significant accounting estimates which required making assumptions and considering the occurrence of future events which are uncertain by nature. We also addressed the risk of the Management Board circumventing internal controls, including – among other things – considering whether there was any evidence of the Management Board being biased which would constitute a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to issue an opinion on the consolidated financial statements as a whole, taking into account the Group's structure, accounting processes and controls, and the sector in which the Group operated

### Materiality

The scope of our audit was affected by the adopted materiality level. Our audit was designed to obtain reasonable assurance that the consolidated financial statements as a whole were free from material misstatement. Misstatements may result from error or fraud. Misstatements are considered material if it can be reasonably expected that, individually or collectively, they could affect the economic decisions of the users made on the basis of the consolidated financial statements.

Based on our professional judgement, we determined the quantitative thresholds of materiality, including the overall materiality with respect to the consolidated financial statements as a whole, presented below. These thresholds, along with qualitative factors, enabled us to determine the scope of our audit, the type, timing and extent of the audit procedures, as well as to assess the effect of misstatements, both individually and collectively, on the consolidated financial statements as a whole.



The concept of materiality is used by the registered auditor both in planning and conducting an audit, as well as in assessing the effect of the misstatements identified during the audit and the adjusted misstatements (if any), on the financial statements, and also when formulating an opinion in the registered auditor's

report. Therefore, all the opinions, representations and statements contained in the registered auditor's report are made taking into consideration the qualitative and quantitative materiality level determined in accordance with the Auditing Standards and the registered auditor's judgement.

**Overall materiality for the Group**

PLN 16,000 thousand (PLN 14,000 thousand in the prior year)

**Basis for determination**

5% of profit before tax

**Justification of the adopted basis**

We adopted profit before tax as the basis for determining materiality because, in our opinion, this measure is commonly used by users of the financial statements to evaluate the Group's operations and is a generally adopted benchmark. We adopted the materiality level of 5% because, based on our professional judgment, it falls within the range of acceptable quantitative materiality measures.

We have agreed with the Parent Company's Audit Committee that we will inform them of any misstatements of the financial statements identified during our audit which exceed

PLN 860 thousand, and of misstatements below that threshold, if we believe that this is justified by the qualitative factors.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the current period. They include the most significant assessed types of risk of material misstatements, including the assessed types of risk of material misstatements resulting from fraud. These matters were addressed in the

context of our audit of the consolidated financial statements as a whole, and in formulating our opinion thereon. We also summarized our response to these types of risk and, when deemed appropriate, we presented the most important observations relating to these types of risk. We do not provide a separate opinion on these matters.

**Key Audit Matter**

**How our audit addressed the matter**

**Revenue recognition**

Revenue earned on the sale of housing, retail and parking real properties represent 97.9% of the Group's revenue. Revenue is recognized by the Group when the performance obligation has been satisfied by transferring the promised real property (i.e. a promised asset) to the customer. The transfer of the asset occurs at the moment of control over the asset being transferred to the customer. Control is considered to be transferred to the buyer when the handover report confirming the transfer of the real property has been signed by the buyer and the Group's representative and the entire

Our audit procedures included, in particular:

- understanding and evaluating the revenue recognition process and the application of IFRS 15;
- identification of controls in this area and conducting compliance tests of these controls;
- conducting substantive tests, in particular tests of documents, covering reconciliation to source documents (primarily development contracts, handover reports, notarial deeds, sales invoices and bank statements) and margin analysis;

amount resulting from the sale agreement has been paid by the buyer. Given the importance of correct revenue recognition by the Group to the consolidated financial statements, we considered the recognition of income, and in particular the timing of revenue recognition, a key audit matter.

In the consolidated financial statements, disclosures relating to revenue are presented in notes 7.4 and 7.35 in additional notes and explanations to the financial statements.

- evaluating adequacy of disclosures relating to revenue presented in the consolidated financial statements;
- analysing non-standard sale transactions.

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## Responsibility of the Management and Supervisory Boards for the consolidated financial statements

The Parent Company's Management Board is responsible for the preparation of the annual consolidated financial statements which give a fair and clear view of the Group's financial position and results of operations in accordance with International Financial Reporting Standards endorsed by the European Union, the adopted accounting policies, the applicable laws and the Parent Company's Articles of Association, as well as for internal controls which the Management Board considers necessary to enable the preparation of consolidated financial statements which are free from material misstatement due to fraud or error.

In preparing the consolidated financial statements, the Company's Management Board is responsible for assessing the Group's ability to continue as a going concern, disclosing, if

necessary, any matters related to continuing in operation and for adopting the going concern principle as the basis of accounting, except for situations in which the Management Board either intends to liquidate the Group or discontinue conducting economic activities or there is no real alternative to the liquidation or discontinuation of operations.

The Management Board and Members of the Supervisory Board of the Parent Company are obliged to ensure that the consolidated financial statements comply with the requirements of the Accounting Act of 29 September 1994 (*"the Accounting Act"* – consolidated text: Journal of Laws of 2019, item 351, as amended) The members of the Supervisory Board are responsible for overseeing the financial reporting process.

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## Registered Auditor's responsibility for the audit of the consolidated financial statements

Our goal is to obtain reasonable assurance that the consolidated financial statements as a whole are free from material misstatements due to fraud or error and to issue a registered auditor's report which includes our opinion. Reasonable assurance is a high level of assurance but it does not guarantee that an audit conducted in accordance with the NSA will always detect an existing material misstatement. Misstatements may result from fraud or error and are considered material if it can be reasonably expected that, individually or collectively, they could affect the economic decisions of the users made on the basis of the consolidated financial statements.

The scope of the audit does not cover providing assurance as to the Group's future profitability or the effectiveness of its affairs being run by the

Parent Company's Management Board at present or in the future.

During an audit conducted in accordance with the NSA, we make a professional judgement and we maintain professional scepticism, and we also:

- identify and estimate the risks of material misstatements in the consolidated financial statements due to fraud or error, we design and perform audit procedures which correspond to these risks, and we obtain audit evidence which is sufficient and appropriate to provide a basis for our opinion. The risk of failing to detect a material misstatement due to fraud is greater than that due to error, because fraud may relate to a conspiracy, forgery, wilful



omissions, misleading or circumventing internal controls;

- gain an understanding of the internal controls relevant to our audit in order to design audit procedures which are appropriate in the circumstances, but not to express an opinion on the effectiveness of the Group's internal controls;
- assess the appropriateness of the accounting policies used and the reasonableness of the accounting estimates and related disclosures made by the Parent Company's Management Board;
- draw conclusions as to the appropriateness of the application of the going concern principle by the Parent Company's Management Board as the basis of accounting and, based on the audit evidence we have obtained, whether there is any material uncertainty relating to events or conditions which may raise considerable doubt over the Group's ability to continue in operation. Should we conclude that a material uncertainty does exist, we are required to draw attention, in our registered auditor's report, to related disclosures in the consolidated financial statements or, if such disclosures are inadequate, we modify our opinion. Our conclusions are based on the audit evidence obtained up until the date of preparation of our registered auditor's report, however, future events or conditions may result in the Group discontinuing its operations;
- evaluate the overall presentation, structure and contents of the consolidated financial statements, including disclosures, and whether the consolidated financial statements present the underlying

transactions and events in a manner which ensures their fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Parent Company's Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide the Audit Committee with a statement that we have complied with the relevant ethical requirements regarding independence, and we communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, we inform about related safeguards.

From among the matters communicated to the Audit Committee, we determined those matters that were of most significance in the audit of the consolidated financial statements for the current period and were, therefore, considered the key audit matters. We describe these matters in our registered auditor's report unless the law or regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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## Other information, including the Director's Report

### Other information

Other information comprises the Parent Company's Directors' Report for the financial year ended 31 December 2019 (*"the Directors' Report"*) and the Corporate Governance Statement which constitutes a separate part of the Director's Report (*"Other Information"*).

### Responsibility of the Management Board and the Supervisory Board

The Parent Company's Management Board is responsible for the preparation of the Directors' Report in accordance with the legal requirements.

The Parent Company's Management Board and the members of the Supervisory Board are obliged to ensure that the Group Directors' Report and its separate parts comply with the requirements specified in the Accounting Act.

### Registered auditor's responsibility

Our opinion on the audit of the consolidated financial statements does not cover the Other Information.





In connection with our audit of the consolidated financial statements, our responsibility is to read Other Information and consider whether or not it is not materially inconsistent with the information in the consolidated financial statements, according to the knowledge gained during our audit, or whether it has been otherwise materially misstated. If, based on the work performed, we identify a material misstatement of Other Information, we are obliged to state that fact in our Audit Report. In accordance with the requirements of the Act on Registered Auditors, we are also obliged to express an opinion on whether the Directors' Report has been prepared in accordance with the law and is consistent with the information included in the annual consolidated financial statements.

Moreover, we are obliged to issue an opinion on whether or not the Group included in its declaration of compliance with the corporate governance rules all the required information.

#### **Opinion on the Directors' Report**

Based on the work we carried out during the audit, in our opinion, the Group Directors' Report:

- has been prepared in accordance with the requirements of Article 49 of the Accounting

Act and paragraph 71 of the Regulation of the Minister of Finance of 29 March 2018 on current and periodical information submitted by issuers of securities and conditions for considering as equivalent the information required under the legislation of a non-Member State ("*Current Information Regulation*", Journal of Laws of 2018, item 757).

- is consistent with the information in the consolidated financial statements.

Moreover, in the light of our knowledge of the Group and its environment, gained during our audit, we have not identified any material misstatements in the Group Directors' Report.

#### **Opinion on the Corporate Governance Statement**

In our opinion, in its Corporate Governance Statement, the Company included the information set out in paragraph 70(6)(5) of the Current Information Regulation. Moreover, in our opinion, information specified in paragraph 70(6)(5)(c)-(f) and (i) of the said Regulation and included in the Corporate Governance Statement is consistent with the applicable regulations and information included in the financial statements.

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## **Report on other legal requirements and regulations**

### **Statement on the provision of non-audit services**

To the best of our knowledge and belief, we declare that non-audit services which we have provided to the Parent Company and its subsidiaries are lawful and that we have not provided non-audit services which are banned pursuant to Article 5(1) of the EU Regulation and Article 136 of the Act on the Registered Auditors.

In the audited period, we have provided to the Group a service consisting in a review of interim

condensed consolidated financial statements and interim condensed financial statements.

### **Appointment of the registered audit company**

We have been appointed to audit the Parent Company's annual consolidated financial statements by resolution of the Parent Company's Supervisory Board of 1 December 2017. We also audited the Group's consolidated financial statements for the prior year.



Piotr Wyszogrodzki is the Key Registered Auditor responsible for the audit conducted on behalf of PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k., Registered Audit Company No. 144.

Piotr Wyszogrodzki  
Key Registered Auditor  
No. 90091

Warsaw, 5 March 2020