DOM DEVELOPMENT S.A.

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED

31 December 2019

Prepared in accordance
with the International Financial Reporting Standards

CONTENTS

1. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS BY THE MANAGEMENT BOARD OF THE COMPANY ... 3
2. CONSOLIDATED BALANCE SHEET ... 4
3. CONSOLIDATED INCOME STATEMENT ... 5
4. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME ... 6
5. CONSOLIDATED CASH FLOW STATEMENT ... 7
6. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY ... 8
7. ADDITIONAL NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ... 9
   7.1. General information about the parent company of the Dom Development S.A. Capital Group and the Group ... 9
   7.2. Basis for the preparing of the consolidated financial statements ... 10
   7.3. Compliance statement ... 10
   7.4. Significant accounting policies ... 11
   7.5. Key figures based on professional judgement and basis for estimates ... 18
   7.6. Intangible assets ... 19
   7.7. Tangible fixed assets ... 20
   7.8. Long-term receivables ... 20
   7.9. Inventory ... 21
   7.10. Trade and other receivables ... 22
   7.11. Other current assets ... 22
   7.12. Short-term financial assets ... 23
   7.13. Cash and cash equivalents ... 23
   7.14. Share capital ... 23
   7.15. Share premium ... 26
   7.16. Additional information on shareholders' equity ... 26
   7.17. Dividend and profit distribution ... 26
   7.18. Loans ... 26
   7.19. Bonds ... 27
   7.20. Accrued interest on loans and bonds ... 28
   7.21. Deferred tax assets and provisions ... 29
   7.22. Long-term provisions ... 29
   7.23. Other long-term liabilities ... 30
   7.24. Lease liabilities ... 30
   7.25. Trade payables, tax and other liabilities ... 31
   7.26. Short-term provisions ... 31
   7.27. Deferred income ... 31
   7.28. Benefits after employment ... 32
   7.29. Financial assets and liabilities ... 32
   7.30. Financial risk management ... 32
   7.31. Earnings per share ... 35
   7.32. Income tax ... 35
   7.33. Segment reporting ... 36
   7.34 Sales revenue and cost of sales ... 38
   7.35. Costs by type ... 38
   7.36. Payroll costs ... 39
   7.37. Other operating income ... 39
   7.38. Other operating expenses ... 39
   7.39. Financial income ... 39
   7.40. Financial costs ... 40
   7.41. Interest cost ... 40

7.42. Transactions with related entities 40
7.43. Incentive Plan – Management Option Programmes 41
7.44. Remuneration of members of the Company's management and supervisory bodies 43
7.45. Contingent liabilities 44
7.46. Material court cases as at 31 December 2019 44
7.47. Changes in the composition of the Management Board and the Supervisory Board of the Group parent company 44
7.48. Additional information on the operating activity of the Group 45
7.49. Material post-balance sheet events 46
7.50. Approval of the financial statements for 2018 47
7.51. Forecasts 47
7.52. Information on remuneration of the statutory auditor or the entity authorised to audit financial statements 47
7.53. Selected financial data translated into EURO 48

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

These consolidated financial statements for the year ended on 31 December 2019, comprising:

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

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

The Management Board of Dom Development S.A. declares that to the best of its knowledge, these annual consolidated financial statements for 2019 with comparative data have been prepared in accordance with the applicable accounting policies, and reflect a true and fair economic and financial position of the Dom Development S.A. Capital Group and its financial result.

Jarosław Szanajca,
President of the Management Board

Janusz Zalewski,
Vice President of the Management Board

Małgorzata Kolarska,
Vice President of the Management Board

Mikołaj Konopka,
Member of the Management Board

Terry R. Roydon,
Member of the Management Board

(all amounts in thousands PLN unless stated otherwise)

2. CONSOLIDATED BALANCE SHEET

ASSETS	Note	31.12.2019	31.12.2018
Fixed assets			
Intangible assets	7.6	14 228	10 356
Tangible fixed assets	7.7	44 019	12 024
Deferred tax assets	7.21	5 927	2 410
Long-term receivables	7.8	1 876	1 618
Other long-term assets		2 797	23 532
Total fixed assets		**68 847**	**49 940**
Current assets			
Inventory	7.9	2 509 632	2 113 540
Trade and other receivables	7.10	62 166	52 344
Other current assets	7.11	4 968	5 325
Income tax receivables		418	424
Short-term financial assets	7.12	61 587	34 888
Cash and cash equivalents	7.13	253 318	282 492
Total current assets		**2 892 089**	**2 489 013**
Total assets		**2 960 936**	**2 538 953**

EQUITY AND LIABILITIES	Note	31.12.2019	31.12.2018
Shareholders' equity			
Share capital	7.14	25 068	24 968
Share premium	7.15	245 188	241 788
Other capital (supplementary capital)		543 715	551 395
Reserve capital from valuation of cash flow hedges		(2 161)	(2 148)
Reserve capital from reduction of share capital		510	510
Unappropriated profit		271 877	229 960
Equity attributable to the shareholders of parent company		**1 084 197**	**1 046 473**
Non-controlling interests		34	69
Total shareholders' equity		**1 084 231**	**1 046 542**
Liabilities			
Long-term liabilities			
Loans, long-term portion	7.18	85 000	35 000
Bonds, long-term portion	7.19	260 000	310 000
Deferred tax provision	7.21	10 714	29 565
Long-term provisions	7.22	18 687	16 620
Lease liabilities, long-term portion	7.24	26 970	-
Other long-term liabilities	7.23	67 644	61 087
Total long-term liabilities		**469 015**	**452 272**
Short-term liabilities			
Trade payables, tax and other liabilities	7.25	321 643	322 637
Loans, short-term portion	7.18	14	50 000
Bonds, short-term portion	7.19	100 000	-
Accrued interest on loans and bonds	7.20	1 311	1 180
Lease liabilities, short-term portion	7.24	98 525	-
Corporate income tax payables	7.32	34 829	30 137
Short-term provisions	7.26	17 021	11 337
Deferred income	7.27	834 347	624 848
Total short-term liabilities		**1 407 690**	**1 040 139**
Total liabilities		**1 876 705**	**1 492 411**
Total equity and liabilities		**2 960 936**	**2 538 953**

(all amounts in thousands PLN unless stated otherwise)

3. CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31.12.2019	31.12.2018
Sales revenue	**7.34**	1 661 721	1 653 933
Cost of sales	**7.34 7.35**	(1 161 601)	(1 198 824)
Gross profit on sales		**500 120**	**455 109**
Selling costs	**7.35**	(65 091)	(69 818)
General administrative expenses	**7.35**	(101 495)	(91 740)
Other operating income	**7.37**	9 206	3 275
Other operating expenses	**7.38**	(22 050)	(14 807)
Operating profit		**320 690**	**282 019**
Financial income	**7.39**	4 423	2 701
Financial costs	**7.40**	(4 631)	(2 078)
Profit before tax		**320 482**	**282 642**
Income tax	**7.32**	(64 464)	(55 619)
Net profit		**256 018**	**227 023**
Net profit attributable to:			
Shareholders of the parent company		256 015	227 021
Non-controlling interests		3	2
Earnings per share:			
Basic, from the profit for the period, attributable to parent company's shareholders (PLN)	**7.31**	**10.22**	**9.10**
Diluted, from the profit for the period, attributable to parent company's shareholders (PLN)	**7.31**	**10.16**	**9.04**

(all amounts in thousands PLN unless stated otherwise)

4. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended	
	31.12.2019	**31.12.2018**
Net profit	**256 018**	**227 023**
Other comprehensive income		
Net change to cash flow hedges	(16)	(2 879)
Income tax	3	547
Other net comprehensive income	**(13)**	**(2 332)**
Total net comprehensive income	**256 005**	**224 691**
Net comprehensive income attributable to:		
Shareholders of the parent company	256 002	224 689
Non-controlling interests	3	2

(all amounts in thousands PLN unless stated otherwise)

5. CONSOLIDATED CASH FLOW STATEMENT

		Year ended	
	Note	**31.12.2019**	**31.12.2018**
Cash flow from operating activities			
Profit before tax		**320 482**	**282 642**
Adjustments:			
Depreciation		14 944	9 594
(Profit)/loss on foreign exchange differences		(144)	(3)
(Profit)/loss on investments		329	3
Interest cost/(income)		9 496	10 084
Cost of the valuation of management option programmes		5 091	5 785
Changes in the operating capital			
Changes in provisions		7 554	4 920
Changes in inventory		(393 109)	(124 344)
Changes in receivables		(7 686)	(7 547)
Changes in short-term liabilities, excluding loans and bonds		101 889	60 510
Changes in prepayments and deferred income		198 697	70 682
Other adjustments		488	286
Cash flow generated from operating activities		**258 031**	**312 612**
Interest received		2 241	2 148
Interest paid		(16 332)	(12 720)
Income tax paid		(81 885)	(69 253)
Net cash flow from operating activities		**162 055**	**232 787**
Cash flow from investing activities			
Proceeds from the sale of intangible assets and tangible fixed assets		874	659
Proceeds from borrowings granted		71	-
Other proceeds from financial assets		192	484
Borrowings granted		(3 000)	(32 500)
Acquisition of intangible and tangible fixed assets		(12 670)	(11 394)
Acquisition of financial assets and additional contributions to the capital		(3 045)	(589)
Net cash flow from investing activities		**(17 578)**	**(43 340)**
Cash flows from financing activities			
Proceeds from issue of shares (exercise of share options)	**7.14**	3 500	3 500
Proceeds from contracted loans	**7.18**	100 014	50 000
Proceeds from commercial papers issued	**7.19**	50 000	50 000
Repayment of loans and borrowings	**7.18**	(100 000)	(50 000)
Redemption of commercial papers	**7.19**	-	(50 000)
Dividends paid	**7.17**	(226 907)	(189 760)
Payment of lease liabilities		(258)	(348)
Net cash flow from financing activities		**(173 651)**	**(186 608)**
Increase / (decrease) in net cash and cash equivalents		**(29 174)**	**2 839**
Cash and cash equivalents – opening balance	**7.13**	**282 492**	**279 653**
Cash and cash equivalents – closing balance	**7.13**	**253 318**	**282 492**

(all amounts in thousands PLN unless stated otherwise)

6. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Share premium less treasury shares	Other capital (supple-mentary capital)	Reserve capital		Accumulated unappro-priated profit (loss)	Equity attributable to the sharehold-ers of parent company	Non-control-ling interests	Total shareholders' equity
				from reduction of share capital	from valuation of cash flow hedges				
Balance as at 1 January 2019	**24 968**	**241 788**	**551 395**	**510**	**(2 148)**	**229 960**	**1 046 473**	**69**	**1 046 542**
Share capital increase by exercising share options (note 7.14, 7.15)	100	3 400	-	-	-	-	**3 500**	-	**3 500**
Transfer of profit to supplementary capital (note 7.17)	-	-	(12 771)	-	-	12 771	**-**	-	**-**
Dividends to shareholders (note 7.17)	-	-	-	-	-	(226 869)	**(226 869)**	(38)	**(226 907)**
Creation of reserve capital from the valuation of the share options (note 7.43)	-	-	5 091	-	-	-	**5 091**	-	**5 091**
Net profit for the reporting period	-	-	-	-	-	256 015	**256 015**	3	**256 018**
Other net comprehensive income for the reporting period	-	-	-	-	(13)	-	**(13)**	-	**(13)**
Balance as at 31 December 2019	**25 068**	**245 188**	**543 715**	**510**	**(2 161)**	**271 877**	**1 084 197**	**34**	**1 084 231**

	Share capital	Share premium less treasury shares	Other capital (supple-mentary capital)	Reserve capital		Accumulated unappro-priated profit (loss)	Equity attributable to the sharehold-ers of parent company	Non-control-ling interests	Total shareholders' equity
				from reduction of share capital	from valuation of cash flow hedges				
Balance as at 1 January 2018	**24 868**	**238 388**	**549 257**	**510**	**184**	**189 052**	**1 002 259**	**67**	**1 002 326**
Share capital increase by exercising share options.	100	3 400	-	-	-	-	**3 500**	-	**3 500**
Transfer of profit to supplementary capital	-	-	(3 647)	-	-	3 647	**-**	-	**-**
Dividends to shareholders (note 7.17)	-	-	-	-	-	(189 760)	**(189 760)**	-	**(189 760)**
Creation of reserve capital from the valuation of the share options (note 7.43)	-	-	5 785	-	-	-	**5 785**	-	**5 785**
Net profit for the reporting period	-	-	-	-	-	227 021	**227 021**	2	**227 023**
Other net comprehensive income for the reporting period	-	-	-	-	(2 332)	-	**(2 332)**	-	**(2 332)**
Balance as at 31 December 2018	**24 968**	**241 788**	**551 395**	**510**	**(2 148)**	**229 960**	**1 046 473**	**69**	**1 046 542**

(all amounts in thousands PLN unless stated otherwise)

7. ADDITIONAL NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7.1. General information about the parent company of the Dom Development S.A. Capital Group and the Group

General information about the parent company of the Dom Development S.A. Capital Group

The parent company of Dom Development S.A. Capital Group ("the Group") is the public limited company Dom Development S.A. ("the Company" / "the parent company") with its registered office in Warsaw (00-078 Warsaw, Plac Piłsudskiego 3) 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.

The Company is a majority-owned subsidiary of Groupe Belleforêt S.à r.l. with its registered office in Luxembourg (see note 7.14). As at 31 December 2019 the parent company Dom Development S.A. was controlled by Groupe Belleforêt S.à r.l. which held 56.47% of the Company's shares.

General information about the Group

The Group's structure and the parent company interest in the share capital of the entities comprising the Group as at 31 December 2019 is presented in the table below:

Entity	Country of registration	% of the share capital held by the parent company	% of the votes held by the parent company	Consolidation method
Subsidiaries				
Dom Development Grunty sp. z o.o.	Poland	46%	100%	full consolidation
Dom Development Kredyty sp. z o.o.	Poland	100%	100%	full consolidation
Dom Development Wrocław sp. z o.o.	Poland	100%	100%	full consolidation
Dom Land sp. z o.o.	Poland	-	-	full consolidation
Euro Styl S.A.*	Poland	100%	100%	full consolidation
Euro Styl Development sp. z o.o.*	Poland	100%	100%	full consolidation
Mirabelle Investments sp. z o.o.	Poland	100%	100%	full consolidation
Dom Construction sp. z o.o.	Poland	100%	100%	full consolidation
M2 Biuro sp. z o.o. **	Poland	100%	100%	full consolidation
M2 Hotel sp. z o.o. ***	Poland	100%	100%	full consolidation

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

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

*** On 11 February 2019, the Company entered into a preliminary agreement sale for all shares in the share capital of M2 Hotel sp. z o.o.

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

Dom Development Grunty sp. z o.o. is fully consolidated (with 46% share in the share capital held by the parent company) as its financial and operational policy is managed by members of the management board nominated by Dom Development S.A. The area of activities of this subsidiary is the purchase of real estate to be further developed by the Group.

All companies operating within the Group conduct business activities in the territory of Poland under the Code of Commercial Companies, with the unlimited duration.

In the twelve-month period ended 31 December 2019 the Group did not discontinue any of its activities.

Material changes to the Group structure, including as a result of a merger, acquisition or sale of the companies operating within the capital group, long-term investments, demerger, restructuring or discontinuation of activities.

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

7.2. Basis for the preparing of the consolidated financial statements

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

The consolidated financial statements have been prepared on the assumption that the companies operating within the Group 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 Group are known as at the date of the approval of these consolidated financial statements.

The functional currency of the parent company and other companies incorporated in these consolidated financial statements id Polish zloty PLN. These consolidated financial statements are stated in Polish zloty (PLN). Financial data included in the consolidated financial statements are expressed in thousands of PLN unless stated otherwise.

The principles of measurement of assets, liabilities and financial result presented in the additional information to the consolidated financial statements are consistent with the accounting principles adopted by the parent company.

7.3. Compliance statement

Polish law requires the Group to prepare its consolidated 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 Group, in the context of accounting policies applied by the Group there are no differences in IFRS that have been put into force and IFRS that have been endorsed by the EU for the financial year ended 31 December 2019.

These consolidated 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").

Certain companies operating within the Group keep their books of accounts in accordance with accounting policies (principles) specified in the Accounting Act dated 29 September 1994 ("the Accounting Act") as amended and the regulations issued based on that Act ("Polish Accounting Standards"). The consolidated financial statements incorporate certain adjustments, not included in the books of account of such companies operating within the Group, which were made in order to align the financial statements to IFRS.

These consolidated financial statements are prepared based on the same accounting principles (policies) as for the consolidated financial statements of the Group for the year ended 31 December 2018, except for the following amendments to existing standards and new interpretations that are effective for annual periods beginning on 1 January 2019:

- IFRS 16 *Leases*

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

  - general information about the new standard with regard to the Company,
  - method of IFRS 16 adoption by the Company and its impact on the opening balance,

- measurement and presentation of Leases in the financial statements of the Company, and
- impact of first-time adoption of IFRS 16 as at 1 January 2019.

- IFRIC 23 *Uncertainty over Income Tax Treatments,*
- Amendments to IFRS 9 *Prepayment Features with Negative Compensation,*
- Amendments to IAS 28 *Investments in associates and joint ventures,*
- Amendments to IAS 19 *Employee Benefits,*
- Annual improvements to IFRS 2015 - 2017: introduce improvements to the following 4 standards: IFRS 3 *Business Combinations*, IFRS 11 *Joint Arrangements*, IAS 12 *Income Taxes* and IAS 23 *Borrowing Costs* (the amendments include clarifications and fine tune guidelines for standards in respect of recognition and measurement).

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

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

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

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

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

7.4. Significant accounting policies

Basis of consolidation

These consolidated financial statements comprise the financial statements of Dom Development S.A. and its subsidiaries prepared for the year ended 31 December 2019. The financial statements of the subsidiaries, after giving consideration to the adjustments made to achieve conformity with IFRS, are prepared for the same reporting period as those of the parent company, using consistent accounting policies, and based on the same accounting policies applied to similar business transactions and events. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All significant intercompany balances and transactions, including unrealised gains arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless they indicate an impairment.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Control is exercised by the parent company when the parent company holds, directly or indirectly, through its subsidiaries, more than half of the votes at the shareholders' meeting of that subsidiary, unless it is possible to prove that such holding does not represent control. Control is also exercised if the Company has the power to govern the financial or operating policy of a subsidiary.

Changes in the ownership interest of the parent company which do not result in the loss of control over a subsidiary are accounted for as equity transactions. In such cases, the Group adjusts the carrying value of the controlling interests and non-controlling interests in order to reflect the relative changes in the interests in the subsidiary. All differences between the value of the adjustment to the non-controlling interests and the fair value of the amount paid or received, are accounted for as the shareholders' equity and attributed to the owners of the parent company.

Investments in associates and jointly controlled entities

Investment in associates and jointly controlled entities are accounted for using the equity method. Associates and jointly controlled entities are entities in which the parent company has, either directly or through its subsidiaries, significant influence and which are not its subsidiaries. The financial statements of the associates and jointly controlled entities are the basis for valuation of shares held by the parent company using the equity method. The reporting periods applied by the associates and the parent company are the same. These entities apply accounting policies as defined in the Accounting Act. Relevant adjustments are made to align financial data of the associates and jointly controlled entities with IFRS applied by the Group, before the share in their net assets is calculated. Investments in the associates and jointly controlled entities are disclosed in the balance sheet at cost plus post-purchase changes in the parent's share in the associates' and the entities' net assets, less any impairment losses. The consolidated income statement reflects the parent's share in the results of the associated and jointly controlled entities. A carrying value adjustment may also be required due to a change in proportion of the share in the associated or the jointly controlled entity, resulting from changes in other comprehensive income of this entity. The Group's share in these changes is disclosed in other comprehensive income of the Group.

Impairment assessment of the investment in associates and jointly controlled entities takes place when there are reasons indicating that such impairment occurred or when impairment write down made in the past years is no longer required.

Tangible fixed assets

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

Inventory

Finished goods

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

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

Work in progress

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

Inventory impairment test:

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

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

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

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

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

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

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

Costs of external financing

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

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

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

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

Trade and other receivables

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

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

Bank deposits with a maturity over three months

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

Cash and cash equivalents

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

Interest-bearing loans, borrowings and commercial papers

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

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

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

Trade payables, tax and other liabilities

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

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

Provisions

Provisions are created when the companies operating within the Group have 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 Group will achieve economic benefits from a given transaction and the revenue can be reliably measured. The following specific recognition criteria must be met before revenue is recognised:

Sale of products

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

Sale of services

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

Foreign currency translation

The financial statements are presented in PLN, which is the Group'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 Group only if a legally enforceable right exists to offset the current tax assets against current tax liabilities and the deferred tax relates to the same taxable entity and the same taxation authority.

Dividends

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

Earnings per share

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

Lease

First-time adoption of IFRS 16 *Leases*

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

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

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

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

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

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

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

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

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

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

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

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

- *right-of-use of office space*

  Costs - right-of-use of office space is depreciated and financial costs due to leasing are recognized.
  Asset – the related asset is recognised in the balance sheet under *Tangible fixed assets.*
  Liability - the liability is recognised under long- or short-term liabilities, respectively.

- *rights of perpetual usufruct of land*

  Costs – costs related to lease of perpetual usufruct of land are expensed as inventories (Semi-finished goods and work in progress) for the duration of the property project development, as was the case before.
  Asset – the related asset is recognised in the balance sheet under Inventory or Short-term receivables (see description below).
  Liability – the liability has been recognised in its entirety under short-term liabilities.

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

  On 20 July 2018, the Act on the transformation of perpetual usufruct of land developed for residential purposes into ownership of that land came into force. In respect of land on which as of 1 January residential buildings were built for which an occupancy permit had been issued prior to that date, the perpetual usufruct of that land shall be transformed into ownership of that land. As regards land developed with multi-family residential buildings that have not been commissioned before 1 January 2019, the conversion date for such properties will be the day on which the decision permitting the occupancy of the building becomes final.

  The Group treats land subject to the above-described conversion in a similar way as the land of which it has been the existing perpetual usufructuary, accounting for conversion fees just as for perpetual usufruct fees.

(all amounts in thousands PLN unless stated otherwise)

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

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

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

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

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

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

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

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

Assets	01.01.2019	adjustments	31.12.2018
Fixed assets			
Tangible fixed assets	48 376	36 352	12 024
Current assets			
Inventory	2 209 050	95 510	2 113 540

Equity and liabilities	01.01.2019	adjustments	31.12.2018
Shareholders' equity			
Unappropriated profit	229 960	-	229 960
Long-term liabilities			
Lease liabilities, long-term portion	30 589	30 589	-
Short-term liabilities			
Lease liabilities, short-term portion, including:	101 273	101 273	-
liabilities on account of perpetual usufruct right of land	95 510	95 510	-
liabilities on account of the right of use of office space	5 763	5 763	-

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

In accordance with the new standard, the Group is obligated to discount all future payments arising from its being the holder of perpetual usufruct right, to be made during the period for which such right is granted in respect of individual properties (and which may be up to 99 years). This period does not depend on the period of time during which the Group expects to remain the holder of such perpetual usufruct right, that is on the planned use of these properties for development projects.

As estimated by the Management Board of the Company based on property development projects planned on specific land to which the Group held the perpetual usufruct right as at 1 January 2019, out of the land-related lease liabilities recognised as short-term and amounting to PLN 95 510 thousand:

- PLN 3 912 thousand is payable by the Group within 12 months following 1 January 2019,
- PLN 2 709 thousand is payable by the Group later than 12 months following 1 January 2019,
- PLN 88 889 thousand is to be transferred to the respective buyers of units.

7.5. Key figures based on professional judgement and basis for estimates

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

Budgets of the construction projects

The decision to purchase real estate (land) is based upon analysis, where the so called "purchase budget" is the major component. This budget is prepared to assess the future profitability of projects. The budgets for these construction projects are updated based on management's best knowledge and experience from when the real estate is purchased. The budgets for all construction projects are verified and updated when necessary, at least once every three months. Updated project budgets are the basis for:

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

Recognition of revenue from the sale of products

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

(all amounts in thousands PLN unless stated otherwise)

7.6. Intangible assets

	Other intangible assets	Computer software	Trademark	Intangible assets under implementation process	Total
GROSS VALUE					
Balance as at 1 January 2018	**11 881**	**5 126**	**6 990**	**-**	**23 997**
Additions	3 079	1 910	0	-	4 989
(Disposals)	(9)	-	-	-	(9)
Balance as at 31 December 2018	**14 951**	**7 036**	**6 990**	**-**	**28 977**
Additions	1 826	47	-	7 347	9 220
Transfers	-	5 168	-	(5 168)	-
(Disposals)	(49)	-	-	-	(49)
Balance as at 31 December 2019	**16 728**	**12 251**	**6 990**	**2 179**	**38 148**
ACCUMULATED DEPRECIATION					
Balance as at 1 January 2018	**8 843**	**4 011**	**699**	**-**	**13 553**
Additions	2 754	925	1 398	-	5 077
(Disposals)	(9)	-	-	-	(9)
Balance as at 31 December 2018	**11 588**	**4 936**	**2 097**	**-**	**18 621**
Additions	2 413	1 537	1 398	-	5 348
(Disposals)	(49)	-	-	-	(49)
Balance as at 31 December 2019	**13 952**	**6 473**	**3 495**	**-**	**23 920**
NET VALUE					
as at 31 December 2018	**3 363**	**2 100**	**4 893**	**-**	**10 356**
as at 31 December 2019	**2 776**	**5 778**	**3 495**	**2 179**	**14 228**

Intangible assets are depreciated throughout their estimated economic useful lives, which is 2-5 years on average. The value of the Euro Styl trademark, which was acquired and measured at the time of purchase of The Euro Styl Capital Group in 2018, is amortized over a period of 5 years and has been recognised as item trademark.

There are no intangible assets with an undefined useful life.

As at 31 December 2019 there were no circumstances that would require the Group to create revaluation write downs for its intangible assets. No collaterals have been established on intangible assets.
The costs of amortising intangible assets were disclosed in selling costs and general administrative expenses.

(all amounts in thousands PLN unless stated otherwise)

7.7. Tangible fixed assets

TANGIBLE FIXED ASSETS	Tight-of-use of office space *)	Land and buildings	Vehicles	Equipment and other tangible fixed assets	Total
GROSS VALUE					
Balance as at 1 January 2018	**-**	**121**	**12 465**	**9 492**	**22 078**
Additions	-	341	2 912	3 612	6 865
(Disposals)	-	-	(1 190)	(543)	(1 733)
Balance as at 31 December 2018	**-**	**462**	**14 187**	**12 561**	**27 210**
First-time adoption of IFRS 16 *Leases*	36 352	-	-	-	36 352
Additions	684	478	1 545	3 748	6 455
(Disposals)	-	-	(2 216)	(733)	(2 949)
Balance as at 31 December 2019	**37 036**	**940**	**13 516**	**15 576**	**67 068**
ACCUMULATED DEPRECIATION					
Balance as at 1 January 2018	**-**	**35**	**6 044**	**5 471**	**11 550**
Additions	-	24	2 258	2 562	4 844
(Disposals)	-	(1)	(713)	(494)	(1 208)
Balance as at 31 December 2018	**-**	**58**	**7 589**	**7 539**	**15 186**
Additions	5 084	59	2 449	2 544	10 136
(Disposals)	-	-	(1 665)	(608)	(2 273)
Balance as at 31 December 2019	**5 084**	**117**	**8 373**	**9 475**	**23 049**
NET VALUE					
as at 31 December 2018	**-**	**404**	**6 598**	**5 022**	**12 024**
as at 31 December 2019	**31 952**	**823**	**5 143**	**6 101**	**44 019**

*) The Group adopted IFRS 16 *Leases* beginning on 1 January 2019. As a result of the application of this standard, as at 1 January 2019, an asset in the form of right-of-use of office space was recognised in the balance sheet. The asset is recognised in the balance sheet under *Tangible fixed assets*.
Further information concerning the adoption of IFRS 16 *Leases* can be found in Note 7.4 *Significant accounting policies.*
The right-of-use of office space is amortised over the lease term.

The additions to tangible fixed assets were made as a result of acquisition (also of the acquisition of subsidiaries).

As at 31 December 2019 there were no circumstances that would require the Group to create revaluation write downs for its tangible fixed assets.

No collaterals have been established on fixed assets.

7.8. Long-term receivables

As at 31 December 2019 and 31 December 2018, the Group disclosed long-term receivables in the amount of PLN 1 876 thousand and PLN 1 618 thousand respectively. As at 31 December 2019 the long-term receivables included refundable deposits in the amount of PLN 1 750 thousand and other long-term receivables amounting to PLN 126 thousand. As at 31 December 2018 the long-term receivables included refundable deposits in the amount of PLN 1 458 thousand and other long-term receivables amounting to PLN 160 thousand. All these receivables are denominated in PLN.

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

(all amounts in thousands PLN unless stated otherwise)

7.9. Inventory

INVENTORY	31.12.2019	31.12.2018
Advances on deliveries	**220 162**	**89 918**
including: at purchase prices/production costs	220 162	89 918
write down to the net realisable value	-	-
Semi-finished goods and work in progress	**2 100 705**	**1 688 902**
including: at purchase prices/production costs	2 045 220	1 721 596
rights of perpetual usufruct of land (lease) *)	87 446	-
write down to the net realisable value	(31 961)	(32 694)
Finished goods	**188 765**	**334 720**
including: at purchase prices/production costs	196 464	343 364
write down to the net realisable value	(7 699)	(8 644)
Total	**2 509 632**	**2 113 540**

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

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

INVENTORY REVALUATION WRITE DOWNS	01.01-31.12.2019	01.01-31.12.2018
Opening balance	**41 338**	**42 502**
Increments	2 770	1 227
(Decrease)	(4 448)	(2 391)
Closing balance	**39 660**	**41 338**

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

The methodology of inventory impairment reviews has been described in note 7.4 *Significant accounting policies*.

CARRYING VALUE OF INVENTORY USED TO SECURE THE PAYMENT OF LIABILITIES AND VALUE OF THE MORTGAGES ESTABLISHED	31.12.2019	31.12.2018
Mortgages: Value of mortgages established to secure real estate purchase agreements	13 669	-
Value of mortgages established to secure loan agreements of the Company	-	352 500
Value of mortgages established to secure loan agreements of the Company and Group companies	502 500	-

Preparatory works

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

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

	01.01-31.12.2019	01.01-31.12.2018
Preparatory works	1 020	1 025

(all amounts in thousands PLN unless stated otherwise)

7.10. Trade and other receivables

TRADE AND OTHER RECEIVABLES	31.12.2019	31.12.2018
Trade receivables	28 347	11 331
Receivables from related entities	35	-
Tax receivables	19 077	23 522
Other receivables	14 707	17 491
Total	**62 166**	**52 344**

The tax receivables incorporate VAT receivables in the amount of PLN 19 077 thousand and PLN 23 522 thousand as at 31 December 2019 and 31 December 2018 respectively.

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

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

AGING STRUCTURE OF TRADE RECEIVABLES	31.12.2019	31.12.2018
Up to 3 months	26 063	12 199
From 3 to 6 months	320	973
From 6 months to 1 year	1 191	874
Over 1 year	4 758	2 358
Gross trade receivables	**32 332**	**16 404**
Receivables revaluation write downs	(3 985)	(5 073)
Net trade receivables	**28 347**	**11 331**

The write downs fully relate to overdue trade receivables.

CHANGE IN THE WRITE DOWNS FOR TRADE AND OTHER RECEIVABLES	01.01-31.12.2019	01.01-31.12.2018
Opening balance	**5 073**	**2 126**
Increments	1 830	3 009
(Decrease)	(2 918)	(62)
Closing balance	**3 985**	**5 073**

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

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

7.11. Other current assets

OTHER CURRENT ASSETS	31.12.2019	31.12.2018
Deferred costs	4 899	5 261
Accrued financial income on deposits	69	64
Total	**4 968**	**5 325**

(all amounts in thousands PLN unless stated otherwise)

7.12. Short-term financial assets

SHORT-TERM FINANCIAL ASSETS	31.12.2019	31.12.2018
Bank deposits with a maturity over three months	50	50
Cash in open-end residential escrow accounts	37 050	34 838
Other short-term financial assets	24 487	-
Total	**61 587**	**34 888**

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

7.13. Cash and cash equivalents

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

CASH AND CASH EQUIVALENTS	31.12.2019	31.12.2018
Cash in hand and at bank	13 702	63 687
Short-term deposits	239 575	218 787
Other	41	18
Total	**253 318**	**282 492**

7.14. Share capital

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

Change in the reporting period	Share capital		Share premium
	Number of shares	Value at the nominal value	
Balance as at 01.01.2019	**24 968 422**	**24 968**	**241 788**
Change	100 000	100	3 400
Status as at 31.12.2019	**25 068 422**	**25 068**	**245 188**

On 24 January 2019, the Management Board of the Company increased the share capital of the Company from the current amount of PLN 24 968 422.00 to PLN 25 068 422.00, i.e. by PLN 100 000.00, by way of issue of 100 000 series Z bearer ordinary shares with the nominal value of PLN 1.00 each. The issue of series Z shares took place through a private placement. The purpose of the series Z shares issue was to enable the Company to fulfil its obligations arising from Management Options Programme IV for Ms Małgorzata Kolarska related to 500 000 shares in Dom Development S.A. (see note 7.43). The Supervisory Board of the Company agreed to fully deprive the existing shareholders of their pre-emptive right to 100 000 series Z bearer ordinary shares. The reason for the exclusion of the pre-emptive right from the existing shareholders is that the issue of series Z shares is addressed only to Ms Małgorzata Kolarska as a participant in Programme IV and in order to allow her to exercise her rights under subscription warrants.

(all amounts in thousands PLN unless stated otherwise)

On 1 February 2019, Ms Małgorzata Kolarska exercised her share options in the Company by exercising her rights under subscription warrants and subscribing for the shares. The issue price for the new series Z shares was PLN 35.00 per share. On 4 February 2019, the Management Board of the Company adopted a resolution on the allocation of 100 000 series Z shares to Ms Małgorzata Kolarska. These shares were registered by the District Court for the capital city of Warsaw in Warsaw, 12th Commercial Division of the National Court Register on 28 February 2019.

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

SHARE CAPITAL (STRUCTURE) AS AT 31.12.2019								
Series/ issue	Type of share	Type of preference	Limitation of right to shares	Number of shares	Nominal value of series/issue (PLN)	Capital covered with	Registration date	Right to dividends (from)
A	Bearer	-	-	21 344 490	21 344 490	cash	12.09.2006	12.09.2006
F	Bearer	-	-	2 705 882	2 705 882	cash	31.10.2006	31.10.2006
H	Bearer	-	-	172 200	172 200	cash	14.02.2007	14.02.2007
I	Bearer	-	-	92 700	92 700	cash	14.02.2007	14.02.2007
J	Bearer	-	-	96 750	96 750	cash	14.02.2007	14.02.2007
L	Bearer	-	-	148 200	148 200	cash	14.02.2007	14.02.2007
Ł	Bearer	-	-	110 175	110 175	cash	12.03.2012	07.05.2012
M	Bearer	-	-	24 875	24 875	cash	03.10.2012	09.11.2012
N	Bearer	-	-	20 000	20 000	cash	03.10.2012	09.11.2012
O	Bearer	-	-	26 000	26 000	cash	05.03.2013	17.05.2013
P	Bearer	-	-	925	925	cash	31.10.2013	23.12.2013
R	Bearer	-	-	11 000	11 000	cash	31.10.2013	23.12.2013
S	Bearer	-	-	17 075	17 075	cash	20.03.2014	02.05.2014
T	Bearer	-	-	1 000	1 000	cash	14.01.2015	27.03.2015
U	Bearer	-	-	10 320	10 320	cash	17.05.2016	01.06.2016
V	Bearer	-	-	1 000	1 000	cash	17.05.2016	01.06.2016
W	Bearer	-	-	85 830	85 830	cash	10.01.2017	10.03.2017
Y	Bearer	-	-	100 000	100 000	cash	29.03.2018	21.05.2018
Z	Bearer	-	-	100 000	100 000	cash	28.02.2019	24.04.2019
Total number of shares				**25 068 422**				
Total share capital					**25 068 422**			
Nominal value per share = PLN 1								

Information on the majority shareholder

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

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

i. Dom Development B.V. has ceased to exist,

ii. all assets of the Dom Development B.V., as the acquired company were transferred to SCOP Poland S.à r.l., as the acquiring company,

iii. SCOP Poland S.à r.l. subrogated all the rights and obligations of Dom Development B.V., as the acquired company.

(all amounts in thousands PLN unless stated otherwise)

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

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

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

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

List of shareholders who hold, directly or indirectly through subsidiaries, at least 5% of the overall number of votes at the General Shareholders Meeting ("GSM") as at 31 December 2019.

	Balance as at 31 December 2019			
	Shares	**% of capital**	**Number of votes at the GSM**	**% of votes at the GSM**
Groupe Belleforêt S.à r.l.*)	14 155 941	56,47	14 155 941	56.47
Jarosław Szanajca	1 454 050	5,80	1 454 050	5.80
Aviva Otwarty Fundusz Emerytalny Aviva Santander **)	1 313 383	5,24	1 313 383	5.24
Grzegorz Kiełpsz	1 280 750	5,11	1 280 750	5.11

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

The shares of Dom Development S.A. or rights thereto (options) owned by the persons performing management and supervisory functions at Dom Development S.A. as at 31 December 2019.

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

*) details on options granted to Ms Małgorzata Kolarska under Management Option Programme IV and to Mr Mikołaj Konopka under Management Option Programme V have been described in note 7.43

7.15. Share premium

In the twelve-month period ended 31 December 2019, the value of the item *Share premium* changed by PLN 3 400 thousand as a result of the increase of the share capital, described in note 7.14.

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

7.16. Additional information on shareholders' equity

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

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

7.17. Dividend and profit distribution

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

- PLN 214 098 396.63 net profit of Dom Development S.A. for the year ended 31 December 2018, and

- PLN 12 770 822.47 that is a portion of the Dom Development S.A. supplementary capital derived from the profit carried forward, , i.e. PLN 9.05 per share.

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

The dividend was paid out in accordance with the resolution.

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

7.18. Loans

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

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

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

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

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

(all amounts in thousands PLN unless stated otherwise)

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

LOANS DUE WITHIN	31.12.2019	31.12.2018
Less than 1 year	14	50 000
More than 1 year and less than 2 years	-	-
More than 2 years and less than 5 years	85 000	35 000
Over 5 years	-	-
Total loans	**85 014**	**85 000**
including: long-term	85 000	35 000
short-term	14	50 000

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

BANK LOANS AS AT 31.12.2019						
Bank	**Registered office**	**Loan amount as per agreement**	**Currency**	**Outstanding loan amount (less accrued interest)**	**Currency**	**Due date**
PKO BP	Warsaw	150 000*)	PLN	14	PLN	26.02.2023
mBank	Warsaw	185 000**)	PLN	85 000	PLN	31.01.2023
Millennium	Warsaw	50 000	PLN	-	PLN	18.12.2022
Total bank loans				**85 014**	**PLN**	

*) Revolving loan in the credit facility account up to PLN 150 000 thousand. Pursuant to the agreement with the bank, Euro Styl S.A. may use up to PLN 50 000 thousand of this credit limit. As at 31 December 2019 Euro Styl S.A. drawn PLN 14 thousand from the said credit limit, and Dom Development S.A. has not drawn any funds therefrom.

**) Revolving loan in the credit facility account up to PLN 185 000 thousand. Under the said agreement, Dom Development Wrocław Sp. z o.o. may use up to PLN 60 000 thousand of this credit limit, and Euro Styl S.A. may use up to PLN 100 000 thousand of this credit limit. As at 31 December 2019 Dom Development Wrocław Sp. z o.o has drawn PLN 35 000 thousand and Euro Styl S.A. has drawn PLN 50 000 thousand from the said credit limit, and Dom Development S.A. has not drawn any funds therefrom.

In the "Loans" item the Group states the nominal value of the 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 Group approximately equals their book value, including accrued interest.

7.19. Bonds

BONDS	31.12.2019	31.12.2018
Nominal value of the bonds issued, long-term portion	260 000	310 000
Nominal value of the bonds issued, short-term portion	100 000	-
Nominal value of the bonds issued	**360 000**	**310 000**

In the "Bonds" item the Group 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.

(all amounts in thousands PLN unless stated otherwise)

Core details concerning the bonds issued

- Agreement with PeKaO S.A.

  Under this agreement, Dom Development S.A. is allowed to issue mid-term bonds (with a maturity over 1 year and under 7 years) with an aggregate value of no more than PLN 400 million, which is to be construed as the nominal value of all issued and unredeemed bonds on any day during the term of the Programme. In accordance with the agreement, bonds may be issued by the Company as various series by 5 November 2021.

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

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

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

On 12 December 2019, the Company issued 50 000 unsecured bonds with the nominal value of PLN 1 000 each and the aggregate nominal value of PLN 50 000 thousand. The maturity date for these bonds is 12 December 2024. The issue value equals nominal value of the bonds. The interest rate is set at WIBOR 6M plus margin and will be paid semi-annually. No purpose for the bond issue was specified. The funds from the issue have been designated for current operations of the Company.

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

7.20. Accrued interest on loans and bonds

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

(all amounts in thousands PLN unless stated otherwise)

7.21. Deferred tax assets and provisions

Deferred tax is the outcome of the following items:

	Balance sheet		Income statement / Statement of comprehensive income	
	31.12.2019	31.12.2018	01.01-31.12.2019	01.01-31.12.2018
Deferred tax provision				
Foreign exchange differences	27	-	27	-
Accrued interest	24	12	12	(11)
Discounting of liabilities	1 571	1 257	314	110
Result on the sale of units – without legal ownership transfer agreements	30 949	48 747	(17 798)	(11 493)
Capitalised financial costs	3 932	3 326	606	63
Lease	5	72	(67)	(3)
Trademark	664	930	(266)	(265)
Other	509	151	358	149
Total deferred tax provision	**37 681**	**54 495**	**(16 814)**	**(11 450)**
Deferred tax assets				
Foreign exchange differences	-	1	(1)	-
Inventory revaluation	8 040	8 463	(423)	24
Receivables revaluation write downs and other provisions	452	115	337	2
Provision for employee benefits	6 675	7 458	(783)	2 406
Provision for other costs	8 490	6 284	2 206	1 101
Elimination of margin on intragroup transactions	4 008	993	3 015	86
Euro Styl Group acquisition cost	1 088	1088	-	-
Valuation of financial assets	593	627	(34)	537
Tax loss possible to be settled	3 239	2 231	1 008	922
Other	309	80	229	75
Total deferred tax assets	**32 894**	**27 340**	**5 554**	**5 153**
Change in provision for deferred tax resulting from the acquisition of subsidiaries, determined as of the date of the acquisition.				
Deferred tax expense concerning income statement			**(22 365)**	**(16 056)**
Deferred tax expense concerning other net comprehensive income			**(3)**	**(547)**
Deferred tax asset shown in the balance sheet	**5 927**	**2 410**		
Deferred tax provision shown in the balance sheet, net	**10 714**	**29 565**		

7.22. Long-term provisions

LONG-TERM PROVISIONS	31.12.2019	31.12.2018
Provision for repair costs, long-term portion	17 830	15 735
Provision for retirement benefits	857	885
Total	**18 687**	**16 620**

(all amounts in thousands PLN unless stated otherwise)

LONG-TERM PROVISIONS – CHANGES	01.01-31.12.2019	01.01-31.12.2018
Opening balance	**16 620**	**14 321**
Provisions created in the financial year	5 026	3 045
Provisions used/reversed in the financial year	(2 959)	(746)
Closing balance	**18 687**	**16 620**

7.23. Other long-term liabilities

OTHER LONG-TERM LIABILITIES	31.12.2019	31.12.2018
Guarantee retentions, long-term portion	60 759	54 362
Other	6 885	6 725
Closing balance	**67 644**	**61 087**

7.24. Lease liabilities

The Group adopted IFRS 16 *Leases* beginning on 1 January 2019 (see note 7.4).

As a result of the IFRS 16 adoption, the following lease liabilities were recognized in the Company's balance sheet:
- right-of-use of office space,
- rights of perpetual usufruct of land.

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

Lease liabilities	31.12.2019	31.12.2018 *)
Lease liabilities, short-term portion, including:	**98 525**	**-**
- liabilities on account of perpetual usufruct right of land	92 426	-
- liabilities on account of the right of use of office space	5 855	-
- other	244	-
Lease liabilities, long-term portion, including:	**26 970**	**-**
- liabilities on account of the right of use of office space	26 735	-
- other	235	-
Total	**125 495**	**-**

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

As estimated by the Management Board based on property development projects planned on specific land to which the Group held the perpetual usufruct right as at 31 December 2019, out of PLN 92 426 thousand of the land-related lease liabilities recognised as short-term:

- PLN 3 940 thousand is payable by the Group within 12 months following the balance sheet date,

- PLN 2 627 thousand is payable by the Group later than 12 months following the balance sheet date,

- PLN 85 859 thousand is to be transferred to the respective buyers of units.

(all amounts in thousands PLN unless stated otherwise)

7.25. Trade payables, tax and other liabilities

TRADE PAYABLES, TAX AND OTHER LIABILITIES	31.12.2019	31.12.2018
Trade payables, including guarantee retentions (short-term portion)	174 058	189 732
Tax liabilities	2 352	2 599
Accrued costs	140 102	127 617
Company Social Benefits Fund	163	103
Other liabilities	4 968	2 586
Total liabilities	**321 643**	**322 637**
Accrued costs structure	**140 102**	**127 617**
- estate construction costs	103 197	88 459
- employee costs	26 476	31 405
- rent for office space	2 311	2 645
- other	8 118	5 108

Trade payables are not interest-bearing liabilities. In addition to the guarantee retentions (as described below), the maturity for the trade payables is from 14 to 60 days.

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

	31.12.2019	31.12.2018
Guarantee retentions, short-term portion	45 267	48 034
Guarantee retentions, long-term portion	60 759	54 362
Total guarantee retentions	**106 026**	**102 396**

7.26. Short-term provisions

SHORT-TERM PROVISIONS	31.12.2019	31.12.2018
Provision for repair costs, short-term portion	7 360	8 189
Provision for disputes	9 661	3 148
Total	**17 021**	**11 337**

SHORT-TERM PROVISIONS – CHANGES	01.01-31.12.2019	01.01-31.12.2018
Opening balance	**11 337**	**8 716**
Provisions created in the financial year	13 032	8 071
Provisions used/reversed in the financial year	(7 348)	(5 450)
Closing balance	**17 021**	**11 337**

7.27. Deferred income

DEFERRED INCOME	31.12.2019	31.12.2018
Deferred income related to the payments received from customers for the purchase of products, not yet included as income in the income statement	834 347	624 779
Other	-	69
Total	**834 347**	**624 848**

(all amounts in thousands PLN unless stated otherwise)

7.28. Benefits after employment

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

7.29. Financial assets and liabilities

Categories of financial assets and liabilities, and maximum credit risk exposure

FINANCIAL ASSETS AND LIABILITIES	31.12.2019	31.12.2018
FINANCIAL ASSETS		
Long-term receivables	1 876	1 618
Trade and other receivables	43 054	28 822
Receivables from related entities	-	-
Total borrowings and receivables	**44 930**	**30 440**
Other	41	18
Financial assets valued at their fair value through the income statement (designated for trading)		
Cash in hand and at bank	13 702	63 687
Short-term deposits	239 575	218 787
Short-term financial assets	61 587	34 888
Maximum credit risk exposure	**359 835**	**347 820**
FINANCIAL LIABILITIES		
Loans	85 014	85 000
Own bonds issued	361 311	311 180
Trade payables, accrued and other liabilities	386 772	380 690
Lease liabilities	125 495	332
Financial liabilities valued at amortised cost	**958 592**	**777 202**

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

7.30. Financial risk management

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

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

Market risk

The market risk is a type of risk which reflects the impact of changes in market prices, such as currency exchange rates, interest rates or prices of capital instruments, on the Group'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 Group uses foreign currency derivatives (forward and swap) to hedge its significant F/X transactions.

As at 31 December 2019 and 31 December 2018 the Group did not have any significant assets, liabilities and future payments in foreign currencies, therefore there was no need to have hedging currency derivatives.

(all amounts in thousands PLN unless stated otherwise)

Interest rate risk

The fixed interest rate bank loans expose the Group 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 Group does not have fixed rate loans or bonds. Currently, the Group has short-term, medium-term and long-term variable interest rate loans and bonds which results in the cash flow risk exposure.

Furthermore, the Group 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 Group did not have fixed interest rate long-term financial instruments.

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

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

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

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

VARIABLE INTEREST RATE INSTRUMENTS	**31.12.2019**	**31.12.2018**
Financial assets	314 864	317 362
Financial liabilities	446 325	396 180
Net total	**(131 461)**	**(78 818)**

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

Analysis of financial result sensitivity to interest rate change

A 100-basis point (bp) change in the interest rate of instruments as at the balance sheet date would increase (decrease) the net assets and income statement (after tax) by the amounts listed in the table below. The analysis prepared for twelve-month periods ended 31 December 2019 and 31 December 2018 assumes that all other variables remain unchanged.

	Income statement		**Net assets**	
	Increase by 100 bp	**Decrease by 100 bp**	**Increase by 100 bp**	**Decrease by 100 bp**
31 December 2019				
Variable interest rate assets	850	(850)	850	(850)
Variable interest rate liabilities *)	(1 205)	1 205	(1 205)	1 205
Net sensitivity	**(355)**	**355**	**(355)**	**355**
31 December 2018				
Variable interest rate assets	857	(857)	857	(857)
Variable interest rate liabilities *)	(1 070)	1 070	(1 070)	1 070
Net sensitivity	**(213)**	**213**	**(213)**	**213**

(all amounts in thousands PLN unless stated otherwise)

*) 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 Group's main financial assets, and represent its highest exposure to credit risk in relation to financial assets.

The Group'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 Group 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 Group against the credit risk.

Credit risk is not highly concentrated in the Group. 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 Group, i.e. the sale of apartments, retail units and garages, are fully secured because release of the sold product takes place after a buyer has paid the full price as set out in the preliminary sales agreement.

The aging structure of trade receivables has been presented in note 7.10 *Trade and other receivables*.

Liquidity risk

The liquidity risk is the risk that the Group will not be able to pay its financial liabilities when they become due. The Group'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 Group's reputation.

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

	Total	**0 – 6 months**	**6 – 12 months**	**1 – 2 years**	**2 – 5 years**
31 December 2019					
Loans	92 562	1 238	1 224	2 448	87 652
Own bonds issued	391 746	106 682	4 940	119 358	160 766
Trade and other payables	386 772	317 476	8 543	11 440	49 313
Lease liabilities *)	125 495	6 991	3 048	7 461	107 995
Total	**996 575**	**432 387**	**17 755**	**140 707**	**405 726**
31 December 2018					
Loans	87 332	50 559	532	1 064	35 177
Own bonds issued	346 798	6 355	6 355	110 489	223 599
Trade and other payables	380 690	317 897	9 044	6 820	46 929
Lease liabilities	332	68	62	113	89
Total	**815 152**	**374 879**	**15 993**	**118 486**	**305 794**

*) Lease liabilities are for more than 5 years.

(all amounts in thousands PLN unless stated otherwise)

The Group 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 Group 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 Group.

For the years ended 31 December 2019 and 2018 the return on equity (calculated as net profit to the annual average value of shareholders' equity) amounted to 24% and 22.2%, respectively. In that period, the average weighted cost of interest on the Group's debt amounted to 3.6% in 2019 and 3.9% in 2018.

As at 31 December 2019 and 2018 the net financial leverage ratio (calculated as the loans and bonds payable less cash and cash equivalents and short-term financial assets divided by equity) amounted to 12% and 7.4% respectively.

The companies operating within the Group are not a subject to any external capital requirements, except for the legal regulations of the Code of Commercial Companies.

7.31. Earnings per share

CALCULATION OF BASIC AND DILUTED EARNINGS PER SHARE	**01.01-31.12.2019**	**01.01-31.12.2018**
Basic earnings per share		
Profit for calculation of the basic earnings per share	256 015	227 021
The weighted average number of ordinary shares for the calculation of basic earnings per share	25 052 258	24 944 312
Basic earnings per share (PLN)	**10,22**	**9,10**
Diluted earnings per share		
Profit for calculation of the diluted earnings per share	256 015	227 021
Potential diluting shares related to the Management Share Option Programme	148 521	158 115
The weighted average number of ordinary shares for the calculation of diluted earnings per share	25 200 779	25 102 427
Diluted earnings per share (PLN)	**10.16**	**9.04**

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

7.32. Income tax

INCOME TAX	**01.01--31.12.2019**	**01.01--31.12.2018**
Current income tax	86 829	71 087
Income tax carried forward *)	-	588
Deferred tax	(22 365)	(16 056)
Total	**64 464**	**55 619**

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

(all amounts in thousands PLN unless stated otherwise)

The corporate income tax payables of the companies operating within the Group as at 31 December 2019 and 2018 was PLN 34 829 thousand and PLN 30 137 thousand, respectively.

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

RECONCILIATION	**01.01-31.12.2019**	**01.01-31.12.2018**
Gross profit before tax	**320 482**	**282 642**
As per 19% tax rate	60 892	53 702
Permanent differences not subject to the current and deferred tax in the financial statements (except for cost of the management options)	2 605	832
Tax effect of management options permanently not being a tax deductible cost	967	1 099
Other	-	(14)
Actual income tax expense	**64 464**	**55 619**
Effective tax rate	**20.11%**	**19.68%**

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

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

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

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

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

7.33. Segment reporting

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

(all amounts in thousands PLN unless stated otherwise)

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

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

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

Financial data grouped together on the basis of the geographical location of the Group's real property development projects have been presented below.

Figures for the 12-month period ended 31.12.2019	Segments			
	Warsaw	Wrocław	Tricity	Total
Sales revenue	1 358 831	59 731	243 159	1 661 721
Gross profit on sales, before the allocation of purchase price *)	408 093	11 865	94 475	514 433
Allocation of the Euro Styl S.A. Capital Group purchase price **)	-	-	(14 313)	(14 313)
Gross profit on sales after the allocation of purchase price	**408 093**	**11 865**	**80 162**	**500 120**
Selling costs, and general administrative expenses				(166 586)
Other operating income and expenses, net				(12 844)
Operating profit				**320 690**
Financial income and costs, net				(208)
Profit before tax				**320 482**
Income tax				(64 464)
Net profit				**256 018**

Figures for the 12-month period ended 31.12.2018	Segments			
	Warsaw	Wrocław	Tricity	Total
Sales revenue	1 263 747	54 237	335 949	1 653 933
Gross profit on sales, before the allocation of purchase price *)	372 538	10 908	123 277	506 723
Allocation of the Euro Styl S.A. Capital Group purchase price **)	-	-	(51 614)	(51 614)
Gross profit on sales after the allocation of purchase price	**372 538**	**10 908**	**71 663**	**455 109**
Selling costs, and general administrative expenses				(161 558)
Other operating income and expenses, net				(11 532)
Operating profit				**282 019**
Financial income and costs, net				623
Profit before tax				**282 642**
Income tax				(55 619)
Net profit				**227 023**

(all amounts in thousands PLN unless stated otherwise)

*) for the Tricity market, the gross profit on sales results from the financial data of the Euro Styl S.A. Group and does not include the cost of the Euro Styl S.A. Capital Group acquisition that was additionally allocated in the consolidation as resulting from the measurement of the Euro Styl S.A. Capital Group inventory as of the purchase date at fair value (see also the comments below).

**) the additional cost resulting from the allocation of the Euro Styl S.A. Capital Group acquisition price. This cost is the difference between the carrying value of the Euro Styl S.A. Capital Group's inventory and the fair value assessed as at the date when the Group was purchased by the Company. This cost in the consolidated financial statements is adequately recognised as production cost of products sold that was accounted for in the income statement in the specific financial period.

7.34 Sales revenue and cost of sales

ANALYSIS OF SALES REVENUE AND SELLING COSTS	01.01-31.12.2019	01.01-31.12.2018
Sales of finished goods	1 611 028	1 626 709
Sales of services	22 540	21 165
Sales of goods (land)	28 153	6 059
Sales revenue, total	**1 661 721**	**1 653 933**
Cost of finished goods sold	(1 118 199)	(1 174 114)
Cost of services sold	(22 779)	(20 678)
Cost of goods sold	(22 231)	(4 527)
Inventory write down to the net realisable value	1 608	495
Cost of sales, total	**(1 161 601)**	**(1 198 824)**
Gross profit on sales	**500 120**	**455 109**

7.35. Costs by type

OPERATING COSTS	01.01-31.12.2019	01.01-31.12.2018
Cost of sales	(1 161 601)	(1 198 824)
Selling costs	(65 091)	(69 818)
General administrative expenses	(101 495)	(91 740)
Total	**(1 328 187)**	**(1 360 382)**
Costs by type		
Depreciation and amortisation	(15 487)	(9 919)
Cost of materials and energy	(381 598)	(247 562)
External services	(1 085 523)	(1 151 433)
Taxes and charges	(5 362)	(5 083)
Payroll costs	(94 148)	(88 083)
Other expenses	(13 136)	(11 348)
Goods and materials sold	(22 231)	(4 527)
Change in inventory of products and work in progress	283 077	155 134
Cost of services and products for own use	6 221	2 439
Total	**(1 328 187)**	**(1 360 382)**

(all amounts in thousands PLN unless stated otherwise)

7.36. Payroll costs

PAYROLL COSTS AND AVERAGE EMPLOYMENT (including the executives)	01.01-31.12.2019	01.01-31.12.2018
Individual personnel categories (number of staff)	**355**	**308**
White-collar workers	355	308
Blue-collar workers	-	-
Payroll costs		
Payroll costs, including:	80 493	76 990
- cost of share-based payments (note 7.43)	5 091	5 785
Social security and other benefits	13 655	11 093
Payroll costs, total	**94 148**	**88 083**

7.37. Other operating income

OTHER OPERATING INCOME	01.01-31.12.2019	01.01-31.12.2018
Revenues from contractual penalties, arrangements and compensations	642	533
Reversal of provision for costs	4 164	859
Revenues from compensations	1 895	834
Revenues from the liquidation of a subsidiary	87	484
Revenues from betterment levy refund	1 207	-
Other	1 211	565
Total	**9 206**	**3 275**

7.38. Other operating expenses

OTHER OPERATING EXPENSES	01.01-31.12.2019	01.01-31.12.2018
Provision for penalties and arrangements	828	1 389
Donations	631	1 189
Provision for other costs	6 519	1 376
Bad debt written down	1 861	37
Cost of repairs and defects (including change in provision)	9 567	9 252
Costs of discontinued projects	634	-
Cost of betterment levies	89	950
Other	1 921	614
Total	**22 050**	**14 807**

7.39. Financial income

FINANCIAL INCOME	01.01-31.12.2019	01.01-31.12.2018
Interest on bank deposits (non-capitalized part of interest)	2 082	2 065
Revenue from discounting receivables and payables	1 653	574
Other interest	479	19
Foreign exchange differences	209	43
Total	**4 423**	**2 701**

(all amounts in thousands PLN unless stated otherwise)

7.40. Financial costs

FINANCIAL COSTS	01.01-31.12.2019	01.01-31.12.2018
Interest on loans and bonds (non-capitalized part of interest)	1 995	676
Other interest	157	113
Commissions and fees	476	636
Lease financial costs	1 367	-
Valuation of long-term investments (CAP options)	636	653
Total	**4 631**	**2 078**

7.41. Interest cost

INTEREST COST	01.01-31.12.2019	01.01-31.12.2018
Financial costs (interest) capitalised under work in progress*)	11 427	9 807
Financial costs (interest) disclosed in the income statement	2 152	843
Total interest costs	**13 579**	**10 650**

*) 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.

7.42. Transactions with related entities

In the twelve-month periods ended 31 December 2019 and 2018, the Company was a party to transactions with related entities, as listed below. Descriptions of the transactions have been presented in the tables. In exceptional cases, descriptions of particular agreements or explanations have also been provided.

DOM DEVELOPMENT S.A. AS A BUYER OF GOODS OR SERVICES:			
Counterparty	**Transaction description**	**01.01-31.12.2019**	**01.01-31.12.2018**
Woodsford Consulting Limited	Consulting services as per the agreement dated 27.6.07 as annexed	2 440	2 154
Hansom Property Company Limited	Consulting services as per the agreement dated 2.1.01 as annexed	1 203	1 009
Kirkley Advisory Limited	Consulting services as per the agreement dated 29.09.2017	-	96
M & M Usługi Doradcze M. Kolarski	Consulting services	147	277

DOM DEVELOPMENT S.A. AS A SELLER OF GOODS OR SERVICES:			
Counterparty	**Transaction description**	**01.01-31.12.2019**	**01.01-31.12.2018**
Dom Land sp. z o.o.	Other	11	11

(all amounts in thousands PLN unless stated otherwise)

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

BALANCES WITH RELATED ENTITIES – balances as in the books of the Company				
Entity	**Receivables from related entities**		**Liabilities to related entities**	
	31.12.2019	**31.12.2018**	**31.12.2019**	**31.12.2018**
Total balance	**-**	**18**	**369**	**143**
Other entities	**-**	**18**	**369**	**143**
Dom Land sp. z o.o.	-	18	-	-
M&M Usługi Doradcze M. Kolarski	-	-	1	3
Woodsford Consulting Limited	-	-	368	140

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

7.43. Incentive Plan – Management Option Programmes

As at 31 December 2019 there were two active Management Option Programmes adopted as part of the Incentive Scheme for the executives in the Company.

Name of the Programme	Options in the programme (number of shares)	Options granted (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)
		31.12.2019			31.12.2018	
Programme IV	500 000	500 000	200 000	500 000	500 000	100 000
Programme V	250 000	250 000	-	-	-	-

Active Management Option Programmes at 31 December 2019

Management Option Programme IV

On 1 December 2017, the Supervisory Board of the Company acting pursuant to the power of attorney granted by the Ordinary General Shareholders Meeting of the Company, passed a resolution concerning the acceptance of the Rules for Management Option Programme IV regarding allotment of 500 000 shares in Dom Development S.A. ("Programme IV") to Ms Małgorzata Kolarska, Vice President of the Management Board and Chief Operating Officer. Under Program IV, Mrs Małgorzata Kolarska received a one-off award of options authorising her to subscribe for 500 000 shares in Dom Development S.A. for the price of PLN 35.00 per share. The exercise of these options will be limited to 100 000 shares in any 12 month consecutive period, starting from 1 January 2019, and the non-exercised options may be exercised at a later time, however not later than by 31 December 2027.

(all amounts in thousands PLN unless stated otherwise)

Management Option Programme V

On 29 November 2019, the Supervisory Board of the Company acting pursuant to the power of attorney granted by the Ordinary General Shareholders Meeting of the Company, passed a resolution concerning the acceptance of the Rules for Management Option Programme V regarding allotment of 250 000 shares in Dom Development S.A. ("Programme V") to Mr Mikołaj Konopka, Member of the Management Board. In accordance with the terms of Programme V, Mr Mikołaj Konopka received a one-off award of options authorising him to subscribe for 250 000 shares in Dom Development S.A. for the price of PLN 50.00 per share. The exercise of these options will be limited to 50 000 shares in any 12 month consecutive period, starting from 1 January 2020, and the non-exercised options may be exercised at a later time, however not later than by 31 December 2029.

Grant of new share options

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

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

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

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

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

Exercise of the share options

On 24 January 2019, the Management Board of the Company adopted a resolution on the increase of share capital in the Company by issuing 100 000 series Z ordinary bearer shares. The shares were issued in a private placement addressed to Mr Małgorzata Kolarska, Vice President of the Management Board as a participant in Management Options Programme IV (which was described in detail in note 7.14). These shares were registered by the District Court for the capital city of Warsaw on 18 March 2019.

Expiry of share options

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

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

In the three-month periods ended 31 December 2019 and 2018 the amounts of PLN 5 091 thousand and PLN 5 785 thousand respectively, were accounted for in the income statement for the management options granted and in the supplementary capital.

(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		01.01-31.12.2019	01.01-31.12.2018
Unexercised options at the beginning of the period	**Number of options**	**400 000**	**500 000**
	Total exercise price	**14 000**	**17 500**
Options granted in the period	Number of options	250 000	-
	Total option exercise value	12 500	-
Options expired in the period	Number of options	-	-
	Total option exercise value	-	-
Options exercised in the period	Number of options	100 000	100 000
	Total option exercise value	3 500	3 500
	Weighted average exercise price per share (PLN per share)	35,00	35,00
Unexercised options at the end of the period	**Number of options**	**550 000**	**400 000**
	Total exercise price	**23 000**	**14 000**
Exercisable options at the beginning of the period	Number of options	100 000	100 000
	Total exercise price	3 500	3 500
Exercisable options at the end of the period	Number of options	-	-
	Total exercise price	-	-

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

Remuneration for key executives	01.01-31.12.2019	01.01-31.12.2018
1. The Management Board		
Remuneration	11 634	8 124
including payments from profit	-	-
Non-pay benefits	98	71
Total remuneration	**11 732**	**8 195**
2. The Supervisory Board		
Remuneration	1 301	1 300

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

The composition of the Management Board and the Supervisory Board as at 31 December 2019 has been presented in Note 7.47.

The agreements concluded between the Company and the members of the management which provide for the compensation in the event of their resignation or dismissal from office

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

None of the Company's Management Board members is entitled to compensation in the event of resignation from their function. In accordance with the resolutions of the Supervisory Board, the following Management Board members:

(all amounts in thousands PLN unless stated otherwise)

Jarosław Szanajca, Małgorzata Kolarska and Mikołaj Konopka, in the case of dismissal for reasons other than the violation of their fundamental obligations or no re-appointment for another term of office, are entitled to the payment of 6 months' remuneration. On the basis of the resolution of the Supervisory Board, Janusz Zalewski, a Management Board member, in the case of dismissal for reasons other than the violation of his fundamental obligations is entitled to the payment equal to the full one month salary as calculated for the period from the day following the expiry of the term of office to 1 October 2021.

7.45. Contingent liabilities

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

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

COLLATERALS FOR LIABILITIES	31.12.2019	31.12.2018
Promissory notes, including:		
– promissory notes as an additional guarantee for PKO BP bank in respect of claims arising from the granted loan	-	100 000
– promissory notes as other security	4 000	4 000
– promissory notes as a security for lease agreements	50	139
Total	**4 050**	**104 139**

7.46. Material court cases as at 31 December 2019

As at 31 December 2019 the companies operating within the Group were not a party to any material court cases.

7.47. Changes in the composition of the Management Board and the Supervisory Board of the Group parent company

The Supervisory Board

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

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

Grzegorz 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,
Dorota Podedworna-Tarnowska, Member of the Supervisory Board,
Krzysztof Grzyliński, Member of the Supervisory Board.

The Management Board

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

As at 31 December 2019 the Management Board of Dom Development S.A. was composed of 5 members:

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

(all amounts in thousands PLN unless stated otherwise)

7.48. Additional information on the operating activity of the Group

In the twelve-month period ended 31 December 2019 the following material changes in the portfolio of the Group's development investments under construction took place:

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

Project	Company	Standard	Number of apartments	Number of commercial units	Started in
Żoliborz Artystyczny, phase 11	Dom Development S.A.	Popular	372	9	Q1 2019
Żoliborz Artystyczny, phase 12	Dom Development S.A.	Popular	95	11	Q1 2019
Apartamenty Ogrodowa	Dom Development S.A.	Apartments	155	5	Q1 2019
Wilno VI etap 3/1	Dom Development S.A.	Popular	197	-	Q1 2019
Idea budynek 10	Euro Styl S.A.	Popular	50	-	Q1 2019
Locus budynek 2	Euro Styl S.A.	Popular	50	-	Q1 2019
Apartamenty Polanki	Euro Styl S.A.	Apartments	9	-	Q1 2019
Zielony Południk, building 1	Euro Styl S.A.	Popular	24	-	Q1 2019
Zielony Południk, building 4	Euro Styl S.A.	Popular	21	-	Q1 2019
Beauforta, building 2	Euro Styl S.A.	Popular	15	4	Q1 2019
Beauforta, building 3	Euro Styl S.A.	Popular	15	4	Q1 2019
Apartamenty Włodarzewska 70	Dom Development S.A.	Popular	102	-	Q2 2019
Port Żerań, phase 3	Dom Development S.A.	Popular	152	-	Q2 2019
Apartamenty Księcia Witolda	Dom Development Wrocław Sp. z o.o.	Apartments	128	10	Q2 2019
Grabiszyńska	Dom Development Wrocław Sp. z o.o.	Popular	59	3	Q2 2019
Idylla 2	Dom Development Wrocław Sp. z o.o.	Popular	144	-	Q2 2019
Beauforta, building 12	Euro Styl S.A.	Popular	27	-	Q2 2019
Beauforta, building 13	Euro Styl S.A.	Popular	21	-	Q2 2019
Osiedle CIS	Euro Styl S.A.	Popular	148	-	Q2 2019
Osiedle Przy Błoniach, building A	Euro Styl S.A.	Popular	28	-	Q2 2019
Osiedle Przy Błoniach, building B	Euro Styl S.A.	Popular	36	-	Q2 2019
Osiedle Przy Błoniach, building C	Euro Styl S.A.	Popular	28	-	Q2 2019
Osiedle Przy Błoniach, building D	Euro Styl S.A.	Popular	36	-	Q2 2019
Zielony Południk, building 9	Euro Styl S.A.	Popular	26	-	Q2 2019
Zielony Południk, building 10	Euro Styl S.A.	Popular	23	-	Q2 2019
Zielony Południk building, 11	Euro Styl S.A.	Popular	22	-	Q2 2019
Zielony Południk, building 12	Euro Styl S.A.	Popular	26	-	Q2 2019
Wilno VI, phase 3/2	Dom Development S.A.	Popular	225	3	Q3 2019
Dom na Kurkowej	Dom Development Wrocław Sp. z o.o.	Popular	115	3	Q3 2019
Idea building 11	Euro Styl S.A.	Popular	27	-	Q3 2019
Locus building 3	Euro Styl S.A.	Popular	71	-	Q3 2019
Dawna Poczta (Mickiewicza)	Euro Styl S.A.	Popular	97	9	Q3 2019
Beauforta, building 14	Euro Styl S.A.	Popular	20	-	Q3 2019
Dzielnica Mieszkaniowa Metro Zachód, phase 1	Dom Development S.A.	Popular	128	6	Q4 2019
Osiedle Komedy, phase 1	Dom Development Wrocław Sp. z o.o.	Popular	99	2	Q4 2019
Beauforta, building 15	Euro Styl S.A.	Popular	24	-	Q4 2019
Beauforta, building 16	Euro Styl S.A.	Popular	18	-	Q4 2019
Beauforta, building 17	Euro Styl S.A.	Popular	24	-	Q4 2019
Beauforta, building 18	Euro Styl S.A.	Popular	35	-	Q4 2019
Beauforta, building 19	Euro Styl S.A.	Popular	35	-	Q4 2019
Beauforta, building 20	Euro Styl S.A.	Popular	38	-	Q4 2019
Total			**2 965**	**69**	

* The projects allocated to Euro Styl S.A. also include investments developed by entities from the Euro Styl S.A. Capital Group

(all amounts in thousands PLN unless stated otherwise)

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

Project	Company	Standard	Number of apartments	Number of commercial units	Completed in
Amsterdam, phase 2	Dom Development S.A.	Popular	307	7	Q1 2019
Scena Apartamenty	Euro Styl S.A.	Apartments	55	6	Q1 2019
Cybernetyki 17, phase 3	Dom Development S.A.	Popular	240	-	Q2 2019
Regaty, phase 2	Dom Development S.A.	Popular	198	2	Q2 2019
Forma, stage 2 phase 2	Dom Development S.A.	Popular	210	3	Q2 2019
Osiedle Beauforta – B1	Euro Styl S.A.	Popular	21	5	Q2 2019
Idea B6	Euro Styl S.A.	Popular	42	-	Q2 2019
Port Żerań, phase 2	Dom Development S.A.	Popular	330	-	Q3 2019
Studio Arte	Dom Development Wrocław Sp. z o.o.	Popular	51	1	Q3 2019
Księże Nowe	Dom Development Wrocław Sp. z o.o.	Popular	130	2	Q3 2019
Idea B7	Euro Styl S.A.	Popular	27	-	Q3 2019
Beauforta, building 4	Euro Styl S.A.	Popular	18	3	Q3 2019
Beauforta, building 5	Euro Styl S.A.	Popular	36	-	Q3 2019
Amsterdam, phase 3	Dom Development S.A.	Popular	188	14	Q4 2019
Apartamenty Dolny Mokotów	Dom Development S.A.	Apartments	148	5	Q4 2019
Wille Taneczna 2	Dom Development S.A.	Popular	81	-	Q4 2019
Żoliborz Artystyczny, phase 10	Dom Development S.A.	Popular	261	12	Q4 2019
Idylla 1	Dom Development Wrocław Sp. z o.o.	Popular	83	-	Q4 2019
Beauforta, building 6	Euro Styl S.A.	Popular	27	-	Q4 2019
Beauforta, building 7	Euro Styl S.A.	Popular	24	3	Q4 2019
Zielony Południk, building 1	Euro Styl S.A.	Popular	24	-	Q4 2019
Zielony Południk, building 2	Euro Styl S.A.	Popular	26	-	Q4 2019
Zielony Południk, building 3	Euro Styl S.A.	Popular	26	-	Q4 2019
Idea building 8	Euro Styl S.A.	Apartments	38	-	Q4 2019
Spektrum, building C	Euro Styl S.A.	Popular	64	13	Q4 2019
Total			**2 655**	**76**	

* The projects allocated to Euro Styl S.A. also include investments developed by entities from the Euro Styl S.A. Capital Group

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

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

Number of apartments and retail units delivered	01.01--31.12.2019	01.01--31.12.2018
Q1	1 215	416
Q2	440	1 025
Q3	839	587
Q3	988	1 604
Total	**3 482**	**3 632**

7.49. Material post-balance sheet events

Exercise of Company share options

On 21 January 2020, the Management Board increased Company's share capital from PLN 25 068 422.00 to PLN 25 218 422.00, i.e. by PLN 150 000.00, by issuing 100 000 series AA ordinary bearer shares with PLN 1.00 nominal each, numbered 1 to 100 000 and 50 000 series AB ordinary bearer shares with PLN 1.00 nominal each, numbered 1 to 50 000. The issue of series AA and AB shares took place through a private placement. The purpose of issuing series AA and series AB shares as part of the authorised capital is to enable the Company to fulfil its obligations resulting from the Management Option Programme IV for Małgorzata Kolarska, Vice President of the Management Board - Chief Executive Director, concerning 500 000 shares in Dom Development S.A. and the Management Option Programme V for Mikołaj

(all amounts in thousands PLN unless stated otherwise)

Konopka, Management Board member of Dom Development S.A., concerning 250 000 shares of Dom Development S.A. (see note 7.43). The Supervisory Board of the Company agreed to fully deprive the existing shareholders of their pre-emptive right to 100 000 series AA shares and 50 000 series AB shares. The exclusion of pre-emptive rights of the existing shareholders is justified by the fact that the issue of series AA shares is addressed only to Ms Malgorzata Kolarska, Vice President of the Management Board of the Company as the Participant in Program IV, while the issue of series AB shares is addressed only to Mikołaj Konopka, a member of the Management Board of the company as the Participant in Program V, to enable them to exercise their rights under the subscription warrants.

On 3 February 2020:

- Ms Małgorzata Kolarska exercised her share options in the Company by exercising her rights under subscription warrants and subscribing for 100 000 shares. The issue price for the new series AA shares was PLN 35.00 per share.

Mr Mikołaj Konopka exercised his share options in the Company by exercising his rights under subscription warrants and subscribing for 50 000 shares. The issue price for the new series AB shares was PLN 50.00 per share.

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

7.50. Approval of the financial statements for 2018

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

7.51. Forecasts

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

7.52. Information on remuneration of the statutory auditor or the entity authorised to audit financial statements

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

The financial statements for 2019 and 2018 were audited by PricewaterhouseCoopers Polska spółka z o.o. Audyt sp.k. and other PricewaterhouseCoopers Polska spółka z o.o. Audyt sp.k. related companies.

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

SERVICES	01.01--31.12.2019	01.01--31.12.2018
Parent company	**245**	**270**
- Financial statements audit	170	170
- Review of semi-annual financial statements	75	100
- Other services	-	-
Subsidiaries of the Capital Group	**228**	**155**
- Financial statements audit	178	105
- Review of semi-annual financial statements	50	50
- Other services	-	-
Total	**473**	**425**

(all amounts in thousands PLN unless stated otherwise)

7.53. Selected financial data translated into EURO

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

SELECTED DATA FROM THE CONSOLIDATED BALANCE SHEET	31.12.2019 thousand EURO	31.12.2018 thousand EURO
Total current assets	679 133	578 840
Total assets	695 300	590 454
Total shareholders' equity	254 604	243 382
Long-term liabilities	110 136	105 179
Short-term liabilities	330 560	241 893
Total liabilities	440 696	347 072
PLN/EURO exchange rate as at the balance sheet date	***4.2585***	***4.3000***

SELECTED DATA FROM THE CONSOLIDATED INCOME STATEMENT	01.01- -31.12.2019 thousand EURO	01.01- -31.12.2018 thousand EURO
Sales revenue	386 285	387 619
Gross profit on sales	116 258	106 660
Operating profit	74 548	66 095
Profit before tax	74 500	66 241
Net profit	59 514	53 206
Average PLN/EURO exchange rate for the reporting period	***4.3018***	***4.2669***