CPD S.A.



QUARTERLY REPORT FOR III QUARTER OF 2015

CPD S.A.

QUARTERLY REPORT FOR 9 MONTHS ENDED 30 SEPTEMBER 2015

TRANSLATORS' EXPLANATORY NOTE

The following document is a free translation of the III Q 2015 report of CPD S.A. published on 13 November 2015.

In Poland statutory accounts must be prepared and presented in accordance with Polish legislation and in accordance with the accounting principles and practices generally used in Poland. The accompanying translated financial statements have not been reclassified or adjusted in any way to conform to accounting principles generally accepted in countries other than in Poland, but certain terminology current in Anglo-Saxon countries has been adopted to the extent practicable.

In the event of any discrepancy in interpreting the terminology, the Polish version is binding.

CONTENTS

I. OPERATING REPORT

1. INFORMATION OF CPD CAPITAL GROUP

CPD Group started its activities in Poland in 1999 from the foundation of Celtic Asset Management Sp. z o.o. In subsequent years, 1999-2005, the activities of the company focused on building and managing a real estate portfolio for external institutions in Poland, Czech Republic, Lithuania, Romania, Hungary and Germany. In 2005, Celtic Asset Management Sp. z o.o started development activity in cooperation with several funds managed by Laxey Partners. In 2007, the consolidation of the group under the name Celtic Property Developments SA (BVI) was performed and in 2008 the listing of the company Celtic Property Developments SA (BVI) began on a deregulated market (Freiverkehr) in Frankfurt. In the period from 2005 to 2010, the Company operated and managed projects mainly in Poland. In the same time, the Group has conducted and managed projects also in Montenegro, Hungary, Italy, Belgium, the United Kingdom, the Netherlands, Germany and Spain. International experience and practical knowledge of experts and project managers of Celtic Group contributed to the creation of a strong and stable capital group, which debuted on the Warsaw Stock Exchange on 23 December 2010. 17th of September 2014 the Company has changed the name for CPD S.A.

Today, CPD S.A. is the holding company controlling a group of 37 subsidiaries, focusing on activities in the office and residential segments. Current Group’s plans focus on the residential development, mainly through the implementation of its leading project in the Warsaw’s district of Ursus.

2. CAPITAL GROUP'S STRUCTURE

As of the day of publication hereof, the CPD Group (hereinafter referred to as "the Group", "CPD Group") was composed of a dominant entity – CPD S.A. (hereinafter referred to as "the Company") and 37 subsidiaries. Development activities of the Group are conducted via investment companies, direct subsidiaries of Buffy No1 Holdings Ltd (Cyprus) and Lakia Enterprises Ltd (Cyprus). Dominant entity - CPD S.A. - coordinates and supervises the activities of subsidiaries and at the same time is the decision making centre with regard to the strategic planning. CPD S.A. performs actions aiming at optimising the operating costs of the whole Group, designs investment and marketing policies and serves as the coordinator of this activity.

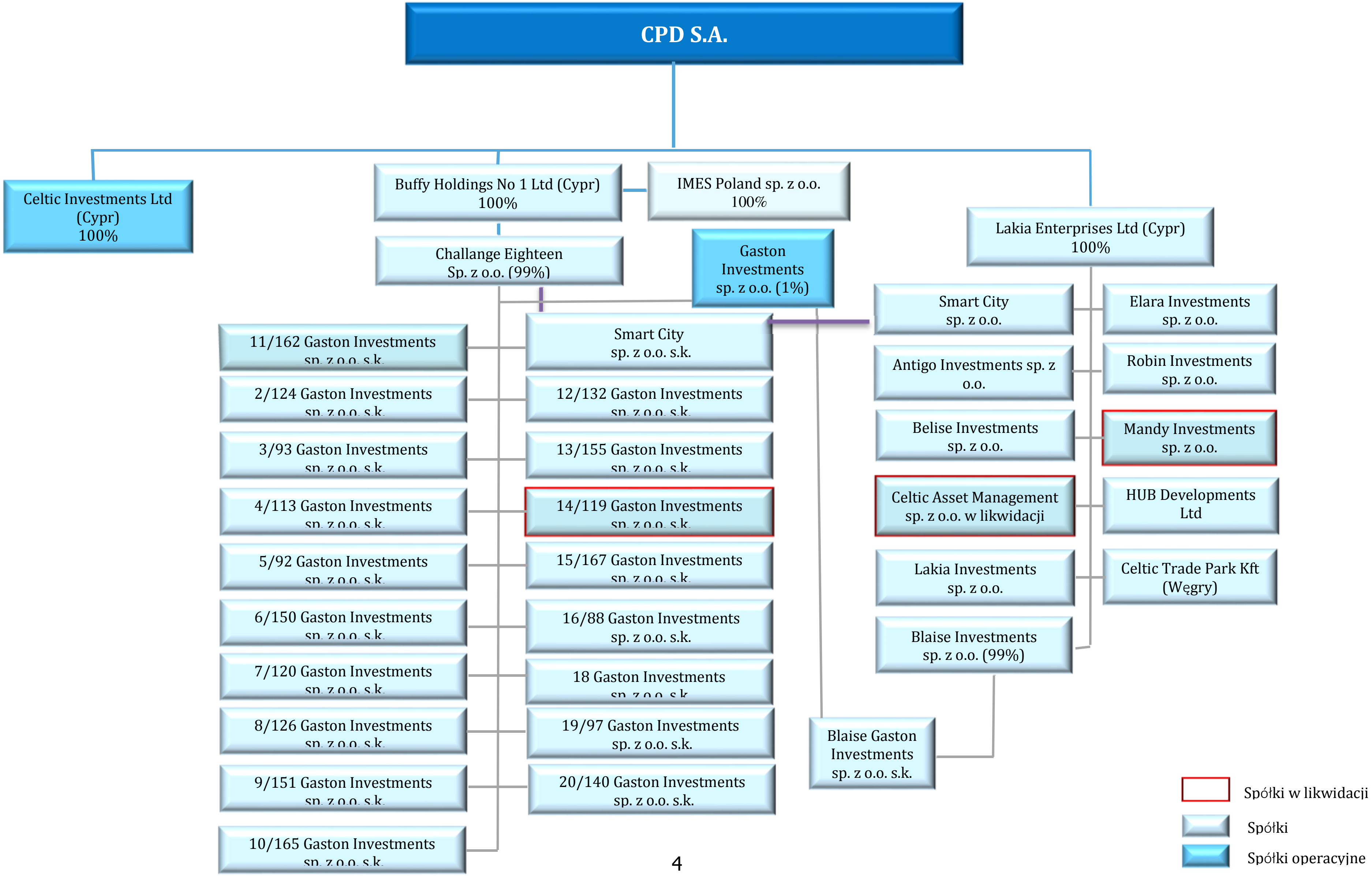
During the reporting period, the following changes occurred in the CPD Group structure:

At the date of report publication, the following changes in CPD Group's structure took place:

- On 30 January 2015, IMES sp z o.o. company was acquired.
- On 27 February 2015, sale of Geatan Investments sp z o.o. company was completed.
- On 18 August 2015 liquidation process of Mandy Investments sp. z o.o. began.
- On 18 August 2015 liquidation process of 14/119 Gaston Investments spółka z ograniczoną odpowiedzialnością spółka komandytowa began.

All Group companies are subject to consolidation according to the full consolidation method.

CPD Group's structure as on 30 September 2015.



3. SELECTED FINANCIAL DATA

Selected items of the consolidated statement of comprehensive income

	3 months period			9 months period		
	From 01.07.2015 to 30.09.2015 (PLN ths.)	From 01.07.2014 to 30.09.2014 (PLN ths.)	*Change (%)* %	From 01.01.2015 to 30.09.2015 (PLN ths.)	From 01.01.2014 to 30.09.2014 (PLN ths.)	*Change (%)* %
Revenue	4 806	3 779	*27,2%*	13 852	10 998	*26,0%*
Cost of sales	-653	-466	*40,1%*	-1 679	-1 727	*-2,8%*
Gross profit	**4 153**	**3 313**	***25,4%***	**12 173**	**9 271**	***31,3%***
Administrative expenses - property related	*-2 403*	*-2 370*	*1,4%*	*-7 162*	*-7 562*	*-5,3%*
Other administrative expenses	*-2 122*	*-9 199*	*-76,9%*	*-8 291*	*-12 990*	*-36,2%*
Selling and marketing costs	*-76*	*-100*	*-24,0%*	*-217*	*-234*	*-7,3%*
Other income	*8*	*293*	*-97,3%*	*2 299*	*309*	*644,0%*
Gain (loss) on revaluation of investment properties	*839*	*60 499*	*-98,6%*	*189*	*57 727*	*-99,7%*
Share of profit of joint ventures	*-130*	*0*	-	*-213*	*0*	-
Gain (loss) on disposal of subsidiaries	*0*	*-2*	*-100,0%*	*6*	*-4*	*-250,0%*
Profit (loss) from operations	**269**	**52 434**	***-99,5%***	**-1 216**	**46 517**	***-102,6%***
Finance income	1 966	297	*562,0%*	8 833	456	*1837,1%*
Finance costs	-2 715	-1 969	*37,9%*	-10 219	-5 736	*78,2%*
Profit (loss) before tax	**-480**	**50 762**	***-100,9%***	**-2 602**	**41 237**	***-106,3%***
Income tax	-361	2 171	*-116,6%*	913	2 414	*-62,2%*
Profit (loss) for the period	**-841**	**52 933**	***-101,6%***	**-1 689**	**43 651**	***-103,9%***
Earnings per share (PLN)	-0,03	1,53	*-101,7%*	-0,05	1,26	*-104,1%*
Diluted earnings per share (PLN)	-0,07	1,53	*-104,3%*	-0,17	1,26	*-113,2%*

In the third quarter of 2015 the CPD Group recorded a net loss of PLN 0.8 ml. The net result has decreased by PLN 53.8 ml year-on-year.

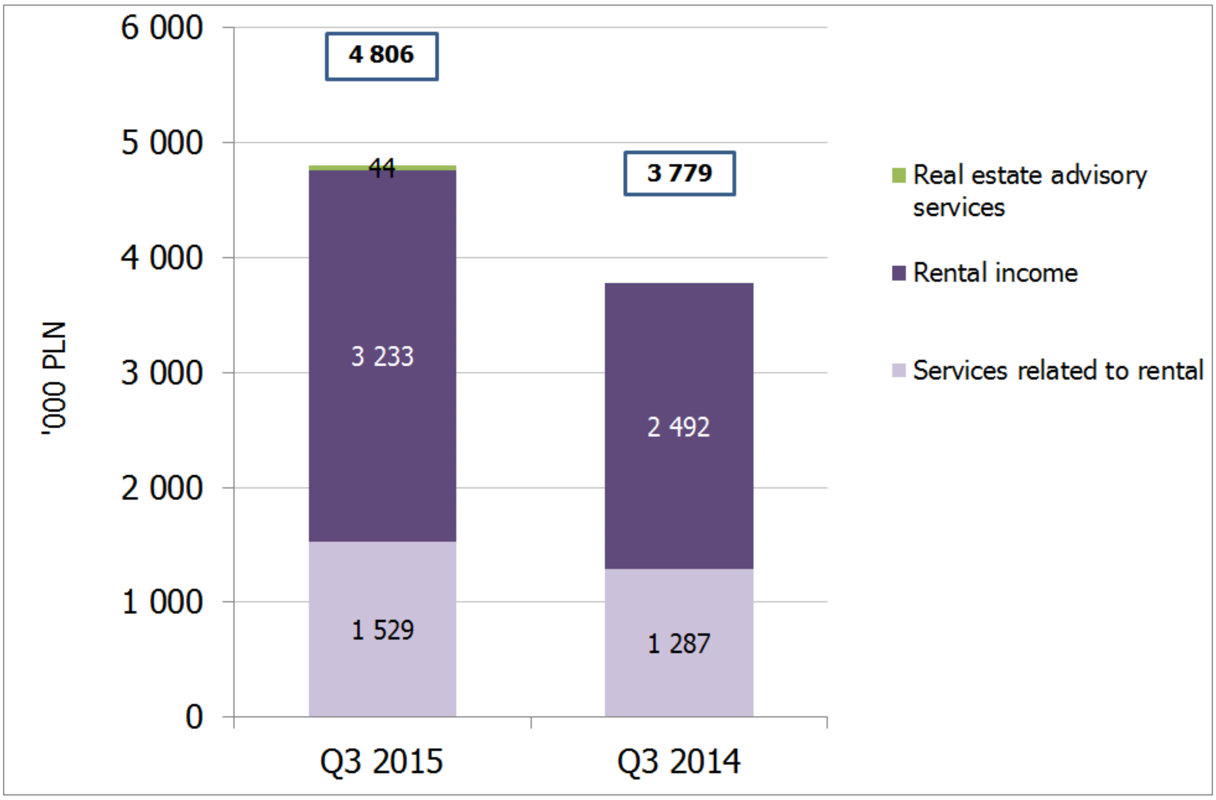
Company has noticed significant increase in the sales revenue up to 4,8 ml in third quarter of 2015 and 13,9 ml in the first three quarter of this year that is more than 25 % increase to the comparable periods. This achievement had a positive impact on the final the Group's net result. The decrease in other administrative expenses of PLN 7.1 ml was the next the main factors positively affecting the Group's net result in comparison with Q3 2014. The increase in finance income of PLN 1.7 ml and the rise in gross profit of PLN 0.8 ml also had a positive effect on the Group's financial result compared to Q3 2014.

On the other hand, the main factor with adverse effect on the result was the drop in gain on revaluation of investment properties in the amount of PLN 59.7 ml (gain of PLN 0.8 ml in Q3 2015 compared to gain of PLN 60.5 ml in Q3 2014). Moreover, finance costs rose by PLN 0.7 ml compared to Q3 2014.

Sales revenue amounted to PLN 4.8 ml in Q3 2015. The structure of sales revenue has not changed considerably in Q3 2015 compared to Q3 2014. Lease revenue (67% in Q3 2015 versus 66% in Q3 2014) was the largest part of total sales revenue. The level of lease revenue in Q3 2015 increased substantially year-on-year (30%). Lease revenue was generated by 3 office buildings located in Warsaw - Aquarius building (Połczyńska 31A street), Solar building (Cybernetyki 7B street) and Iris building (Cybernetyki 9 street). Iris office building is currently still under commercialization.

In Q3 2015 there was no sale of inventory.

The chart below presents the Group's revenue structure in Q3 2015 and Q3 2014



In the third quarter of 2015 the CPD Group recorded a gain on revaluation of investment properties in the amount of PLN 0.8 ml. This gain has decreased by PLN 59.7 ml year-on-year. The positive result in Q3 2014 resulted from adopting the master plan in Ursus in Q3 2014 by the city of Warsaw.

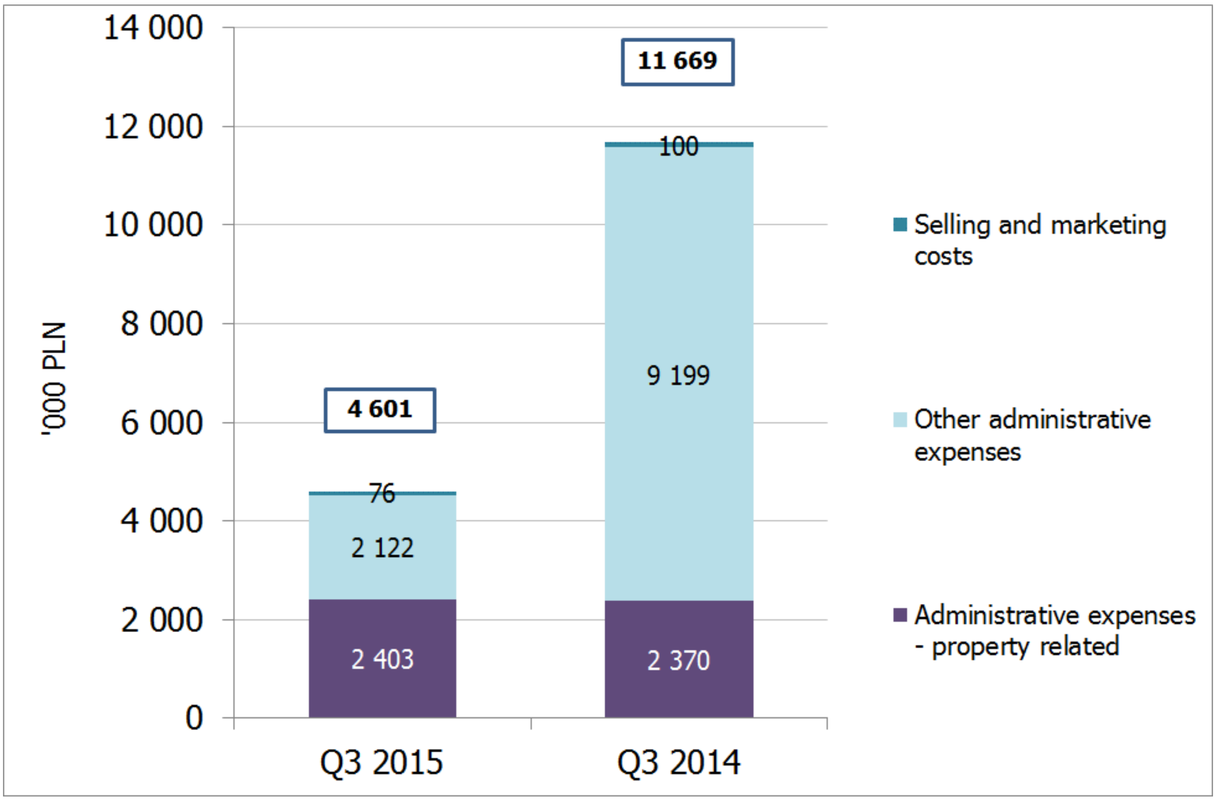
Also the rise in finance costs of PLN 0.7 ml had an adverse impact on the financial results. This increase was caused by the growing amount of external debt in the CPD Group over last 12 months.

Additional positive aspect of the CPD Group activity in Q3 2015 was the reduction of the other administrative costs by PLN 7.1 ml compared to Q3 2014. High 2014 costs were a consequence of donating road plots located in Ursus to the city of Warsaw in Q3 2014.

Also the rise in finance income of PLN 1.7 ml had a positive impact on the financial results. This increase was caused by revaluating convertible bonds (embedded derivative).

The main factors with a positive impact on the Group's result was primarily an increase in financial income related to the revaluation of convertible bonds in the amount of PLN 8.4 million and an increase in profit on sales in the amount of PLN 2.9 million. The decrease in other administrative expenses by PLN 4.7 million also contributed to improving the Group result.

The chart below presents the Group's costs structure in Q3 2015 and Q3 2014



Selected positions consolidated financial statement

	As at: 30.09.2015 (PLN ths.)	31.12.2014 (PLN ths.)	*Change (%)*
TOTAL ASSETS	**654 580**	**621 056**	***5,4%***
Non-current assets, including:	**608 480**	**585 907**	***3,9%***
Investment properties	*590 689*	*581 386*	*1,6%*
Investment in joint ventures	*15 199*	*0*	*-*
Bonds	*0*	*3 430*	*-100,0%*
Current assets, including:	**46 100**	**35 149**	***31,2%***
Bonds	*3 610*	*0*	*-*
Inventory	*6 522*	*6 525*	*0,0%*
Trade and other receivables	*17 182*	*9 854*	*74,4%*
Cash and cash equivalents	*18 786*	*18 770*	*0,1%*
TOTAL EQUITY AND LIABILITIES	**654 580**	**621 056**	***5,4%***
Equity, including:	**402 786**	**404 493**	***-0,4%***
Share capital	*3 286*	*3 286*	*0,0%*
Reserve capital	*987*	*987*	*0,0%*
Fair value of capital element at inception date	*-27 909*	*-27 909*	*0,0%*
Translation reserve	*-5 319*	*-5 301*	*0,3%*
Retained earnings	*431 741*	*433 430*	*-0,4%*
Total liabilities, including:	**251 794**	**216 563**	***16,3%***
Non-current liabilities	*233 288*	*129 240*	*80,5%*
Current liabilities	*18 506*	*87 323*	*-78,8%*

At the end of September 2015 total value of Group's assets increased by 5% compared to the end of 2014. First of all, increase of value of investment properties (an increase of 9.3 million PLN), which was mainly a result of the purchase of shares in a company holding real estate in Ursus. Also increased the value of the assets (an increase of 11 million PLN), i.e., the increase in trade receivables balance.

At the end of September 2015 equity amounted to PLN 402.8 million, which represented 62% of the total assets of the Group, while liabilities accounted for 38% of total assets. These indicators have changed slightly in comparison to the end of 2014. (respectively 65% and 35%).

During 9 months 2015 the value of liabilities has significantly increased. This was mainly due to the issuance of bonds in January 2015 year and the ongoing process of commercialization the IRIS office building, which necessitated the borrowing of subsequent tranches of the loan at the bank BZ WBK in order to finance the construction works to equip office space.

The following table shows the share of each category of liabilities on the balance sheet.

	30.09.2015	31.12.2014
Liabilities to total assets	**38,5%**	**34,9%**
Non-current liabilities to total assets	**35,6%**	**20,8%**
Borrowings including finance leases	23,0%	11,5%
Convertible bonds	8,5%	3,9%
Embedded derivative	1,6%	3,0%
Deferred income tax liabilities	2,2%	2,2%
Trade and other payables	0,3%	0,2%
Current liabilities to total assets	**2,8%**	**14,1%**
Borrowings including finance leases	0,3%	11,5%
Trade and other payables	2,5%	2,5%
Income tax liabilities	0,0%	0,0%

In comparison to the end of 2014 also the structure of liabilities has changed. The share of long-term debt in total assets increased from 20.8% at the end of December 2014 to 35.6% at the end of September 2015. This change is the result of, inter alia, the reclassification of the loan taken BZ WBK from short-term the long-term and the issue of bonds in January 2015 year. The share of short-term debt fell from 14.1% while as at 31 December 2014. To 2.8% at the end of September 2015 as the result of the reclassification mentioned above.

4. IMPORTANT EVENTS IN THE REPORTING PERIOD

- **IRIS PROJECT AT CYBERNETYKI 9 STREET IN WARSAW**

Building Iris is a six-storey office building with a total leasable area of approximately 14.3 thousand sq.m. with 233 parking places and is the final stage of the office and residential project located at the intersection of Cybernetics and Progress in Warsaw. At the end of the half of 2015, the building is almost let in 94%.

- **COMMERCIAL LEASE OF THE SOLAR BUILDING AT CYBERNETYKI 7B STREET IN WARSAW**

This eight-storey B+ office building with an area of 5,792 sq. m. was built in 1998 and upgraded by the Group in 2008. The building is currently leased, among others, to such tenants as Berlin Chemie, Akzo Nobel, ZPUE S.A. and Medicover. As of the date of this report, the building is let in 87%.

- **COMMERCIAL LEASE OF THE AQUARIUS BUILDING AT POŁCZYŃSKA 31A STREET IN WARSAW**

Aquarius Office Park comprises: a five-storey B class office building with a total area of 5,211 sq. m., land plot for development with a valid building permit decision for an A class office building of approx. 2,500 sq. m., and land plot for development of approximately 10,000 sq. m. designated for a complex of office and warehouse buildings. The office building is currently leased to: VB Leasing, Betacom S.A., Fly Away Travel. As of the date of this report, the building is let in 86%.

- **SALE OF SHARES OF SUBSIDIARY**

As a result of the continuation of the consolidation processes and optimize the cost of real estate portfolio management, launched at the beginning of 2012, the Group has initiated the process of selling shares of Gaetan Investments, which ended on February 27, 2015 year.

At the date of this report these activities were not reflected in the company's registration documents. The Company does not conduct any operations or investing in the current year.

- **PURCHASE AGREEMENT**

30 January 2015 CPD belonging to the group of companies:

(1) Buffy Holdings No. 1 Limited, based in Nicosia, Cyprus,

(2) Challenge Eighteen limited liability company with its registered office in Warsaw

signed with the company

I.M.E.S. - INDUSTRIA MECCANICA E stampaggio S.P.A. based in Sumirago, Italy

a sales agreement for Buffy Holdings No. 1 Limited, 100% of the shares of IMES POLAND Sp. Z oo.

The Company has acquired the right of perpetual usufruct, consisting of plot No. 98, No. rpm. Reg. No. 2-09-09, with an area of 69 457 sq. m. and located near the street Gierdziejewskiego in Warsaw (Warsaw district - Ursus). In accordance with the provisions of the Local Development Plan, the property allows you to build about 80 000 sq. m. of residential and commercial. Purchase of the above assets play an important part in the strategy of the Group CPS SA because it is a strategic complement to the portfolio of building land with great potential residential service in the district of Ursus. With this transaction, the Company controlled area of over 57 hectares, of which 80% are residential areas -

service. Through this transaction, the Company has become a major investor in one of the most attractive investment areas in Warsaw.

Pursuant to the Agreement, the Subsidiary Buyer guarantees payment:

- Full price adjusted in accordance with the conditions set out in the Agreement;

- Contractual penalties resulting from the events specified in the Agreement;

- Any payments under the guarantees and false representation of the Buyer under the Contract.

- **APROOVAL OF UOKIK**

On February 2015 issued by the President of the Office of Competition and Consumer Protection after antitrust proceedings initiated upon Challange Eighteen sp. with its registered office in Warsaw (the "Subsidiary"), Smart City sp. with its registered office in Warsaw and Unidevelopment SA with its registered office in Warsaw, the President of the Office of Competition and Consumer Protection approved for concentration, involving the establishment of a joint venture Smart City sp. in the organization of a limited partnership with its registered office in Warsaw by the Subsidiary, Smart City sp. with its registered office in Warsaw and Unidevelopment SA with its registered office in Warsaw.

In this way, fulfilled the condition precedent of the Investment Agreement of 10 September 2014 for accession Unidevelopment SA Smart City company o.o limited partnership with its registered office in Warsaw.

- **ACCESSION UNIDEVELOPMENT SA TO LIMITED PARTNERSHIPS**

On 9 March 2015, the Memorandum of Association of Smart City w organizacji sp. z o.o. sp.k. was annexed, and under this annex Unidevelopment S.A. joined the Limited Partnership as a Limited Partner, made the first portion of their contribution, and committed to make the remaining portion of financial contribution until the date stipulated in the investment agreement of 10 September 2014.

- **SIGNING OF THE ANNEX TO AGREEMENT BY A SUBSIDIARY WITH BANK ZACHODNI WBK**

May 31, 2015, the Company signed an annex to the credit agreement dated 12 August 2011, which the parties are: Bank Zachodni WBK SA and a subsidiary of the Issuer: Belise Investments sp. z o.o. as a borrower. The loan was granted in connection with the performance by the Borrower office building IRIS located at Cybernetyki 7b Street, in Warsaw.

The Annex was signed in connection with the maturity of the existing loan.

By virtue of the above-mentioned Annex, the following changes:

1) Investment Loan to an amount of EUR 18,500,000.00 was granted to refinance the debt by making a conversion and / or refinancing or financing the costs of letting surface finish and / or payment of dividends;

2) Date of full repayment of the Loan together with interest and other costs, the parties agreed on 31 May 2021.

3) Conversion means the use of funds made available under Tranche B by converting the amount of debt as part of Tranche A in the amount of debt under tranche B and the launch of an additional tranche for a maximum amount of EUR 1,500,000.

Other significant provisions resulting from the Agreement remain unchanged.

Detailed conditions of the agreement do not differ from the market and commonly used in this type of contract.

At the same time, CPD SA and Lakia Enterprises Limited, with its registered office in Nicosia (Cyprus), in order to secure the repayment of the Loan, in relation to the Annex, surrendered to enforcement. More than this, the Company signed an Annex to the Agreement surety.

- **ORDINARY GENERAL MEETING OF CPD SA**

On June 17, 2015. At the registered office of the Company held the Annual General Meeting of the CPD SA The Annual General Meeting adopted resolutions:

1) on the appointment of the chairman of the annual general meeting,
2) on the adoption of the agenda,
3) Report on the board of the CPD SA for the period from 1 January to 31 December 2014,
4) approving the financial statements of the CPD SA for the period from 1 January to 31 December 2014,
5) on the allocation of profit CPD SA for the year 2014
6) on the approval of the management accounts of the Group's operations CPD SA for the financial year 2014
7) on the approval of the consolidated financial statements of the CPD SA for the financial year 2014
8) on the granting of a member of the management board, which acts as the Chairman of the Board - Mrs. Elżbieta Wiczkowska - the discharge of her duties during the function from 1 January to 31 December 2014,
9) on the granting of a member of the Management Board, Mr. Colin Kingsnorth - the discharge of his duties in the period from 1 January to 31 December 2014,
10) on the granting of a member of the board, Mr. Piotr Turchoński - the discharge of his duties in the period from 1 January to 31 December 2014,
11) on the granting of a member of the board, Ms. Iwona Makarewicz - discharge of duties in the period from 1 January to 31 December 2014,
12) on the granting of a member of the supervisory board, which acts as the Chairman of the Board - Ms. Marzena Bielecka - the discharge of her duties during the function: from 1 January to 31 December 2014,
13) concerning the award of a member of the supervisory board, which acts as the vice-chairman of the supervisory board - Mr. Wieslaw Oleś - the discharge of his duties during the function from 1 January to 31 December 2014,
14) on the granting of a member of the supervisory board, Mr Mirosław Gronicki - the discharge of his duties in the period from 1 January to 31 December 2014,

15) on the granting of a member of the supervisory board, Mr. Wieslaw Rozłucki - the discharge of his duties in the period from 1 January to 31 December 2014,

16) on the granting of a member of the supervisory board, Mr. Andrew Pegge - the discharge of his duties in the period from 1 January to 31 December 2014,

17) concerning the determination of remuneration for the members of the supervisory board,

18) on the changes in the composition of the supervisory board of CPD SA

• CHOICE OF AUDITOR

The Supervisory Board adopted a resolution appointing PricewaterhouseCoopers sp. z o.o. with its registered office in Warsaw, Al. Armii Ludowej 14, entered the list of entities authorized to audit financial statements, on the auditor authorized to:

- Explore the consolidated financial statements of the CPD SA for the financial year ended 31 December 2015,
- Examine the separate financial statements of the CPD SA for the financial year ended 31 December 2015,
- Review of the interim consolidated financial statements CPD SA as at 30 June 2015
- Review of the interim financial statements of the CPD SA on 30 June 2015 year.

The agreement with PricewaterhouseCoopers Sp. z o. o.. It will be concluded for the period necessary to carry out the work indicated therein.

• APPOINTMENT OF BOARD MEMBERS

June 17, 2015, the Supervisory Board, determined the number of members of the Board of the Company for four persons and appointed to the Management Board of the third joint term of office:

1) Mrs. Elżbieta Wiczkowska,

2) Ms. Iwona Makarewicz,

3) Mr. Colin Kingsnorth,

4) Mr. John Purcell

In addition, the Supervisory Board appointed Mrs. Elżbieta Wiczkowska Chairman of the Board.

• CHANGES IN THE SUPERVISORY BOARD

- Marzena Bielecka, acting as Chairman of the Supervisory Board, resigned from her position as member of the Supervisory Board on the date of the General Meeting of CPD SA of 17 June 2015 year.
- 17 June 2015. Ordinary General Meeting of Shareholders appointed Mr. Michael Haxby as Member of the Supervisory Board since 17 June 2015 year.

• OPENING OF LIQUIDATION OF SUBSIDIARY

18 August 2015, Extraordinary General Meeting of 14/119 Gaston Investments spółka z ograniczoną odpowiedzialnością spółka komandytowa adopted the resolution on dissolution and opening of liquidation procedure of 14/119 Gaston Investments spółka z ograniczoną odpowiedzialnością spółka komandytowa.

• OPENING OF LIQUIDATION OF SUBSIDIARY

18 August 2015, Extraordinary General Meeting of Mandy Investments sp. z o.o. adopted the resolution on dissolution and opening of liquidation procedure of Mandy Investments sp. z o.o.

• EXTRAORDINARY GENERAL MEETING OF CPD SA

On September 15, 2015 at the registered office of Company, Extraordinary General Meeting of the CPD SA was held and adopted resolutions:

1) on the appointment of the chairman of the annual general meeting,
2) on the adoption of the agenda,
3) on the appointment of supervisory board members.

• BUILDING PERMIT

28 September 2015 management board of Smart City spółka z ograniczoną odpowiedzialnością spółka komandytowa received information that the President of the Capital City of Warsaw issued the decision approving the construction design and granting building permit. The decision concerns the construction of the multifamily residential complex with commercial premises on the ground floor, underground garage, development of the area with the name of "URSA" located on part of the plot of land survey no 95 zone 2-09-09 at Hennela street in Warsaw – District of Ursus.

In accordance with the Local Zoning Plan, the investment areas in Ursus, encompassing the total area of 220 h, shall in future constitute a unique and modern residential – recreational – educational complex. Because of its location and its unique comprehensive residential – recreational – educational functions, the Smart City project will be able to offer a high standard of life for its residents.

Scale of the investment project in Ursus provides the opportunity to create a completely new quality of urban system. Multi-functionality of the space will make the area an attractive place to live, get an education, do business and create new jobs.

Ursa Smart City constitutes the first stage of the Smart City project which will be constructed at the junction of Hennela and Dyrekcyjna streets and will comprise the total of four buildings with planned 356 apartments with the floor areas of between 32 and 102 m2. We will offer mainly two- and three-room apartments which continue to be the most popular among the clients. There will be commercial premises located on the ground floors of the buildings with the floor areas ranging from 19 to 103 m2, and parking place for 359 vehicles at the underground level. The investment project is the result of the cooperation between CPD S.A. and Unidevelopment S.A. The design of the residential complex was prepared by the architecture firm Hermanowicz Rewski Architekci.

• AGREEMENT FOR CONSTRUCTION WORKS AS A GENERAL CONTRACTOR

8 October 2015 Smart City spółka z ograniczoną odpowiedzialnością spółka komandytowa contained the agreement with UNIBEP S.A. for construction works as a general contractor.

Under the terms of the Agreement, Smart City commissioned to UNIBED S.A. the performance as a general contractor of the works for the construction of the residential project with the name of URSA – Smart City comprising the construction of four modern buildings designed specifically as regards their functionality, along with the underground garage, development of the area as well as the necessary accompanying works. Investment project shall be located on part of the plot of land with the survey number 95 from the zone 2-09-09 at Hennela street in Warsaw – District of Ursus.

Works shall be performed in two stages and as a result of conclusion of the Agreement the realization of the first stage was ordered as part of which one residential building with underground garage under four buildings (with the total of 359 parking spaces) shall be constructed. 181 apartments and 13 commercial premises will be located in the 7-storeys building.

Moreover the decision to of the second stage may made by the Smart City at any time by notifying the UNIBEP at least 2 months prior to the planned commencement date for construction of this stage.

First stage shall be completed in the period between October 2015 – February 2017. And the deadline for the possible completion of the second stage was determined as 59 weeks from the commencement of works as part of that stage.

Lump-sum remuneration due to UNIBEP S.A. for the completion of the first stage of the investment project amounts to 43.7 million zlotys net. And the remuneration for the possible realization of the second stage was set as 23.8 million zlotys net.

Agreement provides for the possibility to encumber UNIBEP S.A. with contractual penalties, among others, for delays in the performance of the Agreement as well as for the possibility of withdrawal by Smart City from the Agreement under the terms and conditions as specified in the Agreement however the penalties shall be charged regardless. Provision for the contractual penalties does not deprive Smart City of its right to claim compensation exceeding the amounts of contractual penalties up to the value of full damage under the general terms.

Agreement for execution of works as a general contractor is the continuation of the investment agreement concluded by the September 10, 2014 year on a joint venture in the field of realization of complex buildings with services and associated infrastructure in Warsaw's Ursus district.

5. FACTORS AND EVENTS OF UNUSUAL NATURE

In the reporting period there were no factors or events of unusual nature.

6. SEASONALITY AND PERIODICITY OF THE GROUP ACTIVITIES

The CPD's Group activities are not subject to seasonality or periodicity.

7. WRITE-DOWNS OF INVENTORIES TO FAIR VALUES

In determining the recoverable amount of inventory management considers property valuation prepared by independent valuers at 31 December 2014., Taking into account possible changes in the value dictated by changes in the real estate market. During the 9 months of 2015. State of write-downs on inventories increased by 0.07 million PLN.

8. WRITE-DOWNS OF INVESTMENT PROPERTIES TO FAIR VALUES

During the 9 months of 2015 the Group recorded a positive result from the revaluation of investment property to fair value in the amount of PLN 0.19 million. In the corresponding period of 2014 years the Group's profit from revaluation of investment property to fair value amounted to PLN 57.73 million.

9. CREATION, INCREASE, UTILISATION AND REVERSEAL OF PROVISIONS

During the 9 months of 2015. Value of accruals increased by PLN 0.61 million. Increased provision for the cost of the property tax and the cost of perpetual usufruct.

10. DEFFERED TAX ASSETS AND LIABILITIES

With respect to deferred tax assets, the recoverable amount is determined based on the probability of realizing the assets in the future taking into account the business plans of individual companies included in the consolidation. This value is determined based on management's estimates. As of 30 September 2015 Group disclosed in the balance sheet deferred tax assets in the amount of PLN 1.56 million.

As at 30 September 2015. Payable by the Group deferred tax amounted to 14.13 million PLN.

11. ACQUISITION AND SALE OF PROPERTY, PLANT AND EQUIPMENT

During the reporting period the Group did not make any significant acquisition or disposal of property, plant or equipment.

12. IMPORTANT COMMITMENTS FOR PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

Not occurred.

13. IMPORTANT SETTLEMENTS OF LAWSUITS

Not occurred.

14. PREVIOUS PERIODS ERRORS' CORRECTION

Not occurred.

15. CHANGES IN THE ECONOMIC SITUATION AND BUSINESS CONDITIONS AFFECTING THE FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES OF THE COMPANY

During the reporting period 2015, there not occurred changes in the economic situation which could affect the fair value of the Group's assets and liabilities.

16. DEFAULTS ON THE LOAN OR CREDIT OR THE LOAN OR CREDIT AGREEMENT INFRINGEMENT FOR WHICH ANY REMEDIAL ACTION HAVE BEEN TAKEN TO THE END OF THE REPORTING PERIOD

Not occurred.

17. TRANSACTIONS WITH RELATED PARTIES CONCLUDED ON OTHER THAN MARKET CONDITIONS

During the reporting period, the Company did not concluded transactions with related parties on terms other than the market.

18. INFORMATION ON THE CHANGES IN THE APPROACH USED TO DETERMINE THE FAIR VALUE OF FINANCIAL INSTRUMENTS

During the reporting period the Group did not make any changes in the approach used to determine the fair value of financial instruments.

19. CHANGES IN THE CLASSIFICATION OF FINANCIAL ASSETS

During the reporting period the Group did not make any changes in the classification of financial assets.

20. ISSUANCE, REDEMPTION AND REPAYMENT OF NON-STOCK AND EQUITY SECURITIES

On January 13, 2015, the Company issued a total of 30,000 covered bonds series B. Bonds was carried out in the manner specified in Art. 9 Section 3 of the Act on Bonds, ie. in a private placement.

The bonds were issued on the following conditions:

- The Issuer did not specify the purpose of issuing the meaning of the Act on Bonds, also did not specify the projects to be financed from the issuance of the Bonds.

- The issued bonds are bonds series B bearer shares with a nominal value of PLN 1,000 each, protected, not having the form of a document.
- The total nominal value of all issued Bonds is not more than 30,000,000 PLN.
- The nominal value of one bond equals PLN 1,000. The issue price of one Bond is equal to its nominal value and amounts to PLN 1,000.
- Bonds will be redeemed by the Company on the date falling four years after the date of issue of the Bonds, ie. at 13 January 2019 years (the "Redemption Date") - except for cases of early early redemption of the Bonds in the event of breaches by the Issuer conditions under which the bonds were issued or at the request of the Issuer.
- The bonds bear interest at a fixed interest rate of 9.1% per annum.
- If the Issuer to redeem the bonds earlier in the event of infringement cases at the request of the Noteholder or at the request of the Issuer of the Bonds will be redeemed on the Redemption Date and will be made by payment of an amount equal to the nominal value of the Bonds, plus accrued and unpaid interest on the Bonds.

9 February 2015 r. agreement was concluded to establish a registered pledge on shares of Blaise Investments sp. z o.o., between Lakia Enterprises Limited and Matczuk Wieczorek & Partners Law Firm Attorneys at Law and Legal Advisers Sp. J. acting in his own name but on behalf of the bondholders holding bonds Series B.

Registered pledge was established on 100 shares in the share capital of the company Blaise Investmetns sp. z o.o., with a nominal value of 50 PLN each, representing 100% of the share capital of the company. The nominal value package of 1,000 shares is 50,000 PLN.

Registered pledge was established up to the amount of 45,000,000 PLN.

21. INFORMATION RELATED TO DIVIDEND

In the reporting period the Company did not pay or declare dividend.

22. EVENTS AFTER THE DATE OF PREPARATION OF FINANCIAL STATEMENTS

Not occurred.

23. CHANGES RELATED TO CONDITIONAL LIABILITIES OR ASSETS

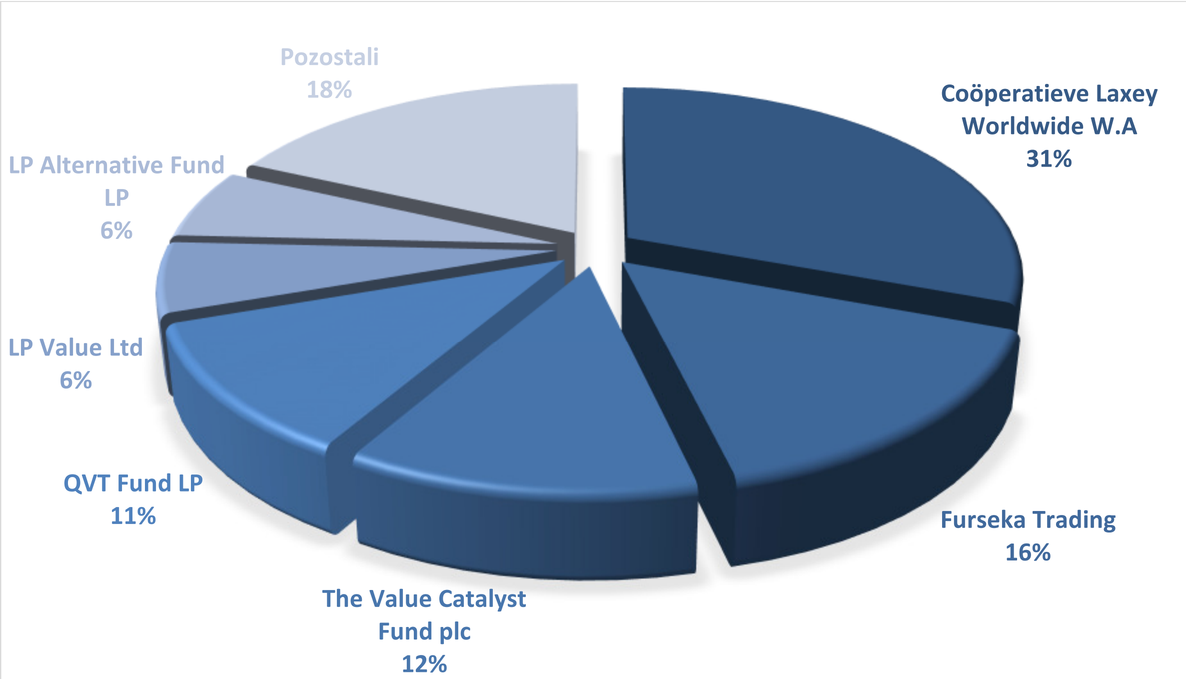
During the reporting period the Group did not make any material changes related to conditional liabilities or assets.

24. THE MANAGEMENT BOARD'S POSITION ON THE PREVIOUSLY PUBLISHED FINANCIAL FORECASTS

Neither CPD Group nor its dominant entity – CPD S.A. – published any forecasts of financial results.

25. SHAREHOLDERS ENTITLED TO AT LEAST 5% OF VOTES AT THE GENERAL MEETING OF SHAREHOLDERS

Shareholding structure of CPD S.A.



According to the Company's information, shareholders who own, either directly or indirectly through subsidiaries at least 5 % of the total voting power at the General Meeting of Shareholders (number of shares on the basis of notices of shareholders pursuant to art. 69 of the Act on Public Offering or the information contained in the prospectus).

Shareholder	Amount of shares	Type of shares	Amount of votes	As % of total numer of shares	As % of total numer of votes
Coöperatieve Laxey Worldwide W.A	10 082 930	Na okaziciela	10 082 930	30.68 %	30.68 %
Furseka Trading	5 137 222	Na okaziciela	5 137 222	15.63 %	15.63 %
The Value Catalyst Fund plc	3 975 449	Na okaziciela	3 975 449	12.10 %	12.10 %
QVT Fund LP	3 701 131	Na okaziciela	3 701 131	11.26 %	11.26 %
LP Value Ltd	2 005 763	Na okaziciela	2 005 763	6.10 %	6.10 %
LP Alternative Fund LP	2 003 981	Na okaziciela	2 003 981	6.10 %	6.10 %
Pozostali	5 956 727	Na okaziciela	5 956 727	18.13 %	18.13 %

26. THE COMPANY'S SHARES HELD BY THE MANAGING AND SUPERVISING PARTIES

The table below presents the Company's shares held by the members of the Management Board performing functions in the Company's Management Board as at the date of this report, according to the Company's information:

Name	Function	No. of shares	Nominal value of shares (PLN)	As % of total no. of shares	As % of total no. of votes
Elżbieta Wiczkowska	President	42 498	4250	0,13%	0,13%
Iwona Makarewicz	Member	4 734	473	0,01%	0,01%
TOTAL		**47 232**	**4 723**	**0,14%**	**0,14%**

The Company has no information on the fact of holding the Company's shares by other persons being members of the managing or supervising bodies.

27. COURT, ADMINISTRATIVE AND ARBITRATION PROCEEDINGS FOR A VALUE HIGHER THAN 10% OF THE COMPANY'S EQUITY

As at the date of this report, neither CPD S.A. nor any of its subsidiaries was a party to proceedings pending at courts, bodies competent for arbitration proceedings or a public administration body, the total value of which would exceed 10% of equities of CPD S.A.

28. MAJOR LOAN AGREEMENTS, LOAN WARRANTIES AND GUARANTEES GRANTED

As at 30 September 2015 the Group presents in the consolidated financial statements liabilities from loans taken out in the following banks:

- The liability for the loan granted by the bank mBank Mortgage SA in the amount of PLN 42 467;
- The liability for the loan granted by Bank Zachodni WBK SA of PLN 77 867.

Credit agreements with mBank Mortgage SA were signed on 18 June 2014 and total amount of credit states for 10.3 million EUR. The final repayment due in June 2029.

The loan was granted on market terms and is secured by establishing a mortgage on investment property owned by companies Robin Investments Sp. z o.o and Lakia Investments Sp. z o.o and the establishment of registered pledge on shares in the share capital of these companies.

Regards to the loan granted by Bank Zachodni WBK and fulfillment of the conditions to convert the loan and thus to change the date of the final repayment on 29 May 2015, annex to the credit agreement dated August 12, 2011 was signed. Contained between Belise Investments and Bank Zachodni WBK SA On the basis of above-mentioned annex, the following changes was made:

- Investment loan (up to the amount of EUR 18,500,000) was granted to refinance debt by making Conversion and / or refinancing or financing the costs of letting surface finish and / or payment of dividends;

- The deadline for full repayment of the Loan, together with interest and other costs, the parties agreed on 31 May 2021.

Other significant provisions under the Agreement remain unchanged. At the same time, the CPD SA and Lakia Enterprises Limited, with its registered office in Nicosia (Cyprus) surrendered to execution in order to secure repayment of the loan. Moreover, the company Belise Investments signed an annex to the contract of guarantee.

29. THE SUPERVISORY BOARD AND THE MANAGEMENT BOARD

Members of the Supervisory Board were appointed for a third term, which expires 15 September 2018. At 30 September 2015, the composition of the Supervisory Board of the Company was as follows:

- Mr. Wiesław Oleś - Member of the Supervisory Board
- Mr. Mirosław Gronicki – Member of the Supervisory Board (Supervisory Board member meeting the requirements of independent member of the Supervisory Board)
- Mr. Wiesław Rozłucki - Member of the Supervisory Board (Supervisory Board member meeting the requirements of independent member of the Supervisory Board)
- Mr. Michael Haxbey - Member of the Supervisory Board
- Mr. Andrew Pegge - Member of the Supervisory Board
-

At 30 September 2015, the composition of the Management Board of the Company was as follows:

- Mrs. Elżbieta Wiczkowska – President of the Management Board;
- Mr. Colin Kingsnorth - Member of the Management Board.
- Ms. Iwona Makarewicz – Member of the Management Board
- Mr. John Purcell – Member of the Management Board;

The composition of the Management Board of CPD S.A. at the end of III Q 2015 did change in comparison to the end of III Q 2014 because of resignation of Mr. Piotr Turchonski and appointment of Mr. John Purcell.

30. OTHER IMPORTANT INFORMATION

No other except those mentioned above.

31. FACTORS AFFECTING RESULTS OF THE FOLLOWING QUARTERS

The most important factors that will influence the results of the next quarters are:

- Obtaining permits and administrative decisions associated with the startup of construction projects for the different stages of the project Smart City. Commercialization projects IRIS, Solar and Aqarius;
- The situation on the financial markets which may affect, among others, the valuation of the Group's portfolio of real estate, mortgage interest rates and the terms of granting housing loans to individual customers.
- The situation in the currency markets which may affect, among other things, the valuation of properties in the portfolio of the Group.

II. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT FOR III Q 2015 ALONG WITH CONDENSED FINANCIAL STATEMENTS OF CPD S.A.

CPD S.A.

Condensed interim consolidated financial statements

for the period of 9 months ended 30 September 2015

and the condensed financial statements of CPD S.A.
for the period of 9 months ended 30 September 2015

prepared in accordance with the International Financial Reporting Standards
approved by the European Union concerning the interim reporting

(unaudited financial data)

Page

(All amounts in PLN thousands unless otherwise stated)

Condensed consolidated statement of comprehensive income

	Note	For the period 01-07-2015-30-09-2015	01-07-2014-30-09-2014	01-01-2015-30-09-2015	01-01-2014-30-09-2014
			(unaudited)		
Revenues	14	4 806	3 779	13 852	10 998
Cost of sales	15	(653)	(466)	(1 679)	(1 727)
including: the cost of the sale of inventory and services		*(653)*	*(454)*	*(1 609)*	*(1 676)*
the change in inventory value impairment		*0*	*(12)*	*(70)*	*(12)*
PROFIT ON SALES		**4 153**	**3 313**	**12 173**	**9 271**
Administrative costs property related	16	(2 403)	(2 370)	(7 162)	(7 562)
Administrative expenses-other	17	(2 122)	(9 199)	(8 291)	(12 990)
Selling and marketing expenses		(76)	(100)	(217)	(234)
Other income	18	8	293	2 299	309
Net (loss)/ gain from fair value adjustments on investment properties	4	839	60 499	189	57 727
Post-tax share of the profit or loss of the joint-venture accounted for using the equity method		(130)	0	(213)	0
Result from sales of subsidiaries		0	(2)	6	(4)
OPERATING RESULT		**269**	**56 794**	**(1 216)**	**46 517**
Financial income	19	1 966	297	8 833	456
Financial costs	19	(2 715)	(1 969)	(10 219)	(5 736)
PROFIT (LOSS) BEFORE INCOME TAX		**(480)**	**55 122**	**(2 602)**	**41 237**
Income tax	20	(361)	2 171	913	2 414
PROFIT (LOSS) FOR THE PERIOD		**(841)**	**57 293**	**(1 689)**	**43 651**
Currency translation adjustment		(18)	(5)	(18)	(180)
TOTAL COMPREHENSIVE INCOME		**(859)**	**57 288**	**(1 707)**	**43 471**
BASIC EARNINGS PER SHARE	24	(0,03)	1,53	(0,05)	1,26
DILUTED EARNINGS PER SHARE	24	(0,07)	1,53	(0,17)	1,26

Total comprehensive income is attributable to the shareholders of the parent company.

Elżbieta Donata Wiczkowska
Chairman of the Board

Colin Kingsnorth
Board Member

John Purcell
Board Member

Iwona Makarewicz
Board Member

(All amounts in PLN thousands unless otherwise stated)

Condensed consolidated statement of financial position

	Note	30-09-2015 *(unaudited)*	31-12-2014
ASSETS			
Non-current assets			
Investment properties	4	590 689	581 386
Property, plant and equipment		962	914
Intangible assets, excluding goodwill		68	92
Investments in joint ventures accounted for using the equity method	8	15 199	0
Long-term bonds		0	3 430
Deferred tax assets	13	1 562	85
Non-current assets		**608 480**	**585 907**
Current assets			
Inventories	6	6 522	6 525
Trade receivables and other receivables	5	17 182	9 854
- receivables and loans		*10 868*	*4 851*
- prepayments		*6 314*	*5 003*
Short-term bonds		3 610	0
Cash and cash equivalents	7	18 786	18 770
Current assets		**46 100**	**35 149**
Total assets		**654 580**	**621 056**

(All amounts in PLN thousands unless otherwise stated)

Condensed consolidated statement of financial position - continuation

	Note	30-09-2015 *(unaudited)*	31-12-2014
EQUITY			
Equity attributable to owners of the parent company			
Share capital	9	3 286	3 286
Reserve capital		987	987
Embedded element at inception date		(27 909)	(27 909)
Translation reserve		(5 319)	(5 301)
Retained earnings		431 741	433 430
Total equity		**402 786**	**404 493**
LIABILITIES			
Non-current liabilities			
Trade payables and other liabilities	10	2 069	1 494
Borrowings, including financial leasing	11	150 688	71 484
Bonds issued	12	55 870	24 065
Derevatives	12	10 532	18 815
Deferred tax liabilities	13	14 129	13 382
Non-current liabilities		**233 288**	**129 240**
Current liabilities			
Trade payables and other liabilities	10	16 675	15 830
Current income tax liabilities		75	0
Borrowings, including financial leasing	11	1 756	71 493
Current liabilities		**18 506**	**87 323**
Total liabilities		**251 794**	**216 563**
Total Equity and liabilities		**654 580**	**621 056**

Elżbieta Donata Wiczkowska
Chairman of the Board

Colin Kingsnorth
Board Member

John Purcell
Board Member

Iwona Makarewicz
Board Member

The notes are an integral part of these condensed interim consolidated financial statements

(All amounts in PLN thousands unless otherwise stated)

Condensed consolidated statement of changes in equity

	Share capital	Own shares	Embedded element at inception date	Translation reserve	Accumulated profit (loss) Reserve capital	Accumulated profit (loss) Retained earnings	Total equity
Balance as at 01-01-2014	**3 460**	**(12 300)**	**0**	**(3 847)**	**987**	**341 062**	**329 362**
Comprehensive income							
Currency translation adjustment	0	0	0	(180)	0	0	(180)
Profit (loss) for the period	0	0	0	0	0	43 651	43 651
Total comprehensive income	-	-	-	(180)	-	43 651	43 471
Balance as at 30-09-2014 /unaudited	**3 460**	**(12 300)**	**0**	**(4 027)**	**987**	**384 713**	**372 833**
Balance as at 01-01-2015	**3 286**	**0**	**(27 909)**	**(5 301)**	**987**	**433 430**	**404 493**
Comprehensive income							
Currency translation adjustment	0	0	0	(18)	0	0	(18)
Profit (loss) for the period	0	0	0	0	0	(1 689)	(1 689)
Total comprehensive income	-	-	-	(18)	-	(1 689)	(1 707)
Balance as at 30-09-2015 /unaudited	**3 286**	**0**	**(27 909)**	**(5 319)**	**4 273**	**431 741**	**402 786**

The Group does not have the minority shareholders. All the equity is attributable to the shareholders of the parent company.

Elżbieta Donata Wiczkowska	Colin Kingsnorth	John Purcell	Iwona Makarewicz
Chairman of the Board	*Board Member*	*Board Member*	*Board Member*

The notes are an integral part of these condensed interim consolidated financial statements

CPD S.A.

(All amounts in PLN thousands unless otherwise stated)

Condensed consolidated statement of cash flows

	Nota	For the 9 month period ended 30-09-2015 (unaudited)	30-09-2014 (unaudited)
Cash flow from operating activities			
Cash generated from operations	21	(7 153)	(7 391)
Interest paid		(2 108)	(1 111)
Income tax paid		0	0
Net cash generated from investing activities		**(9 261)**	**(8 502)**
Cash flows from investing activities			
Capital expenditure on investments property		(4 715)	(11 061)
Purchase of property, plant and equipment		(188)	(186)
Acquisition of shares in related party		(23 059)	0
Loan repayments received		20	143
Cash and cash equivalents received in way of shares acquisition		939	0
Interest received		44	76
Net cash used in investing activities		**(26 959)**	**(11 028)**
Cash flows from financing activities			
Proceeds from borrowings		8 130	49 842
Proceeds from issue of bonds		29 552	18 789
Repayment of borrowings		(1 446)	(41 360)
Net cash used in financing activities		**36 236**	**27 271**
Net (decrease)/increase in cash and cash equivalents		**16**	**7 741**
Cash and cash equivalents at beginning of the year		**18 770**	**11 981**
Cash and cash equivalents at the end of the period		**18 786**	**19 722**

Elżbieta Donata Wiczkowska
Chairman of the Board

Colin Kingsnorth
Board Member

John Purcell
Board Member

Iwona Makarewicz
Board Member

Notes to the interim condensed consolidated financial statements

1 General information

Information on Celtic Property Developments S.A. (current parent Company)

Celtic Property Developments S.A. ("Company", "CPD") with its registered office in Warsaw (02-667), Cybernetyki 7B, was established on the basis of statute on 26 February 2007 (as Celtic Development Corporation S.A., then on 22 February 2008 the Company changed its name to Poen S.A.). On 23 March 2007 District Court in Cracow, XI Business Department of the National Court Register entered the Company into the Register of Businesses with the KRS number 0000277147. The company shares are listed on Warsaw Stock Exchange.

Information on Celtic Property Developments Plc (previous parent Company - before merger)

Celtic Property Developments Plc ("CPD Plc") was created on December 20, 1990 in Jersey as The East Europe Development Fund Limited. On October 24, 2006, the headquarters of the Company was transferred to the British Virgin Islands, and on November 1, 2007, the company name was changed to Celtic Property Developments S.A. in February 2010, the company's headquarters was relocated to Cyprus under the name Celtic Property Developments Plc. 23 August 2010 National Judicial Register registered the acquisition of Celtic Property Developments Plc by its existing 100% subsidiary POEN S.A.. in exchange for the issuance of shares to existing shareholders Celtic Property Developments Plc., as a result, POEN S.A. became the parent group and its structure remained the same in relation to the parent of the group prior to the merger. The combined entity on September 2, 2010, was renamed Celtic Property Developments S.A.

On 29 May 2014 Extraordinary Shareholders Meeting passed a resolution about changing the name of the company from Celtic Property Developments S.A. to CPD S.A. The change was registered in National Court Register on 17 September 2014.

To August 2010 the Company shares were quoted on the OTC market in Frankfurt. 20 December 2010, the combined company's shares are admitted to trading on a stock exchange in Warsaw, and the first listing took place three days later.

With effect from 1 January 2010, the currency of the presentation of consolidated financial statements is PLN (previously €).

Information about Capital Group

On the balance sheet date the CPD capital group consists of CPD S.A. as a parent entity and 36 subsidiary companies.
Changes in the structure of the group from 1 January to 30 September 2015 were presented in the 2.2 note.

2 The accounting principles

These condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ending 31 December 2014, drawn up in accordance with IFRS adopted for application within the European Union.

Accounting principles are consistent with the principles applied in the annual consolidated financial statements for the year ended 31 December 2014.

These interim condensed consolidated financial statements of the CPD were prepared in accordance with IFRS adopted by the European Union - IAS 34 Interim Financial Reporting. On the day of approval of these interim cpndensed financial statemets there are no differences between IFRS adopted by the European Union and those applied by the Group.

On 30 September 2015 the consolidated financial statements were prepared on the going-concern basis in the foreseeable future.

2.1 Basis of preparation

The new and amended standards and interpretations applied:

In these interim condensed consolidated financial statements for the first time the following new and amended standards and interpretations, which came into force on 1 January 2015, were applied:

Notes to the interim condensed consolidated financial statements

IFRIC 21 "Levies"

The interpretation of IFRIC 21 was issued on 20 May 2013 and is effective for annual periods beginning on or after 17 June 2014.

The interpretation clarifies the accounting for an obligation to pay a levy that is not income tax. The obligating event that gives rise to a liability is the event identified by the legislation that triggers the obligation to pay the levy. The fact that an entity is economically compelled to continue operating in a future period, or prepares its financial statements under the going concern assumption, does not create an obligation. The same recognition principles apply in annual and interim financial statements. The application of the interpretation to liabilities arising from emissions trading schemes is optional.

Application of the standard has no impact on these consolidated financial statements.

Amendments to IFRSs 2011-2013
In December 2013, the International Accounting Standards Board published “Improvements to IFRSs 2011-2013”, which amend 4 standards. The improvements include changes to presentation, recognition and measurement, as well as terminology and editorial changes. The changes are effective in the EU for annual periods starting on 1 February 2015.

The Group adopts the amendments to IFRSs from 1 January 2015.

Accounting standards, changes and interpretation, which have not come into force yet:

The following new accounting standards, changes to current standards and interoretations, which have not come into force in 2015 and which the Group decided not earliy adopt, were published already.

IFRS 9 "Financial Instruments: Classification and Measurement and Hedge Accounting"
IFRS 9 replaces IAS 39. The standard is effective for annual periods beginning on or after 1 January 2018.
The standard introduces one model with only two classification categories for financial assets: those to be measured at fair value, and those to be measured at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity’s business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

IFRS 9 introduces a new model for recognition of impairment – the model of expected credit losses.

Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

Hedge accounting requirements were amended to align accounting more closely with risk management.

The Group will adopt IFRS 9 on its approval by the EU.

At the date of preparation of these interim condensed consolidated financial statements, IFRS 9 was not yet approved by the European Union.

Defined benefit plans: Employee contributions – Amendments to IAS 19
Amendments to IAS 19 "Employee contributions" were issued in November 2013 by the International Accounting Standards Board and are effective in the EU for annual periods beginning on or after 1 February 2015.
The amendment allows entities to recognise employee contributions as a reduction in the service cost in the period in which the related employee service is rendered, instead of attributing the contributions to the periods of service, if the amount of the employee contribution is independent of the number of years of service.

The Group is going to adopt the amendments to IAS 19 on 1 January 2016.

Amendments to IFRSs 2010-2012
In December 2013, the International Accounting Standards Board published “Improvements to IFRSs 2010-2012”, which amend 7 standards. The improvements include changes to presentation, recognition and measurement, as well as terminology and editorial changes. The changes are effective in the EU for annual periods starting on 1 February 2015.

The Group is going to adopt the amendments to IFRSs on 1 January 2016.

Notes to the interim condensed consolidated financial statements

IFRS 14 "Regulatory Deferral Accounts"

IFRS 14 is effective for annual periods beginning on or after 1 January 2016. The standard allows an entity which is a first-time adopter of IFRSs to continue to account for regulatory deferral account balances in accordance with its previous accounting policy. To improve comparability with the entities that already use IFRSs and do not report such balances, in accordance with the published IFRS 14 regulatory deferral account balances should be presented separately in the statement of financial position and statement of profit or loss and other comprehensive income.

The Group is going to adopt the amendments to IFRSs on 1 January 2016.

At the date of preparation of these interim condensed consolidated financial statements, IFRS 14 was not yet approved by the European Union.

Amendments to IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations

The amendment requires that the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3, is required to apply all of the principles on business combinations accounting in IFRS 3 and other IFRSs with the exception of those principles that conflict with the guidance in IFRS 11.
The amendment is effective for annual periods beginning on or after 1 January 2016.

The Group is going to adopt the amendment on 1 January 2016.

At the date of preparation of these interim condensed consolidated financial statements, the amendment was not yet approved by the European Union.

Amendments to IAS 16 and IAS 38 – Depreciation and Amortisation

The amendment clarifies that the revenue-based method should not be used to calculate charges for the depreciation or amortisation of items of property, plant and equipment or intangible assets. This is because a revenue-based method reflects a pattern of economic benefits being generated from the asset, rather than the expected pattern of consumption of the future economic benefits embodied in the asset.
The amendment is effective for annual periods beginning on or after 1 January 2016.

The Group is going to adopt the amendment on 1 January 2016.

At the date of preparation of these interim condensed consolidated financial statements, the amendment was not yet approved by the European Union.

IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 was published by the International Accounting Standards Board on 28 May 2014 and is effective for the annual periods commencing on or after 1 January 2017.

The Group is going to adopt the amendment on 1 January 2017.

At the date of preparation of these interim condensed consolidated financial statements, IFRS 15 was not yet approved by the European Union.

Amendments to IAS 16 and IAS 41 for bearer plants

The amendments require that bearer plants, such as grape vines, rubber trees and oil palms (i.e. which yield crops over many years and are not intended for sale as seedlings or for harvest) should be accounted for in accordance with the requirements of IAS 16 “Property, Plant and Equipment” because their cultivation is similar to manufacturing. Consequently, the amendments include such plants within the scope of IAS 16, instead of IAS 41. The produce growing on bearer plants will remain within the scope of IAS 41.
The amendments were published on 30 June 2014 and are effective for the annual periods commencing on or after 1 January 2016.

The Group is going to adopt the amendment on 1 January 2016.

At the date of preparation of these interim condensed consolidated financial statements, the amendment was not yet approved by the European Union.

Amendments to IAS 27 – Equity Method in Separate Financial Statements

The amendments to IAS 27 allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements using the equity method as one of alternative methods.
The amendments were published on 12 August 2014 and are effective for the annual periods commencing on or after 1 January 2016.

At the date of preparation of these interim condensed consolidated financial statements, IAS 27 was not yet approved by the European Union.

Notes to the interim condensed consolidated financial statements

Amendments to IFRS 10 and IAS 28 concerning sale or contribution of assets between investor and its associated companies or joint ventures

The amendments are solving a problem of current incoherency between IFRS 10 and IAS 28. The accounting recognistion depends on the fact if sold non-monetary assets or contributed to associated entities or joint venture are a business.

In the case when non-monetary assets are a business, an investor will present full profit or loss on the transaction. If assets are not a business, an investor recognizes profit or loss in exception to the part constituting shares of other investors.

The amendments were published on 11 September 2014 and are effective for the annual periods commencing on or after 1 January 2016.

The Group is going to adopt the amendment on 1 January 2016.

At the date of preparation of these interim condensed consolidated financial statements, the amendment was not yet approved by the European Union.

Improvements to IFRSs 2012-2014

In September 2014, the International Accounting Standards Board published “Improvements to IFRSs 2012-2014”, which amend 4 standards: IFRS 5, IFRS 7, IAS 19 and IAS 34. The amendments are effective for annual periods beginning on or after 1 January 2016.

The Group is going to adopt the amendment on 1 January 2016.

At the date of preparation of these interim condensed consolidated financial statements, the amendment was not yet approved by the European Union.

Amendments to IAS 1

On 18 December 2014, as part of Disclosure Initiative, the International Accounting Standards Board published amendments to IAS 1. The amendment is designed to clarify the concept of materiality and explain that if an entity decides that certain information is immaterial, it should not include it in the financial statements, even if its inclusion is as a rule required by another IFRS. The amended IAS 1 clarifies that items presented in the statement of financial position and statement of profit or loss and other comprehensive income can be disaggregated and aggregated depending on their materiality. Also, additional guidance is introduced on presentation of subtotals in these statements. The amendments are effective for annual periods beginning on or after 1 January 2016.

The Group is going to adopt the amendment on 1 January 2016.

At the date of preparation of these interim condensed consolidated financial statements, the amendment was not yet approved by the European Union.

Amendments to IFRS 10, IFRS 12 and IAS 28 concerning exception of investment entity from consolidation

On 18 December 2014, the International Accounting Standards Board published the amendment of limited scope. The amendment to IFRS 10, IFRS 12 and IAS 28 published as "Investment entities: exemptions from preparing consolidated financial statements" precises requirements concerning investment entities and launches some convenience.

The standard explains that an entity should evaluate all its subsidiary companies, which are investment entities at fair value through profit or loss. Furthermore, it has been clarified that the exemption from preparing consolidated financial statements in the case the parent company at a higher level prepares publicly available financial statements, applies regardless of the fact whether the subsidiaries are consolidated or valued at fair value based on the financial result in accordance with IFRS 10 in the financial statements of the parent company on the highest level or a higher level.

The amendments are effective for annual periods beginning on or after 1 January 2016.

The Group is going to adopt the amendment on 1 January 2016.

At the date of preparation of these interim condensed consolidated financial statements, the amendment was not yet approved by the European Union.

2.2 Changes in the Group structure

As of the day of publication hereof, the CPD Group (hereinafter referred to as “the Group”, “CPD Group”) was composed of a dominant entity – CPD S.A. (hereinafter referred to as “the Company”) and 36 subsidiaries.

During the reporting period, the following changes occurred in the CPD Group structure:

- on 30 January 2015 Buffy Holdings No 1 Ltd, the subsidiary company, acquired 100% of shares in IMES Poland Sp. z o.o.;

Notes to the interim condensed consolidated financial statements

- on 27 February 2015, sale of Geatan Investments sp z o.o. company was completed;

- the process of liqudation of two subsidaries: 14/119 Gaston Investments Sp. z o.o. Sp.k., and Mandy Investments Sp. z o.o. has been started on 18 August 2015;

- on 9 March 2015 Unidevelopment S.A. joined the Smart City Spółka z ograniczoną odpowiedzialmością sp.k. as a general partner, realising resolutions of investment agreement dated 10 September 2014 concerning realization of joint venture.

All the Group companies are a subject to full consolidation, except for Smart City Spółka z ograniczoną odpowiedzialnością Sp. k.

Due to the fact that the investment agreement refers to the part of real estate owned by Smart City Sp. z o.o. Sp. K. (the rest part of plot will stay under full control of the Group), to the moment of its sale the board of the Group decided about separating of all assets, liabilities and equity from the entity constituting a joint venture and recognizing as a separate entity, in accordance with IFRS 10.

Description of the conditions to apply the above approach is presented in note 3.

3 Significant accounting estimates and judgments

When making these condensed consolidated financial statements, the Management Board evaluated significant accounting estimates and judgments that affect the accounting principles used and amounts included in the financial statements made for 9 months ended 30 September 2015.

These significant estimates and judgments result from the experience gained to date and other factors, including predictions as to future events which seem reasonable. By definition, accounting estimates obtained in such a way rarely correspond to actual results.

The accounting estimates and judgments assumed when making these interim condensed financial statements have not changed and are the same as for the financial statements for the year ended 31 December 2014, except for the evaluation and accounting policies used to settle of a joint venture transaction in the first half of 2015.

Estimates and assumptions which involve a significant risk of the necessity to adjust the balance sheet value of assets and liabilities within the next financial year are discussed below.

Determining the fair value of investment properties

The fair value of investment properties recognized in the balance sheet is determined on the basis of valuations prepared each year by independent property appraisers from Savills Sp. z o.o. in accordance with the Practice Statements of the Royal Institution of Chartered Surveyors' (RICS) Appraisal and Valuation Standards (the "Red Book") published in February 2003 and valid from 1 May 2003. Fees for the valuation are not connected with the value of properties or the result of the valuation. Considering market conditions as at the balance sheet date, the Management Board reviewed and confirmed the assumptions made by property appraisers, constituting the basis for the valuation models used.

The comparative approach by means of comparison of pairs was applied to value undeveloped lands and developed lands with tenement houses with residential units located thereon. The comparative approach consists in determining the value of a property assuming that this value corresponds to prices obtained for similar properties on the market. The value of properties is adjusted according to features that distinguish such properties and is determined taking into consideration changes of prices over time. The comparative method is used if the prices of properties that are similar to the valued property are known.

The valuation of a land on which the construction of residential and commercial buildings is planned was based on the following assumptions:

- the floor space of apartments planned to be built was 521,097 sq. m,

- the floor space of commercial premises planned to be built in the ground floor of residential buildings was 50,075 sq. m,

- the floor space of offices planned to be built was 17,680 sq. m; the planned rental rate of office space – EUR 11 for sq. m; capitalization rate – 7.70%.

Notes to the interim condensed consolidated financial statements

The comparative approach by means of comparison of pairs was applied to value lands on which the construction for public purposes was planned. The income-based valuation approach (investment method) was used to value income generating properties. The income-based valuation approach consists in determining the value of a property assuming that the price that a buyer will pay for it depends on the expected income obtained by him in connection with this property and that he will not pay more for it than for any other property that he could buy which is characterized by the same yield and level of risk.

The value of the property was determined on the basis of average transaction prices for properties similar to the valued property adjusted by transaction features considered by potential market participants and related to e.g. location, size of the plot and its legal situation. The valuation reflects the diversification of individual properties and the expected possibilities of development in accordance with planning arrangements included in the local spatial development plan. The variable having the greatest influence on the valuation result is the price of one square meter.

As regards properties yielding income from rents, the value of which can be determined on the basis of the analysis of the evolution of market rates for rental or lease, their market value was determined by means of the investment method. Using the simple capitalization method, the value of the property is determined as the ratio of the stable annual profit flow that can be obtained from the valued property to the capitalization rate.

Future net operating income was estimated separately for each investment property on the basis of rental agreements, contracted income (or in case of IRIS properties – partially based on market conditions for a given property determined by an independent property appraiser) and expected costs of the property's functioning as at the balance sheet date. The floor spaces assumed for calculation were based on valid construction documentation. Due to the fact that most rental agreements concluded by the Group are in EUR, the valuation of investment properties was prepared in EUR and then translated into PLN using the average rate of exchange of the National Bank of Poland as at the balance sheet date.

Capitalization rates were estimated by independent property appraisers separately for each significant investment property, considering the location and the type of property.

The capitalization rate is verified by external property appraisers at least once a year and net operating income is updated on the basis of valid rental agreements.

Capitalization rates from the range 7.70%-9.25% were used for the purposes of the valuation assumed in the financial statements as at 30 September 2015.

In the third quarter of 2015, the Group recorded a gain on the revaluation of investment properties to their fair values, which amounted to PLN 839,000, in consequence of the fluctuation of the rates of exchange.

During the period, the methods of valuation of investment properties did not change.

During the period, there were no changes in the levels of valuation of investment properties.

Accounting recognition of Smart City Sp. z o. o. Sp. k.

According to the information included in note 2.2 "Changes in the structure of the Group", on 10 September 2014, an investment agreement was signed by CPD S.A. and its subsidiaries (Smart City Spółka z ograniczoną odpowiedzialnością Sp.k., Lakia Enterprises Ltd), of the one part, and entities not associated with the Group, i.e. Unidevelopment S.A. and Unibep S.A., of the other part. The agreement stipulates a joint venture consisting in the construction of a complex of multiple dwelling units with services and related infrastructure at a property belonging to Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.

At the same time, the parties stipulated in the investment agreement that a part of lands (and all related costs and income) belonging to Smart City would be excluded from this joint venture and would remain under the exclusive control of CPD Group. The lands not included in the joint venture include areas which according to the local spatial development plan are destined for the construction of public roads and for educational purposes.

Joint control over Smart City was established on 9 March 2015, when Unidevelopment S.A. – in compliance with the provisions of the investment agreement – entered the limited partnership Smart City Spółka z ograniczoną odpowiedzialnością sp.k. as the limited partner.

In order to settle the above-mentioned transaction in these financial statements, the Management Board of the Company – in conformity with the provisions of IFRS 10 – decided to adopt the following approach regarding the investment in Smart City:

- assets and liabilities under the investment agreement were recognized as the joint venture and were settled in the consolidated financial statements in accordance with the equity method.

Notes to the interim condensed consolidated financial statements

- land destined for roads and educational purposes as well as related liabilities (excluded from the investment agreement) were treated as a separate investment controlled in full by CPD Group and were recognized in accordance with the full method in the consolidated financial statements.

The Group decided to adopt this approach due to the fact that, pursuant to the provisions of the investment agreement, it maintained the control over this separated part of the land, which means that all decisions regarding this part of the land will be made by CPD Group, and all future income and costs connected with it will also be attributable to the Group.

However, as at the date of the preparation of these financial statements, these two separate elements of the investment, i.e. lands for the joint venture and lands for roads and educational purposes, did not constitute separate investments form the legal point of view. Any future liabilities related to these two separate investments will not be allocated to the investment in connection with which they arose – in the light of legal regulations, liabilities incurred in connection with one investment can be satisfied from the other investment. However, according to plans, the Management Board of the Group will strive to separate lands destined for roads and educational purposes so that the obligation of legal separation is met in the foreseeable future, before important liabilities connected with the planned development investment on the jointly controlled land arise.

Determining the fair value of embedded derivative instruments

On 26 September 2014, the Company issued bonds for its current shareholders. Financial data on these issued bonds are presented in note 12 (inn in the individual statements) to the financial statements. The bonds were issued with an embedded derivative instrument consisting in the possibility of converting the bonds into shares at the fixed rate of PLN 4.38 for one share. Since the bonds were issued in another currency (EUR) than the Company's functional currency (PLN), the embedded derivative instruments included also a currency CAP, i.e. the conversion of the value of obtained shares according to the rate of exchange as at the conversion date, however not higher than EUR 1 = PLN 4.1272.

The fair value of the embedded derivative instrument was estimated within level 2 by combining two methods: binominal tree method in the part concerning the development of the exchange rate of the shares and Monte Carlo method for the needs of analyzing the variability of the exchange rate.

Assumptions for the valuation model:
- adjustment of discounting curve due to the issuer's credit risk – 8%,
- variability of the price of the issuer's shares – 44,73% – this value was calculated on the basis of historical price quotes of CPD S.A.'s shares,
- fixed rate of conversion of bonds to shares – PLN 4.38,
- restriction on the exchange rate EUR 1 = PLN 4.1272,
- possibility of converting bonds to shares in the period from 26 September 2015 until 5 days before the bonds redemption date, i.e. 22 September 2017.

During the period, the methods of valuation of embedded derivative instruments did not change.

During the period, there were no changes in the levels of valuation of embedded derivative instruments.

As at 30 September 2015, the value of the liability due to the embedded derivative instrument was PLN 10.5 million and it constituted the difference between the valuation of bonds in accordance with the fair value model described above and the value of bonds without the embedded derivative instrument determined in accordance with amortized cost by applying the effective interest rate method.

Balance sheet valuation of shares in subsidiaries and loans granted to subsidiaries (concerns the individual financial statements)

As at the balance sheet date, the Company analyzed the loss of value of shares in subsidiaries by comparing the book value of shares and their recoverable amount. The recoverable amount constitutes the higher of the two amounts: the fair value of assets less the costs of sale or the use value. In the Company's opinion, no grounds exist to recognize that the use value differs significantly from the fair value as at the balance sheet date. In consequence, the analysis of the loss of the shares' value was based on the fair value.

In the case of shares in Buffy Holdings No 1 Ltd and Lakia Enterprises Ltd, their fair value was estimated based on net assets of these companies, constituting an approximate value of future cash flows available for shareholders related to the shares held by them. The value of these cash flows was estimated, among others, based on the fair value of properties belonging to the subsidiaries.

In the case of shares in Celtic Investments Limited, the operating activity of which was suspended as at 30 September 2015 and which did not have any significant assets, the fair value of these assets was estimated based on the net assets of this company.

Notes to the interim condensed consolidated financial statements

At the same time, as at the balance sheet date, the Company analyzed the possibility of recovering receivables due to loans granted to its subsidiaries. The Company impaired the value of loans granted to its subsidiaries if the value of their net assets was negative as at 30 September 2015. In the Company's opinion, due to the negative value of net assets of these subsidiaries, there is a substantial risk that these companies will not be able to pay the loans in full.

Tax settlements/deferred tax and activation of tax losses

In connection with the fact that the companies subject to consolidation reside in various fiscal jurisdictions, which complicates transactions between them and results in ambiguities in the interpretation of the provisions of law, tax settlements, including the determination of the right or obligation to include as well as the way of including separate transactions in the tax bill of individual Group entities, could require extremely thorough consideration. In complicated cases, the decision of the Management Board is based on opinions of specialist tax advisers.

Income tax for interim periods is calculated using the tax rate reflecting the total foreseeable annual profit or loss. The difference between the income tax expenses and the tax rate of 19% results primarily from unrecognized deferred income tax assets due to tax losses and the surplus of positive temporary differences over negative temporary differences in the subsidiaries in which recognizing deferred income tax assets for the full financial year is not planned. As at each balance sheet date, the Management Board analyses the possibility of recovering tax losses based on business plans of individual companies forming part of the Group and tax forecasts for these entities, and based on this, decisions on activating or not tax losses for previous years are made.

3.1 Managing financial risk

Financial risk factors

CPD Group is exposed to the following financial risks in connection with its business activity: market risk (including the risk of changes in exchange rates, risk of the change of goodwill or cash flows in consequence of a change of interest rates), credit risk and liquidity risk.

CPD Group's financial risks were presented in the consolidated financial statements for the year ended 31 December 2014. In the third quarter of 2015, there were no important changes in CPD Group's policy related to the management of financial risk.

Liquidity risk

In the first half-year of 2015, the liquidity of CPD Group changed primarily due to signing an annex to the loan agreement with BZ WBK Bank on 29 May 2015. Pursuant to the provisions of this annex, the construction loan presented as at 31 December 2014 in short-term liabilities in the amount of PLN 70,608,000 was converted into a long-term investment loan with the final repayment date in 2021. Details of the current terms and conditions of the loan can be found in note 11 to these financial statements.

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

4 Investment properties

	01-01-2015-30-09-2015	01-01-2014-30-09-2014
At the beginning of the reporting period	**581 386**	**442 793**
Capital expenditure	4 715	11 061
Transfer of a plot on which a road will be constructed to the City	(5 818)	(6 632)
Acquisition	23 990	0
Disposal of investment property in corse of joint venture (note 8)	(16 620)	0
Net (loss)/ gain from fair value adjustments on investment properties	189	58 330
Change of capitalised financial liabilities	2 847	(7)
At the end of the reporting period	**590 689**	**505 545**

In January 2015 the Group aquired 100% shares in IMES Poland Sp. z o.o. owning investment property, located in Warsaw, in Ursus district.

On 10 September 2014 CPD SA and its subsidiaries Smart City spółka z ograniczoną odpowiedzialnością sp.k., Lakia Enterprises Ltd concluded joint venture agreement with Unibep S.A. and Unidevelopment S.A. aimed at construction of residencial complex with services and accompanying infrastructure. On 9 March 2015 Unidevelopment SA joined Smart City spółka z ograniczoną odpowiedzialnością sp.k. as a limited partner (komandytariusz). As a consequence The Group has determined assets and liabilities related to the joint venture, including land of PLN 16.620 thousand.

Inventment property outlays, amounting to PLN 4.715 thousand in the first three quarters of 2015 (PLN 827 thousand in third quarter of 2015), consisted mainly of tenant fitouts in newly commercilised Iris building.

Direct operating costs for investment properties:

	01-07-2015-30-09-2015	01-07-2014-30-09-2014	01-01-2015-30-09-2015	01-01-2014-30-09-2014
- rent income bearing	964	959	2 970	2 927
- other	0	19	54	88
	964	**978**	**3 024**	**3 015**

5 Trade receivables and other receivables

	30-09-2015	31-12-2014
Trade receivables	7 692	803
Receivables from the state budget	2 842	3 723
Receivables from related parties	20	0
Deferred income	0	(307)
Prepaid expenses	6 314	5 310
Other receivables	314	325
Short-term receivables	**17 182**	**9 854**
Long-term receivables	0	0
Total receivables	**17 182**	**9 854**

Prepaid expenses relate mainly to annual property tax and perpetual usufruct.

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

6 Inventories

	30-09-2015	31-12-2014
At the beginning of the reporting period	**6 525**	**7 773**
Capital expenditure	70	19
Impairment loss	(70)	(1 172)
Exchange differences	(3)	(95)
At the end of the reporting period	**6 522**	**6 525**

In the first two quarters 2015 the Group did not carry any sale of inventory.

7 Cash and cash equivalents

	30-09-2015	31-12-2014
Cash at bank and on hand	12 473	16 366
Restricted cash	3 188	774
Short-term bank deposits	3 125	1 630
	18 786	**18 770**

Restricted cash means the funds transferred as a result of the implementation of the credit agreement with mBank Hipoteczny.

8 Joint ventures

On 10 September 2014 CPD SA and its subsidiaries Smart City spółka z ograniczoną odpowiedzialnością sp.k., Lakia Enterprises Ltd concluded joint venture agreement with Unibep S.A. and Unidevelopment S.A. aimed at construction of residencial complex with services and accompanying infrastructure. Smart City spółka z ograniczoną odpowiedzialnością sp.k. contributed land to the joint venture. Part of the land is to be transferred to the City of Warsaw or other entity for public roads and educational infrastructure.

On 9 March 2015 Unidevelopment SA joined Smart City spółka z ograniczoną odpowiedzialnością sp.k. as a limited partner (komandytariusz).

The below table summarizes the carrying amounts of the Group major investments in joint ventures:

	30-09-2015	31-12-2014
Smart City Spółka z ograniczoną odpowiedzialnością sp.k.	15 199	0

	30-09-2015
Opening balance as at 1 January	**0**
Group's share in net assets as at the date of starting joint venture	15 472
Group's share of the net profit or loss of the joint ventures presented in theses interim condensed consolidated financial statements	(213)
Other adjustments	(60)
Closing balance as at 30 September	**15 199**

Notes to the interim condensed consolidated financial statements

Condensed financial information of individually material joint ventures of the Group as at 30 September 2015 and for the period from 1 January to 30 September is presented in the below table:

	Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.
Financial information coming from statement of financial position	
Total non-current assets	**151**
Capital expenditure	151
Total current assets, including:	**30 727**
Inventory	18 580
Trade receivables and other receivables	12 021
Cash and cash equivalents	126
Total assets	**30 878**
Total current liabilities, including:	**420**
Trade payables and other liabilties	420
Total non-current liabilities	
Total liaabilities	**420**
Net assets	**30 458**
% held by the Group	***50%***
Group share of net assets of the joint venture	15 229
Consolidated adjustments	(30)
Carrying amount of investment in joint venture presented in the interim condensed consolidated financial statements	**15 199**

In connection with the fact that the new investment agreement entered into force, the Group recognized a loss on the joint venture in Smart City Spółka z ograniczoną odpowiedzialnością Sp.k. in the amount of PLN 972,000, which was included in note 19.

9 Share capital

	Number of shares		Value of shares	
	30-09-2015	31-12-2014	30-09-2015	31-12-2014
Ordinary shares (in thousands)	32 863	32 863	3 286	3 286

As of the date of theses financial statements share capital amounts to PLN 3.286 thousand. There have been no changes in share capital since the end of the year until the date of these financial statements.

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

10 Trade payables and other liabilities

Non-current liabilities

	30-09-2015	31-12-2014
Deposits of tenants	2 069	1 494

Current liabilities

	30-09-2015	31-12-2014
Trade payables	721	827
Payables to related parties	18	0
Social security, real estate tax and other taxes	678	284
Other liabilities	455	504
Deposits of tenants	118	138
Accrued expense	14 685	14 077
	16 675	**15 830**

Accruals are consistent with 2014 year end and consist mainly of potential tax exposures.

11 Borrowings, including financial leasing

	30-09-2015	31-12-2014
Non-current		
Bank loans	118 578	42 221
Financial leasing	32 110	29 263
	150 688	**71 484**
Current		
Bank loans	1 756	71 493
	1 756	**71 493**
Total borrowings	**152 444**	**142 977**

As of 30 September 2015 bank credits consist of:

- payable of PLN 42.467 thousand to mBank Hipoteczny S.A. (PLN 40.711 thousand being long-term and PLN 1.756 thousand short-term),
- payable of PLN 77.867 thousand to Bank Zachodni BZ WBK.

Regarding the loan granted by HSBC Bank on 18 June 2014 to finance two investment properties, the subsidiaries Robin Investments Sp. z o.o. and Lakia Investments Sp. z o.o. (owners of these properties) signed an agreement with mBank Hipoteczny S.A. to refinance the loan. Earlier, i.e. on 29 May 2014, an annex to the loan agreement with HSBC was signed, pursuant to which the final loan repayment date was 27 June 2014. The actual refinancing (incurring the liability in mBank Hipoteczny and repaying the debt owed to HSBC took place on 1 July 2014).

The loan agreements with mBank Hipoteczny S.A. signed on 18 June 2014 amount to the maximum total loan amount of EUR 10.3 million. The final loan repayment period is June 2029.

The loan was granted in accordance with market terms and is secured, among others, by a mortgage on investment properties belonging to Robin Investments Sp. z o.o. and Lakia Investments Sp. z o.o. and a registered pledge established on the shares of these companies.

(All amounts in PLN thousands unless otherwise stated)

In accordance with the terms and conditions of the loan agreement concluded with Bank Zachodni WBK on 12 August 2012 (including annexes), the final repayment period of the investment loan granted to the subsidiary Belise Investments Sp. z o.o. falls on one of the following dates:
- in the case of obtaining the consent to convert the construction loan into the investment loan, the final repayment of the loan will take place on 12 August 2019 on the latest; otherwise,
- the final repayment date is 31 December 2014.

Regarding the VAT Loan (credit facility within the agreement with BZ WBK), its final repayment date was 31 December 2014.

As at 31 December 2014, the balance of the liability due to the loan granted by BZ WBK S.A. in the amount of PLN 70,608,000 was presented in short-term liabilities, because in accordance with valid agreements, its repayment falls within the period of 12 months from the balance sheet date for which the consolidated financial statements were made.

To meet the conditions permitting to convert the loan and, thus, to change the final loan repayment date from 29 May 2015, an annex was signed to the loan agreement of 12 August 2014 concluded by Belise Investments and Bank Zachodni WBK S.A. The above-mentioned annex introduces the following changes:

- investment loan up to the value of EUR 18,500,000.00 was granted to refinance the debt by conversion and/or refinancing or to finance the costs of finishing the rental space and/or to pay the Dividend;
- the parties agreed that the date of the final repayment of the Loan with interest and other costs would be 31 May 2021;
- conversion means using the funds made available within Advance B by converting the Debt Amount within Advance A to the Debt Amount within Advance B and activating an additional advance up to the maximum amount of EUR 1,500,000.

The remaining significant provisions of the agreement remain unchanged.

At the same time, in order to secure the repayment of the Loan under the concluded annex, CPD S.A. and Lakia Enterprises Limited, situated in Nicosia, Cyprus, submitted themselves to the enforcement procedure. Moreover, the Company signed an annex to the guarantee agreement.

12 Bonds issued

	30-09-2015	31-12-2014
a/ Bonds A		
Fair value of covertible bonds issued on 26 Sept, 2014	22 966	22 966
Capital part	27 909	27 909
Debt part on the intial recognition date of Sept 26, 2014	**50 875**	**50 875**
Cost of accrued interest	2 363	623
Valuation as at Sept 30, 2015	346	476
Valuation of the embedded derivatives	(17 377)	(9 094)
Valuation as at Sept 30, 2015	**36 207**	**42 880**
b/ Bonds B		
Nominal value of bonds issued Jan 13, 2015 (*)	29 552	0
Cost of accrued interest	591	0
Valuation using the effective interest rate	52	0
Valuation as at Sept 30, 2015	**30 195**	**0**

(*) The nominal value of bonds issued on 13 January 2015 (PLN 30,000,000) was decreased by the costs of the issue of bonds, which amount to PLN 448,000. The costs of the issue of bonds included the cost of handling the issue of bonds by an investment house, which amounted to PLN 425,000, and the costs of legal services.

(All amounts in PLN thousands unless otherwise stated)

On 26 September 2014, the Management Board of the Company passed a resolution on the allocation of Advance I of series A convertible bonds and the Company issued convertible bonds within Advance I. The redemption of bonds within Advance I falls on 26 September 2017. The issue of bonds within Advance I was carried out in the form of a private placement, in accordance with the provisions of Section 9(3) of the Bonds Act, pursuant to Resolution No. 3/IX/2014 of the Issuer's Management Board on the issue of series D bearer bonds within a bond issue program.

The nominal value of one bond is EUR 50,000 (fifty thousand euros). The issuing price of one bond is EUR 50,000. The bonds bear interest according to the fixed interest rate of 10% (ten percent) per year from the Bond Issue Date. The bonds will be purchased by the Company on a day falling 3 years after the Issue Date, i.e. on 27 September 2017 – except in the event of early repurchase in Case of Breach of the terms and conditions of the issue of Bonds by the Issuer.

Embedded derivative instrument results from:
a) the right to convert bonds to shares by bond holder at a fixed rate in the period from 26 September 2015 until 5 days before the redemption date, i.e. 22 September 2017;
b) cap currency option concerning the translation of the liability into shares as at the conversion date at the EUR/PLN rate from that day, however not higher than EUR 1 = PLN 4.1272.
The method of valuation of the embedded derivative instrument is described in note 4.

On 13 January 2015, the Company issued 30,000 series B covered bonds ("Bonds") in total. Bonds were issued in accordance with the provisions of Section 9(3) of the Bonds Act, i.e. in the form of a private offer.
The Bonds were issued in accordance with the following terms and conditions:

The issuer did not specify the purpose of the issue within the meaning of the Bonds Act or the undertaking to be financed from the issue of the Bonds.
The issued Bonds are series B covered, bearer bonds with the nominal value of PLN 1,000 each and do not have the form of an instrument.
The total nominal value of all issued bonds is maximum PLN 30,000,000.

The nominal value of one Bond is PLN 1,000. The issuing price of one Bond corresponds to its nominal value, i.e. PLN 1,000.
The Bonds will be repurchased by the Company on the day falling 4 years after the Bonds issue date, i.e. on 13 January 2019 ("Redemption Date") – except in the event of an early repurchase of Bonds in case of a breach of the terms and conditions of the issue of Bonds by the Issuer or on the Issuer's request.

The Bonds bear interest in accordance with the fixed interest rate of 9.1% per year.

If the Issuer does not repurchase the Bonds earlier in case of a breach at the request of the Bond Holder or at the request of the Issuer, the Bonds will be repurchased on the Redemption Date by paying the amount equal to the nominal value of Bonds plus due and unpaid interest on the Bonds.
On 9 February 2015, an agreement on the establishment of a registered pledge on Blaise Investments sp. z o.o.'s shares was concluded by Lakia Enterprises Limited and Matczuk Wieczorek i Wspólnicy Kancelarii Adwokatów i Radców Prawnych sp. j., acting on their own behalf, but for the account of bond holders holding series B bonds.
The registered pledge was established on 100 shares in the share capital of Blaise Investmetns sp. z o.o. with the nominal value of PLN 50 each, constituting 100% of the share capital of this company. The nominal value of the package of 1,000 shares is PLN 50,000.
The registered pledge was established up to the amount of PLN 45,000,000.

13 Deferred income taxes

	30-09-2015	31-12-2014
Deferred tax assets	**1 562**	**85**
Deferred tax liabilities	**14 129**	**13 382**

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

14 Revenue by nature

	01-07-2015-30-09-2015	01-07-2014-30-09-2014	01-01-2015-30-09-2015	01-01-2014-30-09-2014
Rent income	3 233	2 492	9 347	7 003
Sales of inventories	0	0	0	16
Sale of fixed assets	0	0	0	86
Real estate advisory services	44	0	88	0
Rental related income	1 529	1 287	4 417	3 893
	4 806	**3 779**	**13 852**	**10 998**

Rent revenues are earned by office properties in Warsaw: Aquarius (Połczyńska St.), Solaris and Iris (both Cybernetyki St.). Increase in the third quarterof 2015 as compared to similar prior year period is driven mainly by Iris building, completed in 2012 and gaining increasing number of tenants over time.

In the first three quarters of 2015 the Group did not recognise any income on sale of inventory.

15 Cost of sales

	01-07-2015-30-09-2015	01-07-2014-30-09-2014	01-01-2015-30-09-2015	01-01-2014-30-09-2014
Cost of inventories sold	0	0	0	14
Cost of fixed assets sold	0	0	0	39
Change of inventory impairment write downs	0	12	70	12
The cost of services rendered	653	454	1 609	1 662
	653	**466**	**1 679**	**1 727**

16 Administrative costs property related

	01-07-2015-30-09-2015	01-07-2014-30-09-2014	01-01-2015-30-09-2015	01-01-2014-30-09-2014
Personnel costs	329	263	902	952
Property maintenance	984	975	3 044	3 009
Property taxes	762	692	2 300	2 220
Perpetual usufruct	272	396	756	1 247
Depreciation of fixed assets and intangible assets	56	44	160	134
	2 403	**2 370**	**7 162**	**7 562**

17 Administrative expenses-other

	01-07-2015-30-09-2015	01-07-2014-30-09-2014	01-01-2015-30-09-2015	01-01-2014-30-09-2014
Advisory services	1 336	1 591	5 493	3 793
Audit fees	91	87	91	156
Transportation	36	1	64	23
Taxes	43	111	343	152
Office maintenance	536	474	1 496	1 539
Other services	61	6 830	448	7 027
Cost related for non deductible VAT	23	89	164	258
Impairment write offs	(4)	16	192	42
	2 122	**9 199**	**8 291**	**12 990**

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

In the group of administrative costs in the third quarter of 2015, the Group registered a decrease in the costs of advisory services of PLN 255,000 compared with the same period in 2014.

18 Other income

	01-07-2015-30-09-2015	01-07-2014-30-09-2014	01-01-2015-30-09-2015	01-01-2014-30-09-2014
Provision released	0	(1)	1 088	(1)
Other	8	294	1 211	310
	8	**293**	**2 299**	**309**

19 Financial income and expenses

	01-07-2015-30-09-2015	01-07-2014-30-09-2014	01-01-2015-30-09-2015	01-01-2014-30-09-2014
Interest expense:				
- Bank loans	(732)	(894)	(2 356)	(2 407)
- Interest from financial leases	(589)	(413)	(1 822)	(1 239)
- Other interest	(1 372)	(218)	(4 043)	(677)
Net exchange differences	0	(311)	0	(804)
Other financial Costs	(14)	(30)	(516)	(350)
Result of changing subsidiary into joint venture	0	0	(972)	0
Financial costs	**(2 715)**	**(1 969)**	**(10 219)**	**(5 736)**
Interest income:				
- Bank interest	20	3	71	47
- interest from unrelated parties	61	294	180	409
- Received dividends	0	0	0	0
Derrivatives valuation	3 285	0	8 282	0
Net exchange differences	(1 400)	0	300	0
Financial income	**1 966**	**297**	**8 833**	**456**

In the third quarter of 2015 the Group recognised unrealised exchange loss on valuation of bank loans granted by BZ WBK and mBank Hipoteczny in EUR.

20 Income tax

	01-07-2015-30-09-2015	01-07-2014-30-09-2014	01-01-2015-30-09-2015	01-01-2014-30-09-2014
Current income tax	0	2	0	2
Prior years current income tax adjustments	0	0	(183)	0
Deferred taxes	361	(2 173)	(730)	(2 416)
	361	**(2 171)**	**(913)**	**(2 414)**

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

21 Cash flow from operating activities

	For the 9 month period ended 30-09-2015	30-09-2014
Profit/loss before tax	(2 602)	41 237
Adjustments for:		
- depreciation of tangible fixed assets	141	154
- amortisation of intangible assets	23	0
– currency translation adjustments	(15)	(180)
- gains (losses) on revaluation to fair value of investment property	(189)	(58 330)
'- value of plots transferred to the City	0	6 632
– loss on fixed assets sale	0	39
– gain on sale of shares	0	0
– share of the profit or loss of the joint venture	213	0
– loss on change the subsidiary into joint venture	972	0
– profit on bargain purchase	0	0
– result on embedded derivatives	(8 283)	0
– interest expenses	4 830	2 445
– interest income	(180)	(256)
– foreign exchange gains /losses	(586)	4 761
– inventory impairment	70	2
– result on bonds revaluation using efective rate method	52	0
– other adjustments	147	0
Changes in working capital		
- changes in receivables	(762)	(7 870)
- changes in inventories	(70)	(12)
- change in trade liabilities and other	(914)	3 987
	(7 153)	**(7 391)**

22 Related party transactions

CPD S.A, does not have a direct parent or parent senior. Coöperatieve Laxey Worldwide W.A. is a major investor. CPD Group also includes transactions with key management personnel and other related parties, controlled by key staff of the Group.

These interim condensed consolidated financial statements include the following balances resulting from transactions with related parties:

	01-07-2015-30-09-2015	01-07-2014-30-09-2014	01-01-2015-30-09-2015	01-01-2014-30-09-2014
(a)) Transactions with key management personnel				
The cost of the salaries of members of the Board of Directors	65	60	155	180
The cost of the salaries of the members of the Supervisory Board	77	60	236	179
The cost of services rendered by the members of the Board of Directors	185	1 606	1 181	2 314

	30-09-2015	31-12-2014
Total receivables	0	0

Notes to the interim condensed consolidated financial statements

(b) Transactions with the other related parties

	01-07-2015-30-09-2015	01-07-2014-30-09-2014	01-01-2015-30-09-2015	01-01-2014-30-09-2014
Revenues				
Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.	61	0	130	0
Laxey Cooperative	0	0	6	0
Costs				
Kancelaria Radców Prawnych Oleś i Rodzynkiewicz	2	191	22	248
odpowiedzialnością Sp.k.	1	0	3	0

	30-09-2015	31-12-2014
Payables		
Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.	20	0

23 Payment of dividends

During the reporting period CPD did not pay nor declare dividends.

24 Basic and diluted earnings per share

	01-07-2015-30-09-2015	01-07-2014-30-09-2014	01-01-2015-30-09-2015	01-01-2014-30-09-2014
Profit attributable to shareholders of the company	(841)	52 933	(1 689)	43 651
Ordinary shares (in thousands)	32 863	34 595	32 863	34 595
Earnings per share in PLN	(0,03)	1,53	(0,05)	1,26
Diluted profit /(loss) attributable to shareholders of the company	(2 815)	52 933	(7 094)	43 651
Ordinary shares (in thousands)	42 654	34 595	42 654	34 595
Dilted earnings per share in PLN	(0,07)	1,53	(0,17)	1,26

The issuance of bonds convertible into shares by CPD contributed to the dilution of loss. The amount of adjustments of the result was affected by the amount of interest (PLN 1.740 ths), valuation of bonds as at the balance sheet date (PLN -130 ths) and the valuation of the embedded derivative instrument (PLN -8.283 ths). These amounts will be reduced by the income tax to be paid in the future.

The weigthed average number of shares was adjusted due to the possible exercise of right to convert bonds convertible into shares (not more than 9.791.360 shares). The weighten average number of shares amounted to 42.654 ths.

24 Contingent liabilities

In the third quarter of 2015 there were no significant changes in contingent liabilities.

26 Segment reporting

In accordance with IFRS 8, the Group CPD is and it shall be considered by the Board of Directors as a single operating segment.

Therefore, both revenue and profit segment are equal revenue and profits of the group mentioned in the report of the CPD total revenue.

Notes to the interim condensed consolidated financial statements

27 Seasons of activity and unusual events

The activity of the Group of the CPD is not seasonal or cyclical. In the current interim period there was no unusual events.

28 Events after the end of the reporting period

On 8 October 2015 the agreement between the company Smart City Spółka z ograniczoną odpowiedzialnością sp.k. and UNIBEP S.A. was made for the performance of construction works as a general contractor, with regard toa joint venture of CPD Group and UNIBEP S.A. Under the terms of the Agreement, Smart City commissioned to UNIBED S.A. the performance as a general contractor of the works for the construction of the residential project with the name of URSA, in Warsaw – District of Ursus.

The decision issued in Sept by the President of the Capital City of Warsaw, approving the construction design and granting building permit has been implemented on 20 October 2015.

On 16 October 2015 the Group has received compensation from the Capital City Warsaw for the plots donated to the city in the amount of PLN 6.977 thousand.

Except of the above there were no other significant post balance sheet events.

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim financial statements

II Interim financial information of the parent

29 Interim financial information of the parent company

29.1 Interim statement of comprehensive income

	Note	1/7/2015 - 30/9/2015	1/7/2014 - 30/9/2014	01/01/2015 - 30/9/2015	1/1/2014 - 30/9/2014
		(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*
Revenues		110	131	374	428
Administrative costs	29.13	(606)	(3 786)	(1 602)	(4 723)
Selling and marketing expenses		(43)	(38)	(119)	(121)
Impairment gain/loss on investments in subsidiaries		(4)	10 440	(11 990)	(6 253)
Interest income on loans		3 778	4 635	11 482	13 825
OPERATING RESULT		**3 235**	**11 382**	**(1 855)**	**3 156**
Financial income	29.14	3 169	70	8 800	625
Financial costs	29.14	(1 393)	(127)	(3 921)	(257)
PROFIT (LOSS) BEFORE INCOME TAX		**5 011**	**11 325**	**3 024**	**3 524**
Income tax	27.15	0	0	0	0
PROFIT (LOSS) FOR THE PERIOD		**5 011**	**11 325**	**3 024**	**3 524**
BASIC EARNINGS PER SHARE (PLN)		0,15	0,33	0,09	0,10
DILUTED EARNINGS PER SHARE (PLN)		(0,01)	0,33	(0,06)	0,10

Elżbieta Donata Wiczkowska
Chairman of the Board

Colin Kingsnorth
Board Member

John Purcell
Board Member

Iwona Makarewicz
Board Member

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim financial statements

II Interim financial information of the parent

29.2 Condensed statement of financial position

ASSETS	Note	30/9/2015	31/12/2014
Non-current assets			
Property, plant and equipment		3	6
Intangible assets, excluding goodwill		4	7
Long-term receivables	29.7	474 108	443 516
Shares	29.5	0	0
Bonds	27.6	0	3 430
		474 115	**446 959**
Current assets			
Trade receivables and other receivables	29.9	669	104
Bonds	27.6	3 610	0
Receivables from income tax		0	0
Cash and cash equivalents		7 173	12 071
		11 452	**12 175**
Total assets		**485 567**	**459 133**
EQUITY			
Share capital		3 286	3 286
Reserve capital		987	987
Fair value of capital element at inception date		(27 909)	(27 909)
Share premium		796 643	796 643
Retained earnings		(368 837)	(371 861)
Total equity		**404 170**	**401 146**
LIABILITIES			
Non-current liabilities			
Loans and borrowings, including finance leases	27.10	12 884	12 769
Bonds issued	27.11	55 870	24 065
Derivative financial instruments		10 532	18 815
		79 286	**55 649**
Current liabilities			
Trade payables and other liabilities		2 111	2 338
		2 111	**2 338**
Total liabilities		**485 567**	**459 133**

Elżbieta Donata Wiczkowska
Chairman of the Board

Colin Kingsnorth
Board Member

John Purcell
Board Member

Iwona Makarewicz
Board Member

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim financial statements

II Interim financial information of the parent

29.3 Condensed statement of changes in equity

	Share capital	wbudowany w dniu	Share premium	Own shares	Supplementary capital	Other Reserves	Retained earnings	Total
					Skumulowane zyski (straty)			
Balance as at 1/1/2014		**0**	**796 643**	**(12 300)**	**0**	**987**	**(475 391)**	**313 398**
Comprehensive income								
Profit (loss) for the period	0	0	0	0	0	0	3 524	3 524
	0	0	0	0	0	0	3 524	3 524
/unaudited	**3 460**	**0**	**796 643**	**(12 300)**	**0**	**987**	**(471 867)**	**316 923**
Balance as at 1/1/2014	**3 460**	**0**	**796 643**	**(12 300)**	**0**	**987**	**(475 391)**	**313 398**
A capital reduction (cancellation of shares)	(174)	0	0	12 300	0	0	(12 126)	0
Bonds taken up by shareholders	0	(27 909)	0	0	0	0	0	(27 909)
	(174)	(27 909)	0	12 300	0	0	(12 126)	(27 909)
Comprehensive income								
Profit (loss) for the period	0	0	0	0	0	0	115 656	115 656
	0		0	0	0	0	115 656	115 656
Balance as at 31/12/2014	**3 286**	**(27 909)**	**796 643**	**0**	**0**	**987**	**(371 861)**	**401 146**
Balance as at 01/01/2015	**3 286**	**(27 909)**	**796 643**	**0**	**0**	**987**	**(371 861)**	**401 146**
Comprehensive income								
Profit (loss) for the period	0	0	0	0	0	0	3 024	3 024
	0	0	0	0	0	0	3 024	3 024
Balance as at 30/9/2015 /unaudited	**3 286**	**(27 909)**	**796 643**	**0**	**0**	**987**	**(368 837)**	**404 170**

Elżbieta Donata Wiczkowska
Chairman of the Board

Colin Kingsnorth
Board Member

John Purcell
Board Member

Iwona Makarewicz
Board Member

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim financial statements

II Interim financial information of the parent

29.4 Condensed statement of cash flows

	Nota	01/01/2015 - 30/9/2015 (unaudited)	1/1/2014 - 30/9/2014 (unaudited)
Cash flow from operating activities			
Cash generated from operations	29.16	(1 481)	7 072
Interest paid		(1 372)	0
Net cash generated from investing activities		**(2 853)**	**7 072**
Cash flows from investing activities			
Loans granted		(51 570)	(19 760)
Loan repayments received		18 189	5 615
Acquisition of financial assets		0	(7 643)
Interest received		1 866	570
Net cash used in investing activities		**(31 515)**	**(21 218)**
Cash flows from financing activities			
Loans received		0	3 533
Loan repayments received		(82)	(374)
Proceeds from issuance of bonds		29 552	18 789
Net cash used in financing activities		**29 470**	**21 948**
Net (decrease)/increase in cash and cash equivalents		**(4 898)**	**7 802**
Cash and cash equivalents at the beginning of year		**12 071**	**6 355**
Cash and cash equivalents at the end of the period		**7 173**	**14 157**

Elżbieta Donata Wiczkowska
Chairman of the Board

Colin Kingsnorth
Board Member

John Purcell
Board Member

Iwona Makarewicz
Board Member

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim financial statements

29.5 Shares in subsidiaries

Name	Country	Share	30/9/2015	31/12/2014
Buffy Holdings No1 Ltd	Cypr	100%	184 000	184 000
Impairment on the value of the shares Buffy Holdings			(184 000)	(184 000)
Celtic Investments Ltd	Cypr	100%	48 000	48 000
Impairment on the value of the shares Celtic Investments Ltd			(48 000)	(48 000)
Lakia Enterprises Ltd	Cypr	100%	105 000	105 000
Impairment on the value of the shares Lakia Enterprises Ltd			(105 000)	(105 000)
			0	**0**

29.6 Bonds

On March 18, 2013. the company acquired bonds issued by the company Bolzanus Limited registered in in Cyprus (bonds- 3 thousand PLN, interest on September 30 2015 - 610 thousand PLN). Bond interest rate is 8% per annum. Maturity date falls on day 17 February 2016.

29.7 Long-term receivables

	30/9/2015	31/12/2014*
Long-term loans with related parties:		
- loans	486 794	453 478
- interest	89 086	79 819
- impairment on loans	(101 771)	(89 781)
	474 108	**443 516**

Details of the loans granted to related parties

Related party	Principal amount	Accrued interest	Interest Rate	Margin	Maturity
2/124 Gaston Investments	2 992	373	3M WIBOR	1,55%	on demand
3/93 Gaston Investments	2 801	326	3M WIBOR	1,55%	on demand
4/113 Gaston Investments	5 842	986	3M WIBOR	1,55%	on demand
5/92 Gaston Investments	3 918	383	3M WIBOR	1,55%	on demand
6/150 Gaston Investments	2 457	321	3M WIBOR	1,55%	on demand
7/120 Gaston Investments	1 632	214	3M WIBOR	1,55%	on demand
8/126 Gaston Investments	4 897	564	3M WIBOR	1,55%	on demand
9/151 Gaston Investments	1 072	140	3M WIBOR	1,55%	on demand
10/165 Gaston Investments	1 985	160	3M WIBOR	1,55%	on demand
11/162 Gaston Investments	1 255	141	3M WIBOR	1,55%	on demand
12/132 Gaston Investments	3 434	423	3M WIBOR	1,55%	on demand
13/155 Gaston Investments	3 353	381	3M WIBOR	1,55%	on demand
15/167 Gaston Investments	1 840	173	3M WIBOR	1,55%	on demand
16/88 Gaston Investments	484	74	3M WIBOR	1,55%	on demand
18 Gaston Investments	3 238	304	3M WIBOR	1,55%	on demand
19/97 Gaston Investments	536	74	3M WIBOR	1,55%	on demand

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim financial statements

29.7 Long-term receivables - cont.

Related party	Principal amount	Accrued interest	Interest Rate	Margin	Maturity
20/140 Gaston Investments	613	87	3M WIBOR	1,55%	on demand
Antigo Investments	4 980	572	3M WIBOR	1,55%	on demand
Impairment on Antigo Investments loan	*0*	(263)			
Blaise Gaston Investments	6 136	691	3M WIBOR	1,55%	on demand
Blaise Investments	24 122	5 035	3M WIBOR	1,55%	on demand
Belise Investments	12 960	6 096	3M WIBOR	1,55%	on demand
Buffy Holdings No 1 Ltd	161 837	31 899	3M WIBOR	0,75%	on demand
Impairment on Buffy Holdings loan	*(37 218)*	*(30 892)*			
Celtic Investments Ltd	1 769	43	3M LIBOR	0,75%	on demand
Impairment on CIL loan	(1 599)	(33)			
Challange 18	164 195	32 290	3M WIBOR	1,55%	on demand
Elara Investments	3 305	123	3M WIBOR	0,75%	on demand
Impairment on Elara Investments loan	*(2 845)*	*(42)*			
Gaston Investments	8 307	335	3M WIBOR	1,55%	on demand
Impairment on Gaston Investments loan	*(3 112)*	*(309)*			
HUB Developments	2 423	255	3M WIBOR	1,55%	on demand
Impairment on HUB loan	*0*	*(110)*			
Robin Investments	0	0	3M WIBOR	1,55%	on demand
Lakia Enterprises Limited	50 995	6 577	3M WIBOR	1,55%	on demand
Impairment on Lakia Enterprises loan	*(18 868)*	*(6 157)*			
Celtic Asset Management	23	0	3M WIBOR	1,55%	on demand
IMES	3 063	43	3M WIBOR	1,55%	26.03.2020
Smart City	4	0	3M WIBOR	1,55%	on demand
	422 828	**51 280**			

According to the intention of the Board, granted loans will be repaid in the period from 3 to 5 years.
The maximum credit risk associated with loans and trade receivables is equal to their carrying value.
Granted loans are not secured.

29.8 Impairment loss on investments in subsidiaries

Impairment loss in value of shares as at 31.12.2014	**337 000**
Impairment for the period 01/01/15-30/09/15	0
Impairment loss in value of shares as at 30.09.2015	**337 000**
Impairment loss on loans as at 31.12.2014	**110 108**
Impairment for the period 01/01/15-30/09/15	11 666
Impairment loss on loans as at 30.09.2015	**121 774**
Total impairment loss on investments in subsidiaries	**11 666**

29.9 Trade receivables and other receivables

	30/9/2015	31/12/2014
Trade receivables from related parties	137	74
Short-term loans (related party):	448	0
- loan	16 007	15 961
- interest	4 768	4 366
- Impairment	(20 328)	(20 328)
Input VAT surplus	2	9
Other receivables from other parties	60	16
Accrued costs	22	5
	668	**104**

Details of the loans granted to related parties

Related party	**Principal amount**	**Accrued interest**	**Interest Rate**	**Margin**	**Maturity**
Mandy Investments	16 007	4 768	3M WIBOR	1,55%	on demand
Impairment on Mandy Investments loan	*(15 961)*	(4 366)			

29.10 Borrowings, including financial leasing

	30/9/2015	31/12/2014
Loans from related parties	12 884	12 769
	12 884	**12 769**

Loan commitments as at 30 September 2015 relate to a loan received from the subsidiary Lakia Enterprises (principal 7 771 thousand PLN, interest 1 781 thousand PLN) and loans received from a subsidiary Lakia Investments (principal 3 159 thousand PLN , interest: 143 thousand PLN). The interest rate on the loan from a subsidiary Lakia Enterprises is Wibor 3M + margin 0.50%, of the subsidiary Lakia Investments is Wibor 3M + margin 1.55%.

29.11 Earnings per share

	1/7/2015 - 30/9/2015	1/7/2014 - 30/9/2014	01/01/2015 - 30/9/2015	1/1/2014 - 30/9/2014
Profit attributable to the shareholders in the parent company	5 011	11 325	3 024	3 524
Weighted average number of ordinary shares (in '000)	32 863	34 596	32 863	34 596
Earnings per share	0,15	0,33	0,09	0,10
Diluted profit attributable to shareholders	(394)	11 325	(2 381)	3 524
Weighted average number of ordinary shares (in '000)	42 654	34 596	42 654	34 596
Diluted earnings per share	(0,01)	0,33	(0,06)	0,10

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim financial statements

29.11 Earnings per share - cont

The issuance of bonds convertible into shares by CPD contributed to the dilution of profit. The amount of adjustment of the result was affected by the amount of interest (PLN 1.740 ths), valuation of bonds as at the balance sheet date (PLN -131 ths) and the valuation of the embedded derivative instrument (PLN -8.282 ths). These amounts will be reduced by the income tax to be paid in the future.

The weighted average number of shares was adjusted due to the possible exercise of right to convert bonds convertible into shares (not more than 9.791.360 shares). The weighted average number of shares amounted to 42.654 ths.

29.12 Bonds issued

	30/9/2015	31/12/2014
a) Bonds A series		
Face value of convertible bonds issued on 26 September 2014	22 966	22 966
Capital part	27 909	27 909
Debt part on the initial recognition date of 26 September 2014	**50 875**	**50 875**
Cost of accrued interest	2 363	623
Valuation at the reporting date	346	476
Valuation of the embedded derivative	(17 377)	(9 094)
Valuation as at Sept 30, 2015	**36 207**	**42 880**

Bondholder	30/9/2015	31/12/2014
Weyerhaeuser Company Master Retirement Trust	1	0
Laxey Investors Limited	0	1
LP Alternative LP by Laxey Partners (GP3) as General Partner	7	7
Laxey Partners Ltd	1	1
LP Value Ltd	7	7
Laxey Universal Value LP By Laxey Partners (GP2) as General Partner	1	1
The Value Catalyst Fund Limited	13	13
QVT Fund LP	17	17
Quintessence Fund LP	3	3
Lars E Bader	7	7
Co-op	33	33
Furseka	17	17
Broadmeadow	3	3

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim financial statements

29.12 Bonds issued - cont.

The Management Board adopted the resolution on allocation of Tranche I of A-series convertible bonds on 26 September 2014. The Company therefore issued Tranche I convertible bonds. The date of repurchase of Tranche I bonds falls on 26 September 2017. The issuance of Tranche I bonds was a non-public one as per Art. 9 (3) of the Act on Bonds pursuant to the resolution of Issuer's Management Board No. 3/IX/2014 on issuance of D-series bearer's bonds as a part of the bond issuance scheme.

The face value of one bond amounts to EUR 50,000 (say EUR fifty thousand). The issuance price of one bond amounts to EUR 50,000. The bonds bear interest at a fixed rate of 10% (ten per cent) per annum from the Bond Issuance Date. The Company will repurchase the bonds on the day falling 3 years after the issuance date, i.e. 27 September 2017, subject to early repurchase cases, if an Event of Breach of terms of issuance of bonds by the Issuer occurs.

The embedded derivative results from:
a) holder's right to convert the bonds into shares at a fixed rate
in the period from 26 September 2015 to 5 days before the repurchase date, i.e. 22 September 2017;
b) currency cap option concerning translation of the liability into shares on the conversion date at the EUR/PLN exchange rate of the same day
not exceeding, however, EUR 1 = PLN 4.1272.

	30/9/2015	31/12/2014
b) Bonds B series		
Nominal value	29 552	0
Cost of accrued interest	591	0
Valuation of the embedded derivative	52	0
Value as at 30 September 2015	**30 195**	**0**

On January 13, 2015, the Company issued a total of 30,000 covered bonds series B Bonds was carried out in the manner specified in Art. 9 Section 3 of the Act on Bonds, ie. Within the framework of a private placement.
The bonds were issued on the following conditions:
• The Issuer did not specify the purpose of issuing the meaning of the Act on Bonds, also did not specify the project to be financed from the issuance of the Bonds.
• The issued bonds are bearer bonds series B with a nominal value of PLN 1,000 each, protected, not having the form of a document.
• The total nominal value of all issued Bonds is not more than 30,000,000 PLN.
• The nominal value of one bond equals PLN 1,000. The issue price of one Bond is equal to its nominal value and amounts to PLN 1,000.
• Bonds will be redeemed by the Company on the date falling four years after the date of issue of the Bonds, ie. On January 13, 2019 years (the "Redemption Date") - except for cases of early early redemption of the Bonds in the event of breaches by the Issuer conditions under which The bonds were issued or at the request of the Issuer.
• The bonds bear interest at a fixed interest rate of 9.1% per annum.
• If the Issuer to redeem the bonds earlier in the event of infringement cases at the request of the Bondholder or at the request of the Issuer of the Bonds will be redeemed on the Redemption Date and will be made by payment of an amount equal to the nominal value of the Bonds, plus accrued and unpaid interest on the Bonds.

February 9, 2015 r. The agreement was concluded for the establishment of a registered pledge on shares of Blaise Investments Sp. Z oo, between Lakia Enterprises Limited and Matczuk Wieczorek & Partners Law Firm Advocates and Legal Advisers Sp. J. Acting in his own name but on behalf of the bondholders holding bonds Series B.
Registered pledge was established on 100 shares in the capital of Blaise Investments sp. z o.o., with a nominal value of 50 zł each, representing 100% of the share capital of the company. The nominal value package of 1,000 shares is 50,000 zł.
Registered pledge was established up to the amount of 45,000,000 zł According to a valuation performed by an expert valuer on 26 January 2015.

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim financial statements

29.13 Administrative costs

	1/7/2015 - 30/9/2015	1/7/2014 - 30/9/2014	01/01/2015 - 30/9/2015	1/1/2014 - 30/9/2014
Consultancy services	42	150	227	246
Remuneration	235	209	726	739
Auditor's fee	67	87	68	116
Non-deductible VAT	72	43	142	123
Other services	190	3 297	439	3 499
	606	**3 786**	**1 602**	**4 723**

29.14 Financial income and expenses

	1/7/2015 - 30/9/2015	1/7/2014 - 30/9/2014	01/01/2015 - 30/9/2015	1/1/2014 - 30/9/2014
Interest income:				
- Bank interest	15	2	53	15
Other financial income	102	60	180	597
Financial income from the valuation of the embedded derivative	3 285	0	8 282	0
Net exchange differences	(233)	8	285	13
Financial income	**3 169**	**70**	**8 800**	**625**
Interest expense:				
-Interest from related parties	69	93	214	221
- Bond interest	1 271	0	3 654	0
- Other expenses	11	34	53	36
Financial costs	**1 351**	**127**	**3 921**	**257**

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim financial statements

29.15 Deferred tax

Deffered Tax

Balance at 1 January 2014	**15 237**
Accrued interest on loans	3 002
Accrued interest on bonds	82
Exchange differences	45
Balance at 31 December 2014 - before compensation	**18 366**
Compensation of deferred income tax	(18 366)
Balance at 31 December 2014 - after compensation	**0**
Accrued interest on loans	1 958
Accrued interest on bonds	34
Exchange differences	6
Balance at 30 September 2015 - before compensation	**20 364**
Compensation of deferred income tax	(20 364)
Balance at 30 September 2015 - after compensation	**0**

Deffered Tax Asset

Balance at 1 January 2014	**15 237**
Impairment on loans	2 552
Uninvoiced costs	21
Holiday reserve	18
Accrued interest on loan received	334
Accrued interest on bonds	119
Exchange differences	85
Balance at 31 December 2014 - before compensation	**18 366**
Compensation of deferred income tax	(18 366)
Balance at 31 December 2014 - after compensation	**0**
Impairment on loans	1 477
Uninvoiced costs	(21)
Accrued interest on loan received	37
Accrued interest on bonds	442
Exchange differences	66
Holiday reserve	(3)
Balance at 30 September 2015 - before compensation	**20 364**
Compensation of deferred income tax	(20 364)
Balance at 30 September 2015 - after compensation	**0**

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim financial statements

29.16 Cash flow from operating activities

	01/01/2015 - 30/9/2015	1/1/2014 - 30/9/2014
Profit/loss before tax	3 024	3 524
Adjustments for:		
– f/x dfferences	(8 342)	(10)
– depreciation of tangible assets	6	4
– loan conversion	0	6 367
– loan interest conversion	0	1 502
– interest costs	3 900	252
– interest income	(11 714)	(14 043)
– impairment on shares	0	7 643
– imapirment on loans	11 990	(4 126)
– loan amortization	0	3 174
– loan interest amortization	0	2 730
Changes in equity:		
- changes in receivables	(118)	(4 138)
- change in trade liabilities and other	(227)	4 193
	(1 481)	**7 072**

29.17 Related party transactions

CPD S.A. does not have a direct parent or parent senior. Coöperatieve Laxey Worldwide W.A. is a major investor.

CPD also concludes transactions with key managers and other affiliates controlled by the key managers of the Group.

These interim condensed consolidated financial statements include the following balances resulting from transactions with related parties:

a)Transactions with key management personnel	1/7/2015 - 30/9/2015	1/7/2014 - 30/9/2014	01/01/2015 - 30/9/2015	1/1/2014 - 30/9/2014
Remuneration of members of the Supervisory Board	77	60	236	179
The cost of the salaries of the members of the Board	62	60	152	180
b) Transactions with significant investor				
Loan granted to Laxey Worldwide W.A.			324	319
Impairment on Laxey Worldwide W.A. loan			*(324)*	*(319)*

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim financial statements

c) Transactions with subsidiaries	1/7/2015 - 30/9/2015	1/7/2014 - 30/9/2014	01/01/2015 - 30/9/2015	1/1/2014 - 30/9/2014
Revenue				
1/95 Gaston Investments	0	23	0	83
2/124 Gaston Investments	24	21	71	61
3/93 Gaston Investments	23	20	64	59
4/113 Gaston Investments	48	56	139	167
5/92 Gaston Investments	28	25	78	72
6/150 Gaston Investments	19	17	57	49
7/120 Gaston Investments	13	13	37	36
8/126 Gaston Investments	39	37	111	105
9/151 Gaston Investments	8	8	24	24
10/165 Gaston Investments	16	10	37	30
11/162 Gaston Investments	10	9	28	26
12/132 Gaston Investments	27	26	79	75
13/155 Gaston Investments	26	26	75	75
15/167 Gaston Investments	15	13	42	39
16/88 Gaston Investments	4	3	11	10
18 Gaston Investments	25	21	74	59
19/97 Gaston Investments	4	4	12	12
20/140 Gaston Investments	5	5	14	14
Blaise Gaston Investments	49	37	132	106
Blaise Investments	199	267	621	796
Belise Investments	107	315	546	936
Buffy Holdings No1 Ltd	1 008	1 193	3 062	3 556
Celtic Asset Management	0	12	0	35
Celtic Investments Ltd	3	4	10	13
Challange 18	1 347	2 234	4 134	5 190
Antigo Investments	41	50	122	147
East Europe Property Financing AB	0	0	0	67
Elara Investments	27	34	82	100
Gaetan Investments	0	89	0	280
Gaston Investments	(197)	86	226	200
Hub Developments	20	33	60	70
Lakia Enterprises Ltd	420	379	1 088	768
Mandy investments	132	226	402	507
Robin Investments	0	19	0	59
Smart City Sp. z o.o.	0	0	0	0
IMES	23	0	43	0
Costs				
Lakia Investments	26	30	79	33
Lakia Enterprises Ltd	44	63	135	188

Liabilities	30/9/2015	31/12/2014
Lakia Enterprises Ltd	9 582	9 546
Lakia Investments	3 302	3 223

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim financial statements

29.17 Related party transactions - cont.

Receivables	30/9/2015	31/12/2014
Smart City Spółka Komandytowa (previously 1/95 Gaston Investments)	0	20
2/124 Gaston Investments	3 366	2 528
3/93 Gaston Investments	3 127	2 151
4/113 Gaston Investments	6 828	6 117
5/92 Gaston Investments	4 301	2 672
6/150 Gaston Investments	2 778	2 244
7/120 Gaston Investments	1 846	1 388
8/126 Gaston Investments	5 461	4 149
9/151 Gaston Investments	1 212	901
10/165 Gaston Investments	2 145	1 122
11/162 Gaston Investments	1 396	967
12/132 Gaston Investments	3 857	2 824
13/155 Gaston Investments	3 734	2 786
15/167 Gaston Investments	2 013	1 393
16/88 Gaston Investments	559	420
18 Gaston Investments	3 542	2 629
19/97 Gaston Investments	610	465
20/140 Gaston Investments	700	533
Antigo Investments	5 552	5 180
Impairment on Antigo Investments loan	(263)	(263)
Blaise Gaston Investments	6 827	4 237
Blaise Investments	29 157	29 493
Belise Investments	19 057	39 435
Impairment on Belise Investments loan	0	(6 237)
Buffy Holdings No1 Ltd	193 737	166 809
Impairment on Buffy Holdings No1 Ltd loan	(68 110)	(59 213)
Celtic Asset Management	23	0
Celtic Investments Ltd	1 812	1 768
Impairment on Celtic Investments Ltd loan	(1 632)	(1 632)
Lakia Enterprises Ltd	57 572	38 486
Impairment on Lakia Enterprises Ltd loan	(25 025)	(15 233)
Challange 18	196 485	197 390
Elara Investments	3 428	3 252
Impairment on Elara Investments loan	(2 887)	(2 887)
Gaston Investments	8 642	8 965
Impairment on Gaston Investments loan	(3 421)	(3 879)
Hub Developments	2 678	2 648
Impairment on HUB Developments loan	(110)	(110)
IMES	3 106	0
Smart City	4	*0*
Mandy investments	20 775	20 328
Impairment on Mandy Investments loan	(20 328)	(20 328)

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim financial statements

29.17 Related party transactions - cont.

d) Transactions with other related parties

	1/7/2015 - 30/9/2015	1/7/2014 - 30/9/2014	01/01/2015 - 30/9/2015	1/1/2014 - 30/9/2014
Costs				
Kancelaria Radców Prawnych Oleś&Rodzynkiewicz sp. komandytowa	2	112	23	122

29.18 Share capital

At the reporting date share capital amounted to 3.286 thousand PLN. Until the date of this report, there were no changes in the share capital.

Warsaw, 13 November 2015 r.