ANNUAL REPORT 2013

Celtic

CELTIC PROPERTY DEVELOPMENTS S.A.

CONSOLIDATED ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2013

TRANSLATORS' EXPLANATORY NOTE

The following document is a free translation of the CELTIC PROPERTY DEVELOPMENTS S.A Consolidated Annual Report published on April 18, 2014.

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.

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SUPERVISORY BOARD

I. SUPERVISORY BOARD OF CELTIC PROPERTY DEVELOPMENTS S.A.

As at the day of the report publication, the Supervisory Board of Celtic Property Developments S.A. included the following persons:

- **MS MARZENA BIELECKA – PRESIDENT OF THE SUPERVISORY BOARD (SUPERVISORY BOARD MEMBER MEETING THE REQUIREMENTS OF INDEPENDENT MEMBER OF THE SUPERVISORY BOARD)**

Ms Marzena Bielecka was appointed to the Supervisory Board of the second term on 24 May 2012. The term of office of Ms Marzena Bielecka expires on 24 May 2015. Ms Marzena Bielecka has a higher education degree, she graduated from the University of Warsaw, Faculty of Polish and Slavonic Philology (major: Yugoslav Philology). Marzena Bielecka is a graduate of the Advanced Management Program conducted by IESE Barcelona, Universidad de Navarra in Spain.

- **MR WIESŁAW OLEŚ – VICE PRESIDENT OF THE SUPERVISORY BOARD**

Mr Wiesław Oleś was appointed to the Supervisory Board of the second term on 24 May 2012. The term of office of Mr. Wiesław Oleś expires on 24 May 2015. Mr. Wiesław Oleś has a higher education degree in law, he graduated from the Faculty of Law and Administration of the Jagiellonian University in Kraków (major: Law). Mr Wiesław Oleś is licensed legal advisor.

- **MR MIROSŁAW GRONICKI – MEMBER OF THE SUPERVISORY BOARD (SUPERVISORY BOARD MEMBER MEETING THE REQUIREMENTS OF INDEPENDENT MEMBER OF THE SUPERVISORY BOARD)**

Mr Mirosław Gronicki was appointed to the Supervisory Board of the second term on 24 May 2012. The term of office of Mr Mirosław Gronicki expires on 24 May 2015. Mr. Mirosław Gronicki has a higher education degree in economics, he graduated from the Faculty of Economics of Maritime Transport at the University of Gdansk in Gdansk (major: the economics of maritime transport). Mr Mirosław Gronicki has also acquired the PhD in economics at the Faculty of Economics of the Production at the University of Gdansk.

- **MR ANDREW PEGGE – MEMBER OF THE SUPERVISORY BOARD**

Mr Andrew Pegge was appointed to the Supervisory Board of second term on 24 October 2013. The term of office of Mr Andrew Pegge expires on 24 May 2015. Mr Andrew Pegge has a higher education degree. He graduated from Sussex University (United Kingdom) and has completed postgraduate studies in marketing in the Chartered Institute of Marketing (United Kingdom) as well as the MBA (Finance) in City University Business School (United Kingdom). Mr Andrew Pegge holds also qualifications of Chartered Financial Analyst (CFA) of the Association for Investment Management Research (USA).

- **MR WIESŁAW ROZŁUCKI - MEMBER OF THE SUPERVISORY BOARD (SUPERVISORY BOARD MEMBER MEETING THE REQUIREMENTS OF INDEPENDENT MEMBER OF THE SUPERVISORY BOARD)**

Mr Wiesław Rozłucki was appointed to the Supervisory Board of the second term on 24 May 2012. The term of office of Mr Wiesław Rozłucki expires on 24 May 2015. Mr Wiesław Rozłucki graduated from Warsaw School of Economics (former SGPiS) – Faculty of Foreign Trade (1970). In 1977 he was conferred the PhD degree in Economic Geography. Between 1973 and 1989, Mr Rozłucki was a research worker at the Institute of Geography and Spatial Development of the Polish Academy of Sciences (PAN), and subsequently, the Secretary of the Polish Committee of the International Geographical Union. In 1979-80 he studied at the London School of Economics. Since 1990, he was responsible for ownership change processes, first as an advisor to the Minister of Finance, then as the Director of the Capital Markets Development Department in the Ministry of Ownership Change. Between 1991 and 1994, Mr Rozłucki was a member of the Polish Securities Commission. From 1991 to 2006, he was the President of the Management Board of the Warsaw Stock Exchange as well as Chairman of the Supervisory Board of the National Depository for Securities. In the 1990s, Mr Rozłucki was a member of the Economic Development Council to President of the Republic of Poland. He was also a member of the World Federation of Exchanges (WFE), the Federation of European Securities Exchanges (FESE). Currently, Mr Rozłucki is a Supervisory Board member of public companies: GPW Orange Polska, Bank BPH, TVN; as well as the Good Practices Committee established in 2001. He is Chairman of the Programming Board of the Polish Institute of Directors and of the Harvard Business Review Polska. He provides consulting services, acting as a senior adviser to Rothschild and Warburg Pincus. Since 2011, he has chaired the Chapter of the Polish President's Economy Award. Mr. Wiesław Rozłucki was honoured with Polish Commander Cross with the Star of the Order of Rebirth of Poland and French distinction L'Ordre National du Mérite.

In comparison to the status at the end of 2012, the composition of Supervisory Board of Celtic Property Developments S.A. changed as follows:

- On 24 September 2013 Mr Colin Kingsnorth resigned from his function in the Company's Supervisory Board with effect on the commencement of the General Meeting, the agenda of which included an item regarding personal changes in the Company's Supervisory Board, and which was held on 24 October 2013. On 25 September 2013, the Company's Supervisory Board adopted a resolution appointing Mr Colin Kingsnorth to hold the function of a Member of the Company's Management Board. Mr Colin Kingsnorth's mandate as a Member of the Company's Management Board commenced on 24 October 2013;
- On 24 October 2013 Mr Andrew Pegge was appointed as a Member of the Company's Supervisory Board, who resigned from his function as a Member of the Company's Management Board on 24 September 2013.

LETTER OF THE PRESIDENT OF THE MANAGEMENT BOARD

II. LETTER OF THE PRESIDENT OF THE MANAGEMENT BOARD

Warsaw, 18 April, 2014

DEAR SIRS AND MADAMS, DEAR SHAREHOLDERS,

We present to you the Annual Report of Celtic Group for the year 2013. For the Group that year was primarily another year of consistent implementation of the assumed strategic goals and continuation of the commenced undertakings, although the implementation of the main goal of the Group in Ursus was postponed again.

When pursuing the strategy of concentration on the Ursus project, we consistently reduced the number of inactive real estates and projects, striving for further reduction of the Group's operating costs and achievement of return for the Shareholders as soon as possible. As part of those actions, we sold a real estate in Warsaw's Wola district at Jana Kazimierza 12/14 street, we completed the sales of plots in Magdalenka, and we finally accomplished the winding-up process of our operating company in Hungary.

In 2013, we also took actions aimed to maximise revenue from lease. We mainly continued the commercialisation of IRIS office building at Cybernetyki 9 street in Warsaw, which was delivered in the fourth quarter of 2012, and we managed to maintain a high coefficient of the leased area in other office buildings held by the Group: Solar at Cybernetyki 7B street and Aquarius at Połczyńska 31A street in Warsaw.

The above-described activities contributed to maintaining its stable financial position and timely fulfil its obligations towards all Celtic Group's stakeholders.

Although it did not bring the final decision of the authorities of the capital city of Warsaw regarding the Master Plan for the land of the former ZPC Ursus, 2013 was a year of significant progress in proceedings over the Plan's approval. The approval of the Master Plan for the land of the former ZPC Ursus, where the Group acquired over 58 hectares of land in 2006, by the authorities of the capital city of Warsaw is crucial for the further development of the Group, and the absence of such a decision prevents the Group from launching the project under the initially planned, integral urban and architectural concept. As was mentioned above, the councillors of the capital city of Warsaw made a considerable progress in proceeding over the enactment of the Master Plan by making a decision to divide the Master Plan into three parts in July 2013: the major part constituting over 95% of the Plan area and two other parts with plots whose owners had caused the revocation of the Land Use Plan. The decision reconciles the standpoints of the interested entities and environments and provides grounds for the assumption that the Plan will be enacted within months.

In its pursuit of reducing the negative effect of the Ursus project on the Group's financial results and of providing the Shareholders with return on investment as soon as possible, the Group is still intending to break down the Ursus project into smaller units and to implement them in cooperation with other developers in the context of the integral urban and architectural concept. These actions, along with the works on the technical infrastructure in Ursus and further conceptual and design as well as clean-up works are aimed at hastening the commencement of the implementation of the entire project and, in consequence, generation of from sales revenue.

The decisions regarding the Master Plan for Ursus made by the councillors of the capital city of Warsaw in July 2013 permit a slightly more optimistic outlook on 2014, which – we believe – will be the year in which the Plan will be finally approved and the Ursus project will be commenced.

Further postponement of the Ursus project is an essential factor which influenced the evolution of the Company's share price in 2013. Due to the fact that, in the opinion of the Management Board, market valuation diverges from the fundamentals of the Company's value growth in the long term, the Company's shares were acquired in April 2013, which was the best solution for all shareholders in these market conditions.

Given all the above considerations, I would like to express acknowledgments to our Shareholders for another year of their confidence and maintenance of their shareholdings in Celtic Property Developments S.A. at a stable level. I would like once again to express my gratitude to our Employees and Associates for their commitment to the projects of Celtic Group, and to all our Clients for their trust. I would also like to thank all members of Celtic Property Developments S.A. Supervisory Board for their commitment to building the Group's position.

YOURS SINCERELY,

ELŻBIETA WICZKOWSKA
PRESIDENT OF THE MANAGEMENT BOARD
OF CELTIC PROPERTY DEVELOPMENTS S.A.

MANAGEMENT BOARD

III. MANAGEMENT BOARD OF CELTIC PROPERTY DEVELOPMENTS S.A.

As at the day of the publication hereof, the Management Board of Celtic Property Developments S.A. included the following persons:

- **MS ELŻBIETA WICZKOWSKA – PRESIDENT OF THE MANAGEMENT BOARD**

Ms Elżbieta Wiczkowska was appointed to the Management Board of second term on 28 August 2010. On 25 September 2013, the Company's Supervisory Board entrusted Ms Elżbieta Wiczkowska with the function of the President of the Company's Management Board. The term of office of Ms Elżbieta Wiczkowska expires on 21 July 2015. Ms Elżbieta Wiczkowska has a higher education degree in medicine. She completed medical studies at Physicians Faculty of the Medical Academy in Szczecin. Ms Elżbieta Wiczkowska has an MBA diploma from the University of Illinois at Urbana-Champaign (USA). She has also completed Executive Advanced Management Program at IESE Barcelona Universidad de Navarra in Spain. Ms Elżbieta Wiczkowska holds qualifications of the ACCA (The Association of Chartered Certified Accountants).

- **MR COLIN KINGSNORTH – MEMBER OF THE MANAGEMENT BOARD**

Mr Colin Kingsnorth was appointed to the Management Board on 24 October 2013. The term of office of Mr Colin Kingsnorth expires on 21 July 2015. Mr Colin Kingsnorth has a higher education degree in economics (BSc), he graduated from the University of East London UEL (Great Britain). Mr Colin Kingsnorth is a member of the UK Society of Investment Professionals.

- **MS IWONA MAKAREWICZ – MEMBER OF THE MANAGEMENT BOARD**

Ms Iwona Makarewicz was appointed as a Member of the Management Board of second term on 26 September 2013. The term of office of Ms Iwona Makarewicz expires on 21 July 2015. Ms Iwona Makarewicz has a higher education degree being a graduate of the Warsaw School of Economics (Poland); she completed a post-graduate programme in Property Appraisal and Management w Sheffield Hallam University (Great Britain) and a post-graduate programme in property appraisal at the Warsaw University of Technology (Poland); she is a member of the Royal Institute of Chartered Surveyors and she holds the title of a licensed real estate agent.

- **MR PIOTR TURCHOŃSKI – MEMBER OF THE MANAGEMENT BOARD**

Mr Piotr Turchoński was appointed as a Member of the Management Board of second term on 26 September 2013. The term of office of Mr Piotr expires on 21 July 2015. Mr Piotr Turchoński has a higher education degree being a graduate of the Silesian University of Technology, where he completed his studies at the faculty of construction in civil engineering; he completed a post-graduate programme in management at the Warsaw School of Economics and a post-graduate programme in investment also at the Warsaw School of Economics; additionally, he completed a business BA program at Cavendish College (London); he hold the RICS title obtained in the Royal Institute of Chartered Surveyors (Great Britain) and the CCIM title obtained in the American Real Estate Institute (the United States of America).

In comparison to the status at the end of 2012, the composition of the Management Board of Celtic Property Developments S.A. changed as follows:

- On 17 September 2013, Mr Andrew Shepherd, holding the function of the President of the Company's Management Board, resigned from his function with effect on 17 September 2013. Mr Andrew Shepherd did not state the reasons for his resignation;

- On 17 September 2013, Mr Aled Rhys Jones, holding the function of a Member of the Management Board, resigned from his function with effect on 17 September 2013. Mr Aled Rhys Jones did not state the reasons for his resignation;
- On 24 September 2013, Mr Andrew Pegge, holding the function of a Member of the Management Board, resigned from his function with effect on the end of 24 September 2013. Mr Andrew Pegge did not state the reasons for his resignation. Mr Andrew Pegge was appointed as a Member of the Company's Supervisory Board on 24 October 2013.
- As of 26 September 2013, Ms Iwona Makarewicz and Mr Piotr Turchoński commenced their functions as Members of the Management Board;
- As of 24 October 2013, Mr Colin Kingsnorth commenced his function as a Member of the Management Board.

IV. INFORMATION ON THE PARTICIPATION OF MEN AND WOMEN IN THE MANAGEMENT BOARD AND SUPERVISORY BOARD

Celtic Property Developments S.A., according to the *Good Practices of the Companies Listed on the Warsaw Stock Exchange* (Chapter II.1.2a) presents below the information about the participation of women and men, respectively, in the Management Board and Supervisory Board of the Company during past two years.

Supervisory Board of Celtic Property Developments S.A.

As at:	Women	Men
31 December 2012	1	4
31 December 2013	1	4

Management Board of Celtic Property Developments S.A.

As at:	Women	Men
31 December 2012	1	2
31 December 2013	2	2

V. MANAGEMENT BOARD'S REPORT ON THE GROUP'S ACTIVITY

1. INFORMATION ON CELTIC GROUP

Celtic 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.

Today, Celtic Property Developments 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. GROUP STRUCTURE

As of the day of publication hereof, the Celtic Group (hereinafter referred to as "the Group", "Celtic Group") was composed of a dominant entity – Celtic Property Developments 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 - Celtic Property Developments 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. Celtic Property Developments 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 Celtic Group structure:

- In May 2013, the winding-up process of Celtic Asset Management Sp. z o.o. was commenced. As of the day of publication hereof, the process was not completed;
- In July 2013, the winding-up process of the subsidiary Celtic Property Developments Kft with its registered office in Budapest (Hungary), which was commenced in August 2012, was completed.

Moreover, in July 2013, the Company's Management Board adopted a resolution regarding the winding-up of the following subsidiaries:

- Mandy Investments Sp. z o.o. – in connection with the sales of the only real estate owned by the company, located at Jana Kazimierza 12/14 street in Warsaw, in June 2013;
- 14/119 Gaston Investments Sp. komandytowa - in connection with the sales of the real estate;
- Gaetan Investments Sp. z o.o. – in connection with the approaching finalisation of the sales of all plots owned by the company.

In order to further optimize administrative costs, the winding-up of East Europe Property Finance AB is also planned.

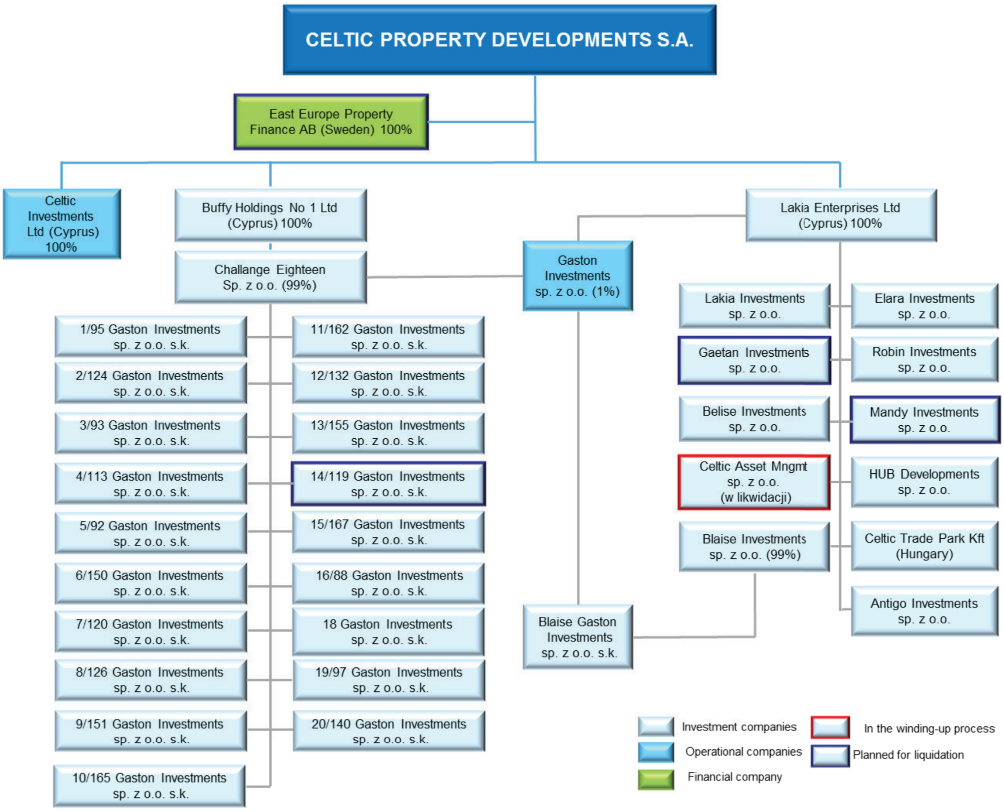
In the reporting period, the internal structure of the Group changed with respect to ownership in subsidiaries as follows:

- In February 2013, the Company's Management Board became aware of a transaction resulting in changes of shareholders and number of shares owned by them in the company CELTIC (Italy) S.r.l. based in Milan, Italy. 100% of shares in CELTIC (Italy) S.r.l., with total nominal value of EUR 10,000 were owned by Celtic Investments Limited, based in Nicosia, Cyprus, a subsidiary of Celtic Property Developments S.A. As a result of the transaction, as of the day of publication hereof Celtic Property Developments S.A. and its subsidiaries did not have shares in CELTIC (Italy) S.r.l.;
- In October 2013, the Company made a transaction resulting in changes in shareholders and shares to which they are entitled in Gaston Investments Sp. z o.o. To that date, 100% of shares in Gaston Investments, with the total nominal value of PLN 50,000, had been held by Celtic Investments Limited, with its registered office in Nicosia in Cyprus, being a subsidiary of Celtic Property Developments S.A. As a result of the transaction, 100% of shares in Gaston Investments Sp. z o.o., with the total nominal value of PLN 50,000, are held by Lakia Enterprises Ltd.

The above changes are compliant with the Group's strategy, which is oriented towards concentration of actions on the Ursus project, sales of inactive projects from the portfolio, and simplification of the Group's structure, and optimisation of its operation costs.

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

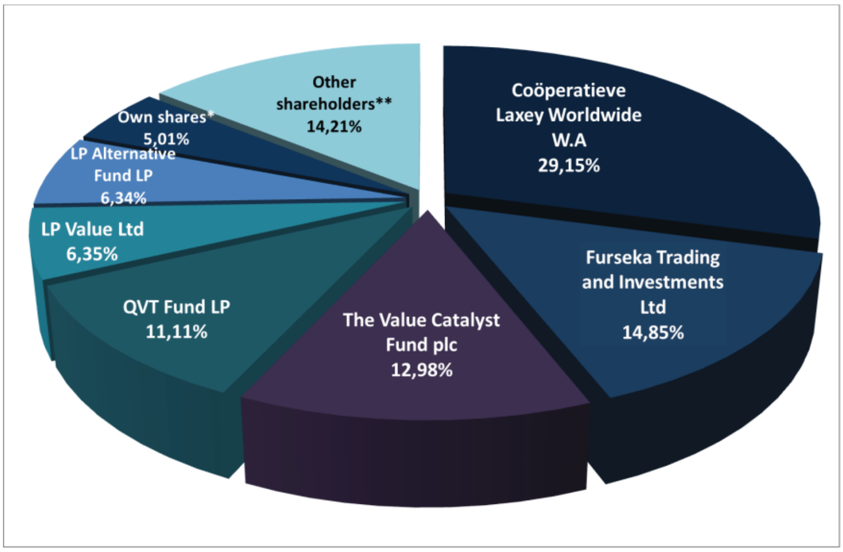
Celtic Group structure on the day of the report publication.



3. SHAREHOLDERS

- **CONTROLLING SHARES**

CELTIC PROPERTY DEVELOPMENTS S.A. SHAREHOLDING STRUCTURE



**On 15 Apr 2013, the Company acquired 1,732,394 own shares as part of a buy-back transaction for the purpose of redemption. The Company, in accordance with applicable laws, may not exercise voting rights from own shares.*

*** The shareholders, none of whom holds 5% or more votes.*

According to the information held by the Company in the reporting period, the shareholders who hold directly or indirectly through subsidiaries at least 5% of the total number of votes at the Company's General Meeting of Shareholders (the number of shares provided on the basis of shareholders' notices pursuant to Article 69 of the Act on Public Offering or the data included in the prospectus) are:

Shareholders	Number of shares	Type of shares	Number of votes	As % of total number of shares	As % of total number of votes
Coöperatieve Laxey Worldwide W.A	10 082 930	Bearer shares	10 082 930	29,15%	29,15%
Furseka Trading and Investments Ltd	5 137 222	Bearer shares	5 137 222	14,85%	14,85%
The Value Catalyst Fund plc	4 490 475	Bearer shares	4 490 475	12,98%	12,98%
QVT Fund LP	3 843 635	Bearer shares	3 843 635	11,11%	11,11%
LP Value Ltd	2 198 450	Bearer shares	2 198 450	6,35%	6,35%
LP Alternative Fund LP	2 193 931	Bearer shares	2 193 931	6,34%	6,34%
Own shares	1 732 394	Bearer shares	1 732 394 *	5,01%	5,01% *

**On 15 Apr 2013, the Company acquired 1,732,394 own shares as part of a buy-back transaction for the purpose of redemption. The Company, in accordance with applicable laws, may not exercise voting rights from own shares.*

The above shareholding structure is presented in relation to the total number of shares amounting to 34,595,597 shares and including shares of B, C, D, E and F series, which represent 100% of votes at the General Meeting of the Company.

On 30 August 2013, the Company was notified by procedure defined in Article 69 par. 1 subpar. 1) and par. 2 subpar. 2) in connection with the transaction made between Horseguard Trading Ltd and a subsidiary of Horseguard Trading Ltd., i.e. Furseka Trading and Investments Ltd. In the package transaction outside session settled on 30 August 2013, Horseguard Trading Ltd. disposed of 5,137,222 shares of Celtic Property Developments S.A. entitling to 5,137,222 votes for the Company's General Meeting for its subsidiary, Furseka Trading and Investments Ltd., whereby Horseguard Trading Ltd. held indirectly the Company's shares. On 9 September 2013, Horseguard Trading Ltd. sold 100% of its shares in Furseka Trading and Investments Ltd. As a result of this transaction, Horseguard Trading Ltd. does not hold any Company's shares indirectly or directly since 9 September 2013.

- **SHAREHOLDERS WITH SPECIAL RIGHTS**

All shares issued by the Company are ordinary bearer shares. The Company's Articles does not grant any specific rights to the Company shares, including the preferential vote or the appointment of the members to the Company Management Board or Supervisory Board. The Company's shareholders do not own shares offering special controlling rights.

- **RESTRICTIONS ON VOTING RIGHTS**

In accordance with Article 4(5) of the Company's Articles, neither pledgee nor user shall have the right to exercise voting right from shares which were pledged or given for use. On 15 April 2013, the Company acquired 1,732,394 own shares as part of a buy-back transaction for the purpose of redemption. The Company, in accordance with applicable laws, may not exercise voting rights from own shares.

- **RESTRICTIONS REGARDING SHARES TRANSFER**

All hitherto issued B, C, D and F series shares of Celtic Property Developments S.A. are the object of free trade and shall not be subject to any restrictions, except those arising under the Company Articles, Code of Commercial Companies, Act on Trading in Financial Instruments, Act on Public Offering, as well as other relevant provisions of the law. E series shares issued in connection with acquisition of B series subscription warrants by authorised persons (that is by the Members of the Management Board holding functions in the Management Board as at 8 May 2013 and holding B series subscription warrants), are prohibited from disposing same for the period of 18 months from the moment of their admission to trade, i.e. from 5 July 2013 under agreements concluded simultaneously with the acquisition of shares.

In accordance with Article 4(6) of the Company Articles, bearer shares shall not be subject to conversion to registered shares. Conversion of registered shares into bearer shares shall be carried out at the request of the Shareholder by means of a resolution of the Management Board, which should be adopted within seven days from the date of submission of a written request to the Management Board to convert the shares. The request should indicate the number of shares covered by the request for conversion, together with an indication of their numbers. In the case of conversion of registered shares into bearer shares, the Management Board places on the agenda of the forthcoming General Meeting a point regarding the amendment of the Articles in respect of the number of registered shares.

4. CORPORATE GOVERNANCE

- **RULES OF CORPORATE GOVERNANCE**

Celtic Property Developments S.A. is regulated by such corporate regulations as the Company Articles, General Meeting by-laws, Supervisory Board by-laws and Management Board by-laws. All these documents are available on the Company website: www.celtic.pl.

In 2013 the Company applied principles of corporate governance included in the document *Good Practices of the Companies Listed on the Warsaw Stock Exchange*, available on *http://corp-gov.gpw.pl/assets/library/polish/regulacje/dobre_praktyki_16_11_2012.pdf.* This text is an appendix to the resolution of the Council of the Warsaw Stock Exchange No. 19/1307/2012 of 21 November 2012.

- **DEROGATIONS FROM CORPORATE GOVERNANCE RULES**

The Company does not apply the following rules mentioned in the *Good Practices of the Companies Listed on the Warsaw Stock Exchange*:

- *Rule II.1. 9a) regarding the publishing on the company website a record of the General Meeting in audio or video format*

  Transparency of information policy with regard to General Meetings is secured by performing by the Company of all the obligations, as provided for by the Regulation of the Minister of Finance on the current and periodic information reported by issuers of securities. Pursuant to the above mentioned regulation, the Company publishes information about the time and place of General Meetings, its agenda and draft resolutions which allows to each shareholder or other person concerned, participation in the General Meeting. After the end of the General Meeting, the Company immediately presents to the public content of resolutions taken by the General Meeting and other relevant information about the General Meeting. According to the Management Board assessment, the Company uses its reasonable diligence and regulations applied are sufficient to ensure the transparency and effectiveness of Company's information policy in the field of recording the proceedings of the General Meeting with existing, it means traditional, method of registration of the General Meeting. Additionally, each shareholder pursuant the relevant provisions of the Code of Commercial Companies, has the possibility to review at any time the book of protocols of General Meeting.

- *Rule I.12 regarding that a company should enable its shareholders to exercise the voting right during a General Meeting either in person or through a plenipotentiary, outside the venue of the General Meeting, using electronic communication means and Rule IV. 10 regarding that a company should enable its shareholders to participate in a General Meeting using electronic communication means through: 1) real-life broadcast of General Meetings and 2) real-time bilateral communication where shareholders may take the floor during a General Meeting from a location other than the General Meeting.*

  The fact of non-transmission of the deliberations of the General Meeting and of the possibility of two-way communication in real time during the deliberations of the General Meeting, does not result solely from a policy adopted by the Company's Management Board but is a consequence of the adjustment to the regulations being in force in the Company both in terms of the Company Articles and General Meeting by-laws. None of these documents does not provide for the solutions provided in Rules no I.12 and IV.10 of *Good Practices*. The documents governing the way in which the General Meeting is conducted are available to the public on the Company's website which causes that the rules in carrying out the General Meetings are clear and available to all shareholders. In addition, the Company on the occasion of convening of the General Meeting-in the notice of convening the General Meeting-clearly shows that the Company Articles or General Meeting by-laws do not provide for the possibility of attending or speaking at the General Meeting using electronic means of communication – which in some kind is the information about the incidental non-application of *Good Practices*.

  Taking into account the above, it should be considered that Company's shareholders had sufficient grounds to conclude that the Company does not currently apply solutions to broadcast proceedings of General Meetings or to allow the participation of shareholders in General Meetings by using the means of communication at a distance.

  In addition, in the assessment of the Company's Management Board, the current course of General Meetings does not indicate in any way the need to make such transmission, or communications. The Company is not able to provide support for the General Meeting with guarantee of technical safety and legal safety for two-way communication in real time, and in particular the adequacy of the verification of the legitimacy of the shareholder.

The intention of the Company is the continuous compliance with all principles of corporate governance set out in the *Good Practices of the Companies Listed on the Warsaw Stock Exchange*. The Company will undertake all efforts within its capacities for the implementation of all the governance rules arising from the *Good Practices of the Companies Listed on the Warsaw Stock Exchange* as soon as possible.

- **INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS**

The Management Board of the Company is responsible for the Company system of internal control, its effectiveness in the process of the preparation of financial statements and periodic reports prepared and published in accordance with the principles of the Regulation of 19 February 2009 on the current and periodic information reported by issuers of securities.

The assumption of the effective internal control system for the Company's financial reporting is to ensure the adequacy and accuracy of the financial information contained in financial statements and periodic reports. The effective system of internal control and risk management in the process of financial reporting was built through an adequately determined scope of financial reporting as well as through the definition of the entire process, including division of responsibilities and work organisation. The Management Board of the Company also regularly reviews financial results of the Company using the applicable financial reporting.

The Company applies the principle of independent review of the published financial reporting resulting from the laws. Published half-year and annual financial statements, financial reports as well as financial data on which this reporting is based, are reviewed (in the case of the half-yearly reports) and audited (in the case of annual reports) by the Company's auditor.

In accordance with the principles of corporate governance adopted by the Management Board and accepted by the General Meeting of Shareholders, an Audit Committee operates in the Company. In accordance with Article 11(5) of the Company's Articles, when the Supervisory Board operates in 5-members composition, the Audit Committee shall consist of all members of the Supervisory Board.

To further mitigate the Company's exposure to market risks, a correct assessment of the planned development projects as well as the control of current ones are carried out on the regular basis, based on the investment models and decision-making procedures in force in the Company. In order to reduce the risk associated with development projects and rental agreements, the Company obtains guarantees or insurance policies from sub-contractors and tenants that cover the most common risks associated with the development or to secure rental income.

Risk management procedure is subject to periodical updates by the Company's Management Board with the participation of Company's key executives and other external advisors.

- **MANAGEMENT BOARD, SUPERVISORY BOARD, AUDIT COMMITTEE**

The Management Board functions on the basis of the provisions of the Commercial Code, provisions of the Company's Articles and Management Board's by-laws, available to the public and approved by the Supervisory Board's resolution, in accordance with the *Principles of Good Practices of Companies Listed on the Warsaw Stock Exchange.*

The Supervisory Board acts in accordance with the provisions of the Code of Commercial Companies, the provisions of the Company's Articles and Supervisory Board by-laws, available to the public and determining its organization and manner of performance of the activities as well as on the basis of the *Principles of Good Practices of Companies Listed on the Warsaw Stock Exchange.* The Supervisory Board is a collegiate body and consists of 5 (five) to 7 (seven) members. The number of members of the Supervisory Board, in accordance with the provisions of the preceding sentence, shall be determined by the General Meeting of Shareholders.

The Supervisory Board is a permanent body supervising the Company's in all areas of its activities The Supervisory Board shall take the decisions or deliver opinions on matters reserved to its competence in accordance with the provisions of the Company's Articles and according to the mode provided by the Company's Articles and relevant law provisions. The Supervisory Board complied with the condition of having at least two independent members in its composition, in accordance with the criteria of independence laid down in the Company's Articles. Remuneration of the members of the Supervisory Board is established in a transparent manner and did not constitute a significant cost for the Company, affecting its financial result. The amount approved by resolution of the General Meeting was disclosed in paragraph *22. REMUNERATION OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD* of this report.

An Audit Committee was created within the Supervisory Board. The Audit Committee is composed of three to five members, including at least one independent member of the Supervisory Board who is at the same time qualified in field of accounting or auditing. Currently, all members of the Supervisory Board are also members of the Audit Committee.

- **MANAGEMENT BOARD – APPOINTMENT, DISMISSAL, POWERS**

Members of the Management Board are appointed and dismissed by the Supervisory Board. The current term of office of the Management Board runs from 21 July 2010 (i.e. from the date of the General Meeting for 2009 and the appointment of the Management Board of the second term) and ends on 21 July 2015. The term of office of the current Management Board is common and lasts 5 years (§ 13(1) of the Company's Articles). Dismissal or suspension of a member of the Management Board may take place only for significant reasons. Article 368(4) of the Code of Commercial Companies also provides to for the General Meeting's right to dismiss or suspend a member of the Management Board.

The competence to conduct Company's affair is determined by the Management Board's by-laws, approved by the Supervisory Board's resolution. The Management Board is the managing and executive body of the Company and as such it runs the Company's affairs and oversees its activities, manages the business and represents the Company outside. The rights and obligations of the Management Board in particular include:

- fixing the date and the agenda and convening General Meetings;
- submitting motions to the General Meeting, together with the opinion of the Supervisory Board, in matters covered by the agenda of these Meetings
- submitting to the Supervisory Board financial statements and the Management Board's written report on its activities during the accounting period and the motion on the distribution of profit or losses, which documents are subject to consideration at the Ordinary General Meeting;

- adoption of the Company's Organizational Regulations and other internal acts governing the operation of the Company's business;
- creating and adopting Company's annual, long-term and strategic plans;
- establishing procuration and granting powers of attorney;
- applying with the Supervisory Board for convening its meetings,
- applying with the Supervisory Board for the approval of the Management Board by-laws, Company's Organizational Regulations, annual budgets and Company's development plans.

The members of the Management Board are obliged to participate in the General Meeting in the composition which enables to provide substantive answers to the questions asked in the course of the General Meeting.

The Management Board was entitled until 30 August 2013 to increase the Company's share capital within the limits of the authorised capital by an amount not exceeding PLN 2,500,000. The Management Board could perform this authorization by making one or more successive increases in the share capital and the shares could be taken up for both cash and in kind contributions. The Management Board was authorized, with the consent of the Supervisory Board, to deprive shareholders, in whole or in part, of their pre-emptive rights for shares issued on the basis of the aforementioned authorization. D and F series shares were issued as part of the authorised capital. Issues of both series of shares were described in section *18. ISSUES OF SECURITIES, ACQUISITION OF OWN SHARES of this report*.

- **AMENDMENTS TO THE COMPANY ARTICLES**

The Code of Commercial Companies regulates in detail the amendments to the articles of association of a joint-stock company in Chapter 4, 5 and 6 of *Provisions on the joint-stock company* (Article 430 of CCC et seq.). Amendment to the Articles of Association requires decisions taken by the General Meeting.

- **GENERAL MEETING**

The General Meeting is the highest governing body of the Company. The General Meeting acts in accordance with the principles set out in the Code of Commercial Companies, Company's Articles and General Meeting's by-laws. The Articles and rules of procedure of the General Meetings are presented on the Company's website: www.celtic.pl. General meetings can be ordinary or extraordinary. The General Meeting is convened by competent governing bodies or persons whose entitlement derives from the provisions of the law or the Articles. The General Meeting is held at the place and time to facilitate the participation to the widest circle of shareholders. Shareholders having registered shares and temporary rights as well as pledgees and users, having the right to vote if they were registered in the share register at least one week before the date of the General Meeting are entitled to participate in the General Meeting. The principal powers of the General Meeting include decisions on issuance of shares with pre-emptive rights, on determination of the date of rights to dividends and the day of payment of dividends, the appointment and dismissal of the members of the Supervisory Board, establishment of their remuneration as well as on other matters indicated in CCC.

5. CORPORATE SOCIAL RESPONSIBILITY

Celtic Group perceives its activities in the field of developer projects in the broader context of creating a modern, multidimensional urban space, providing new quality of life for residents and users of implemented investments. The Group expresses its responsibility for the environment through the support for various social initiatives, directly or indirectly related to its investment business.

In connection with the intention to implement its major investment project in the area of the former ZPC Ursus and being aware of its role in such a complex project as the renewal of such areas, Celtic Group has been taking initiatives for several years going beyond the scope of typical investment and construction activities.

As part of such actions and under the *Pact for Culture in Ursus*, signed in 2011 by Celtic Group with representatives of Ursus authorities and Arsus Cultural Centre, Celtic Group reduced the lease rate for the Arsus building, to the symbolic amount of PLN 100 per month, which allows the centre to allocate more funds for its statutory activities. The Arsus Centre, operating since 1992, is located at Traktorzystów 14 street on a site belonging currently to Celtic Group. It includes a fully equipped cinema with 500 seats, a room with stage and 120 seats, an "Arsus" basement for alternative activities (concerts, theatre plays, performance), a modern art gallery "Ad-Hoc", as well as clubrooms to conduct artistic amateur activities.

Within corporate social responsibility and awareness of the need to actively participate in creating the public urban space, in 2011 Celtic Group declared also the willingness to transfer ca. 20 ha of land owned by Celtic, located on the area of the former ZPC Ursus, to the authorities of the Capital City of Warsaw free of charge. As a result of sales of some of the land included in the initial pool of 20 ha, as at the day of the publication, this declaration of the Group regards 16.5 ha, 4.8 ha of which would be used for social functions and 11.6 ha for road ones. The value of this land according to the *Forecasts of the financial consequences of the enactment of the Master plan for the post-industrial area in the vicinity of Orłów Piastowskich street* prepared on commission of authorities of Capital City of Warsaw is estimated at approx. PLN 57 million. For the moment being, negotiations with the authorities of the capital city of Warsaw regarding the wording of relevant agreements are in progress.

Apart from the initiatives pursued in Ursus, in 2013 Celtic Group provided support also to Jaworzniacy foundation. "Jaworzniacy" is the name of the Association of Juvenile Political Prisoners in the period 1944-1956, established in 1990. In 1991, a foundation with the same name was also established to aid the neediest members of the Association and "saving truth from oblivion." In 2014, Celtic Group will continue the commenced social initiatives to the extent to which its funds allow, believing that they will bring tangible results both for direct beneficiaries and for communities in which they will be carried out.

6. STRATEGY AND POLICY REGARDING FURTHER GROUP DEVELOPMENT DIRECTIONS

In the coming years, the Group is going to implement a strategy aimed at building the value of the Group's assets successively and consistently through maximisation of proceeds from rents and comprehensive implementation of the Ursus project. As part of implementing strategic assumptions, the Group's actions will primarily focus on launching the Ursus project. In order to hasten the growth in the value of the Group's assets, the Group intends to divide the project in Ursus into smaller projects and implement them in cooperation with experienced housing developers. Simultaneous implementation of several smaller developer undertakings as part of the Ursus project will enable the shortening of the entire project completion time, which will at the same time translate into faster growth in the value of other Group's assets in that region, and permit the achievement of the synergy effect and optimisation of promotion, sales and marketing costs related to those undertakings.

Another significant component of the pursued strategy is striving for operating cost optimisation in the entire Celtic Group. In an attempt to reduce operating costs in the period 2012–2013, foreign operating companies of the Group in Montenegro, Great Britain, Italy and Hungary were sold or wound up. Further operating cost reduction was achieved among others by lowering administration and personnel costs, including the reduction of the Management Board's remuneration. The adopted strategy was reflected in both financial aspect and organisational and capital structure of Celtic Group.

Regardless of the strategic assumptions adopted for the incoming years, the Group does not exclude that in the future it will be interested in acquisitions of other entities of the development sector. Potential targets of acquisitions will be primarily companies holding lands in interesting locations and/or executing projects matching the Group's image.

The overall strategy, as defined above, executed in very demanding market conditions, determined by the overall economic slowdown, the decrease in demand for real estate and more difficult access to the capital, defines the guidelines for each of the areas of Group's activity during next few years and aims at increasing the Shareholders' assets and optimizing their return on investment.

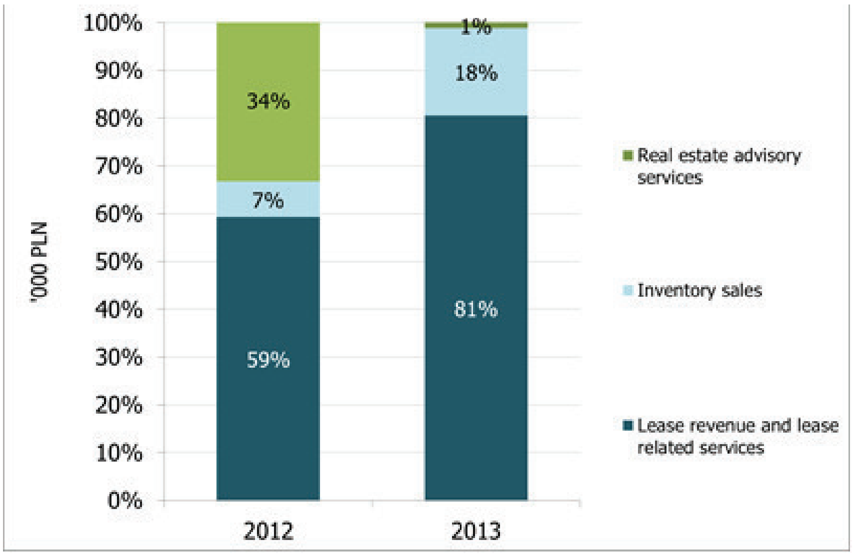
7. CELTIC GROUP ACTIVITIES AND IMPORTANT EVENTS IN THE REPORTING PERIOD

• REVENUES STRUCTURE AND INFORMATION ON PRODUCTS

In 2013, Celtic Group's activities consisted in:

- **development and sale of own developer projects** (residential and commercial), from which the Group achieved revenues from sale of inventories, income from lease and income from lease related services;
- **real estate asset management** for third party operators, from which the Company achieved revenues from real estate advisory services.

Celtic Capital Group structure of revenues



The Group's revenue for year 2013 amounted to PLN 13.9 million. The greatest share in this amount (over 80%) was recorded by lease revenue together with lease-related services. Lease revenue was generated above all by 3 office buildings in Warsaw – Aquarius building at ulica Połczyńska 31A, Solar building at ulica Cybernetyki 7B and IRIS building at ulica Cybernetyki 9 delivered in Q4 2012.

Inventory sales revenue of PLN 2.5 million was generated from the sales of plots in Magdalenka, Jaktorów and Nowa Piasecznica and was twice as high as those in the previous year, accounting for 18% of the Group's revenue. In turn, finalization in year 2012 of advisory projects realised by the Group's foreign companies translated into the decreased share of revenue from advisory activity from 34% in 2012 to 1% in 2013.

- **INFORMATION ABOUT CELTIC GROUP MARKETS, CUSTOMERS AND SUPPLIERS**

The main market of the Celtic Group is Poland, and in particular the Warsaw metropolitan area where ca. 99% (in terms of value) of investments held by the Group are located.

In 2013, the Group's geographical revenue structure reflected the adopted strategy of concentration on the Polish market. In 2013 100% of the Group's revenue was derived from the domestic market, while in 2012 this share amounted to 80%.

Company and Group's customers are divided into two basic groups closely associated with the nature of the projects carried out by Celtic: specialized real estate funds and individual customers. Commercial projects are sold to specialized institutional investors operating on the real estate market. Smaller projects are sold to individual investors. Before the start of sale, the Company commercializes the building. In view of the above, the commercial lessees also represent the indirect customers.

Regarding the fact, that a part of Group's portfolio is intended for residential development, individuals looking for a new flat are also Group's customers. The characteristics of target clientele will depend on individual projects. Until now Celtic has implemented projects intended for individual customers having a higher purchase capacity (Wilanów Classic housing development, Koszykowa 69 apartment house). Having in mind the planned start of the Ursus project, the Company customer base will be extended by persons seeking apartments in the popular segment (at affordable prices), and by developers looking for interesting investment areas. It should be expected that the share of this kind of customers in the Company's portfolio will systematically grow.

Due to the nature of Celtic's business, the main suppliers for the Company and its Group are general contractors, construction companies, engineering companies, architects and design studios, real estate management firms, brokerage offices and legal firms employed within the ongoing investment projects as well as other bodies involved in the process of preparation and implementation of the development process.

- **EVENTS AFFECTING GROUP ACTIVITIES AND FINANCIAL RESULTS**

➢ **COMMERCIALISATION OF IRIS BUILDING AT CYBERNETYKI 9 STREET, WARSAW**

Iris building is a six-storey office building of the total lease area of about 14.3 k sqm together with 233 parking spaces and is the last phase of the office & residential project situated at the junction of Cybernetyki and Postępu streets in Warsaw. In Q3 2012 the construction works were completed and in October 2012 the company obtained the occupation permit. First lessees – companies from Saint-Gobain group – moved in in December 2012. As of the day of publication hereof, active actions are still being executed to commercialise 100% of the building space. The priority of the Company's Management Board is to finish the commercialisation of Iris building and to convert the construction loan into an investment loan in accordance with the schedule. One of the conditions to obtain the loan conversion and thus postponing the final loan repayment for the period up to August 2019 is the achievement of the level of leased area defined in the bank agreement. Therefore, if any grounds occur which might affect the adopted schedule, in order to prevent them the Company's Management Board decided to subsidise the Iris project for the purposes of full commercialisation of the project. In 2013 Celtic Group supported the Iris project with the amount of PLN 1.5 million.

SALE OF THE REAL ESTATE AT JANA KAZIMIERZA 12/14 STREET IN WARSAW

- In accordance with the strategy adopted by the Group, Mandy Investments Sp. z o.o., a subsidiary of Celtic Property Developments S.A., sold the only real estate owned thereby situated at Jana Kazimierza 12/14 street in Warsaw in June 2013. The sale of the above-mentioned real estate generated additional cash proceeds for the Group amounting to PLN 13.1 million net. Due to the fact that the sold real estate was the only real estate owned by Mandy Investments Sp. z o.o., in July 2013, the Company's Management Board adopted a resolution on winding up the said company.

SALE OF PLOTS IN MAGDALENKA

In July 2013, an agreement on sale of the last plot with the area of 979 m^2 in Magdalenka was signed. As of the day of publication hereof, Geatan Investments sp. z o.o., which owned the plots in Magdalenka, does not have any properties. In the light of the above, the company will be wound up in accordance with the resolution of the Company's Management Board adopted in July 2013.

DECREASE IN THE REAL ESTATE VALUE AT THE END OF 2013

According to valuations made by Savills Sp. z o.o. at the end of 2013, the total fair value of the real estates owned by the Group and including investment real estates and inventories amounted to PLN 450.6 million and was PLN 25.9 million lower than the values at the end of 2012. Decrease of property values was recognised in the result from the valuation of investment real estates, which at the end of 2013 was negative and amounted to PLN 10.7 million. The value of the real estate portfolio was negatively influenced by such events as the sale of some real estates from the Group's portfolio (the real estate at Jana Kazimierza 12/14 street in Warsaw, plots in Magdalenka, Jaktorów and Nowa Piasecznica) and decrease in the value of the project in Hungary arising from the absence of comparable data due to a low number of transactions on the Hungarian market.

The factors which positively influenced the value of the Group's real estate portfolio included the growth in the value of Iris, Solar and Aquarius buildings arising from increasing revenue from lease in connection with the progressing space commercialisation and the improvement on the commercial real estate lease market in Warsaw, which is forecast by analysts.

ACCEPTANCE PROCEDURE OF THE MASTER PLAN FOR THE POST-INDUSTRIAL LAND IN URSUS

As of the day of publication report, the issue of approving the *Plan for the post-industrial area of former post-industrial land in the vicinity of Orłów Piastowskich street* in Ursus by the authorities of Warsaw was unsettled. However, with reference to the previous status, the decision about dividing the Plan into three parts made by the councillors of the capital city of Warsaw on 11 July 2013 is a milestone in further proceedings over the enactment of the Plan. On 10 July 2013, the Commission for Spatial Order for the capital city of Warsaw gave a positive opinion about the draft resolution of the Warsaw City Council amending the resolution on commencing the preparation of the Master Plan for the area formerly owned by ZPC Ursus. On the next day, i.e. 11 July 2013, LXI Session of the Warsaw City Council (term 2010-2014) was held. The councillors adopted resolution no. LXI/1668/2013 amending the resolution on commencing the preparation of the Master Plan for the industrial land in the vicinity of Orłów Piastowskich street (form no. 1808) deciding that the area of the Master Plan be divided into three parts: the main part constituting over 95% of the Plan area, and two other parts with plots, the owners of which caused the revocation of the Land Use Plan in the area of the plots owned by them.

Adoption of the Plan by the Warsaw City Council is a key element to start the project and commence construction works of the first stage. Further delays in Master Plan adoption directly translate into delayed start of the investment process and moment of recognition of revenues from the project. According to the current version of the Master Plan, Celtic Group will be able to realise investment plans regarding construction of 740 k sqm of floor surface. In the absence of an approved Master Plan, Celtic Group intends to realize smaller projects in cooperation with other recognized housing developers on the basis of the initial conditions for the development in order to generate revenue stream in the shortest possible time as well as growth in the value of other Group's assets in this administrative area of Warsaw.

- **CHANGES IN THE COMPOSITION OF THE COMPANY'S MANAGEMENT BOARD**

In 2013, the composition of the Company's Management Board changed as described in detail in section IV of this report. As a result of the changes, the following persons constituted the Management Board as of the day of publication hereof:

- Ms Elżbieta Wiczkowska – President of the Management Board
- Mr Colin Kingsnorth – Member of the Management Board
- Ms Iwona Makarewicz – Member of the Management Board
- Mr Piotr Turchoński – Member of the Management Board.

- **ACQUISITION OF THE COMPANY'S SHARES FOR THE PURPOSE OF REDEMPTION**

On 15 April 2013, as a consequence of the invitation to submit sales proposals for the Company's shares, announced on 27 March 2013, the Company acquired 1,732,394 own shares through UniCredit CAIB Poland S.A., a brokerage house with its registered office in Warsaw. The number of shares within the submitted Share Sales Proposals amounted to 15,575,542. The reduction rate amounted to 88.88%. The shares were acquired pursuant to Resolution no. 3 of the Extraordinary General Meeting of Celtic Property Developments S.A. of 10 August 2012 on acquisition of the Company's shares for the purpose of redemption pursuant to Article 362 § 1 subpar. 5) of the Code of Commercial Companies for the purpose of redemption. The acquisition price of one share amounted to PLN 7.10. All acquired shares are ordinary shares with the nominal value of PLN 0.10 each. Own shares account for 5.01% of the Company's share capital and 5.01% of the total number of votes in the Company, whereby in accordance with the applicable laws the Company is not entitled to exercise voting rights from own shares. The acquisition of shares was described in section *18. ISSUES OF SECURITIES, ACQUISITION OF OWN SHARES* of this report.

8. ASSESSMENT OF INVESTMENT POSSIBILITIES AND PROJECT OPPORTUNITIES

Celtic Group finances development projects using both its own resources and bank loans. In the future, the Group assumes the implementation of projects through subsidiaries or jointly controlled entities and financing for these construction and investment projects (dedicated loans) would be obtained directly by these entities or through Celtic Property Developments S.A.

The value of investment properties held by Celtic Group including real estate and inventories amounted to PLN 450.6 million at the end of 2013 relative to PLN 476.5 million at the end of the previous year. The factor which positively influenced the value of the Group's real estate portfolio was the growth in the value of Iris, Solar and Aquarius buildings arising from increasing revenue from leased spaces and the forecast improvement on the commercial real estate lease market in the

Warsaw agglomeration and, what follows, the from the forecast growth in revenue from lease. On the other hand, the disposal of several real estates from the Group's portfolio (the real estate at Jana Kazimierza 12/14 street in Warsaw, plots in Magdalenka, Jaktorów and Nowa Piasecznica) in 2013 and the revision of the value of the project in Hungary resulted in a decrease in the value of the real estate portfolio.

Property valuations at the end of 2013 like in the previous year were carried out by an independent appraiser - Savills Polska Sp. z o.o.

The following table presents Group's properties portfolio as of 31 December 2013.

		Use	Land area		Rentable/ Sales Area (sqm)	Valuation at 31.12.2012 (m PLN)	Valuation at 31.12.2013 (m PLN)
Investment properties					**798 003**	**460,9**	**442,8**
1	**URSUS**	Residential / offices /commercial	45,3	ha	740 000	281,5	272,4
2	**SOLAR / CYBERNETYKI 7B**	Office	3 908	sqm	5 792	32,3	34,4
3	**IRIS**	Office	7 449	sqm	14 300	82,6	85,0
4	**AQUARIUS**	Office	15 480	sqm	5 211	22,9	26,5
5	**JANA KAZIMIERZA**	Office	-	sqm	-	15,1	sold
6	**WOLBÓRZ**	Logistics park	10	ha	32 700	2,4	2,4
	Capitalised rights of perpetual usufruct of land					24,1	22,0
Inventories (at fair value)					**18 875**	**15,6**	**7,8**
7	**MAGDALENKA**	Land (residential)	27 306	sqm	-	3,6	sold
8	**ŁÓDŹ, Legionów 18**	Residential	1 457	sqm	3 814	5,3	5,0
9	**KOSZYKOWA (outbuilding)**	Residential	744	sqm	454	1,1	0,4
10	**CZOSNÓW**	Land (agricultural)	15,2	ha	-	1,3	1,1
11	**JAKTORÓW**	Land (residential)	2	ha	-	0,3	0,3
12	**NOWA PIASECZNICA**	Residential, land	6 200	sqm	-	0,6	0,1
13	**Alsonemedi (Hungary)**	Logistics, office	42 495	sqm	14 607	3,4	0,9
TOTAL PORTFOLIO					**816 878**	**476,5**	**450,6**

URSUS

In the second half of 2006 the Group purchased from its own resources over 58 hectares of land that previously belonged to ZPC Ursus factory, with the aim to create a multifunctional urban project. The land is located in the area covered by a draft master plan, which comprises an area of about 220 hectares, also including post-industrial area located in the proximity of Orłów Piastowskich Street in Ursus.

In October 2006 the Council of Warsaw approved the Land Use Plan of the capital city of Warsaw, which covers the whole area of Warsaw, including Ursus. For the part of the land previously belonging to ZPC Ursus, the intended use was changed from industrial to residential, commercial and multifunctional while industrial intended use was maintained for the remaining part.

Also in October 2006 the Council of Warsaw adopted a resolution to commence the preparation of the master plan of the post-industrial area located in the vicinity of Orłów Piastowskich Street including the area that previously belonged to ZPC Ursus. The first publication of the plan's draft and a public discussion took place in November 2009.

As a result of the remarks submitted, the draft plan was amended and its second publication took place in May 2011. The deadline for submitting remarks on the second version of the plan's draft expired on July 21, 2011. On July 13, 2011 the Council of Ursus District approved the main stipulations of the plan, submitting several remarks and communicating the resolution to the President of Warsaw, the Chairman of the Council of Warsaw and the Director of Bureau of Architecture and Zoning Planning of Warsaw. On 21 and 22 February 2013, the Warsaw City Council, through voting on the Resolution of the Warsaw City Council regarding the commencement of amendments to the Land Use Plan of Warsaw, rejected the request submitted by Stowarzyszenie na Rzecz Rozwoju Ursusa [Association for Ursus Development] for restoring the industrial function in the post-industrial areas in Ursus, whereby it unambiguously confirmed the intentions of the city's authorities to transform the post-industrial area of the former ZPC Ursus into urban areas. On 10 July 2013, the Commission for Spatial Order for the capital city of Warsaw gave a positive opinion about the draft resolution of the Warsaw City Council amending the resolution on commencing the Master Plan for the area formerly owned by ZPC Ursus. On the next day, i.e. 11 July 2013, LXI Session of the Warsaw City Council (term 2010-2014) was held. The councillors adopted resolution no. LXI/1668/2013 amending the resolution on commencing the preparation of the Master Plan for the industrial area in the vicinity of Orłów Piastowskich street (form no. 1808) deciding that the area of the Master Plan be divided into three parts: the main part constituting over 95% of the Plan area, and two other parts with plots, the owners of which caused the revocation of the Land Use Plan. As of the date of submission of this report, the further works regarding the approval of the master plan by Warsaw authorities are underway.

The draft plan provides for the construction of modern urban space, in which apart from the residential area for about 25,000 Warsaw citizens there will be room for many companies, craft workshops and service providers, including the companies that currently operate in Ursus. It is estimated that in the newly built office & retail buildings about 20,000 new jobs will be created. The plan also accounts for areas needed for schools, nurseries, kindergartens, parks, green areas and bicycle routes vital for the proper functioning of the newly created urban area.

The proximity of the city centre (9 km), convenient access to means of public transport (3 suburban train stations located in the investment area and a dense network of bus services) together with relatively low prices determine the attractiveness of the draft for prospective buyers.

The original intention of Celtic Group was the creation of a multifunctional urban project with a predominance of the residential function, offering more than 740 k sqm of space. An undoubted advantage for future habitants was the consistent urban & architectural concept, realized by a single developer, which assured the consistency both of functionality and aesthetics. However, due to delays in the master plan adoption process, the Management Board has taken the strategic decision to split the project into smaller units, which will be implemented in collaboration with other developers in form of joint-venture initiatives.

We anticipate that the proposed complex of multi-family residential buildings will offer apartments with floor space mainly between 40 and 60 sqm. Together with residential buildings, an office and educational area tailored to the needs of the local community will be created. The offer will be primarily directed to young working people and families looking for their first apartment in the Warsaw agglomeration.

Project implementation is scheduled for the period of the next few years. The Group intends to reduce the return on investment period for shareholders through the parallel execution of several smaller projects in collaboration with other experienced developers. Current market trends indicate a high demand for small flats available at relatively low prices. The Ursus project is designed in a way that its products perfectly match market needs. Therefore the Company expects a large demand for the flats offered.

Currently, Celtic Group is continuing comprehensive dismantling works in the area of the former ZPC Ursus for the purpose of cleaning up the area and preparing it for the planned projects.

Despite delays in Master Plan adoption Celtic Group did not abandon activities related to Ursus project and continued to execute conceptual and design works as well as dismantling and order clean-up works. As confirmation of the above facts, in January 2012 the Group concluded a strategic cooperation agreement with Dalkia Polska Sp. z o.o. regarding renewal of the ZPC Ursus post-industrial with particular attention to the cooperation of both parties in the construction of a gas-fired combined heat and power station on this site. As part of this agreement, in 2013 Dalkia Warszawa Sp. z o.o. continued the development of its own heat distribution network in Ursus district with a special intensification of the network on the area of the former ZPC Ursus. In connection with the above, an agreement was signed with SPEC (currently Dalkia Warszawa Sp. z o.o.) in April 2012 with regard to the transfer of conceptual and design works to SPEC for a charge as well as of obtained consents and administrative decisions related to the construction of the heat distribution network together with the telecommunication and IT ducting from Zapustna Street to the site intended for heating facilities and equipment and for the residential and commercial development on the former ZPC Ursus area. The signature of the agreement will enable Celtic to launch investment projects immediately after approval of the Master Plan.

In June 2012, Dalkia Polska Sp. z o.o. started the realization of the project of the construction of a gas-fired combined heat and power station on former ZPC Ursus areas and acquired of the land intended in the Master Plan for heat distribution and power supply projects, and commenced design works. Together with the gas-fired combined heat and power station, as an accompanying investment in cooperation with RWE Stoen, a modern Regional Distribution Substation with voltage of 15 KV will be erected.

The start of these three power and heating projects is important for both present and future inhabitants of Ursus district as well as for undertakings planned on the renewed areas of former ZPC Ursus. These projects correspond to the needs of residents, businesses and developers associated with ensuring the security of thermal and electrical energy supply not only for Ursus district itself but also for the western area of Warsaw agglomeration.

In May and July 2012, the Group sold the plots no. 113 and 119 from the cadastral district 2-09-09 to a strategic investor, which, through affiliates, intends to carry out activities regarding water and sewage management in the renewed area. At the same time, the fact that the Group holds infrastructural conditions issued by all utility companies makes the commencement of the initial stages of the project dependent exclusively on obtaining administrative permits.

In addition, also pursuant to the resolution of the Warsaw City Council no. XXXV/1024/2008 of 29 May 2008, the letter of the City Road Project Authority (ZMID) of 30 July 2010 as well as on the Notice of the Minister of Infrastructure of 05 October 2011, the Group transferred plots no. 168/1, 168/7, 168/8 and plot no. 86/2 from cadastral district 2-09-09 to the State Treasury. These plots, under the Master Plan project are intended for the construction of four-lane grade-separated roads connecting the renewed areas to Aleje Jerozolimskie through the construction of Nowolazurowa Street and to Połczyńska Street through the construction of Nowomory Street. ZMID completed and placed both streets into service in 2013. The construction of Nowowolazurowa and Nowomory streets is one of the most important elements in the renewed area of the former ZPC Ursus through their inclusion in the integral and comprehensive network of urban roads thanks to rapid and grade-separated road connections. Delivering traffic arteries that are so important to this area is compliant with the consistent and comprehensive policy of the authorities of the capital city of Warsaw and Ursus district to renew the post-industrial area of the former ZPC Ursus and transform it into a vibrant and diverse urban fabric serving all residents of Warsaw.

The sale of the above infrastructural projects to strategic investors aimed at enabling such entities to launch investment projects as ZMID, Dalkia Polska, Dalkia Warszawa or RWE in Ursus district area. These actions are part of the conceptual and design works of the Group realized for several years and aimed at achieving the full and structural renewal of the post-industrial area of the former ZPC Ursus, through the construction of modern road, power, heat distribution, and water supply and sewerage infrastructure so that the renewed sector covering ca. 20% of Ursus district could become uniform, modern and multifunctional urban fabric. Although, as of the day of publication hereof, the Group holds infrastructural conditions ensured by all utility companies, which permit immediate launching of the initial stages upon the enactment of the Master Plan, locating the above-mentioned comprehensive infrastructural projects in the immediate neighbourhood of the planned projects of the Group is significant for the implementation of the entire project as it will considerably affect the optimisation of its infrastructural costs.

In December 2013, the Company signed final notarial deeds for the purchase of two infrastructural plots in Ursus. The conclusion of these agreements is the fulfilment of the provisions of the Ursus project purchase agreement concluded in 2006.

Within social responsibility context and perceiving the need of active participation in creating public urban space, Celtic Group has declared its willingness to transfer approx. 16.5 hectares of the land for urban investments such as schools and roads free of charge to the Capital City of Warsaw. The value of this land according to the Forecast of the financial consequences of the enactment of the Master plan for the post-industrial area in the vicinity of Orłów Piastowskich street prepared on behalf of the Capital City of Warsaw is estimated at approx. PLN 57 million. As of the day of publication hereof no written agreements has been made with this respect.

- **IRIS BUILDING, 9 CYBERNETYKI STREET, WARSAW**

The IRIS building, which is the final stage of the office and residential project located at the corner of Cybernetyki and Postępu streets in Warsaw's Mokotów district, was delivered in Q4 2012. It is a six-storey office building with the total lease area of circa 14.3 k sqm together with 233 parking spaces. The project at the corner of Cybernetyki and Postępu streets is composed of Cybernetyki Office Park (Helion, Luminar, Solar and Iris buildings) and Mokotów Plaza office complexes, as well as Mozaika residential complex. The Group has constructed and sold 3 buildings in Cybernetyki Office Park to date: Helion, Luminar and Mokotów Plaza.

- **SOLAR BUILDING, 7B CYBERNETYKI STREET, WARSAW**

The eight storey B+ class office building of 5,792 sqm of was built in 1998 and refurbished by the Group in 2008. The building is currently leased to such companies as Beko S.A., Berlin Chemie, Akzo Nobel, Liqui Moly Polska, ZPUE S.A. and Bard Poland. On 31 December 2013, the building was leased in 95%. Celtic Group headquarters was moved to this address starting from September 2011.

- **AQUARIUS BUILDING, POŁCZYŃSKA 31A STREET, WARSAW**

The Aquarius Office Park consists of a five storey B class office building of 5,211 sqm, an investment site with a valid building permit for the construction of an A class office building of ca 2,500 sqm as well as an investment site of approx. 10,000 sqm intended for the construction of an office and warehouse complex. The office building is currently leased to such companies as VB Leasing, Betacom S.A., Fly Away Travel and Veolia Eurolines. On 31 December 2013, the building was leased in 95%.

- **WOLBÓRZ, MAZOWIECKIE VOIVODSHIP**

The 10-hectare real estate is located in Wolbórz, close to Auchan Distribution Centre and E67 road from Warsaw to Cracow and Katowice. In accordance with the applicable land use permit, there is a possibility to construct a logistics and distribution centre with area of 32.700 sqm. The Group intends to sell the undeveloped land together with a building permit design to a final investor.

PROJECTS IN PROGRESS AND REAL ESTATES FOR SALE (INVENTORIES):

18 LEGIONÓW STREET, ŁÓDŹ

The real estate in Łódź is the building with total area of 3,814 sqm on a plot of 0.1457 ha, located on 18 Legionów street, in the vicinity of Piotrkowska street. The Group intends to realize a thorough renewal of the building and in the next stage to sell residential, office and commercial premises.

KOSZYKOWA 69

The real estate at Koszykowa 69 includes a four-storey row house (Ludwik Szanser's row house) and the outbuilding. The building was renovated and extended by Celtic Group, offering 14 apartments and commercial areas which were sold in 2011. As of 31 December 2013 Group's investment properties portfolio still included the outbuilding. The Group is currently taking actions to relocate the present lessees of the outbuilding and to commence renewal of this part of the row house.

CZOSNÓW

The land in Czosnów has been purchased by the Group as part of the acquisition of 100% shares in Antigo Investments Sp. z o.o. The land in Czosnów has a total area of 15.2 hectares, the most part of which is agricultural land. These plots offer a potential for the development, which will be possible to release as a result of change of category of part of plots from agricultural land to construction land.

JAKTORÓW

The land in Jaktorów of the area of 3.2 ha has been purchased by the Group as part of the acquisition of 100% shares in Antigo Investments Sp. z o.o. This is agricultural land that can be released upon changing the intended use of the land from agricultural land to construction land or sold for country houses habitation. As of the day of publication hereof, there were still 20.4 k m^2 for sales.

NOWA PIASECZNICA

The land in Nowa Piasecznica has been purchased by the Group as part of the acquisition of 100% shares in Antigo Investments Sp. z o.o. The land in Nowa Piasecznica had a total area of 1.5 ha. The half of the land is construction plots, designated for single-family housing projects while the second half is agricultural land which will increase in value when the category changes to construction land. As of the day of publication hereof, there were still 6.2 k m^2 for sales.

ALSONEMEDI, HUNGARY

In 2009 the Group purchased land near Budapest measuring 42,495 sqm to develop warehouse space. The real estate is situated in a logistically good location: 20 km south of Budapest and in proximity to main roads. The Group intends to sell this property to a final investor.

9. FACTORS AND UNUSUAL EVENTS AFFECTING GROUP FINANCIAL RESULTS

In the Management Board's opinion, in the year 2013 there were no unusual events which affect the Group results.

10. FACTORS IMPORTANT FOR FURTHER GROUP DEVELOPMENT

The decline in real estate prices on the Polish market over the last years forced the Group to change the strategy of the implementation of projects and their disposal. In view of the prevailing market conditions and to prevent a further postponement of return on investment, at the end of 2011 the Management Board decided to sell the investment projects being in various stages of implementation and to split the Ursus project into smaller subprojects. In 2013 this strategy was consistently implemented – the Group sold the property on Jana Kazimierza 12/14 street, subsequent plots in Magdalenka, Jaktorów and Nowa Piasecznica were sold and the Group's Hungarian operating company was dissolved, focusing the activities on the Polish market.

Among the factors which can directly or indirectly affect the Group operations in the future are:

- **MACROECONOMIC SITUATION IN POLAND**

Due to the concentration of Group activities on the Polish market, the overall condition of the Polish economy, with a particular focus on the pace of its growth and the unemployment rate, will play a key role in the behaviour of demand for the real estate offered by Celtic Group. Although in 2013 the growth rate of GDP of Poland was 1.6%, which is slightly more slowly than in 2012 – 1.9%, GDP growth by 2.7% in Q4 2013 permits the anticipation of a certain recovery in 2014. According to government's forecasts, the growth rate of the Polish economy should oscillate at 2.5–2.9% in 2014. According to analysts, the major accelerator will be domestic demand growth, which will partly result from higher consumption. The industrial production growth, which was the highest in the past 2 years, average salary growth, unemployment stabilisation at the level of 13% in combination with low inflation and low interest rates, should support further domestic demand growth in 2014. The above-mentioned factors should contribute to better consumer moods both among employees and entrepreneurs and, what follows, to the growth in demand for flats as well as office and residential areas.

- **SITUATION ON FINANCIAL MARKETS**

The availability of sources of funding and the cost of capital have a direct impact on the interest of institutional investors in investment projects, since their purchases are also largely financed by debt financing.

- **BANKS' LOAN POLICY AND ACCESS TO MORTGAGE LOANS**

The impact of banks' loan policy on the Group activity is twofold. The Company, in implementing new development projects, uses bank financing to a great extent. Financing conditions, such as the margin and required own contribution, determine the return on Company's equity involved in project implementation. The availability of bank financing is also a key factor determining the volume of demand for housing, which must be taken into account when starting residential projects within the Group. The loan policy of banks depends, in turn, on the macroeconomic factors and the monetary policy conducted by the central bank.

2013 was a year of considerable interest rate cuts: the reference rate of the National Bank of Poland decreased from 4.0% in January 2013 to 2.5% in June 2013 and its level was stable until the report publication day. The maintenance of the current interest rate level in 2014 should contribute to the popularity growth of mortgage loans as well as to the increase in their availability, which was significantly reduced in 2012 through the introduction of the so-called S-Recommendation, which imposed stricter principles for assessing creditworthiness and the maximum loan amount.

- **GOVERNMENTAL POLICY SUPPORTING CONSTRUCTION INDUSTRY**

On 23 November 2013, the Act introducing the *Mieszkanie dla Młodych ("MdM")* programme, which replaced the previous state programme supporting the purchase of the first flat – *Rodzina Na Swoim*, entered into force. The MdM programme was launched on 1 January 2014. Under the new programme, the state aid is to be granted in the form of a one-time subsidy to own contribution at the amount of 10-15% of the flat's value, with the application of certain limits regarding the flat's area and price of one square metre of space determined depending on the location of the real estate. Just like in *Rodzina na Swoim*, the aid is addressed to people under 35 years of age, buyers of the first flat. In view of our target customer segment for Ursus project, the new program may positively impact the demand for flats offered by Celtic Group in the future.

- **ADMINISTRATIVE DECISIONS ON THE HELD LANDS**

The Group's capability of implementing the intended development projects depends on the coverage of lands by the master plan and on obtaining a range of permits by the Group from local government bodies. Any legislative initiative designed to accelerate the adoption of master plans and/or simplify the construction procedures will have a favourable impact on Group's operational activities. Adoption of the Master Plan for the site in Ursus by the Capital City of Warsaw will enable the Group to begin construction works in Ursus.

11. OVERVIEW OF BASIC ECONOMIC AND FINANCIAL INFORMATION

Selected items of the consolidated statement of comprehensive income

	12 months period		
	From 01.01.2013 to 31.12.2013 (PLN ths.)	From 01.01.2012 to 31.12.2012 (PLN ths.)	*Change* (%)
Revenue	13 880	16 728	*-17,0%*
Cost of sales	-9 429	-9 916	*-4,9%*
Gross profit	**4 451**	**6 812**	***-34,7%***
Administrative expenses - property related	-11 290	-20 728	*-45,5%*
Other administrative expenses	-14 750	-21 465	*-31,3%*
Selling and marketing costs	-119	-1 387	*-91,4%*
Gain (loss) on disposal of investment properties	-2 597	-46 319	*-94,4%*
Other income	606	2 303	*-73,7%*
Gain (loss) on revaluation of investment properties	-10 702	-55 709	*-80,8%*
Gain (loss) on sale of subsidiaries	0	-10 224	*-100,0%*
Impairment of goodwill	0	-22 171	*-100,0%*
Profit from operations	**-34 401**	**-168 888**	***-79,6%***
Finance income	909	9 040	*-89,9%*
Finance costs	-7 042	-5 691	*23,7%*
Profit (loss) before tax	**-40 534**	**-165 539**	***-75,5%***
Income tax	-2 527	2 695	*-193,8%*
Profit (loss) for the year	**-43 061**	**-162 844**	***-73,6%***
Earnings per share (PLN)	-1,27	-4,78	*-73,5%*

In 2013 Celtic Group recorded an improvement of the net result in relation to the analogous period of the previous year by PLN 119.8 million. With reference to 2012, the main factors positively affecting the decrease in the Group's loss were above all the decrease in the loss on investment real estate valuation of PLN 45.0 million and the decrease in the negative result on investment real estate disposal by PLN 43.7 million. The Group's results were positively affected also by the fact that the goodwill had been charged off in the previous periods and in 2013 it was not necessary to make a write-down (result improvement by PLN 22.2 million) and by the absence of significant sales of subsidiaries in 2013 (result improvement by PLN 10.2 million). The decrease in the administrative expenses of real estate maintenance by PLN 9.4 million, the decrease in other administrative expenses by PLN 6.7 million and the decrease in the cost of sales and marketing by PLN 1.3 million also contributed to the significant improvement of the Group's result. Also the decrease in the cost of goods sold by PLN 0.5 million improved the Group's financial result in 2013 in comparison with the previous year.

The main factors that affected the result negatively, in turn, were above all the decrease in the financial revenue by PLN 8.1 million (arising above all from the fact that in 2013 the Group did not record any revenue from dividends from companies in which it has minority interests, while in 2012 the received dividends amounted to PLN 8.5 million) and the decrease in the sales revenue by PLN 2.8 million caused by low revenue from provision of real estate consultancy services in 2013 (PLN 0.2 million) in comparison with 2012 (PLN 5.7 million).

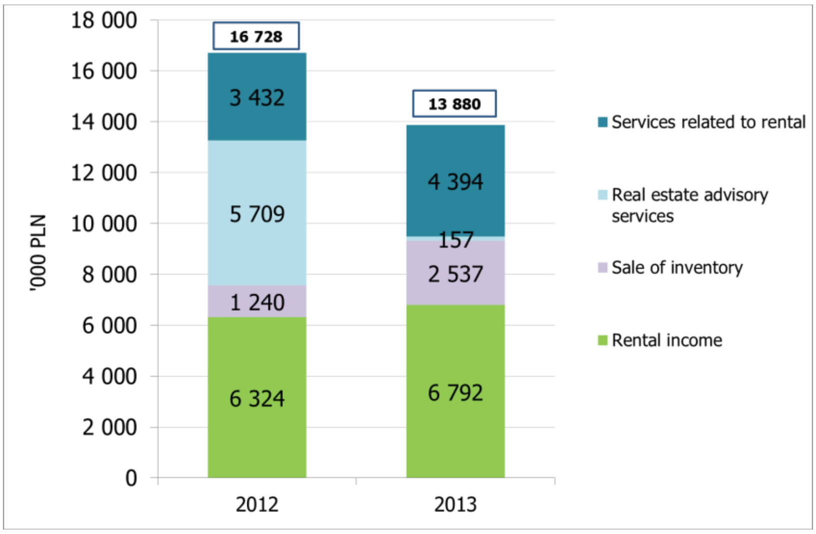
Also the increase in the financial expenses by PLN 1.4 million caused mainly by the increase in the negative foreign exchange differences by PLN 1.2 million PLN negatively affected by the Group's results in comparison with 2012.

In 2013 the Group recorded a decrease in the sales revenue by PLN 2.8 million (17%) in comparison with the analogous period of the previous year, mainly due to the decreased revenue from consultancy by PLN 5.5 million. Also the structure of sales revenue changed. In 2013 – similarly to

2012 – lease revenue had the greatest share in sales revenue (49% of the entire revenue in comparison with 38% in 2012). In 2012, 34% of revenue was generated by real estate consultancy activity. In 2013, this share amounted to merely 1% of the whole revenue – this resulted from the expiration of the contract with Spazio Industriale NV and the consequent sales of the Italian subsidiary Celtic Italy srl in 2012. The lease revenue level in 2013 slightly increased (by 7%) in comparison with the analogous period of the previous year. Lease revenue was largely generated by 2 office buildings located in Warsaw – Aquarius (Połczyńska 31A) and Solar (Cybernetyki 7B). IRIS office building is being commercialised, and the lease revenue will considerably influence the Group's results in the first half of 2014.

The sales of construction plots accounted for 18% of sales revenue in 2013 and amounted to PLN 2.5 million in comparison with PLN 1.2 million in 2012. These sales concerned discontinued projects and these inventories were sold out on an ongoing basis to release funds. Year 2013 brought a negative result on sales of these inventories. Inventory sales revenue increased by PLN 1.3 million in comparison with the previous year, while the cost of inventories sold increased by PLN 3.8 million.

The chart below presents the structure of the Group's sales revenue in years 2012 and 2013.

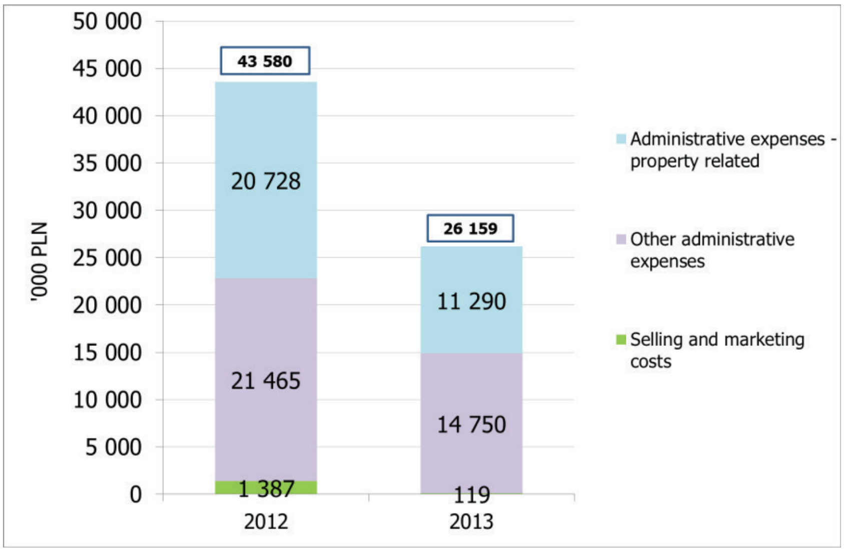


The actions, commenced in 2011 and consistently continued over the subsequent years, aiming at the reduction of operating expenses were significantly reflected in the Group's result for year 2013.

The administrative expenses related to real estate maintenance in 2013 amounted to PLN 11.3 million, which constitutes an improvement by PLN 9.4 million in comparison with 2012. Lower administrative expenses resulted above all from the reduced remuneration expenses (decrease by PLN 9.3 million in comparison with 2012). The reduction of expenses in those categories occurred as a result of actions falling into the Group's strategy and initiated in 2011 and continued in years 2012 and 2013, above all by reducing employment and remunerations.

Also the reduction of other administrative expenses by PLN 6.7 million positively affected the Group's financial result. The decrease in those expenses was influenced to the greatest extent by the reduction of consultancy service expenses and office maintenance expenses.

The chart below presents the structure of the Group's operating expenses in years 2012 and 2013:



Selected items of the consolidated statement of financial position

	As at: 31.12.2013 (PLN ths.)	As at: 31.12.2012 (PLN ths.)	Change (%)
TOTAL ASSETS	**474 923**	**521 851**	***-9,0%***
Non-current assets, including:	**447 304**	**439 174**	***1,9%***
Investment properties	*442 793*	*438 016*	*1,1%*
Bonds	*3 190*	*0*	*-*
Current assets excluding assets held for sale:	**27 619**	**59 783**	***-53,8%***
Inventory	*7 773*	*15 496*	*-49,8%*
Trade and other receivables	*7 865*	*17 186*	*-54,2%*
Cash and cash equivalents	*11 981*	*27 101*	*-55,8%*
Assets held for sale	**0**	**22 894**	***-100,0%***
TOTAL EQUITY AND LIABILITIES	**474 923**	**521 851**	***-9,0%***
Equity, including:	**329 362**	**383 621**	***-14,1%***
Share capital	*3 460*	*3 431*	*0,8%*
Own shares	*-12 300*	*0*	*-*
Reserve capital	*987*	*4 399*	*-77,6%*
Translation reserve	*-3 847*	*-3 933*	*-2,2%*
Retained earnings	*341 062*	*379 724*	*-10,2%*
Total liabilities, including:	**145 561**	**138 230**	***5,3%***
Non-current liabilities	*35 879*	*121 908*	*-70,6%*
Current liabilities	*109 682*	*16 322*	*572,0%*

At the end of December 2013, the value of the Group's total assets decreased by 9% in relation to the balance as of the end of 2012. The value of current assets decreased considerably (by 54%), mainly as a result of the decrease in the trade accounts receivable balance by PLN 9.3 million, cash by PLN 15.1 million and inventories by PLN 7.7 million. The cash balance decreased above all due to the acquisition of own shares for redemption (PLN 12.3 million) and the acquisition of bonds (PLN 3 million), to name only the largest cash proceeds. The largest cash proceeds in 2013 included proceeds from the sales of investment real estate located at ulica Jana Kazimierza amounting to PLN 13.1 million net.

The decreased value of inventories resulted from the sales of plots located in Magdalenka, Nowa Piasecznica and Jaktorów (Poland) in 2013 and from the revaluation write-down on the remaining inventories, mainly the Alsonemedi project (Hungary).

The value of investment real estates slightly increased in comparison with the balance as of the end of December 2012 despite the negative result on their valuation and the sales of the real estate located at Jana Kazimierza street. This was caused mainly by the re-classification of assets for sale (Aquarius office building) back to the investment real estates in 2013.

At the end of December 2013, the value of equities amounted to PLN 329.4 million, which accounted for 69% of the Group's total assets, while liabilities accounted for 31% of total assets, in relation to 74% and 26%, respectively, at the end of 2012.

The table below presents the share of individual liability categories in the balance sheet total.

	31.12.2013	31.12.2012
Liabilities to total assets	**30,6%**	**26,5%**
Non-current liabilities to total assets	**7,6%**	**23,4%**
Borrowings including finance leases to total assets	4,6%	21,3%
Income tax liabilities to total assets	2,8%	2,0%
Trade and other payables to total assets	0,1%	0,1%
Current liabilities to total assets	**23,1%**	**3,1%**
Borrowings including finance leases to total assets	19,8%	0,4%
Income tax liabilities to total assets	3,2%	2,6%
Trade and other payables to total assets	0,1%	0,1%

The structure of liabilities has changed in 2013 compared to the year 2012. The share of the long-term liabilities in the balance sheet fell from 23.4% on 31 December 2012 to 7.6% at the end of December 2013. This change is the result of the reclassification from long term to current of the liabilities resulting from the loans granted by HSBC Bank Polska and BZ WBK Bank. The share of the short term liabilities increased from 3.1% at 31 December 2012 to 23.1% at 31 December 2013.

12. RISK FACTORS AND THREATS

Celtic Group activities are exposed to financial, operational and economic risks. Risk management policy adopted by the Group aims at minimizing the effects of adverse events. Occurrence of the specified risks both alone and in combination with other circumstances, might have a significant negative impact on the Company's and its Group's business, its financial position, prospects of development, or Company's and Group's results and may have an impact on the evolution of the Company's share price quotation.

Risks listed below do not represent a complete or exhaustive list and therefore may not be treated as the only risks to which the Company is exposed. Additional risks that at present are unknown by the Company or which are considered by the Company as irrelevant, may also have a significant negative impact on the activities, financial position, prospects, or results of the Company and its Group.

- **RISK RELATING TO THE MACROECONOMIC SITUATION ON THE MARKETS ON WHICH THE COMPANY AND ITS GROUP OPERATES**

The overall macroeconomic situation of Poland, including such factors as: GDP growth rate, inflation and interest rate levels, level of investments in the economy and unemployment rate, have direct influence on the level of wealth and purchasing power of people and the financial standing of companies. Consequently, these factors affect also the demand for products and services offered by the Company and its Group and may influence their financial position.

In 2013, Polish economy grew by 1.6%, which was slightly less than 1.9% registered in 2012. While the recent forecasts of the Polish government for 2014 provide for a growth of the Polish GDP at 2.5-2.9%, it can not be excluded that the pace of GDP growth in the subsequent years will be lower. In the case of reduced GDP growth rate, the demand for products offered by the Company and its Group may fall, which might lead to a decrease in residential and commercial property prices and affect the financial position of the Company and its Group.

- **RISK RELATING TO THE PROCESS OF OBTAINING ADMINISTRATIVE DECISIONS, THE POSSIBILITY OF APPEAL AND THE NON–EXISTENCE OF MASTER ZONING PLANS**

The developer's business activity conducted by the Company and its Group requires obtaining numerous administrative decisions enabling the implementation of building projects, such as decisions on the project location, land use permits (if there is no master plan for a given area), building permits, occupancy certificates for the newly built structures, environmental decisions. The obligation to obtain the above administrative decisions entails the risk of inability to complete or delay in completing the building project implementation if the decisions are not obtained or the relevant procedures are protracted.

Moreover, the Company cannot exclude the risk that the decisions already issued will be appealed against by the parties to the administrative procedures or repealed, which would adversely affect the ability to further conduct or complete the current building projects and, consequently, the business operations, financial position and the results of the Group.

Furthermore, there is also the risk of inability to implement building projects within the areas where master plans have not been adopted and where the possibility to obtain a land use permit is prevented or hindered to a great extent.

- **RISK RELATING TO THE COMPETITION**

The Company, while focussing on the developer activity in the housing and office sector, faces strong competition on the part of domestic and foreign developers. The competition may create obstacles for the Company in acquiring appropriate lands at attractive prices for new projects. The increasing competition might also lead to increased supply of housing and commercial real estates and, therefore, to the stagnation of, or drop in, prices of flats and lease rents. Such a situation may adversely translate into the results generated by the Celtic Capital Group.

- **RISK RELATING TO THE IMPLEMENTATION OF DEVELOPMENT PROJECTS**

The efficient implementation of development projects depends on a number of factors, some of which are not directly controlled by the Company. At the project preparation stage the Company might, for instance, not obtain administrative permits required to commence the construction works (e.g. passing and adoption of the master plan for the post-industrial area adjacent to Orłów Piastowskich street in Ursus) or may face obstacles in obtaining appropriate enterprises for their implementation. Also, a number of factors exist that might cause the general contractor or subcontractors to fail to comply with the construction completion deadlines. The most important factors are, among others, weather conditions, unforeseeable technical difficulties, shortage of building materials or equipment, failure to obtain permits enabling the buildings to be delivered for use, as well as amendments to the laws regulating the use of land. Should any of the above described risks occur, the development project completion might be delayed, the costs might increase, the funds invested in land rendered illiquid, and also, in extreme cases, the project completion totally prevented. The above described situations which, should they arise, might also adversely affect the Company's goodwill, which fact would impair its ability to implement further projects.

- **RISK RELATING TO LOCATION OF REAL ESTATES**

The assessment of the location of land for development projects is one of the most material criteria of determining the expected income from the project. Inaccurate assessment of the location for its intended use might hinder or prevent the sales of flats contained in such property at the price assumed by the Company, or the rent of office spaces at expected rates. In such a situation the risk exists that the Celtic Group will fail to generate the expected sales revenue; or, if construction works are contracted earlier, the Company will generate margins at a level lower than predicted. Moreover, if the office space is not rented and the sale of flats is delayed – the Company will be reliant on external financing to a greater extent.

- **RISK RELATING TO INABILITY TO BUY AN ATTRACTIVE LAND FROM THE COMPANY'S PERSPECTIVE**

The Company's and its Group's capacity to purchase land of hidden potential at moderate prices determines the business activity and profitability of the Group to a great extent. Due to increasing competition and the limited number of pieces of land showing appropriate investment parameters, the Company cannot exclude that in the nearest future it will not be able to acquire the desired number of projects at attractive prices. The purchase of land at high prices or in less attractive locations may trigger a drop in the profitability of the Company's development projects. The above factors may adversely affect the Company's and its Group's business operations and financial results.

- **RISK RELATING TO LACK OF LIQUIDITY OF REAL ESTATE PROJECTS**

Compared to other types of investments, development projects might be characterised by a low level of liquidity. This concerns in particular the projects implemented in the office building sector. The extended period for selling real estate assets might lead to funds being frozen in the project, which – in turn – may lead to a greater need for debt financing in the Celtic Group and other projects being suspended or renounced. The low level of liquidity of real estate assets may also result in the necessity to decrease the selling price. The above described factors may to a significant extent adversely affect the operations, financial position and results of the Group.

- **RISK RELATING TO GEOGRAPHICAL CONCENTRATION OF THE COMPANY'S AND GROUP'S PROJECTS**

The concentration of the majority of property portfolio in Warsaw, including the residential project in the Ursus District, exposes the Company to a higher risk of changes in the local market and business environment than that faced by other development companies with a greater geographical diversification of their property portfolio. The Group also owns a real estate in Hungary. The Hungarian market is less politically and economically stable than the Polish market, so it cannot be excluded that the negative perception of the Hungarian economy by investors might affect the valuation of the real estate owned by the Group. However, given the size of the project, its negative influence, if any, on the Group's result is very limited.

- **RISK RELATING TO INCREASE OF CONSTRUCTION COSTS OF THE DEVELOPMENT PROJECTS**

During the implementation of the development project the project costs might increase. This increase may result from: changes introduced to the building permit design, increased material costs, increased labour costs, sub-contractor costs, land/facility use fees, taxes and other administrative fees. Consequently, the Company might fail to achieve the expected return on investment, which in turn might result in financial results worse than planned. The Company endeavours to mitigate the above risk through striving to enter into contracts with general contractors and subcontractors providing for lump sum fees. The increased labour and material costs might also adversely impact the profitability of future development projects.

- **RISK RELATING TO UNFAVOURABLE SOIL CONDITIONS**

This risk embraces unforeseen situations where, despite a detailed technical analysis of the land to be acquired, it might prove during the project implementation phase that there is some groundwater, the soil is unstable or archaeological findings or duds are discovered, or any other unpredictable situation arises. Such situations may cause a material increase in the project costs, delay or even totally prevent its implementation, which, in turn, can affect the financial results of the Celtic Group.

- **RISK RELATING TO UNFAVOURABLE WEATHER CONDITIONS**

Progress in construction works depends, to a large extent, on the weather conditions in which the construction is conducted. The Company strives to select such building companies, which thanks to modern building technologies are able to carry out work also during unfavourable weather conditions. Nonetheless, this measure does not eliminate the risk of delayed construction works due to extreme weather phenomena, such as, for instance, long and frosty winter with temperatures falling below -20°C or wind storms. Material damage at construction sites due to weather conditions also cannot be excluded. Any delays connected with bad weather conditions may result in time schedules of the projects being delayed and, consequently, in cost increases.

- **RISK RELATING TO CHANGES IN SELLING PRICE OF FLATS AND LEASE RENT RATES**

The Company's profitability depends largely on the level of the prices of flats and on lease rent rates for office space in the cities where the Company operates or intends to operate as a developer, as well as on discount rates at which investors are willing to purchase commercial real estate. The Company is unable to guarantee that, should the prices of flats or lease rates drop, it will be able to sell apartments or offices at expected prices. If, in turn, the capitalization rates applied for commercial real estate valuation increase, the Company may be unable to sell the commercial real estate at the expected price, which may have a negative effect on the Group's business operations, financial position or its financial results.

- **RISK RELATING TO LEGAL DEFECTS IN THE REAL ESTATE AND THE RISK OF EXPROPRIATION**

The Company and other members of its Group conduct relevant analyses and reviews of the legal status of real estate prior to purchase, however this does not completely rule out the risk of legal defects, which may emerge during the project implementation process, e.g. in the form of reprivatisation claims. There is also the risk of expropriation of real estate held by the Company to the benefit of the State Treasury or local government units, for public purposes. In such a situation (legal defects, reprivatisation claims, expropriation procedure) the results and business operations of the Company and its Group may be materially affected. In extreme situations, such risk may lead even to the loss of the real estate.

- **RISK RELATING TO ENVIRONMENTAL RESPONSIBILITY**

The Company and other members of its Group are perpetual usufructuaries of post-industrial real estates which have been checked for hazardous substances and pollution/contamination, which, however, does not totally preclude the risk of liability under environmental regulations. In accordance with Polish law, the entities that use the land with hazardous substances or other pollution/contamination may be obliged to remediate the land or to pay penalties for contamination/pollution or to be otherwise held liable. It cannot be excluded that in the future the Company or its Group members will not be charged with the costs of remediation or monetary penalties in connection with the pollution/contamination of the environment in respect of the real estate used, which fact might adversely affect the business operations, financial position or development perspectives of the Company and its Group.

- **RISK RELATING TO CONTRACTS CONCLUDED WITH CONTRACTORS AND SUBCONTRACTORS OF CONSTRUCTION WORKS**

The Group uses services of specialized construction contractors, who often employ subcontractors, in order to implement its development projects. The Company cannot rule out the risk of non-performance or improper performance of the obligations of such contractors and subcontractors, which might adversely affect the performance of construction projects and, consequently, the business operations, financial position and results of the Group.

Moreover, taking into account the joint and several liability of the project owner and the contractor for payment of remuneration to subcontractors, the Company may not rule out the risk of the contractor's incapacity to pay such remuneration and, therefore, the occurrence of liability on the part of the Company or its subsidiary, acting as the project owner. The above risk will be limited by allocating individual projects to individual companies. Additionally, the payment for services provided by the general contractor is dependent on its timely payments to subcontractors. The Company monitors payments made by the general contractors to their subcontractors on an ongoing basis.

- **RISK RELATING TO LEASE AGREEMENTS**

The value of real estate to be leased depends on the time left to the elapse of the lease agreements' term and on the financial standing of the lessees. If the Company and its Group's members are not able to prolong, on favourable conditions, the agreements which are due to expire in the near future, or gain and maintain appropriate lessees of good financial standing and willing to enter into long-term lease agreements, this might adversely affect the market value of the real estate portfolio. The financial position of a lessee may deteriorate in the short or long term, which in turn might lead the lessee to bankruptcy or inability to pay its liabilities resulting from the lease agreement. If any of the above factors occurs, it might have a significant negative effect on the Company's financial results.

- **RISK RELATING TO FAILURE TO ATTAIN ASSUMED STRATEGIC GOALS**

The Company may not guarantee that its assumed strategic goals will be attained, specifically the expected significant extension of its business operations scale. The implementation of strategy is dependent on many factors determining the real estate market situation, which fall outside the Company's control. The Company endeavours to build its strategy on the basis of the current market situation. The Company may not ensure, however, that the strategy has been grounded on a complete and accurate analysis of current and future trends of the market. It cannot be excluded that the activities undertaken by the Company will prove insufficient or mistaken from the point of view of implementation of the assumed strategic goals. An erroneous assessment of market tendencies and any erroneous decisions by the Company might have a significant adverse effect on its financial results.

- **RISK RELATING TO THE MANAGERIAL STAFF**

The business activity of the Celtic Group and its further development are largely dependent on the knowledge, experience and qualifications of its managerial staff and key employees. It is the competence of the managerial staff that determines success of all milestones of the development project implementation. If key employees leave the Company, there might be a risk relating to inability to employ equally experienced and qualified experts who would be able to continue the

Company's strategy implementation, which may materially and adversely affect the Company's financial results.

- **Risk relating to financing development with bank loans and other debt instruments**

Usually development projects are implemented with the use of significant debt financing. Thus, the Company and its Group are exposed to the risk of increase in interest rates and more significant service costs of the loan on the one hand. On the other hand, if the demand for the Company's products decreases, in an extreme case the company implementing the investment may be unable to serve the debt. Thus, if the terms of loan agreements providing funds for construction projects are breached, there is risk that the lenders will take over those assets of the Celtic Group members which secure the repayment of the loans. The Company can neither exclude the risk of impaired access to debt financing or a material rise in the costs of debt due to a change in a bank's lending policy. This may hinder the Company's opportunities to begin new projects and, therefore, materially affect its financial results to be generated in the future.

- **Foreign exchange risk**

The debt of the Group denominated in foreign currencies amounted to PLN 93.9 million as of 31 December 2013. Also in the future the Company and its Group do not rule out the possibility of taking out any further foreign currency loans, denominated mainly in EUR. Therefore, the Company and its Group are exposed to the risk of depreciation of PLN against the currencies in which the loans are taken out, which might adversely affect the Company's financial position. This risk is partially mitigated by the fact that receivables resulting from the lease and sale of office projects are settled in foreign currencies.

- **Risk relating to access of prospective clients of Celtic group to loan financing**

The regulations on mortgage loans issued by the Financial Supervision Authority in 2010 - 2012 (so-called T-recommendation issued in August 2010 and the amended S-recommendation in force since January 2012) may substantially limit the accessibility of loans designated to finance the purchase of a property. As a result they may cause a drop in demand for flats and houses and consequently reduce the interest in the Group's development projects.

13. COURT, ADMINISTRATIVE AND ARBITRATION PROCEEDINGS WITH VALUE OF OVER 10% OF THE EQUITY

Celtic Property Developments S.A. and any of its subsidiaries are not party to proceedings before a court, an authority competent for arbitration or a public administration body, with total value exceeding 10% of Celtic Property Developments S.A. equity.

14. ORGANIZATIONAL OR CAPITAL RELATIONSHIPS

Celtic Property Developments S.A. organizational and capital relationships as well as the structure of the Group are presented in the Section *VI.2 GROUP STRUCTURE*.

15. SIGNIFICANT AGREEMENTS

In the financial year 2013 neither the Company nor other Group companies concluded new agreements being significant agreements as defined in the Regulation of the Minister of Finance of 19 February 2009 on current and periodic information published by issuers of securities.

As of the day of publication hereof the Company and subsidiaries are parties to the following agreements regarded as significant as defined by the above Regulation:

- Loan agreement with Bank Zachodni WBK S.A. This agreement is significant due to its value as of 31.12.2013 of PLN 53,655.5 k (by the average EUR exchange rate published by NBP on 31 December 2013 of 4.1472 PLN/EUR), which exceeds the value of 10% of equities of Celtic Property Developments S.A. as of 31 December 2013;

- Loan agreement with HSBC. This agreement is significant due to its value of PLN 40,319.1 k (by the average EUR exchange rate published by NBP on 31 December 2013 of 4.1472 PLN/EUR), which exceeds the value of 10% of equities of Celtic Property Developments S.A. as of 31 December 2013.

The above agreements are described in section *17. LOAN AND BORROWING AGREEMENTS, SURETIES AND GUARANTEES* hereof.

16. SIGNIFICANT TRANSACTIONS BETWEEN AFFILIATES

During the reporting period, the Company did not conclude transactions with affiliates on terms other than the market terms. Transactions with affiliates are described in the explanatory note No. 24 to the Consolidated Financial Statements.

17. LOAN AND BORROWING AGREEMENTS, SURETIES AND GUARANTEES

In the financial year 2013 all obligations arising from the two most important loan agreements were realised on timely basis:

- **LOAN AGREEMENT WITH BANK ZACHODNI WBK S.A.**

The agreement was signed on 12 August 2011 between Bank Zachodni WBK S.A. and the subsidiary Belise Investments Sp. z o.o. as the borrower, Celtic Property Developments S.A., Lakia Enterprises Ltd. headquartered in Nicosia (Cyprus) and East Europe Property Financing A.B. headquartered in Stockholm (Sweden) as sureties. The agreement concerned the finance of the construction and finishing of Iris building located at Cybernetyki 9 street in Warsaw, which was delivered in October 2012. Subject to the terms of the agreement, the Bank made available: 1) an Investment Loan up to EUR 20,141,000 for financing or refinancing a part of the project’s costs or costs of lease space finishing; 2) a revolving VAT Loan up to PLN 2,100,000 for financing or partial refinancing the VAT tax, due in connection with project implementation.

In the event of conversion of the construction to the investment loan, the final repayment of the loan shall occur no later than on 12 August 2019, otherwise the deadline of the final repayment provided for in the loan agreement is August 2014. With regard to the VAT Loan, the final repayment will take place no later than on 12 August 2014. One of the conditions to obtain the loan conversion and thus postponing the final loan repayment for the period up to August 2019 is the achievement of the level of leased area defined in the bank agreement. The priority of the Company’s Management Board is to finish the commercialisation of Iris building and to convert the construction loan into an investment loan in accordance with the schedule. Therefore, if any grounds occur which might affect the adopted schedule, in order to prevent them the Company’s Management Board decided to subsidise the Iris project for the purposes of full commercialisation of the project. In 2013 Celtic Group supported the Iris project with the amount of PLN 1.5 million.

In the opinion of the Board, any failure to renew the loan repayment deadline by BZ WBK SA and consequently place the loan in foreclosure could result in the collection of the debt by the bank in connection with the sale of assets securing the loan (real estate, stocks), the amounts lower than reported in the consolidated financial statements as at 31 December 2013 (the value of the property covered by the mortgage lien was disclosed in Note 6 to Financial Statements). In the opinion of the Board, the risk, that in August 2014, the loan will not be converted to a long-term investment loan or the loan will not be extended is low.

Sureties and guarantees provided in connection with this loan agreement have not changed during the reporting period.

- **LOAN AGREEMENT WITH HSBC**

In the reporting year 2013 Celtic Group companies were parties to the loan agreement related to the financing of the real estate development activities, concluded on 7 July 2009 with HSBC Bank. This agreement was concluded as a consolidated text of the loan agreement initially signed on 21 December 2006, which has been changing in the course of its execution. Parties to this agreement are the Bank HSBC (HSBC Bank Plc and HSBC Bank Polska S.A.) and Celtic Property Developments S.A. subsidiaries: Blaise Investments SP. z o.o., Devin Investments Sp. o.o., Lakia Investments Sp. z o.o., Mandy Investments SP. z o.o., Robin Investments Sp. z o.o. as borrowers and Celtic Property Developments S.A., Blaise Investments Sp. z o.o., Devin Investments Sp. o.o., Lakia Investments Sp. z o.o., Mandy Investments Sp. z o.o., Robin Investments Sp. z o. o and Lakia Enterprises Ltd (Cyprus) as sureties. Subject to the terms of the agreement, the Bank made available to borrowers the loan of EUR 14,000,000. The loan is intended to finance capital expenditures related to Celtic Group investment projects. The deadline for full repayment of the loan with interest and other costs was set to 27 March 2012. An annex to this agreement was signed in March 2012, under which in particular the deadline for full repayment of the loan with interest and other costs was amended, setting it to 27 March 2014. Repayments for 2013 were settled on a timely manner. On 6 June 2013 the Company made an additional partial repayment of the loan in the amount of EUR 870,000, which was a condition for HSBC to agree to the sales by a Group company (Mandy Investments) of the real estate owned by it located at Jana Kazimierza 12/14 in Warsaw.

Pursuant to the applicable terms of the loan agreement with HSBC Bank, the Group was obliged to repay the whole loan by 27 March 2014. The Group obtained the consent of HSBC Bank to the extension of the loan for the subsequent 3 years. As of the day of publication hereof, the Group is finalising an annex to the agreement extending the period of the current financing for subsequent years.

In the opinion of the Board, any consequences resulting from the non- repayment of the loan term by HSBC and consequently place the loan in foreclosure could result in the collection of the debt by the bank in connection with the sale of assets securing the loan (real estate, stocks), the amounts lower than reported in the consolidated financial statements at 31 December 2013 (the value of the property covered by the mortgage lien has been disclosed in Note 6 to Financial Statements). In the opinion of the Board, the risk does not extend the deadline for repayment of the loan by the bank is low.

In 2013 no securities and guarantees concerning this loan were changed.

18. ISSUES OF SECURITIES, ACQUISITION OF OWN SHARES

In 2013, increases of the Company's share capital were registered as a result of the issue of D, E and F series shares.

- **ISSUE OF D SERIES SHARES**

On 15 October 2012 the Management Board passed the resolution (hereinafter referred to as the "Resolution") on increasing the Company's share capital within the limits of authorized capital. On the basis of this Resolution, the Company's share capital was increased from the amount of PLN 3,423,146.60 to the amount of PLN 3,430,748.80, i.e. by the amount of PLN 7,602.20 through the issue of 76,022 ordinary bearer D series shares with nominal value of PLN 0.10 (ten groszy) per share, within the limits of authorized capital. The Company's Management Board was authorized to carry out the increase of the Company's share capital in this way on the basis of § 4(a) of the Company's Articles.

The increase of the Company's share capital through the issue of D series Shares was made with the consent of the Supervisory Board, with exclusion of pre-emptive rights of existing shareholders, in the form of the private offer addressed to selected advisors to the Management Board.

The Management Board decided that the issue price of one D series Share would be equal to its nominal value and amount to PLN 0.10 (ten groszy) per share, to which the Company's Supervisory Board consented. D series Shares were entirely covered with cash contribution by transfer to the Company's bank account. The proceeds from D series shares issue were allocated to finance current activities of the Company.

The increase of the share capital was registered by the District Court for the Capital City of Warsaw, XIII Commercial Division of the National Court Register on 8 January 2013. Therefore, the share capital of Celtic Property Developments S.A. was increased by PLN 7,602.20 to 3,430,748.80 PLN as of 8 January 2013 and was divided into 34,307,488 shares representing 100% at the General Meeting.

Pursuant to the resolution of the Management Board of KDPW no. 155/13 of 25 February 2013, on 7 March 2013 KDPW registered 76,022 ordinary bearer D series shares of the Company designated with ISIN: PLCELPD00013 code.

On 7 March 2013, D series shares were introduced to the listing on the parallel market of Giełda Papierów Wartościowych w Warszawie [Warsaw Stock Exchange] S.A. on the basis of the resolution No. 255/2013 of GPW S.A. Management Board of 5 March 2013.

- **ISSUE OF E SERIES SHARES**

On 10 January 2013 the Extraordinary General Meeting of Celtic Property Developments S.A. adopted the resolution no. 3 on the issue of series B subscription warrants with the right to take up Company's E series shares and the deprivation of current shareholders of the pre-emption right in whole of B series subscription warrants, and the resolution no. 4 on the conditional increase of the Company's share capital with the exclusion of the pre-emption right of E series shares, the amendment to the Company Articles, the deprivation of current shareholders of the pre-emption right in whole of the E series shares, the dematerialization of the E series shares and the application for admission to and listing of the E series shares on the regulated market.

On the basis of the resolution no. 3 the Company issued 88,776 registered B series subscription warrants (hereinafter referred to as "Subscription Warrants") with the right to subscribe for 88,776 Company's ordinary bearer E series shares in total, with the nominal value of PLN 0.10 each and total nominal value of PLN 8.877,60. Subscription Warrants were offered only to entitled persons, e.g. Management Board's members, who performed their functions at the day of presenting the declaration of subscribing for Subscription Warrants:

- Mr Andrew Morrison Shepherd, President of the Management Board, was offered 36,483 Subscription Warrants;
- Mr Aled Rhys Jones, member of the Management Board, was offered 36,483 subscription warrants;
- Ms Elżbieta Wiczkowska, member of the Management Board, was offered 15,810 subscription warrants.

Subscription Warrants were issued free of charge, while the issue price of one E series share taken up as part of exercising of rights in the Subscription Warrant was determined as an equivalent of its nominal value of PLN 0.10. Each subscription warrant entitled to take up one E series share, while the right to take up E series share was exercised in the manner specified in Article 451 of CCC, i.e. in the form of written declarations submitted on the forms prepared by the Company.

The issue of Subscription Warrants and E series shares was carried out without a public offer referred to in Article 3.3 of the Act of 29 July 2005 on Public Offering and Conditions for the Introduction of Financial Instruments to the Organized Trading System, and on Public Companies (Dz.U. No. 184, item 1539, as amended) due to the fact that the number of persons to whom the proposal to acquire Subscription Warrants was addressed did not exceed 99 persons.

On 26 April 2013 the District Court for the Capital City of Warsaw, XIII Commercial Division of the National Court Register has registered the conditional increase of the Company's share capital by the amount not higher than PLN 8,877.60. The conditional increase of the share capital took place by way of issuing E series bearer shares with nominal value of PLN 0.10 PLN (ten groszy) each, at a quantity up to 88,776 and was carried out to enable entitled persons holding B series subscription warrants to exercise the rights to subscribe for up to 88,776 E series shares.

Subscription warrants were offered to entitled persons on 8 May 2013. On that day entitled persons holding B series subscription warrants, i.e. members of the Management Board, exercised the rights in warrants and made declarations on subscribing for E series shares. E series shares issued in connection with subscription for B series subscription warrants by entitled persons are subject to a disposal prohibition for the period of 18 months from their authorisation for listing pursuant to agreements concluded by the entitled persons and the Company simultaneously with the subscription for shares.

The Company's share capital was increased on 5 July 2013 as a result of recording Company's E series shares on accounts of entitled persons and the emergence of rights in said shares pursuant to Article 452 of the Code of Commercial Companies. Therefore, the share capital of Celtic Property Developments S.A. was increased as of 5 July 2013 by the amount of PLN 8,877.60 PLN to PLN 3,439,626.40. As a result of the increase, the share capital of Celtic Property Developments S.A. was divided into 34,396,264 shares with nominal value of PLN 0.10 PLN (ten groszy) each, representing 100% votes at the Company's General Meeting. Proceeds from the issue of E series shares were allocated for financing the current activity of the Company.

Pursuant to the resolution of the Management Board of KDPW no. 448/13 of 21 June 2013, on 5 July 2013 KDPW registered 88,776 ordinary bearer E series shares of the Company designated with ISIN: PLCELPD00013 code.

On 5 July 2013 E series shares were introduced to the listing on the parallel market of Giełda Papierów Wartościowych w Warszawie [Warsaw Stock Exchange] S.A. pursuant to the resolution no. 745/2013 of the Management Board of GPW S.A. of 3 July 2013.

On 12 August 2013, the District Court for the capital city of Warsaw in Warsaw, XIII Commercial Division of the National Court Register issued a decision on registering the increase of the Company's share capital by the amount of PLN 8,877.60 by way of issuing 88,776 ordinary bearer E series shares. Upon registering the increase, the Company's share capital amounted to PLN 3,439,626.40 and was divided into 34,396,264 ordinary bearer shares of B, C, D and E series, with nominal value of PLN 0.10 (ten groszy) each, authorising for 34,396,264 votes at a Company's general meeting.

- **ISSUE OF F SERIES SHARES**

On 20 March 2013, the Company's Management Board adopted the resolution no. 13/III/2013 on the increase of the Company's share capital within the authorised capital.

Pursuant to the above resolution, the Company's share capital was increased by the amount of PLN 19,933.30 by way of an issue within the authorised capital of 199,333.00 ordinary bearer F series shares with nominal value of PLN 0.10 (ten groszy) per share. The increase of the share capital by way of issuing F series shares was carried out upon approval of the Supervisory Board, with the exclusion of the pre-emptive right of the existing shareholders, in the form of a private issue addressed to selected associates of the Management Board. Proceeds from the issue of F series shares were allocated for financing the current activity of the Company.

On 13 September 2013, the District Court for the capital city of Warsaw in Warsaw, XIII Commercial Division of the National Court Register issued a decision on registering the increase of the Company's share capital by the amount of PLN 19,933.30 by way of issuing 199,333 ordinary bearer F series shares. Upon registering the increase, the Company's share capital amounts to PLN 3,459,559.70 and is divided into 34,595,597 ordinary bearer shares of B, C, D, E and F series, with nominal value of PLN 0.10 (ten groszy) each, authorising for 34,595,597 votes at a Company's general meeting.

Pursuant to the resolution of the Management Board of KDPW no. 188/14 of 14 February 2014, on 19 February 2014 KDPW registered 199,333 ordinary bearer F series shares of the Company designated with ISIN: PLCELPD00013 code.

On 19 February 2014 F series shares were introduced to the listing on the parallel market of Giełda Papierów Wartościowych w Warszawie [Warsaw Stock Exchange] S.A. pursuant to the resolution no. 178/2014 of the Management Board of GPW S.A. of 17 February 2014.

- **ACQUISITION OF OWN SHARES FOR REDEMPTION**

On 27 March 2013, the Company invited its shareholders to submit sales proposals regarding its shares on the terms and conditions specified in the Invitation to Submit Sales Proposals. The full content of the Invitation to Submit Sales Proposals was published on the Company's website (www.celtic.pl). In connection with the announced Invitation, the Company proposed the acquisition of up to 1,732,394 ordinary bearer shares designated with ISIN PLCELPD00013 code ("Shares") at PLN 7.10 each. During the period of receiving Share sales proposals between 3 and 9 April 2013, 39 sales proposals were received for 15,575,542 Company's shares in total.

The invitation was based on the resolution of the Extraordinary General Meeting of 10 August 2012 on the acquisition of Company's shares for redemption, which authorised the Management Board to acquire from Company's shareholders up to 11,541,891 Company's shares by 31 December 2013 with nominal value of PLN 0.10 PLN (ten groszy) each and with total nominal value of up to PLN 1,154,189.10. The shares might be purchased on the regulated market: during a stock exchange session or outside session as well as outside of the regulated market. The Shares shall be purchased by the Company pursuant to Article 362 § 1 subpar. 5) of the Code of Commercial Companies for the purpose of redemption for the price no lower than its nominal value and no higher than PLN 15.89 zł (in words: fifteen zlotys and eighty-nine groszy) per one share. In addition, the General Meeting authorized the Company's Management Board to establish detailed terms and conditions of share's acquisition in the scope which is not regulated by this resolution, and to carry out all actual and legal actions aiming at performing the resolution including at concluding an agreement with an investment firm. For the purpose of redemption of shares, upon acquiring all or certain Shares the Company's Management Board shall convene the General Meeting with an agenda including at least the adoption of resolutions on the redemption of the Company's own shares, on the decrease of the Company's share capital and amendments to the Company's Articles.

The rationale of the Management Board's recommendation for the resolution of on the acquisition of own shares for the purpose of redemption was the downturn on the Warsaw Stock Exchange, which was a part of the global trends on the capital markets and resulted in a decrease of the market price of shares of Celtic Property Developments S.A. In the opinion of the Management Board market valuation diverges from the fundamentals of the Company's value growth in the long term. The acquisition of Company's shares is therefore optimal from the point of view of the interests of all Company's shareholders. The Supervisory Board of the Company approved the draft resolution of the Extraordinary General Meeting of the Company through the resolution adopting the draft resolutions of the General Meeting.

On 11 April 2013, the Company decided to accept all Share Sales Proposals and to reduce them proportionally in accordance with the principles specified in the Invitation. The number of shares as part of the submitted Share Sales Proposals was 15,575,542. Due to the fact that sales proposals accounted for more shares than 1,732,394 shares proposed by the Company, each sales proposal was reduced by 88.88% on average, which means that the Company acquired 11.12% of Shares offered for sale on average. As a result of settling the transaction on 15 April 2013, the Company acquired 1,732,394 own shares via UniCredit CAIB Poland S.A., a brokerage house with its registered office in Warsaw. The acquisition price of one share was PLN 7.10. All acquired shares are ordinary shares with nominal value of PLN 0.10 each. Own shares account for 5.01% of the Company's share capital and 5.01% of the overall number of votes in the Company, whereby in accordance with the applicable laws the Company is not authorised for exercising the right to vote own shares.

Pursuant to the applicable laws, in order to commence the redemption procedure of the acquired shares it shall be necessary to convene a General Meeting to adopt a resolution concerning the decrease of the share capital.

Except the above described issues, the Company did not proceed to issue other securities in 2013.

19. DESCRIPTION OF DIFFERENCES IN FORECAST FINANCIAL RESULTS

Celtic Group and its dominant entity did not publish financial result forecasts for the year 2013.

20. FINANCIAL RESOURCES MANAGEMENT ASSESSMENT

Celtic Group finances its operations primarily from equities. In financial year 2013 Group's financial resources were used in accordance with the plans, purpose and current needs. The Group has regularly met all its obligations to counterparties, banks and mandatory contributions to the State.

Total liabilities representing 30.6% of balance sheet total of the Group do not represent a threat to the financial position of the Group.

Loans and borrowings are supplementary sources of financing of the Group activities. At the end of 2013 the total value of liabilities in respect of loans and borrowings amounted to PLN 116.1 million compared to PLN 113.1 million at the end of 2012. Within liabilities in respect of loans and borrowings, Celtic Group discloses financial leasing liabilities being a Group's liability in respect of land perpetual usufruct. At the end of 2013 this kind of liabilities amounted to PLN 22.0 million and represented 19.1% of total loan and borrowing liabilities of the Group.

21. CHANGES IN MANAGEMENT POLICIES

In 2013, the Group's structure underwent further simplification in line with continued strategy of focusing the Group's activities on the Polish market, in particular on the Ursus project. The winding-up process of an operating company in Hungary was completed, the winding-up procedure of the investment company Celtic Asset Management Sp. z o.o. was continued, and the decision was made to wind up three subsequent investment companies (Mandy Investments Sp. z o.o., 14/119 Gaston Investments Sp. komandytowa and Gaetan Investments Sp. z o.o.) in connection with the sales of the real estates owned by them. The winding-up of East Europe Property Finance AB is also planned. The reduction of the number of subsidiaries from 44 at the end of 2011 to 37 as of the day of publication hereof contributed to the simplification of the Group management policies. Apart from the changes in the Group structure in 2013 (described in detail in *VI.2 GROUP STRUCTURE* hereof) and further simplification of organisational procedures, no essential changes in the Group management policies took place.

22. REMUNERATION OF THE SUPERVISORY BOARD AND THE MANAGEMENT BOARD

- ### SUPERVISORY BOARD REMUNERATION

In 2013, the following remuneration amounts for holding an office in the Company's Supervisory Board were disbursed to the members of the Supervisory Board of Celtic Property Developments S.A.:

Name		CCY	Amount (PLN)	For the period	Comments
Marzena Bielecka	President of the Supervisory Board	PLN	60 000	01.2013 - 12.2013	
Wiesław Oleś	Vice President of the Supervisory Board	PLN	44 640	01.2013 - 12.2013	
Colin Kingsnorth	Secretary of the Supervisory Board	PLN	-	01.2013 - 10.2013	Mr C. Kingsnorth renounced from the remuneration for the function in the Supervisory Board. Mr Kingsnorth resigned from the function in the Supervisory Board from 24.10.2013.
Mirosław Gronicki	Member of the Supervisory Board	PLN	44 640	01.2013 - 12.2013	
Wiesław Rozłucki	Member of the Supervisory Board	PLN	44 640	01.2013 - 12.2013	
Andrew Pegge	Member of the Supervisory Board	PLN	8 400	11.2013 - 12.2013	Mr. Pegge is the member of the Supervisory Board from 24.10.2013.
Total			**202 320**		

- ### MANAGEMENT BOARD REMUNERATION

In 2013 Celtic Property Developments S.A. Management Board members received cash remuneration for the function on the appointment basis in the Management Board of the Company as well as the remuneration for services provided to companies being part of the Celtic Group. Remuneration paid in 2013 to members of Celtic Property Developments S.A. Management Board for the function on the appointment basis in the Management Board and for services provided to companies being part of Celtic Group:

Name	Function	Remuneration for the function in CPD S.A. Management Board on the appointment basis (PLN)	Remuneration for services rendered for other companies from Celtic Group (PLN)	TOTAL (PLN)	Period	Comments
Andrew Morrison Shepherd	President of the MB (until 17.09.2013)	42 833	128 540	**171 374**	01.2013 - 09.2013	Resignation on 17.09.2013.
Aled Rhys Jones	Member of the MB	42 833	128 540	**171 374**	01.2013 - 09.2013	Resignation on 17.09.2013.
Andrew Pegge	Member of the MB	44 000	-	**44 000**	01.2013 - 09.2013	Resignation on 24.09.2013.
Elżbieta Wiczkowska	President of the MB (from 25.09.2013)	60 000	264 000	**324 000**	01.2013 - 12.2013	President of the MB from 25.09.2013
Colin Kingsnorth	Member of the MB	11 290	-	**11 290**	10.2013 - 12.2013	Member of the MB from 24.10.2013
Iwona Makarewicz	Member of the MB	16 000	73 313	**89 313**	09.2013 - 12.2013	Member of the MB from 26.09.2013
Piotr Turchoński	Member of the MB	16 000	134 350	**150 350**	09.2013 - 12.2013	Member of the MB from 26.09.2013
Total		**232 957**	**728 743**	**961 700**		

23. AGREEMENTS WITH MEMBERS OF THE MANAGEMENT BOARD – COMPENSATIONS

Celtic Property Developments S.A. Management Board members are not employed under employment agreements in the Company. The Company did not conclude such agreements with members of the Management Board that provide for compensation in the event of their resignation or dismissal from their function without valid reason or if the dismissal results from the merger of the Company following an acquisition.

24. SHARES IN POSSESSION OF MEMBERS OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

The following table presents the number of shares of the Company owned by the members of the Management Board holding their function at the day of the report publication, according to the information held by the Company:

Shareholder		Number of shares owned	Nominal value of shares	Shares as % of total number of shares	Votes as % of total number of votes
Elżbieta Wiczkowska	President of the Management Board	42 498	4 250	0,123%	0,123%
Iwona Makarewicz	Member of the Management Board	473	47	0,001%	0,001%
TOTAL		**42 971**	**4 297**	**0,124%**	**0,124%**

*Total number of shares embracing B, C, D, E and F series shares, amounting to 34,595,597 shares.

Compared to the previous reporting period, the number of shares held by Ms Elżbieta Wiczkowskia increased by 15,810 shares as a result of the take-up of of E series shares on 8 May 2013 and their subsequent registration on securities accounts on 5 July 2013 by way of exercising the rights in B series subscription warrants.

The Company has no information that other members of the Management Board or the Supervisory Board are in possession of the Company's shares.

25. AGREEMENTS CHANGING OWNERSHIP STRUCTURE

Following the resolution adopted by the Extraordinary General Meeting on 10 August 2012 on the acquisition of the Company's shares for the purpose of redemption and the Invitation to Submit Sales Proposals announced on 27 March 2013, as a result of the transaction settled on 15 April 2013, the Company acquired 1,732,394 own shares via UniCredit CAIB Poland S.A., a brokerage house with its registered office in Warsaw. All acquired shares are ordinary shares with nominal value of PLN 0.10 each. Own shares account for 5.01% of the Company's share capital and 5.01% of the overall number of votes in the Company, whereby in accordance with the applicable laws the Company is not authorised for exercising the right to vote own shares.

On 30 August 2013 the Company received a notice by the procedure specified in Article 69 par. 1 subpar. 1) and par. 2 subpar. 2) in connection with a transaction concluded between Horseguard Trading Ltd, and a subsidiary of Horseguard Trading Ltd., i.e. Furseka Trading and Investments Ltd. In a block trade settled on 30 August 2013, Horseguard Trading Ltd. disposed of 5,137,222 shares of Celtic Property Developments S.A. authorising for 5,137,222 votes on the Company's General Meeting in favour of its subsidiary Furseka Trading and Investments Ltd., as a result of which Horseguard Trading Ltd. held the Company's shares indirectly. On 9 September 2013, Horseguard Trading Ltd. sold 100% its shares in Furseka Trading and Investments Ltd. As a result of this transaction, as of 9 September 2013 Horseguard Trading Ltd. had no shares of the Company directly or indirectly.

As of the day of publication hereof, the Company has not received other notices concerning changes in the proportion of shares held by shareholders holding at least 5.0% of Company's shares to date.

26. CONTROL SYSTEM FOR EMPLOYEE SHARES SCHEMES

During the reporting period the Company did not implement employee shares schemes.

27. AGREEMENT WITH AN ENTITY AUTHORISED FOR AUDITING FINANCIAL STATEMENTS

In years 2012 and 2013 Celtic Property Developments S.A. financial statements as well as consolidated financial statements of the Capital Group were reviewed and audited by audit firm PricewaterhouseCoopers Sp. z o.o., based in Warsaw.

The total remuneration of the auditor for the audit, the reviews of Financial Statements for 2013 and other services provided by Pricewaterhouse Coopers Sp. z o.o. amounted to PLN 305,000 net, of which:

- PLN 102,000 was remuneration for a review of the financial statements of Celtic Property Developments S.A. and the consolidated financial statements of the Group for the period from 1 January 2013 to 30 June 2013 (agreement of 25 July 2013);
- PLN 134,000 was remuneration for auditing the financial statements of Celtic Property Developments S.A. and the consolidated financial statements of the Group for the period from 1 January 2013 to 31 December 2013 (agreement of 9 January 2014);
- PLN 50,000 was remuneration for accounting advice in connection with the consolidation of the Group, including: providing illustrative journal entries to apply consolidation accounting rules included in IFRS; providing examples of financial statement format and disclosure requirements of IFRS; providing advice on compiling information in respect of consolidated financial statements;
- PLN 19,000 was remuneration for auditing the financial statements of Belise Investments Sp. z o.o. (agreement of 9 January 2014);

- PLN 20,000 was remuneration for the audit of the subsidiaries: Celtic Investments Ltd, Buffy Holdings No 1 Ltd, Lakia Enterprises Ltd and East Europe Property Finance AB for the period from 1 January 2013 to 31 December 2013 (on the basis of contracts signed between PricewaterhouseCoopers and these subsidiaries in their respective countries).

Total Auditor's remuneration for the audit and the review of Financial Statements for the year 2012 amounted to PLN 320,000.00 and included:

- PLN 70,000.00 was remuneration for the review of Celtic Property Developments S.A. financial statements and consolidated financial statements for the period from 1 January 2012 to 30 June 2012 (agreement of 6 August 2012);
- PLN 100,000.00 was remuneration for the audit of Celtic Property Developments S.A. financial statements and consolidated financial statements for the period from 1 January 2012 to 31 December 2012 (agreement of 21 December 2012);
- PLN 16,000.00 was remuneration for the audit of financial statements of the subsidiary Belise Investments Sp. z o.o. for the period 1 January 2012 to 31 December 2012 (agreement of 21 December 2012).
- PLN 64,000.00 was remuneration for the audit of the subsidiaries: Celtic Investments Ltd, Buffy Holdings No 1 Ltd, Lakia Enterprises Ltd and East Europe Property Finance AB for the period 1 January 2012 to 31 December 2012 (on the basis of contracts signed between PriceWaterhouseCoopers and these subsidiaries in their respective countries);
- An additional cost of PLN 70.000,00 included in the Group's accounts in 2012 represented Belise Investments Sp. z o.o. audit costs for the year 2011, a non-deductible VAT for services provided in Sweden as well as foreign exchange differences.

28. STRUCTURE OF ASSETS AND LIABILITIES – BY LIQUIDITY

Celtic Group assets structure on 31 December 2013 and changes compared with the status at the end of 2012:

	As at: 31.12.2013 (PLN ths.)	As at: 31.12.2012 (PLN ths.)	% in total assets 2013	% in total assets 2012	*Change 2013/2012 (%)*
Investment properties	442 793	438 016	93,2%	83,9%	*1,1%*
Property, plant and equipment	853	978	0,2%	0,2%	*-12,8%*
Intangible assets, excluding goodwill	108	137	0,02%	0,03%	*-21,2%*
Investment in subsidiaries	-	35	-	0,01%	-
Deferred income tax assets	360	8	0,1%	0,002%	*4400,0%*
Bonds	3 190	-	0,7%	-	-
Non-current assets	**447 304**	**439 174**	**94,2%**	**84,2%**	***1,9%***
Inventories	7 773	15 496	1,6%	3,0%	*-49,8%*
Trade and other receivables	7 865	17 186	1,7%	3,3%	*-54,2%*
Cash and cash equivalents	11 981	27 101	2,5%	5,2%	*-55,8%*
Current assets	**27 619**	**59 783**	**5,8%**	**11,5%**	***-53,8%***
Assets held for sale	**-**	**22 894**	**-**	**4,4%**	**-**
TOTAL ASSETS	**474 923**	**521 851**	**100,0%**	**100,0%**	***-9,0%***

Celtic Group liabilities structure on 31 December 2013 and changes compared with the status at the end of 2012:

	As at:		% in total assets	% in total assets	Change
	31.12.2013 (PLN ths.)	31.12.2012 (PLN ths.)	2013	2012	*2013/2012 (%)*
Share capital	3 460	3 431	0,7%	0,7%	*0,8%*
Own shares	-12 300	-	-2,6%	-	-
Other reserves	987	4 399	0,2%	0,8%	*-77,6%*
Translation reserve	-3 847	-3 933	-0,8%	-0,8%	*-2,2%*
Retained earnings/(accumulated losses)	341 062	379 724	71,8%	72,8%	*-10,2%*
Equity	**329 362**	**383 621**	**69,4%**	**73,5%**	***-14,1%***
Trade and other payables	384	466	0,1%	0,1%	*-17,6%*
Borrowings, including finance leases	22 027	111 015	4,6%	21,3%	*-80,2%*
Defferred income tax liabilities	13 468	10 427	2,8%	2,0%	*29,2%*
Non-current liabilities	**35 879**	**121 908**	**7,6%**	**23,4%**	***-70,6%***
Trade and other payables	15 370	13 804	*3,2%*	2,6%	*11,3%*
Current income tax liabilities	267	376	*0,1%*	0,1%	*-29,0%*
Borrowings, including finance leases	94 045	2 142	*19,8%*	0,4%	*4290,5%*
Current liabilities	**109 682**	**16 322**	**23,1%**	**3,1%**	***572,0%***
Total liabilities	**145 561**	**138 230**	**30,6%**	**26,5%**	***5,3%***
TOTAL EQUITY AND LIABILITIES	**474 923**	**521 851**	**100,0%**	**100,0%**	***-9,0%***

29. CONTINGENT LIABILITIES

In 2011, the Group declared that Celtic would transfer about 20 hectares of land held within the Celtic land located in Warsaw, on the area of former ZPC Ursus, free of charge to the City of Warsaw. As a result of selling a part of land included in the initial pool of 20 ha, as of the day of publication hereof the Group's declaration applies to 16.5 ha, o which 4.8 ha of land would be designated for social functions and 11.6 ha for road functions. The value of these areas, according to the *Forecast financial impact of the adoption of the master plan for the post-industrial area in the vicinity of Orłów Piastowskich Street* prepared on commission of the Capital City of Warsaw, is estimated at about PLN 57 million. According to the declaration, the condition for the free of charge transfer of said land by the Celtic Group for city projects is the adoption of the master plan. In addition, the Group reserved in the declaration that the given declaration was valid only in relation to such lands from the said pool that would still be held by the Group at the time of the adoption of the master plan.

On the day of publication hereof, the negotiation process regarding the content of the transfer agreement with Warsaw's authorities is in progress, at the same time master plan has not been passed yet and it is unknown when this will happen.

According to the intention of the Management Board, the above declaration was intended to facilitate to the City authorities the revitalization of the post industrial areas in Warsaw and at the same time supporting the City budget.

As of 31 December 2013, the Celtic Group owns the lands described above, covered by the declaration to transfer them free of charge. At the same time as of 31 December 2013, the Group is not legally obligated to comply with the submitted declaration. As a result, the declaration is not treated as a liability or provision in the statements as of 31 December 2013 and the whole land, located in Ursus, owned by the Group is valuated at fair value (in accordance with the accounting policy adopted in this regard) and presented in the statement of financial position, in investment real estates item.

MANAGEMENT BOARD STATEMENT

VI. MANAGEMENT BOARD STATEMENT

The Management Board of Celtic Property Developments S.A. ("Company") confirms that according to its best knowledge, the consolidated financial statements of the Celtic Group ("the Group") for the financial year ending on 31 December 2013 and all comparative figures were prepared in accordance with the applicable accounting principles and give a true, fair and clear financial and assets situation of the Group and its financial results, and that the Group's annual activity report includes the true picture of Group's development, achievements and situation, including threats and risks.

The Management Board confirms that the entity authorized to audit the annual consolidated financial statements was selected in accordance with the law, and the both the entity and the chartered auditors carrying out the audit meet the conditions for issuing an unbiased and independent opinion on the audited annual consolidated financial statements, in accordance with the applicable regulations and professional standards. In years 2012 and 2013 financial statements of Celtic Property Developments S.A. and the Group were reviewed and audited by PricewaterhouseCoopers Sp. z o.o., an audit firm based in Warsaw.

ELŻBIETA WICZKOWSKA PRESIDENT OF THE MANAGEMENT BOARD	COLIN KINGSNORTH MEMBER OF THE MANAGEMENT BOARD
IWONA MAKAREWICZ MEMBER OF THE MANAGEMENT BOARD	PIOTR TURCHOŃSKI MEMBER OF THE MANAGEMENT BOARD

VII. INDEPENDENT CHARTERED AUDITOR'S OPINION

Celtic Property Developments S.A. Group

Independent Registered Auditor's Opinion

Consolidated Financial Statements

Director's Report

Registered Auditor's Report on the audit of the consolidated financial statements

For the year from 1 January to 31 December 2013

Content:

Independent Registered Auditor's Opinion

To the General Shareholders' Meeting and the Supervisory Board of Celtic Property Developments S.A.

We have audited the accompanying consolidated financial statements of the Celtic Property Developments S.A. Group (hereinafter called "the Group"), having Celtic Property Developments S.A., Cybernetyki 7B Street, Warsaw, as its parent company (hereinafter called "the Parent Company"), which comprise the consolidated statement of financial position as at 31 December 2013, showing total assets and total equity and liabilities of PLN 474 923, the consolidated statement of comprehensive income for the period from 1 January to 31 December 2013, showing a total comprehensive loss of PLN 43 061*;* the consolidated statement of changes in equity, the consolidated statement of cash flows for the financial year and additional information on adopted accounting policies and other explanatory notes.

The Parent Company's Management Board is responsible for preparing the consolidated financial statements and Group Directors' Report in accordance with the applicable regulations, and for the correctness of the accounting records. Members of the Management Board and Members of the Supervisory Board of the Parent Company are obliged to ensure that the consolidated financial statements and the Group Director's Report comply with the requirements of the Accounting Act of 29 September 1994 ("the Accounting Act" – Journal of Laws of 2013, item 330 as amended).

Our responsibility was to perform an audit of the accompanying consolidated financial statements and to express an opinion on whether the consolidated financial statements comply, in all material respects, with the applicable accounting policies and whether they present, in all material respects, a true and clear view of the Group's financial position and results.

We conducted our audit in accordance with:

a. the provisions of Chapter 7 of the Accounting Act;

b. national standards of auditing issued by the National Council of Registered Auditors.

Translation note:
This version of our report is a translation from the original, which was prepared in Polish language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Independent Registered Auditor's Opinion

To the General Shareholder's Meeting and the Supervisory Board of Celtic Property Developments S.A. (cont.)

Our audit was planned and performed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatements and omissions. The audit included examining, on a test basis, accounting documents and entries supporting the amounts and disclosures in the consolidated financial statements. The audit also included assessing the Group's accounting policies and significant estimates made during the preparation of the consolidated financial statements, as well as evaluating the overall presentation thereof. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accompanying consolidated financial statements, in all material respects:

a. give a fair and clear view of the Group's financial position as at 31 December 2013 and of the results of its operations for the year from 1 January to 31 December 2013, in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union;

b. comply in terms of form and content with the applicable laws;

c. have been prepared on the basis of properly maintained consolidation documentation.

Without qualifying our opinion on the truth and fairness of the audited consolidated financial statements, we draw attention to the fact, that as at the balance sheet date short term liabilities amounted to PLN 109 682 thousand (including bank loan liabilities in the amount of PLN 94 004 thousand) exceeded current assets by PLN 82 063 thousand. As indicated in note 13, the Group is in the process of negotiations with the banks regarding the extension of the repayment period of loan liabilities, however at the moment of issuing this opinion no binding agreements have been signed. In accordance with the Management's assessment the risk that the extension will not be granted is low. However if the repayment date of loan liabilities would not be extended, the banks could recover their debt through sale of the properties, on which the debt is pledged (the book value of the investment properties is equal to their fair value and amounts to PLN 145 081 thousand). As a result there is uncertainty that the Group won't be able to realize its significant properties in a normal course of business, through commercial leasing of the space, i.e. at the values presented in the consolidated financial statements as of 31 December 2013. The consolidated financial statements do not include adjustments that would be required, if the investment properties pledged as collateral for the bank loans, have to be disposed of immediately.

The information contained in the Group Directors' Report for the year from 1 January to 31 December 2013 has been presented in accordance with the provisions of the Decree of the Minister of Finance dated 19 February 2009 concerning the publication of current and periodic information by issuers of securities and the conditions of acceptance as equal information required by the law of other state, which is not a member state ("*the Decree*" – Journal of Laws of 2014, item 133) and is consistent with the information presented in the audited consolidated financial statements.

Translation note:
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Person conducting the audit on behalf of PricewaterhouseCoopers Sp. z o.o., Registered Audit Company No. 144:

Wojciech Maj

Group Registered Auditor, Key Registered
Auditor
No. 6128

Warsaw, 17 kwietnia 2014

Translation note:
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VIII. CHARTERED AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2013.

Celtic Property Developments S.A. Group

Registered auditor's report on the audit of the consolidated financial statements for the year from 1 January to 31 December 2013

Translation note:
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Registered auditor's report on the audit of the consolidated financial statements for the year from 1 January to 31 December 2013

To the General Shareholders' Meeting and the Supervisory Board of Celtic Property Developments S.A.

This report contains 13 consecutively numbered pages and consists of:

Translation note:
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I. General information about the Group

a. Celtic Property Developments S.A. ("the Parent Company") with its seat in Warsaw Cybernetyki 7B Street is the parent company of the Celtic Property Developments S.A. Group ("the Group").

b. The Parent Company was formed on the basis of a Notarial Deed drawn up on 23 February 2007 at the Notary Public's Office of Dorota Mika in Cracow and registered with Rep. No. 863/2007. On 23 March 2007, the Company was entered in the Register of Businesses maintained by the District Court in Cracow, XI Business Department of the National Court Register, with the reference number KRS 0000277147. On 2 September 2010 the General Shareholders' Meeting adopted a resolution changing the Parent Company's name from Poen S.A. to Celtic Property Developments S.A.

c. The Parent Company was assigned a tax identification number (NIP) 677-22-86-258 for the purpose of making tax settlements and a REGON number 120423087 for statistical purposes.

d. As at 31 December 2013 the Parent Company's share capital amounted to PLN 3 459 559,70 and consisted of 34.595.597 shares, with a nominal value of PLN 0,10 each.

e. As at 31 December 2013, the Parent Company's shareholders were:

Shareholder's name	Number of shares held	Par value of shares held (PLN)	Type of shares held (ordinary /preference)	Votes (%)
Cooperatieve Laxey Worldwide W.A.	10.082.930	1.008.293,0	ordinary	29,15
Furseka Trading	5.137.222	513.722,2	ordinary	14,85
The Value Catalyst Fund Plc	4.490.475	449.047,5	ordinary	12,98
QVT Fund LP	3.843.635	384.363,5	ordinary	11,11
LP Value Ltd	2.198.450	219.845,0	ordinary	6,35
LP Alternative Fund LP	2.193.931	219.393,1	ordinary	6,34
Own shares*	1 732 394	173.239.4	ordinary	5,01
Shareholders with less than 5% of shares	4.916.560	491.656,0	ordinary	14,21
	34.595.597	**3.459.559,7**		**100,0**

**On 15th of April 2013 Company acquired 1.732.394 own shares (buy back transaction) in order to redeem shares. According to law Company does not have voting rights from own shares.*

On 10 January 2013 Company's share capital was increased by PLN 8.877,60, from PLN 3.430.748,8 to PLN 3.439.626,40 as a result of submitting shares of E series on the accounts of Board Members. The increase of share capital was registered by the District Court in Warsaw, XII Business Department of the National Court Register on 12 August 2013.

I. General information about the Group (cont.)

On 20 March 2013 Compnay's share capital was increased by PLN 19.933,30, from PLN 3.439.626,40 to PLN 3.459.559,70 as a result of issuing shares of F series to the selected advisors of the Board. The share capital increase was registered by the District Court in Warsaw on 13 September 2013.

f. In the audited year, the Group's operations comprised:

- property development,
- asset management,
- leasing of the properties.

g. During the audited year, the Management Board of the Parent Company comprised:

• Elżbieta Donata Wilczkowska	Chairman from 25 September 2013
• Colin William Kingsnorth	Board Member from 24 October 2013
• Piotr Sylwester Turchoński	Board Member from 25 September 2013
• Iwona Ewa Makarewicz	Board Member from 25 September 2013
• Andrew Morrison Shepherd	Chairman till 17 September 2013
• Aled Rhys Jones	Board Member till 17 September 2013
• Andrew Pegge	Board Member from 10 January to 24 September 2013

I. General information about the Group (cont.)

h. As at 31 December 2013, the Celtic Property Developments S.A. Group comprised the following entities:

Name	Nature of equity relationship (interest in %)	Consolidation method	Auditor of the financial statements	Type of opinion	Balance sheet date
Celtic Property Developments S.A.	Parent Company	Not applicable	PricewaterhouseCoopers Sp. z o.o.	Unqualified	31 December 2013
Mandy Investment Sp. z o.o.	Subsidiary (100 %)	Full	Not applicable	Not applicable	31 December 2013
Lakia Enterprises Limited	Subsidiary (100 %)	Full	PricewaterhouseCoopers Limited, Cyprus	As at 21 March 2013 the audit of this entity's financial statement was not completed	31 December 2013
Lakia Investments Sp. z o.o.	Subsidiary (100 %)	Full	Not applicable	Not applicable	31 December 2013
Gaetan Investments Sp. z o.o.	Subsidiary (100 %)	Full	Not applicable	Not applicable	31 December 2013
Celtic Asset Management Sp. z o.o. (poprzednia nazwa: Liliane Investments Sp. z o.o.)	Subsidiary (100 %)	Full	Not applicable	Not applicable	31 December 2013
Blaise Investments Sp. z o.o.	Subsidiary (100 %)	Full	Not applicable	Not applicable	31 December 2013
Robin Investments Sp. z o.o.	Subsidiary (100 %)	Full	Not applicable	Not applicable	31 December 2013
East Europe Property Financing AB	Subsidiary (100 %)	Full	PricewaterhouseCoopers AB, Sweden	As at 21 March 2013 the audit of this entity's financial statement was not completed	31 December 2013
Hub Developments Ltd Sp. z o.o.	Subsidiary (100%)	Full	Not applicable	Not applicable	31 December 2013
Elara Investments Sp. z o.o.	Subsidiary (100%)	Full	Not applicable	Not applicable	31 December 2013
Celtic Investments Limited	Subsidiary (100%)	Full	PricewaterhouseCoopers Limited, Cyprus	As at 21 March 2013 the audit of this entity's financial statement was not completed	31 December 2013
Gaston Investments Sp. z o.o.	Subsidiary (100%)	Full	Not applicable	Not applicable	31 December 2013
Buffy Holdings No 1 Ltd	Subsidiary (100%)	Full	PricewaterhouseCoopers Limited, Cyprus	As at 21 March 2013 the audit of this entity's financial statement was not completed	31 December 2013

I. General information about the Group (cont.)

Name	Nature of equity relationship (interest in %)	Consolidation method	Auditor of the financial statements	Type of opinion	Balance sheet date
Challange Eighteen Sp. z o.o.	Subsidiary (100%)	Full	Not applicable	Not applicable	31 December 2013
Celtic Trade Park Kft.	Subsidiary (100%)	Full	Not applicable	Not applicable	31 December 2013
Blaise Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Subsidiary (100%)	Full	Not applicable	Not applicable	31 December 2013
1/95 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Subsidiary (100%)	Full	Not applicable	Not applicable	31 December 2013
2/124 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Subsidiary (100%)	Full	Not applicable	Not applicable	31 December 2013
3/93 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Subsidiary (100%)	Full	Not applicable	Not applicable	31 December 2013
4/113 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Subsidiary (100%)	Full	Not applicable	Not applicable	31 December 2013
5/92 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Subsidiary (100%)	Full	Not applicable	Not applicable	31 December 2013
6/150 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Subsidiary (100%)	Full	Not applicable	Not applicable	31 December 2013
7/120 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Subsidiary (100%)	Full	Not applicable	Not applicable	31 December 2013
8/126 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Subsidiary (100%)	Full	Not applicable	Not applicable	31 December 2013
9/151 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Subsidiary (100%)	Full	Not applicable	Not applicable	31 December 2013

I. General information about the Group (cont.)

Name	Nature of equity relationship (interest in %)	Consolidation method	Auditor of the financial statements	Type of opinion	Balance sheet date
10/165 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Subsidiary (100%)	Full	Not applicable	Not applicable	31 December 2013
11/162 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Subsidiary (100%)	Full	Not applicable	Not applicable	31 December 2013
12/132 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Subsidiary (100%)	Full	Not applicable	Not applicable	31 December 2013
13/155 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Subsidiary (100%)	Full	Not applicable	Not applicable	31 December 2013
14/119 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Subsidiary (100%)	Full	Not applicable	Not applicable	31 December 2013
15/167 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Subsidiary (100%)	Full	Not applicable	Not applicable	31 December 2013
16/88 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Subsidiary (100%)	Full	Not applicable	Not applicable	31 December 2013
18 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Subsidiary (100%)	Full	Not applicable	Not applicable	31 December 2013
19/97 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Subsidiary (100%)	Full	Not applicable	Not applicable	31 December 2013
20/140 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Subsidiary (100%)	Full	Not applicable	Not applicable	31 December 2013
Belise Investments Sp. z o.o.	Subsidiary (100%)	Full	PricewaterhouseCoopers Sp. z o.o.	As at 21 March 2013 the audit of this entity's financial statement was not completed	31 December 2013
Antigo Investments Sp. z o.o.	Subsidiary (100%)	Full	Not applicable	Not applicable	31 December 2013

I. General information about the Group (cont.)

i. During the financial year, the following changes took place in the scope of consolidation:

- Celtic Property Developments Kft (Hungary) was liquidated
- Lakia Enterprises Ltd acquired 100% shares of Gaston Investments Sp. z o.o. from Celtic Investments Limited
- Celtit Asset Management was put into liquidation

j. The Parent Company is an issuer of securities admitted for trading on the Warsaw Stock Exchange. In accordance with the choice of selecting accounting policies permitted by the Accounting Act, the Company has decided to prepare its consolidated financial statements in accordance with IFRS as adopted by the European Union.

II. Information about the audit

a. The audit of the consolidated financial statements as at and for the year from 1 January to 31 December 2013 was conducted by PricewaterhouseCoopers Sp. z o.o. with its seat in Warsaw, Al. Armii Ludowej 14, registered audit company no. 144. The audit was conducted on behalf of the registered audit company under the supervision of the key registered auditor, the Group's registered auditor Wojciech Maj (no. 6128).

b. PricewaterhouseCoopers Sp. z o.o. was appointed registered auditor to the Group by Resolution No. 8/VIII/2013 of the Supervisory Board dated 19 March 2013 in accordance with paragraph 11 point 8 of the Company's Memorandum of Association.

c. PricewaterhouseCoopers Sp. z o.o. and the key registered auditor conducting the audit are independent of the entities belonging to the Group within the meaning of art. 56, clauses 2-4 of the Act dated 7 May 2009 on registered auditors and their self-government, registered audit companies and on public supervision (Journal of Laws No. 77, item 649, as amended).

d. The audit was conducted in accordance with an agreement dated 9 January 2014 and conducted during the period from 17 February to 18 April 2014.

III. The Group's results, financial position and significant items of the consolidated financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 31 December 2013 (selected lines)

	31.12.2013	31.12.2012	Change		Structure	
					31.12.2013	31.12.2012
	PLN '000	PLN '000	PLN '000	(%)	(%)	(%)
ASSETS						
Non-current assets	**447.304**	439.174	**8.130**	**2**	**94,2**	84,2
Current assets	**27.619**	82.677	**(55.228)**	**(67)**	**5,8**	15,8
Total assets	**474.923**	**521.851**	**(46.928)**	**(9)**	**100,0**	**100,0**
LIABILITIES AND EQUITY						
Share capital	**3.460**	3.431	**29**	**1**	**0,7**	0,7
Own Shares	**(12.300)**	0	**(12.300)**	**-**	**(2,6)**	0,0
Reserve capital	**987**	4.399	**(3.412)**	**(78)**	**0,2**	0,8
Translation reserves	**(3.847)**	(3.933)	**86**	**2**	**(0,8)**	(0,8)
Retained earnings	**341.062**	379.724	**(38.662)**	**(10)**	**71,8**	72,8
Liabilities	**145.561**	138.230	**7.331**	**5**	**30,6**	26,5
Total liabilities and equity	**474.923**	**521.851**	**(46.928)**	**(9)**	**100,0**	**100,0**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME for the year from 1 January to 31 December 2013 (selected lines)

	2013	2012	Change		Structure	
					2013	2012
	PLN '000	PLN '000	PLN '000	(%)	(%)	(%)
Revenues	13.880	16.728	(2.842)	(17)	100.0	(10,2)
Costs of sales	(9.429)	(9.916)	487	5	22	6,0
Gross profit	**4.451**	**6.812**	**(2.361)**	**(35)**	**(10,4)**	**(4,2)**
Operating loss	**(34.401)**	**(168.888)**	**134.487**	**80**	**80,3**	**102,9**
Loss for the year	**(43.061)**	**(162.844)**	**119.873**	**74**	**100,2**	**99,2**
Currency translation adjustment	**86**	(1.239)	**1.325**	**107**	**0,0**	0,8
Total comprehensive income for the year	**(42.975)**	**(164.083)**	**121.108**	**74**	**100,0**	**100,0**

III. The Company's results, financial position and significant items of the consolidated financial statement (cont.)

Selected ratios characterizing the Group's financial position and results

The following ratios characterise the Group's activities, results of operations during the year and its financial position as at the balance sheet date compared with previous years:

	2013	**2012**	**2011**
Asset ratios			
- receivables turnover	175 days	144 days	61 days
- inventory turnover	444 days	1 484 days	864 days
Profitability ratios			
- gross margin	31%	32%	24%
- return on capital employed	(12)%	(35)%	(42)%
Liability ratios			
- gearing	31%	26%	20%
- payables turnover	39 days	124 days	47 days
	31.12.2013	**31.12.2012**	**31.12.2011**
Liquidity ratios			
- current ratio	0,3	5,1	1,4
- quick ratio	0,2	4,1	0,6

The above ratios have been calculated on the basis of the consolidated financial statements.

It was not the purpose of the audit to present the Group in the context of the results of operations and ratios achieved. A detailed interpretation of the ratios requires an in-depth analysis of the Group's operations and its circumstances.

III. The Company's results, financial position and significant items of the consolidated financial statement (cont.)

The consolidated financial statements do not take into account the effects of inflation. The consumer price index (on a December to December basis) amounted to 0.7% in the audited year (2.4% in 2012).

Celtic Property Developments S.A. is as at 31 December 2013 a parent company in a Group which consists of 37 associated companies (including 37 fully consolidated).

The following comments are based on information obtained during the audit of the consolidated financial statements.

The factors described below had a significant impact on the Group's results of operations and on its financial position as at the balance sheet date.

- At the end of the financial year, the Group's total assets amounted to PLN 474.923 thousand. During the year total assets decreased by PLN 46.928 thousand (i.e. by 9%). This decrease resulted mainly from the net loss for the current financial year of PLN 42.975 thousand.

- As at 31 December 2013 the inventory amounted to PLN 7.773 thousand, which comparing to the end of prior financial year represented a decrease of PLN 7.723 thousand. Changes in 2013 resulted mainly from the sale of inventory (PLN 4.329 thousand) and impairment write-off (PLN 3.744 thousand). As at 31 December 2013 inventory consisted of goods and work in progress which were dedicated for sale in a normal course of business.

- As at 31 December 2013 total equity amounted to PLN 329.362 thousand and compared to prior financial year decreased by PLN 54.259 thousand (14,4%) mainly due to net loss for the current financial year of PLN 42.975 thousand and acquisition of own shares in the amount of PLN12.300 thousand. The loss was mainly a consequence of incurred administrative expenses in the amount of PLN 26.038 thousand and the decrease in the fair value of investment properties in the amount of PLN 10.702 thousand.

- As at 31 December 2013 the balance of long-term liabilities amounted to PLN 35.879 thousand and consisted of loans and finance lease liabilities in the amount of PLN 22.027 thousand and deferred tax liabilities in the amount of PLN 13.468 thousand. Decrease of long-term liabilities by PLN 86.029 thousand (70,6%) resulted mainly from decrease of credit liabilities by PLN 88.988 thousand which were reclassified to short-term liabilities as at 31 December 2013.

- Current liquidity ratio decreased in the financial period from 5,1 to 0,3 and quick liquidity ratio decreased in the financial period from 4,1 to 0,2.

- Gearing ratio increased from 26% as at 31 December 2012 to 31% as at 31 December 2013.

III. The Company's results, financial position and significant items of the consolidated financial statement (cont.)

- Group's revenues for the financial period amounted to PLN 13.880 thousand and decreased as compared to prior financial period by PLN 2.842 thousand (17%). The main reason for the change was drop in revenues from real estate advisory services by PLN 5.552 thousand as compared to the prior year.

- Cost of goods sold decreased by PLN 487 thousand (5%). The Group achieved gross profit in the amount of PLN 4.451 thousand which was lower than gross profit generated in prior financial period by PLN 2.361 thousand.

- The receivables turnover ratio changed from 144 days in 2012 to 175 days in 2013.

The consolidated financial statements have been prepared on the assumption that the Group will continue in operation as a going concern.

IV. The independent registered auditor's statements

a. The Management Board of the Parent Company provided all the information, explanations, and representations required by us in the course of the audit and provided us with a representation letter confirming the completeness of the information included in the accounting records and the disclosure of all contingent liabilities and post balance-sheet events which occurred up to the date on which that letter was signed.

b. The scope of the audit was not limited.

c. The Group has up-to-date documentation of its accounting policies, approved by the Parent Company's Management Board. The Parent Company's accounting policies were tailored to the Group's needs and ensured the recognition of all events having a material effect on the assessment of its financial position and results, taking into consideration the prudence principle. There were no changes to the accounting policies compared with the previous year.

d. The elimination of mutual balances (receivables and payables) and transactions (revenue and costs) of the consolidated entities were carried out, in all material respects, in accordance with IFRS as adopted by the European Union.

e. The elimination of unrealized gains/losses of consolidated entities included in the book value of assets and in respect of dividend payments was carried out, in all material respects, in accordance with IFRS as adopted by the European Union.

   The impact of the disposal or partial disposal of shares in subordinated entities was accounted for properly in all material respects, in accordance with IFRS as adopted by the European Union.

f. The consolidation documentation was complete and accurate and it is stored in a manner ensuring proper safeguarding.

g. The consolidated financial statements of the Group as at and for the year ended 31 December 2012 were approved by Resolution No. 4 passed by the General Shareholders' Meeting on 1 July 2013 and filed with the National Court Register in 18 July 2013.

h. The consolidated financial statements for the previous year were audited by PricewaterhouseCoopers Sp. z o.o.. The registered auditor issued an unqualified opinion.

IV. The independent registered auditor's statements (cont.)

i. The notes to the consolidated financial statements, which include the introduction and additional notes and explanations present all the significant information in accordance with IFRS as adopted by the European Union.

j. The information in the Group Directors' Report for the year from 1 January to 31 December 2013 has been presented in accordance with the provisions of the Decree of the Minister of Finance dated 19 February 2009 on current and periodic information to be provided by issuers of securities and conditions for recognizing as equivalent the information required by the provisions of law of a country not being a member state (Journal of Laws of 2014, item 133) and is consistent with that presented in the consolidated financial statements.

V. Final information

This report has been prepared in connection with our audit of the consolidated financial statements of the Celtic Property Developments S.A. Group having Celtic Property Developments S.A., Cybernetyki 7B Street, Warsaw, as its Parent Company. The consolidated financial statements were signed by the Parent Company's Management Board on 18 April 2014.

This report should be read in conjunction with the Independent Registered Auditor's unqualified Opinion to the General Shareholders' Meeting and the Supervisory Board of Celtic Property Developments S.A. dated 18 April 2014, concerning the said consolidated financial statements. The opinion on the consolidated financial statements expresses a general conclusion drawn from the audit and involves assessing the materiality of individual audit findings rather than being a sum of all the evaluations of individual financial statement components. This assessment takes account of the impact of the facts noted on the truth and fairness of the consolidated financial statements.

Person conducting the audit on behalf of PricewaterhouseCoopers Sp. z o.o., Registered Audit Company No. 144:

Wojciech Maj

Key Registered Auditor
No. 6128

Warsaw, 18 April 2014 r.

Translation note:
This version of our report is a translation from the original, which was prepared in Polish language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

IX. CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR FROM 1 JANUARY TO 31 DECEMBER 2013

Celtic Property Developments S.A.

Consolidated financial statements

for the year ended 31 December 2013

Consolidated financial statement

(All amounts in PLN thousand unless otherwise stated)

Consolidated property portfolio

INVESTMENT PROPERTY (Note 6)

		As at 31 December 2013
Property	**Company**	**Fair value**
Solar (Viterra)	Lakia Investments	34 422
Aquarius	Robin Investments	26 542
Ursus	Blaise Gaston Investments	43 080
Ursus	Challange Eighteen	15 640
Ursus	1/95 Gaston Investments	28 800
Ursus	2/124 Gaston investments	18 460
Ursus	3/93 Gaston investments	18 850
Ursus	5/92 Gaston Investments	23 620
Ursus	6/150 Gaston Investments	9 210
Ursus	7/120 Gaston Investments	7 730
Ursus	8/126 Gaston Investments	15 490
Ursus	9/151 Gaston Investments	4 400
Ursus	10/165 Gaston Investments	10 070
Ursus	11/162 Gaston Investments	8 960
Ursus	12/132 Gaston Investments	21 030
Ursus	13/155 Gaston Investments	15 450
Ursus	15/167 Gaston Investments	10 890
Ursus	16/88 Gaston Investments	2 880
Ursus	18 Gaston Investments	8 410
Ursus	19/97 Gaston Investments	5 350
Ursus	20/140 Gaston Investments	4 065
Wolbórz	HUB Developments	2 400
IRIS	Belise Investments	85 018
Capitalised rights of perpetual usufruct of land		22 027
		442 793

INVENTORIES (Note 9)

		As at 31 December 2013	
Property	**Company**	**Carrying amount**	**Fair value**
Tenement house in Łódź	Antigo Investments	5 000	5 000
Koszykowa	Elara Investments	370	370
		5 370	**5 370**
Jaktorów	Antigo Investments	300	300
Czosnów	Antigo Investments	1 100	1 100
Nowa Piasecznica	Antigo Investments	140	140
Lesznowola	Gaetan	13	13
Alsonemedi	Celtic Trade Park	850	850
		2 403	**2 403**
		7 773	**7 773**
Total fair value of property portfolio			**450 566**

(All amounts in PLN thousand unless otherwise stated)

Consolidated statement of comprehensive income

	Note	12 months ended 31 December 2013	12 months ended 31 December 2012
Revenue	15	13 880	16 728
Cost of sales	16	(9 429)	(9 916)
Including: Costs of inventories sold	9	(4 338)	(555)
Inventory impairment		(3 638)	(3 716)
Cost of services sold		(1 453)	(5 645)
GROSS PROFIT		**4 451**	**6 812**
Administrative expenses - property related	17	(11 290)	(20 728)
Administrative expenses - other	19	(14 750)	(21 465)
Selling and marketing expenses		(119)	(1 387)
Net loss on sale of investment property	28	(2 597)	(46 319)
Other income	18	606	2 303
Net gain from fair value adjustments on investment property	5	(10 702)	(55 709)
Net gain / (loss) on sale of subsidiares	27	0	(10 224)
Impairment of goodwill	7	0	(22 171)
OPERATING PROFIT (LOSS)		**(34 401)**	**(168 888)**
Finance income	20	909	9 040
Finance costs	20	(7 042)	(5 691)
PROFIT (LOSS) BEFORE INCOME TAX		**(40 534)**	**(165 539)**
Income tax expense	21	(2 527)	2 695
PROFIT (LOSS) FOR THE YEAR		**(43 061)**	**(162 844)**
OTHER COMPREHENSIVE INCOME			
Currency translation adjustment		86	(1 239)
TOTAL COMPREHENSIVE INCOME		**(42 975)**	**(164 083)**
Profit attributable to:			
Equity holders of the Group		**(43 061)**	**(162 844)**
Total comprehensive income attributable to:			
Equity holders of the Group		**(42 975)**	**(164 083)**
BASIC AND DILUTED EARNINGS PER SHARE (PLN)	32	-1,27	-4,78

Elżbieta Donata Wiczkowska
Prezes Zarządu

Colin Kingsnorth
Członek Zarządu

Piotr Turchoński
Członek Zarządu

Iwona Makarewicz
Członek Zarządu

(All amounts in PLN thousand unless otherwise stated)

Consolidated statement of financial position

	Note	As at 31 December 2013	As at 31 December 2012
ASSETS			
Non-current assets			
Investment properties	5	442 793	438 016
Property, plant and equipment		853	978
Intangible assets, excluding goodwill		108	137
Investment in subsidiaries		0	35
Deferred income tax assets	14	360	8
Bonds		3 190	0
Non-current assets		**447 304**	**439 174**
Current assets			
Inventory	9	7 773	15 496
Trade and other receivables	8	7 865	17 186
Cash and cash equivalents	10	11 981	27 101
		27 619	**59 783**
Assets held for sale	26	0	22 894
Current assets		**27 619**	**82 677**
Total assets		**474 923**	**521 851**

(All amounts in PLN thousand unless otherwise stated)

Consolidated statement of financial position - cont.

	Note	As at 31 December 2013	As at 31 December 2012
EQUITY			
Capital and reserves attributable to the parent Company's equity holders			
Share capital	11	3 460	3 431
Own shares	13	(12 300)	0
Other reserves		987	4 399
Translation reserve		(3 847)	(3 933)
Retained earnings/(accumulated losses)		341 062	379 724
Total equity		**329 362**	**383 621**
LIABILITIES			
Non-current liabilities			
Trade and other payables	12	384	466
Borrowings, including finance leases	13	22 027	111 015
Deferred income tax liabilities	14	13 468	10 427
		35 879	**121 908**
Current liabilities			
Trade and other payables	12	15 370	13 804
Current income tax liabilities		267	376
Borrowings, including finance leases	13	94 045	2 142
		109 682	**16 322**
Liabilities directly associated with assets held for sale		0	0
Current liabilities including liabilities directly associated with assets held for sale		**109 682**	**16 322**
Total liabilities		**145 561**	**138 230**
Total equity and liabilities		**474 923**	**521 851**

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(All amounts in PLN thousand unless otherwise stated)

Consolidated statement of changes in equity

					Accumulated profit (loss)			
	Note	Share capital CPD SA	Own shares	Translation reserve	Supplementary capital	Reserve capital	Retained earnings	Total
Balance at 1 January 2012		**3 407**	**-**	**(2 694)**	**1 161**	**23 078**	**518 329**	**543 281**
2011 profit allocation		-	-	-	(1 161)	(23 078)	24 239	-
Share capital increase	11	24		-	-	-	-	24
Costs of issuance of new shares		-	-	-	-	(9)	-	(9)
Conversion of liability to Board of Advisors-to-equity		-	-	-	-	2 038	-	2 038
Management Board remuneration in warrants	11	-	-	-	-	2 370		2 370
		24	0	0	(1 161)	(18 679)	24 239	4 423
Currency translation differences		-	-	(1 239)	-	-	-	(1 239)
Profit for the year (restated)		-	-	-	-	-	(162 844)	(162 844)
Total comprehensive income		-	-	(1 239)	-	-	(162 844)	(164 083)
Balance at 31 December 2011		3 431	-	(3 933)	-	4 399	379 724	383 621

Explanatory notes set out on pages from 11 to 52 comprise the part of these consolidated financial statements.

(All amounts in PLN thousand unless otherwise stated)

Consolidated statement of changes in equity - continued

				Accumulated profit (loss)			
	Note	Share capital CPD SA	Translation reserve	Supplementary capital	Reserve capital	Retained earnings	Total
Balance at 1 January 2013		**3 431**	**-**	**(3 933)**	**4 399**	**379 724**	**383 621**
2012 loss cover	11	-	-	-	(4 399)	4 399	-
Shares cancelled	11	-	(12 300)				(12 300)
Emisja akcji		20	-	-	-	-	20
Costs of issuance of new shares		-	-	-	-	-	-
Conversion of liability to Board of Advisors-to-equity		-	-	-	987	-	987
Shares subscription	11	9	-	-	-	-	9
		29	(12 300)	-	(3 412)	4 399	(11 284)
Currency translation differences		-	-	86	-	-	86
Profit for the year		-	-	-	-	(43 061)	(43 061)
Total comprehensive income		**0**	**0**	**86**	**0**	**(43 061)**	(42 975)
Balance at 31 December 2011		3 460	(12 300)	(3 847)	987	341 062	329 362

Group has no minority shareholders. Entire equity is attributable to shareholders of the Group.

Elżbieta Donata Wiczkowska
Prezes Zarządu

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Członek Zarządu

Explanatory notes set out on pages from 11 to 52 comprise the part of these consolidated financial statements.

(All amounts in PLN thousand unless otherwise stated)

Consolidated cash flow statement

	Note	12 months ended 31 December 2013	12 months ended 31 December 2012
Cash flows from operating activities			
Cash generated from operations	22	(2 338)	(63 278)
Interest paid		(1 608)	(2 130)
Income tax paid		0	(256)
Net cash generated from operating activities		**(3 946)**	**(65 664)**
Cash flows from investing activities			
Capital expenditure on investment property		(9 776)	(2 688)
Purchases of property, plant and equipment		(15)	132
Proceeds from sale of subsidiaries		0	39 190
Purchases of shares in subsidiaries		0	(3 944)
Proceeds from sale of investments properties		13 130	6 560
Proceeds from settlement of finance lease receivables		268	0
Net cash used in investing activities		**3 607**	**47 718**
Cash flows from financing activities			
Purchase of own shares		0	24
Proceeds from borrowings		6 502	43 767
Repayments of borrowings		(6 012)	(14 993)
Bonds received		(3 000)	0
Share redemption		(12 300)	0
Capital increase		29	0
Net cash used in financing activities		**(14 781)**	**28 798**
Net (decrease)/increase in cash and cash equivalents		**(15 120)**	**10 852**
Cash and cash equivalents at beginning of the year		**27 101**	**16 249**
Exchange losses on cash and cash equivalents			
Cash and cash equivalents at end of the year		**11 981**	**27 101**

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Explanatory notes set out on pages from 11 to 52 comprise the part of these consolidated financial statements.

(All amounts in PLN thousand unless otherwise stated)

Additional notes and explanations to the consolidated financial statement

1 General information

1.1. Information about a parent entity

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

Celtic Property Developments S.A. ("Company", "CPD") with its registered office in Warsaw (02-677), Cybernetyki 7B Str, was established on the basis of statute on 23 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's shares are quoted on the Warsaw Stock Exchange.

On 2 September 2010 the General Shareholder's Meeting adopted a resolution changing the Company's name from Poen S.A. to Celtic Property Developments S.A.

The Company's core business (according to Company's articles of association) is holding activity, services for real estate market and head offices activities.

On 23 August 2010, the National Court Register recorded cross-border merger of former parent Company of the Group Celtic Property Developments Plc (Acquired Company) and Poen S.A. (Acquiring Company) by transfer of all assets and liabilities of the Acquired Company to the Acquirer in exchange for newly issued shares of Acquiring Company. The merger was processed based on the Merger Plan, which assumed the acquisition of Celtic Property Developments Plc by its 100% subsidiary - Poen S.A. As a result of the merger: (i) existing shareholders of Celtic Property Developments Plc became 100% shareholders of Poen S.A., furthermore (ii) Poen S.A. purchased from Celtic Property Developments Plc (by the general succession) its own shares with a purpose of redemption. Exchange ratio of Celtic Property Developments Plc shares to shares of Poen S.A., was determined at a level that did not cause changes in the ownership structure of Poen S.A.

The shareholders of Celtic Property Developments Plc became, after the redemption of company's own shares, the shareholders of Poen S.A. with the same stake in share capital of Poen S.A. and total number of voting rights at General Shareholders Meeting of Poen S.A., as they had in Celtic Property Developments Plc till the date of the merger.

As a result on 23 August 2010 Celtic Property Developments Plc ceased to exist, and Poen S.A. became parent company of the Group.

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

Celtic Property Developments Plc ("CPD Plc", "The Company") was incorporated in Jersey as The East Europe Development Fund Limited, on 20 December 1990. On 24 October 2006 the company moved to the British Virgin Islands and the name was changed to Celtic Property Developments S.A. on 1 November 2007. In February 2010, the Company has redomiciled again to Cyprus under the name Celtic Property Developments Plc. The Company's address till 22 February 2010 was Craigmuir Chambers, PO Box 71, Roadtown, Tortola, British Virgin Islands. From 23 February 2010 to 22 August 2010 the address of the Company was as follows: 1 Naousis, 1 Karapatakis Building PC 6018, Larnaca, Cyprus.

On 14 December 2010, the prospectus of Celtic Property Developments S.A. with its registered office in Warsaw was approved. On 17 December 2010 the Board of National Depository of Securities ("KDPW") granted to the Company status of participant of KDPW, type ISSUER, registered 34.068.252 Company's ordinary shares, series B with a nominal value of PLN 0,10 each and marked them with code PLCELPD00013. Three days later, the shares were admitted to trading on the parallel market. The shares were registered in the National Depository and on 23 December 2010 introduced to the continuous trading system.

As at the date of preparation of the consolidated financial statements, the Management Board and Supervising Bodies of the parent company was as follows:

(All amounts in PLN thousand unless otherwise stated)

Additional notes and explanations to the consolidated financial statement

Management Board:	
Elżbieta Donata Wiczkowska	Chairman of the Board
Colin Kingsnorth	Board Member
Piotr Turchoński	Board Member
Iwona Makarewicz	Board Member
Supervisory Board:	
Marzena Bielecka	Chairman
Wiesław Oleś	Vice-Chairman
Mirosław Gronicki	Member of the Supervisory Board
Andrew Pegge	Secretary
Wiesław Rozłucki	Member of the Supervisory Board

As at 31 December 2013 Company's shareholders were*:

Company	Country	No. of shares	% owned capital	% of voting rights
Coopertaive Laxey Worldwide W.A.,	Netherlands	10 082 930	29,2%	29,2%
Furseka Trading and Investments Ltd	Cyprus	5 137 222	14,9%	14,9%
The Value Catalyst Fund plc	Cayman Islands	4 490 475	13,0%	13,0%
QVT Fund LP	Cayman Islands, USA	3 843 635	11,1%	11,1%
LP Value Ltd	British Virgin Islands	2 198 450	6,4%	6,4%
LP Alternative Fund LP	USA	2 193 931	6,3%	6,3%
Own shares		1 732 394	5,0%	5,0%
Shareholders with stakes below 5%		4 916 560	14,2%	14,2%
		34 595 597	100%	100%

* The above shareholder's structure is based on own data as at 31 December 2013.

1.2. Information about Capital Group

As at balance sheet date CPD Group comprised CPD S.A. as a parent entity and 37 subsidiaries.

Additional information concerning consolidated subsidiaries is included in Note 2.2.

None of the individual entities of the Group is fixed for the duration. The financial statements of all subsidiaries have been prepared for the same reporting period as the financial statements of the parent company, using consistent accounting policies.

The financial year of CPD and its entities is the calendar year.

The core business of CPD Group comprise:

- property development (office and residential market)
- land acquisition and construction residential and office buildings; purchase of existing properties with the potential to create additional value that can be achieved by changing the purpose of the property or by raising the standard and optimizing the usable area
- leasing of office buildings and warehouses for its own account,
- commercial real estates management.

(All amounts in PLN thousand unless otherwise stated)

Additional notes and explanations to the consolidated financial statement

2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statement is set out below. These have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

Consolidated financial statements of CPD S.A. was prepared as at 31 December 2013 and for the period from 1 January 2013 to 31 December 2013, while comparative data is for the period from 1 January 2012 to 31 December 2012.

These consolidated financial statement of Celtic Property Developments S.A. have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. This consolidated financial statements have been prepared under the historical cost convention, with the exception of the valuation of investment property to the fair value.

The financial statements have been prepared on the assumption that the Group will continue as a going concern in the foreseeable future. At the date of preparation of the consolidated financial statements, there are no circumstances indicating a threat to the continuation of operations by the Group.

New and amended standards and interpretations which came into force in 2013 and description of the impact of applying the amendments:

IFRS 13 "Fair value measurement"

IFRS 13, Fair value measurement, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), aims to improve consistency and reduce complexity by providing a revised definition of fair value, and a single source of fair value measurement and disclosure requirements for use across IFRSs.

The Group has applied the changes to IFRS 13 from 1 January 2013.

IFRS 12 "Disclosure of Interest in Other Entities"

IFRS 12, Disclosure of Interest in Other Entities, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. IFRS 12 sets out the required disclosures for entities reporting under the two new standards: IFRS 10, Consolidated financial statements, and IFRS 11, Joint arrangements, and replaces the disclosure requirements currently found in IAS 28, Investments in associates. IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires disclosures in a number of areas, including significant judgments and assumptions made in determining whether an entity controls, jointly controls, or significantly influences its interests in other entities, extended disclosures on share of non-controlling interests in group activities and cash flows, summarised financial information of subsidiaries with material non-controlling interests, and detailed disclosures of interests in unconsolidated structured entities.

Amendment of this standard has not affected the financial statements.

Amendments to IAS 1 "Presentation of Financial Statements"

Amendments to IAS 1, Presentation of Financial Statements (issued June 2011, effective for annual periods beginning on or after 1 July 2012), changes the disclosure of items presented in other comprehensive income. The amendments require entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be reclassified to profit or loss in the future. The suggested title used by IAS 1 has changed to 'statement of profit or loss and other comprehensive income'.

Amendment of this standard has not affected the financial statements.

2.1 Basis of preparation - cont.

Amended IAS 19 "Employee Benefits"

Amended IAS 19, Employee Benefits (issued in June 2011, effective for periods beginning on or after 1 January 2013), makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. The standard requires recognition of all changes in the net defined benefit liability (asset) when they occur, as follows: (i) service cost and net interest in profit or loss; and (ii) remeasurements in other comprehensive income.

The Group has applied the changes to IFRS 13 from 1 January 2013.

Disclosures—Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7

Disclosures—Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2013). The amendment requires disclosures that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off.

Amendment of this standard has not affected the consolidated financial statements.

Amendments to IFRS 1 First-time adoption of International Financial Reporting Standards - Government loans

Amendments to IFRS 1 First-time adoption of International Financial Reporting Standards - Government loans. The amendments, dealing with loans received from governments at a below market rate of interest, give first-time adopters of IFRSs relief from full retrospective application of IFRSs when accounting for these loans on transition. This will give first-time adopters the same relief as existing preparers.

Amendment of this standard has not affected the consolidated financial statements.

IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine

IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine, (issued in October 2011 and effective for annual periods beginning on or after 1 January 2013). The interpretation clarifies that benefits from the stripping activity are accounted for in accordance with the principles of IAS 2, Inventories, to the extent that they are realised in the form of inventory produced. To the extent the benefits represent improved access to ore, the entity should recognise these costs as a 'stripping activity asset' within non-current assets, subject to certain criteria being met.

This standard does not apply to the Group.

Other changes does not apply to the financial statements.

Additional notes and explanations to the consolidated financial statement

2.1 Basis of preparation - cont.

Published standards and approved by the EU which have not yet entered into force

IFRS 9 "Financial Instruments: Classification and Measurement"

IFRS 9, Financial Instruments: Classification and Measurement. Key features of the standard issued in November 2009 and amended in October 2010, December 2011 and November 2013 are:

• Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently 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.

• An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent payments of principal and interest only (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.

• All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

• 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 standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

The amendments made to IFRS 9 in November 2013 removed its mandatory effective date, thus making application of the standard voluntary.

At the date of the report of the present consolidated financial statements, an amendment to IFRS 9 have not yet been approved by the European Union.

Additional notes and explanations to the consolidated financial statement

IFRS 10 "Consolidated Financial Statements"

IFRS 10, Consolidated Financial Statements (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), replaces all of the guidance on control and consolidation in IAS 27 "Consolidated and separate financial statements" and SIC-12 "Consolidation - special purpose entities". IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. This definition is supported by extensive application guidance.

The Group applies the changes to IFRS 10 after January 1, 2014.

IFRS 11 "Joint Arrangements"

IFRS 11, Joint Arrangements, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), replaces IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly Controlled Entities—Non-Monetary Contributions by Ventures". Changes in the definitions have reduced the number of types of joint arrangements to two: joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. Equity accounting is mandatory for participants in joint ventures.

The Group applies the changes to IFRS 11, after January 1, 2014.

IFRS 12 "Disclosure of Interest in Other Entities"

IFRS 12, Disclosure of Interest in Other Entities, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. IFRS 12 sets out the required disclosures for entities reporting under the two new standards: IFRS 10, Consolidated financial statements, and IFRS 11, Joint arrangements, and replaces the disclosure requirements currently found in IAS 28, Investments in associates. IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires disclosures in a number of areas, including significant judgments and assumptions made in determining whether an entity controls, jointly controls, or significantly influences its interests in other entities, extended disclosures on share of non-controlling interests in group activities and cash flows, summarised financial information of subsidiaries with material non-controlling interests, and detailed disclosures of interests in unconsolidated structured entities.

The Group applies the changes to IFRS 12 after January 1, 2014.

IAS 28 "Investments in Associates and Joint Ventures"

IAS 28 "Investments in Associates and Joint Ventures" (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013). The amendment of IAS 28 resulted from the Board's project on joint ventures. When discussing that project, the Board decided to incorporate the accounting for joint ventures using the equity method into IAS 28 because this method is applicable to both joint ventures and associates. With this exception, other guidance remained unchanged.

The Company applies the changes to IAS 28 after January 1, 2014.

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014). The amendment added application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. This includes clarifying the meaning of ‘currently has a legally enforceable right of set-off’ and that some gross settlement systems may be considered equivalent to net settlement.

The Group applies the changes to IAS 32 after January 1, 2014.

Transition Guidance Amendments to IFRS 10, IFRS 11 and IFRS 12

Transition Guidance Amendments to IFRS 10, IFRS 11 and IFRS 12 (issued on 28 June 2012 and effective for annual periods beginning 1 January 2013). The amendments clarify the transition guidance in IFRS 10 Consolidated Financial Statements. Entities adopting IFRS 10 should assess control at the first day of the annual period in which IFRS 10 is adopted, and if the consolidation conclusion under IFRS 10 differs from IAS 27 and SIC 12, the immediately preceding comparative period (that is, year 2012 for a calendar year-end entity that adopts IFRS 10 in 2013) is restated, unless impracticable. The amendments also provide additional transition relief in IFRS 10, IFRS 11, Joint Arrangements, and IFRS 12, Disclosure of Interests in Other Entities, by limiting the requirement to provide adjusted comparative information only for the immediately preceding comparative period. Further, the amendments will remove the requirement to present comparative information for disclosures related to unconsolidated structured entities for periods before IFRS 12 is first applied.

The Group applies the changes after January 1, 2014.

2.1 Basis of preparation - cont.

Amendments to IFRS 10, IFRS 12 and IAS 27 - Investment entities

Amendments to IFRS 10, IFRS 12 and IAS 27 - Investment entities (issued on 31 October 2012 and effective for annual periods beginning 1 January 2014). The amendment introduced a definition of an investment entity as an entity that (i) obtains funds from investors for the purpose of providing them with investment management services, (ii) commits to its investors that its business purpose is to invest funds solely for capital appreciation or investment income and (iii) measures and evaluates its investments on a fair value basis. An investment entity will be required to account for its subsidiaries at fair value through profit or loss, and to consolidate only those subsidiaries that provide services that are related to the entity's investment activities. IFRS 12 was amended to introduce new disclosures, including any significant judgements made in determining whether an entity is an investment entity and information about financial or other support to an unconsolidated subsidiary, whether intended or already provided to the subsidiary.

The Group applies the changes after January 1, 2014.

IFRIC 21 "Levies"

IFRIC 21 - Levies (issued on 20 May 2013 and effective for annual periods beginning 1 January 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 interim and annual financial statements. The application of the interpretation to liabilities arising from emissions trading schemes is optional.

The Group applies the changes to IFRIC 21 after January 1, 2014.

At the date of the report of the present consolidated financial statements, an amendment to IFRIC 21 has not yet been approved by the European Union.

(All amounts in PLN thousand unless otherwise stated)

Additional notes and explanations to the consolidated financial statement

Amendments to IAS 36 - Recoverable amount disclosures for non-financial assets

Amendments to IAS 36 - Recoverable amount disclosures for non-financial assets (issued on 29 May 2013 and effective for annual periods beginning 1 January 2014; earlier application is permitted if IFRS 13 is applied for the same accounting and comparative period). Amendments to IAS 36 The amendments remove the requirement to disclose the recoverable amount when a CGU contains goodwill or indefinite lived intangible assets but there has been no impairment.

The Group applies the changes to IAS 36 after January 1, 2014.

Amendments to IAS 39 - Novation of Derivatives and Continuation of Hedge Accounting

Amendments to IAS 39 - Novation of Derivatives and Continuation of Hedge Accounting (issued on 27 June 2013 and effective for annual periods beginning 1 January 2014). The amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated (i.e parties have agreed to replace their original counterparty with a new one) to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met.

The Group applies the changes to IAS 39 after January 1, 2014.

Amendments to IAS 19 - Defined benefit plans: Employee contributions

Amendments to IAS 19 - Defined benefit plans: Employee contributions (issued in November 2013 and effective for annual periods beginning 1 July 2014). The amendment allows entities to recognise employee contributions as a reduction in the
The Group applies the changes to IAS 19 after January 1, 2015.

At the date of the report of the present financial statements, an amendment to IAS 19 has not yet been approved by the European Union.

Annual Improvements to IFRSs 2010-2012

Annual Improvements to IFRSs 2012 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014, unless otherwise stated below). The improvements consist of changes to seven standards.

The amendments include mainly changes made to presentation, valuation and definitions. The improvements are effective for annnual periods beginng on 1 July, 2014.

The Company applies the changes after January 1, 2015.

At the date of the report of the present financial statements, the amendments have not yet been approved by the European Union.

(All amounts in PLN thousand unless otherwise stated)

Additional notes and explanations to the consolidated financial statement

Annual Improvements to IFRSs 2011-2013

Annual Improvements to IFRSs 2013 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014). The improvements consist of changes to four standards.
The basis for conclusions on IFRS 1 is amended to clarify that, where a new version of a standard is not yet mandatory but is available for early adoption; a first-time adopter can use either the old or the new version, provided the same standard is applied in all periods presented.
IFRS 3 was amended to clarify that it does not apply to the accounting for the formation of any joint arrangement under IFRS 11. The amendment also clarifies that the scope exemption only applies in the financial statements of the joint arrangement itself.
The amendment of IFRS 13 clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including contracts to buy or sell non-financial items) that are within the scope of IAS 39 or IFRS 9.
IAS 40 was amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive. The guidance in IAS 40 assists preparers to distinguish between investment property and owner-occupied property. Preparers also need to refer to the guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination.

At the date of the report of the present financial statements, the amendments have not yet been approved by the European Union.
The Company is currently assessing the impact of the amendments on its financial statements.

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

Subsidiaries are fully consolidated from the date on which they were incorporated or control was transferred to the group. They are deconsolidated from the date on which control ceases. If necessary, adjustments are made to the financial statements of subsidiaries to adapt the accounting policies of the Group policy.

2.2 Consolidation - cont.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, the obligations arising from the determination of the remuneration element of the conditional agreement. Acquisition-related costs are recognized in the consolidated profit or loss as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each acquisition the Group recognizes the shares do not have control of the acquiree at fair value or per share by not having control of a proportion of net assets acquired business.

Goodwill represents the surplus of the amount transferred for the acqisition, the amount of all non-controlling shares in a entity being acquired and fair value as at acquisition date of participation in a capital of an entity being acquired, before getting a control, over the net amount recognised at the date of acquisition of the value of identifiable acquired assets and liabilities of an acquired subsidiary.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the CPD Group.

These consolidated financial statements include the results and assets and liabilities of the following subsidiaries:

	Name	Country	Shareholder	31 December 2013	31 December 2012
1	Mandy Investments Sp. z o.o.	Poland	Lakia Enterprises Limited	100%	100%
2	Lakia Enterprises Limited	Cyprus	CPD S.A.	100%	100%
3	Lakia Investments Sp. z o.o.	Poland	Lakia Enterprises Limited	100%	100%

(All amounts in PLN thousand unless otherwise stated)

Additional notes and explanations to the consolidated financial statement

4	Gaetan Investments Sp. z o.o.	Poland	Lakia Enterprises Limited	100%	100%
5	Celtic Asset Management Sp. z o.o. w likwidacji (formerly Liliane Investments Sp. z o.o)	Poland	Lakia Enterprises Limited	100%	100%
6	Blaise Investments Sp. z o.o.	Poland	Lakia Enterprises Limited	100%	100%
7	Robin Investments Sp. z o.o.	Poland	Lakia Enterprises Limited	100%	100%
8	East Europe Property Financing AB	Sweden	CPD S.A.	100%	100%
9	Hub Developments Ltd Sp. z o.o.	Poland	Lakia Enterprises Limited	100%	100%
10	Elara Investments Sp. z o.o.	Poland	Lakia Enterprises Limited	100%	100%
11	Celtic Investments Limited	Cyprus	CPD S.A.	100%	100%
12	Gaston Investments Sp. z o.o.	Poland	Lakia Enterprises Limited	100%	100%
13	Buffy Holdings No 1 Ltd	Cyprus	CPD S.A.	100%	100%
14	Challange Eighteen Sp. z o.o.	Poland	Buffy Holdings No 1 Ltd	100%	100%
15	Celtic Trade Park Kft	Hungary	Lakia Enterprises Limited	100%	100%
16	Celtic Property Development Ktf.	Hungary	Celtic Investments Limited	0%	100%
17	Blaise Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Blaise Investments Sp. z o.o. Gaston Investments Sp. z o.o.	99% 1%	99% 1%
18	1/95 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o. Gaston Investments Sp. z o.o.	99% 1%	99% 1%
19	2/124 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o. Gaston Investments Sp. z o.o.	99% 1%	99% 1%
20	3/93 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o. Gaston Investments Sp. z o.o.	99% 1%	99% 1%
21	4/113 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o. Gaston Investments Sp. z o.o.	99% 1%	99% 1%
22	5/92 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o. Gaston Investments Sp. z o.o.	99% 1%	99% 1%
23	6/150 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o. Gaston Investments Sp. z o.o.	99% 1%	99% 1%
24	7/120 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o. Gaston Investments Sp. z o.o.	99% 1%	99% 1%

(All amounts in PLN thousand unless otherwise stated)

Additional notes and explanations to the consolidated financial statement

25	8/126 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o. Gaston Investments Sp. z o.o.	99% 1%	99% 1%
26	9/151 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o. Gaston Investments Sp. z o.o.	99% 1%	99% 1%
27	10/165 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o. Gaston Investments Sp. z o.o.	99% 1%	99% 1%
28	11/162 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o. Gaston Investments Sp. z o.o.	99% 1%	99% 1%
29	12/132 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o. Gaston Investments Sp. z o.o.	99% 1%	99% 1%
30	13/155 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o. Gaston Investments Sp. z o.o.	99% 1%	99% 1%
31	14/119 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o. Gaston Investments Sp. z o.o.	99% 1%	99% 1%
32	16/88 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o. Gaston Investments Sp. z o.o.	99% 1%	99% 1%
33	15/167 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o. Gaston Investments Sp. z o.o.	99% 1%	99% 1%
34	18 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o. Gaston Investments Sp. z o.o.	99% 1%	99% 1%
35	19/97 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o. Gaston Investments Sp. z o.o.	99% 1%	99% 1%
36	20/140 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o. Gaston Investments Sp. z o.o.	99% 1%	99% 1%
37	Belise Investments Sp. z o.o.	Poland	Lakia Enterprises Limited	100%	100%
38	Antigo Investments Sp. z o.o.	Poland	Lakia Enterprises Limited	100%	100%

2.3 Change in Group structure

There were the following changes in the Group structure within the financial year ended 31 December 2012:

- the liquidation of CPD subsidiary Celtic Property Developments Kft (Wegry) has been accomplished,
- 100 % of shares in Gaston Investments Sp. z o.o. has been sold by Celtic Investments Limited to Lakia Enterprises Ltd ,
- Celtic Asset Management Sp. z o.o. has been put in liquidation.

CPD Group plans to put in liquidation four entities: Mandy, Gaetan, 14/119 Gaston Investments and EEPF.

(All amounts in PLN thousand unless otherwise stated)

Additional notes and explanations to the consolidated financial statement

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Polish Zloty ("PLN"), which is the parent's Company functional currency and the Group's presentation currency.

(b) CPD Group Companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); the profit and loss transaction are valued using the average exchange rate for the financial period, except for profit from sales of investment properties which are translated into PLN using the exchange rate from the date of transaction;

(iii) all resulting exchange differences are recognised in other comprehensive income.

When a foreign operation is sold, such exchange differences are recognised in the profit or loss as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets of the foreign entity and translated at the closing rate. Foreign exchange differences are recognized in translation reserve.

2.5 Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated Group, is classified as investment property. Investment property comprises freehold land, freehold buildings and land held under operating leases (perpetual usufruct).

Real estates, for which future plans are uncertain, are classified as investment property. The future plans may be dependent upon planning constraints and thus remain uncertain until a project design is definitive and the relevant permits are obtained. Transfers to, or from, investment property are made when, and only when, there is a evidenced change in use. For a transfer from inventories to investment property that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in profit or loss. For a transfer from investment property carried at fair value to inventories, the property's deemed cost for subsequent accounting in accordance with IAS 2 shall be its fair value at the date of change in use.

Land held under operating leases is classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs. The cost is increased by external financing directly attributable to development of investment properties calculated for the period when active development works are materially in progress.

After initial recognition, investment properly is carried at fair value. Fair value is calculated using cash flow projections based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. These valuations are prepared annually by independent professional appraisers Savills Sp. z o.o. The investment property portfolio is appraised in accordance with RICS Valuation – Professional Standards incorporating the International Valuation Standards published by the Royal Institution of Chartered Surveyors (RICS) and effective from 30 March 2012. Valuation fees are not related to the property value and valuation results.

Additional notes and explanations to the consolidated financial statement

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land classified as investment property; others, including contingents rent payments, are not recognised in the financial statements. Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the profit or loss ("Repair and maintenance costs") during the financial period in which they are incurred. Changes in fair values are recorded in the profit or loss within "Net gain from fair value adjustment on investment property".

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "gains/(losses) on disposal of investment property" in the profit or loss.

2.6 Property, plant and equipment

All property plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Depreciation, based on a component approach, is calculated using the straight-line method to allocate the cost over the asset's estimated useful lives. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at least at each financial year-end. Plant and equipment is amortised over their estimated useful lives (three to five years).

An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the profit or loss.

2.7 Leases

(a) A group company is the lessor

Properties leased out under operating leases are included in investment property in the balance sheet. Payments made under operating leases are recognised in the profit or loss on a straight-line basis over the term of the lease.

(b) A group company is the lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

Land that is held by the Group under an operating lease has been classified and accounted for as investment property only if all required conditions are met:

– the rest of the definition of investment property is met;
– the operating lease is accounted for as if it were a finance lease in accordance with IAS 17 Leases; and
– the Group uses the fair value model set out in IAS 40 for the asset recognised.

In this case finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges using an effective interest rate. The corresponding perpetual usufruct obligations, net of finance charges, are included in current and non-current borrowings.

Additional notes and explanations to the consolidated financial statement

2.8 Intangible assets, excluding goodwill

Intangible assets consist of computer software. Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (three to five years) on a straight-line basis.

2.9 Goodwill

The rules for evaluating the goodwill at the moment of acquisition of subsidiary are presented in Note 2.2.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

Goodwill arising from the acquisition of a foreign entity and any adjustment to the carrying amounts of assets and liabilities to fair value, arising from the acquisition of a foreign entity, are treated as assets and liabilities of the foreign entity and translated at closing rate. Foreign exchange differences are recognized in equity from foreign operations.

2.10 Impairment of non-financial assets

Assets that have an indefinite useful life — for example, goodwill — are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.11 Financial assets

The Group classifies its financial assets in the category of loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

Financial assets are derecognized, when the rights to receive cash flows from the investments have expired or have been transferred, and the CPD Group has transferred substantially all risks and rewards of ownership.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and with no intention of trading. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in "Trade and other receivables" in the consolidated statement of financial position.

CPD Group evaluates as at the balance sheet date, whether there are objective premise that would indicate the loss in value of one item or the entire group of financial assets.

Loans and receivables are initially measured at fair value and subsequently are carried at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables and loans is established when there is an objective evidence that the Group will not be able to collect all individual or group amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable and loans is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

Subsequent recoveries of amounts previously written off are credited in the profit and loss.

The category comprise also cash and cash equivalents. Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

(All amounts in PLN thousand unless otherwise stated)

Additional notes and explanations to the consolidated financial statement

2.12 Inventories

Inventories consist of properties awaiting or in the course of development for sale and residential house building projects and sites held for sale during normal course of business.

Inventories are measured at the lower of cost and net realisable value. The cost of inventories includes expenditure incurred relating to the construction of a project. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Costs relating to the construction of a project are included in inventories as follows:

• costs incurred relating to projects or a phase of a project which are not available for sale (work in progress),

• costs incurred relating to units unsold associated with a project or a phase of a project that is available for sale (finished goods).

Project construction costs include:

a) land or leasehold rights for land,

b) construction costs paid to subcontractors for the construction of the residential units,

c) planning and design costs,

d) borrowing costs to the extent they are directly attributable to the development of the project,

e) professional fees attributable to the development of the project,

f) construction overheads and other directly related costs.

2.13 Assets held for sale

Investment property held for sale is classified as non-current assets held for sale under IFRS 5. Non-current assets are classified as assets held for sale if their carrying amount is recovered principally through a sale transaction rather than through a continuing use and is available for immediate sale in its present condition, subject to terms that are usual and customary for sales of such assets and the sale is high probable within next 12 months.

The sale is determined to be highly probable if:

- management committed to a plan to sell the investment property;
- active plan to locate a buyer and complete the plan was initiated;
- investment property was actively marketed for sale at a price that is reasonable in relation to its current fair value;

- the sale is expected to qualify for recognition as a completed sale within one year from the date of classification;
- it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

The CPD Group measures investment property classified as held for sale at fair value. Other non-current assets (or disposal groups) classified as held for sale are measured at the lower of its carrying amount and fair value less costs to sell.

If the CPD Group has classified an asset (or disposal group) as held for sale, but the criteria set above are no longer met, the Group ceases to classify the asset (or disposal group) as asset held for sale.

2.14 Share capital

Ordinary shares are classified as share capital.

Additional notes and explanations to the consolidated financial statement

2.15 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. In case of current liabilities amortised cost value equals nominal value.

2.16 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.17 Borrowings costs

Borrowing costs incurred for the construction of any qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use.

2.18 Income tax

Current tax is calculated based on the tax result (the tax base - in accordance with local tax laws) of the reporting period. Profit (loss) for tax purposes differs from the net profit (loss) due to exclusion of non-taxable income and temporary costs constituting temporary deductible costs and expenses and income items that will not be subject to taxation. Tax is calculated based on the tax rates applicable in a given year.

Tax is recognized in the income statement, except for the extent to which it relates to items recognized directly in other comprehensive income or equity. In this case, the tax is also recognized adequately in other comprehensive income or equity.

2.19 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements and carried forward tax losses. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

(All amounts in PLN thousand unless otherwise stated)

Additional notes and explanations to the consolidated financial statement

2.20 Employee benefits

(a) Pension obligation

Polish Companies of the CPD Group make contributions to the Polish Governmental retirement benefit scheme at the applicable rate during the period based on gross salary payments (the "State Plan"). The State Plan is funded on a pay-as-you-go basis, i.e. the Group is only obliged to pay the contributions as they fall due based upon a percentage of salary and if the Group ceases to employ members of the State Plan, it will have no obligation to pay any additional benefits. The State Plan is a defined contribution plan. The expense for the contributions is charged to the consolidated profit and loss in the same period as the related salary expense.

(a) Share-base payments

The group conducts a programme of wages in the form of subscription warrants entitling to the purchase of shares at a preferential price. The Program is certified as applied in instruments of capital. The fair value of the employee services received in exchange for the grant of the warrants is recognised as an expense and accounted for the acquisition of rights. At the same time, the Group recorded an increase in the reserve. Unit at each balance sheet date, adjusted their estimates of the number of warrants, which are predicted for execution. The effects of adjustments to the original estimates, if there are, are recognised in the financial result together with the respective adjustment of own capital.

2.21 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation.

Additional notes and explanations to the consolidated financial statement

2.22 Revenue recognition

Revenue includes rental income, service charges and management charges from properties, income from property trading and income from real estate advisory services .

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Rental income

Rental income from operating leases is recognised in income on a straight-line basis over the lease term. Lease incentives granted are recognised as an integral part of the total rental income. Lease incentives are recognised in the profit and loss over the lease term on a straight line basis as a change in rental income.

(b) Service and management charges

Service and management charges are recognised in the accounting period in which the services are rendered.

(c) Revenue from the sale of residential units and office buildings

Revenues from the sale of residential units and office buildings are recognised upon transfer to the buyer of the significant risks and rewards (transfer of ownership after signing a notarial deed) of the residential unit or office building, providing that a valid building occupancy permit has been obtained by the Group.

Advances received related to pre-sales of residential units, which represent deferred income, are deferred to the extent that they do not meet the criteria to be recognised as revenue.

(d) Cost of inventory sold

Cost of sales is recognised in the amount of total costs capitalised to sold inventory.

Construction costs relating to unsold units are capitalised as inventory within current assets, either as work in progress or finished goods depending on the stage of completion. An expected loss, if any, on a sale, is recognised as an expense immediately, Inventory relating to units sold is expensed as cost of sales in the same period as the related sale.

(e) Interest Income

Interest income is recognised on a time-proportion basis using the effective interest method.

2.23 Expenses

Cost of sales includes mainly the cost of goods sold and other direct property operating expenses.

Other direct property operating expenses are directly related to rental income and include costs, such as day-to-day property administration, utilities, property taxes, maintenance costs, insurance premiums, valuation fees, service costs, etc. They are expensed as incurred.

Other direct property operating expenses, which do not include general and administrative expenses, are expensed as incurred.

The Group acts as a principal with respect to service costs. Accordingly, the services invoiced to the tenant and the corresponding expenses are shown separately in the profit and loss.

2.24 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved.

(All amounts in PLN thousand unless otherwise stated)

Additional notes and explanations to the consolidated financial statement

2.25 Interest expense

Interest expense for borrowings are recognised within "Finance costs" in the profit and loss using the effective interest rate method, except for borrowing cost which is capitalised in the cost of the qualifying asset.

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income or interest expense during the period. The effective interest rate is the rate that exactly determines the present value of the discounted estimated future cash flows through the expected life of the financial instrument or a shorter period, if necessary, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (eg prepayment options) but does not include future losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

2.25 Share-base payments

The Group recognises an expense of goods or services acquired as consideration for the share-based payment when they are received. The corresponding entry in the accounting records will either be a liability or an increase in the equity of the company depending upon whether the transaction is to be settled in cash or equity shares.

The Group values employee services received or acquired in a transaction the payment in the form of shares at fair value and recognises in the costs for the acquisition of rights.

3 Financial risk management

3.1 Financial risk factors

The CPD Group is exposed to the following financial risks in connection with its operations: market risk (including: currency risk, risk of changes in the fair values or cash flows due to changes in interest rates), credit risk and liquidity risk. Financial risks relate to the following financial instruments: loans and borrowings, trade receivables, cash and cash equivalents, trade payables and other liabilities. The accounting principles concerning the aforementioned financial instruments are described in Note 2. The CPD Group's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimize the potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Currency risk

The Group operates internationally and is exposed to a risk of changes in foreign exchange rates resulting from changes in the balances denominated in currencies other that the functional currency of the parties involved. This risk concerns in particular the significant amounts of bank loans denominated in EUR received by the subsidiaries whose functional currency is PLN. Intercompany settlements are eliminated completely from these consolidated financial statements, with the exception of foreign exchange gains and losses affecting the consolidated profit or loss. The risk of changes in exchange rates arises when future commercial transactions or assets and liabilities recognized are expressed in currencies other than the Company's or its subsidiaries' functional currency.

The Management Board of the CPD Group monitors the fluctuations in exchange rates on an on-going basis and takes actions adequate to the situation. The currency risk arising in connection with foreign currency debt servicing is minimized by generating income from rental and negotiating proceeds from the sale of properties held from sale in the currency in which the investment loan was received. At present the CPD Group is not engaged in any hedging transactions; however, this could change should the Management Board decide that the situation so requires.

	Year ended at 31 December 2013	**Year ended at 31 December 2012**
Debt in foreign currencies - EUR	94 045	88 492
Assumed change in PLN/EUR exchange rate	+/-1%	+/-1%
Tax shield	179	168
Effect on net profit/(loss)	762	717

(All amounts in PLN thousand unless otherwise stated)

Additional notes and explanations to the consolidated financial statement

(ii) Price risk

The CPD Group is exposed to price risk in connection with the value of properties and to the risk of rental income. These are not financial risks.

(iii) Interest rate risk

Interest rate risk is the risk the CPD Group is exposed to in connection with changes in market interest rates. In the case of the CPD Group, the risk of changes in interest rates is related to long-term bank loans (Note 13). Floating interest rate loans expose the CPD Group to the risk of fluctuations in future cash flows. The CPD Group does not hedge against changes in interest rates. The Management Board observes the fluctuations in interest rates on a current basis and acts adequately.

	Year ended at 31 December 2013	**Year ended at 31 December 2012**
Variable interest rate loans	94 045	89 039
Cost of interest in the period	4 098	3 629
Assumed change in interest rates	+/-1pp	+/-1pp
Effect of the change on the cost of interest	940	890
Tax shield	179	169
Effect on net profit/(loss)	762	721

Trade receivables and other receivables and liabilities as at 31.12.2013 are interest-free and due within 1 year.

(b) Credit risk

Credit risk arises on cash and cash equivalents and receivables. It is mitigated by depositing cash with highly reliable banks (mainly HSBC, BRE Bank, BZ WBK, Unicredit), establishing security for the repayment of receivables in respect of rental services in the form of cash deposits or bank guarantees and, in the case of receivables in respect of the sale of buildings, in the form of a deposit with an independent agent.

(c) Liquidity risk

Liquidity risk arises when the due dates of assets and liabilities do not match. Such a situation potentially increases profitability, but at the same time it increases the risk of incurring a loss. The CPD Group applies procedures aimed at minimizing such losses, such as maintaining an appropriate level of cash and other liquid assets and adequate access to credit facilities. The CPD Group's liquidity level is monitored by the Management Board on an on-going basis.

Undiscounted contractual cash flows:

As at 31.12.2013	Within 1 year	1 – 5 years	More than 5 years
Loans and leases	99 079	6 941	121 462
Trade payables and other payables	14 915	384	0
	113 994	7 325	121 462

As at 31.12.2012	Within 1 year	1 – 5 years	More than 5 years
Loans and leases	5 366	59 792	153 676
Trade payables and other payables	13 102	466	0
	18 468	60 258	153 676

(All amounts in PLN thousand unless otherwise stated)

Additional notes and explanations to the consolidated financial statement

3.2 Capital risk management

As far as capital risk management is concerned, the aim of the CPD Group is to maintain the Group's ability to continue in operation in such a manner that return for shareholders and other stakeholders could be realized, while at the same time the cost of capital is maintained at the optimum level.

In order to maintain or adjust the capital structure, the CPD Group can change the amount of dividend declared for distribution to the shareholders, refund capital to the shareholders, issue new shares or sell its assets to reduce debt.

The financing structure ratio which reflects the capital structure is calculated as net debt to total capital. The net debt is calculated as the sum of loans and advances (comprising the current and long-term loans and advances shown in the consolidated balance sheet) and trade and other payables less cash and cash equivalents. The total value of capital is calculated as equity shown in the consolidated balance sheet plus net debt.

The CPD Group strategy is to maintain the financing structure ratio at a level below 40%.

	31 December 2013	31 December 2012
Total loans (Note 13)	116 072	113 157
Trade payables and other payables (Note 12)	15 754	14 270
Less: cash and cash equivalents (Note 10)	-11 981	-27 101
Net debt	**119 845**	**100 326**
Equity	329 362	383 621
Total capital	**449 207**	**483 947**
Financing structure ratio	**26,7%**	**20,7%**

The financing structure ratio increased by 6 percentage points in relation to the previous year. The main reason for the change in this ratio was the write down of the investment property protfolio of the Group as well as the new drawdown under current BZ WBK facility.

4 Critical accounting estimates and judgments

Important estimates and judgments are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The accounting estimates and judgements are reviewed on a regular basis.

Fair value of the investment prperty is based on annual valuations prepared by an independent valuer Savills Sp. z o.o., based on Practice Statements of the Royal Institution of Chartered Surveyors' (RICS) Appraisal and Valuation Standards (the „Red Book"), published in February 2003 and applicable since 1 May 2003. The fee for preparing the valuation is not related to the value of the property nor the valuation result.

Real estate of 3 level, in which there are significant rental income (Połczyńska 31A, Cybernetyki 7b, Cybernetyki 9) have been valued using the profit method "Top Slice", using equivalent yield.

For valuation purposes capitalization rates of 7.70% to 9,25% (in 2012: 7.25% - 8%).

Real estate of 2 level (Ursus, Wolborz) were measured by the comparative method. Value of the properties was based on average prices used in the transactions of similar properties, adjusted by the prices taken into account by potential market participants, location and size of the land, its legal status.

In particular, in current valuation, the properties located in the area of Ursus were valued taking into account the current situation of planning (lack of the plan, the current study, the existing environment). The price per square meter has the most significant impact on the valuation result.

In 2013, the Group's loss from re-measurement of investment properties to the fair value amounted to PLN 10.7 million.

(All amounts in PLN thousand unless otherwise stated)

Additional notes and explanations to the consolidated financial statement

4 Critical accounting estimates and judgments - cont.

Due to the fact that different methods are used to value investment properties, estimated variables affect the fair values obtained to a different extent. The table below presents an analysis of the sensitivity of changes in the fair value of investment properties to the changes in the key estimated variables, assuming a specific growth of each of them. The analysis is performed independently for each variable based on the assumption that other estimates remain unchanged.

As at 31.12.2013

		Effect of estimated variables		
Investment properties by the valuation method	**Fair value**	**Discount and capitalization rates (+0.25 pp) / (-0.25 pp)**	**Expected rent rates (+2.5%) / (-2.5%)**	**Sale prices (+2.5%)/ (-2.5%)**
income method	119 439	-5362 / 5362	3238 / - 3238	n/d
comparative	301 327	n/d	n/d	7533,2 / - 7533,2
perpetual usufruct of land	22 027	-1 693 / 1 693	n/d	n/d
	442 793	**0**	**0**	**0**

As at 31.12.2012

		Effect of estimated variables			
Investment properties by the valuation method	**Fair value**	**Discount and capitalization rates (+0.25 pp)**	**Expected rent rates (+2.5%)**		**Sale prices (+2.5%)**
income method	114 878	-4539 / 4539	2739 / - 2739	0	n/d
comparative	299 020	n/d	n/d	0	7475,5 / - 7475,5
perpetual usufruct of land	24 118	-763 / 763	n/d	0	n/d
	438 016	**0**	**0**	**0**	**0**

b) Income tax

The CPD Group is an income tax payer in many countries. A significant amount of judgment is required to determine the amount of income tax on a global scale. There are many transactions and calculations for which the ultimate tax determination is uncertain. The CPD Group recognizes liabilities in respect of expected problematic tax issues on the basis of the assessment whether additional tax would be required. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax assets and provisions in the period in which the ultimate tax assessment is made.

CPD Group did not recongize deffered tax on losses coming from 2013 in the amount of PLN 214 m. as the probability of utilization of this part of losses is very low.

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

5 Investment properties

	Year ended 31 December 2013	Year ended 31 December 2012
At the beginning of the period	**438 016**	**534 404**
Capital expenditure	9 776	2 688
Disposal	(15 100)	(51 607)
Fair value of properies disposed in course of sale of subsidiary	0	(40 860)
Change in the balance of capitalized financial liability resulting from disposal of investment properties	(2 084)	(5 660)
Change in the balance of capitalized financial liability concerning the property transferred from inventory	0	3 081
Change in the balance of capitalized financial liability	(7)	(6)
Transfer from inventories	0	75 976
Expropriation of land	0	(1 396)
Net gain from fair value adjustment on investment property	(10 702)	(55 709)
Transfer to assets held for sale	22 894	(22 894)
	442 793	**438 016**

Investment properties which belong to the CPD Group were valued by an independent international professional appraiser, Savills Sp. z o.o. as at 31 December 2013 and as at 31 December 2012 in accordance with RICS Valuation – Professional Standards incorporating the International Valuation Standards published by the Royal Institution of Chartered Surveyors (RICS) and effective from 30 March 2012 and as at 31 December 2011 in accordance with the following standards and regulations: Practice Statements of the Royal Institution of Chartered Surveyors' (RICS) Appraisal and Valuation Standards (the "Red Book") published in February 2003, effective from 1 May 2003.

Further information on the valuation as at the balance sheet date is presented in Note 4 (a).

As at 31 December 2013, all investment properties of the CPD Group were registered in the land and mortgage register.

Due to the fact that the value of the properties (according to external valuation) is reduced by the fees for perpetual usufruct, the "fair book value" of the properties has been increased by the amount of the financial liabilities relating to such use. Such recognition results in the balance sheet value of the investment property being increased by the liability in respect of the lease.

	31 December 2013	31 December 2012
Investment property acc. to external valuation	420 766	413 898
Liabilities in respect of perpetual usufruct	22 027	24 118
Investment property presented in the statement of financial position	**442 793**	**438 016**

In June 2013 the subsidiary Mandy Sp. z o.o. sold its property in Warsaw, jana Kazimierza street.

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

5 Investment properties - cont.

In May 2012 the Group disposed the property in Warsaw, Łopuszańska street in course of sale of the subsidiary Devin Investments Sp. z o.o., property in Warsaw. In May 2012 the subsidiary 4/113 Gaston Investments Sp. z o.o. Sk sold its property in Warsaw, Ursus district. In July 2012 the subsidiary 14/119 Gaston Investments Sp. z o.o. Sk. disposed its property in Warsaw, Ursus district.

In December 2013, the property belonging to Robin Investments Sp. z o.o. has been transferred from assets held for disposal and in the consolidated financial statements as at 31 December 2013, presented under the heading "Investment property" (Note 26).

Direct operating expenses relating to investment properties:

	12 months ended 31 December 2013	12 months ended 31 December 2012
- generating income from rent	3 469	3 660
- other	125	2 533
	3 594	**6 193**

6 Fair value of security

	31 December 2013	31 December 2012
Aquarius	26 542	22 894
Łopuszańska	0	0
Ursus	43 080	45 830
Jana Kazimierza	0	15 100
Cybernetyki 7b	34 422	32 297
IRIS	85 018	82 582
	189 061	**198 702**

The above-mentioned properties constitute security under the loan agreement with HSBC in amount of PLN 104.044 thousand and BZ WBK in amount of PLN 85.018 thousand.

7 Goodwill

Goodwill is a result from the business combination transaction, which took place in 2007.

An assessment of the recoverable amount of goodwill performed by the CPD Management Board as at the end of 2012 showed an impairment in amount of PLN 22.3 m (at the end of 2011 r. - PLN 32.3 m). The test is described in Note 4(c).

	31 December 2013	31 December 2012
Opening balance	**0**	**22 967**
Foreign exchange gains (losses)	0	(795)
Impairment write down	0	(22 171)
Closing balance	**0**	**0**

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

8 Trade receivables and other receivables

	31 December 2013	31 December 2012
Trade receivables	295	6 990
Other receivables	765	921
Prepayments and accruals	2 422	4 255
Deferred income	1 407	665
Receivables from the state budget	2 881	4 190
Short-term loans	95	92
Receivables from related entities	0	73
Short-term trade receivables and other receivables	**7 865**	**17 186**
Long-term receivables	0	0
Total trade receivables and other receivables	**7 865**	**17 186**

The estimated fair value of trade receivables and other receivables is a discounted amount of expected future inflows which the CPD Group will receive, and it approximates the carrying amount of such inflows. Most trade receivables in respect of rent are secured. The CPD Group requires security from its tenants in the form of an equivalent of a one to three months' rent. Receivables in respect of rent are mainly secured with bank deposits.

The CPD Group recognized a loss of PLN 4 702 thousand in respect of impairment and write-off of receivables in the year ended 31 December 2013 (year ended 31 December 2012: PLN 2.955 thousand). The loss was recognized under "other administrative expenses" in the consolidated profit/(loss).

Trade receivables	31 December 2013	31 December 2012
Current	295	6 990
Overdue, no impairment	0	0
Overdue, with recognized impairment (provided for in full)	5 256	858

Receivables from related entities	31 December 2013	31 December 2012
Current	0	73

Impairment of receivables	31 December 2013	31 December 2012
- trade receivables:		
Opening balance	858	2 115
- increases	4 398	394
- decreases	0	(1 651)
Closing balance	**5 256**	**858**
- other receivables:		
Opening balance	31	31
- increases	0	2 561
- decreases	(31)	(2 561)
Closing balance	**0**	**31**

The maximum amount of exposure to credit risk as at the reporting date is equivalent to the carrying amount of the receivable. In the opinion of the Management Board, there is no significant credit risk concentration with respect to trade receivables, since the CPD Group has a large group of tenants.

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

9 Inventories

	31 December 2013	31 December 2012
Work in progress	5 000	5 246
Finished goods	370	1 100
Goods for resale	2 403	9 150
	7 773	**15 496**

In 2013 properties classified as finished goods and good for resale, located in Czosnów, Jaktorów and Magdalenka (Poland), has been sold. Finished goods in the consolidated financial statements comprise completed construction project, i.e. Koszykowa (Poland) and goods for resale comprise a construction project Alsonemedi (Hungary). Such properties are located in Czosnów, Jaktorów, Magdalenka (Poland), but also c and Alsonemedi (Hungary). Work in progress relates to properties under construction, i.e. tenement house in Łódź.

In 2012, finished goods and goods for resale comprised properties intended for sale in the normal course of business activity. Such properties were located in Czosnów, Jaktorów, Magdalenka (Poland), but also completed construction projects, i.e. Koszykowa (Poland) and Alsonemedi (Hungary). Work in progress related to properties under construction, i.e. tenement house in Łódź.

	31 December 2013	31 December 2012
At the beginning of the period	**15 496**	**66 283**
Capital expenditure	244	30 984
Purchases	0	4 811
Purchase in course of acqusition of a subsidiary	0	2 199
Disposals	(4 329)	(555)
Reclassification to investment properties	0	(75 976)
Write-downs	(3 674)	(3 716)
Sale of course of disposal of subsidiary	0	(7 490)
Foreign exchange losses	36	(1 044)
As at the balance sheet date	**7 773**	**15 496**

10 Cash and cash equivalents

	31 December 2013	31 December 2012
Cash in hand and at bank	1 771	21 479
Short-term bank deposits	10 210	5 622
	11 981	**27 101**

Cash and cash equivalents for the purposes of preparing the cash flow statement comprise cash in hand and at bank and short-term bank deposits.

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

11 Share capital

	Number of shares		Value of shares	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Ordinary shares (in thousands)	34 595	34 307	3 460	3 431
Total	**34 595**	**34 307**	**3 460**	**3 431**

On 12 July, 2012 A series subscription warrants were offered to entitled persons, according to the resolution No. 22 of the Annual General Meeting of Celtic Property Developments S.A. held on 24 May 2012. The entitled persons took-up all offered subscription warrants. Afterwards the entitled persons have exercised rights from subscription warrants and took-up 163.214 C series bearer shares of the Company of the nominal value 10 gr (ten groszy) each. The entitled persons were the persons who were performing a function in the Management Board of the Company's Management Board on 12 July 2012 and owned A series subscription warrants, entitling to take-up in total up to 163.214 C series shares. Following the take-up of C series shares, the subscription warrants have lost their validity.

The C series shares issue was done on the basis of the resolution No. 23 of the Annual General Meeting of CELTIC PROPERTY DEVELOPMENTS S.A. held on 24 May 2012, on: conditional shares capital increase with exclusion of the pre-emption right with respect to C series shares, amendments to Company's statute, deprivation of current shareholders of the pre-emption right with respect to C series shares, dematerialization of the C series shares and application to admit and introduce the C series shares to the regulated market, communicated by the Company by the current report No.12/2012. The conditional share capital increase by the amount not higher than 16.321,40 PLN was registered by the District Court for the Capital City of Warsaw, XIII Commercial Division of the National Court Register on 19 June 2012.

On 31 July 2012 the Company's share capital was increased as a result of the registration of C series shares on the securities accounts of entitled persons, by the amount of PLN 16.321,40, to total amount of PLN 3.423.146,60. The above mentioned capital increase has been registered by the District Court for the Capital City of Warsaw, XII Commercial Division of the National Court Register on 12 November 2012.

On 15 October 2012 the Board of Directors of CPD S.A. adopted a resolution on capital increase under the authorised capital from PLN 3.423.146,60 to PLN 3.430.748,80, by the amount of PLN 7.602,20, by way of issuing of 76 022 bearer shares of series D at their nominal value of PLN 0,10. The share capital increase by way of D series shares issuance requires the consent of the Supervisory Board with a completele disapplication of the preemption rights of current shareholders.

The share capital increase by the amount of PLN 7.602,20 was registred by the National Court on 8 January 2013.

On 10 January 2013 the Extraordinary General Meeting of Celtic Property Developments S.A. adopted resolution No. 3 regarding the issue of subscription warrants, B series, with the right to take up E series shares in the Company, and cancelling the current shareholders' all pre-emptive rights with respect to B series subscription warrants; it also adopted resolution No. 4 regarding conditional increase of the Company's share capital with the exclusion of the pre-emptive rights with respect to E series shares, dematerialization of the E series shares and application for admission and introduction of E series shares to trading on the regulated market.

Under resolution No. 3, the Company issued 88,776 registered subscription warrants, B series (‘subscription warrants’), with the right to take-up a total of 88,776 ordinary bearer shares in the Company, E series, with a nominal value of PLN 0.10 (ten groszy) each, and a total nominal value of to PLN 8,877.60. Subscription warrants were offered exclusively to entitled individuals, i.e. Management Board members serving on the Management Board when the statement on the taking up of subscription warrant was made, i.e.:

• Mr. Andrew Morrison Shepherd, President of the Management Board – 36,483 subscription warrants were offered;
• Mr. Aled Rhys Jones, member of the Management Board – 36,483 subscription warrants were offered;
• Ms. Elżbieta Wiczkowska, member of the Management Board – 15,810 subscription warrants were offered.

Subscription warrants were issued free of charge and the issuing price of one share of the E series, taken up as part of the exercise of rights under subscription warrants, was set as equal to the nominal value of such share, i.e. PLN 0.10. Any subscription warrant bore an entitlement to take up one share, E series, whereas the right to take up E series shares was exercised in the manner described in Article 451 of the Polish Code of Commercial Companies and Partnerships i.e. through written statements made on forms prepared by the Company.

The issue of subscription warrants and E series shares was conducted outside the public offering, as referred to in Article 3.3 of the Act of 29 July 2005 on public offerings and terms of introduction of securities to the organized trading system and on public companies (Official Journal, No. 184, item 1539, as amended) due to the fact that the number of individuals who were the addressees of the offer to purchase subscription warrants did not exceed 99 (ninety-nine).

On 20 March 2013 the Company’s Management Board adopted resolution no. 13/III/2013 regarding an increase of the Company’s share capital within the target capital.
Under the aforementioned resolution the Company’s share capital was increased by PLN 19,933.30 through an issue of 199,333.00 ordinary bearer shares, F series, with a nominal value of PLN 0.10 (ten groszy) each, the issue falling within the target capital figure. The capital increase through the issue of F series shares was conducted upon the approval of the Supervisory Board, excluding the pre-emptive rights of existing shareholders, and was conducted as a private placement addressed to selected individuals collaborating with the Management Board. Proceeds from the issue of F series shares were allocated to finance the Company’s ongoing operations.

On 27 March 2013 the Company invited its shareholders to submit sale offers for its shares under terms and conditions specified in the Invitation to Submit Sale Offers. The full text of the Invitation was published on the Company’s website (www.celtic.pl). Following the publication of the Invitation the Company offered to buy no more than 1,732,394 ordinary bearer shares marked with the following ISIN code: PLCELPD00013 (‘Shares’) at PLN 7.10 each. During the period when sale offers were accepted, between 3 and 9 April 2013, a total of 39 share sale offers were accepted, for a total of 15,575,542 shares.

The Invitation was based on the resolution adopted by the Company’s General Meeting on 10 August 2012 regarding the purchase of the Company’s shares for the purpose of redemption; the resolution authorised the Management Board to purchase no more than 11,541,891 of the Company’s shares with a nominal value of PLN 0.10 (ten groszy) and with the total nominal value not exceeding PLN 1,154,189.10, and to do so no later than by 31 December 2013. The shares may be purchased on the regulated market: (during a stock exchange session or off-session) as well as outside the regulated market. The shares shall be purchased by the Company pursuant to Article 362 § 1.5 of the Polish Code of Commercial Companies and Partnerships for the purpose of redemption at a price which is no lower than the nominal value of shares and no higher than PLN 15.89 (say: fifteen złoty and eighty-nine groszy) per one share. Moreover, the General Meeting authorised the Company’s Management Board to establish detailed terms and conditions of share purchase in the scope which is not regulated by the resolution and also authorised the Company’s Management Board to carry out any practical and legal actions aiming at the exercise of the resolution, including the conclusion of an agreement with an investment firm. For the purpose of the redemption of shares, once all or part of the shares were purchased, the Company’s Management Board shall convene the General Meeting with an agenda including at least the adoption of resolutions on the redemption of the Company’s treasury shares, on a decrease of the Company’s share capital and amendments to the Company’s Articles.

The rationale behind the Management Board's recommendation for the resolution regarding the buy-back of the Company's treasury shares for the purpose of redemption was the downturn on the Warsaw Stock Exchange, which was part of global capital market trends and resulted in a decline of the market price of Celtic Property Developments S.A. shares. In the view of the Company's Management Board, the market valuation diverges from the fundamentals of the Company's value growth in the long term. The buy-back of the Company's shares, therefore, is an optimal solution from the perspective of the interests of all shareholders. The Supervisory Board of the Company approved said draft resolution of the Extraordinary General Meeting by adopting a resolution approving the draft resolutions of the General Meeting.

On 11 April 2013 the Company decided to accept all share sale offers and to make a pro-rata reduction, effected in accordance with the rules specified in the Invitation. The number of shares under the share sale offers totalled 15,575,542. Given that sale offers covered a larger number of shares than the number of 1,732,394 shares suggested by the Company, each sale offer was reduced by an average of 88.88%, which means that the Company purchased, on average, 11.12% of shares offered for sale. As a result of transaction settlement, on 15 April 2013 the Company had purchased 1,732,394 treasury shares via UniCredit CAIB Poland S.A., a brokerage house seated in Warsaw. The purchase price per share was PLN 7.10. All the purchased shares are ordinary shares with a nominal value of PLN 0.10 each. Treasury shares represent 5.01% of the Company's share capital and 5.01% f the total number of votes in the Company; however, pursuant to applicable regulations the Company is not entitled to exercise voting rights under treasury shares.

Pursuant to the applicable provisions of law, in order to commence the redemption procedure for bought-back shares the General Meeting must be convened to adopt a resolution regarding a decrease in share capital.

As of 26 April 2013 the District Court for Warsaw in Warsaw, 13th Business Division of the National Court Register, registered the conditional capital increase in the Company by no more than PLN 8,877.60. A conditional increase of share capital occurred through the issue of bearer shares, E series, with a nominal value of PLN 0.10 (ten groszy) each, in a number not exceeding 88,776, and was effected in order to enable entitled individuals, holders of B series subscription warrant, to exercise their rights to take up no more than 88,776 E series shares.

Subscription warrants were offered to entitled individuals on 8 May 2013. On the same day the entitled individuals who held B series subscription warrants, i.e. members of the Company's Management Board, exercised their rights under the warrants and made statements regarding the taking-up of E series shares. E series shares issued in connection with the taking-up of B series subscription warrants by entitled individuals must not be disposed of for 18 months following their admission to stock exchange trading under contracts signed in parallel with taking up the shares.

The increase of the Company's share capital occurred on 5 July 2013 as a result of the E series shares being recorded on the accounts of entitled individuals and origination of rights under those shares in keeping with Article 452 of the Polish Code of Commercial Companies and Partnerships. Considering the foregoing, the share capital of Celtic Property Developments S.A. was increased, as of 5 July 2013, by PLN 8,877.60 to PLN 3,439,626.40. As a result of the increase, the share capital of Celtic Property Developments S.A. was subdivided into 34,396,264 shares with a nominal value of PLN 0.10 (ten groszy) each, and the shares represented 100% of the votes at the General Meeting. Proceeds from the issue of E series shares were allocated to finance the Company's ongoing operations.

Pursuant to resolution No. 448/13 adopted by the Management Board of the National Depository for Securities on 21 June 2013, on 5 July 2013 the National Depository registered 88,776 ordinary bearer shares, E series, marked with the following ISIN code: PLCELPD00013.

On 5 July 2013 E series shares were brought into stock exchange trading on the parallel market of the Warsaw Stock Exchange under resolution No. 745/2013 adopted by the Management Board of the Warsaw Stock Exchange on 3 July 2013.

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

On 12 August 2013 the District Court for Warsaw in Warsaw, 13th Business Division of the National Court Register, issued a decision to record the increase in the Company's share capital by PLN 8,877.60 via an issue of 88,776 ordinary bearer shares, E series. Once the capital increase was recorded, the Company's share capital totalled PLN 3,439,626.40 and was subdivided into 34,396,264 ordinary bearer shares, B, C, D and E series, with a nominal value of PLN 0.10 (ten groszy) each, bearing an entitlement to 34,396,264 votes at the Company's General Meeting.

By 30 August 2013 the Management Board was entitled to increase the Company's share capital within the limits of the target capital by an amount not exceeding PLN 2,500,000. The Management Board was allowed to exercise this entitlement through one or more successive increases of share capital, with shares being taken up against cash or in-kind contributions.

On 13 September 2013 the District Court for Warsaw in Warsaw, 13th Business Division of the National Court Register, issued a decision to record the increase in the Company's share capital by PLN 19,933.30 via an issue of 199,333 ordinary bearer shares, F series. Once the capital increase was recorded, the Company's share capital totals PLN 3,459,559.70 and is subdivided into 34,595,597 ordinary bearer shares, B, C, D, E and F series, with a nominal value of PLN 0.10 (ten groszy) each, bearing an entitlement to 34,595,597 votes at the Company's General Meeting.

12 Trade payables and other payables

Long-term trade payables and other payables

	31 December 2013	31 December 2012
Deposits of tenants	384	466

Short-term trade payables and other payables

	31 December 2013	31 December 2012
Trade payables	1 540	990
Liabilities to related entities	0	0
Other liabilities	179	365
Output VAT and other tax liabilities	455	702
Deposits of tenants	512	90
Accruals and deferred income	12 684	11 657
Total	**15 370**	**13 804**

Trade payables bear no interest and are payable during the year.

The estimated fair value of trade payables and other payables is a discounted amount of expected future outflows, which the CPD Group will pay, and it approximates their carrying amount.

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

13 Loans and borrowings (including finance lease)

	31 December 2013	31 December 2012
Long-term		
Bank loans	0	86 897
Finance lease liabilities	22 027	24 118
	22 027	**111 015**
Short-term		
Bank loans	94 004	1 813
Loans from unrelated entities	41	329
	94 045	**2 142**
Total loans and borrowings	**116 072**	**113 157**

As at 31 December 2013 CPD Group 's consolidated financial statements shows the following liabilities in respect of bank loans: - liabilities to HSBC Bank Poland in the amount of PLN 40 389 million; - liabilities to Bank Zachodni WBK SA, in the amount of PLN 53 656 million .

The credit facility agreement with HSBC Bank Poland, was signed in May 2007 in the amount of 24 million Euro . In the period from the date of signature of the contract by the end of 2013, the company repaid EUR 14 278 million loan so that the balance of the loan due on 31.12.2013 amounted to 9 722 EUR. On the basis of the most recent addendum to the loan agreement (signed on 29 March 2012), the final repayment of the loan marked the March 27, 2014. As at the date of the signing of the financial statements the commitment has not been repaid. As of December 31, 2013, the balance of the debt obligation received from HSBC in the amount of PLN 40 389 million is presented under current liabilities, since under existing agreements, the repayment falls within a period of 12 months from the balance sheet date, which have been prepared in consolidated financial statements. Under the current wording of the agreement the loan is secured by a registered pledge on the fixed and floating assets of subsidiaries located in Poland: Lakia Investments Sp. z o.o., Robin Investments Sp. z o.o. and Blaise Investments Sp. z oo , and on the shares of a shareholder in Cyprus: Lakia Enterprises Ltd.

At the time of preparing these consolidated financial statements CPD Group is in the process of advanced negotiations with HSBC Bank on the extension of the maturity of the current funding for the coming years, while binding agreement on this issue has not yet been concluded.

In the opinion of the Board, any consequences resulting from the non- repayment of the loan term by HSBC and consequently place the loan in foreclosure could result in the collection of the debt by the bank in connection with the sale of assets securing the loan (real estate, stocks), the amounts lower than reported in the consolidated financial statements at 31 December 2013 (the value of the property covered by the mortgage lien has been disclosed in Note 6).

In the opinion of the Board, the risk of not extending the deadline for repayment of the loan by the bank is low.

Credit Agreement with Bank Zachodni WBK SA was signed on August 12, 2011. The parties to the loan agreement were a subsidiary of the Group CPD - Belise Investments Sp. with o.o. as the borrower and guarantors, which are CPD SA , Lakia Enterprises Ltd and East Europe Property Financing AB. Under the credit agreement has been awarded an investment credit to the amount of Euro 20,141,000 to finance or refinance part of the cost of finishing the building lease area IRIS, and revolving credit VAT to the amount of 2,100,000 PLN .

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

13 Borrowings (including finance lease) (cont.)

Under the terms of the final repayment of the construction loan falls in one of the following dates:- In the case of a conversion of the construction loan for the investment, the final repayment of the loan will be made not later than 12 August 2019, in the opposite case - the final repayment provided for in the Agreement, this August 2014, in relation to VAT Loan Payoff be made not later than August 12, 2014.

One of the conditions for conversion of the loan and thus postpone the final repayment of the loan for the period August 2019, is to achieve the contractual bank surface renting level.
The priority for the Group Management Board is to complete the commercialization of Iris building and convert the construction loan into an investment loan on schedule, ie in August 2014, in connection with the above, in case of any conditions that may affect the approved schedule, the Board has decided that it will Iris subsidize the project to the full commercialization of the project. In 2013, Celtic Group supported the project Iris amount of PLN 1.5 million.

As of December 31, 2013, the balance of the debt obligation resulting from BZ WBK SA in the amount of PLN 53 656 million is presented under current liabilities, since under existing agreements, the repayment falls within a period of 12 months from the balance sheet date , which have been prepared consolidated financial statements.

In the opinion of the Board, any failure to renew the loan repayment deadline by BZ WBK SA and consequently place the loan in foreclosure could result in the collection of the debt by the bank in connection with the sale of assets securing the loan (real estate, stocks), the amounts lower than reported in the consolidated financial statements as at 31 December 2013 (the value of the property covered by the mortgage lien was disclosed in Note 6).

In the opinion of the Board, the risk, that in August 2014, the credit will not be converted to a long-term investment credit or the loan will not be extended is low.

Under the current credit agreements the interest on loans is accrued based on the reference rate (LIBOR in the case of a loan with HSBC, EURIBOR in the case of investment credit in BZ WBK and WIBOR in the case of revolving credit VAT BZ WBK) and increased the margin (3.3 % in the case of a loan with HSBC, 3.5 % in the case of investment credit in BZ WBK - 2.75 % for the VAT).

Finance lease liabilities relate to the right to perpetual usufruct and are recognized due to the increase in the fair value of investment property for accounting purposes (Note 5).

	31 December 2013	31 December 2012
Repayment of the principal amount of lease liabilities based on the effective interest rate due within:		
1 year	7	7
from 1 to 5 years	33	31
after more than 5 years	21 987	24 080
	22 027	**24 118**

	31 December 2013	31 December 2012
Par value of minimum lease payments due:		
within 1 year	1 735	1 660
from 1 to 5 years	6 941	6 640
after more than 5 years	121 462	119 527
	130 137	**127 828**
Future financial costs	(108 110)	(103 709)
	22 027	**24 119**

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

The exposure of the CPD group loans and borrowings, excluding finance lease, to interest rate risk and the contractual dates of changes in the interest rates as at the balance sheet date are presented below:

	31 December 2013	31 December 2012
up to 6 months	40 389	1 373
from 6 months to 1 year	53 656	769
from 1 to 5 years	0	52 748
more than 5 years	0	34 149
	94 045	**89 039**

The carrying amount of loans and borrowings approximates their fair value.

The carrying amount of CPD group's loans and borrowings is denominated in the following currencies:

	31 December 2013	31 December 2012
Currency		
PLN	0	524
HUF	0	23
EUR	94 045	88 492
	94 045	**89 039**

In connection with the loan received from HSBC, one company made a pledge on the shares up to the amount of EUR 14 million.

In connection with the loan received from BZ WBK, one company made a pledge on the shares up to the amount of EUR 40.3 million and PLN 4.2 milion.

14 Deferred income tax

Deferred income tax assets and provision are offset if there is an enforceable legal title to offset current income tax assets against current income tax liabilities and if deferred income tax assets and provision relate to taxes assessed by the same tax authorities.

	31 December 2013	31 December 2012
Deferred tax assets before offset	**14 511**	**18 698**
Set off	(14 151)	(18 690)
Deferred tax assets	**360**	**8**
- to be utilized after more than 12 months	0	0
- to be utilized within 12 months	360	8
	360	**8**
Deferred income tax liabilities before offset	**27 457**	**29 117**
set off	(14 151)	(18 690)
Deferred income tax liabilities after offset	**13 306**	**10 427**
- to be paid after more than 12 months	13 306	10 427
- to be paid within 12 months	0	0

	12 months ended 31 December 2013
Change in deferred tax assets	(4 187)
Change in deferred tax liabilities	(1 660)
Amount charged/(credited) to profit or loss	**(2 527)**

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

The movement in deferred tax assets and liabilities during the year is as follows:

Deferred income tax liabilities (before offset)

	2011	Charged to profit/(loss)	Charged to capital on translation	2012
Property valuation at fair value	23 878	(7 783)	0	16 095
Accrued interest on loans	6 959	5 459	0	12 418
Provision for income	439	(320)	0	119
Foreign exchange	123	(86)	0	37
Currency translation adjustment	(759)	740	19	0
Other	1 009	(561)	0	448
Total	31 649	(2 551)	19	29 117

	2012	Charged to profit/(loss)	Charged to capital on translation	2013
Property valuation at fair value	16 095	(3 742)	0	12 353
Accrued interest on loans	12 418	2 963	0	15 381
Provision for income	119	(58)	0	61
Foreign exchange	37	(34)	0	3
Currency translation adjustment	0	0	0	0
Other	448	(789)	0	(341)
Total	29 117	(1 660)	0	27 457

Significant amounts of deferred income tax liabilities arise mainly in respect of adjustments to fair value measurement of investment properties (Note 6).

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

Deferred income tax assets (before offset)

	2011	Charged to profit/(loss)	2012
Accrued, interest unpaid	3 472	(3 194)	278
Foreign exchange gains/(losses)	1 730	(781)	949
Provisions	1 237	(397)	840
Property measurement at fair value	542	12 333	12 875
Other	6 763	(6 763)	0
Tax losses	2 950	807	3 757
	16 693	2 005	18 698

	2012	Charged to profit/(loss)	2013
Accrued, interest unpaid	278	63	341
Foreign exchange gains/(losses)	949	(124)	825
Provisions	840	(539)	301
Property measurement at fair value	12 875	(11 371)	1 504
Other	0	9 537	9 537
Tax losses	3 757	(1 754)	2 003
	18 698	(4 188)	14 511

	31 December 2013	31 December 2012
Tax losses	10 544	19 771
Deductible temporary differences on loans and borrowings (foreign exchange differences and accrued interest)	1 795	1 463
Other deductible temporary differences	64 037	77 179
Total	76 376	98 413
Deferred tax assets before offset	**14 511**	**18 698**
Offset of deferred tax assets against liabilities within individual companies	(14 151)	(18 690)
Net deferred tax assets	**360**	**8**

Deferred income tax assets on the tax loss and deductible temporary differences are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences and tax losses can be utilised.

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

14 Deferred income tax - cont.

Expiry of tax losses as at 31.12.2013

	2014	**2015-2016**	**2017-2018**	**Total**
- Losses on which deferred tax was recognized	568	5 463	4 508	10 538
- Losses on which deferred tax was not recognized	4 773	36 770	172 354	213 897

Expiry of tax losses as at 31.12.2012

	2013	**2014-2015**	**2016-2017**	**Total**
- Losses on which deferred tax was recognized	1 526	6 486	11 759	19 771
- Losses on which deferred tax was not recognized	22 517	31 115	136 588	190 220

15 Revenues

Revenues by category:	**12 months ended 31 December 2013**	**12 months ended 31 December 2012**
Rental income	6 792	6 324
Sales of inventories	2 537	1 240
Real estate advisory services	157	5 709
Services relating to rental	4 394	3 432
Accounting services	0	23
	13 880	**16 728**

In 2013 rental income was predominant in sales. In 2013 the revenues were mainly achieved on sale of inventories owned by CPD subsidiaries: Gaetan (PLN 2.225 thousand) and Antigo (PLN 307 thousand).

In 2012 the income property management advisory services were mainly generated by Celtic Property Developments (PLN 2.6 million), Celtic Italy (PLN 2.5 million), and Celtic Investments (PLN 0.6 million).

The Group leases properties under operating lease.

The Group adopted the below described model of standard rental contracts:

• rent is expressed in EUR and indexed for the annual inflation rate for EUR (invoiced in PLN),

• specified rental period up to 5 years without a possibility of early termination.

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

15 Revenues - cont.

	12 months ended 31 December 2013	12 months ended 31 December 2012
up to 1 year	9 772	6 537
from 1 to 5 years	25 898	17 089
more than 5 years	3 759	4 582
	39 429	**28 208**

16 Cost of sales

	12 months ended 31 December 2010	12 months ended 31 December 2009
Cost of inventories sold	4 338	555
Changes in impairment write-downs of inventories	3 638	3 716
Cost of services provided	1 453	5 645
	9 429	**9 916**

Cost of inventories sold comprises the inventories' carrying amount as at the date of sale.
In the current year the change in the amount of inventory write-downs was due to a decrease in the value of the Koszykowa property of PLN 0.7 m (in 2012: PLN 1,7 m), property in Hungary of PLN 2.5 m (in 2012: PLN 1.1 m)

17 Administrative expenses – relating to properties

	12 months ended 31 December 2013	12 months ended 31 December 2012
Employee expenses	2 235	9 153
Cost of services acquired as consideration for the share-based payment*	0	2 371
Property maintenance	3 580	3 099
Real estate tax	3 258	3 007
Perpetual usufruct	2 004	2 725
Depreciation and amortization	213	373
	11 290	**20 728**

Additional notes and explanations to the consolidated financial statements

** Share-based programme*

On 22 December, 2011 the Supervisory Board has taken a resolution on determination of the remuneration of the members of the Board. At the request of the Board of Directors part of the due remuneration was to be paid to the Board Members in shares offered for subscription at the issue price reduced compared to market price. Supervisory Board passed its recommendation to the Shareholders Meeting to take the resolutions to increase share capital by the amount of 16.321,40 PLN by emissions of 163.214 bearer shares series C, having a par value of PLN 0.10 per share. At the same time, the Supervisory Board recommended the issuance of free of charge subscription warrants of C series to which coverage shall be entitled only to the members of the Management Board. Holders of the C series subscription warrants will be the only people entitled to purchase shares of series C. In effect, the members of the Management Board will have the right to purchase the shares at a price of par (PLN 0.10 per share).

17 Administrative expenses – relating to properties

The payment of remuneration might have been conducted only to those holders of the warrants who acted as Board Members at the time of the declaration of C series shares cquisition.

The total value of compensation in shares is PLN 2.775 thousand, of which the costs of the financial year 2012 was PLN 1.619 thousand and for 2011 PLN 1.156 thousand. The value was determined on the difference between the maximum and reduced the level of remuneration laid down by the management board the Supervisory Board. For the purpose of calculation of the amount of compensation the following parameteres were adopted: the average exchange rate of Polish National Bank as at 22 December 2011 of PLN 4,4438 and the par share value of PLN 17, with the closing quatations on the WSE in Warsaw from 20 December 2011.

On 4 October 2012 the Supervisory Board of the Company has passed a resolution on determination of remuneration of Board Members for the period from 1 August 2012 to 31 December 2012. At the request of the Board of Directors of part of the due remuneration was to be paid to the members of the Board of Directors in shares, offered for subscription at the issue price reduced compared to market price.

Supervisory Board passed its recommendation to the Shareholders Meeting to take the resolutions to increase share capital by the amount of 8.877,60 PLN by emissions of 88.776 bearer shares of series E, having a par value of PLN 0.10 per share. At the same time, the Supervisory Board instructed and authorised the Management Board to include in the agenda of the forthcoming Extraordinary General Meeting of Shareholders resolutions to provide the Board of Directors of subscription warrants and share issues E.

The payment of remuneration might have been conducted only to those holders of the warrants who acted as Board Members at the time of the declaration of e series shares cquisition.

The total value of compensation in shares of E serie is PLN 752 thousand. The value was determined on the difference between the maximum and reduced the level of remuneration laid down by the management board the Supervisory Board. For the purpose of calculation of the amount of compensation the following parameteres were adopted: the average exchange rate of Polish National Bank as at 3 October 2012 of PLN 4,1202 and the par share value of PLN 8,47, with the closing quatations on the WSE in Warsaw from 3 October 2012.

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

18 Other income

	12 months ended 31 December 2013	12 months ended 31 December 2012
Reversal of unutilized accruals	1	498
Written off liabilities - Management Board Advisors	0	389
Received compensation for plots taken	0	334
Forgiven or expired liabilities	0	55
Contractual penalties received	172	220
Other	433	807
	606	**2 303**

19 Administrative expenses - other

	12 months ended 31 December 2013	12 months ended 31 December 2012
Advisory services	4 209	7 124
Audit fee	317	320
Transport	49	538
Taxes	215	167
Office maintenance	2 893	4 595
Other services	553	799
Costs of not deductible VAT	441	1 230
Impairment write-down in respect of receivables	4 702	2 955
Other costs	1 371	3 737
	14 750	**21 465**

In 2013 the change in the amount of administrative expenses was due to a increase in the value of impairment in respect of receivables of PLN 1.7 m. The amount of advisory services compared to 2012 decreased by PLN 2.9 m. The amount of accounting and administrative services, compared to 2012, decreased by PLN 1.7 m.

In 2012 administrative expenses , compared to 2011, increased by PLN 2.3 m (PLN 1.4 m paid in shares).The amount of accounting and administrative services decreased by PLN 2.5 m what was caused by the change in Group strategy and signing contracts with external contractors.

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

20 Financial income and costs

	12 months ended 31 December 2013	12 months ended 31 December 2012
Interest expenses:		
- bank loans	(3 607)	(2 934)
- interest on finance lease	(1 652)	(1 902)
- other interest expenses	(491)	(695)
Net foreign exchange loss	(1 273)	(46)
Other	(19)	(114)
Financial costs	**(7 042)**	**(5 691)**
Interest income:		
- bank interest	269	446
- interest from unrelated entities	640	126
- dividends received	0	8 468
Financial income	**909**	**9 040**
Financing activities, net	**(6 133)**	**3 349**

In connection with the management of Spazio Industriale project in the first half of 2012, the Group received a remunaration in the amount of PLN 8.4 mln. In 2013 CPD Group did not execute the project.

21 Income tax expense

	12 months ended 31 December 2013	12 months ended 31 December 2012
Current tax	0	88
Prior years tax	0	0
Deferred tax (Note 14)	2 527	(2 783)
	2 527	**(2 695)**

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

Polish subsidiaries are subject to Polish corporate income tax, which is accrued at the rate of 19% on the profit or loss adjusted for tax purposes. Cyprian subsidiaries are subject to Cyprian income tax calculated on taxable profit at the tax rate of 10%. Realized gains on the sale of shares and other titles are exempt from taxation in Cyprus. In some circumstances, interest can be additionally taxed at the rate of 5%. In such cases, 50% of interest can be exempt from corporate income tax, therefore, the effective tax rate amounts to approximately 15%. In some cases, dividends received from abroad can be subject to additional taxation at the rate of 15%. Swedish entities are subject to income tax on taxable profit at the rate of 26.3%. Taxable profit of the Montenegrin entity is subject to corporate income tax at 9%, of the Italian entity – 31.4%, and of the British entity – 28%.

	Applicable tax rate	**Profit/(Loss) before tax**	**Tax at the rate applicable in a given country**	**Difference in the amount of tax at the local rate and at 19%**
Country:				
Sweden	26,3%	(761)	200	56
Cyprus	10%	(7 816)	782	(703)
Hungary	19%	(269)	27	(24)
				(672)

The income tax recognized in the CPD Group's financial result differs from the theoretical amount which would result from the uniform application of the 19% tax rate applicable to profits of companies with their registered offices in Poland to accounting profit before tax.

21 Income tax expense - cont

	12 months ended 31 December 2013	**12 months ended 31 December 2012**
Profit before tax	**(40 534)**	**(165 539)**
Estimated tax liability at the 19% tax rate	7 701	31 452
Impact on tax:		
- of different tax rates applicable to the Group companies and the tax on consolidation adjustments	(672)	(654)
- revaluation of limited partnerships	(4 561)	(25 126)
- goodwill impairment	0	(4 212)
- previous years tax	0	(101)
- other	59	1 336
Income tax expense	**2 527**	**2 695**

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

22 Cash generated from operations

	12 months ended 31 December 2013	12 months ended 31 December 2012
Profit before income tax	(40 534)	(165 539)
Adjustments for:		
- depreciation	170	565
- foreign exchange differences on translating foreign operations	2 906	(3 809)
- revaluation of investment properties to fair value	10 702	55 709
- gains/(losses) on disposal of subsidiaries	0	10 224
- forgiven liabilities	0	0
- interest expenses	3 470	2 128
- foreign exchange differences	0	0
- impairment of inventories	3 674	3 716
- result on sold property investments	1 970	46 319
- goodwill impairment	0	22 171
- costs of warrants granted	0	2 370
- loans interest income	(747)	0
- costs of services to be paid in shares	0	2 029
- write off of shares	35	0
- other adjustments	85	(88)
Movements in working capital:		
- change in receivables	8 970	5 696
- change in inventories	4 085	(37 439)
- change in trade payables and other payables	2 876	(7 330)
	(2 338)	**(63 278)**

23 Contingencies

According to the general Polish regulations, the tax authorities may perform an inspection of books and records at any time within 5 years after the end of the reporting period and assess additional tax and penalties if any irregularities are found. According to the knowledge of the Management Boards of the CPD Group companies, there are no circumstances which could result in any significant liabilities arising in this respect.

The CPD Group companies – Celtic Asset Management (previously:Liliane Investments), Gaetan Investments and Elara Investments – in connection with the sale of houses, apartments and plots granted guarantees and warranties to clients in respect of the legal status and technical conditions of the goods sold. The liability periods are one year from the date of sale for plots and three years for houses and apartments.

With reference to the credit granted by the Bank BZ WBK S.A. to a subsidiary Belise Investments Sp. z o.o.for the purpose of development of Project IRIS at Cybernetyki 9 in Warsaw, Celtic Property Developments S.A. has provided a guarantee for the period upto 12 August 2022 year:

a) Amounts that are required (or may be required) to cover any cost overruns of the project outside of costs defined in the credit agreement, up to a maximum of EUR 20.666.000;

b) Amounts that are required (or may be required) to cover the debts or any other outstanding payments due to pay, up to a maximum amount of EUR 20.666.000,

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

c) Amounts that are required (or may be required) to settle the debt coverage ratio was not less than 100% (i.e. the proceeds of rental agreements should cover costs cover the handling of long), to a maximum amount of EUR 20.666.000.

In 2011, the Group pledged Celtic will provide free of charge to the City of Warsaw about 20 hectares of land that are held within the Celtic land located in Warsaw Ursus, which according to the spatial development plan lined areas are designed for urban investments - roads and school. The value of these areas, according to the forecast financial impact of the adoption of the local development plan in the area of brownfields Orłów Śląskich Street prepared on behalf of the City of Warsaw, is estimated at about 70 million PLN. According to the statement made free transfer provided by the group Celtic these urban land for development is the adoption of the local plan. In addition, the Group reserved the declaration submitted that the statement is valid only in respect of land which the said pool will continue to be held by the Group at the time of the adoption of the local plan.

On the day of publication of these financial statements City has not responded to the letter submitted in that case, at the same time is not passed by then zoning plan and the term is unknown when it will happen.

On the day of the publication of the report, the city does not ustosunkowało to the complex writings on the subject, at the same time there was the adopted plan of land-use planning and the unknown is the date when this occurs.

According to the intention of the Board, the above statement was intended to encourage the City to take action as soon as possible the adoption of the land use plan, while supporting the City budget.

As at 31 December 2013, the Group owns the Celtic lands described above, subject to the declaration made to free transfer. At the same time as at 31 December 2013, the Group is not legally obligated to comply with the complex declaration. As a result, made the declaration is not treated as a liability or provision, in its report on December 31, 2013 and the whole land, located in Ursus, owned by the Group is measured at fair value (in accordance with the accounting policy adopted in this regard) and presented in the statement of financial position, investment properties.

24 Transactions with related entities and transactions with employees

Celtic Property Developments S.A. does not have a direct parent company or the ultimate parent company. Cooperative Laxey Worldwide W.A. is a significant investor at the highest level, which has a significant influence on the Company.

The CPD Group also concludes transactions with key managers and other related entities controlled by the Group's key managers.

The CPD group concluded the following transactions with related parties:

		12 months ended 31 December 2013	12 months ended 31 December 2012
a) Transactions with key managers			
Remuneration of the Management Board members		233	212
Salaries and Cost of services provided by the Management Board members		729	1 768
Redemption of shares for a consideration		202	222
Total receivables		16	16
Value of warrants for the board members		0	2 370
b) Transactions with the significant investor			
Liabilities		0	312
Cost of services		0	36
c) Transactions with other related parties			
Revenues			
Laxey Cooperative	*- interest*	0	994
Vigo Investments Sp. z o.o..	*- rental and accounting services*	0	7
Antigo Investments Sp. z o.o.	*- rental services*	0	4
Prada Investments Sp. z o.o.	*- rental services*	0	14
Wolf Investments Sp. z o.o.	*- rental services*	0	5

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

Costs			
Kancelaria Radców Prawnych Oleś i Rodzynkiewicz	*- costs of legal services*	58	100
Sterling Corporates Services Sp. z o. o.	*- advisory services*	0	729
Receivables			
Vigo Investments Sp. z o.o..	*- trade receivables*	0	2
Prada Investments Sp. z o.o.	*- trade receivables*	0	2
Prada Investments Sp. z o.o.	*- loan*	0	69

25 Seasons of activity and unusual events

The activity of the Group of the CPD is not seasonal or cyclical.

26 Assets and liabilities held for sale

As at 31 December 2012 investment property beloging to Robin Investments Sp. z o.o. was classified as held for sale. As at 31 December 2013 the Management Board decided to transfer the property mentioned above to its property portfolio and classify it as investment property.

(a) Assets held for sale

	31 grudnia 2013	31 grudnia 2012
Investment property	0	22 894
	0	**22 894**

(b) Liabilities classified as held for sale

	31 grudnia 2013	31 grudnia 2012
Borrowings, including finance leases	**0**	**0**
	0	**0**
Net assets	**0**	**22 894**

27 Sale of subsidiaries

In 2013 the Group did not sale any of its subsidiaries.

In 2012, the Group sold shares in five subsidiaries carrying out the following result on the transaction:

- 17/110 Gaston Investments Sp. z o.o. Sk.	264
- KMA Sp. z o.o.	(283)
- Devin Investments Sp. z o.o.	(6 905)
- Tenth Planet d.o.o.	(2 998)
- Celtic Italy Srl	(302)
	(10 224)

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

28 Net loss on sale of investment property

On 23 May 2012, Celtic Group sold one of the parcels (plot No. 113) located in Ursus district of Warsaw for the price of PLN 4.4 million, realizing a loss on this transaction in the amount of PLN 34.6 million (book value of land was 39 million PLN). Ultimately, the intention of the Group is to sell a dedicated portion of land on which there are and will be built infrastructural elements related to water and sewage systems. After completion of the infrastructure portion of the unused land will be transferred back to the ownership of the Celtic Group. As at the date of the transaction was not possible to divide the land in the absence of obowiązującgo spatial development plan - act providing a legal basis for the division of the land. The transaction is part of the Group's strategy and its efforts to protect the water and sewer system for the area Ursus.

On 2 July 2012, the deed was signed, under which the Group has sold another plot Celtic located in Ursus district of Warsaw (No. 119) at the price of PLN 2.2 million, realizing a loss on this transaction in the amount of PLN 11.7 million (book value land was 13.9 million PLN).

In June 2013 the deed was signed, under which the Group has sold a property located in Warsaw, Jana Kazimierza street at the price of PLN 13.1 million, realizing a loss on this transaction in the amount of PLN 2.6 million.

29 Events after the balance sheet date

Pursuant to resolution No. 188/14 adopted by the Management Board of the National Depository for Securities on 14 February 2014, on 19 February 2014 the National Depository registered 199,333 ordinary bearer shares, F series, marked with the following ISIN code: PLCELPD00013.
On 19 February 2014 F series shares were brought into stock exchange trading on the parallel market of the Warsaw Stock Exchange under resolution No. 178/2014 adopted by the Management Board of the Warsaw Stock Exchange on 17 February 2014.

30 Remuneration paid or payable to the Group authorized to audit financial statements for the year

Remuneration paid or payable to the Group authorized to audit financial statements for the years 2013 and 2012 is as follows:

	12 miesięcy zakończone 31 grudnia 2013	**12 miesięcy zakończone 31 grudnia 2012**
	325	320

31 Dividend distribution

In 2013, the Group did not pay any dividends or interim dividend. No dividends or interim dividends were paid in 2012.

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

32 Earnings per share – basic and diluted

Basic earnings per share are calculated as profit attributable to equity holders of the Company divided by weighted average number of ordinary shares during the year.

	12 months ended 31 December 2013	12 months ended 31 December 2012
Profit attributable to equity holders of the Parent Company	(43 061)	(162 844)
Weighted average number of ordinary shares (in thousands)	34 023	34 091
Earnings per share	(1,27)	(4,78)

Diluted earnings per share do not differ from basic earnings per share.

The weighted average number of ordinary shares for the year 2012 has been fixed taking into account changes in the number of shares (registration of the capital increase on 12 November 2012, from 34 068 252 to 34 231 466).

For the purposes of calculating earnings per share, the number of shares issued as part of the business combination was used as comparative data.

The weighted average number of ordinary shares for the year 2013 has been fixed taking into account below changes in the number of shares:

a) buying up of own shares in teh amount of 1.732.394 (transaction date:15 April 2013),

b) registration of the capital increase on 5 July 2013, from 34 307 488 to 34 396 264.

33 Reporting segments

In accordance with a definition in IFRS 8, the CPD Group represents one operating segment and is recognized by the Management Board as such.

The division of external operating income is presented in Note 15.

At the end of the year, the CPD Group's parent company had its registered office in Warsaw, where it did not generate income from unrelated entities and did not hold any fixed assets in the current year and in the previous year.

Operating income from companies not belonging to the CPD Group is divided by country as follows:

	12 months ended 31 December 2013	12 months ended 31 December 2012
Poland	13 722	13 187
Cyprus	158	913
United Kingdom	0	0
Italy	0	2 540
Hungary	0	88
	13 880	16 728

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

33 Reporting segments - cont.

Non-current assets, including: investment properties, property, plant and equipment and intangible assets are allocated as follows:

	31 December 2013	31 December 2012
Poland	445 983	341 629
Cyprus	0	35
Other	961	(21 852)
	446 944	319 813

These consolidated financial statements were prepared and approved by the Management Board of the Company on 17.04.2014 and signed on its behalf by:

Elżbieta Donata Wiczkowska
Prezes Zarządu

Colin Kingsnorth
Członek Zarządu

Piotr Turchoński
Członek Zarządu

Iwona Makarewicz
Członek Zarządu

Celtic

Celtic