



QUARTERLY REPORT FOR THE 1st QUARTER 2012

Condensed interim consolidated financial statements
for the period ended 31 March 2012



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I. REPORT ON THE COMPANY ACTIVITIES

1. CELTIC GROUP HISTORY AND PROFILE OF ACTIVITY

Celtic Group started its activities in Poland in 1999 from the foundation of Celtic Asset Management Sp. z o.o by current members of the Management Board – Mr. Andrew Shepherd and Mr. Aled Rhys Jones. In subsequent years, 1999-2005, the activities of the company focused on building and managing a real estate portfolio to external institutions in Poland, Czech Republic, Lithuania, Romania, Hungary and Germany. In 2005, Celtic Asset Management Sp. z o.o started development operations 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. At 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 the Celtic Group have contributed to the creation of a strong and stable capital group, which debuted on the Warsaw Stock Exchange on December 23, 2010,

Today, Celtic Property Developments S.A. is the holding company controlling a group of 44 subsidiaries, focusing on the development projects in the office and residential segments. The main market of Celtic Group's activities is Warsaw. The Group has also its offices in London, Milan, Budapest and Montenegro. The office segment has been played the primary role in Celtic Group operations, however current Group's plans focus on the residential development, mainly through the implementation of its leading project in the Warsaw's district of Ursus.

Together with development activities, Celtic Group provides consultancy services for the management of commercial premises belonging to external entities and institutions. The Group currently manages commercial real estate portfolio with a total value of ca. EUR 300 million in Italy and Great Britain.

2. CELTIC GROUP STRUCTURE

At 31 March 2012, the Celtic Group (hereinafter the Group, Celtic Group) was composed of a dominant entity – Celtic Property Developments S.A. (hereinafter the Company) and 44 subsidiaries.

No significant changes in the Group's capital structure having an impact on Group activities or results were registered during the reporting period.

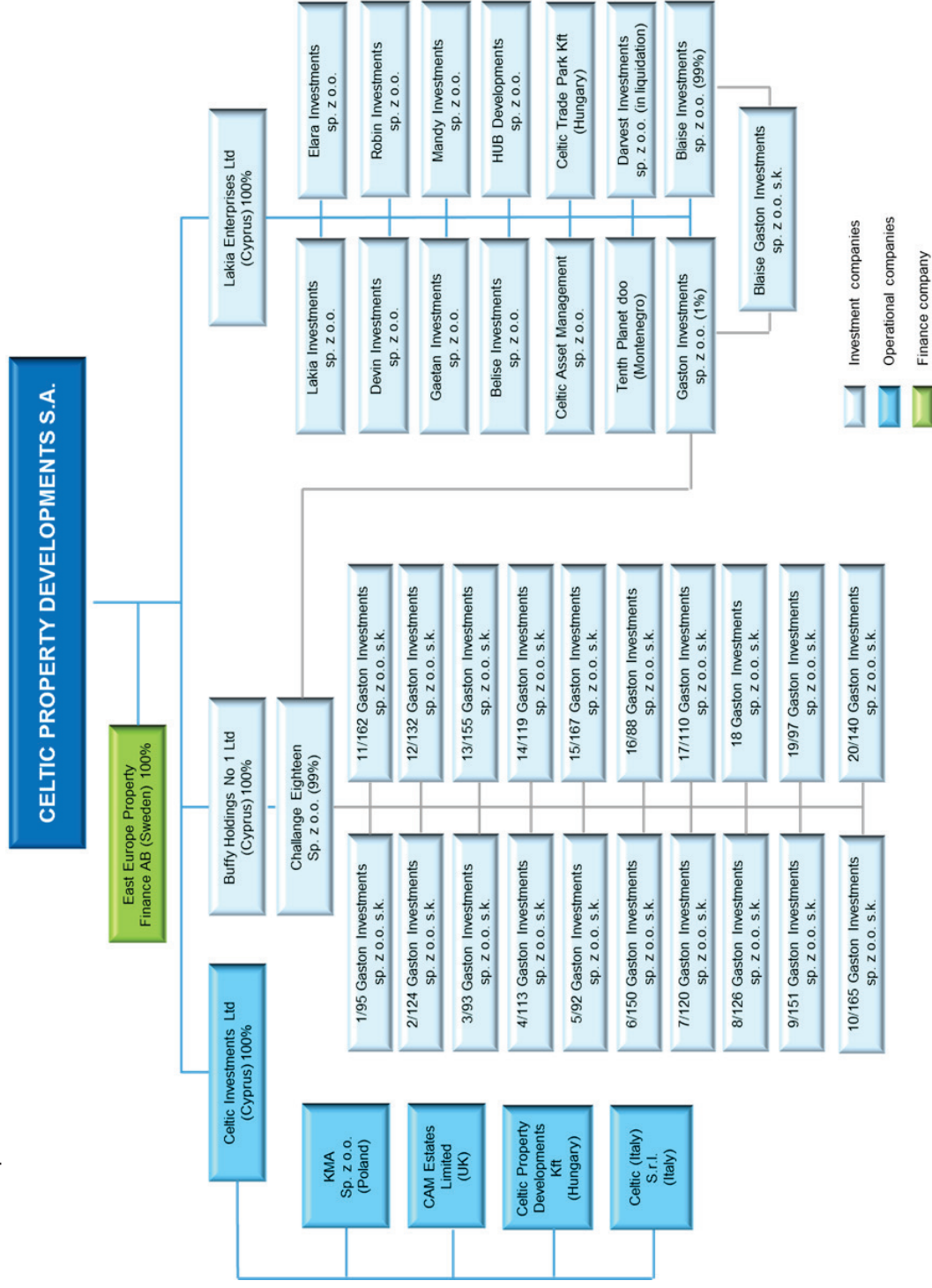
In the 1st quarter 2012 the liquidation procedure of Darvest Investments sp. z o.o. was continued. The motion for registration of the opening of the liquidation proceedings of Darvest Investments Sp. z o.o. was filed with the District Court for the Capital City of Warsaw, XII Commercial Division of the National Court Register on June 16, 2011.

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

The following diagram presents the structure of the Celtic Group as at 31 March 2012.

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Celtic Group structure as at 31 March 2012



3. SELECTED FINANCIAL DATA

Selected items of the consolidated statement of comprehensive income

	3 months ended		Change
	31.03.2012	31.03.2011	
	(PLN ths.)	(PLN ths.)	%
Revenues	4 292	10 466	-59,0%
Costs of sales	-1 676	-6 128	-72,7%
Profit on sales	2 616	4 338	-39,7%
Operational costs, including:	-14 234	-13 877	2,6%
<i>Administrative costs property related</i>	<i>-6 482</i>	<i>-9 075</i>	<i>-28,6%</i>
<i>Administrative expenses - other</i>	<i>-2 761</i>	<i>-4 432</i>	<i>-37,7%</i>
<i>Selling and marketing costs</i>	<i>-297</i>	<i>-383</i>	<i>-22,5%</i>
<i>Other income</i>	<i>14</i>	<i>175</i>	<i>-92,0%</i>
<i>Net gain (loss) from fair value adjustments on investment property</i>	<i>-4 708</i>	<i>-162</i>	<i>2806,2%</i>
Operating result	-11 618	-9 539	21,8%
Finance income	9 638	150	6325,3%
Finance costs	-1 894	-1 827	3,7%
Profit (loss) before income tax	-3 874	-11 216	-65,5%
Income tax	1 268	-1 349	-
Net profit (loss)	-2 606	-12 565	-79,3%
<hr/>			
Diluted earnings per share (PLN)	-0,08	-0,37	-

At the end of the 1st quarter of 2012, the net result of the Celtic Group improved by PLN 10.0 million compared to the analogue period of the previous year. Main factors having positive impact on the Group results were: 1) the growth of finance income by the amount of PLN 9.5 million, provided by dividends paid by companies in which the Group has minority holdings, 2) the decrease of the cost of sales by the amount of PLN 4.5 million and 3) the reduction of administrative costs by PLN 4.2 million. The biggest negative impact on the result had the decrease of sales revenues by PLN 6.2 million and a loss from fair value adjustments on investment properties in the amount of PLN 4.7 million.

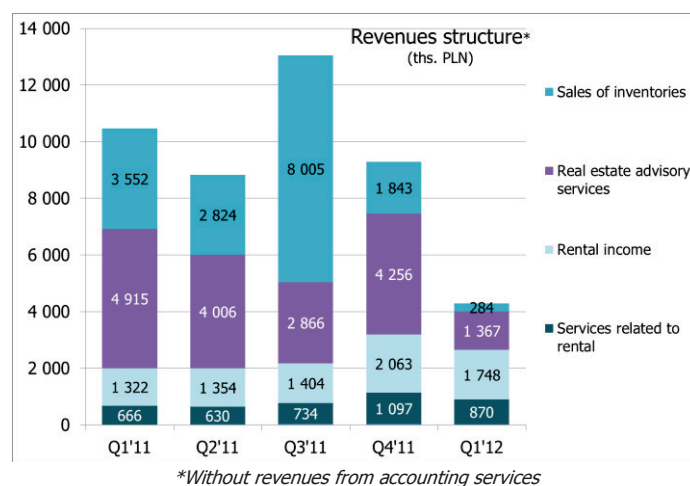
In the 1Q 2012 the Group recorded a decline of 6.2 million PLN or by 59% in sales revenues comparing to the 1Q 2011. The structure of Group revenues has also changed. The biggest part of revenues (over 40%) was generated by rent activities while in the 1Q 2011 more than 47% of revenues was generated by advisory activity. The 1Q 2012 has brought further stabilization in rental revenues which amounted to PLN 1.75 million and were higher than in the similar period of the last year by 33.2%. Revenues from rent were generated primarily by 2 buildings in Warsaw – Aquarius building at Połczyńska 31A street and Solar building at Cybernetyki 7B street. At 31 March 2012, the buildings were rented in 95% and 90% respectively. In the 1Q 2012 the Group has registered a decrease by PLN 3.5 million comparing to 1Q 2011 in revenues from advisory services, which followed the termination of some mandates carried out by Group's companies in Italy and the United Kingdom.

Following the finalization of sales in Koszykowa 69 project in the last quarter of 2011, revenues from sales of inventories fell by PLN 3.3 comparing to 1Q 2011 and accounted for 6.6% of total Group revenues. In 1Q 2012, the Group did not conduct sales of other residential projects.

The following figure presents Group's structure of revenues in 2011 and in the 1st quarter of 2012.

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At the end of 1Q 2012 the Group recorded the negative operating result in the amount of PLN 11.6 million, which was lower than in the previous year by PLN 2.1 million. A decrease by 4.2 million PLN of administrative costs had the most important positive impact on the Group's financial results. Lower administrative costs resulted mainly from lower by PLN 1.8 million taxes on real estate and lower by PLN 1.1 million impairment value of receivables. The Group has also reduced employees costs (a decrease by PLN 0.8 million vs. 1Q 2011), office maintenance costs (a decrease by PLN 0.2 million) advisory services costs (a decrease by PLN 0.3 million). Reduction of costs in the above mentioned categories resulted from actions aligned with Group strategy and initiated in year 2011, such as the relocation of Company's headquarters to the building at Cybernetyki 7B street, being part of the Group real estate portfolio.

Negative impact on the level of operating costs had the loss of PLN 4.7 million on revaluation of investment properties portfolio to fair values, resulting from fluctuations in exchange rates as well as from investments expenditures not reflected in the increase of fair values.

Total Group's financial costs of the 1Q 2012 did not significantly changed compared to 1Q 2011 and amounted to PLN 1.9 million. With respect to financial revenues, the Group reported revenues from dividend in the amount of PLN 8.5 million. Another positive impact on the Group financial revenues had positive exchange differences in the amount of PLN 1.1 million.

As a result of the above changes, the Group's net loss decreased by PLN 10.0 million - from PLN 12.6 million at the end of 1Q 2011 to PLN 2.6 million at the end of 1Q 2012.

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Selected items of the balance sheet

	As at:		Change Q1'12/Q4'11 (%)
	31.12.2011 (PLN ths.)	31.12.2010 (PLN ths.)	
Total assets	676 892	677 608	-0,1%
Non-current assets, including:	555 225	560 844	-1,0%
<i>Investment properties</i>	530 595	534 404	-0,7%
Current assets, including:	121 667	105 893	14,9%
<i>Inventories</i>	71 367	66 283	7,7%
<i>Trade receivables and other receivables</i>	18 051	23 233	-22,3%
<i>Income tax receivables</i>	146	128	14,1%
<i>Cash and cash equivalents</i>	21 298	16 249	31,1%
<i>Assets held for sale</i>	10 805	-	-
Total equity and liabilities	676 892	677 608	-0,1%
Equity, including:	541 347	543 281	-0,4%
<i>Share capital</i>	3 407	3 407	0,0%
<i>Supplementary capital</i>	1 161	1 161	-
<i>Other reserves</i>	23 772	23 078	-
<i>Translation reserve</i>	-2 716	-2 694	0,8%
<i>Retained earnings/(accumulated losses)</i>	515 723	518 329	-0,5%
Total liabilities, including:	135 545	134 327	0,9%
<i>Non-current liabilities</i>	108 983	52 467	107,7%
<i>Current liabilities</i>	24 603	79 901	-69,2%
<i>Liabilities directly associated with assets held for sale</i>	1 959	1 959	-

At the end of 1Q 2012 the value of Group's non-current assets was lower by 1% compared to the status at the end of the year 2011. Comparing to the end of the year 2011 the value of Group current assets grew by 4.7%, mainly through the increase of inventories by PLN 5.1 million and increase of cash by PLN 5.0 million. The increase in cash resulted primarily in connection with the refinancing of a part of investment expenditures within the loan granted by the Bank Zachodni WBK S.A. for the construction of IRIS building.

In 1Q 2012, the structure of Group liabilities did not significantly changes. At 31 March 2012 Group equity amounted to PLN 541.3 million, which accounted for 80.0% of Company total assets, while liabilities represented respectively the 20.0% of total assets. These indicators have remained virtually unchanged compared to the status at the end of the year 2011.

The following table shows the share of each category of liabilities in total assets.

	31.03.2012	31.12.2010
Liabilities to total assets	20,0%	19,8%
Non-current liabilities to total assets	16,1%	7,7%
Borrowings including finance leases to total assets	13,7%	5,1%
Income tax liabilities to total assets	2,3%	2,5%
Trade and other payables to total assets	0,1%	0,1%
Current liabilities to total assets	3,6%	11,8%
Borrowings including finance leases to total assets	0,3%	8,4%
Income tax liabilities to total assets	3,2%	3,3%
Trade and other payables to total assets	0,1%	0,1%
Other liabilities to total assets	0,3%	0,3%

The structure of liabilities has changed compared to the end of the year 2011. The share of long-term liabilities in total assets rose from 7.7% at 31 December 2011 to 16.1% at the end of 1Q 2012. This change results from the drawdowns of successive tranches of construction credit granted to the company by Bank Zachodni WBK S.A. for the realization of the office building IRIS and the reclassification from short to long-term of liabilities regarding the loan granted by the Bank HSBC, as result of the annex to the loan agreement signed 29 March 2012. On the basis of this annex the Group committed to repay the loan on in the following installments of EUR

104.000 each at 27 June 2012, 27 September 2012, December 23 2012, 27 March 2013, 27 June 2013 and 23 December 2013 and total repayment of EUR 11.772.000 to 27 March 2014.

4. IMPORTANT EVENTS IN THE REPORTING PERIOD

- **PROJECT URSUS – APPROVAL PROCESS OF THE MASTER PLAN FOR POST-INDUSTRIAL AREA IN URSUS**

On the day of the report publication, Warsaw City's authorities did not succeed to close works on the approval of the *Master Plan for the postindustrial area of former ZPC Ursus factory in the area of Orłów Piastowskich street*. As consequence, Celtic Group did not start the Ursus project. Adoption of the Master Plan by the Capital City Warsaw Council is a key element to initialize the project and start construction works of the first stage. Further delays in Master Plan adoption directly translate into delays to start the investment process and to recognize the revenues from the project. According to the new version of the Plan, the Group will be able to realize investment plans to build over 740 ths. sqm of usable surface.

- **PROJECT URSUS – PROPOSITION OF THE GRATUITOUS TRANSFER OF LAND TO THE CAPITAL CITY OF WARSAW FOR ROADS AND SCHOOLS**

In year 2011 within social responsibility context and perceiving the need of active participation in creating a public urban space, Celtic Group has declared its willingness to transfer to the City of Warsaw without remuneration approx. 20 hectares of the land for urban investments as schools and roads. The value of this land according to the *Forecasts of the financial consequences of the enactment of the Master plan for the postindustrial area in the region of Orłów Piastowskich street* prepared on behalf of authorities of Capital City of Warsaw is estimated at approx. 70 million PLN. On the day of the publication of this report the Group had not received a binding response from Warsaw City's authorities.

On 18 April 2012, on the basis of the press publication entitled "Land for the streets is a bribe?", published in the newspaper *Gazeta Wyborcza* on 18 April 2012, the Company was informed of the possible investigation initiated by the regional public prosecutor office in Warsaw on the above described proposition.

On 23 April 2012, the District Prosecutor's Office in Warsaw has published a communiqué concerning the investigation by the notification of the *Association for Ursus Development*. The full text of the communiqué is presented in the Appendix 1 to this report. The full text of the communiqué is also available on the Prosecutor's Office in Warsaw website: http://www.warszawa.po.gov.pl/contrast.php/pl/main/komunikat/id/173/alias/komunikat_w_sprawie_dot._sledztwa_z_zawiadomienia_stowarzyszenia_na_rzecz_rozwoju_ursusa.html).

On the day of the publication of this report Celtic Group did not received from the District Prosecutor's Office any notification on the launch of investigation. The Company will publish subsequent current reports on activities undertaken by legal authorities in this matter.

- **REALIZATION OF THE IRIS PROJECT (CYBERNETYKI 9, WARSAW)**

The IRIS project includes the development of a six-storey office building of the total lease area of about 14.3 ths. sqm altogether with 233 parking lots. The construction and the fit-out phases will be financed by an investment loan up to EUR 20.1 million and a revolving VAT loan up to PLN 2.0 mln. These loans were given to a subsidiary Belise Investments Sp. z o.o (company responsible for the realization of the IRIS project) based on the loan agreement concluded on 12 August 2011 between Belise Investments sp. z o.o and Bank Zachodni BZ WBK S.A.

In 1Q 2012 construction works executed by the company Eiffage Budownictwo Mitex S.A. were continued. As of the date the report announcement concrete works of the building structure were completed and facade and installation works were commenced. The project realization progressed in accordance with the established timetable. In 1Q 2012 the Bank has released successive tranches of loans for a total amount of PLN 3.8 million. The completion of the building and its occupation permit is planned for the Q4 2012. During the reporting period, the Group continued its active efforts to commercialize the project.

- **GROWTH OF THE RENTAL INCOME**

In the 1Q 2012 revenues from rent amounted to PLN 1.75 million and were higher than in the similar period of the last year by 33.2%. Revenues from rent were generated primarily by 2 buildings in Warsaw – Aquarius building at Połczyńska 31A street and Solar building at Cybernetyki 7B street. At 31 March 2012, the buildings were rented in 95% and 90% respectively.

5. FACTORS AND EVENTS OF UNUSUAL NATURE

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

6. SEASONALITY AND PERIODICITY OF THE GROUP ACTIVITIES

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

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

In the reporting period the Company did not issue, redeem or repay any securities.

8. INFORMATION RELATED TO DIVIDEND

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

9. EVENTS AFTER THE DATE OF PREPARATION OF FINANCIAL STATEMENTS

- **INFORMATION ABOUT A POSSIBLE LAUNCH OF INVESTIGATION REGARDING THE GROUP PROPOSITION OF THE GRATUITOUS TRANSFER OF LAND TO THE CAPITAL CITY OF WARSAW**

On 18 April 2012, on the basis of the press publication entitled "Land for the streets is a bribe?", published in the newspaper Gazeta Wyborcza on 18 April 2012, the Company was informed of the possible investigation initiated by the District Prosecutor's Office in Warsaw on the Company proposition to transfer to the City of Warsaw without remuneration approx. 20 hectares of the land for urban investments as schools and roads. The value of this land according to the *Forecasts of the financial consequences of the enactment of the Master plan for the postindustrial area in the region of Orłów Piastowskich street* prepared on behalf of authorities of Capital City of Warsaw is estimated at approx. 70 million PLN. On the day of the publication of this report the Group had not received a binding response from Warsaw City's authorities.

On 23 April 2012, the District Prosecutor's Office in Warsaw has published a communiqué concerning the investigation by the notification of the *Association for Ursus Development*. The full text of the communiqué is presented in the Appendix 1 to this report. The full text of the communiqué is also available on the Prosecutor's Office in Warsaw website:

CELTIC PROPERTY DEVELOPMENTS S.A. QUARTERLY REPORT FOR THE 1ST QUARTER 2012

http://www.warszawa.po.gov.pl/contrast.php/pl/main/komunikat/id/173/alias/komunikat_w_sprawie_dot._sledztwa_z_zawiadomienia_stowarzyszenia_na_rzecz_rozwoju_ursusa.html).

On the day of the publication of this report Celtic Group did not received from the District Prosecutor's Office any notification on the launch of investigation. The Company will publish subsequent current reports on activities undertaken by legal authorities in this matter.

10. CHANGES RELATED TO CONTINGENT LIABILITIES AND CONTINGENT ASSETS

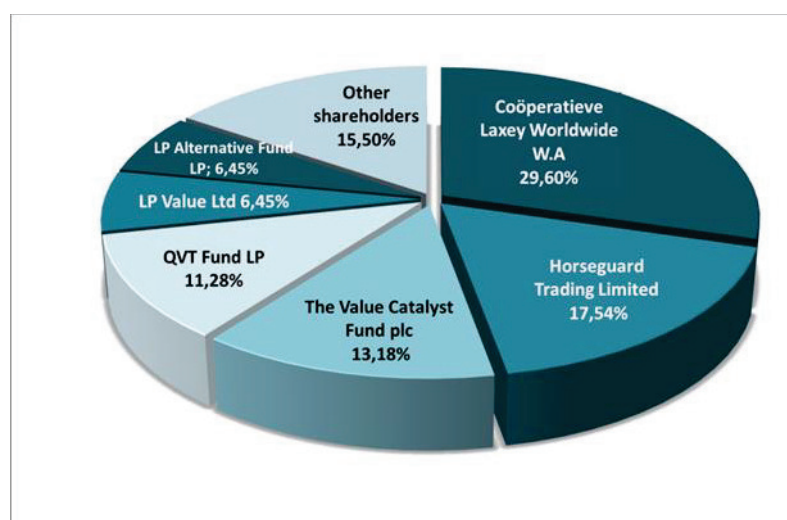
In the reporting period there were no substantial changes with regard to contingent liabilities or contingent assets.

11. THE MANAGEMENT BOARD POSITION RELATED TO PUBLISHED FINANCIAL FORECASTS

Neither the Celtic Group nor its holding company Celtic Property Developments S.A. published any forecasts of financial results.

12. SHAREHOLDERS HOLDING AT LEAST 5% OF THE TOTAL NUMBER OF VOTES AT THE GENERAL MEETING

Celtic Property Developments S.A. shareholding structure



In accordance with the information held by the Company, 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 are:

Shareholder	Number of shares	Number of votes in % of total number of votes	Number of shares in % of total number of shares
Coöperatieve Laxey Worldwide W.A	10 082 930	29,60%	29,60%
Horseguard Trading Limited	5 975 692	17,54%	17,54%
The Value Catalyst Fund plc	4 490 475	13,18%	13,18%
QVT Fund LP	3 843 635	11,28%	11,28%
LP Value Ltd	2 198 450	6,45%	6,45%
LP Alternative Fund LP	2 196 668	6,45%	6,45%

The above data on shareholdings have been presented on the basis of the number of shares registered by the shareholders as at 15 December 2011. With regard to the interim dividend paid, the right for the interim dividend was registered for shareholders having Company's shares at 15 December 2011.

The above data has not changed since the last reporting period.

13. COMPANY'S SHARES OWNED BY THE MANAGEMENT BOARD AND SUPERVISORY BOARD MEMBERS

At the report publication date and according to the information hold by the Company, Mr. Christopher Bruce, member of the Company Management Board, owns 38.899 B series Company's shares. The nominal value of shares is of PLN 3889.9. These shares account for 0.11% of the Company's share capital and give 0.11% of the votes at the General Meeting of Shareholders. The number of shares owned by Mr. Christopher Bruce did not changed in comparison with the status presented at the end of the year 2011.

14. COURT, ARBITRAGE AND ADMINISTRATIVE PROCEEDINGS WITH VALUE ABOVE 10% OF THE COMPANY'S EQUITY

At the report publication date Celtic Property Developments S.A. nor any of its subsidiaries are not party in proceedings before the Court, the authority competent for arbitration or a public authority, with total value being higher than 10% of Celtic Property Developments S.A. equity.

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

During the reporting period, the Company did not concluded transactions with related parties on terms other than the market. Transactions with related parties are described in the explanatory note No. 21 to the Interim Condensed Consolidated financial statements.

16. SIGNIFICANT LOAN AGREEMENTS AND GUARANTEES GIVEN

During the reporting period an amendment was signed to the significant loan agreement in which companies from Celtic Group were parties. The amendment concerned the loan agreement from 21 December 2006. Parties to this agreement are the Bank HSBC (HSBC Bank Plc and HSBC Bank Polska S.A.) and Celtic Property Developments S.A.'s 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 guarantors. This Amendment was signed with regard to the existing loan matured on March 27, 2012, to refinance the existing loan in the amount of EUR 12.500.000.

Pursuant to the abovementioned Amendment, the following changes were introduced:

- The parties agreed the term of repayment, including interest and other costs, on the March 27, 2014;
- Subsidiaries are jointly and severally liable for payments of the mandatory installments of 104.000 EUR, payables on June 27, 2012, 27 September 2012, December 23, 2012, 27 March 2013, 27 June 2013, 27 September 2013 and December 23, 2013. The one-time final payment amounting to EUR 11.772.000 EUR will be paid on 27 March 2014.

- Interests will be calculated on quarterly basis;
- The interest rate was set at a variable rate of three-month interbank EURIBOR for deposits in EUR, increased by the margin of the Bank;
- Introduction of the mandatory prepayment clause - sale of a Property. If a Borrower decides to sell the whole or any part of the property to any person other than another Borrower, then such Borrower shall designate the proceeds from such sale for prepayment of the loans (together with accrued interests and applicable costs) in part or in full on the date when a Property is disposed of. Full repayment of the loans will be required if after such sale conditions set at the Financial Conditions Clause are not fulfilled.

Other clauses, including these on loan security, arising from the Agreement and from Amendments signed earlier, remain unchanged.

Criterion for the recognition of agreement as significant is the value of the loan, amounting to PLN 51.658.750 (calculated on the basis of the average rate of EUR published by NBP on 3 April 2012 of 4,1327 PLN/EUR), representing 10% of the Celtic Property Developments S.A. equity as at 31 December 2011.

During the reporting period there were no changes to guarantees given with regard to the second significant loan agreement, signed on 12 August 2011 between Bank Zachodni WBK S.A. and the subsidiary company Belise Investments Sp. z o.o. as 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 guarantors.

17. OTHER IMPORTANT INFORMATION

There was no other information apart from the above mentioned.

18. FACTORS AFFECTING NEXT QUARTER RESULTS

Amongst the most important factors which will have an impact on the Group results in the incoming quarters are:

- Enacting of the Master Plan for Ursus by authorities of Capital City of Warsaw, which will enable the Group to begin construction work in Ursus project;
- Construction works according to schedule and timely completion of IRIS project at Cybernetyki 9 street;
- Commercialization of IRIS project;
- Sale of real estate held by Celtic Group, in accordance with the strategy adopted in the 4th quarter of 2011;
- Conclusion of new lease agreements for surfaces in buildings remaining in the Group portfolio;
- Further development of activities in the area of asset management, through the acquisition of new facilities in Poland and abroad;
- Situation on the financial markets which may affect the valuation of the Group real estate portfolio.

**APPENDIX 1 – COMMUNIQUE FROM PUBLIC PROSECUTOR'S OFFICE IN
WARSAW OF 23 APRIL 2012 [UNOFFICIAL TRANSLATION]**

COMMUNIQUE

Further to the publication of the press article on 18 April 2012 and 23 April 2012 in the newspaper "Gazeta Wyborcza" entitled "Land for the roads is a bribe?" and "I denounce myself Mr. Prosecutor", I inform that these articles do not contain reliable information concerning investigations conducted by the District Prosecutor's Office in Warsaw on the declaration of the Celtic Property Developments S.A. representative during the meeting of the Commission of Spatial and Municipal Management to Ursus district councilors about to grant financial benefits consisting of gratuitous transfer to the City of roads which are in the above mentioned company's use and the implementation of public facilities within the framework of the public – private partnership, in exchange for a positive opinion on the Master Plan for Warsaw City.

The above mentioned publications ran out relevant information on the above mentioned procedures, in particular the information that the District Prosecutor's Office in Warsaw on 30 September 2011, after the examination of application presented by the Association for Ursus Development, refused to initiate an investigation in the case, arguing that the facts indicated in the application with regard to mechanisms and actions of a corruptive nature were not confirmed by materials collected during the verification procedure and thus did not provide a basis to reaching by Prosecutor an objectively reasonable suspicion of committing by the representative of the company Celtic Property Developments S.A. a crime, which in the light of the provisions of the code of criminal procedure determines the obligation to initiate and conduct the pre-trial procedure.

The above provision was entirely contested by the representative of the Association for Ursus Development notifying of the offence, which have been alleging among others that the Prosecutor Office did not carry out an examination of evidences such as hearing as witnesses persons participating in the meeting of the Commission of Spatial and Municipal Management of the Ursus District of Warsaw on 28 June 2011 in order to establish the veritable course of the meeting. In the same time the representative of the Association for Ursus Development applied to waive the contested decision and to transfer the case to the District Prosecutor Office of Warsaw in order to initiate and conduct a pre-trial investigation.

The District Court for Capital City of Warsaw, through its decision dated 27 March 2012, partially took into account the representative of the Association for Ursus Development complaint and annulled the contested provision of the Public Prosecutor's Office, recognizing it as premature and indicating the necessity to perform additional steps to determine exactly what was the statement of the representative of Celtic Property Developments S.A. at the meeting of the Commission on 28 June 2011 through the inspection, among others, of the audio recording of the Commission meeting, at which an alleged corruptive proposition was presented and through the hearing of the participants of the above mentioned Commission meeting with regard to the offer presented by Celtic Property Developments S.A.'s representative.

Therefore, in order to carry out additional activities identified by the District Court of Warsaw, the Prosecutor was obliged to initiate an investigation in this case.

By analyzing the content of the press articles mentioned in the beginning, it should be declared that the information mentioned above were missing and thus that the publications should be considered as unreliable.

Spokesman for the Public Prosecutor Office in Warsaw
Prosecutor Dariusz Ślepokura

**II. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 1ST QUARTER 2012 WITH CONDENSED FINANCIAL
STATEMENT OF CELTIC PROPERTY DEVELOPMENTS S.A.**

[TRANSLATION ONLY]

CELTIC PROPERTY DEVELOPMENTS S.A.

Condensed interim consolidated financial statements
for the period of 3 months ended 31 March 2012

prepared in accordance with the International Financial Reporting Standards

(unaudited financial data)

CELTIC PROPERTY DEVELOPMENTS S.A.

Condensed interim consolidated financial statements for the period of 3 months ended 31 March 2012

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CELTIC PROPERTY DEVELOPMENTS S.A.

Condensed interim consolidated financial statements for the period of 3 months ended 31 March 2012

(All amounts in PLN thousands unless otherwise stated)

Condensed consolidated statement of comprehensive income

	Note	For the 3 month period ended	
		31 March 2012	31 March 2011
		(unaudited)	(unaudited)
Revenues	13	4 292	10 466
Cost of sales	14	(1 676)	(6 128)
PROFIT ON SALES		2 616	4 338
Administrative costs property related	15	(6 482)	(9 075)
Administrative expenses-other	16	(2 761)	(4 432)
Selling and marketing expenses		(297)	(383)
Other income	17	14	175
Net (loss)/ gain from fair value adjustments on investment properties	4	(4 708)	(162)
Result from sales of subsidiaries		0	0
OPERATING RESULT		(11 618)	(9 539)
Financial income	18	9 638	150
Financial costs	18	(1 894)	(1 827)
PROFIT (LOSS) BEFORE INCOME TAX		(3 874)	(11 216)
Income tax	19	1 268	(1 349)
PROFIT (LOSS) FOR THE PERIOD		(2 606)	(12 565)
Currency translation adjustment		(22)	275
TOTAL COMPREHENSIVE INCOME		(2 628)	(12 290)
DILUTED EARNINGS PER SHARE	23	-0,08	-0,37

Andrew Morrison Shepherd
Chairman of the Board

Aled Rhys Jones
Board Member

Christopher Bruce
Board Member

Elżbieta Donata Wiczowska
Board Member

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

CELTIC PROPERTY DEVELOPMENTS S.A.

Condensed interim consolidated financial statements for the period of 3 months ended 31 March 2012

(All amounts in PLN thousands unless otherwise stated)

Condensed consolidated statement of financial position

	Note	31/03/2012 (unaudited)	31/12/2011
ASSETS			
Non-current assets			
Investment properties	4	530 595	534 404
Property, plant and equipment		1 109	1 032
Intangible assets, excluding goodwill		21	95
Available-for-sale financial assets		36	37
Goodwill		21 640	22 967
Deferred tax assets	12	1 824	2 264
Long-term receivables		0	45
		555 225	560 844
Current assets			
Inventories	7	71 367	66 283
Trade receivables and other receivables	6	18 051	23 233
Income tax receivables		146	128
Cash and cash equivalents	8	21 298	16 249
		110 862	105 893
Assets held for sale	27	10 805	10 871
		121 667	116 764
Total assets		676 892	677 608

CELTIC PROPERTY DEVELOPMENTS S.A.

Condensed interim consolidated financial statements for the period of 3 months ended 31 March 2012

(All amounts in PLN thousands unless otherwise stated)

Condensed consolidated statement of financial position - cont.

	Note	31/03/2012 (unaudited)	31/12/2011
EQUITY			
Equity attributable to owners of the parent company			
Share capital	9	3 407	3 407
Supplementary capital		1 161	1 161
Other reserves		23 772	23 078
Translation reserve		(2 716)	(2 694)
Retained earnings		515 723	518 329
Total equity		541 347	543 281
LIABILITIES			
Non-current liabilities			
Trade payables and other liabilities	10	675	638
Borrowings, including financial leasing	11	92 841	34 608
Deferred tax liabilities	12	15 467	17 221
		108 983	52 467
Current liabilities			
Trade payables and other liabilities	10	21 463	22 627
Current income tax liabilities		803	672
Borrowings, including financial leasing	11	2 337	56 602
		24 603	79 901
Liabilities directly associated with assets held for sale		1 959	1 959
Total liabilities		135 545	134 327
Total Equity and liabilities		676 892	677 608

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CELTIC PROPERTY DEVELOPMENTS S.A.

Condensed interim consolidated financial statements for the period of 3 months ended 31 March 2012

(All amounts in PLN thousands unless otherwise stated)

Condensed consolidated statement of changes in equity

	Share capital of CPD S.A.	Translation reserve	Supplementary capital	Reserve capital	Retained earnings	Total equity
Balance as at 1/1/2011	3 483	(8 946)	0	0	830 941	825 478
<u>Transactions with owners</u>						
Shares cancelled	(76)	0	0	0	76	0
	(76)	0	0	0	76	0
<u>Comprehensive income</u>						
Currency translation adjustment	0	275	0	0	0	275
Profit (loss) for the period	0	0	0	0	(12 565)	(12 565)
	0	275	0	0	(12 565)	(12 290)
Balance as at 31/03/2011 /unaudited	3 407	(8 671)	0	0	818 452	813 188
Balance as at 1/1/2011	3 483	(8 946)	0	0	830 941	825 478
<u>Transactions with owners</u>						
2010 Profit allocation	0	0	1 161	21 922	(23 083)	0
Shares cancelled	(76)	0	0	0	76	0
Reserve for issue of share warrants	0	0	0	1 156	0	1 156
Interim dividend payment	0	0	0	0	(3 407)	(3 407)
	(76)	0	1 161	23 078	(26 414)	(2 251)
<u>Comprehensive income</u>						
Currency translation adjustment	0	6 252	0	0	0	6 252
Profit (loss) for the period	0	0	0	0	(286 198)	(286 198)
	0	6 252	0	0	(286 198)	(279 946)
Balance as at 31/12/2011	3 407	(2 694)	1 161	23 078	518 329	543 281
Balance as at 1/1/2012	3 407	(2 694)	1 161	23 078	518 329	543 281
<u>Transactions with owners</u>						
Reserve for issue of share warrants	0	0	0	694	0	694
	0	0	0	694	0	694
<u>Comprehensive income</u>						
Currency translation adjustment	0	(22)	0	0	0	(22)
Profit (loss) for the period	0	0	0	0	(2 606)	(2 606)
	0	(22)	0	0	(2 606)	(2 628)
Balance as at 31/03/2012 /unaudited	3 407	(2 716)	1 161	23 772	515 723	541 347

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

Andrew Morrison Shepherd
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Board Member

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CELTIC PROPERTY DEVELOPMENTS S.A.

Condensed interim consolidated financial statements for the period of 3 months ended 31 March 2012

(All amounts in PLN thousands unless otherwise stated)

Condensed consolidated statement of cash flows

	Note	For the 3 month period ended	
		31 March 2012	31 March 2011
		(unaudited)	(unaudited)
Cash flow from operating activities			
Cash generated from operations	20	(754)	(1 519)
Interest paid		(573)	(47)
Income tax paid		120	(5)
Net cash generated from investing activities		(1 207)	(1 571)
Cash flows from investing activities			
Capital expenditure on investments property		(906)	(2 090)
Purchase of property, plant and equipment		(168)	(38)
Net cash used in investing activities		(1 074)	(2 128)
Cash flows from financing activities			
Proceeds from borrowings		8 080	0
Repayments of borrowings		(750)	0
Net cash used in financing activities		7 330	0
Net (decrease)/increase in cash and cash equivalents		5 049	(3 699)
Cash and cash equivalents at beginning of year		16 249	37 306
Cash and cash equivalents at the end of the period	8	21 298	33 607

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CELTIC PROPERTY DEVELOPMENTS S.A.

Condensed interim consolidated financial statements for the period of 3 months ended 31 March 2012

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

1 General information

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.

On 9 June 2008, the company's shares were quoted on the OTC market in Frankfurt. 20 December 2010, the combined company's shares are admitted to trading on a stock exchange in Warsaw, and the first listing took place three days later.

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

2 The accounting principles

Accounting principles are consistent with the principles applied in the annual consolidated financial statements for the year ended 31 December 2011.

2.1 Basis of preparation

These interim condensed consolidated financial statements of the CPD were prepared in accordance with international accounting standard approved by the EU-IAS 34 Interim financial reporting.

In these interim condensed consolidated financial statements the Group CPD has decided not to advance the following published standards or interpretations before their date of entry into force:

IFRS 9 "financial instruments"

IFRS 9, published by the International Accounting Standards Board on November 12, 2009, replaces those parts of IAS 39, which concern the classification and measurement of financial assets. In October 2010, IFRS 9 has been supplemented by the matters of classification and measurement of financial liabilities. In accordance with amendments introduced in December 2011, a new standard is valid for periods of annual starting on January 1, 2015, or after that date.

Most of the requirements of IAS 39 for the classification and measurement of financial liabilities was transferred to IFRS 9 without a change. A key change is the requirement imposed on the unit of presentation in other total income effects of price of credit risk of financial liabilities designated as fair value through profit or loss.

The standard makes one model for only two categories of classification: depreciated cost and fair value. Approach IFRS 9 is based on the business model used by the entity for the management of assets and contractual characteristics of financial assets.

The group will apply IFRS 9 from 1 January 2015 at the date of preparation of the present financial statements. The Group is in process of analysis of impact of this standard amendment to the consolidated financial statements.

IFRS 7 "transfers of financial assets"

The amendments to IFRS 7 "Transfer of financial assets" were published by the International Accounting Standards Board in October 2010 and are valid for periods of annual starting on July 1, 2011, or after that date.

Changes require the disclosure of additional information about the risks arising from the transfer of financial assets. Include the requirement of disclosure, according to the nature of assets, the carrying amount and description of the risks and benefits of financial assets transferred to another entity, but which is still in the balance sheet. Disclosure of information is also required to enable a user to know the amount of possible related obligations and the relationship between the financial assets and the relevant obligation. In the case where financial assets have been removed from the balance sheet, but the body is still vulnerable to certain risks and can obtain some advantages of the transferred asset is required in addition to the disclosure of information to understand the consequences of such risks.

The group will apply the amendments to IFRS 7 since 1 January 2012. The group is in process of analysing of influence of this IFRS to the consolidated financial statements.

Notes to the interim condensed consolidated financial statements

2.1 Basis of preparation - cont.

IFRS 10 "Consolidated financial statements"

IFRS 10 was published by the Board of the international accounting standards in May 2011 and shall be applicable for annual periods beginning on or after 1 January 2013 or after that date.

The new standard replaces the guidance on the inspection and consolidation contained in IAS 27 "consolidated and separate financial statements" and in interpretation SIC-12 consolidation-special purpose entities ". IFRS 10 redefines checks in such a way that for all the units were subject to the same criteria for the establishment of control. The amended definition is accompanied by extensive guidance on the application.

The group will apply IFRS 10 from 1 January 2013. The group is in process of analysing of influence of this IFRS to the consolidated financial statements.

At the date of preparation of these interim condensed consolidated financial statements, IFRS 10 has not yet been authorized by the European Union.

IFRS 11 "Joint ventures"

IFRS 11 was published by the Board of the international accounting standards in May 2011 and shall be applicable for annual periods beginning on or after 1 January 2013 or after that date.

The new standard replaces IAS 31 "interests in joint ventures" and the interpretation SIC-13 jointly controlled entities-non-monetary contributions by venturers. Changes in definitions restrict the number of types of joint ventures to two: joint operations and joint ventures. At the same time avoiding the traditional choice of proportionate consolidation in respect of units under common control. All participants in the joint ventures they now have an obligation to their consolidation under the equity method.

The group will apply IFRS 11 from 1 January 2013. The group is in process of analysing of influence of this IFRS to the consolidated financial statements.

At the date of preparation of these interim condensed consolidated financial statements, IFRS 11 has not yet been approved by the European Union.

IFRS 12 "Disclosure of involvement in other units "

IFRS 12 was published by the Board of the international accounting standards in May 2011 and applies to annual periods beginning on or after January 1, 2013 or after that date.

The new standard applies to individuals who have participated in the subsidiary, joint venture, an associate or unconsolidated structure. The Standard replaces the requirements for the disclosure of the information currently contained in IAS 28 investments in associates.

IFRS 12 requires that entities disclose information that will help users of financial statements to assess the nature, risks and financial impact of investments in subsidiaries, associates, joint ventures and unconsolidated structured entities. To this end, the new standard requires disclosure of information on many areas, including significant judgements and assumptions adopted in determining whether an entity has control or joint control of, or significant influence over, another entity; comprehensive information about the importance of non-controlling interest in the group operations and cash flows of the Group; summary financial information of subsidiaries with significant non-controlling interest as well as detailed information about the shares in the unconsolidated structured entities.

The group will apply IFRS 12 from 1 January 2013. The group is in process of analysing of influence of this IFRS to the consolidated financial statements.

At the date of preparation of these interim condensed consolidated financial statements, IFRS 12 has not yet been approved by the European Union.

IFRS 13 "Valuation at fair value"

IFRS 13 was published by the Board of the international accounting standards in May 2011 and applies to annual periods beginning on or after January 1, 2013 or after that date.

The new standard is intended to improve consistency and reduce complexity through the formulation of a precise definition of fair value and concentrating in one standard requirements for fair value and the disclosure of relevant information.

The group applies the amendments to IFRS 13 from 1 January 2013. The group is in process of analysing of influence of this IFRS to the consolidated financial statements.

At the date of preparation of these interim condensed consolidated financial statements, IFRS 13 has not yet been approved by the European Union.

Notes to the interim condensed consolidated financial statements

2.1 Basis of preparation - cont.

Amendments to IAS 1 "Presentation of financial statements"

Amendments to IAS 1 "presentation of financial statements" have been published by the international accounting standards in June 2011 and are valid for annual periods beginning on or after 1 July 2012 or after that date.

Changes require that individuals share positions presented in other comprehensive income into two groups based on whether the future will be able to be included in the financial result. In addition, changed the title of the report of the total revenue on the "report on the financial result and the rest of the total revenue."

The group applies the changes to IAS 1, after January 1, 2013. The group is in process of analysing of influence of this IFRS to the consolidated financial statements.

At the date of the report of the present interim condensed consolidated financial statements, an amendment to IAS 1 have not yet been approved by the European Union.

Amendments to IAS 12 "recovery of the carrying amount of assets"

Amendments to IAS 12 "Recovery of the carrying amount of assets" have been published by the International Accounting Standards Board in December 2010 and are valid for annual periods beginning on or after 1 January 2012 or after that date.

The changes relate to the valuation of the liabilities and deferred tax assets from investment property measured at fair value in accordance with IAS 40 "investment property" and introduce a rebuttable presumption that the value of the property investment can be recovered completely by selling. This presumption can be rebutted when the investment property is held in business model, which is designed to exploit substantially all economic benefits represented by an investment in time and not at the time of sale. SIC-21 "tax-recovery of revalued assets, which are not subject to depreciation" referring to the similar questions relating to the assets not subject to depreciation, which are valued in accordance with the model to update the values set out in IAS 16 "property, plant and equipment" was included in the IAS 12 after the exclusion of the guidelines on investment property measured at fair value.

The group applies the amendments to IAS 12 from 1 January 2012. he group is in process of analysing of influence of this IFRS to the consolidated financial statements.

At the date of the report of these interim condensed consolidated financial statements, an amendment to IAS 12 have not yet been approved by the European Union.

Amendments to IAS 19 "Employee benefits"

Amendments to IAS 19 "employee benefits" was published by the Board of the international accounting standards in June 2011 and are valid for annual periods beginning on or after January 1, 2013 or after that date.

Changes to introduce new requirements for recognising and measuring the costs of the programmes referred to the benefits and benefits in respect of the termination, which also changes the required disclosure for all employee benefits.

The group applies the changes to IAS 19 as from 1 January 2013. At the date of the report of these interim condensed consolidated financial statements, an amendment to IAS 19 have not yet been approved by the European Union.

The amended IAS 27 "Separate financial statements"

The amended IAS 27 "Separate financial statements" was published by the international accounting standards Council in May 2011 and applies to periods of annual starting on January 1, 2013 or after this date.

IAS 27 was amended in connection with the publication of the IFRS 10 consolidated financial statements ". The purpose of the amended IAS 27 is to define the requirements for recognition and presentation of investments in subsidiaries, joint ventures and associates where the unit prepares separate financial statements. Guidelines on control and the consolidated accounts have been replaced by IFRS 10.

The company applies the changes to IAS 27 from 1 January 2013. The company is in the analysis of the impacts of this standard for financial statements.

CELTIC PROPERTY DEVELOPMENTS S.A.

Condensed interim consolidated financial statements for the period of 3 months ended 31 March 2012

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

2.1 Basis of preparation - cont.

The amended IAS 28 „Investments in associates and joint ventures”

Amended IAS 28 "Investments in associates and joint ventures" was published by the international accounting standards board in May 2011 and applies to periods of annual starting on January 1, 2013 or after this date.

Amendments to IAS 28 resulted from the IASB project on joint ventures. The Board decided to include rules on the recognition of joint ventures, equity method to IAS 28, because this method is applicable to both joint ventures and associates. Apart from this exception, the rest of the guideline has not changed.

The company applies the changes to IAS 28 from 1 January 2013. The company is in the analysis of the impacts of this standard for financial statements.

At the date of the report of these interim condensed consolidated financial statements, an amendment to IAS 28 have not yet been approved by the European Union.

Other changes do not apply to interim condensed consolidated financial statements of the group.

Group CPD has a number of subsidiaries of different locations and functions. The Board had to make a professional judgement in determining the functional currency of the parent, which is the most reliably represents the economic effects of the transactions, events and circumstances. When determining the functional currency, the Board considered the currency, which have an impact on sales prices, costs, currency, finance, currency, cash flows, reporting and budgeting. The Board considered the functional currency the currency of shareholders, their country of origin, as well as the currency, the coupon, the expected returns and the current, past and planned markets in which the Group of the CPD Board has the Euro as the currency of the functional parent.

3 Significant changes in accounting estimates

Determination of the fair value of investment property

Shown in the balance sheet of the fair value of investment property is determined on the basis of the valuation prepared annually by independent valuers Savills SP. z o.o., in accordance with the Practice Statements of the Royal Institution of Chartered Surveyors ' (RICS) Appraisal and Valuation Standards (the "Red Book") published in February 2003.in force since 1 May 2003 fees for valuation are not linked to the value of real estate and as a result of the valuation. Taking into account the specificities of the market at the balance sheet date, the Board has reviewed and confirmed the assumption experts representing the basis for the models used.

The properties which generate significant revenues from rent (Aquarius, Cybernetyki 7b) were valued by the discounted cash flow method. Land not intended for development (Wolbórz, Jana Kazimierza, Ursus, Łopuszańska) was valued by the comparative method.

Depending on the circumstances, the rates of current and future rents and sale prices of apartments resulted from rental agreements signed or market conditions determined by an independent expert. Usable areas used in the calculations resulted from the existing construction documents or, in their absence, from the binding or announced spatial planning conditions. The costs of construction project execution used in the residual method resulted from the adopted budgets or, in their absence, from the estimated cost efficiency ratios determined by the expert for comparable market projects.

For valuation purposes capitalization rates of 7.25% to 8% and discount rates of 7.5% to 9% were used.

In the first quarter of 2012, the Group noted a loss from re-measurement of investment properties to the fair value amounting to PLN 4.7 million resulting from fluctuations in foreign exchange rates and capital expenditures not reflected in the fair value increase. In the year the Group's loss on the valuation of investments properties to fair value amounted to PLN 214.7 million, in the first quarter 2011 - PLN 0.2 million.

Notes to the interim condensed consolidated financial statements

3 Significant changes in accounting estimates - cont.

Assessment of the recovery value of assets

For the purposes of the evaluation on the balance sheet date, impairment of assets, the Management Board shall take into account the value of recoverable and can obtain the sales prices for individual assets.

While determining recoverable value of stock the Management Boards takes into consideration the real estates values estimated by the professional valuers as at 31 December 2011. In the case of properties in Hungary and in Montenegro, the value estimated by the Management Board was based on achievable sales prices, fair values are determined on the basis of the evaluation of the independent experts, based on similar principles as in the case of investment property. In the case of stocks available for immediate sale Koszykowa, Magdalena), the valuator has determined the fair value-based method to comparative, and project Iris (Mokotów Plaza II) residual method. Changes in the current period impairment inventory value are described in note 6.

The second important category, on the valuation of which have a significant impact in the current period, the Board of Directors estimates were deferred tax assets. The recoverable amount is determined on the basis of the likelihood of the implementation of the assets in the future, taking into account the business plans of each of the companies included in the consolidation. Due to a lack of reasonable certainty as to the future implementation, the value of unrecognized deferred tax assets and liabilities at the balance sheet date amounted to 98 mln PLN.

Tax accounts

In view of the fact that the consolidation of the company are subject to tax in several jurisdiction, degree of complexity of activities and uncertainties in the interpretation of the provisions, tax settlement, including the establishment of the right or obligation to, and how to take account of individual transactions in the income tax of individual units of the Group may require a significant degree of judgement. In more complicated questions of judgement of the Board of Directors is supported by the opinions of specialised tax consultants.

CELTIC PROPERTY DEVELOPMENTS S.A.

Condensed interim consolidated financial statements for the period of 3 months ended 31 March 2012

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

4 Investment properties

	1/1/2012 - 31/03/2012	1/1/2011 - 31/12/2011
At the beginning of the reporting period	534 404	754 216
Capital expenditure	906	5 684
Disposal	(7)	(1 966)
	(4 708)	(214 710)
Net (loss)/ gain from fair value adjustments on investment properties		
Change of capitalised financial liabilities	0	(8 820)
At the end of the reporting period	530 595	534 404

	1/1/2012 - 31/03/2012	1/1/2011 - 31/03/2011
Direct operating costs for investment properties:		
- rent income bearing	917	779
- other	498	2 182
	1 415	2 961

5 Goodwill

	1/1/2012 - 31/03/2012	1/1/2011 - 31/12/2011
At the beginning of the reporting period	22 967	49 504
Foreign exchange gains (losses)	(1 327)	5 720
Impairment write down	0	(32 257)
At the end of the reporting period	21 640	22 967

6 Trade receivables and other receivables

	31/03/2012	31/12/2011
Trade receivables	535	3 380
Receivables from the state budget	4 394	6 416
Receivables from related parties	1 331	2 103
Deferred income	198	198
Prepaid expenses	7 484	5 471
Other receivables	4 067	5 665
Short-term receivables	18 051	23 233
Long-term receivables	0	45
Total receivables	18 051	23 278

CELTIC PROPERTY DEVELOPMENTS S.A.

Condensed interim consolidated financial statements for the period of 3 months ended 31 March 2012

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

7 Inventories

	31/03/2012	31/12/2011
At the beginning of the reporting period	66 283	76 298
Capital expenditure	6 269	10 080
Disposal	(374)	(24 071)
Reclassification to other receivables	0	1 222
Impairment loss	(85)	(7 249)
Reversed write-downs	0	8 109
Foreign exchange gains/ (losses)	(726)	1 894
At the end of the reporting period	71 367	66 283

8 Cash and cash equivalents

	31/03/2012	31/12/2011
Cash at bank and on hand	21 039	16 098
Short-term bank deposits	259	151
	21 298	16 249

9 Share capital

	Number of shares		Value of shares	
	31/03/2012	31/12/2011	31/03/2012	31/12/2011
Ordinary shares (in thousands)	34 068	34 068	3 407	3 407

On 22 December 2011 Board of Directors has made the resolution of the payment to the members of the Board of Directors of remuneration in shares of the company offered at the price lower than the market price. For the purposes of the preparation of the financial statements, the group identified an increase in the equity capital of value due to the Management Board for the 1st quarter of 2012 remuneration in the amount of PLN 0.7 million (for the year 2011 in the amount of PLN 1.2 million).

10 Trade payables and other liabilities

Non-current liabilities

	31/03/2012	31/12/2011
Deposits of tenants	675	638

Current liabilities

	31/03/2012	31/12/2011
Trade payables	7 458	7 382
Payables to related parties	0	8
Social securities and other taxes	1 603	2 984
Deposits of tenants	50	90
Other liabilities	2 182	2 153
Accrued expense	10 170	10 010
	21 463	22 627

CELTIC PROPERTY DEVELOPMENTS S.A.

Condensed interim consolidated financial statements for the period of 3 months ended 31 March 2012

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

11 Borrowings, including financial leasing

	31/03/2012	31/03/2011
Non-current		
Bank loans	66 146	7 905
Financial leasing	26 695	26 703
	92 841	34 608
Current		
Bank loans	2 255	56 512
Loans from unrelated parties	80	90
	2 337	56 602
Total borrowings	95 178	91 210

Change in liabilities of bank loans in the first quarter of 2012, mainly from lending and new tranches in the framework of the investment loan granted to the group by BZ WBK, as well as the reclassification of credit with HSBC from current liabilities on the long-term. 29 March 2012 was signed as an annex to the loan agreement with HSBC, on the basis of which the Group undertakes to fully repay the credit in the following instalments: 8 repayments amounting to €104.000 by June 27, 2012, 27 September 2012, December 23, 2012, 27 March 2013, 27 June 2013, 27 September 2013 and December 23, 2013, and €11.772.000 by 27 March 2014.

12 Deferred income taxes

	31/03/2012	31/12/2011
Deferred tax assets	1 824	2 264
Deferred tax liabilities	15 467	17 221

13 Revenue by nature

	1/1/2012 - 31/03/2012	1/1/2011 - 31/03/2011
Rent income	1 748	1 469
Sales of inventories	284	3 405
Real estate advisory services	1 367	4 915
Services relating to rental	870	666
Accounting services	23	11
	4 292	10 466

14 Cost of sales

	1/1/2012 - 31/03/2012	1/1/2011 - 31/03/2011
Cost of inventories sold	374	4 632
Changes in impairment write-downs of inventories	85	391
Cost of services provided	1 217	1 105
	1 676	6 128

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15 Administrative costs property related

	1/1/2012 - 31/03/2012	1/1/2011 - 31/03/2011
Employee expenses	4 105	4 899
Property maintenance	792	801
Real estate tax	636	2 435
Perpetual usufruct	822	813
Depreciation and amortization	127	127
	6 482	9 075

16 Administrative expenses-other

	1/1/2012 - 31/03/2012	1/1/2011 - 31/03/2011
Advisory services	592	937
Audit fees	12	143
Transportation	144	237
Taxes	89	23
Office maintenance	927	1 142
Other services	578	552
Costs of not deductible VAT	201	78
Impairment write-down in respect of receivables	218	1 320
	2 761	4 432

17 Other income

	1/1/2012 - 31/03/2012	1/1/2011 - 31/03/2011
Payables written back	0	53
Other	14	122
	14	175

18 Financial income and expenses

	1/1/2012 - 31/03/2012	1/1/2011 - 31/03/2011
Interest expense:		
- Loans from related parties		
- Bank loans	(580)	(560)
- Bank facility arrangement fee	(711)	0
- Interest from financial leases	(537)	(538)
- Other interest	(31)	(720)
- Other	(35)	(9)
Financial costs	(1 894)	(1 827)
Interest income:		
- Bank interest	62	63
- Interest from related parties	0	7
- interest from unrelated parties	0	0
- Received dividends	8 468	0
Net exchange differences	1 108	80
Financial income	9 638	150



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19 Income tax

	1/1/2012 - 31/03/2012	1/1/2011 - 31/03/2011
Current income tax	(7)	676
Deferred taxes	(1 261)	673
	(1 268)	1 349

20 Cash flow from operating activities

	1/1/2012 - 31/03/2012	1/1/2011 - 31/03/2011
Profit/loss before tax	(3 874)	(11 216)
Adjustments for:		
- depreciation of tangible fixed assets	127	127
- currency translation adjustments	(1 307)	(703)
- gains (losses) on revaluation to fair value of investment property	4 708	162
- interest costs	544	48
- exchange differences	0	684
- inventory impairment	85	391
- costs of warrants granted	694	0
- other adjustments	(2)	(4)
Changes in working capital		
- changes in receivables	5 293	3 033
- changes in inventories	(5 895)	3 110
- change in trade liabilities and other	(1 127)	2 849
	(754)	(1 519)

21 Related party transactions

Celtic Property Developments SA does not have a direct parent or parent senior. Coöperatieve Laxey Worldwide W.A. is a major investor.

CPD Group also includes transactions with key management personnel and other related parties, controlled by key staff of the Group.

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

	1/1/2012 - 31/03/2012	1/1/2011 - 31/03/2011
(a) Transactions with key management personnel		
Remuneration of the Management Board members	60	0
Salaries and Cost of services provided by the Management Board members	406	829
Value of warrants for the board members	694	0
Remuneration of the Supervisory Board members	66	154
Total receivables	16	66
Total liabilities	0	71

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21 Related party transactions - cont.

		1/1/2012 - 31/03/2012	1/1/2011 - 31/03/2011
(b) Transactions with the other related parties			
Revenues			
<i>Braslink Ltd</i>	- interest	0	7
<i>Vigo Investments Sp. z o.o.</i>	- rental and accounting services	3	3
<i>Antigo Investments Sp. z o.o.</i>	- rental and accounting services	10	1
<i>Prada Investments Sp. z o.o.</i>	- rental and accounting services	11	1
<i>Quant Investments Sp. z o.o.</i>	- rental and accounting services	0	1
Costs			
<i>Kancelaria Radców Prawnych Oleś i Rodzynekiewicz</i>		3	21
Receivables			
<i>Palladian Finance</i>	- other receivables	0	342
<i>Vigo Investments Sp. z o.o.</i>	- trade receivables	6	3
<i>Antigo Investments Sp. z o.o.</i>	- trade receivables	22	9
<i>Prada Investments Sp. z o.o.</i>	- trade receivables	22	9
<i>Prada Investments Sp. z o.o.</i>	- loans	69	74
<i>Quant Investments Sp. z o.o.</i>	- trade receivables	0	6
<i>Spazio Investments N.V.</i>	- receivables invoiced next year	0	1 660
Doubtful debts cover by the bad debt provision			
<i>Braslink Ltd</i>		1 210	1 250

22 Payment of dividends

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

23 Earnings per share

	1/1/2012 - 31/03/2012	1/1/2011 - 31/03/2011
Profit attributable to shareholders of the company	(2 606)	(12 565)
Ordinary shares (in thousands)	34 068	34 068
Earnings per share in PLN	-0,08	-0,37

Diluted earnings per share does not differ from the basic earnings per share.

24 Contingent liabilities

In the first quarter of 2012 there were no significant changes in contingent liabilities.

25 Segment reporting

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

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

26 Seasons of activity and unusual events

The activity of the Group of the CPD is not seasonal or cyclical. In the current interim period the

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27 Assets and liabilities held for sale

Assets and liabilities of the company's 17/110 Gaston Investments Sp. z o.o. S.k. were classified as held for sale. The final share sale agreement is to be signed till 15 June, 2012

	31/03/2012	31/03/2011
Assets held for sale		
Investment property	10 779	10 779
Trade and other receivables	20	74
Cash and cash equivalents	6	18
	10 805	10 871
Liabilities classified as held for sale		
Borrowings, including finance leases	1 959	1 959
	1 959	1 959
Net assets	8 846	8 912

28 Events after the end of the reporting period

After the end of the reporting period there were no significant events.

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29 Interim financial information of the parent

29.1 Condensed statement of comprehensive income

	Notes	1/1/2012 - 31/03/2012	1/1/2011 - 31/03/2011
		(unaudited)	(unaudited)
Revenues		326	350
Administrative costs	29.9	(1 597)	(1 681)
Cost of sales		(94)	(96)
OPERATING RESULT	0	(1 365)	(1 427)
Financial income	29.10	7 808	9 534
Financial costs	29.10	(428)	(139)
PROFIT (LOSS) BEFORE INCOME TAX		6 015	7 968
Income tax		0	(1 238)
PROFIT (LOSS) FOR THE PERIOD		6 015	6 730
DILUTED EARNINGS PER SHARE		0,18	0,20

29.2 Condensed statement of financial position

ASSETS	Notes	31/03/2012	31/12/2011
Non-current assets			
Long-term receivables		484 079	479 816
Shares in subsidiaries	29.5	76 887	76 887
		560 971	556 709
Current assets			
receivables	29.7	4 293	4 344
Cash and cash equivalents		3 183	1 025
		7 476	5 369
Total assets		568 447	562 078
EQUITY			
Share capital		3 407	3 407
Supplementary capital		1 161	1 161
Reserve capital		23 772	23 078
Share premium	29.12	796 643	796 643
Retained earnings		(274 113)	(280 128)
Total equity		550 870	544 161
LIABILITIES			
Non-current liabilities			
Trade payables and other liabilities		0	0
		0	0
Current liabilities			
Trade payables and other liabilities		5 008	5 415
Borrowings, including financial leasing	29.8	12 569	12 502
		17 577	17 917
Total liabilities		568 447	562 078

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Notes to the interim condensed consolidated financial statements

29.3 Condensed statement of changes in equity

	Notes	Share capital	Share premium	Supplementary capital	Reserve capital	Retained earnings	Total
Balance as at 1/1/2011		3 483	796 643	0	0	23 083	823 209
<u>Transactions with owners</u>							
Shares cancelled		(76)	0	0	0	76	0
		(76)	0	0	0	76	0
<u>Comprehensive income</u>							
Profit (loss) for the period		0	0	0	0	6 730	6 730
		0	0	0	0	6 730	6 730
Balance as at 31/3/2011 /unaudited		3 407	796 643	0	0	29 889	829 939
Balance as at 1/1/2011		3 483	796 643	0	0	23 083	823 209
2010 Profit allocation		0	0	1 161	21 922	(23 083)	0
Shares cancelled		(76)	0	0	0	76	0
Payment of the advance on		0	0	0	0	(3 407)	(3 407)
Reserve for issue of share warrants		0	0	0	1 156	0	1 156
		(76)	0	1 161	23 078	(26 414)	(2 251)
<u>Comprehensive income</u>							
Profit (loss) for the period		0	0	0	0	(276 797)	(276 797)
		0	0	0	0	(276 797)	(276 797)
Balance as at 31/12/2010		3 407	796 643	1 161	23 078	(280 128)	544 161
Balance as at 31/1/2011		3 407	796 643	1 161	23 078	(280 128)	544 161
<u>Transactions with owners</u>							
Reserve for issue of share warrants	29,9	0	0	0	694	0	694
		0	0	0	694	0	694
<u>Comprehensive income</u>							
Profit (loss) for the period		0	0	0	0	6 015	6 015
		0	0	0	0	6 015	6 015
/unaudited		3 407	796 643	1 161	23 772	(274 113)	550 870

29.4 Condensed statement of cash flows

	Nota	1/1/2012 - 31/03/2012 (unaudited)	1/1/2011 - 31/03/2011 (unaudited)
Cash flow from operating activities			
Cash generated from operations	29.11	(1 031)	2 081
Net cash generated from investing activities		(1 031)	2 081
Cash flows from investing activities			
Loans		(1 670)	(452)
Loan repayments received		4 425	473
Interest received		522	27
Net cash used in investing activities		3 277	48
Cash flows from financing activities			
Loans		0	0
Repayment of loans		(88)	(552)
Net cash used in financing activities		(88)	(552)
Net (decrease)/increase in cash and cash equivalents		2 158	1 577
Cash and cash equivalents at beginning of year		1 025	163
Cash and cash equivalents at the end of the period		3 183	1 740

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29.5 Shares in subsidiaries

			31/03/2012	31/12/2011
Name	Country	Share		
Buffy Holdings No1 Ltd	Cypr	100%	184 000	184 000
Impairment, the value of the shares Buffy Holdings			(184 000)	(184 000)
Celtic Investments Ltd	Cypr	100%	48 000	48 000
Impairment, the value of the shares Celtic Investments			(25 033)	(25 033)
Lakia Enterprises Ltd	Cypr	100%	105 000	105 000
Impairment, the value of the shares Lakia Enterprises Ltd			(51 080)	(51 080)
East Europe Property Financing AB	Szwecja	100%	601	601
Impairment, the value of the shares-East Europe Property Financing AB			(601)	(601)
			76 887	76 887

29.6 Long-term receivables

	31/03/2012	31/12/2011*
Long-term loans with related parties		
- loans	426 497	429 229
- interest	57 582	50 587
	484 079	479 816

Details of the loans granted to related parties

Related party	Principal amount	Accrued interest	The Interest Rate	Margin	Maturity
Buffy Holdings No 1 Ltd	116 041	12 794	3M WIBOR	0,75%	na żądanie
East Europe Property Financing AB	309 946	44 788	3M WIBOR	1,55%	na żądanie
Celtic Property Developments Kft	223	0	3M WIBOR	0,75%	na żądanie
Tenth Planet d.o.o.	287	0	3M LIBOR		na żądanie
Tenth Planet d.o.o.	0	0	stałe		na żądanie
Celtic Investments Ltd	0	0	3M LIBOR	0,75%	na żądanie
	426 497	57 582			

*) loan repayable on demand were quarterly report for the period from 1 October 2010 to 31 December 2010, Shown under the heading of receivables.

In accordance with the intention of Board Members the loans will be repaid over a period of from 3 to 5 years.

29.7 Trade receivables and other receivables

	31/03/2012	31/12/2011
Trade receivables from related parties	680	345
Short-term loans:	374	705
- loan	367	698
- interest	7	7
Surplus of input VAT over output	80	183
Other receivables from related parties	625	(209)
Other receivables from other parties	1 999	2 833
Accrued costs	535	487
Short-term receivables	4 293	4 344

Receivables from loans in full affect loan in EUR to related party KMA Sp. z o.o. (including the amount of the loan 88 k. EUR, the amount of the accrued interest on 2 k. EUR). The interest rate is 3 M Libor + 2% margin



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29.8 Borrowings, including financial leasing

	31/03/2012	31/12/2011
Loans from related parties	12 569	12 502
	12 569	12 502

Borrowings in total comprise of loan received from Lakia Enterprises Ltd.

29.9 Administrative costs

	1/1/2012 - 31/03/2012	1/1/2011 - 31/03/2011
Consultancy services	27	126
Remuneration	1 428	749
-the cost of wages	734	749
-the cost of salaries in shares	694	0
Remuneration of the auditor	(10)	64
VAT	91	50
Costs of guarantees	0	479
Cover of guarantees costs	0	(479)
Other services	62	686
	1 598	1 675

On 22 December, 2011 Board of Directors the company has taken a resolution on the establishment of rules for the remuneration of the members of the Board. At the request of the Executive Board of the remuneration shall be paid to the members of the Board of Directors in shares offered to cover the price of the issue reduced to market price.

Supervisory Board recommended Meeting of members to take the resolutions to increase share capital by the amount of 16.321, 40 PLN broadcast 163.214 shares bearer C series, having a par value PLN 0.10 per share. At the same time, the Supervisory Board recommended to conduct a free issue of warrants subscription series and in the amount of 163.214 units, for which coverage shall be entitled only to the members of the Management Board. Holders of the warrants subscription series and will be the only individuals entitled to the purchase of shares of series C, in a proportion of one warrant for one share.

In effect, the members of the Management Board will have the right to purchase the shares at a price of par (\$ 0.10 per share).

Condition of payment of remuneration shall serve on the Board of the company by the holder of the warrants at the time of lodging the Declaration of taking share series (C).

The total value of the remuneration in shares is PLN 2.775 k., of which the costs of the first quarter of 2012 falls 0.7 million PLN (fiscal year 2011 - PLN 1.156 k.). The value was determined on the basis of the difference between the maximum and the reduced level of remuneration to the Board by the Supervisory Board.

To calculate the amount of the remuneration of the company has adopted the average exchange rate NBP of 22 December 2011 of 4,4438 PLN and 1 shares equal to 17 PLN, corresponding to a course of closing action Celtic Property Developments S.A. on the stock exchange in Warsaw on December 20, 2011.

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29.10 Financial income and expenses

	1/1/2012 - 31/03/2012	1/1/2011 - 31/03/2011
Interest income:		
-Interest from related parties	7 599	6 285
-Interest of the unrelated parties	1	3
Received dividends	0	3 134
Other financial income	208	0
Net exchange differences	0	112
Financial income	7 808	9 534
Interest expense:		
-Interest from related parties	156	139
Net exchange differences	272	0
Financial costs	428	139

The result from financial activities is influenced mainly by interest from loans to related bodies as well as the dividends received from Lakia Enterprises Ltd.

29.11 Cash flow from operating activities

	1/1/2012 - 31/03/2012	1/1/2011 - 31/03/2011
Profit/loss before tax	6 015	7 968
Adjustments for:		
– exchange differences	360	(62)
– depreciation of tangible assets	1	0
– interest costs	156	112
– interest income	(7 569)	(6 285)
– not paid compensation in the form of warrants	694	0
Changes in equity:		
- changes in receivables	(280)	91
- change in trade liabilities and other	(408)	257
	(1 031)	2 081

29.12 Related party transactions

Celtic Property Developments SA does not have a direct parent or parent senior. Coöperatieve Laxey Worldwide W.A. is a major investor.

The CPD also contains transactions with key management staff, subsidiaries and other affiliated, controlled by key staff of the Steering Group.

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

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	1/1/2012 - 31/03/2012	1/1/2011 - 31/03/2011
a) Transactions with key management personnel		
Remuneration of members of the Supervisory Board	66	154
The cost of the salaries of the members of the Board	60	0
The value of the warrants granted to the members of the Board of Directors	694	0
Receivables from the Board Members	16	16
Liabilities due to the Supervisory Board Members	0	65
b) Transactions with subsidiaries		
Revenue		
<i>Buffy Holdings No1 Ltd</i>	1 969	1 592
<i>Celtic Investments Ltd</i>	38	37
<i>Lakia Enterprises Ltd</i>	0	3 613
<i>East Europe Property Financing AB</i>	5 587	4 614
<i>KMA Sp. z o.o.</i>	4	350
<i>Celtic Asset Management Sp. z o.o.</i>	250	0
<i>Celtic Property Developments KFT</i>	0	3
<i>Tenth Planet doo</i>	0	40
Costs		
<i>Lakia Enterprises Ltd</i>	156	139
<i>KMA Sp. z o.o.</i>	0	0
<i>Celtic Asset Management Sp. z o.o.</i>	2	125
	31/03/2012	31/12/2011
Liabilities		
<i>Celtic Investments Ltd</i>	0	1
<i>Lakia Enterprises Ltd</i>	12 569	12 984
<i>KMA Sp. z o.o.</i>	0	149
<i>Celtic Asset Management Sp. z o.o.</i>	25	0
Receivables		
<i>Buffy Holdings No1 Ltd</i>	128 835	142 768
<i>Celtic Investments Ltd</i>	0	6 942
<i>East Europe Property Financing AB</i>	354 734	351 391
<i>KMA Sp. z o.o.</i>	410	431
<i>Celtic Asset Management Sp. z o.o.</i>	307	0
<i>Celtic Property Developments KFT</i>	0	287
<i>Devin Investments Sp. z o.o.</i>	223	0
<i>Tenth Planet doo</i>	288	4 599
c) Transactions with other related party		
Costs		
<i>Kancelaria Radców Prawnych Oleś&Rodzyńkiewicz sp. komandytowa</i>	3	21
Receivables		
<i>Braslink Ltd</i>	625	625