CPD S.A.

CONSOLIDATED ANNUAL REPORT 2014

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FOR THE YEAR ENDED 31 DECEMBER 2014

TRANSLATORS' EXPLANATORY NOTE

The following document is a free translation of the CPD S.A Consolidated Annual Report published on March 19, 2015.

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

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

TABLE OF CONTENTS

SUPERVISORY BOARD

I. SUPERVISORY BOARD OF CPD S.A.

As at the day of December 31, 2014, the Supervisory Board of CPD 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 2013, the composition of Supervisory Board of CPD S.A. has not changed.

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 are very pleased to present CPD S.A. Group's Annual Report for 2014. This was a breakthrough and immensely successful year for the Group, with the Group's key project – real estate development projects – going into the delivery stage owing to persistent pursuit of the adopted strategic goals and continuation of projects in progress.

In 2014 authorities of Warsaw approved the local zoning plan for the former ZPC Ursus industrial facilities where the Group owns over 54 ha of land purchased in 2006. This fact was the key factor for direction of the Group's further growth. Adoption of the local zoning plan for our Ursus real estate development and consistent conceptual works on the design, conducted by the Group for the last few years, made commencement of the first housing development project possible as early as in September 2014. Adoption of the plan was the key factor affecting the Group's 2014 year end result and the price of the Company's shares in 2014.

In July 2014 years was initiated by the CPD SA and the authorities m st. Warsaw new chapter in cooperation between the investor and the government, through free transfer to the city of areas designated in the plan for public roads. Our goal was to speed up the process of revitalizing the entire area and convert into a single multi-functional modern city.

In addition to this, similarly to previous years, in 2014 we were taking actions to maximise the lease revenues. We have achieved high occupancy rate in Iris, Solar, and Aquarius office buildings in Warsaw.

Moreover, our shareholders have once again showed their confidence in us by letting us manage another 5,5 mln EUR in the form of 3-year bonds convertible to shares.

These measures allowed the Group to achieve a positive financial result in 2014 and retain a stable financial standing.

Last September, we decided to change the Company's business name to CPD S.A. to make identification and recognition of the brand easier for the investors and clients. The new name is the abbreviated previous name – Celtic Property Developments S.A.. Abbreviation of the name facilitates continuation of the Company's identification and using the brand established on the market.

Summarising the entire previous year, I would like to thank all our Employees and Partners for their efforts to launch the Group's key project and deliver the remaining projects. I would like to thank our Clients for their confidence in us. Thank you to the members of CPD S.A.'s Supervisory Board for their commitment and effort in building the Group's position. And thank you to our Shareholders, for their confidence in us and allocation of more capital to CPD S.A. than in the previous year.

YOURS SINCERELY,

ELŻBIETA WICZKOWSKA
PRESIDENT OF THE MANAGEMENT BOARD
OF CPD S.A.

MANAGEMENT BOARD

III. MANAGEMENT BOARD OF CPD S.A.

As at the day of December 31, 2014, the Management Board of CPD 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.

In comparison to the status at the end of 2013, the composition of the Management Board of CPD S.A. changed as follows:

- On 22 December 2014, Mr Piotr Turchoński filed a resignation from the Management Board, effective as of 31 December 2014 r. Mr Piotr Turchoński failed to provide reasons for his resignation;

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

CPD 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 CPD S.A.

date	women	men
31 December 2013	1	4
31 December 2014	1	4

Board CPD S.A.

date	women	men
31 December 2013	2	2
31 December 2014	2	1

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

1. INFORMATION ON CPD GROUP

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

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

2. GROUP STRUCTURE

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

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

The following changes in CPD Group's structure took place during the reportin period:

- CPD S.A.'s subsidiary - 1/95 Gaston Investments sp. z o.o. sp. komandytowa changed its name as of 9 September 2014 to "Smart City w organizacji sp. z o.o. sp. komandytowa".
- On 17 September 2014, Celtic Property Developments S.A. changed its name to CPD S.A.
- On 9 September 2014, a new company under the business name of Smart City sp. z o.o. was incorporated.
- On 14 December 2014, EEPF company was sold.

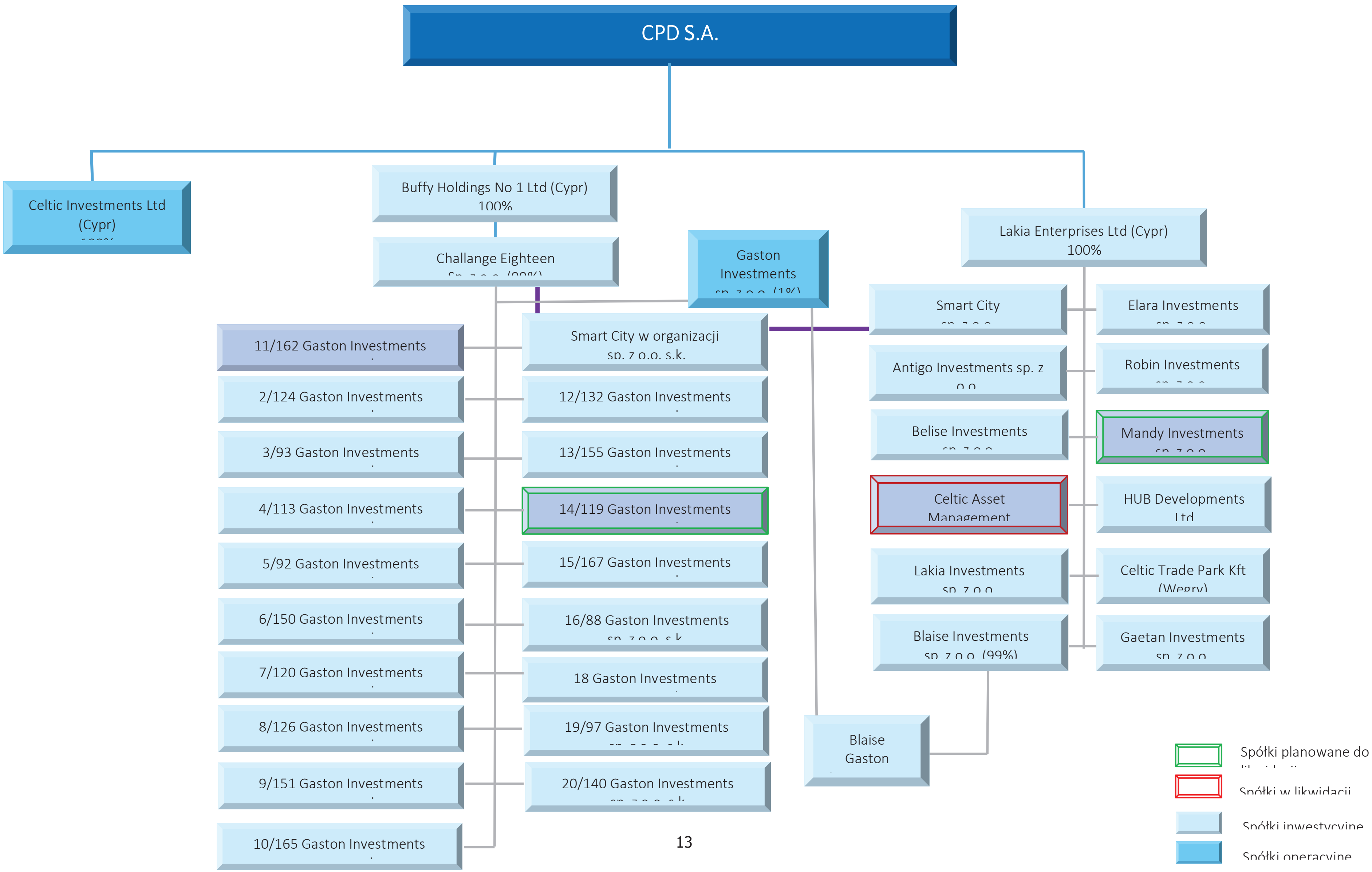
At the date of report publication, the following changes in CPD Group's structure took place:

- On 30 January 2015, IMES sp z o.o. company was acquired.
- On 27 February 2015, sale of Geatan Investments sp z o.o. company was completed.

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.

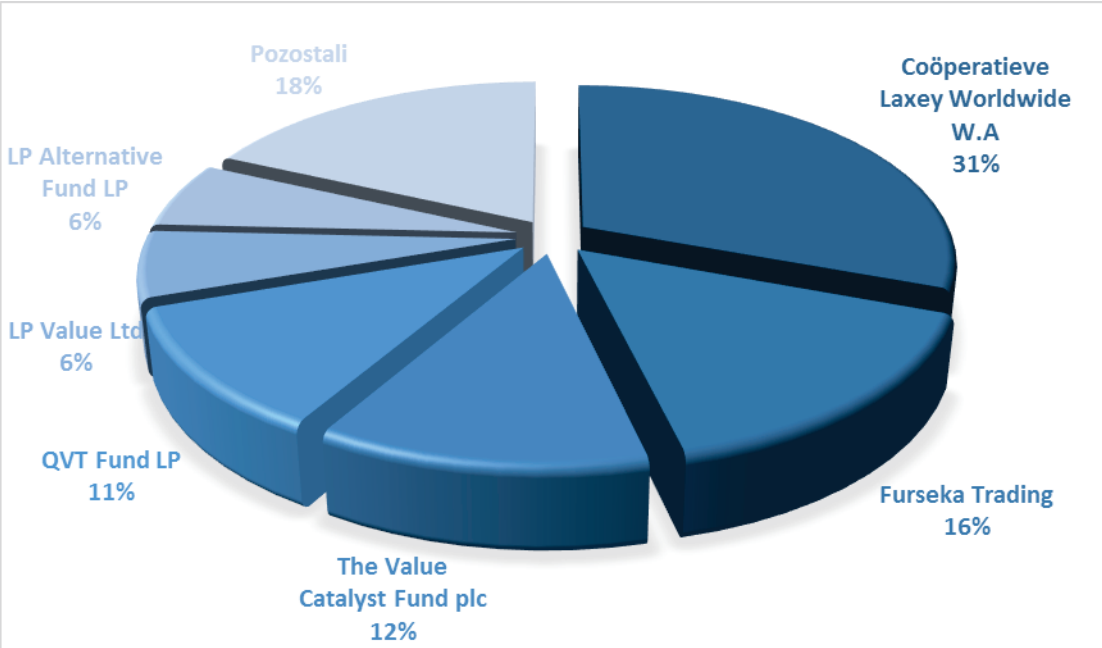
CPD Group structure on the December 31, 2014.



3. SHAREHOLDERS

- CONTROLLING SHARES

CPD S.A. SHAREHOLDING STRUCTURE



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:

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

The above shareholding structure was presented for the total number of shares, that is 32,863,203, including series B, C, D, E, and F shares accounting for 100% of votes at the General Meeting of the Company's Shareholders.

On 5 August 2014, resolution was adopted to issue series A bonds convertible to series G shares in the Company, conditionally increase the Company's share capital, deny the existing shareholders entirely their right of subscription for series G shares, amend the Company's Articles, dematerialise series G shares, and apply for admission and floating of series G shares on a stock exchange. Redemption date of tranche 1 bonds is 26 September 2017. Issue of tranche 1 bonds was conducted as a non-public issue. Terms of issue of series B bonds is presented in detail in section 18.

- **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. 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 CPD 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**

CPD 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.cpdsa.pl.

In 2014 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.cpdsa.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

CPD 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.

As part of such actions and under the *Pact for Culture in Ursus*, signed in 2011 by CPD Group with representatives of Ursus authorities and Arsus Cultural Centre, CPD 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 CPD 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.

In relation to our key development project on former ZPC Ursus industrial land, and being aware of our role in such a comprehensive task as revitalisation of this area, CPD Group has for several years been undertaking initiatives exceeding the scope of typical real estate development and construction. In 2014, the Group along with the City District of Ursus Office co-organised a cycle of cultural events "Farewall to Summer with Ursus", and supported preparation of light decorations in the district during the Christmas season.

Within corporate social responsibility and awareness of the need to actively participate in creating the public urban space, in 2011 CPD Group declared also the willingness to transfer ca. 14,39 ha of land owned by CPD, located on the area of the former ZPC Ursus, to the authorities of the Capital City of Warsaw free of charge. This declaration of the Group regards 14,39 ha, 4.9 ha of which would be used for social functions and 9,49 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.

In 2015, CPD Group will use spare funds to continue the commenced community support initiatives in belief that they will bring measurable effects both to direct beneficiaries and to communities in which they are delivered.

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.

Regardless of the strategic assumptions adopted for the incoming years, the Group does not exclude that in the future it will be interested in sale of the part of the investment land to other potential developers or 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. CPD GROUP ACTIVITIES AND IMPORTANT EVENTS IN THE REPORTING PERIOD

- **REVENUES STRUCTURE AND INFORMATION ON PRODUCTS**

In 2014, CPD 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;

CPD Capital Group structure of revenues

	31.12.2014	31.12.2013
Liabilities to total assets	**34,9%**	**30,6%**
Non-current liabilities to total assets	**20,8%**	**7,6%**
Borrowings including finance leases	11,5%	4,6%
Convertible bonds	3,9%	0,0%
Embedded derivative	3,0%	0,0%
Deferred income tax liabilities	2,2%	2,8%
Trade and other payables	0,2%	0,1%
Current liabilities to total assets	**14,1%**	**23,1%**
Borrowings including finance leases	11,5%	19,8%
Trade and other payables	2,5%	3,2%
Income tax liabilities	0,0%	0,1%

The Group's revenue for the year 2014 amounted to PLN 15.1 million and almost entirely related to the lease and lease-related services. Rental income was generated primarily by three office buildings in Warsaw - building on the Cybernetics IRIS 7B, Solar Street building Cybernetics 7B and Aquarius Street building Połczyńska 31A.

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

The main market of the CPD 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.

Geographical structure of the Group's revenue in 2014 reflects the Group adopted the strategy of focusing on the Polish market. In the year 2014 100% of the Group came from the domestic market. Recipients of the Company and its Group are divided into two basic groups of closely related to the type of projects carried out by the Group: specialized real estate funds and individual customers. Of the commercial projects are ultimately sold to specialized institutional investors operating in the real estate market. Smaller projects are sold to individual investors. Before the start of the sale, the Company makes the commercialization of the building. Accordingly Commercial tenants are also indirect audience.

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 CPD 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 CPD'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**

➢ **VOTING OF MASTER PLAN FOR URSUS**

Work on the master plan since the enactment of the study of conditions and directions of spatial m. St. Warsaw, as amended, and adoption of a resolution on the accession to the preparation of local development plan in the area of Orłów Piastowskich Street until its enactment lasted almost eight years.

Finally, the culmination of these years was put to the vote on 3 July 2014. City Council session Warsaw draft local development plan in the area of Orłów Piastowskich Street - part I.

City Council Warsaw, following a vote passed a resolution adopting the local development plan in the area of Orłów Piastowskich Street - part I.

This document allows to start area revitalization of degraded urban and organize an area of about 220 hectares, which represents 25% of the whole district Ursus. Currently, it is the area with the greatest potential investment in the m. St. Warszawa covered uniform development plan with excellent modern infrastructure solutions in the field of public transport: rail and road, located only 9 km from the city center and 5 minutes drive from the Frederic Chopin Airport.

The final stage of work on the development plan in the area of Orłów Piastowskich Street - part I was his legitimacy, and therefore become a local law, which took place 30 days after notice by the authority empowered in the Official Journal of the Mazowieckie Province, the date of August 15, 2014 r.

➢ **VALIDATION OF A MASTER PLAN IN URSUS**

August 15, 2014, the last stage completed formal validation of Local Development Plan (LDP) for Orłów Piastowskich Street - Part I.

The resolution, together with all documentation has been forwarded to the Governor Mazowiecki, who as part of his powers, on 5 August 2014 in the pages of the Official Journal of the Mazovian Province published Settlement Boards.

Therefore, the Development Plan for the area of Orłów Piastowskich Street - Part I, in the version corrected by the Governor Mazovian, shall enter into force after 30 days from the date of its publication in the Official Journal of the Region, the day of August 15, 2014 year.

In accordance with the provisions of the local plan for the area just CPD Group, as the largest investor can realize investments floor area of about 750 thousand square meters with about 652 thousand square meters can be used for housing, and 58 thousand for building commercial service and 40 thousand m² under public building. The Company intends to modify the above assumptions in order to optimize and increase the attractiveness of building locations for potential residents and thus achieve the maximum design value for its shareholders.

CPD Capital Group intends to develop a multi-functional urban area with buildings covering mainly residential apartments with an area of 40 - 80 m². Dwellings built under the project will be designed primarily for young working people or families looking for their first home. Housing price will be adjusted to market conditions and purchasing power of potential buyers. Easy and convenient access to the city center is to be the particular advantage of the project for the target audience. Easy access by public transport is an additional advantage of the area:

- access by train - the location of the project between stations Warsaw Ursus and Warsaw Ursus North, Doves and Bear lying on the two main railway routes, allows access to the center in approx. 14 minutes;
- access by car / bus - the immediate vicinity of the project, bus lines and twelve western bypass built as Warsaw connected through the streets Nowomory and 4 June 1989. Guarantees closeness important hubs.

Current market trends show strong demand for housing market for small areas and moderately priced. Ursus project was intended to make their products perfectly fit the needs of the market, the Company expects strong demand for housing supplied. In addition, the Company expects a big interest in the project among the target audience because of the competitive advantage resulting from the location and design flexibility, innovative Smart City and planned attractive prices.

These facts indicate that the adoption of the plan and the investments made in infrastructure have opened a new chapter in the history of the Ursus district. Development of such a large area and putting her back is not only the people of the revitalization process. It's a great start of the investment process, creating hundreds of new jobs, new residents settle and realize many investments are important from the point of view of the district, even in the educational layer.

It is also the implementation of a new model of cooperation between the city, district and investors. In the process of adopting the Group CPD plan to donate to the city of more than 10.1 hectares of land allocated in the plan for public investment. This action also freed from the budget of the local government a serious expense associated with the redemption of the land, the money will be spent on investments district in the area.

- **NOTARIAL DEEDS**

As the culmination of nearly four years of ongoing discussions with the Capital City of Warsaw and the State Treasury, 3 July 2014., Subsidiaries of the Issuer: Challenge Eighteen limited liability company, 2/124 Gaston Investments Limited Liability Company LLP, 3 / 93 Gaston Investments Limited Liability Company sp.k. 5/92 Gaston Investments Limited Liability Company LLP, 6/150 Gaston Investments Limited Liability Company LLP, 8/126 Gaston Investments limited liability company sp.k., 9/151 Gaston Investments Limited Liability Company LLP, 10/165 Gaston Investments Limited Liability Company LLP, 11/162 Gaston Investments Limited Liability Company LLP, 12/132 Gaston Investments Limited Liability Company LLP, 13/155 Gaston Investments Limited Liability Company LLP, 15/167 Gaston Investments Limited Liability Company LLP, 18 Gaston Investments Limited Liability Company LLP and the city of Warsaw, and

Eighteen Challenge a limited liability company and the Treasury,

entered into a contract in the form of notarial acts, including the transfer of perpetual usufruct of land plots for the city of Warsaw and the Treasury areas in the draft local development plan in the area of area Orłów Piastowskich Street - Part I, are intended for public spaces.

The subsidiaries have entered into the following agreements:

- preliminary sales agreement signed on 3 July 2014. In the form of a notarial deed between the company 18 Gaston Investments Limited Liability Company LLP and the Capital City of Warsaw for the sale of the Subsidiary, the right of perpetual usufruct of immovable property with the following numbers KW WA1M / 00228713 ninths, WA1M / 00283412/2, WA1M / 00338241 thirds, WA1M / 00359139 eighths, WA1M / 00453511 ninths, WA5M / 00444063 fifths, WA5M / 00444810 sevenths, WA5M / 00460144 fifths, located in Warsaw's Ursus district. The total book value of the right of perpetual usufruct of immovable property in the books of the companies is 5 687 012.99 Pln, respectively. The sale price for the amount of 1 gold for the property.

- donation agreement signed 3 July 2014. In the form of a notarial deed between Challange Eighteen companies with limited liability, 2/124 Gaston Investments Limited Liability Company LLP, 3/93 Gaston Investments Limited Liability Company LLP, 5/92 Gaston Investments Limited Liability Company LLP, 6/150 Gaston Investments Limited Liability Company LLP, 8/126 Gaston Investments Limited Liability Company LLP, 9/151 Gaston Investments Limited Company Liability Company LLP, 10/165 Gaston Investments Limited Liability Company LLP, 11/162 Gaston Investments Limited Liability Company LLP, 12/132 Gaston Investments Limited Liability Company LLP, 13 / 155 Gaston Investments Limited Liability Company LLP, 15/167 Gaston Investments Limited Liability Company LLP and the capital city of Warsaw applicable gratuitous transfer of the right of perpetual usufruct of immovable property numbers WA5M KW / 00444808/0, WA5M / 00473247/1, WA5M / 00470813 ninths, WA5M / 00470814 sixths, WA1M / 00283410 eighths, WA1M / 00283123 ninths, WA1M / 00283128 quarters, WA1M / 00338197 ninths, WA1M / 00454073 thirds, WA1M / 00283125 thirds, WA1M / 00060388 fifths, WA1M / 00359150/1 WA5M / 00443952 sevenths, WA1M / 00060218 thirds, WA1M / 00060294 ninths, WA5M / 00444064/2, WA5M / 00444065 ninths, WA1M / 00233103 eighths, WA1M / 00377082 fifths, WA1M / 00432820 fifths, WA5M / 00443951/0, WA5M / 00444066 sixths, located in Warsaw Ursus district. The total book value of the right of perpetual usufruct of immovable property in the books is 23 462 396.59 Pln, respectively.

- Contract termination of perpetual usufruct signed 3 July 2014. In the form of a notarial deed between the company Challange Eighteen limited liability company and the Treasury, provide a solution to the perpetual usufruct contract numbers WA1M KW / 00228714 sixths and WA5M / 00444807 thirds, located in Warsaw's Ursus district. The total book value of real estate in the books is 12 758 402 Pln, respectively.

Free to get these areas through the city, is the next step in the Ursus district approximates a comprehensive revitalization of degraded brownfield sites of the former Industrial Plant Ursus. This enhances synchronized and balanced launch of a multifunctional urban investment in the above areas, and at the same time is extremely important impulse for the economic development of the whole district.

CPD Group, as the largest investor in the area wants in a sublime way to mark the start of the investment in the area covered by the newly adopted plan, which is part of a new chapter of cooperation between the government and the developer in the field of rural development in public buildings - roads, educational, cultural, including is organizing a museum dedicated to the history of Ursus, thereby stressing the importance it was to enact the plan of development of these areas not only for the residents of the district, but the whole of Warsaw. The adoption of the local plan is the culmination of all the other public investments in this area: among others, Warsaw Western Bypass, hub Salome and the newly built street thoroughfares. June 4, 1989. And st. Nowomory the railway tracts.

- **AGREEMENT SIGNED BY CPD AND SUBSIDIARIES – BEGINNING OF INVESTMENT IN URSUS**

Start of housing investment in Ursus took place on September 10, 2014 year. That day was signed an investment agreement on a joint venture with The Group of Unibep, in terms of realization of complex buildings with services and associated infrastructure in Warsaw Ursus district.

The agreement was made between:

CPD SA in Warsaw, Challenge Eighteen limited liability company in Warsaw, 1/95 Gaston Investments limited liability limited partnership with its registered office in Warsaw, Lakia Enterprise Ltd in Nicosia (Cyprus),

and

Unibep SA from Bielsko Podlaski, Unidevelopment SA from Warsaw.

The Agreement provides for a joint project be completed on the part of the property belonging to the Capital Group CPD ie. The company 1/95 Gaston Investments Sp. Z oo limited partnership in Warsaw. The property consists of the above plot no 95, no rev. Reg. No. 2-09-09, with an area of 3.6811 ha and is located at ul. Traktorzystów in Warsaw (Warsaw district - Ursus).

On the Property will be implemented in two phases, the construction of multi-family building complex services with accompanying infrastructure, with a projected area of approx. 20,000 m2 of usable space, which will be the general contractor company Unibep SA and the company Unidevelopment SA will be provided services investor representation on the Undertaking. The agreement also includes operations to conduct marketing activities related to the sale of apartments in the context of projects, and then on the total sales of usable space projects and profit distribution rules of the Operation.

Participation Group companies in the implementation of projects CPD is, among others, to:

a) the implementation of the projects on the Property belonging to the Company's limited partnership,

b) the provision by Gaston Investments Sp. z oo services, financial and operational control over the Undertaking and supervision Unibep SA as the general contractor.

The agreement was conditional and entered into force after agreement by the parties to all the Annexes to the Agreement and, as regards the accession Unidevelopment SA a limited partnership company, after obtaining the consent of the President of the Office of Competition and Consumer Protection for the concentration of entrepreneurs.

- **APPROVAL OF UOKIK**

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

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

- **ACCESSION UNIDEVELOPMENT SA TO LIMITED PARTNERSHIPS**

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

- **INCREASE VALUE OF REAL ESTATE AT THE END OF THE YEAR 2014**

- In accordance to valuations made by Savills sp. at the end of 2014. total fair value of the property held by the Group and including investment properties and inventories amounted to PLN 587.9 million and was higher by PLN 137.3 million from the value reported at the end of 2013. The increase in value of the property has been recognized as a result of valuation of investment properties, which at the end of 2014. was positive and amounted to PLN 114.8 million. To increase the value of the property portfolio of the Group was mainly due to an increase in the value of the investment project in Ursus. It should be noted that the reduction in the real estate portfolio of parcel traffic as a result of gratuitous transfer of public land for m st. Warsaw, has not affected the value of the property portfolio and the opposite. Facilitated the transfer of the road to take a councilor m st. Warsaw decision to adopt a local development plan in the area of the former factories ZPC Ursus, thereby increasing the investment value of the whole area.

Significant impact on the increase in value of real estate in Ursus was also in return for the transfer of the company 4/113 Gaston Investments Sp. z o.o. sp. k. The right of perpetual usufruct, which is a plot number 113 in conjunction with the ownership of buildings, structures and facilities located on the property, which are separate items of property ,.

Additional factors that positively affected the value of the Group's real estate portfolio had increases in the value of buildings Iris, Solar and Aquarius resulting from rising rental income in view of the increasing commercialization of space and the expected by analysts improvement on the commercial real estate rental market in Warsaw.

- **COMMERCIALIZATION IRIS STREET BUILDING. CYBERNETYKI 9, IN WARSAW**

Iris is a six-storey building office building with a total leasable area of approx. 14,3 thous. m2 with 233 parking places and is the final stage of the project office and residential located at the intersection of Cybernetics and Progress in Warsaw. At the date of this report are still under active efforts to commercialize 100% of the building. At the date of this report the building is 88.5%

leased. Issues are currently being finalized documentation to make the conversion of the construction loan granted by BZ WBK the investment credit granted by the bank.

- **Changes in the composition of the Company's Management Board**

In 2014, 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

8. ASSESSMENT OF INVESTMENT POSSIBILITIES AND PROJECT OPPORTUNITIES

CPD Group, implementing development projects, finances them both using its own funds, debt securities and bank loans. In the future, the Group assumes the implementation of projects through subsidiaries or joint ventures, and the financing of construction projects and investments (loans targeted) will be obtained directly by the company or through CPD SA

Value of the property held by the Group, including investment properties and inventories stood at the end of 2014 PLN 587.9 million to 450.6 million PLN at the end of last year. A factor that positively affected the value of the Group's property portfolio was an increase in the value of real estate in Ursus and Iris building due to the increased level of lease. Valuation of the property at the end of 2014, the same as last year, have been carried out by an independent expert - the company Savills Poland Sp. with o.o

The following table summarizes the properties belonging to the Group as at 31 December 2014.

		Type	Site Area	Building Area – leasing, sale (m kw)	Valuation for 31.12.2013 (mln PLN)	Valuatin for 31.12.2014 (mln PLN)
Investment properties				**798 003**	**442,80**	**581,39**
1	**URSUS**	Residential / office / retail	45,3 ha	740 000	272,40	387,56
2	**SOLAR**	Office	3908 m kw	5 792	34,40	34,10
3	**IRIS**	Office	7449 m kw	14 300	85,00	100,59
4	**AQUARIUS**	Office	15480 m kw	5 211	26,50	27,28
5	**WOLBÓRZ**	Logistic park	10 ha	-	2,40	2,60
	Capitalised rights of perpetual usufruct of land			32 700	22,00	29,26
Inventories (of fair value)				**18 875,00**	**7,80**	**6,53**
6	**ŁÓDŹ**	Residential / office / retail	1 457 m kw	3 814	5,00	4,10
7	**KOSZYKOWA**	Residential	744 m kw	454	0,40	0,37
8	**CZOSNÓW**	Land	15,2 ha	nd	1,10	0,80
9	**JAKTORÓW**	Land	2,0 ha	nd	0,30	0,33
10	**NOWA PIASECZNICA**	Land	6 200 m kw	nd	0,10	0,15
11	**ALSONEMEDI (Węgry)**	Warehouse / office	42 495 m kw	14 607	0,90	0,76
TOTAL				**816 878**	**450,60**	**587,92**

- **URSUS**

In the second half-year of 2006, CPD Group purchased over 58 hectares of land formerly occupied by ZPC Ursus industrial facility for, financed from its own funds, in order to launch a multiple function urban development project.

In addition to this, on 30 January 2015, CPD SA Group through one of its subsidiaries purchased Imes sp. z o.o., a company owning land on the corner of Gierdziejewskiego and Silnikowa streets on the Smart City Ursus premises. This acquisition was financed by series B bonds issued in January 2015.

The purchased land of 7 hectares will allow building over 80,000 sq m or residential and commercial space in an area where also educational and leisure facilities are planned to be built. The purchased property is directly adjacent to other land owned by CPD S.A. capital group. Its acquisition expanded our real estate portfolio in the Smart City premises by the key area directly neighbouring with the areas allocated for educational and leisure purposes. According to the local zoning plan, the acquired property along with the adjacent land, will ultimately become a unique and modern residential, leisure, and educational complex of over 20 hectares. Owing to its location and extraordinary combination of the residential, educational, and leisure functions, it will offer high comfort of living to its residents.

As a result of the above transaction, CPD SA Capital Group controls an area of approx. 54 ha within the Smart City project.

This land is in the area covered by the local zoning plan adopted in July 2014, comprising approx. 220 hectares, including also post-industrial premises around the Orłów Piastowskich street in Ursus.

The plan provides for development of a modern urban area which - apart from housing estates for around 25,000 residents - will feature offices of many companies, businesses, craft trades, and services shops, including those currently operating in the district of Ursus. It is estimated that around 20,000 new jobs will be created in the new office and service buildings in the plan-covered area. The plan also sets aside areas for public utility buildings such as schools, nurseries, kindergartens, parks, greeneries, and cycling paths, necessary for proper functioning of the newly created urban space.

The project is attractive for prospective buyers owing to proximity of the city centre (9km), convenient public transport access (3 suburban railway stops within the project premises and dense network of bus services), as well as reasonable pricing of apartments on offer.

The original intent of CPD Group for this area was to develop a comprehensive, multiple function urban development project, with dominant residential function, offering over approx. 750,000 sq m of area. Advantage of this solution for the future residents consisted in delivery of the architectural and urban planning concept by a single real estate developer, ensuring coherence of both functions and design. However, due to the long-lasting process of adoption of the local zoning plan for former ZPC Ursus premises, the Management Board made a strategic decision to divide the project into smaller projects to be delivered in co-operation with other developers, as joint venture projects.

On 10 September 2014, the investment process commenced for stage 1 of the residential and service buildings on an area of 1.1 ha, with around 20,000 sq m of usable area to be built in two phases. The investment process is being delivered jointly with Unibep S.A. capital group, with an active involvement of Unidevelopment S.A. – its subsidiary.

Stage 1 of the project consists in development of an area of 88,890 sq m with around 101,964 sq m of residential and service space. Design works in stage 1 were commenced in co-operation with HRA Architekci design studio which has been operating on the design market since 2004 and is the successor of Hermanowicz MWH – Architekci studio, established in 1990. Completion of these works is planned for late first half of this year.

The investment is situated on the corner of Hennela and Dyrekcyjna streets, in direct vicinity of the District of Ursus Office, Factory Outlet shopping mall, Ursus city railway stop, Arsus Cultural Centre, and a private schools complex of the Educational Society in Warsaw.

The planned complex of 4 apartment blocks will mainly offer apartments with an area of 40 to 80 sq m. Apart from the apartment blocks, also office buildings and educational facilities tailored to the purposes of the local community will be built. The offer of apartments will primarily be addressed at young, employed adults and families looking for their first living quarters in the Warsaw agglomeration.

We also plan to regenerate the greenery directly adjacent to the south-western side of the first residential housing project. The aim of this regeneration is to transform the area directly neighbouring with the Arsus Cultural Centre and private schools complex into a public park with a playground. Sale of apartments is planned to start in September 2015.

Further stages of Smart City Ursus project will be launched successively over the next few years so that there is a standing supply of apartments and shops available throughout the duration of the Smart City project. Current market trends show a large demand for small apartments at relatively low prices. The Ursus project perfectly matches these market needs which is why the Group anticipates high demand for apartments offered in the project.

Moreover, in the last few years the Group transferred to the Treasury road plots which according to the draft local zoning plan are allocated for four-strip road arteries which provide a collision-free connection of the regenerated areas with Al. Jerozolimskie by construction of Nowolazurowa street, and with Połczyńska street by construction of Nowomory street. The City Road Investments Board in 2013 successfully completed and commissioned both road arteries. Construction of Nowolazurowa and Nowomory streets is one of key elements of regeneration of the former ZPC Ursus industrial facilities by inclusion of the regenerated areas into the uniform network of city roads, owing to fast-lane and collision-free road connections. Commissioning of road arteries so important for this area is a part of consistent and comprehensive policy of Warsaw city and Ursus district authorities to regenerate post-industrial areas formerly owned by ZPC Ursus and transform them into a living and diverse urban fabric, serving all residents of the capital city. As a part of social responsibility and having noticed the need for active involvement in forming public urban space, CPD Group in July 2014 committed to transfer free of charge to Warsaw city authorities approx. 9,49 ha of land for road investments.

Transfer of this land for infrastructural purposes to strategic investors was aimed at allowing such institutions as City Road Investments Board, Dalkia Polska, Dalkia Warszawa, or RWE to launch their investment projects in the Ursus district. These actions are a part of conceptual and design works of the Group, continuing for several years and aimed at achieving full structural regeneration of post-industrial areas of former ZPC Ursus factory by building state-of-the-art road, energy, heating, water mains and sewage infrastructure so that the regenerated section, covering approx.

20% of the entire Ursus district, becomes a uniform, modern, and multi-function urban fabric. Although at the date of this report the Group has the necessary infrastructural conditions ensured by providers of all utilities, situation of the above-mentioned comprehensive infrastructural investments in direct vicinity of the Group's planned projects is of vital importance for delivery of the entire project as it will significantly streamline the infrastructure costs.

Acting further as a part of social responsibility and having noticed the need for active involvement in forming public urban space, CPD Group on 10 September 2014 committed to transfer free of charge to Ursus district authorities approx. 4.9 ha of land for public education investments (schools, kindergartens, and nurseries). Transfer of land for public investments of the district authorities will bring a positive result in the form of synchronised and balanced launch of multi-functional urban development investments in these areas and will also be an important impulse for the entire district's economic growth.

- **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. 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 2014, the building was leased in 97 %.

- **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. On 31 December 2014, the building was leased in 88 %.

- **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 2014 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 in recent years has forced the group to change the strategy for the implementation of projects and their disposal. Due to the prevailing market conditions and in order to prevent further accumulation at the time the return on investment of the Company's projects, at the end of 2011, the Management Board decided on the sale of investment projects that are in various stages of development and distribution of Ursus project into smaller sub-projects. In 2014, this strategy has been consistently implemented: solved Hungarian operating company of the Group, focusing activities on the Polish market.

- **MACROECONOMIC SITUATION IN POLAND**

Due to the concentration of the Group's activities on the Polish market, the overall condition of the Polish economy, with particular emphasis on its growth rate and the level of unemployment, will play a key role in shaping the demand for real estate offered by the Group.

In 2014, Polish GDP growth was 3.3%, and so much more than in 2013 (an increase of 1.7%). According to government forecasts the growth rate of the Polish economy in 2015 should be at the level of 3.4%. The main driver to maintain the current level of growth will be according to analysts domestic demand, mainly the higher growth rate of private consumption and maintaining high growth rate of private investment. Increase in the average wage and employment growth coupled with low inflation and low interest rates should support the continued growth of domestic demand in 2015. These factors should positively translate into improved consumer sentiment among workers and among entrepreneurs, and thus to increase in demand for housing and office space and commercial.

- **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 the credit policy of banks on the Group is twofold. The company, implementing new development projects, benefit greatly from bank financing. The terms of financing, such as credit margins and required own contribution, determine the return on equity of the Company involved in the implementation of the project. The availability of bank financing is also a key factor in determining the size of the population demand for housing, which must be taken into account when launching residential projects within the Group. The credit policy of the banks in turn depends on macroeconomic factors and monetary policy pursued by the central bank.

In 2014, we witnessed another rate cut - the reference rate of the National Bank of Polish decreased from 2.5% to 2.0% in October 2014 r 1.50% in March 2015. Maintaining the current level of interest rates in 2015 should contribute increase the attractiveness of mortgage loans as well as to extend their availability, which was significantly reduced in 2013, the introduction of the so-called. Recommendation S, which establishes stricter rules for the calculation of credit and the maximum amount of the credit limit.

- **GOVERNMENTAL POLICY SUPPORTING CONSTRUCTION INDUSTRY**

MdM program was launched on 1 January 2014. The new government assistance program is given in the form of a single payment for their contribution in the amount of 10 to 15% of the property, subject to certain limits on the surface of the housing and the price per square meter is determined according the location of the property. Just like in the Family on its own, the aid is directed to persons under 35 years of age, buying first apartment. Due to the target group of customers for the project in Ursus, a new assistance program in the future may have a positive influence on the demand for housing offered by the Group CPD.

- **ADMINISTRATIVE DECISIONS ON THE HELD LANDS**

Group's ability to implement development projects intended CPD is dependent on the Group's local administration bodies to a number of licenses. Any legislative initiatives aimed at simplifying the construction will have a positive impact on operations.

11. OVERVIEW OF BASIC ECONOMIC AND FINANCIAL INFORMATION

	12 months period		
	From 01.01.2014 to 31.12.2014 (EUR ths.)	From 01.01.2013 to 31.12.2013 (EUR ths.)	*Change (%)* *%*
Revenue	15 067	13 880	*8,6%*
Cost of sales	-3 648	-9 429	*-61,3%*
Gross profit	**11 419**	**4 451**	***156,5%***
Administrative expenses - property related	*-9 732*	*-11 290*	*-13,8%*
Other administrative expenses	*-10 645*	*-14 750*	*-27,8%*
Selling and marketing costs	*-561*	*-119*	*371,4%*
Gain (loss) on disposal of investment properties	*0*	*-2 597*	*-100,0%*
Other income	*420*	*606*	*-30,7%*
Gain (loss) on revaluation of investment properties	*114 810*	*-10 702*	*-1172,8%*
Gain (loss) on disposal of subsidiaries	-41	0	-
Profit (loss) from operations	**105 670**	**-34 401**	***-407,2%***
Finance income	9 734	909	*970,8%*
Finance costs	-10 546	-7 042	*49,8%*
Profit (loss) before tax	**104 858**	**-40 534**	***-358,7%***
Income tax	-364	-2 527	*-85,6%*
Profit (loss) for the period	**104 494**	**-43 061**	***-342,7%***
Earnings per share (PLN)	3,04	-1,27	*-339,7%*
Diluted earnings per share (PLN)	2,66	-1,27	*-309,1%*

By 2014, the Group recorded an improvement of CPD SA net result by PLN 147.6 million compared to 2013. Net profit in 2014 amounted to PLN 104.5 million.

Among the factors that had a positive impact on such a significant improvement in the Group's results in 2014 compared to 2013, driven by a positive result of the revaluation of investment property in the amount of PLN 114.8 million, which is a consequence of the change in land use investment in Ursus, financial income valuation of the embedded derivative in the amount of PLN 9.1 million, the Group recorded a result of the issuance of bonds and an increase in profit on sales in the amount of PLN 7.0 million resulting from the optimization curve implemented by the Board in recent years.

Also, reducing administrative costs PLN 5.7 million as a result of the implemented and consistently implemented by the Group in the last few years and optimization strategy for reducing operating costs has contributed significantly to the Group's net profit on an annual basis.

On the other hand, the main negative factor on the net as compared to 2013 was an increase in financial expenses by PLN 3.5 million, mainly due to the increase in foreign exchange losses of 1.3 million PLN and the use by the company of the Group, given bank financing of the building dedicated to the commercialization of Iris.

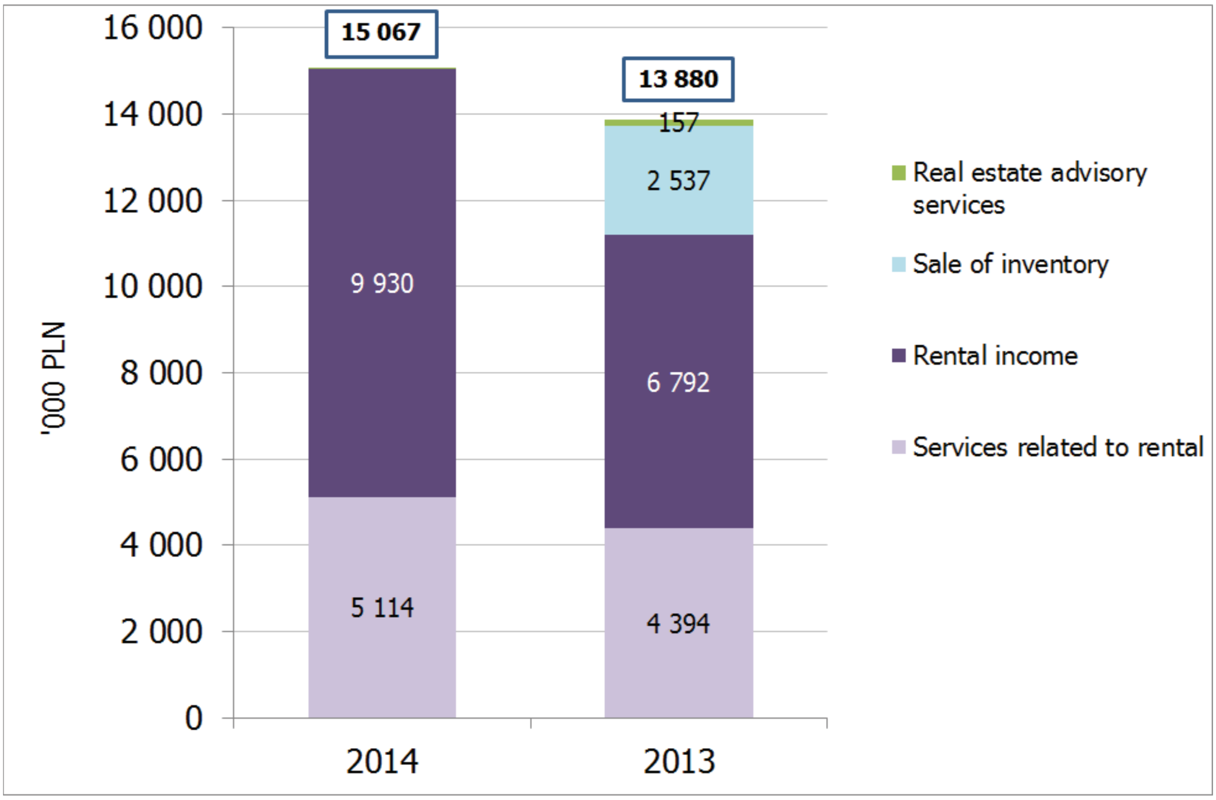
Sales revenues in 2014. Amounted to € 15.1 million PLN. The largest, 66-percent share in the amount of rental income accounted for. With respect to the value for the 12 months 2014 years rental income amounted to PLN 9.9m to PLN 6.8 million in 2013. Rental income was generated by the 3 office buildings in Warsaw - building Połczyńska Aquarius Street 31A, Solar building at 7B Cybernetics street and the building of Iris Street Cybernetics 9. The main factor to increase the positive impact of rent were active groups to full commercialization of the building Iris, which resulted in 2014 to increase the coefficient of renting space in the building Iris, who the date of publication of the report reached the level of 88.5% and the Group's activities aimed at maintaining a high level of cavities in two other office buildings Solar and Aquarius.

In addition, the Group implemented actions to reduce the cost of selling produce tangible results in the form of a reduction in cost of sales of more than 5.8 million PLN.

Planned, implemented and consistently implemented these actions resulted in the Group achieve a significant increase in profit from the sale of as much as 156%, reaching more than 11 million zł. Factors such an important component of growth is the increase in sales of 1.2 million and a decrease in cost of sales of 5.8 million.

In 2014. The Group did not record significant revenues from the sale of stocks or no operations consulting services for third parties.

The chart below shows the structure of revenues from sales in the years 2014 and 2013.



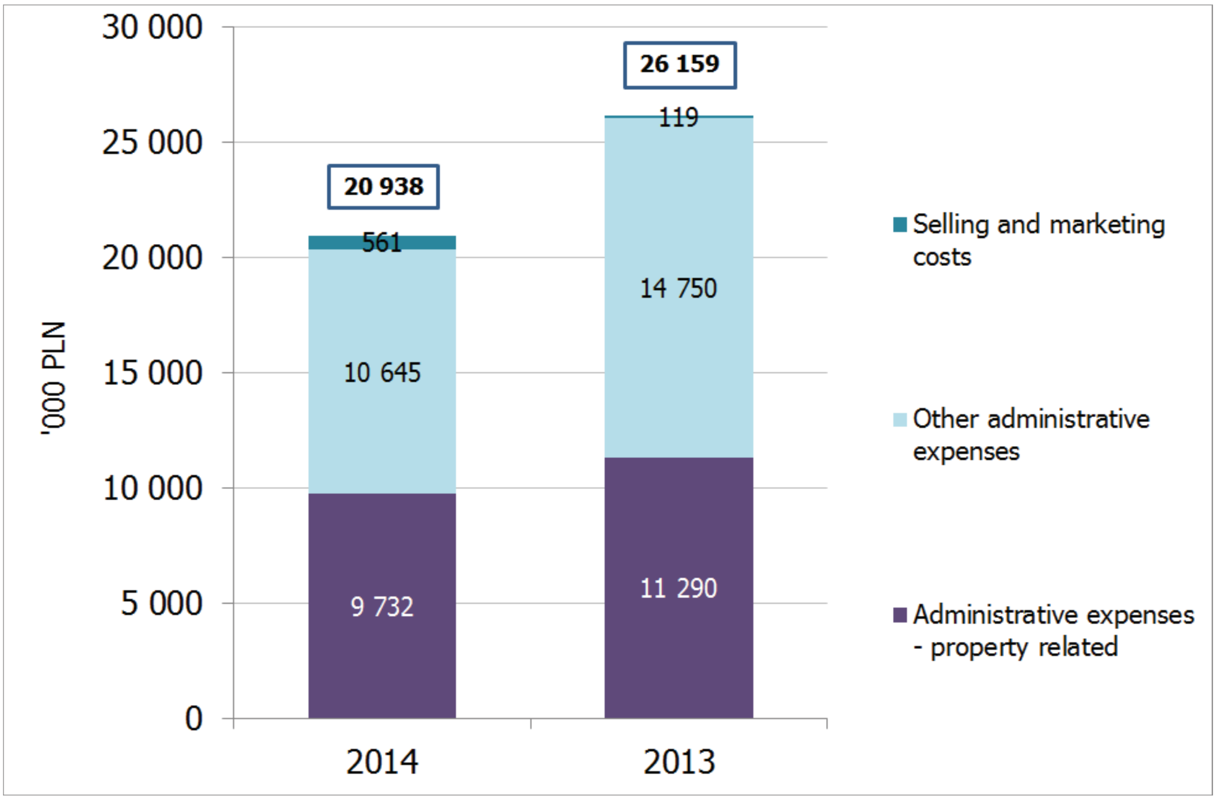
In 2014. The Group recorded a very significant (up to PLN 125.5 million) as a result of the improvement in the valuation of investment property. The increase in value of the property in 2014 led to a positive result of the revaluation of investment property in the amount of PLN 114.8 million. The increase in value mainly concerned plots located in Warsaw's Ursus district and was the result of the enactment in July 2014. the local development plan in the area of brownfield sites Eagles

Piastowskich street. As the Group has investment areas where an area of over 50 hectares, the adoption of the local plan was extremely significant impact on the valuation of the property. Additionally, the increase in the value of investment property due to growing value of the building Iris, achieved thanks to the constant raising of the building lease.

Reduction of the Group's total operating costs recorded in 2014 compared with 2013 are presented in the table below is the result of the adopted and consistently implemented strategy focused on the optimization of the Group's expenses related to the maintenance, operation and administration of the estate.

In 2014 Group as a result of the consistent implementation of the deployed and monitored by the Group's strategy to optimize costs, administrative expenses decreased by the amount of the remaining PLN 4.1 million and administrative expenses of maintaining the property, the amount of PLN 1.6 million compared to 2013. The reduction of these cost is mainly the effect of a reduction in personnel costs PLN 0.9 million and other property maintenance costs PLN 0.6 million.

The chart below shows the structure of the Group's operating expenses in the years 2014 and 2013.



Negative impact on the final amount of the Group's net profit had while the increase in financial costs in the amount of PLN 3.5 million, mainly due to the increase in foreign exchange losses of PLN 1.3 million (2.6 million foreign exchange losses in 2014 compared with 1.3 million foreign exchange losses in 2013). Also, an increase in interest expenses associated with an increase in the Group's debt contributed to the increase in financial expenses in 2014 compared to 2013. The increase in debt was due to continue building Iris commercialization and financing related expenses with funds obtained from the bank loan granted by BZ WBK, but also the issue of convertible bonds in September 2014.

		As at:		Change
		31.12.2014	31.12.2013	
		(PLN ths.)	(PLN ths.)	(%)
TOTAL ASSETS		**621 056**	**474 923**	***30,8%***
Non-current assets, including:		**585 907**	**447 304**	***31,0%***
	Investment properties	*581 386*	*442 793*	*31,3%*
	Bonds	*3 430*	*3 190*	*7,5%*
Current assets, including:		**35 149**	**27 619**	***27,3%***
	Inventory	*6 525*	*7 773*	*-16,1%*
	Trade and other receivables	*9 854*	*7 865*	*25,3%*
	Cash and cash equivalents	*18 770*	*11 981*	*56,7%*
TOTAL EQUITY AND LIABILITIES		**621 056**	**474 923**	***30,8%***
Equity, including:		**404 493**	**329 362**	***22,8%***
	Share capital	*3 286*	*3 460*	*-5,0%*
	Own shares	*0*	*-12 300*	*-100,0%*
	Reserve capital	*987*	*987*	*0,0%*
	Fair value of capital element at inception date	*-27 909*	*0*	*-*
	Translation reserve	*-5 301*	*-3 847*	*37,8%*
	Retained earnings	*433 430*	*341 062*	*27,1%*
Total liabilities, including:		**216 563**	**145 561**	***48,8%***
	Non-current liabilities	*129 240*	*35 879*	*260,2%*
	Current liabilities	*87 323*	*109 682*	*-20,4%*

At the end of December 2014. Value of the total assets of the Group increased compared to the end of 2013 by more than 30%. The main growth driver Group's assets was an increase in the value of investment properties (an increase of 138.6 million PLN). The biggest determinant of growth in the Group's assets was the adoption of the local development plan for the area located in Warsaw's Ursus district. Areas used so far as the industrial areas were reclassified as residential areas - service. In addition, investment properties increased by PLN 16.5 million as a result of capital expenditures that are largely a consequence of the commercialization of the building Iris.

Furthermore, the Group recorded an increase in the value of assets (27%), mainly as a result of the issuance of convertible bonds and the consequent increase in the balance of cash.

At the end of December 2014. Group's equity amounted to PLN 404.5 million, which accounted for 65% of the total assets of the Group, while liabilities accounted for 35% of total assets. These indicators have changed slightly (4 percentage points.) Compared to the end of 2013, and so the ratio of equity to assets ratio was 69% and the ratio of liabilities in relation to assets stood at 31%.

In 2014 years significantly increased the value of liabilities resulting from the need to finance capital expenditures related to the adoption of the local development plan and thus setting up a project in Ursus service residential and office building progressive commercialization of Iris. The increase in liabilities was mainly due to the issue of convertible bonds and borrowing subsequent tranches of the loan at the bank BZ WBK to finance finishing equipment associated with office space.

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

	31.12.2014	31.12.2013
Liabilities to total assets	**34,9%**	**30,6%**
Non-current liabilities to total assets	**20,8%**	**7,6%**
Borrowings including finance leases	11,5%	4,6%
Convertible bonds	3,9%	0,0%
Embedded derivative	3,0%	0,0%
Deferred income tax liabilities	2,2%	2,8%
Trade and other payables	0,2%	0,1%
Current liabilities to total assets	**14,1%**	**23,1%**
Borrowings including finance leases	11,5%	19,8%
Trade and other payables	2,5%	3,2%
Income tax liabilities	0,0%	0,1%

Changed compared to the end of 2013 was also the structure of liabilities. The share of long-term debt to total assets increased from 7.6% at the end of December 2013. To 20.8% at the end of December 2014. This change is mainly due to refinance the loan previously granted by HSBC Bank Poland mBank Mortgage SA in July 2014. . By a loan is a loan mBank 15 years and its total repayment is planned for the year 2029. Also, the September issue of 3-year bonds convertible into shares contributed to an increase in long-term debt of the Group.

The share of short-term debt decreased from 23.1% whereas on 31 December 2013. To 14.1% at December 31, 2014. This was due to refinance the loan previously granted by HSBC Bank Poland mBank Mortgage SA, whose repayment falls in 2029 and therefore, it was necessary to reclassify the short-term liabilities in the long term.

12. RISK FACTORS AND THREATS

CPD 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**

Polish general macroeconomic situation, including factors such as GDP growth, inflation and interest rates, the level of investment in the economy and unemployment have a direct impact on the level of wealth and purchasing power of the public and the financial situation of companies. As a result of these factors also affect the demand for products and services offered by the Company and the Group and may have an impact on their financial situation.

The growth rate of the Polish economy in 2014 was 3.3% and was significantly faster than in 2013, when it stood at 1.7%. Government forecasts for 2015 predict Polish GDP growth at 3.4%, while it can not be ruled out that GDP growth in the coming years will be lower. In the event of a reduction in GDP growth, the demand for products offered by the Company and the Group may fall, which may lead to a decline in prices of residential and commercial real estate, and have a negative impact on the financial condition 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 CPD 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 CPD 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 CPD 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 CPD 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 CPD 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 CPD 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**

CPD Group's debt denominated in foreign currencies amounted to 31 December 2014. Equivalent of PLN 137.8 million. Also in the future, the Company and the Group does not rule out further borrowing loans denominated in foreign currencies, primarily the euro. In view of the above, the Company and the Group is exposed to the risk of depreciation of the zloty against the currencies in which they are incurred loans, which could adversely affect the Company's financial position. This risk is partly compensated by the fact that the settlement proceeds from the rental and sale of office projects carried out 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

CPD 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 CPD S.A. equity.

14. ORGANIZATIONAL OR CAPITAL RELATIONSHIPS

CPD 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 FY2014, the Company and other Capital Group companies entered into two new agreements being material agreements as defined in the Regulation of the Minister of Finance of 19 February 2009 on current and periodical information published by the issuers of securities.

At the date of report publication, the Company and its subsidiaries have been parties to the following agreements considered material according to the above-mentioned Regulation:

- Credit agreement between Belise Investments sp. z o.o. and Bank Zachodni WBK S.A.. The agreement is material because of its value at 31-12-2014 amounting to PLN 70.608 (at the average EUR exchange rate published by the National Bank of Poland on 31 December 2014, amounting to 4.2623 PLN/EUR) which exceeds the value 10% of CPD S.A.'s equity at 31 December 2014;
- Credit agreement between Lakia Investments sp. z o.o. and mBank. The agreement is material because of its value at 31-12-2014 amounting to PLN 24,273,978.5 (at the average EUR exchange rate published by the National Bank of Poland on 31 December 2014, amounting to 4.2623 PLN/EUR) which exceeds the value 10% of CPD S.A.'s equity at 31 December 2014;
- Credit agreement between Robin Investments sp. z o.o. and mBank. The agreement is material because of its value at 31-12-2014 amounting to PLN 18,796,743 (at the average EUR exchange rate published by the National Bank of Poland on 31 December 2014, amounting to 4.2623 PLN/EUR) which exceeds the value 10% of CPD S.A.'s equity at 31 December 2014;

The above agreements are described in item 17: CREDIT AND LOAN AGREEMENTS, SURETIES AND GUARANTEES hereof.

16. MATERAL TRANSACTIONS WITH RELATED PARTIES

In the reporting period, the Company did not enter into transactions with related parties other than market conditions. Transactions with related parties are described in the explanatory note 24 to the Consolidated Financial Statements.

17. LOAN AND BORROWING AGREEMENTS, SURETIES AND GUARANTEES

In FY2014, the liabilities under the following two most important credit agreements of the Group were being performed in a timely manner:

- ### Credit agreement with Bank Zachodni WBK S.A.

This agreement was signed on 12 August 2011 between Bank Zachodni WBK S.a. and our subsidiary Belise Investments Sp. z o.o. as the borrower, with guarantors being: CPD S.A., Lakia Enterprises Ltd. with registered office in Nicosia (Cyprus), and East Europe Property Financing A.B. with registered office in Stockholm (Sweden), and concerned funding of construction and finishing of Iris office building located at Cybernetyki 9 in Warsaw, commissioned in October 2012. Funding under this credit agreement included:

1) Investment Credit up to EUR 20,141,000 granted for financing or re-financing of some project costs or costs of finishing the leasable area;

2) open-end VAT credit up to PLN 2,100,000, granted for financing or partial re-financing of VAT due in relation to project delivery.

In the case of VAT Credit, final repayment shall be made not later than on the date of conversion of the building credit into an investment credit. If the building credit is converted to an investment credit, final repayment shall not be made later than on 12 August 2019.

Under the current agreement, the conversion of the construction loan on an investment loan was to be repaid on 31 12 2014. Among other things, the terms of a conversion loan and thus change the date of final repayment to August 2019., Was to achieve in the credit agreement debt service coverage ratio and an appropriate level of space rental. At the date of this report has been achieved the expected debt coverage ratio was not achieved but the degree of rental properties. Due to the fact that the most important indicator of ability to repay the loan is debt service ratio, with the consent of the bank, the loan can be converted at the current level of 88.5% of rental space. Preparations are underway to collect all the documents required to convert the loan and thus change the date of the final repayment of the loan in August 2019. At the date of this report has not yet signed the necessary agreement, therefore, the bank shall have the theoretical right to terminate the contract and demand repayment of the entire debt. In the opinion of the Management Board of the Group, based on credit history CPD Group, existing cooperation in BZ WBK bank as well as real opportunities for the Group to refinance the acquisition of another bank at current rates achieved by Belise Investments Sp z oo (88.5% of rental level), the risk that the Group will not be able to meet its credit obligations to the bank BZ WBK is very limited.

During the reporting period did not change guarantees granted in connection with the loan agreement.

- **CREDIT AGREEMENT WITH MBANK**

On 18 June 2014, a credit agreement was signed between Robin Investments sp. z o.o., the Issuer's subsidiary, and mBank Hipoteczny S.A. under which Robin Investments Sp. z o.o. was granted a credit of EUR 4,450,000 for refinancing of Aquarius office building, among others by a complete and irrevocable repayment of this company's debt under credit agreement with HSBC Bank Polska S.A.

As a collateral for repayment of a mortgage loan, the following mortgages and pledges have been established:

1) contractual joint mortgage up to EUR 8,900,000;
2) registered pledge on all shares in the Borrower's share capital, with a total nominal value of PLN 50,000.00 along with the statement of LAKIA ENTERPRISES LIMITED with registered office in Nicosia ("Shareholder") of submission to enforcement from the pledged shares, drawn up in line with Article 97 of the Banking Law, up to the amount of EUR 4,450,000.
3) registered pledges (and financial pledges as a transitional collateral until the registered pledges are entered into the register of pledges) on the Borrower's receivables from Bank Accounts;

Other credit collaterals typical for such agreements include: bank transfer to secure receivables under the Property and Building insurance agreement, bank transfer or receivables under Lease Agreements, blockade and power-of-attorney to use the Borrower's bank accounts, Debt Service Reserve equivalent to 3 capital with interest instalments.

The credit was disbursed and used by the Borrower in the amount of EUR 4,450,000 to refinance the existing credit granted to the Shareholder by HSBC.

Final repayment of the Mortgage Loan will take place not later than on 20 June 2029. The due amounts shall be repaid in EUR according to the agreed repayment schedule. For the credit granted, the Subsidiary will pay interest at the 6M EURIBOR floating interest rate increased by the Bank's profit margin.

- **CREDIT AGREEMENT WITH MBANK**

On 18 June 2014, a credit agreement was signed between our subsidiary Lakia Investments sp. z o.o. and mBank Hipoteczny S.A. under which Lakia Investments Sp. z o.o. is to be granted a credit of EUR 5,850,000 for refinancing of Solar office building, among others by a complete and irrevocable repayment of this company's debt under credit agreement with HSBC Bank Polska S.A.

As a collateral for repayment of a mortgage loan, the following mortgages and pledges have been established:

1) contractual joint mortgage up to EUR 11,700,000 established on:

2) registered pledge on all shares in the Borrower's share capital, with a total nominal value of PLN 50,000.00 along with the statement of LAKIA ENTERPRISES LIMITED with registered office in Nicosia ("Shareholder") of submission to enforcement from the pledged shares, drawn up in line with Article 97 of the Banking Law, up to the amount of EUR 5,850,000.

3) registered pledges (and financial pledges as a transitional collateral until the registered pledges are entered into the register of pledges) on the Borrower's receivables from Bank Accounts;

Other credit collaterals typical for such agreements include: bank transfer to secure receivables under the Property and Building insurance agreement, bank transfer or receivables under Lease Agreements, blockade and power-of-attorney to use the Borrower's bank accounts, Debt Service Reserve equivalent to 3 capital with interest instalments.

The credit was disbursed and used by the Borrower in the amount of EUR 5,850,000 to refinance the existing credit granted to the Shareholder by HSBC.

Final repayment of the Mortgage Loan will take place not later than on 20 June 2029. The due amounts shall be repaid in EUR according to the agreed repayment schedule. For the credit granted, the Subsidiary will pay interest at the 6M EURIBOR floating interest rate increased by the Bank's profit margin.

- **INVESTMENT AGREEMENT**

The agreement was September 10, 2014, by and between:

CPD SA in Warsaw, Challenge Eighteen limited liability company in Warsaw, 1/95 Gaston Investments limited liability limited partnership with its registered office in Warsaw, Lakia Enterprise Ltd in Nicosia (Cyprus),

and

Unibep SA in Bielsko Podlaski, Unidevelopment SA in Warsaw.

The Agreement provides for a joint project be completed on the part of the property belonging to the Capital Group CPD ie. The company 1/95 Gaston Investments Sp. Z oo limited partnership in Warsaw. The property consists of the above plot no 95, no rev. Reg. No. 2-09-09, with an area of 3.6811 ha and is located at ul. Traktorzystów in Warsaw (Warsaw district - Ursus).

- **PURCHASE AGREEMENT**

30 January 2015. CPD belonging to the group of companies:

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

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

signed with the company

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

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

The Company has acquired the right of perpetual usufruct, consisting of plot No. 98, No. rpm. Reg. No. 2-09-09, with an area of 69 457 m2 and located near the street Gierdziejewskiego in Warsaw (Warsaw district - Ursus). In accordance with the provisions of the Local Development Plan, the property allows you to build about 80 000 m2 of residential and commercial. Purchase of the above assets play an important part in the strategy of the Group CPS SA because it is a strategic complement to the portfolio of building land with great potential residential- service in the district of Ursus. With this transaction, the Company controlled area of over 57 hectares, of which 80% are residential areas - service. Through this transaction, the Company has become a major investor in one of the most attractive investment areas in Warsaw.

Pursuant to the Agreement, the Subsidiary Buyer guarantees payment:

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

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

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

18. ISSUES OF SECURITIES, ACQUISITION OF OWN SHARES

- ### ISSUE OF SERIES F SHARES

Series F shares on 19 February 2014 were floated on the parallel market of Warsaw Stock Exchange under resolution no. 178/2014 of the Management Board of Warsaw Stock Exchange of 17 February 2014.

- ### REDEMPTION OF OWN SERIES B SHARES

On 1 December 2014, District Court for the capital city of Warsaw in Warsaw registered decrease of the Company's share capital by PLN 173,239.40 (say: one hundred seventy three thousand two hundred thirty nine zlotys 40/100) as a result of redemption of 1,732,394 (say: one million seven hundred thirty two thousand three hundred ninety four) of the Company's own series B shares with a nominal per-share value of PLN 0.10 (say: 10/100 zlotys), carrying 1,732,394 votes at the General Meeting of the Company's Shareholders. The shares were redeemed under Resolution no. 22 of the Annual General Meeting of Shareholders of 29 May 2014 (Roll of Deeds A no. 6337/2014).

- ### ISSUE OF SERIES A BONDS

On 26 September 2014, the Company issued tranche 1 of convertible bonds. The issued bonds are series A registered bonds with a nominal value of EUR 50,000.00 each, convertible to series G ordinary bearer shares in the Company with a nominal per-share value of PLN 0.10. Total nominal value of the issue under Resolution 3 of the Extraordinary General Meeting of Shareholders of 5 August 2014 does not exceed EUR 8,000,000.00. As a part of tranche 1, the Company issue 110 series A bonds with a nominal value of EUR 50,000 (say: fifty thousand euros) each and total nominal value of EUR 5,500,000. Bonds will be redeemed by the Company 3 years of the Issue Date, that is on 27 September 2017.

Apart from the above-mentioned issues, no other securities were issued by the Company in 2014. Until the report publication date, the Company has issued series B bonds.

- **ISSUE OF SERIES B BONDS**

On 13 January 2015, the Company issued a total of 30,000 series B secured bonds. The bonds were issued in the manner defined in Article 9.3 of the Bonds Act, i.e. as a private offering.

The bonds were issued on the following terms:

- The issuer did not determine the purpose of issue, as defined in the Bonds Act, or the project which is to be funded by issue of the Bonds.
- The issued Bonds are series B bearer bonds with a nominal value of PLN 1,000 each, secured and dematerialised.
- Total nominal value of all Bonds issued does not exceed PLN 30,000,000.
- Nominal value of each Bond is PLN 1,000. The issue price of one Bond is equivalent to its nominal value, that is PLN 1,000.
- The Bonds will be redeemed by the Company 4 years of the Bonds issue date, i.e. on 13 January 2019 (hereinafter "Redemption Date") except for cases of earlier redemption of Bonds should the Issuer infringe the terms on which the Bonds had been issued or upon the Issuer's request.
- The bonds bear a fixed interest of 9.1% per year.
- If the Issuer fails to redeem Bonds earlier in the case of infringements, at the Bond Holder's or the Issuer's request, the Bonds shall be redeemed on the Redemption Date by payment of an amount equivalent to nominal value of the Bonds increased by the unpaid and due interest on the Bonds.

19. DESCRIPTION OF DIFFERENCES IN FORECAST FINANCIAL RESULTS

CPD Group and its dominant entity did not publish financial result forecasts for the year 2014.

20. FINANCIAL RESOURCES MANAGEMENT ASSESSMENT

CPD Group finances its operations primarily with equity. In the financial year 2014 the Group's financial resources are used in accordance with the plans, specifications and current needs. Group fulfilled its regularly with its obligations to customers, banks and the mandatory duty to the State. Liabilities representing 34.9% of the total assets of the Group do not pose a threat to the financial condition of the Group.

Supplementary source of financing for the Group's loans and bonds. At the end of 2014, the total value of liabilities from loans and borrowings amounted to PLN 143 million compared to PLN 116.1 million at the end of 2013. As part of the liabilities from loans and borrowings CPD Group recognizes liabilities from finance leases, which is the obligation of the Group with perpetual usufruct of land. At the end of 2014. These commitments amounted to PLN 29.3 million, which represented 20.5% of total liabilities from loans and borrowings.

In September 2014, the Group issued convertible bonds. At the end of 2014. Value of these liabilities amounted to PLN 24.1 million, and also taking into account the value of the embedded derivative (PLN 18.8 million) total liabilities on the balance sheet of the Group amounted to PLN 42.9 million.

21. CHANGES IN MANAGEMENT POLICIES

In 2014, continuing the Group's strategy of focusing on the Polish market, and in particular on the project in Ursus, further simplifying the structure underwent Group. The process of decommissioning of the operating company in Hungary, continued investment company liquidation procedure Celtic Asset Management Sp. z oo, as well as the decision was made to liquidation or sale of three other companies not engaged in investment activities or operations (Mandy Investments Sp. z oo, 14/119 Gaston Investments Sp. Partnership and Gaetan Investments Sp. z oo, East Europe Property Finance AB) in connection with the sale of the property belonging to them or discontinuation of their operations. In 2014 the company was sold to East Europe Property Finance AB, while in February 2015, was completed the sale of Gaetan Investments Sp. z oo. The reduction of the number of subsidiaries of 44 at the end of 2011 to 37 at the date of this report, contributed to simplify the management of the Group. In addition to changes in the structure of the Group in 2014 (described in detail in Section VI.2 GROUP STRUCTURE of this report) and further simplification of organizational procedures, there were no major changes in the Group's management.

22. REMUNERATION OF THE SUPERVISORY BOARD AND THE MANAGEMENT BOARD

• Supervisory board remuneration

In 2014, the following remuneration amounts for holding an office in the Company's Supervisory Board were disbursed to the members of the Supervisory Board of CPD S.A.:

Name	Function	Currency	PLN	Period	Comments
Marzena Bielecka	President	PLN	60 000	01.2014 - 12.2014	-
Wiesław Oleś	Vice President	PLN	44 640	01.2014 - 12.2014	-
Andrew Pegge	Secretary	PLN	44 640	01.2014 - 12.2014	-
Mirosław Gronicki	Member	PLN	44 640	01.2014 - 12.2014	-
Wiesław Rozłucki	Member	PLN	44 640	01.2014 - 12.2014	-
TOTAL		**PLN**	**238 560**		

• Management Board remuneration

In 2014 CPD 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 CPD Group.

Name	Function	Wynagrodzenie z tytuły pełnienia funkcji w Zarządzie Spółki (PLN)	Wynagrodzenie z tytuły pełnienia innych funkcji w Grupie (PLN)	TOTAL (PLN)	Period	Comments
Elżbieta Wiczkowska	President	60 000	1 584 125	1 647 125	01.2014 - 12.2014	
Iwona Makarewicz	Member	60 000	486 461	546 461	01.2014 - 12.2014	
Colin Kingsnorth	Member	60 000	-	60 000	01.2014 - 12.2014	
Piotr Turchoński	Member	60 000	1 935 000	1 995 000	01.2014 - 12.2014	Resignation for 31.12.2014
Total		**240 000**	**4 005 586**	**4 248 586**		

23. AGREEMENTS WITH MEMBERS OF THE MANAGEMENT BOARD – COMPENSATIONS

CPD 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:

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

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

25. AGREEMENTS CHANGING OWNERSHIP STRUCTURE

At the date of this report, the Company has not received other complaints concerning the changes in the proportion of shares held by shareholders holding not yet at least 5.0% of the shares of the Company.

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

The financial statements of CPD SA and the consolidated financial statements of the Group for the years 2013 and 2014 were reviewed and audited by an auditing firm PricewaterhouseCoopers. with o.o with its registered office in Warsaw.

The total remuneration of the auditor for the audit, inspection Financial Statements for the year 2014, and other services provided by PricewaterhouseCoopers with net amounted to PLN 250,000, of which:

- PLN 85,000 was the reward for a review of the financial statements of CPD SA and the consolidated financial statements of the Group for the period from 1 January 2014. June 30, 2014. (agreement dated 4 August 2014.)
- PLN 111,000 was the fee for the audit of the financial statements of CPD SA and the consolidated financial statements of the Group for the period from 1 January 2014 to 31 December 2014. (agreement dated 3 February 2015.)
- PLN 18,000 was the fee for the audit of the financial statements of the company Belise Investments Sp. with o.o (Agreement dated 3 February 2015.)

- PLN 36,000 was the fee for the audit of financial statements of subsidiaries Celtic Investments Ltd, Buffy Holdings No 1 Ltd, Lakia for Enterprises Ltd period from 1 January 2014 to 31 December 2014. (Based on the agreements between these companies and PwC in some countries).

The total remuneration of the auditor for the year 2013 amounted to PLN 325,000 net, of which:

- PLN 102,000 was the reward for a review of the financial statements of CPD SA and the consolidated financial statements of the Group for the period from 1 January 2013. June 30, 2013. (agreement of 25 July 2013.)
- PLN 134,000 was the fee for the audit of the financial statements of CPD SA and the consolidated financial statements of the Group for the period from 1 January 2013 to 31 December 2013. (agreement dated 9 January 2014.)
- PLN 50,000 constituted remuneration for advisory services related to the consolidation of the Group, including: presentation of examples of accounting records using consolidation accounting principles recognized in the IFRS, provide examples of financial statement presentation and disclosure requirements in accordance with IFRS; advice on the preparation of the information needed for the preparation of the consolidated financial statements;
- PLN 19,000 was the fee for the audit of the financial statements of the company Belise Investments Sp. with o.o (Agreement dated 9 January 2014.)
- PLN 20,000 was the fee for the audit of financial statements of 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. (Based on agreements between the two companies and PwC in some countries).

28. STRUCTURE OF ASSETS AND LIABILITIES – BY LIQUIDITY

CPD Group assets structure on 31 December 2014 and changes compared with the status at the end of 2013:

	As at:		% in total assets	% in total assets	Change 2014/2013
	(PLN ths.)	(PLN ths.)	2014	2013	(%)
Investment properties	581 386	442 793	93,6%	93,2%	*31,3%*
Property, plant and equipment	914	853	0,1%	0,2%	*7,2%*
Intangible assets, excluding goodwill	92	108	0,01%	0,02%	*-14,8%*
Deferred income tax assets	85	360	0,01%	0,08%	*-76,4%*
Bonds	3 430	3 190	0,6%	0,7%	*7,5%*
Non-current assets	**585 907**	**447 304**	**94,3%**	**94,2%**	***31,0%***
Inventories	6 525	7 773	1,1%	1,6%	*-16,1%*
Trade and other receivables	9 854	7 865	1,6%	1,7%	*25,3%*
Cash and cash equivalents	18 770	11 981	3,0%	2,5%	*56,7%*
Current assets	**35 149**	**27 619**	**5,7%**	**5,8%**	***27,3%***
TOTAL ASSETS	**621 056**	**474 923**	**100%**	**100%**	***30,8%***

CPD Group liabilities structure on 31 December 2014 and changes compared with the status at the end of 2013:

	As at:		% in total assets	% in total assets	Change 2014/2013
	(PLN ths.)	(PLN ths.)	2014	2013	(%)
Share capital	3 286	3 460	0,5%	0,7%	*-5,0%*
Own shares	0	-12 300	0,0%	-2,6%	*-100,0%*
Other reserves	987	987	0,2%	0,2%	*0,0%*
Fair value of capital element at inception date	-27 909	0	-4,5%	0,0%	-
Translation reserve	-5 301	-3 847	-0,9%	-0,8%	*37,8%*
Retained earnings	433 430	341 062	69,8%	71,8%	*27,1%*
Equity	**404 493**	**329 362**	**65,1%**	**69,4%**	***22,8%***
Trade and other payables	1 494	384	0,2%	0,1%	*289,1%*
Borrowings, including finance leases	71 484	22 027	11,5%	4,6%	*224,5%*
Convertible bonds	24 065	0	3,9%	0,0%	-
Embedded derivative	18 815	0	3,0%	0,0%	-
Defferred income tax liabilities	13 382	13 468	2,2%	2,8%	*-0,6%*
Non-current liabilities	**129 240**	**35 879**	**20,8%**	**7,6%**	***260,2%***
Trade and other payables	15 830	15 370	*2,5%*	3,2%	*3,0%*
Current income tax liabilities	0	267	*0,0%*	0,1%	*-100,0%*
Borrowings, including finance leases	71 493	94 045	*11,5%*	19,8%	*-24,0%*
Current liabilities	**87 323**	**109 682**	**14,1%**	**23,1%**	***-20,4%***
Total liabilities	**216 563**	**145 561**	**34,9%**	**30,6%**	***48,8%***
TOTAL EQUITY AND LIABILITIES	**621 056**	**474 923**	**100,0%**	**100,0%**	***30,8%***

29. CONTINGENT LIABILITIES

- ### FREE-OF-CHARGE TRANSFER OF LAND

In 2011, CPD Group declared that they would give the authorities of Warsaw, free of charge, approx. 14,39 ha of land, of which 4.9 ha would be allocated for social functions and 9,49 ha for road functions. Value of this land, according to the *Forecast of financial consequence of adoption of the local zoning plan for post-industrial areas around Orłów Piastowskich street*, ordered by the Capital City of Warsaw, is estimated at approx. PLN 57 mln.

The Management Board intended this declaration to facilitate the city authorities in regenration of post-industrial areas in Warsaw and support the City's budget as well.

On 3 July 2014, CPD S.A.'s subsidiaries, the State Treasury, and the Capital City of Warsaw entered into agreements in the form of notarial deeds, transferring the rights of perpetual usufruct of these land plots to the Capital City of Warsaw and the State Treasury. The above land plots in the draft Local Zoning Plan for Post-Industrial Areas around Orłów Piastowskich Street – Part I are allocated for public areas. The title to the land plots can be divided provided that the land plots for road investments are separated by an administrative decision, and for land plots for educational purposes – provided that the city obtains funding for individual educational investment projects.

- ### INVESTMENT AGREEMENT

On 10 September 2014, an investment agreement for a joint venture to build a complex of apartment blocks with service shops and appurtenant infrastructure in Warsaw city district of Ursus was signed between the Issuer, subsidiaries on one side and Unibep S.A. and Unidevelopment S.A. on the other side.

The subject matter of the Agreement was joint delivery of a construction project on a part of real property owned by a CPD Capital Group company, that is 1/95 Gaston Investments sp. z o.o. sp.k. in Warsaw. The above-mentioned property comprises plot no. 95, cadastral district no. 2-09-09, with an area of 3.6811ha, and is situated at Traktorzystów in Warsaw (Warsaw city district of Ursus).

The agreement was to enter into force provided that the parties thereto agree to (approve) all schedules to the Agreement by 13 October 2014. Moreover the agreement concerning Unidevelopment S.A. joining the Limited Partnership entered into force on condition that the President of the Office for Protection of Competition and Consumer (UOKiK) grants approval for merger of companies.

On 24 February 2015, the companies obtained permission from the UOKiK President for the merger consisting in establishment of a joint enterprise under the name of Smart City sp. z o.o. w organizacji spółka komandytowa with registered office in Warsaw.

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

Management Board statement

VI. MANAGEMENT BOARD STATEMENT

The Management Board of CPD S.A. ("Company") confirms that according to its best knowledge, the consolidated financial statements of the CPD Group ("the Group") for the financial year ending on 31 December 2014 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 2013 and 2014 financial statements of CPD 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

VII. INDEPENDENT CHARTERED AUDITOR'S OPINION

VIII. CHARTERED AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2014.

CPD 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 2014

Content:

Independent Registered Auditor's Opinion

To the General Shareholders' Meeting and the Supervisory Board of CPD 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 2014, showing total assets and total equity and liabilities of PLN 621.056 thousand, the consolidated statement of comprehensive income for the period from 1 January to 31 December 2014, showing a total comprehensive profit of PLN 103 040 thousand; 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:
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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 2014 and of the results of its operations for the year from 1 January to 31 December 2014, 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.

The information contained in the Group Directors' Report for the year from 1 January to 31 December 2014 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.

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

Piotr Wyszogrodzki

Group Registered Auditor, Key Registered
Auditor
No. 90091

Warsaw, 19 March 2015

Translation note:
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CPD S.A. Group

Registered auditor's report on the audit of the consolidated financial statements for the year from 1 January to 31 December 2014

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 2014

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

This report contains 14 consecutively numbered pages and consists of:

pwc

I. General information about the Group

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

b. The Parent Company was formed on the basis of a Notarial Deed drawn up on 23 February 2007 by notarial assessor Radosław Chorabik 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 Extraordinary General Shareholders' Meeting adopted a resolution changing the Parent Company's name from Poen S.A. to Celtic Property Developments S.A. On 29 May 2014 the Extraordinary General Shareholders' Meeting adopted a resolution changing the Parent Company name from Celtic Property Developments S.A. to CPD S.A. The change of Company's name was registered in the National Court Register on 17 September 2014.

c. The Parent Company was assigned on 22 March 2007 a tax identification number (NIP) 677-22-86-258 for the purpose of making tax settlements and on 6 March 2007 a REGON number 120423087 for statistical purposes.

d. As at 31 December 2014 the Parent Company's share capital amounted to PLN 3 286 320,30 and consisted of 32.863.203 shares, with a nominal value of PLN 0,10 each.

e. As at 31 December 2014, 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	30,68
Furseka Trading and Investments Ltd.	5.137.222	513.722,2	ordinary	15,63
The Value Catalyst Fund Plc	3.975.449	*397.544,9*	ordinary	*12,10*
QVT Fund LP	*3.701.131*	*370.113,1*	ordinary	*11,26*
LP Value Ltd	*2.005.763*	*200.576,3*	ordinary	*6,10*
LP Alternative Fund LP	*2.003.981*	*200.398,1*	ordinary	*6,10*
Shareholders with less than 5% of shares	*5.956.727*	*595.672,7*	ordinary	*18,13*
	32.863.203*	***3.286.320,3***		**100,0**

On 5 August 2014, Company's share capital was conditionally increased by PLN 979.136 pursuant to the resolution of Extraordinary General Shareholders' Meeting. Conditional increase of share capital was performed to allow the holders of convertible bonds to convert them into shares.

I. General information about the Group (cont.)

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 Wiczkowska	Chairman
• Colin William Kingsnorth	Board Member
• Iwona Ewa Makarewicz	Board Member from
• Piotr Sylwester Turchoński	Board Member till 31 December 2014

I. General information about the Group (cont.)

h. As at 31 December 2014, the CPD 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
CPD S.A.	Parent Company	Full	PricewaterhouseCoopers Sp. z o.o.	Unqualified	31 December 2014
Mandy Investment Sp. z o.o.	Subsidiary (100 %)	Full	Not applicable	Not applicable	31 December 2014
Lakia Enterprises Limited	Subsidiary (100 %)	Full	PricewaterhouseCoopers Limited, Cyprus	As at 19 March 2015 the audit of this entity's financial statement was not completed	31 December 2014
Lakia Investments Sp. z o.o.	Subsidiary (100 %)	Full	Not applicable	Not applicable	31 December 2014
Gaetan Investments Sp. z o.o.	Subsidiary (69 %)	Full	Not applicable	Not applicable	31 December 2014
Celtic Asset Management Sp. z o.o. w likwidacji (previous name: Liliane Investments Sp. z o.o.)	Subsidiary (100 %)	Full	Not applicable	Not applicable	31 December 2014
Blaise Investments Sp. z o.o.	Subsidiary (100 %)	Full	Not applicable	Not applicable	31 December 2014
Robin Investments Sp. z o.o.	Subsidiary (100 %)	Full	Not applicable	Not applicable	31 December 2014
Hub Developments Ltd Sp. z o.o.	Subsidiary (100%)	Full	Not applicable	Not applicable	31 December 2014
Elara Investments Sp. z o.o.	Subsidiary (100%)	Full	Not applicable	Not applicable	31 December 2014
Celtic Investments Limited	Subsidiary (100%)	Full	PricewaterhouseCoopers Limited, Cyprus	As at 19 March 2015 the audit of this entity's financial statement was not completed.	31 December 2014

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**
Gaston Investments Sp. z o.o.	Subsidiary (100%)	Full	Not applicable	Not applicable	31 December 2014
Buffy Holdings No 1 Ltd	Subsidiary (100%)	Full	PricewaterhouseCoopers Limited, Cyprus	As at 19 March 2015 the audit of this entity's financial statement was not completed.	31 December 2014
Challange Eighteen Sp. z o.o.	Subsidiary (100%)	Full	Not applicable	Not applicable	31 December 2014
Celtic Trade Park Kft.	Subsidiary (100%)	Full	Not applicable	Not applicable	31 December 2014
Blaise Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Subsidiary (100%)	Full	Not applicable	Not applicable	31 December 2014
Smart City Spółka z ograniczoną odpowiedzialnością w organizacji sp.k. (previous name: 1/95 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.)	Subsidiary (100%)	Full	Not applicable	Not applicable	31 December 2014
2/124 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Subsidiary (100%)	Full	Not applicable	Not applicable	31 December 2014
3/93 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Subsidiary (100%)	Full	Not applicable	Not applicable	31 December 2014
4/113 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Subsidiary (100%)	Full	Not applicable	Not applicable	31 December 2014

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
4/113 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Subsidiary (100%)	Full	Not applicable	Not applicable	31 December 2014
5/92 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Subsidiary (100%)	Full	Not applicable	Not applicable	31 December 2014
6/150 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Subsidiary (100%)	Full	Not applicable	Not applicable	31 December 2014
7/120 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Subsidiary (100%)	Full	Not applicable	Not applicable	31 December 2014
8/126 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Subsidiary (100%)	Full	Not applicable	Not applicable	31 December 2014
9/151 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Subsidiary (100%)	Full	Not applicable	Not applicable	31 December 2014
10/165 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Subsidiary (100%)	Full	Not applicable	Not applicable	31 December 2014
11/162 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Subsidiary (100%)	Full	Not applicable	Not applicable	31 December 2014
12/132 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Subsidiary (100%)	Full	Not applicable	Not applicable	31 December 2014

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
13/155 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Subsidiary (100%)	Full	Not applicable	Not applicable	31 December 2014
14/119 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Subsidiary (100%)	Full	Not applicable	Not applicable	31 December 2014
15/167 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Subsidiary (100%)	Full	Not applicable	Not applicable	31 December 2014
16/88 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Subsidiary (100%)	Full	Not applicable	Not applicable	31 December 2014
18 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Subsidiary (100%)	Full	Not applicable	Not applicable	31 December 2014
19/97 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Subsidiary (100%)	Full	Not applicable	Not applicable	31 December 2014
20/140 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Subsidiary (100%)	Full	Not applicable	Not applicable	31 December 2014
Belise Investments Sp. z o.o.	Subsidiary (100%)	Full	PricewaterhouseCoopers Sp. z o.o.	As at 19 March 2015 the audit of this entity's financial statement was not completed	31 December 2014
Antigo Investments Sp. z o.o.	Subsidiary (100%)	Full	Not applicable	Not applicable	31 December 2014

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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
Smart City Sp. z o.o.	Subsidiary (100%)	Full	Not applicable	No applicable	31 December 2014

I. General information about the Group (cont.)

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

- Shares of EEPF (Sweden) were sold,
- Smart City Sp. z o.o. was founded, with Lakia Enterprises Limited (Cyprus) being the only shareholder,
- 100 of 320 shares of Gaetan Investments sp. z o.o. were sold,
- 1% of shares of Smart City Sp. z o.o. sp. k. were sold from Gaston Investments Sp. z o.o. to Smart City sp. z o.o.

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 2014 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 Piotr Wyszogrodzki (no. 90091).

b. PricewaterhouseCoopers Sp. z o.o. was appointed registered auditor to the Group by Resolution No. 2/VII/2014 of the Supervisory Board dated 2 July 2014 in accordance with paragraph 11 point 8 of the Parent 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 3 February 2015 and conducted during the period from 16 February to 19 March 2015.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 31 December 2014 (selected lines)

	31.12.2014 PLN '000	31.12.2013 PLN '000	Change PLN '000	Change (%)	Structure 31.12.2014 (%)	Structure 31.12.2013 (%)
ASSETS						
Non-current assets	585.907	447.304	138.603	31	94,3	94,2
Current assets	35.149	27.619	7.530	27,3	5,7	5,8
Total assets	**621.056**	**474.923**	**146.133**	**30,8**	**100,0**	**100,0**
LIABILITIES AND EQUITY						
Share capital	**3.286**	3.460	(174)	**(5)**	**0,5**	0,7
Own Shares	**0**	(12.300)	12.300	**100**	**0**	(2,6)
Reserve capital	**987**	987	0	**0,00**	**0,2**	0,2
Equity component on initial recognition	**(27.909)**	0	(27.909)	**100**	**(4,5)**	0
Translation reserves	**(5.301)**	(3.847)	(1.454)	**37,8**	**(0,9)**	(0,8)
Retained earnings	**433.430**	341.062	92.368	**27,1**	**69,8**	71,8
Liabilities	**216.563**	145.561	71 002	**48,8**	**34,9**	30,6
Total liabilities and equity	**621.056**	**474.923**	**146.133**	**30,8**	**100,0**	**100,0**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME for the year from 1 January to 31 December 2014 (selected lines)

	2014 PLN '000	2013 PLN '000	Change PLN '000	Change (%)	Structure 2014 (%)	Structure 2013 (%)
Revenues	15.067	13.880	1.187	8,6	14,6	(32)
Costs of sales	(3.648)	(9.429)	5.781	(61.3)	(3,5)	22
Gross profit	**11.419**	**4.451**	**6.968**	**156,5**	**11,1**	**(10,4)**
Operating profit / (loss)	**105.670**	**(34.401)**	**140.071**	**(407)**	**102,6**	**80**
Profit / (loss) for the year	**104.494**	**(43.061)**	**147.555**	**(343)**	**101,4**	**100,2**
Currency translation adjustment	(1.454)	86	(1.540)	(1791)	(1,4)	0,2
Total comprehensive income for the year	**103.040**	**(42.975)**	**146.015**	**(340)**	**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 characterize the Group's activities, results of operations during the year and its financial position as at the balance sheet date compared with previous years:

	2014	2013	2012
Asset ratios			
- receivables turnover	80 days	175 days	144 days
- inventory turnover	705 days	444 days	1484 days
Profitability ratios			
- net profit margin	(63)%	(156)%	(220) %
- return on capital employed	28%	(12)%	(35)%
Liability ratios			
- gearing	35%	31%	26%
- payables turnover	95 days	39 days	124 days
	31.12.2014	**31.12.2013**	**31.12.2012**
Liquidity ratios			
- current ratio	0,4	0,3	5,1
- quick ratio	0,3	0,2	4,1

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 -1% in the audited year (0,7% in 2013).

CPD S.A. is as at 31 December 2014 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.

- At the end of the financial year, the Group's total assets amounted to PLN 621.056 thousand. During the year total assets increased by PLN 146.133 thousand (i.e. by 30,8%.). This increase resulted mainly from the increase in value of investment properties of PLN 138.593 thousand.

- As at 31 December 2014 the inventory amounted to PLN 6.525 thousand, which comparing to the end of prior financial year represented a decrease of PLN 1.248 thousand. Changes in 2014 resulted mainly from impairment write-off (PLN 1.172 thousand). As at 31 December 2014 inventory consisted of properties for sale in a normal course of business.

- As at 31 December 2014 total equity amounted to PLN 404.493 thousand and compared to prior financial year increased by PLN 75.131 thousand (22,8%) due to net profit for the current financial year of PLN 104.494 thousand and valuation of the embedded component related to the bonds issued in the amount of PLN 27.909 thousand that was recognized through equity.

- As at 31 December 2014 the balance of long-term liabilities amounted to PLN 129.240 thousand and consisted of bank loans in the amount of PLN 42.221 thousand, finance lease liabilities in the amount of PLN 29.263 thousand and bonds issued in the amount of PLN 42,880 thousand. Increase of long-term liabilities by PLN 93.361 thousand (260,2%) resulted mainly from increase of credit liabilities by PLN 42.221 thousand which were reclassified from short-term liabilities and issuance of bonds in the amount of PLN 42.880 thousand as at 31 December 2014.

- Current liquidity ratio was 0,4 as at 31 December 2014 in comparison to 0,3 as at 31 December 2013. Quick liquidity ratio as at 31 December 2014 was 0,3 in comparison to 0,2 as at 31 December 2013.

- Gearing ratio increased from 31% as at 31 December 2013 to 35% as at 31 December 2014.

- Group's revenues for the financial period amounted to PLN 15.067 thousand and increased as compared to prior financial period by PLN 1.187 thousand (8,6%). The main reason for the change was increase of revenues from office space rental by PLN

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

3.138 thousand, which was partially offset by the drop of revenues from the sales of inventory by PLN 2.521 thousand.

- Cost of goods sold decreased by PLN 5.781 thousand (61%). The Group achieved gross profit in the amount of PLN 11.419 thousand which was higher than gross profit generated in prior financial period by PLN 6.968 thousand.

- The receivables turnover ratio dropped from 175 days in 2013 to 80 days in 2014. The main reason for the change was increase of revenues and decrease of trade receivables balance.

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 consolidation of equity items were carried out properly in all material respects.

e. 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.

f. 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.

g. 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.

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

i. The consolidated financial statements of the Group as at and for the year ended 31 December 2013 were approved by Resolution No. 4 passed by the General Shareholders' Meeting of the Parent Company on 29 May 2014 and filed with the National Court Register in Warsaw on 10 June 2014.

j. The consolidated financial statements for the previous year were audited by PricewaterhouseCoopers Sp. z o.o. The registered auditor issued an unqualified opinion with emphasis of matter.

k. 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.

l. The information in the Group Directors' Report for the year from 1 January to 31 December 2014 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 CPD S.A. Group having CPD S.A., Cybernetyki 7B Street, Warsaw, as its Parent Company. The consolidated financial statements were signed by the Parent Company's Management Board on 19 March 2015.

This report should be read in conjunction with the Independent Registered Auditor's unqualified Opinion to General Shareholders' Meeting and Supervisory Board of CPD S.A. dated 19 March 2015, 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:

Piotr Wyszogrodzki

Group Registered Auditor, Key Registered Auditor
No. 90091

Warsaw, 19 March 2015

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.

I. CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR FROM 1 JANUARY TO 31 DECEMBER 2014

CPD S.A.

Consolidated financial statements

for the year ended 31 December 2014

(All amounts in PLN thousand unless otherwise stated)

Consolidated property portfolio

INVESTMENT PROPERTY (Note 5)

Property	Company	As at 31 December 2014 Fair value
Solar (Viterra)	Lakia Investments	34 098
Aquarius	Robin Investments	27 279
Ursus	Blaise Gaston Investments	39 200
Ursus	Challange Eighteen	3 500
Ursus	1/95 Gaston Investments	29 260
Ursus	2/124 Gaston investments	32 240
Ursus	3/93 Gaston investments	32 920
Ursus	4/93 Gaston investments	47 330
Ursus	5/92 Gaston Investments	42 830
Ursus	6/150 Gaston Investments	17 210
Ursus	7/120 Gaston Investments	11 460
Ursus	8/126 Gaston Investments	16 610
Ursus	9/151 Gaston Investments	6 430
Ursus	10/165 Gaston Investments	15 800
Ursus	11/162 Gaston Investments	13 120
Ursus	12/132 Gaston Investments	17 740
Ursus	13/155 Gaston Investments	25 800
Ursus	15/167 Gaston Investments	16 010
Ursus	16/88 Gaston Investments	3 560
Ursus	18 Gaston Investments	3 336
Ursus	19/97 Gaston Investments	8 810
Ursus	20/140 Gaston Investments	4 390
Wolbórz	HUB Developments	2 600
IRIS	Belise Investments	100 590
Capitalised rights of perpetual usufruct of land		29 263
		581 386

INVENTORIES (Note 6)

Property	Company	As at 31 December 2014 Carrying amount	Fair value
Tenement house in Łódź	Antigo Investments	4 100	4 100
Koszykowa	Elara Investments	370	370
		4 470	4 470
Jaktorów	Antigo Investments	330	330
Czosnów	Antigo Investments	800	800
Nowa Piasecznica	Antigo Investments	150	150
Lesznowola	Antigo Investments	17	17
Alsonemedi	Celtic Trade Park	758	758
		2 055	2 055
		6 525	6 525
Total fair value of property portfolio			587 911

(All amounts in PLN thousand unless otherwise stated)

Consolidated statement of comprehensive income

	Note	12 months ended 31 December 2014	12 months ended 31 December 2013
Revenue	15	15 067	13 880
Cost of sales	16	(3 648)	(9 429)
Including: Costs of inventories sold		(14)	(4 338)
Inventory impairment		(1 172)	(3 638)
Cost of services sold		(2 462)	(1 453)
GROSS PROFIT		11 419	4 451
Administrative expenses - property related	17	(9 732)	(11 290)
Administrative expenses - other	19	(10 645)	(14 750)
Selling and marketing expenses		(561)	(119)
Net loss on sale of investment property	28	0	(2 597)
Other income	18	420	606
Net gain from fair value adjustments on investment property	5	114 810	(10 702)
Net gain / (loss) on sale of subsidiares	27	(41)	0
OPERATING PROFIT (LOSS)		105 670	(34 401)
Finance income	20	9 734	909
Finance costs	20	(10 546)	(7 042)
PROFIT (LOSS) BEFORE INCOME TAX		104 858	(40 534)
Income tax expense	21	(364)	(2 527)
PROFIT (LOSS) FOR THE YEAR		104 494	(43 061)
OTHER COMPREHENSIVE INCOME			
Currency translation adjustment		(1 454)	86
TOTAL COMPREHENSIVE INCOME		103 040	(42 975)
Profit attributable to:			
Equity holders of the Group		**104 494**	**(43 061)**
Total comprehensive income attributable to:			
Equity holders of the Group		**103 040**	**(42 975)**
BASIC EARNINGS PER SHARE (PLN)	32	3,04	-1,27
DILUTED EARNINGS PER SHARE (PLN)	32	2,66	-1,27

Elżbieta Donata Wiczkowska
Chairman

Colin Kingsnorth
Board Member

Iwona Makarewicz
Board Member

(All amounts in PLN thousand unless otherwise stated)

Consolidated statement of financial position

	Note	As at 31 December 2014	As at 31 December 2013
ASSETS			
Non-current assets			
Investment properties	5	581 386	442 793
Property, plant and equipment		914	853
Intangible assets, excluding goodwill		92	108
Deferred income tax assets	14	85	360
Bonds		3 430	3 190
Non-current assets		585 907	447 304
Current assets			
Inventory	8	6 525	7 773
Trade and other receivables	7	9 854	7 865
Derivative financial instruments		4 851	4 036
Current income tax receivables		5 003	3 829
Cash and cash equivalents	9	18 770	11 981
Current assets		35 149	27 619
Total assets		621 056	474 923

(All amounts in PLN thousand unless otherwise stated)

Consolidated statement of financial position - cont.

	Note	As at 31 December 2014	As at 31 December 2013
EQUITY			
Capital and reserves attributable to the parent Company's equity holders			
Share capital	10	3 286	3 460
Aqusition of shares		0	(12 300)
Other reserves		987	987
Fair Value of capital element an inception date	13	(27 909)	0
Translation reserve		(5 301)	(3 847)
Retained earnings/(accumulated losses)		433 430	341 062
Total equity		404 493	329 362
LIABILITIES			
Non-current liabilities			
Trade and other payables	11	1 494	384
Borrowings, including finance leases	12	71 484	22 027
Issued Bonds	13	24 065	0
Derivative financial instruments	13	18 815	0
Deferred income tax liabilities	14	13 382	13 468
		129 240	35 879
Current liabilities			
Trade and other payables	11	15 830	15 370
Current income tax liabilities		0	267
Borrowings, including finance leases	12	71 493	94 045
Current liabilities including liabilities directly associated with assets held for sale		87 323	109 682
Total liabilities		216 563	145 561
Total equity and liabilities		621 056	474 923

Elżbieta Donata Wiczkowska
Chairman

Colin Kingsnorth
Board Member

Iwona Makarewicz
Board Member

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

	Note	Share capital CPD SA	Fair Value of capital element an inception date	Own shares	Translation reserve	Accumulated profit (loss) Supplementary capital	Reserve capital	Retained earnings	Total
Balance at 1 January 2013		**3 431**		**-**	**(3 933)**	**-**	**4 399**	**379 724**	**383 621**
		-		-	-	-	-	-	-
2012 loss allocation		-		-	-	-	(4 399)	4 399	-
Aquisition of own shares	10	-		(12 300)	-	-	-	-	(12 300)
Costs of issuance of new shares		20		-	-	-	-	-	20
Conversion of liability to Board of Advisors-to-equity		-		-	-	-	987	-	987
Management Board remuneration in warrants		9		-	-	-	-	-	9
		29		(12 300)	0	0	(3 412)	4 399	(11 284)
Currency translation differences		-		-	86		-	-	86
Profit for the year (restated)		-		-	-	-	-	(43 061)	(43 061)
Total comprehensive income		-		-	86	-	-	(43 061)	(42 975)
Balance at 31 December 2013		3 460		(12 300)	(3 847)	-	987	341 062	329 362

(All amounts in PLN thousand unless otherwise stated)

Consolidated statement of changes in equity - continued

	Note	Share capital CPD SA	Fair Value of capital element an inception date	Own shares	Translation reserve	Supplementary capital	Reserve capital	Retained earnings	Total
						Accumulated profit (loss)			
Balance at 1 January 2014		**3 460**		**(12 300)**	**(3 847)**	**-**	**987**	**341 062**	**329 362**
Decrease of capital by redemption of shares	10	-174		12300	0	0	0	(12 126)	0
		(174)		12 300	-	-	-	(12 126)	-
Currency translation differences				-	(1 454)	-	-	-	(1 454)
Takover of bonds	13		(27 909)						
Profit for the year				-	-	-	-	104 494	104 494
Total comprehensive income		0	(27 909)	0	(1 454)	0	0	104 494	75 131
Balance at 31 December 2014		3 286	(27 909)	0	(5 301)	-	987	433 430	404 493

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

Elżbieta Donata Wiczkowska
Chairman

Colin Kingsnorth
Board Member

Iwona Makarewicz
Board Member

(All amounts in PLN thousand unless otherwise stated)

Consolidated cash flow statement

	Note	12 months ended 31 December 2014	12 months ended 31 December 2013
Cash flows from operating activities			
Cash generated from operations	22	(10 821)	(2 338)
Interest paid		(1 815)	(1 608)
Income tax paid		0	0
Net cash generated from operating activities		(12 636)	(3 946)
Cash flows from investing activities			
Capital expenditure on investment property		(16 547)	(9 776)
Purchases of property, plant and equipment		(290)	(15)
Proceeds from sale of investments properties		0	13 130
Repayment of loans granted		49	268
Net cash used in investing activities		(16 788)	3 607
Cash flows from financing activities			
Received borrowings		55 999	6 502
Repayments of borrowings		(42 752)	(6 012)
Bonds received		0	(3 000)
Acquire of own shares		0	(12 300)
Proceeds from issuance of bonds		22 966	29
Net cash used in financing activities		36 213	(14 781)
Net (decrease)/increase in cash and cash equivalents		6 789	(15 120)
Cash and cash equivalents at beginning of the year		**11 981**	**27 101**
Cash and cash equivalents at end of the year		18 770	11 981

Elżbieta Donata Wiczkowska
Chairman

Colin Kingsnorth
Board Member

Iwona Makarewicz
Board Member

(All amounts in PLN thousand unless otherwise stated)

Notes to the consolidated financial statements

1 General Information

1.1 Information on the parent company

Details about the existing parent company

Celtic Property Developments S.A. (the "Company", "CPD") with its registered office in Warsaw (02-677), ul. Cybernetyki 7B, was established on the basis of the Articles of Association 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 Extraordinary General Shareholder's Meeting adopted a resolution changing the Company's name from Poen S.A. to Celtic Property Developments S.A.

On 23 August 2010, an entry was made in the National Court Register to record a cross-border merger of the previous parent company of the Group, i.e. Celtic Property Developments S.A. (the Acquired Company) and Poen S.A. (the Acquiring Company) through transfer of the assets of the Acquired Company to the Acquiring Company in return for new shares of the Acquiring Company with a value of PLN 3,483,000. The merger process took place under the Merger Plan, whereby Celtic Property Developments Plc was to be acquired by Poen S.A., a full subsidiary of Celtic Property Developments Plc. As a result of the merger: (i) the previous shareholders of Celtic Property Developments Plc became 100% shareholders of Poen S.A., and (ii) Poen S.A. acquired, through general succession, treasury shares of PLN 500,000 from Celtic Property Developments Plc for the purpose of their redemption. The parity for the exchange of shares of Celtic Property Developments Plc for the shares of Poen S.A. was determined at such a level as not to cause changes in the ownership structure of Poen S.A.

On redemption of the treasury shares, the shareholders of Celtic Property Developments Plc became shareholders of Poen S.A. having the same stake in the share capital of Poen S.A. and in the total number of votes at the General Meeting of Poen S.A. as they held in Celtic Property Developments Plc before the merger date.
Accordingly, on 23 August 2010, Celtic Property Developments Plc ceased to exist and Poen S.A. became a parent company of the Group.

Details about the parent company before the merger date

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 the National Depository of Securities ("KDPW") granted to the Company the status of participant of KDPW, type ISSUER, registered 34,068,252 Company's ordinary bearer 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.

On 29 May 2014 the Extraordinary General Shareholder's Meeting adopted a resolution changing the Company's name from Celtic Property Developments S.A. to CPD S.A. The change was recorded in the National Court Register on 17 September 2014.

The core business of CPD S.A. (according to the Company's Articles of Association) is financial holding activity, services for real estate market and head offices activities.

As at the date of preparation of the consolidated financial statements, the composition of the managing and supervising bodies of the parent company was as follows:

Management Board:

Elżbieta Donata Wiczkowska	President of the Management Board
Colin Kingsnorth	Management Board Member
Iwona Makarewicz	Management Board Member

Supervisory Board:

Marzena Bielecka	Chairwoman of the Supervisory Board
Wiesław Oleś	Vice-Chairman of the Supervisory Board
Mirosław Gronicki	Supervisory Board Member
Andrew Pegge	Secretary
Wiesław Rozłucki	Supervisory Board Member

As at 31 December 2014, the Company's shareholders were:*

Company	Country	Number of shares	% owned capital	% of voting rights
Coopertaive Laxey Worldwide W.A.,	Netherlands	10 082 930	30,7%	30,7%
Furseka Trading and Investments Ltd	Cyprus	5 137 222	15,6%	15,6%
The Value Catalyst Fund plc	Cayman Islands	3 975 449	12,1%	12,1%
QVT Fund LP	Cayman Islands, USA	3 701 131	11,3%	11,3%
LP Value Ltd	British Virgin Islands	2 005 763	6,1%	6,1%
LP Alternative Fund LP	USA	2 003 981	6,1%	6,1%
Shareholders with stakes below 5%		5 956 727	18,1%	18,1%
		32 863 203	100%	100%

* The above shareholder's structure is based on own data as at 31 December 2014

1.2. Information about the Group

As at the balance sheet date, CPD Group comprised CPD S.A. as a parent entity and 37 subsidiaries ("CPD Group"). In 2014, one of the subsidiaries – EEPF (Sweden) was offloaded. A detailed list of subsidiaries is included in Note 2.2.

Details about consolidated Group undertakings are presented in Note 2.2.

The individual Group companies are going concerns. 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 other Group undertakings is the calendar year.

The core business of CPD Group is:

- property development (office and residential market),
- land acquisition and construction of 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 estate management.

2 Summary of significant accounting policies

The key accounting principles used in preparation of these consolidated financial statements are outlined below. The principles were applied in all the presented years on a continuous basis, unless specified otherwise.

2.1 Basis of preparation

The consolidated financial statements of CPD S.A. prepared as at 31 December 2014 cover the period from 1 January 2014 to 31 December 2014, and the comparable period from 1 January 2013 to 31 December 2013.

These consolidated financial statements of Celtic Property Developments S.A. have been prepared in accordance with International Financial Reporting Standards ("IFRS") approved by the EU. The consolidated financial statements have been prepared under the historical cost convention, except investment property measured at fair value.

These consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern in the foreseeable future. As 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 on or after 1 January 2014 and their impact on these consolidated financial statements:

IFRS 10 "Consolidated and Separate Financial Statements"

The new standard 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 uses the provisions of this standard in these consolidated financial statements.

IFRS 11 "Joint Arrangements"

The new standard 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.

Adoption of the standard did not have any impact on these consolidated financial statements.

IFRS 12 "Disclosure of Interests in Other Entities"

The new standard applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. The standard replaces the disclosure requirements now set out in IAS 27 "Consolidated and Separate Financial Statements", IAS 28 "Investments in Associates" and IAS 31 "Interests in Joint Ventures". IFRS 12 requires entities to disclose information that helps financial statements 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 uses the provisions of this standard in these consolidated financial statements.

Amended IAS 27 "Separate Financial Statements"

IAS 27 was amended as a result of publication of IFRS 10 "Consolidated Financial Statements". The purpose of the amended IAS 27 is to define the requirements for disclosure and presentation of investments in subsidiaries, joint ventures and associates where an entity prepares separate financial statements. The guidance on control and consolidated financial statements was replaced by IFRS 10.

Adoption of the standard did not have any impact on these consolidated financial statements.

Amended IAS 28 "Investments in Associates and Joint Ventures"

The amendments to IAS 28 resulted from the project of the International Accounting Standards Board regarding 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.

Adoption of the standard did not have any impact on these consolidated financial statements.

2.1 Basis of preparation – cont.

Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32

The amendments 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 subject to fulfilment of certain conditions.

Adoption of the standard did not have any impact on these consolidated financial statements.

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

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 is restated, unless impracticable. The amendments also provide additional transition relief in IFRS 10, IFRS 11 and IFRS 12 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 uses the provisions of this standard in these consolidated financial statements.

Investment Entities – Amendments to IFRS 10, IFRS 12 and IAS 27

The amendment introduced a definition of an investment entity to IFRS 10. 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 about investment entities.

The Group uses the provisions of this standard in these consolidated financial statements.

2.1. Basis of preparation – cont.

Recoverable amount disclosures for non-financial assets – 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.

Adoption of the standard did not have any impact on these consolidated financial statements.

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

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.
Adoption of the standard did not have any impact on these consolidated financial statements.

Published standards and interpretations of existing standards which are not effective yet and which were not adopted by the Group before

In these consolidated financial statements the Group did not decide on early adoption of the following published standards, interpretations or improvements before their effective date:

IFRS 9 "Financial Instruments: Classification and Measurement and Hedge Accounting"

IFRS 9 replaces IAS 39. The standard is effective for annual periods beginning on or after 1 January 2018.

The standard introduces one model with only two classification categories for financial assets: those to be measured at fair value, and those to be measured at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.
IFRS 9 introduces a new model for recognition of impairment – the model of expected credit losses.
Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
Hedge accounting requirements were amended to align accounting more closely with risk management.

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

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

IFRIC 21 "Levies"

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

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

The Group is going to adopt IFRIC 21 on 1 January 2015.

Defined benefit plans: Employee contributions – Amendments to IAS 19

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

The Group adopted the amendments to IAS 19 on 1 January 2016.

Improvements to IFRSs 2010-2012

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

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

Improvements to IFRSs 2011-2013

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

The Group is going to adopt the improvements to IFRSs on 1 January 2015.

IFRS 14 "Regulatory Deferral Accounts"

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

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

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

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

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

The Group is going to adopt the amendment on 1 January 2016.
At the date of preparation of these consolidated financial statements, the amendment was not yet approved by the European Union.

Amendments to IAS 16 and IAS 38 – Depreciation and Amortisation

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

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

IFRS 15 "Revenue from Contracts with Customers"

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

IFRS 15 provides principles to be applied to all contracts resulting in revenues. The fundamental principal of the new standard is to recognise revenues at the time of transfer of goods or services to the customer in the amount of the transaction price. Any good or service sold in a package that is separately identifiable within the package should be recognised separately. Furthermore, any discounts regarding transaction price should as a rule be allocated to specific parts of the package. Where revenue is variable, variable amounts are only included in revenue if, and to the extent that, it is highly probable that a significant revenue reversal will not occur in the future as a result of re-estimation. Moreover, under IFRS 15, the costs incurred to obtain and secure a contract with a customer should be capitalised and accounted for over the period of consumption of benefits from the contract.

The Group is going to adopt IFRS 15 on 1 January 2017.

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

Amendments to IAS 16 and IAS 41 for bearer plants

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

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

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

Amendments to IAS 27 – Equity Method in Separate Financial Statements

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

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

Amendments to IFRS 10 and IAS 28 — Sales or contributions of assets between an investor and its associates/joint ventures

The amendments address the conflict between the requirements of IFRS 10 and IAS 28. Accounting treatment depends on whether the non-assets sold or contributed to an associate or a joint venture constitute a business.
The gain or loss resulting from the sale or contribution to an associate or a joint venture of assets that constitute a business is recognised in full. The gain or loss resulting from the sale or contribution of a subsidiary that does not constitute a business to an associate or joint venture is recognised only to the extent of unrelated investors' interests in the associate or joint venture.
The amendments were published on 11 September 2014 and are effective for the annual periods commencing on or after 1 January 2016.

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

At the date of preparation of these consolidated financial statements, the amendments were not yet approved by the European Union.

Improvements to IFRSs 2012-2014

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

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

At the date of preparation of these {condensed} financial statements, the amendments to IFRS were not yet approved by the European Union.

Amendments to IAS 1

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

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

At the date of preparation of these consolidated financial statements, the amendments to IFRS were not yet approved by the European Union.

Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment Entities: Applying the Consolidation Exception

On 18 December 2014, the International Accounting Standards Board issued narrow-scope amendments. The amendments to IFRS 10, IFRS 12 and IAS 28 clarify the requirements for investment entities and introduces certain facilitations.
The standard clarifies that an entity should measure at fair value through profit and loss all its subsidiaries that are investment entities. Further, a clarification was introduced that exemption from the obligation to prepare consolidated financial statements applies if the ultimate parent company prepares pubic accounts, regardless of whether or its subsidiaries are consolidated or measured at fair value through profit and loss in accordance with IFRS 10 in the financial statements of the ultimate or intermediate parent. The amendments are effective for annual periods beginning on or after 1 January 2016.

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

At the date of preparation of these consolidated financial statements, the amendments to IFRS were not yet approved by the European Union.

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are any entities (including special purpose companies) whose financial and operational policies may be controlled by CPD Group, which is usually connected with its shareholding that ensures more than a half of the voting power in the entity. In the assessment of whether the CPD Group has a controlling interest in the entity, account is taken of existence and influence of any potential voting rights that at any time can be exercised or converted into equity.

Subsidiaries are fully consolidated from the date they are established or the date CPD Group acquires control over them. Consolidation stops with the loss of control.

If necessary, adjustments are made to the financial statements of subsidiaries to adapt the accounting policies of the Group policy.

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.

The surplus of the amount transferred for the acquisition, 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, over the fair value of acquired identifiable net assets is recognised as goodwill. If the acquisition cost is lower than the fair value of the net assets of the acquired entity, the different is reflected directly in the consolidated profit and loss account.

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 CPD Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment. Where necessary, the accounting policies use by the subsidiaries are changed to ensure compliance with the accounting policies operated by CPD Group.

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

	Name	Country	Shareholder	31 grudnia 2014	31 grudnia 2013
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%
4	Gaetan Investments Sp. z o.o.	Poland	Lakia Enterprises Limited	69%	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.	0%	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	Celtic Investments Limited	100%	100%
16	Blaise Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Blaise Investments Sp. z o.o.	99%	99%
			Gaston Investments Sp. z o.o.	1%	1%
17	Smart City Spółka z ograniczoną odpowiedzialnością w organizacji Sp.k.(formerly:1/95 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.)	Poland	Challange Eighteen Sp. z o.o.	99%	99%
			Gaston Investments Sp. z o.o./ Smart City Sp. z o.o.	1%	1%
18	2/124 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o.	99%	99%
			Gaston Investments Sp. z o.o.	1%	1%
19	3/93 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o.	99%	99%
			Gaston Investments Sp. z o.o.	1%	1%
20	4/113 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o.	99%	99%
			Gaston Investments Sp. z o.o.	1%	1%
21	5/92 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o.	99%	99%
			Gaston Investments Sp. z o.o.	1%	1%
22	6/150 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o.	99%	99%
			Gaston Investments Sp. z o.o.	1%	1%

	Name	Country	Shareholder	31 grudnia 2014	31 grudnia 2013
23	7/120 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o.	99%	99%
			Gaston Investments Sp. z o.o.	1%	1%
24	8/126 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o.	99%	99%
			Gaston Investments Sp. z o.o.	1%	1%
25	9/151 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o.	99%	99%
			Gaston Investments Sp. z o.o.	1%	1%
26	10/165 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o.	99%	99%
			Gaston Investments Sp. z o.o.	1%	1%
27	11/162 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o.	99%	99%
			Gaston Investments Sp. z o.o.	1%	1%
28	12/132 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o.	99%	99%
			Gaston Investments Sp. z o.o.	1%	1%
29	13/155 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o.	99%	99%
			Gaston Investments Sp. z o.o.	1%	1%
30	14/119 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o.	99%	99%
			Gaston Investments Sp. z o.o.	1%	1%
31	16/88 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o.	99%	99%
			Gaston Investments Sp. z o.o.	1%	1%
32	15/167 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o.	99%	99%
			Gaston Investments Sp. z o.o.	1%	1%
33	18 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o.	99%	99%
			Gaston Investments Sp. z o.o.	1%	1%
34	19/97 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o.	99%	99%
			Gaston Investments Sp. z o.o.	1%	1%
35	20/140 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o.	99%	99%
			Gaston Investments Sp. z o.o.	1%	1%
36	Belise Investments Sp. z o.o.	Poland	Lakia Enterprises Limited	100%	100%
37	Antigo Investments Sp. z o.o.	Poland	Lakia Enterprises Limited	100%	100%
38	Smart City Sp. z o.o.	Poland	Lakia Enterprises Limited	100%	0%

2.3 Changes in the CPD Group structure

In the financial year ended 31 December 2014, the following changes took place in the structure of CPD Group:

-shares were sold to the subsidiary EEPF of Sweden (see Note 27 for details on impact of this transaction on consolidated profit)

- Smart City Sp. z o.o. was established, with Lakia Enterprises Limited (Cyprus) as its sole shareholder

- 1% stake in Smart City Spółka z ograniczoną odpowiedzialnością w organizacji Sp.k.(formerly:1/95 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.) was sold by Gaston Investments Sp. z o.o. to Smart City Sp. z o.o.

- 100 out of 320 shares of Gaetan Investments Sp. z o.o. were sold, as a result of which, as at 31.12.2014, CPD Group had 69% in that entity (see Note 27 for details on impact of this transaction on consolidated profit)

2.4 Valuation of FX positions

(a) Functional and presentation currency

Items included in the financial statements of each of CPD 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 company's functional currency and the CPD Group's presentation currency.

(b) CPD Group Companies

The results and financial position of all the CPD 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 and inventories, which are translated into PLN using the exchange rate from the date of transaction, and

(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 at the balance sheet date. Foreign exchange differences are recognized in other comprehensive income.

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 consolidated companies of CPD Group, is classified as investment property. Investment property comprises freehold land, freehold buildingsand land held under operating leases (perpetual usufruct).

Land, 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 confirmed change in its purpose. 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 property is carried at fair value. Fair value is calculated using cash flow projections based onactive 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). Valuation fees are not related to the property value and valuation results.

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

2.6 Property, plant and equipment

Property, plant and equipment are carried at historical cost less depreciation. The historical cost includes the expenditure directly associated with acquisition of the assets.

Any subsequent expenditure is reflected in the carrying amount of the asset or is recognised as a separate asset (where applicable) only when it is likely that the asset will generate economic benefits for the Group, and the cost of such an asset can be reliably estimated. Any other expenditure on improvement and maintenance is carried in profit or loss in the accounting period in which it was incurred.

Depreciation of tangible assets (or components thereof, if any) is calculated using the straight-line method to allocate their initial value, less residual value, over the asset's estimated useful lives. The residual value and the useful life of the tangible assets is reviewed (and changed if necessary) at each balance sheet date. Tangible assets are depreciated over their estimated useful lives (three to five years).

Where the carrying amount of the tangible asset is greater than its estimated recoverable amount, the asset's carrying amount is immediately written down to the recoverable amount.

The gains or losses on disposal of tangible assets are determined by comparing the inflow from their sale with their carrying amount, and are reflected in the profit or loss of the period when the disposal took place.

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 recognized 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 CPD 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 CPD Group uses the fair value model set out in IAS 40 for the asset recognized.

In this case finance leases are capitalised at the time of commencement of the lease 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 other long-term liabilities.

2.8 Intangible assets, excluding goodwill

Intangible assets consist of computer software licences. The expenditure on acquired licences is capitalised with regard to the cost of acquisition of the software and the cost of ensuring operability of the software. Software licences are amortised over their estimated useful life from 3 to 5 years on a straight-line basis.

2.9 Goodwill

The rules for goodwill measurement at the time of acquisition of a subsidiary are presented in Note 2.2.

Each year goodwill is tested for impairment and reflected at cost less cumulated impairment charges. Impairment of goodwill is not reversible. Profits and losses on disposal of the entity include the carrying amount of the goodwill of the disposed entity.

For the sake of impairment test, goodwill is allocated to the cash-generating units. The allocation relates to the cash-generating units (or group of such units) which are expected to derive benefits from the merger that gave rise to the goodwill.

Goodwill arising from the acquisition of a foreign entity and any adjustment to the carrying amounts of assets and liabilities tofair 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 other comprehensive income.

2.10 Impairment of non-financial assets

Assets with undefined useful life, such as goodwill, are not amortised, but are each year tested for impairment. The amortised assets are tested for impairment each time any indications of impairment emerge. The impairment is recognised in the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of: fair value of assets decreased by their cost of sale or value-in-use. For the purpose of impairment test, assets are grouped at the lowest level at which separate identifiable cash flows occur (cash generating units). Non-financial assets other than goodwill, for which impairment was identified, are at each balance sheet date tested for indications that would permit reversal of the impairment charge.

2.11 Financial assets

The CPD Group classifies its financial assets in the category of loans and receivables. The classification is based on the purpose of acquisition of financial assets. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every balance sheet date.

Financial assets are removed from the books when the rights to the related cash flows have expired or have been transferred, and CPD Group has transferred essentially the whole risks and benefits from their ownership.

Loans and receivables are financial assets other than derivatives, with determined or determinable payments, not quoted on active market and with no intention of trading. They are included in current assets unless their maturity date is longer than 12 months from the balance sheet date. Assets with maturity date longer than 12 months are classified as non-current assets. Loans and receivables are included in "Trade and other receivables" in the consolidated statement of financial position.

At the end of each reporting period, CPD Group tests its financial assets or groups of financial assets for objective indications of impairment.

Loans and receivables are initially measured at fair value and subsequently are carried at amortised cost using the effectiveinterest method, less impairment. Impairment of trade receivables and loans is established when there is an objective evidence that CPD Group will not be able to collect all individual or group amounts due according to theoriginal 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 or loan is impaired. The impairment amount is determined as a difference between the book value of the asset and the present value of estimated future cash flows discounted using the original effective interest rate for the particular financial asset.

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

The category comprises also cash and cash equivalents. Cash and cash equivalents include cash on hand, demand deposits, other highly liquid short-term investments with original maturity up to three months.

2.12 Inventories

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

Inventory items are stated at the lower of cost or net realisable value on a first-in, first-out basis (FIFO) or market. The net realisable value is the estimated sales 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 (finishedgoods).

Project construction costs include:

a) land or leasehold rights for land

b) construction costs paid to subcontractors

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. These assets are available for immediate sale in its present condition, and the sale is high probable within next 12 months.

The sale is determined to be highly probable if:

- the 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, theGroup ceases to classify the asset (or disposal group) as asset held for sale.

2.14 Share capital

Ordinary shares are classified as share capital.

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 tocomplete and prepare the asset for its intended use.

2.18 Complex financial instruments

Complex financial instruments issued by the Group include convertible bonds that can be converted into equity, at the election of their holder, provided that the number of shares to be issued is not conditional on changes in their fair value.

With regard to financial instruments, in the fair value of an instrument is different than the transaction price, and the fair value is based on market data, then the entity recognizes "day-one-loss" and accounts for it depending on the nature of the transaction. In the case of bonds that are convertible into equity, where the issue is fully placed with the Company's shareholders, the day-one-loss is reflected in equity.

The liability component of the complex financial instrument is initially carried at fair value of a similar liability, to which no conversion option relates. The equity component is initially carried at the different between fair value of the complex financial instruments as a whole and the fair value of the liability component. Any directly attributable transaction costs are included in the measurement of the liability and equity component pro-rata to their initial carrying amounts.

On initial recognition, the liability component of the complex financial instrument is carried at amortised cost using the effective interest rate. The equity component of the complex financial instruments is not measured on first recognition until conversion or expiry. The equity component is at the same an embedded derivative that at the balance sheet date is measured at fair value through profit or loss.

2.19 Embedded derivatives

Where a financial instrument is acquired, which contains an embedded derivative, with the effect that all or some of the cash flows of the such instrument vary in a way similar to a stand-alone derivative, the embedded derivative is recognised separately from the underlying contract. This takes place when the following conditions are met jointly:

- the financial instrument is not classified as assets held for trading or available for sale, whose revaluation effects are recognised in financial revenues or costs of the reporting period
- the nature of the embedded instrument and related risks do not directly relate to the nature of the underlying contract and related risks
- a separate instrument, whose nature corresponds to the characteristics of the embedded derivative would meet the definition of a derivative
- the fair value of the embedded derivative can be reliably estimated.

Embedded derivatives are recognised similarly as stand-alone derivatives that are not deemed as hedging instruments.

An embedded derivative is classified into assets or liabilities measured at fair value through profit or loss.

2.20 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 financial year.

The tax is recognised in the profit and loss account excluding the period in which it relates directly to the items recognised in other comprehensive income or in equity. In this case the tax is also recognised in other comprehensive income or in equity, as appropriate.

2.21 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 balancesheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liabilityis settled.

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

2.22 Employee benefits

a) Pension obligation

Polish Companies of the CPD Group make contributions to the Polish Governmental retirement benefit scheme at theapplicable 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 CPD 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 or loss in the same period as the related salary expense.

According to the adopted principle, no provisions for retirement benefits are created that would correspond to a monthly salary in accordance with the Labour Code. Potential provisions would not have any material impact on the financial statements. If they do occur, they will be recognised on a cash basis.

b) Share-base payments

The Group operates a remuneration programme in the form of subscription warrants entitling their holders to purchase shares at a preferential price. The qualified programme is settled in equity instruments. The fair value of the employee services received in exchange for the grant of the warrants is recognised as an expense and amortised over the vesting period. At the same time, the Group records an increase in reserves.
At each balance sheet date, the entity adjusts its estimates about the number of warrants expected to be exercised. The effects of adjustments to the original estimates, if any, are recognised in profit or loss, with a corresponding adjustment to owner's equity.

2.23 Provisions

Provisions are recognised only where CPD has a legal or customary obligation arising from past events, and it is likely that an outflow of resources will be required to meet such obligation, and its value can be reliably estimated.

If there is a number of similar obligations, the likelihood of outflow of resources to meet such obligations shall be determined in relation to the particular category of obligations as a whole. A provision is recognised even if there is low likelihood of outflow of resources in relation to a single item of a particular category of obligations. Provisions are recognised at the current value of the expenditure which is expected to be incurred to meet the obligation.

2.24 Revenue recognition

Revenue includes proceeds from the sale of inventories, rental income, service charges, property management charges and income from real estate advisory services.

The CPD Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economicbenefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The CPD 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 profit or loss over the lease term on a straight line basis as a reduction 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 risksand 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 CPD 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) Interest income

Interest income is recognised using the effective interest rate method.

2.25 Expenses

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

Construction costs connected with products that have not been sold are capitalised in inventory as work in progress or finished goods, depending on how advanced their construction is. If it is expected that CPD Group may incur a loss on the inventories, the related impairment is immediately recognised as an expense. Inventory relating to units sold is expensed as cost of sales in the same period as the related sale.

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

Property-related administrative costs include day-to-day property administration, utilities, property taxes, maintenance costs, insurance premiums, valuation fees, etc. They are expensed as incurred.

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

Income from services recharged to tenants and relating to the cost of provision of such services are shown separately as CPD Group does not act as an agent.

2.26 Dividend

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements of CPD Group at the end of the period in which the dividends are approved by the General Meeting.

2.27 Interest expense

Interest expense for borrowings are recognised within "Finance costs" in the consolidated profit or 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 amortised 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 determinesthe present value of the discounted estimated future cash flows through the expected life of the financial instrument or a shorterperiod, 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.

2.28 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 measures the services received or acquired in a share-based payment transaction at fair value and amortises the over the vesting period.

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: 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 above financial instruments are described in Note 2. CPD Group's overall programme of risk management focuses on unpredictability of financial markets and seeks to minimize the potential adverse impact of unforeseen events on the Group's 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 raised by subsidiaries, and denominated in EUR, with PLN being the functional currency. Intercompany settlements are eliminated completely from these consolidated financial statements, with the exception of foreignexchange 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 responds adequately 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 31 grudnia 2014	Year ended 31 grudnia 2013
Debt in foreign currency - EUR	156 594	94 045
Expected change in PLN/EUR exchange rate	+/-1%	+/-1%
Tax shield	0	0
Impact on net profit/(loss)	0	0

(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, which 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 CPD Group, the risk of changes in interest rates is related to long-term bank loans (Note 13). Variable interest rate loans expose CPD Group to the risk of fluctuations in future cash flows. CPD Group does not use interest rate hedges. The Management Board keeps track of fluctuations in interest rates and responds adequately.

	Year ended 31 grudnia 2014	Year ended 31 grudnia 2013
Variable interest rate loans	113 714	94 045
Cost of interest	5 382	4 098
Assumed change in interest rates	+/-1pp	+/-1pp
Impact on the change on the cost of interest	1 137	940
Tax shield	216	179
Impact on net profit/(loss)	921	762

Trade receivables and other receivables and liabilities as at 31 December 2014 bear no interest and they mature within a 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, m-Bank, BZ WBK, PKO SA). The Company uses banks and other financial institutions with the following IDR ratings from an independent rating agency (Fitch):
- HSBS - AA-
- PKO SA - A-
- BZ WBK - BBB+
- m-bank - A

With respect to rental receivables, the Group has collateral in place in the form of cash deposits or bank guarantees and, in the case of receivables in respect of the sale of buildings, inthe form of a deposit with an independent agent. The Group is also exposed to credit risk due to the purchase of unsecured bonds. Credit risk relating to unsecured receivables is assessed based on: evaluation o the creditor's financial proposals, past cooperation experience and other factors.

No all receivables of the Group are secured with deposits or guarantees. The Group revises the value of receivables taking into account the likelihood of their payment and recognises adequate impairment charges.

Impairment charges are recognised as follows:

- for amounts overdue from 91 to 180 days, 50% of the value of the overdue receivables

- for amounts overdue above 180 days, 100% of the value of the overdue receivables.

(c) Liquidity risk

Liquidity risk arises when the due dates of assets and liabilities do not match. This can raise profitability, but also increases the risk of loss. CPD Group applies procedures designed to reduce such losses by maintaining the proper level of cash and other liquid assets and the proper access to credit facilities. The level of liquidity of the CPD Group is monitored by the Management Board on the day-to-day basis.

Current liabilities amounted to PLN 87,323,000 (including bank loan liabilities amounting to PLN 71,493,000) and exceeded current assets by PLN 52,174,000 as at 31 December 2014. Details of credit liabilities disclosed in the financial statements as at 31 December 2014 as financial credits and the Board's assessment of related risks are included in note 13 'Credits and Loans including Financial Leases.'

The table below shows financial liabilities of the Group by due dates according to time remaining to the contractual due date on the balance sheet date. The amounts shown in the table are composed of non-discounted contractual cash flows:

As at 31 December 2014	Less than 1 year	1-5 years	Over 5 years
Credits and leases	73 963	19 125	208 346
Trade payables and other payables	15 546	1 494	0
	89 509	20 619	208 346

As at 31 December 2013	Less than 1 year	1-5 years	Over 5 years
Credits and leases	99 079	6 941	121 462
Trade payables and other payables	14 915	384	0
	113 994	7 325	121 462

3.2 Capital Management

The purpose of the CPD Group capital management is to preserve CPD Group's ability to continue business so as to be able to generate return for the shareholders and other stakeholders, the cost of the capital being optimized at the same time.
CPD Group may change the amount of declared dividends payable to shareholders, repay the equity to shareholders, issue new shares or sell assets in order to reduce debt in order to maintain or modify the structure of the capital.

The financing structure ratio reflecting the structure of the capital is calculated as net debt divided by total capital. Net debt is calculated as the total of credits and loans including current and non-current credits and loans disclosed in the consolidated balance sheet, trade payables and other payables divided by cash and cash equivalents. Total capital is calculated as equity disclosed in the consolidated balance sheet along with net debt.

The strategy of CPD Group is to maintain the financing structure ratio below 40%.

	31 grudnia 2014	31 grudnia 2013
Kredyty razem (nota 12)	142 977	116 072
Liability under bonds issued (note 13).	42 880	0
Zobowiązania handlowe i inne (nota 11)	17 324	15 754
Pomniejszone o: środki pieniężne i ich ekwiwalenty (nota 9)	-18 770	-11 981
Net Debt	184 411	119 845
Equity	404 493	329 362
Total Equity	588 904	449 207
Financing Structure Ratio	31,3%	26,7%

The financing structure ratio rose by 4.6 pp compared to the preceding year.

4 Major Accounting Estimates and Judgments

Major estimates and judgments are based on past experience and other factors including anticipation of future events that seem reasonable in a given case. Accounting estimates and judgments are assessed on a regular basis.

The Management Board makes estimates and adopts assumptions concerning the future. Accounting estimates so obtained will seldom match actual results by their very nature. Estimates and assumptions involving significant risk of a major adjustment of the carrying value of assets and liabilities during the following financial year being required are discussed below.

Calculation of Fair Value of Embedded Derivatives

The company issued bonds designed for the existing shareholders on 26 September 2014. Financial details of the bonds issued are provided in note 14 (and in the stand-alone FS) to these financial statements. The bonds issued involved an embedded derivative instrument, namely, the option of conversion of the bonds into shares at a fixed rate of PLN 4.38 per share. As the bonds were issued in a currency (EUR) different that the functional currency of the company (PLN), the embedded derivative involved a currency cap , namely, conversion of value of shares received at the conversion date rate not exceeding, however, EUR 1 = PLN 4.1272.

The fair value of the embedded derivative was estimated at level 1 using a combination of two approaches: binomial trees in the share price variation part and the Monte Carlo approach adopted for the purposes of analysis of volatility of exchange rates.

Assumptions underlying the pricing model include:
- adjustment of the issuer credit risk discount curve: 8%;
- volatility of issuer share price: 65% based on historic quotations of shares of CPD S.A.;
- fixed bond-to-share conversion rate: PLN 4.38;
- exchange rate cap: EUR 1 = PLN 4.1272;
- opportunity to convert bonds to shares from 26 September 2015 to the day falling 5 days before the maturity date, i.e. 22 September 2017.

The liability under the embedded derivative amounted to PLN 18.8MM as at 31 December 2014 and was the difference between the price of bonds based on the fair value approach presented above and the value of bonds exclusive of the derivative established based on the depreciated cost using the effective interest rate approach.

Calculation of Fair Value of Investment Class Real Properties

The fair value of investment class real properties recognized in the balance sheet is calculated based on pricing established annually by Savills Sp. z o.o. - third party experts - as per Practice Statements of the Royal Institution of Chartered Surveyors' (RICS) Appraisal and Valuation Standards (the 'Red Book') published in February 2003 and valid as of 1 May 2003. Pricing fees are not related to the value of the real properties or the outcome of pricing. Bearing in mind the market environment as at the balance sheet date, the Management Board reviewed and approved experts' assumptions underlying the pricing approaches applied.

4 Major Accounting Estimates and Judgments (continued)

CPD Group distinguishes the following classes of assets included in its real property portfolio:

(i) non-developed land or land developed with tenement houses disclosed as inventory in the consolidated financial statements and priced at acquisition price or at cost not exceeding their net sale price; these mainly include land in Jaktorów, Czosnów, Lesznowola and Nowa Piasecznica as well as tenement houses in Warsaw and Łódź;
the Group has those real properties valued annually at fair value as at the balance sheet date and decides to make impairment write-offs; details of changes in inventory made during the year are provided in note 8;
(ii) investment class real properties featuring significant rent income (3 office buildings in Warsaw);
(iii) investment class land in the district of Ursus in Warsaw designed for development with houses and shops as per the local zoning plan in force;
(iv) investment class land in the district of Ursus in Warsaw designed for development with houses and shops as per the local zoning plan in force and investment class land in Wolbórz.
The real property classes listed in paragraphs (ii)-(iv) are shown in the financial statement under the 'Investment Class Real Properties' header and priced at fair value. Fair value changes are recognized in the result under the 'Investment Class Real Property Valuation Result' header.

The Group valued individual real property classes using the following approaches:
Non-developed land and land developed with tenement houses were valued using the comparative method (comparison in pairs). The comparative method consists in finding out the value of a real property assuming that such value is equal to prices obtained for similar properties traded in the market. The value of real properties is adjusted according to their differentiating features and stated taking into account volatility of prices in time. The comparative method is used, if prices of real properties similar to the property valued are known.

The land to be developed with houses and shops was valued based on the following assumptions:

- the useful area of apartments to be built amounts to 521,097 sq.m.;

- the useful area of shops to be built on ground floors of the houses amounts to 50,075 sq.m.;

- the useful area of offices to be built amounts to 17,680 sq.m.; the assumed rent for the office space to amount to EUR 11 per sq.m. and the capitalization rate to be 7.70%.

The land to be developed with houses and shops was valued using the comparative method (comparison in pairs). The income approach (investment method) was applied to properties generating income. The income approach consists in defining the value of a real property based on the assumption that the buyer will pay the price depending on the anticipated income to be earned on the same real property provided that such price will not exceed that of another property featuring the same profitability and risk that it could buy.

The value of the real properties was calculated based on the average transaction prices of real properties similar to the property valued adjusted by transaction features considered by potential market actors including without limitation situation as well as size and legal status of the land. The valuation reflects diversity of properties and their anticipated use as per provisions of the zoning plan. The price per square meter is the variable affecting the valuation result the most.

The investment method was applied to the real property generating rent income that can be defined based on the analysis of rental or lease market rates in order to determine its market value. When direct capitalization is used, the value of a real property is the quotient of a stable yearly income flow obtainable from the real property valued and the capitalization rate.

Net future operating income were estimated separately for each investment class property based on rental agreements existing as at the balance sheet date, contracted income (or, in the case of IRIS property, partly based on the market conditions for a given property as established by a third party expert) and the expected cost of operation of the properties. Useful areas underlying the calculations are based on construction documents in force. As most rentals concluded by the Group are expressed in EUR, the investment class properties were valued in EUR and values were then translated into PLN using the NBP average rate as at the balance sheet date. Capitalization rates were estimated by third party experts separately for each major investment class property taking into account situation and type of the property. The capitalization rate is reviewed at least annually by third party property experts and the net operating income is updated based on rentals in force.

The table below includes information about methods used for and assumptions underlying the valuations of the investment class properties at fair value along with information about major unnoticeable entry data - 31 December 2014.

4 Major Accounting Estimates and Judgments (continued)

Real Property Class	valuation method / fair value valuation level	capitalization rate	anticipated rent rates per sq.m.	discount rate
office buildings	income method / level 3	7.7% - 9.25%	9.26-11.50	N/A
Land in Ursus designed for housing, commercial and public purposes	residual method / level 3 and comparative method / level 2	N/A	N/A	7,00%

The table below includes information about methods used for and assumptions underlying the valuations of the investment class properties at fair value along with information about major unnoticeable entry data - 31 December 2013.

Real Property Class	valuation method / fair value valuation level	capitalization rate	anticipated rent rates per sq.m.	discount rate
office buildings	investment method / level 3	7.7% - 9.25%	9.93-11.50	N/A
Land in Ursus designed for housing, commercial and public purposes	comparative approach / level 2	N/A	N/A	N/A

In 2014, the Group changed the method of valuation of investment class properties situated in Ursus compared to the preceding year. As the zoning plan covering the area was adopted in July 2014, the Group shifted from the comparative method to the mixed approach (residual method) as far as the land to be built-up with houses and shops. The use of the said method resulted in valuation of that part of the property as the difference between the value of the real property after the completion of the project (as per Group plans concerning implementation of housing projects based on the purpose of each plot of land as per the zoning plan adopted) and the average cost of implementation taking into account investor's earnings on the market of similar real properties. The shift in the valuation method caused the movement of that property class from level 2 to level 3 where entry data underlying valuation of the asset group are based on unnoticeable data.
The effect of the valuation method on the fair value of real properties as at 31 December 2014 is described in note 5 'Investment Class Real Properties.'

b) Income Tax

CPD Group is an income tax payer in multiple countries. Determination of global amount of income tax liabilities requires a big amount of judgment. There are many transactions and calculations where the amount of tax is uncertain. CPD Group recognizes expected doubtful tax liabilities based on an estimation whether or not additional tax will be required. If the final tax settlements differ from the amounts initially recognized, the differences affect current and deferred income tax assets and liabilities in the period where the amount of tax is finally determined.

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

(All amounts in PLN thousand unless otherwise stated)

Notes to the consolidated financial statements

5 Investment Class Real Properties

	Ended Year 31 grudnia 2014	Ended Year 31 grudnia 2013
Balance at the beginning of the year/period	**442 793**	**438 016**
Capital expenditures	16 547	9 776
Disposal of real property	0	(15 100)
Perpetual usufruct liabilities tied to the real property sold	0	(2 084)
Movement in capitalized financial liability	7 236	(7)
Transfer of road plots of land in Ursus to the municipality of Warsaw	41 485	0
Net profit/(loss) from revaluation of investment class properties to fair value	114 810	(10 702)
including the effect of valuation of transfer of plots of land in Ursus as at 31 December 2014	(41 485)	0
Transfer from/to assets to be sold (Note 26)	0	22 894
	581 386	**442 793**

Investment class real properties owned by CPD Group were valued by Savills Sp. z o.o., international third party experts who provided valuations as at 31 December 2014 and 31 December 2013 as per 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 and valid as of 1 May 2003 and Professional Standards incorporating the International Valuation Standards published by RICS and valid as of 30 March 2012.

Based on valuations provided by Savills sp. z o.o., the total fair value of real properties owned by the Group and disclosed under the 'Investment Class Real Properties' header in the consolidated financial statements amounted to PLN 552MM at the end of 2014 (which value does not include the perpetual usufruct liability of PLN 29MM) exceeding the same value disclosed at the end of 2013 by PLN 132MM. The rise in value of properties was recognized in the investment class real property valuation result that was positive and amounted to PLN 115MM at the end of 2014.

The increase in value of the Ursus project contributed the most to the rise in value of the real property portfolio of the Group. The adoption of the zoning plan covering the area on 3 July 2014 was the decisive factor increasing the investment value of the entire area. CPD Group also transferred some of the Ursus properties, namely, the road land, to the municipality of Warsaw free of charge in 2014. The total area of plots of land transferred or promised to be transferred on the zoning plan adoption date amounted to 9 ha and its total value amounted to PLN 41MM as per balance sheet valuation as at 31 December 2013. The transfer of the roads facilitated the decision to adopt the local zoning plan covering the former ZPC Ursus factory by the municipal councilors and, therefore, increased the investment value of the entire area.

The value of the plots of land transferred to the municipality was disclosed in the consolidated financial statements as capital expenditures required in order to implement a project and applied to the investment class real property valuation result in the consolidated total income statement.

Moreover, one of CPD Group subsidiaries, namely, 4/113 Gaston Investments sp. z o.o. sp. k. ('4/113 Gaston') became the perpetual user of the land in Ursus constituting the plot of land number 113 along with the ownership of buildings, structures and facilities situated thereon again in December 2014. The transfer of the perpetual usufruct right to 4/113 Gaston was a result of cancellation of sale of the said right that took place in 2012 based on which 4/113 Gaston sold the plot of land to an entity interested in investing in water and sewerage management facilities in, among other things, Ursus As there was no progress of obtaining official permits enabling the investor to implement the said project, the parties signed a notarized deed canceling the sales agreement of 2012 in 2014 resulting in the said plot of land being included in CPD Group portfolio again as at 31 December 2014. The plot of land was concerned by fair value valuation amounting to PLN 47MM as at 31 December 2014.

Other positive contributors to the value of Group portfolio of real properties included rise in value of Iris, Solar and Aquarius buildings resulting from rising rental income connected with growing commercialization of the space and the improvement in the commercial property rental market in Warsaw expected by analysts. Its total effect on the consolidated result of the Group for 2014 therefrom amounted to PLN 16,986,000.

More details of valuation as at the balance sheet date are provided in note 4 (a).

All the investment class real properties of the CPD Group were covered by a land and mortgage register as at 31 December 2014.

As the valuation of the real properties is reduced by perpetual usufruct fees, the 'fair book value' of the properties was increased by the value of the usufruct liability. Such recognition causes a rise in balance sheet value of an investment class real property by the lease liability amount.

	31 grudnia 2014	31 grudnia 2013
Investment class real property according to third party valuation	552 123	420 766
Perpetual usufruct liabilities	29 263	22 027
Investment Class Real Property Disclosed in Financial Standing Statement	**581 386**	**442 793**

The Group did not conclude any investment class real property sale in the period covered by the statements.

Mandy Inwestments Sp. z o.o., a subsidiary, sold an investment class real property at ul. Jana Kazimierza in Warsaw in June 2013.

Expenditures on investment class real properties amounting to PLN 16,547,000 in the period covered by the statements were mainly connected with finishing works done for Iris lessees in connection with its commercialization.

The property at ul. Połczyńska in Warsaw owned by Robin Investments Sp. z o.o., a subsidiary, was transferred from assets to be sold to investment class real properties in December 2013 (Note 26).

5 Investment Class Real Properties (continued)

investment class real

	12 months ended 31 grudnia 2014	12 months ended 31 grudnia 2013
- generating rent income	4 025	3 469
- other	117	125
	4 142	**3 594**

6 Fair Value of Securities

	31 grudnia 2014	31 grudnia 2013
Aquarius	27 279	26 542
Ursus	0	43 080
Cybernetyki 7b	34 098	34 422
IRIS	100 590	85 018
	161 967	**189 061**

The above-mentioned properties are securities underlying credit agreements including agreements with mBank worth PLN 61,377,000 and with BZ WBK worth PLN 100,590,000.

7 Trade Receivables and Other Receivables

	31 grudnia 2014	31 grudnia 2013
Trade receivables	#ARG!	295
Other receivables	#ARG!	765
Prepayments and accruals	#ARG!	2 422
Deferred income	#ARG!	1 407
Public law liabilities	3 723	2 881
Short-term loans	#ARG!	95
Total Trade and Other Receivables	**#ARG!**	**7 865**

The estimated fair value of trade receivables and other receivables is the discounted amount of expected future receipts to be obtained by CPD Group and is close to their book value. Most rental receivables are secured. CPD Group expects a security in the form of 1-3-month rent equivalent from its lessees. Rental receivables are mainly secured with bank deposits.

Prepayments and accruals are the biggest trade receivables and other receivables item. This header mainly includes the balance connected with the linear settlement of rental income in the case of lessees concerned by no-rent periods at the beginning or by significantly lower rent rates in the said initial period. The rise in this item in 2014 was mainly connected with Belise rentals signed in 2014 (the total increase thereunder amounted to PLN 2.3MM). The total balance thereunder amounted to PLN 3.6MM as at 31 December 2014.

CPD Group recognized a loss of PLN 29,000 by virtue of impairment and write-off of receivables in the period ending on 31 December 2014: (PLN 4,702,000 in the year ending on 31 December 2013). The loss was recognized under the 'other administrative costs' header in the consolidated result.

Trade Receivables	**31 grudnia 2014**	**31 grudnia 2013**
Current	#ARG!	295
Overdue and impaired (concerned by a total write-off)	570	5 256

Impairment of Receivables	**31 grudnia 2014**	**31 grudnia 2013**
- *trade receivables:*		
Opening balance	5 256	858
- increases	0	4 398
- decreases (dissolution of write-off)	(4 686)	0
Closing balance	**570**	**5 256**
- *other receivables:*		
Opening balance	0	31
- decreases	0	(31)
Closing balance	**0**	**0**

The maximum credit risk exposure amount as at the statement date is equal to the carrying value of receivables. The Management Board believes that there is no significant credit risk concentration with respect to trade receivables as CPD Group has a big group of lessees.

8 Inventory

	31 grudnia 2014	31 grudnia 2013
Work in progress	4 100	5 000
Finished products	370	370
Merchandises	2 055	2 403
	6 525	**7 773**

The Group did not conclude any inventory sale in 2014.

Real properties in Czosnów, Jaktorów add Magdalenka (Poland) presented as finished goods and merchandises were sold in 2013. Finished goods included the completed Koszykowa project (Poland) and merchandises included the Alsonemedi project (Hungary). The tenement house in Łódź was classified as work in progress.

	31 grudnia 2014	31 grudnia 2013
At the beginning of the year/period	**7 773**	**15 496**
Capital expenditures	19	244
Sale	0	(4 329)
Revaluation allowance	(1 172)	(3 674)
Exchange rate differences	(95)	36
As at the balance sheet date	**6 525**	**7 773**

The inventory revaluation allowance concerns properties in Łódź, Czosnów, Jaktorów and Nowa Piasecznica. The allowance for the Łódź property (PLN 900,000) is the biggest one.

9 Cash and Cash Equivalents

	31 grudnia 2014	31 grudnia 2013
Cash at hand and in banks	16 366	1 771
Short-term bank deposits	1 630	10 210
	18 770	11 981

For the purposes of cash flow statement, cash and cash equivalents include cash in banks and at hand as well as short-term bank deposits.

10 Share Capital

	Number of shares		Value of shares	
	31 grudnia 2014	31 grudnia 2013	31 grudnia 2014	31 grudnia 2013
Ordinary shares (in '000)	32 863	34 595	3 286	3 460
Total	32 863	34 595	3 286	3 460

10 Share Capital (continued)

The increase in share capital was registered on 8 January 2013. The share capital of the company was raised from PLN 3,423,146.60 to PLN 3,430,748.80, i.e. by PLN 7,602.20, by means of issuance of 76,022 D-series ordinary bearer's shares with face value of PLN 0.10 each within the limits of the target capital.

On 10 January 2013, the Extraordinary General Assembly of Celtic Property Developments S.A. adopted resolution No. 3 on issuance of B-series subscription warrants with the right to take up E-series Company shares and deprivation of the existing shareholders of the right of subscription of B-series subscription warrants in whole and resolution No. 4 on conditional increase in share capital of the Company exclusive of rights of subscription of E-series shares, amendment to Company Articles of Association, deprivation of the existing shareholders of the right of subscription of E-series shares in whole, dematerialization of E-series shares and application for permit and introduction of C-series shares into the regulated market trading.

The Company issued 88,776 B-series registered subscription warrants (hereinafter: 'Subscription Warrants') including the right to take up the total of 88,776 ordinary bearer's shares in the Company with face value of PLN 0.10 each and the total face value of PLN 8,877.60 pursuant to the resolution No. 3. The Subscription Warrants were only offered to authorized persons, i.e. members of the Management Board of the Company fulfilling functions of members at the time of declaration of take-up of the Subscription Warrants:
• 36,483 Subscription Warrants were offered to Mr. Andrew Morrison Shepherd, President of the Management Board;
• 36,483 Subscription Warrants were offered to Mr. Aled Rhys Jones, Member of Board;
• 15,810 Subscription Warrants were offered to Ms. Elżbieta Wiczkowskia, Member of Board.

Subscription Warrants were issued free of charge. The issuance price per E-series share taken up in the exercise of rights in a Subscription Warrant was determined at its face value amounting to PLN 0.10. Each Subscription Warrant gave the right to take up on E-series share. The right to take up E-series shares was exercised as per Art. 451 of the Commercial Companies Code, i.e. by means of declarations in writing made in the forms provided by the Company.
The Subscription Warrants and the E-series shares were issued off the public offer referred to in Art. 3 (3) of the Act on Public Offer and Conditions for Introducing Financial Instruments into Organized Trade and on Public Companies of 29 July 2005 (Journal of Laws No. 184 item 1539 as amended) as the number of persons whom the purchase of Subscription Warrants was proposed did not exceed 99.

The Management Board of the Company adopted resolution No. 13/III/2013 on increase in share capital of the Company within the framework of the target capital on 20 March 2013.
Pursuant to the above-mentioned resolution, the share capital of the Company was increased by PLN 19,933.30 by means of issuance of 199,333.00 F-series ordinary bearer's shares with face value PLN 0.10 (PLN 10/100) each within the limits of the target capital. The increase in share capital by means of issuance of F-series shares was done upon approval by the Supervisory Board through private issuance designed for selected Board collaborators exclusive of the existing shareholders' rights of subscription. The receipts from the issuance of F-series shares were allocated to the financing of the day-to-day business of the Company.

On 27 March 2013, the Company called the shareholders to make offers of sale of its shares on terms specified in the Call for Offers of Sale. The entire Call for Offers of Sale was published on the Internet site of the Company (www.celtic.pl). The Company offered purchase of not more than 1,732,394 ordinary bearer's shares marked with ISIN code PLCELPD00013 ('the Shares') at PLN 7.10 each in connection with the Call. 39 offers of sale covering the total of 15,575,542 Company shares were received in the Share sale offer acceptance period from 3 to 9 April 2013.

10 Share Capital (continued)

The call was based on the resolution of the Extraordinary General Assembly of the Company of 10 August 2012 on purchase of Company shares for redemption authorizing the Management Board to purchase a total of not more than 11,541,891 company shares with face value of PLN 0.10 (PLN 10/100) each and with total face value of not more than PLN 1,154,189.10 by 31 December 2013 at the latest. Shares may be purchased on the regulated market (during or outside sessions) or outside the regulated market. The Company will purchase the Shares as per Art. 361 (1) (5) of the Commercial Companies Code for a price not lower than their face value, but not exceeding PLN 15.89 (PLN fifteen 89/100) per share. The General Assembly also authorized the Management Board to determine detailed terms of purchase of Shares to the extent not regulated in the resolution and to perform all actual and legal acts designed to perform the resolution including conclusion of an agreement with an investing business. The Management Board will convene the General Assembly of the Company with an agenda including at least adoption of resolutions on redemption of treasury shares, decrease in Company share capital and amendment to Company Articles of Association after the purchase of all or some of the Shares in order to redeem them.

The slowdown on the Warsaw Stock Exchange being a part of global capital market trends and resulting in a fall in market price of Celtic Property Developments S.A. shares was the rationale behind the Management Board recommendation for adoption of the resolution on purchase of treasury shares in order to redeem them. According to the Management Board, that valuation differs from long term Company value growth fundamentals. The purchase of some of the shares is, therefore, the best from the point of view of all the Company shareholders. The Supervisor Board approved the above-mentioned draft resolution of the Extraordinary General Assembly of the Company and adopted the relevant resolution adopting draft resolutions of the General Assembly.

The Company decided to accept all the offers of sale and to reduce them proportionally as per the Call on 11 April 2013. The number of shares covered by the share sale offers made amounted to 15,575,542. As the offers of sale covered a bigger number of shares than 1,732,394 shares proposed by the Company, each offer of sale was reduced by 88.88% in the average meaning that the Company purchased the average of 11.12% of Shares offered. As a result of settlement of the transaction made on 15 April 2013, the Company purchased 1,732,394 treasury shares through UniCredit CAIB Poland S.A., a brokerage house in Warsaw. The purchase price amounted to PLN 7.10 per share. All the shares purchased are ordinary shares with face value of PLN 0.10 each. Treasury shares account for 5.01% of the share capital of the Company and 5.01% of the total number of votes in the Company provided that the Company is not authorized to exercise voting rights in treasury shares as per the regulations in force.
The General Assembly of the Company must be convened and adopt resolutions on decrease in share capital in order to launch the redemption of the shares purchased as per the legal regulations in force.

The District Court for the capital city of Warsaw in Warsaw, 13th Commercial Department of the National Court Register, registered a conditional increase in Company share capital by not more than PLN 8,877.60 on 26 April 2013. The conditional increase in capital was done by means of issuance of not more than 88,776 E-series ordinary bearer's shares with face value of PLN 0.10 (PLN 10/100) each in order to enable the entitled holders of B-series subscription warrants to exercise the rights to take up not more than 88,776 E-series shares.
The subscription warrants were offered to the entitled persons on 8 May 2013. The entitled holders of B-series subscription warrants, i.e. member of the Management Board, exercised the rights in warrants and declared take-up of E-series shares on the same day. E-series shares issued in connection with the take-up of B-series subscription warrants by the entitled persons are concerned by a sale prohibition for 18 months from their admission to the stock exchange trading under agreements concluded concomitantly with the take-up of the shares.

The share capital of the Company was increased on 5 July 2013 as a result of crediting of E-series shares to the accounts of the entitled persons and inception of rights in the same shares as per Art. 452 of the Commercial Companies Code. The share capital of Celtic Property Developments S.A. was therefore increased by PLN 8,877.60 to PLN 3,439,626.40 on 5 July 2013. The share capital of Celtic Property Developments S.A. was split into 34,396,264 shares with face value of PLN 0.10 (PLN 10/100) each representing 100% of votes at the General Assembly of the Company as a result of the increase. The receipts from the issuance of E-series shares were allocated to the financing of the day-to-day business of the Company.

10 Share Capital (continued)

88,776 ordinary E-series bearer's shares marked with ISIN code: PLCELPD00013 were registered by National Depository on 5 July 2013 as per the resolution of the Management Board of KDPW No. 448/13 of 21 June 2013.
E-series shares were introduced into trading on the parallel market of Giełda Papierów Wartościowych w Warszawie S.A. on 5 July 2013 as per the resolution No. 745/2013 of the Management Board of GPW S.A. of 3 July 2013.

The District Court for the capital city of Warsaw in Warsaw, 13th Commercial Department of the National Court Register, issued the decision to enter the increase in share capital of the Company by PLN 8,877.60 by means of issuance of 88,776 E-series ordinary bearer's shares on 12 August 2013. The share capital of the Company amounted to PLN 3,439,626.40 and was split into 34,396,264 B, C, D and E-series ordinary bearer's shares with face value of PLN 0.10 (PLN 10/100) each entitling to 34,396,264 votes at the General Assembly of the Company after the entry of the increase.

The District Court for the capital city of Warsaw in Warsaw, 13th Commercial Department of the National Court Register, issued the decision to enter the increase in share capital of the Company by PLN 19,933.30 by means of issuance of 199,333 F-series ordinary bearer's shares on 13 September 2013. The share capital of the Company amounts to PLN 3,459,559.70 and is split into 34,595,597 B, C, D, E and F-series ordinary bearer's shares with face value of PLN 0.10 (PLN 10/100) each entitling to 34,595,597 votes at the General Assembly of the Company after the entry of the increase.

The share capital of CPD SA was conditionally increased by PLN 979,136 pursuant to the resolution of the Extraordinary General Assembly of 5 August 2014.
The share capital was conditionally increased in order to enable holders of bonds convertible to shares to exercise their rights to convert bonds into not more than 9,791,360 shares. The issuance of bonds enabled CPD S.A. to raise funds for its key growth projects.

The District Court for the capital city of Warsaw in Warsaw registered the decrease in share capital of the Company by PLN 173,239.40 (say one hundred and seventy three thousand two hundred and thirty nine 40/100) resulting from the redemption of 1,732,394 (say one million seven hundred and thirty two thousand three hundred and ninety four) B-series treasury shares of the Company with face value of PLN 0.10 (say PLN 10/100) each equivalent to 1,732,394 votes at the General Assembly of the Company. The shares were redeemed pursuant to resolution No. 22 of the General Assembly of the Company of 29 May 2014 (Roll of Deeds A No. 6337/2014).

11 Trade Payables and Other Payables

Non-current Trade Payables and Other Payables

	31 grudnia 2014	31 grudnia 2013
Lessees' security deposits	1 494	384

Current Trade Payables and Other Payables

	31 grudnia 2014	31 grudnia 2013
Trade payables	827	1 540
Other payables	504	179
Input VAT and other tax liabilities	284	455
Lessees' security deposits	138	512
Prepayments and accruals	14 077	12 684
Total	**15 830**	**15 370**

Trade payables bear no interest and are payable within a year.
The estimated fair value of trade payables and other payables is the discounted amount of expected future expenses to be made by CPD Group and is roughly close to their book value.
The provision for potential tax risks amounting to PLN 13.6MM was the biggest part of prepayments and accruals as at 31 December 2014.

12 Credits and loans including financial leases

	31 grudnia 2014	31 grudnia 2013
Non-current		
Bank credits	42 221	0
Financial lease liabilities	29 263	22 027
	71 484	**22 027**
Current		
Bank credits	71 493	94 004
Loans from non-affiliates	0	41
	71 493	**94 045**
Total credits and loans	**142 977**	**116 072**

12 Credits and loans including financial leases (continued)

CPD Group disclosed the following bank credit liabilities as at 31 December 2014 in the consolidated financial statements:
- liabilities to mBank Hipoteczny S.A. amounting to PLN 43,106,000 including PLN 884,000 disclosed as the current part and 42,220 disclosed as the non-current part);
- liabilities to Bank Zachodni WBK S.A. amounting to PLN 70,608,000 disclosed entirely as a current liability.

The agreement with Bank Zachodni WBK S.A. was signed on 12 August 2011. The parties included Belise Investments Sp. z o.o., a CPD Group subsidiary, as the borrower and guarantors including CPD S.A., Lakia Enterprises Ltd and East Europe Property Financing AB (this business has been sold outside CPD Group and is not a party to the discussed credit agreement). An investment credit of up to EUR 20,141,000 was extended under the agreement in order to finance or refinance a part of costs of finishing of IRIS rental space along with a renewable VAT credit of up to PLN 2,100,000.
The final repayment of the construction credit fell on one of the following dates as per the terms of the agreement including annexes signed:
- if the construction credit is converted into investment one, the credit will be finally repaid on 12 August 2019 at the latest; otherwise,
- the final repayment date was 31 December 2014.
The VAT credit (credit facility under the agreement with BZ WBK) was finally repaid on 31 December 2014.

Conditions for conversion of the credit and, therefore, postponement of the final repayment date until August 2019 included without limitation achievement of the debt coverage ratio determined in the credit agreement and a proper amount of space rented out. The expected debt coverage ratio was achieved as at the balance sheet data and the date of these consolidated financial statements while the space rental ratio was not. The credit may therefore be converted at the current space rental level upon approval from the bank. Preparatory works designed to collect all documents allowing the conversion of the credit and, therefore, postponement of the final repayment date until August 2019 are underway. The relevant agreement has not been signed by the date hereof; the bank is, therefore, in theory authorized to terminate the agreement and request repayment of the entire debt. Based on the current discussions with the bank the Management Board believes that the conversion of the credit is the most probable solution based on current ratios bearing in mind that the proper debt service ratio has been reached and the current Belise rental ratio is close to the requirements (there is a 1.5% difference). Based on the credit history of CPD Group, past relationships with BZ WBK and the real ability to obtain refinancing of the credit from another bank bearing in mind current rations reached by Belise Investments sp z o.o. the Management Board believes that the risk of Group's inability to repay credit liabilities to BZ WBK is strongly limited.

The balance of liability under the credit obtained from BZ WBK S.A. amounting to PLN 70,608,000 as at 31 December 2014 was disclosed under the current liabilities header as it is repayable within 12 months from the balance sheet date concerned by the consolidated financial statements under the agreements currently in force.

Lakia Investments and Robin Investments, subsidiaries, concluded credit agreements with mBank Hipoteczny on 18 June 2014. The above credit was extended in order to refinance the credit taken from HSBC Bank Polska in 2006 and allocated to the financing of office projects at Cybernetyki 7b and Połczyńska 31a. The mBank Hipoteczny credit was made available on 1 July 2014. Lakia Investments exposure amounted to EUR 5,695,374.94 and that of Robin Investments amounted to EUR 4,410,343.78 as at the balance sheet date. The said companies are obliged to repay the entire credit by 20 June 2029 as per the terms of the credit agreement with mBank Hipoteczny.

Finance lease liabilities relate to the perpetual usufruct right (PUR) and have been recognized as a result of increase in fair value of an investment class real property for accounting purposes (note 5).

	31 grudnia 2014	31 grudnia 2013
Repayments of lease principal based on the effective interest rate with maturity falling within:		
up to 1 year	7	7
1-5 years	33	33
over 5 years	29 223	21 987
	29 263	**22 027**

	31 grudnia 2014	31 grudnia 2013
Face value of minimum lease payments by maturity:		
up to 1 year	2 470	1 735
1-5 years	9 880	6 941
over 5 years	175 370	121 462
	187 720	**130 137**
Future financial costs	**(158 457)**	**(108 110)**
	29 263	**22 027**

The exposure of credits and loans of CPD Group including financial leases to the interest rate risk and contractual interest rate change dates as at the balance sheet date is shown below.

12 Credits and loans including financial leases (continued)

	31 grudnia 2014	31 grudnia 2013
6 months or less	70 608	40 389
6-12 months	885	53 656
1-5 years	9 245	0
over 5 years	32 976	0
	113 714	**94 045**

The carrying value of credits and loans is roughly equal to their fair value.

The carrying value of credits and loans of CPD Group is denominated in the following currencies:

	31 grudnia 2014	31 grudnia 2013
Currency		
EUR	113 714	94 045
	113 714	**94 045**

Lakia Enterprises Ltd established a registered pledge on all shares in the capital of Lakia Investments and Robin Investments amounting to up to EUR 5.85MM (Lakia) and EUR 4.45MM (Robin) for the benefit of mBank in connection with the credit taken from mBank Hipoteczny in 2014.

Lakia Enterprises Ltd established a registered pledge on all shares in the capital of Belise Investments amounting to up to EUR 40.3MM and EUR 4.2MM for the benefit of BZ WBK in connection with the credit taken from BZ WBK in 2011.

13 Bonds Issued

	31 grudnia 2014	31 grudnia 2013
Face value of convertible bonds issued on 26 September 2014	22 966	0
Capital part	27 909	0
Debt part on the initial recognition date of 26 September 2014	**50 875**	**0**
Cost of accrued interest	623	0
Valuation as at 31 December 2014	476	0
Valuation of the embedded derivative	(9 094)	0
Derivative as at 31 December 2014	**42 880**	**0**

	Number of shares	
	Ended Year 31 December 2014	Ended Year 31 December 2013
Laxey Investors Limited	1	0
LP Alternative LP by Laxey Partners (GP3) as	7	0
Laxey Partners Ltd	1	0
LP Value Ltd	7	0
Laxey Universal Value LP By	1	0
The Value Catalyst Fund	13	0
QVT Fund LP	17	0
Quintessence Fund LP	3	0
Lars E Bader	7	0
Co-op	33	0
Furseka	17	0
Broadmeadow	3	0

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

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

The embedded derivative results from:
a) holder's right to convert the bonds into shares at a fixed rate
in the period from 26 September 2015 to 5 days before the repurchase date, i.e. 22 September 2017;
b) currency cap option concerning translation of the liability into shares on the conversion date at the EUR/PLN exchange rate of the same day
not exceeding, however, EUR 1 = PLN 4.1272.
The embedded derivative valuation method is described in note 4.

14 Deferred Income Tax

Deferred income tax assets and liabilities are subject to offset, if there is an enforceable legal title to set off current income tax assets against current income tax liabilities and if deferred income tax assets and liabilities concern income taxes charged by the same tax authorities.

	31 grudnia 2014	31 grudnia 2013
Deferred Income Tax Assets before Offset	**19 500**	**14 511**
Offset against provision for deferred income tax	(19 415)	(14 151)
Deferred Income Tax Assets	**85**	**360**
- receivable after 12 months	0	0
- receivable within 12 months	85	360
	85	**360**
Deferred Income Tax Liabilities before Offset	**32 810**	**27 457**
Offset against deferred income tax asset	(19 415)	(15 151)
Deferred Income Tax Liabilities after Offset including:	**13 395**	**13 306**
- payable after 12 months	13 395	13 306
- payable within 12 months	0	0

	12 months ended 31 grudnia 2014
Movement in balance of deferred tax asset	4 989
Movement in balance of provision for deferred tax	5 353
Total movement including:	**(364)**
Effect on the result - income tax	(364)

14 Deferred Income Tax

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

Deferred Income Tax Liabilities (before offset)

	2012	Charge on result*	Charge on total other income	2013
Valuation of real property to fair value	16 095	(3 742)	0	12 353
Interest accrued on loans	12 418	2 963	0	15 381
Provision for revenues	119	(58)	0	61
Exchange rate differences	37	(34)	0	3
Exchange rate differences from translation into the presentation currency	0	0	0	0
Other	448	0	0	(341)
Total	29 117	(871)	0	27 457

	2013	Charge on result	Charge on total other income	Sale/purchase of subsidiaries	2014
Valuation of real property to fair value	12 353	4 111	0	0	16 464
Interest accrued on loans	15 381	499	0	0	15 880
Provision for revenues	61	330	0	0	391
Exchange rate differences	3	59	0	0	62
Exchange rate differences from translation into the presentation currency	0	0	0	0	0
Other	(341)	354	0	0	13
Total	27 457	5 353	0	0	32 810

Significant amounts of deferred income tax liabilities mainly arise from adjustments of valuation t of investment class real properties to fair value (note 6).

14 Deferred Income Tax (continued)

Deferred Income Tax Assets (before offset)

	2012	Charge on result*		2013
Non-repaid interest accrued	278	63		341
Exchange rate differences	949	(124)		825
Provisions	840	(539)		301
Real property fair value valuation	12 875	(11 371)		1 504
Other	0	9 537		9 537
Tax losses	3 757	(1 754)		2 004
	18 698	(4 188)		14 511
	2013	**Charge on result**	**Sale/purchase of subsidiaries**	**2014**
Non-repaid interest accrued	341	251	0	592
Exchange rate differences	825	(192)	0	633
Provisions	301	(286)	0	15
Real property fair value valuation	1 504	(1 088)	0	416
Other	9 537	5 998	0	15 535
Tax losses	2 004	306	0	2 310
	14 511	4 989	0	19 500

	31 grudnia 2014	31 grudnia 2013
Tax losses	12 156	10 544
Negative transitory differences concerning loans and credits (interest accrued)	3 113	1 795
Other negative transitory differences	87 363	64 037
Total transitory differences	102 632	76 376
Value of the deferred income tax asset before offset	**19 500**	**14 511**
Offset of the asset against deferred tax liability in individual companies	(19 415)	(14 151)
Net value of the deferred income tax asset	**85**	**360**

Deferred income tax assets from tax loss and negative transitory differences to settlement are only recognized to the extent of probability that taxable income making use of transitory differences or tax losses can be earned in the future.

14 Deferred Income Tax (continued)

Expiration of tax losses - balance as at 31 December 2014

	2015	2016-2017	2018-2019	Total
- Concerned by deferred tax recognized	1 229	5 127	9 230	15 586
- Not concerned by deferred tax recognized	9 105	117 334	24 581	151 020

Expiration of tax losses - balance as at 31 December 2013

	2014	2015-2016	2017-2018	Total
- Concerned by deferred tax recognized	568	5 463	4 508	10 538
- Not concerned by deferred tax recognized	4 773	36 770	172 354	213 897

15 Revenues

Analysis of revenues by category	**12 months ended 31 grudnia 2014**	**12 months ended 31 grudnia 2013**
Rental revenues	#ARG!	6 792
Sale of inventory	#ARG!	2 537
Real property consulting services	#ARG!	157
Rental-related services	#ARG!	4 394
	#ARG!	**13 880**

Rental revenues dominated the revenues in 2014.

Rental revenues dominated the revenues in 2013. Revenues from sale of real properties owned by Gaetan (PLN 2,225,000) and Antigo (PLN 307,000) were another major item of revenues in 2013.

The Group rents out real properties under operating leases.

The Group has adopted the following rental agreement model:

- rental fees expressed in EUR and indexed by the annual EUR inflation rate (invoiced in PLN),
- determined term of rental with no early termination allowed.

15 Revenues (continued)

The minimum receipts from irrevocable rentals include lease payments under agreements concluded for a determined period and payments for the period of notice in the case of agreements concluded for an undetermined period.

	12 months ended 31 grudnia 2014	12 months ended 31 grudnia 2013
not more than 1 year	11 297	9 772
more than 1 year, but less than 5 years	38 389	25 898
more than 5 years	4 555	3 759
	54 240	**39 429**

16 Cost of Goods Sold

	12 months ended 31 grudnia 2014	12 months ended 31 grudnia 2013
Cost of inventory sold	14	4 338
Movement in balance of inventory revaluation allowances	1 172	3 638
Cost of services provided	2 462	1 453
	3 648	**9 429**

The cost of inventory sold is its book value at the time of sale.

This year, the movement in balance of inventory revaluation allowances resulted from the increase in value of real properties in Nowa Piasecznica (PLN 10,000) and Jaktorów (PLN 30,000) and from the decline in value of real properties in Łódź (PLN 900,000) and Czosnów (PLN 312,000). The value of the Koszykowa property has not changed.

17 Administrative Costs of Real Properties

	12 months ended 31 grudnia 2014	12 months ended 31 grudnia 2013
Personnel costs	#ARG!	2 235
Maintenance of the real properties	#ARG!	3 580
Real property taxes	#ARG!	3 258
Perpetual usufruct	#ARG!	2 004
Depreciation of tangible non-current assets and intangible assets	#ARG!	213
	#ARG!	**11 290**

18 Pozostałe przychody

	12 months ended 31 grudnia 2014	12 months ended 31 grudnia 2013
Waived or expired liabilities	10	0
Sale of PPE	47	0
Contractual penalties received	0	172
Other	363	433
	420	**606**

19 Other Administrative Costs

	12 months ended 31 grudnia 2014	12 months ended 31 grudnia 2013
Consulting services	5 817	4 209
Auditor's fee	331	317
Transport	45	49
Taxes	159	215
Maintenance of the office	1 953	2 893
Other services	321	553
Costs of non-deducted VAT	357	441
Receivable impairment write-offs	29	4 702
Other costs	1 633	1 371
	10 645	**14 750**

As for other administrative costs, the Group recorded a rise in costs of consulting services by PLN 1.6MM in 2014 compared to 2013. Costs of receivable impairment write-offs fell by PLN 4.7MM.

The rise in costs of consulting services is a result of optimization of personnel costs (note 18) and the office maintenance costs and outsourcing of some of the tasks performed by the office personnel in 2013.

20 Financial Revenues and Costs

	12 months ended 31 grudnia 2014	12 months ended 31 grudnia 2013
Cost of interest:		
- bank credits	(4 068)	(3 607)
- financial lease interest	(2 214)	(1 652)
- other interest cost	(1 314)	(491)
Net exchange rate differences	(2 574)	(1 273)
Other	(376)	(19)
Financial costs	**(10 546)**	**(7 042)**
Interest revenues:		
- bank interest	49	269
Financial revenues from valuation of the embedded derivative instrument	9 094	0
- interest from non-affiliates	591	640
Financial revenues	**9 734**	**909**
Net financial result	**(812)**	**(6 133)**

21 Income Tax

	12 months ended 31 grudnia 2014	12 months ended 31 grudnia 2013
Current tax	0	0
Income tax for past years	0	0
Podatek odroczony (Nota 14)	364	2 527
	364	**2 527**

21 Income Tax (continued)

Polish subsidiaries are subject to Polish corporate income tax charged at the rate of 19% on the profit or loss of the year adjusted for tax purposes. Cypriot subsidiaries are subject to local income tax charged on tax profits at the rate of 10%. Realized profit from sale of shares or other ownership rights are exempted from tax in Cyprus. Interest may be subject to additional 5% tax in some situations. If this is the case, 50% of the interest may be exempted from the income tax; the effective tax charge therefore amounts to about 15%. Dividends received from abroad may be subject to additional 15% tax in some situations. Swedish units are subject to 26.3% income tax on tax profits.

	Tax rate in force	Taxable basis	Tax at the rate in force in a given country	Difference between tax amounts at the local rate and 19%
Country:				
Sweden	26,3%	(5 297)	1 393	387
Cyprus	10%	(5 641)	564	(508)
Hungary	10%	(354)	35	(32)
				(153)

The income tax recognized in the result of CPD Group differs from the theoretic amount that would be obtained if the 19% tax rate applicable to gross accounting profit of companies having their registered offices in Poland was consistently applied as follows.

	12 months ended 31 grudnia 2014	12 months ended 31 grudnia 2013
Loss before tax	**104 858**	**(40 534)**
Estimated tax charge at the rate of 19%	(19 923)	7 701
tax:		
- various tax rates applicable to Group companies and the tax on consolidation adjustments	(153)	(672)
- non-taxable loss (Cyprus)	0	0
- loss of companies where the asset was not recognized	(2 146)	(4 561)
- goodwill write-off	0	0
- income tax for past years	0	0
- valuation of real properties	21 814	0
- valuation of the embedded instrument	(3 575)	0
- other	(957)	59
Tax charge	**4 939**	**(2 527)**

22 Basic Operating Cash Flow

	12 months ended 31 grudnia 2014	12 months ended 31 grudnia 2013
Profit (loss) before tax	104 858	(40 534)
Adjustments for:		
- depreciation of tangible non-current assets	203	170
- profit/loss from exchange rate differences	(5 858)	2 906
- revaluation of investment class real properties to fair value	(114 810)	10 702
- waiver of loan	143	0
- waiver of interest on the loan	29	0
- cost of interest	4 382	3 470
- impairment of inventory	1 172	3 674
- result of sale of investment class real properties	0	1 970
- result of sale of tangible non-current assets	39	0
- other adjustments: interest revenues	(289)	(747)
- write-off of shares	0	35
- other adjustments	3	85
Current capital movements:		
- movement in receivables	(1 886)	8 970
- movement in inventory	(19)	4 085
- movement in trade payables and other payables	1 212	2 876
	(10 821)	**(2 338)**

23 Contingent Items

As per the Polish legal regulations, tax authorities may inspect books and records at any time within 5 years following the reporting period and charge additional tax and penalties, if irregularities are found out. According to the knowledge of the Management Board of CPD Group member companies there are no circumstances that could result in significant liabilities in this area.

CPD Group companies including Celtic Asset Management (formerly Liliane Investments), Gaetan Investments and Elara Investments extended guarantee and warranty concerning the legal status and the technical condition of goods sold to the clients as a result of sale of houses, apartments and plots of land. Liability periods applicable to plots of land amount to 1 year while those applicable to houses and apartments amount to 3 years from the date of sale.

Celtic Property Developments S.A. extended guarantee covering the following for a period not exceeding 12 August 2022 in connection with the credit extended by BZ WBK S.A. to Belise Investments Sp. z o.o. , Issuer's subsidiary implementing the IRIS project at ul. Cybernetyki 9 in Warsaw:

a) amounts that are or may be required in order to cover all excesses of project implementation costs over the costs defined in the credit agreement up to EUR 20,666,000;

b) amounts that are or may be required in order to cover the debt service or any other due payments of up to EUR 20,666,000;

c) amounts that are or may be required in order for the debt service coverage ratio not to be lower than 100%, i.e. receipts from rental agreements should cover debt service costs, up to EUR 20,666,000.

24 Transactions with Affiliates and Transactions with Employees

CPD S.A. has no immediate or ultimate parent company. Cooperatieve Laxey Worldwide W.A. is a major top level investor exercising significant influence on the Company.

CPD Group also concludes transactions with key managers and other affiliates controlled by the key managers of the Group.
All transactions with affiliates were made on an arm's-length basis.

CPD Group concluded the following transactions with affiliates:

		12 months ended 31 grudnia 2014	12 months ended 31 grudnia 2013
a) Transactions with key managers			
Cost of remuneration of members of the Management Board		240	233
Cost of work and services provided by members of the Management Board		4 006	729
Cost of remuneration of members of the Supervisory Board		239	202
Total receivables		0	16
b) Transactions with other affiliates managed by key managers			
Costs			
Oleś i Rodzynkiewicz Legal Counsels	*- cost of legal services*	130	58
c) Transactions with shareholders			
Laxey loan		325 0	
Loan write-down		(325) 0	

Bonds taken up by CPD shareholders were issued on 26 September 2014. Details are provided in note 13.

25 Seasonal Business

The business of CPD Group is neither seasonal nor cyclical.

26 Assets and Liabilities Making Part of Group for Sale Classified as Designed for Sale

The investment class real property of Robin Investments Sp. z o.o. was classified as designed for sale as at 31 December 2012. The Management Board decided to shift the above-mentioned property to the real property portfolio of the Group as at 31 December 2013 and, therefore, to change its classification to investment class property.

27 Sale of Subsidiaries

No subsidiaries were sold in 2013.

In 2014, the Group sold shares in EEPF and a part of shares in GAETAN and realized the following profit:

- EEPF	9
- Gaetan Investments Sp. z o.o.	(50)
	(41)

28 Result of Sale of Investment Class Real Properties

The notarized deed of sale of the real property situated in the district of Wola in Warsaw at ul. Jana Kazimierza by Mandy Sp. z o.o. , a subsidiary, for the price of PLN 13.1MM resulting in a loss of PLN 2.6MM was signed in June 2013.

No investment class real properties were sold in 2014.

29 Events after the Balance Sheet Date

The Company issued a total of 30,000 B-series secured bonds (hereinafter 'Bonds') on 13 January 2015. The Bonds were issued as per Art. 9 (3) of the Act on Bonds, i.e. as a private offering.
The Bonds were issued on the following terms:

The Issuer did not determine the purpose of the issuance in the meaning of the Act on Bonds or the project to be financed with the issuance of Bonds.
Bonds issued are secured B-series bearer's bonds with face value of PLN 1,000 each, not being documents.
The total face value of all Bonds issued does not exceed PLN 30,000,000.

The face value of one Bond amounts to PLN 1,000. The issuance price of one Bond equals its face value and amounts to PLN 1,000.
Bonds will be repurchased by the Company on the date falling 4 years after the Bonds issuance date, i.e. 13 January 2019 (hereinafter 'the Repurchase Date') subject to events of early repurchase of Bonds, if the Issuer breaches the terms of issuance of Bonds or if the Issuer so requests.

The Bonds bear interest at a fixed rate amounting to 9.1% per annum.

On, 30 January 2015, Issuer group members including (1) Buffy Holdings No. 1 Limited with its registered office in Nicosia, Cyprus (hereinafter 'the Buyer') and (2) Challange Eighteen spółka z ograniczoną odpowiedzialnością with its registered office in Warsaw (hereinafter 'Buyer's Subsidiary') signed the agreement (hereinafter 'the Agreement') on sale of 100% of shares in IMES POLAND spółka z ograniczoną odpowiedzialnością with its registered office in Warsaw (hereinafter 'the Purchased Company') to Buffy Holdings No. 1 Limited with I.M.E.S. – INDUSTRIA MECCANICA E STAMPAGGIO S.P.A. with its registered office in Sumirago, Italy (hereinafter 'the Seller').
The Purchased Company has the perpetual usufruct right in the real property composed of the plot of land No. 98, register area No. 2-09-09, with the area of 69,457 sq.m., situated close to ul. Gierdziejewskiego in Warsaw (the district of Warszawa-Ursus). The real property permits the construction of about 80,000 sq.m. of apartments and service shops as per the local zoning plan. The purchase of the above asset was an important part of strategy of CPS SA Group as it is a strategic addition to the portfolio of construction land with very big housing and service potential in the district of Ursus. The area controlled by the Company exceeds 57 ha as a result of the said transaction, 80% out of which are housing and service areas. This transaction made the Company the key investor in one of the most attractive investing areas in Warsaw.

30 Chartered Accountant's Fee

The fee of the authorized reviewer paid or payable for the fiscal year ended on 31 December 2014 and 31 December 2103 was as follows:

	12 months ended 31 grudnia 2014	12 months ended 31 grudnia 2013
Auditor's fee	255	325

31 Payment of Dividend

The Group paid neither dividend nor interim dividend in 2014. No dividend or interim dividend was paid in the preceding fiscal period, either.

32 Basic and Diluted Earnings per Share

Basic earnings per share are calculated as the quotient of profit falling to the company shareholders and the weighted average of number of ordinary shares in the year exclusive of shares purchased by the company and disclosed as treasury shares.

Diluted earnings per share are calculated based on profit or loss attributable to the ordinary shareholders in the parent company and on the profit or loss from the continued business attributable to them, if such data are disclosed.

For the purposes of calculation of diluted earnings per share the profit or loss attributable to the ordinary shareholders in the parent company and the weighted average number of outstanding shares are adjusted by the effect of all diluting potential ordinary shares.

	12 months ended 31 grudnia 2014	12 months ended 31 grudnia 2013
Profit attributable to the shareholders in the parent company	104 494	(43 061)
Weighted average number of ordinary shares (in '000)	34 330	34 023
Earnings per share	3,04	(1,27)
Diluted profit attributable to shareholders	98 018	(43 061)
Weighted average number of ordinary shares (in '000)	36 906	34 023
Diluted earnings per share	2,66	(1,27)

The weighted average number of shares in 2013 was determined taking into account the following changes in number of shares:
a) repurchase of 1,732,394 treasury shares in the transaction of 15 April 2013,
b) registration of the increase in capital from 34,307,88 to 34,396,64 of 5 July 2013.

The weighted average number of shares in 2014 was determined taking into account the following changes in number of shares:
a) registration of the decrease in capital from 34 595 926 to 32 863 203 of 25 November 2014.

The issuance of bonds convertible into shares by CPD contributed to the dilution of profit. The amount of adjustment of the result was affected by the amount of interest (PLN 623), valuation of bonds as at the balance sheet date (PLN 476,000) and the valuation of the embedded derivative instrument (PLN -9,094,000). These amounts will be reduced by the income tax to be paid in the future.

The weighted average number of shares was adjusted due to the possible exercise of right to convert bonds convertible into shares (not more than 9,791,360 shares). The weighted average number of shares amounted to 36,906,000.

33 Reporting Segments

CPD Group is and is considered by the Management Board to be a single operating segment as per the definition included in IFRS 8.

The breakdown of external operating revenues is provided in note 15.

The parent company of CPD Group had a registered office in Warsaw at the end of the year. It had no PPE in this year or in past years.

Operating revenues from companies external to CPD Group are broken down by country:

	12 months ended 31 grudnia 2014	**12 months ended 31 grudnia 2013**
Poland	15 067	13 722
Cyprus	0	158
Hungary	0	0
	15 067	13 880

Non-current assets including investment class real properties, non-current tangible assets and intangible assets are allocated as follows:

	31 grudnia 2014	**31 grudnia 2013**
Poland	585 819	445 983
Cyprus	0	0
Other	3	961
	585 822	446 944

These consolidated financial statements were prepared and approved by the Management Board of the Company on 19 March 2015 and signed on its behalf by:

Elżbieta Donata Wiczkowska
President of the Management Board

Colin Kingsnorth
Member of the Management Board

Iwona Makarewicz
Member of the Management Board