CPD S.A.



ANNUAL REPORT 2014

CPD S.A.

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2014

TRANSLATORS' EXPLANATORY NOTE

The following document is a free translation of the Annual Report of CPD S.A. published on Marchl 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.

CONTENTS

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 individuals:

Ms. Marzena Bielecka – President of the Supervisory Board (Supervisory board member meeting the requirements for an 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 tertiary education: she graduated from the University of Warsaw, Department of Polish and Slavonic Studies (major: Yugoslavian Studies). Ms. Marzena Bielecka is also 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 tertiary legal education: he graduated from the Faculty of Law and Administration of the Jagiellonian University in Kraków (major: Law). Mr. Wiesław Oleś is also a licensed legal advisor.

Mr. Mirosław Gronicki – Member of the Supervisory Board (Supervisory board member meeting the requirements for an 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 tertiary economic education: he graduated from the Faculty of Economics of Maritime Transport at the University of Gdansk in Gdansk (major: Economics of Maritime Transport). Mr. Mirosław Gronicki has also obtained a PhD degree in economics at the Faculty of Economics of Production at the University of Gdansk.

Mr. Andrew Pegge – Member of the Supervisory Board

Mr. Andrew Pegge was appointed to the Supervisory Board of the second term on 24 October 2013. The term of office of Mr. Andrew Pegge expires on 24 May 2015. Mr. Andrew Pegge has tertiary education: he is a graduate of the Sussex University (United Kingdom); he also holds a Diploma in Marketing from the Chartered Institute of Marketing (United Kingdom) and an MBA diploma in Finance from the City University Business School (United Kingdom). Mr. Andrew Pegge also holds the qualification of a Chartered Financial Analyst from the AIMR (Association for Investment Management Research, USA).

Mr. Wiesław Rozłucki – Member of the Supervisory Board (Supervisory board member meeting the requirements for an 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 the Warsaw School of Economics (Szkoła Główna Handlowa, formerly SGPiS) – Department of Foreign Trade (1970). In 1977 he obtained a PhD degree in Economic Geography. Between 1973 and 1989, Mr. Rozłucki was a researcher at the Institute of Geography and Spatial Management of the Polish Academy of Sciences (PAN), and subsequently served as the Secretary of the Polish Committee of the International Geographical Union. In 1979–1980 he studied at the London School of Economics.

Since 1990 he was involved in the ownership transformation processes, first as an advisor to the Minister of Finance, then as the Director of the Capital Markets Development Department at the Ministry of Privatisation. Between 1991 and 1994, Mr. Rozłucki was a member of the Polish Securities Commission. From 1991 to 2006, he was 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 1990s, Mr. Rozłucki was a member of the Economic Development Council to President of the Republic of Poland. He was also a member of governing bodies of the World Federation of Exchanges (WFE) and 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 Best Practices Committee established in 2001. He is also Chairman of the Programming Board of the Polish Institute of Directors and of Programming Board of Harvard Business Review Polska. He also provides individual consulting services, acting as a strategic adviser to Rothschild and Warburg Pincus. Since 2011, Mr. Rozłucki has served as the Chairman of the Economic Award Committee at the President of Poland. Mr. Wiesław Rozłucki was honoured with the Commander's Cross of the Order of Polonia Restituta and the 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.

II. 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 the second term on 28 August 2010. On 25 September 2013, the Supervisory Board of the Company appointed Ms. Elżbieta Wiczkowska President of the Management Board. The term of office of Ms. Elżbieta Wiczkowska expires on 21 July 2015. Ms. Elżbieta Wiczkowska has tertiary medical education. She completed medical studies at the Faculty of Medicine of the Medical Academy in Szczecin. Ms. Elżbieta Wiczkowska holds an MBA diploma from the University of Illinois at Urbana-Champaign (USA). She also completed the 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 started his mandate as a member of the Management Board as of 24 October 2013. The term of office of Mr. Colin Kingsnorth expires on 21 July 2015. Mr. Colin Kingsnorth holds tertiary economic education (BSc): he is a graduate of the University of East London UEL (United Kingdom). 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 Management Board member of the second term of office as of 26 September 2013. The term of office of Ms. Iwona Makarewicz expires on 21 July 2015. Ms. Iwona Makarewicz holds tertiary education: she graduated from the Warsaw School of Economics (Warsaw, Poland); she holds a post-graduate diploma in Property Appraisal and Management at Sheffield Hallam University (United Kingdom) and a post-graduate degree in property appraisal at the Warsaw University of Technology (Poland); she is a member of The Royal Institute of Chartered Surveyors (United Kingdom) and holds the title of a licensed 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;

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

In keeping with the *Code of Best Practice for WSE-Listed Companies* (Chapter II.1.2a), Celtic Property Developments S.A. presents information about the participation of women and men, respectively, in the Management Board and the Supervisory Board of the Company in the last 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

IV. MANAGEMENT BOARD REPORT

1. CPD S.A. – HISTORY AND BUSINESS PROFILE

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. CPD S.A. AS THE PARENT COMPANY IN THE GROUP STRUCTURE

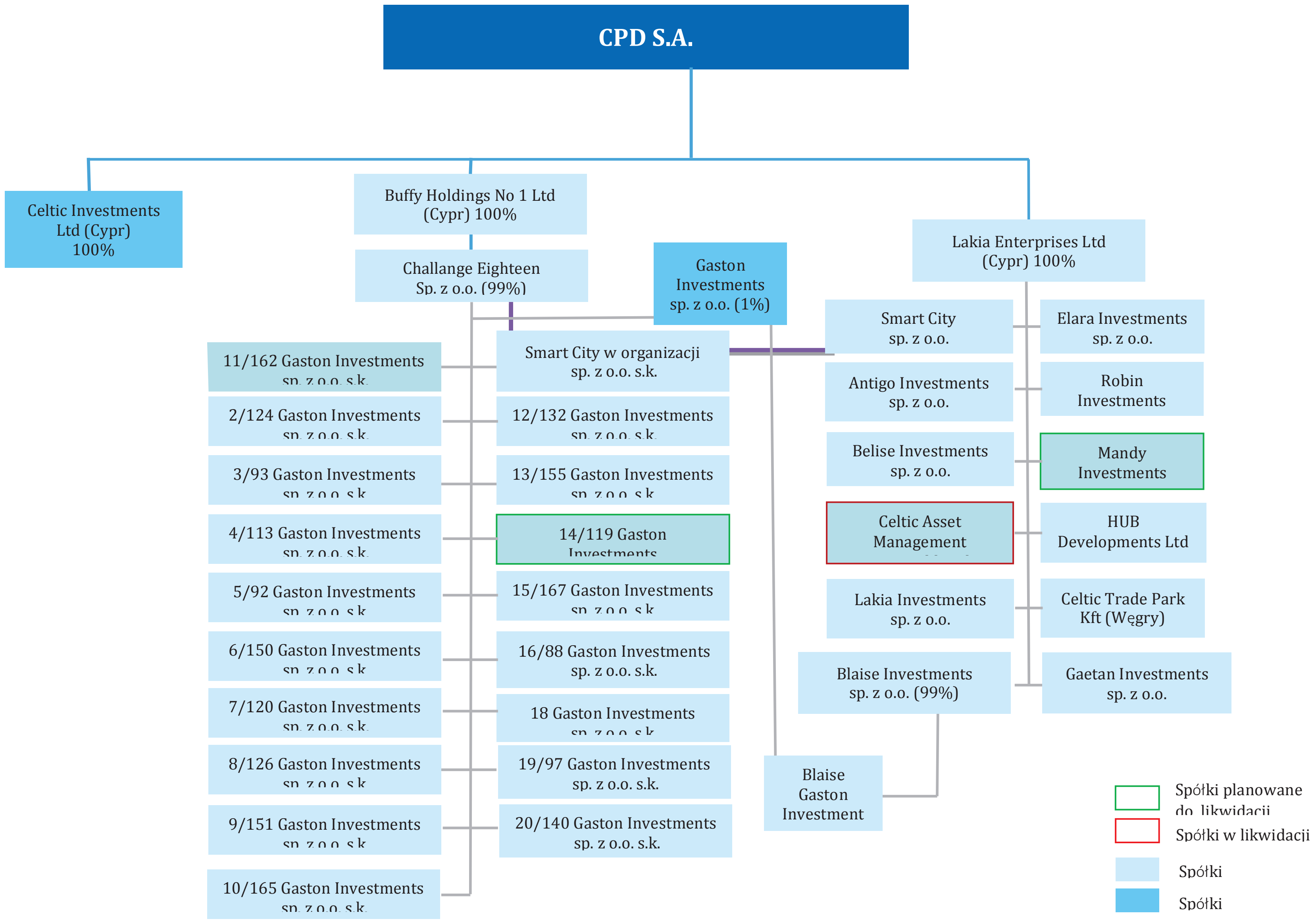
As of the report publication date, CPD S.A. (hereinafter referred to as 'the Company') directly or indirectly held shares and shareholdings in 37 subsidiaries. CPD S.A. directly controls 3 entities which are responsible for various areas of the Group's operations (hereinafter referred to as 'the CPD Group', 'the Group'):

- **Buffy Holdings No1 Ltd (Cyprus)** – this company holds shares in investment companies responsible for the Ursus investments;
- **Lakia Enterprises Ltd (Cyprus)** – this company holds shares in investment companies responsible for investment projects in Poland and Hungary;
- **Celtic Investments Ltd (Cyprus)**

As the parent company, CPD S.A. co-ordinates and supervises activities of its subsidiaries, while being the centre where growth strategy decisions are taken. CPD S.A. undertakes initiatives focusing on optimisation of the Group's operational costs, it develops and co-ordinates Group's investment and marketing policies and activities.

All companies in the Group are subject to consolidation under the full method.

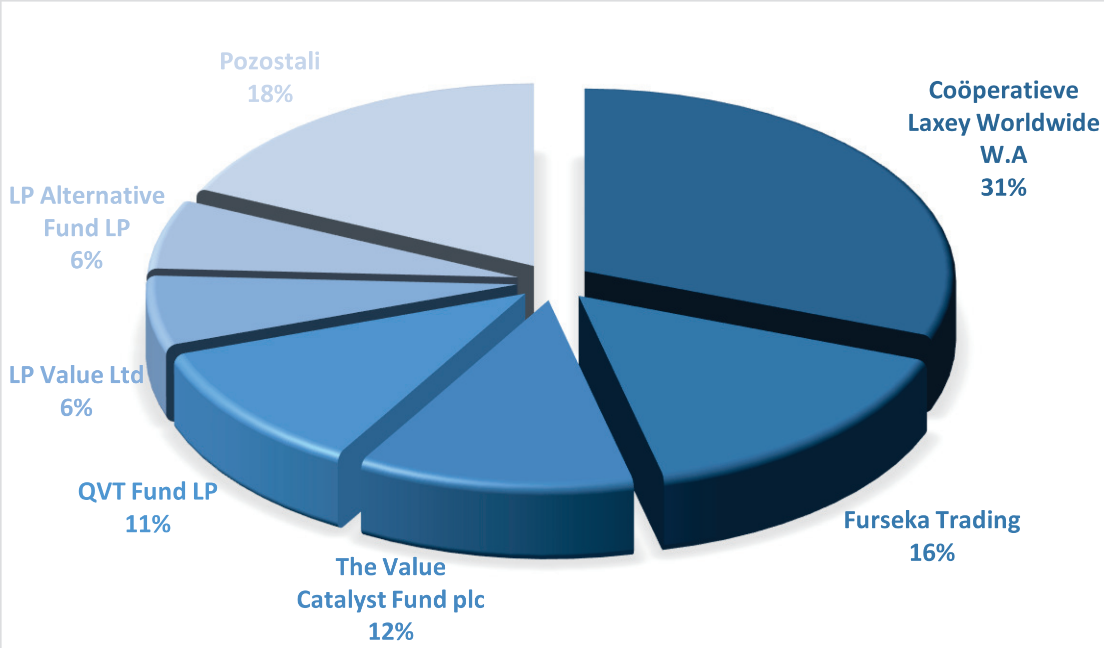
The chart below presents the structure of the CPD Group as of December 31, 2014.



3. SHAREHOLDERS

CONTROLLING STAKES

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 to date are ordinary bearer shares. The Company Articles do not grant any specific rights to shares in the Company, including preferential voting rights or the right to appoint members of the Company's governing bodies. The Company's shareholders do not own shares bearing 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 TRANSFER OF OWNERSHIP RIGHTS

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 its corporate regulations such as the Company Articles, General Meeting Rules, Supervisory Board Rules and Management Board Rules. All those documents are available on the Company website at: www.cpdsa.pl.

In 2014 the Company applied corporate governance principles included in the document entitled *Code of Best Practice for WSE-Listed Companies*, available (in Polish) at *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 WSE Council No. 19/1307/2012 of 21 November 2012.

• DEROGATIONS FROM CORPORATE GOVERNANCE RULES

The Company does not apply the following rules mentioned in the *Code of Best Practice for WSE Listed Companies*:

- *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 forwards to the public content of resolutions taken by the General Meeting and other relevant information about the General Meeting. In the assessment of the Management Board, the Company uses its reasonable diligence and regulations applied are sufficient to ensure the transparency and effectivness 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 *Code of Best Practice*. 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 *Code of Best Practice*.

  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 *Code of Best Practice for WSE Listed Companies.* The Company will undertake all efforts within its capacities for the implementation of all the governance rules arising from the *Code of Best Practice for WSE Listed Companies* as soon as possible.

- **INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS**

The Management Board of the Company is responsible for the Company's system of internal control, and for its effectiveness in the process of the preparation of financial statements and periodic reports prepared and published in accordance with the rules laid down in Regulation of 19 February 2009 regarding ongoing and periodic information to be disclosed by issuers of securities.

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

The Company applies the principle of independent review of published financial reporting as required by the law. Its published semi-annual and annual financial statements, financial reports as well as underlying financial data are, respectively, reviewed (in the case of semi-annual statements) or audited (in the case of annual statements) by the auditor appointed by the Company.

Moreover, in accordance with the principles of corporate governance adopted by the Management Board and approved by the General Meeting of Shareholders, the Company has an Audit Committee. Pursuant to §11.5 of the Company's Articles, when there is a five-member Supervisory Board, all members of the Supervisory Board are members of the Audit Committee.

In order to mitigate the Company's exposure to market risks further, a correct assessment of the potential and ongoing development projects is needed, based on investment models and decision-making procedures developed by the Company. In order to reduce the risk associated with development projects and rental agreements, the Company obtains from guarantees or insurance policies sub-contractors and tenants, covering the most common risks associated with development projects or securing the payment of rents.

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

- **MANAGEMENT BODIES, SUPERVISORY BODIES, AND AUDIT COMMITTEE**

The Management Board operates under the provisions of the Polish Code of Commercial Companies and Partnerships, provisions of the Company's Articles and publicly available Management Board Rules, approved by a resolution of the Supervisory Board, and in accordance with the *Code of Best Practice for WSE-Listed Companies.*

The Supervisory Board operates under the provisions of the Polish Code of Commercial Companies and Partnerships, provisions of the Company's Articles and publicly available Supervisory Board Rules which define its organisation and manner of operation, and in accordance with the *Code of Best Practice for WSE-Listed Companies.* The Supervisory Board is a collective body consisting of 5 (five) to 7 (seven) members. The number of Supervisory Board members is determined by the General Meeting of Shareholders, in accordance with the preceding sentence.

The Supervisory Board is a permanent body supervising the Company in all areas of its operations. The Supervisory Board takes decisions or delivers opinions on matters reserved to its competence in accordance with the provisions of the Company's Articles and under the procedure provided for by the Company's Articles or relevant provisions of law. The Supervisory Board complied with the requirement of having at least two independent members, as defined in the criteria of independence laid down in the Company's Articles. Remuneration of the members of the Supervisory Board, defined in a transparent manner, did not represent a significant cost item for the Company that might have affected its financial performance. The amount of remuneration approved through a General Meeting resolution has been disclosed in point *21* of this report *REMUNERATION OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD*.

An Audit Committee was established within the Supervisory Board. The Audit Committee comprises three to five members, including at least one independent member of the Supervisory Board who meets the criteria of independence and holds qualifications in the field of accounting or financial 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 has been running 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 will end on 21 July 2015. The term of office of the current Management Board is common for its members and lasts 5 years (§13.1 of the Company's Articles). A member may be revoked or suspended only for valid reasons. Article 368.4 of the Polish Code of Commercial Companies and Partnerships also provides that the General Meeting may revoke or suspend a Management Board member.

The competence to conduct the Company's business is defined in the Management Board Rules, approved by a resolution of the Supervisory Board. The Management Board is the managing and executive body of the Company and, as such, it runs the Company's business and oversees its operations, manages the Company's business and represents the Company outside. In particular, the rights and obligations of the Management Board include:

- fixing the date and the agenda of General Meetings and the convening of General Meetings;
- submitting proposals to the General Meeting, together with an opinion of the Supervisory Board, in matters covered by the agenda of the Meetings;
- submitting to the Supervisory Board financial statements and the Management Board's written report on its activities during the accounting period and a proposal on the distribution of profit or losses, and those documents are to be reviewed at the Annual General Meeting;
- adopting the Company's Organizational Rules and other internal acts governing the work of the Company's business;
- developing and adopting the Company's annual, multi-annual and strategic plans;
- appointing proxies and granting the power of attorney;
- requesting the Supervisory Board to convene its meetings;
- requesting the Supervisory Board to approve the Management Board Rules, the Company's Organizational Rules, annual budgets and Company's growth plans.

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

- **AMENDMENTS TO COMPANY ARTICLES**

The Polish Code of Commercial Companies and Partnerships contains detailed regulations of amendments in articles of a joint-stock company in Chapters 4, 5 and 6 of its section on *joint-stock companies* (Article 430 and following of the Code). Any amendment of the Articles must be made through a decision taken by the General.

- **GENERAL MEETING**

The General Meeting is the highest governing body of the Company. The General Meeting acts in accordance with the rules set out in the Polish Code of Commercial Companies and Partnerships, the Company's Articles and General Meeting Rules. The Articles of Association and the General Meeting Rules are available from the Company's website: *www.cpdsa.pl*. General meetings may be ordinary (annual) or extraordinary. The General Meeting is convened by authorised authorities or individuals whose entitlement is defined in the law or the Articles. The General Meeting is held at a place and time enabling participation of the broadest circle of shareholders possible. The right of participation in the General Meeting is held by shareholders who hold registered shares and temporary certificates, as well as lienors and users who are entitled to vote if they were registered in the share register at least one week before the date of the General Meeting. The principal powers of the General Meeting include decisions on issuance of shares with pre-emptive rights, on determination of record date and the day of dividend payment, appointment and dismissal of Supervisory Board members, definition of Supervisory Board members' remuneration as well as decisions on other matters defined in the Polish Code of Commercial Companies and Partnerships.

5. STRATEGY AND POLICY REGARDING FURTHER DEVELOPMENT OF THE GROUP

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 Company's actions will primarily focus on launching the Ursus project. In order to hasten the growth in the value of the Company's assets, the Company 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 Company does not exclude that in the future it will be interested in sale of subsidiaries, controlling larger areas of investment 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.

6. CPD GROUP ACTIVITIES AND IMPORTANT EVENTS DURING THE REPORTING PERIOD

- **THE COMPANY'S REVENUES, MARKETS, CUSTOMERS AND SUPPLIERS**

The company is one operating segment. In 2014, the largest item in the amount of revenue at PLN 18 million represented interest income from loans to other entities of the Group. Data on loans granted to related entities are presented in Note 4. Long-term receivables to the Financial Statements of the Company. The company also reached sales of services in the amount of PLN 0.62 million, of which 100% came from sales of services in the domestic market.

- **EVENTS AFFECTING THE COMPANY'S ACTIVITIES AND ITS FINANCIAL PERFORMANCE**

➢ **INCREASE VALUE OF INVESTMENT IN SUBSIDIARY COMPANIES**

As at 31 December 2014. Company assessed the recoverability of loans granted to subsidiaries and based on the analysis undertaken decided to terminate the impairment loss in the amount of PLN 118 million compared to 31.12.2013. The decision to terminate the write-down was a consequence of the positive changes in net assets of subsidiaries, which provides loans and CPD associated primarily with the increase in fair value of investment property owned by those companies. This was a consequence of the enactment in July 2014. Local zoning plan in Ursus which significantly influence the increase in net assets of subsidiaries, and thus there was a prerequisite for this to reverse some of the previous write-downs. Information on loans granted to related entities is presented in Note 4.

In addition, a significant effect on the increase in value of real estate in Ursus was transferred in return, in December 2014, to a company under the name of 4/113 Gaston Investments Sp. Z oo 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.

These write-offs are presented in Notes 3.3, 4 and 5 to the financial statements of the Company.

➢ **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 14,39 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.

- **APROOVAL OF UOKIK**

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

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

- **ACCESSION UNIDEVELOPMENT SA DO 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**

According to the valuations made by Savills sp. at the end of 2014. total fair value of the property held by the subsidiaries of CPD S.A. 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 owned by subsidiaries of CPD S.A. 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. The transfer routes facilitated the adoption by councilors m st. Warsaw decision to adopt a local development plan in the area of the former factories ZPC Ursus and thereby increase the value of investing the whole area.

In addition, a significant effect on the increase in value of real estate in Ursus had in return for the transfer of the company 4/113 Gaston Investments Sp. Z oo 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 property portfolio owned by subsidiaries of CPD S.A. were 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 udzieonego by BZ WBK in the investment credit granted by the bank.

- **ADMINISTRATIVE COSTS DECLINE**

Administrative expenses of the Company in 2014 amounted to € 2.2 million PLN and was PLN 0.5 million lower than last year. The decrease in administrative expenses as compared to 2013 was due to the consistently implemented cost optimization strategy which has led to tangible results in the reduction of the Company's costs for the use of advisory services (down costs by PLN 0.2 million) and a decrease in payroll costs (PLN 0.1m)

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

In 2013 there were personal changes in the composition of the Company's Management Board, as described in detail in point *II. MANAGEMENT BOARD* of this report. As a result of those changes the Management Board of the Company consists of the following members as of the publication of this report:

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

7. ASSESSMENT OF FEASIBILITY OF THE COMPANY'S INVESTMENT PLANS

The Company does not conduct its own development projects. Previous projects were carried out by the Group's subsidiaries and were financed by using their own resources as well as bank loans. In future, the Group intends to implement projects through subsidiaries or co-controlled companies, and to finance such construction projects and investments (targeted loans) through funds raised directly by those companies or through CPD S.A.

8. FACTORS AND UNUSUAL EVENTS AFFECTING THE COMPANY'S FINANCIAL PERFORMANCE

In the Management Board's view, 2014 saw no unusual events which would have had an effect on the Company's performance.

9. FACTORS OF IMPORTANCE FOR THE COMPANY'S FURTHER GROWTH

Factors which might directly or indirectly affect the Company's and the Group's future operations include:

- The macroeconomic situation on the Polish market as it shapes the demand for real estate and the purchasing power of customers;
- The situation on financial markets, and, in particular, availability of sources of funding and the cost of capital raised;
- Banks' lending policies and availability of mortgage loans;
- The government's policy to support the construction sector;
- Administrative decisions regarding lands held by subsidiaries.

10. OVERVIEW OF ESSENTIAL ECONOMIC AND FINANCIAL DATA

	12 months ended		*Change*
	31.12.2014	**31.12.2013**	***2014/2013***
	(PLN ths.)	(PLN ths.)	*(%)*
Revenue	621	999	*-37,8%*
Cost of sales	-	-	-
Gross profit	**621**	**999**	***-37,8%***
Administrative expenses	-2 195	-2 647	*-17,1%*
Marketing costs	-155	-152	*2,0%*
Gain (loss) on sale of subsidiaries	9	0	-
Impairment of investments in subsidiaries	90 966	-67 590	*-234,6%*
Interest income on loans	18 047	21 144	*-14,6%*
Other operating income	1	61	*-98,4%*
Other operating expenses	-133	-1 495	*-91,1%*
Profit/(loss) from operations	**107 161**	**-49 680**	***-315,7%***
Finance income	9 774	1 697	*476,1%*
Finance costs	-1 278	-284	*349,9%*
Profit/(loss) before tax	**115 656**	**-48 267**	***-339,6%***
Income tax	-	-	-

PROFIT/(LOSS) FOR THE YEAR	**115 656**	**-48 267**	***-339,6%***
Earnings per share (PLN)	3,37	-1,42	*-337,5%*
Diluted earnings per share (PLN)	2,96	-1,42	*-308,5%*

In 2014, the Company CPD SA Consistently implemented through the past few years, the strategy to the company as a whole project kontrulujących Ursus improved net profit compared with the previous year by PLN 163.9 million, closing the year with a net profit in the amount of PLN 115.7 million.

The factor that had the biggest impact on the final amount of net profit in 2014 was the change in the allowance for impairment of investments in subsidiaries in the amount of PLN 91.0 million. Company analyzed the impairment of loans granted to subsidiaries. In connection with the adoption in July 2014. Ursus development plan has been a significant increase in net assets of subsidiaries as a result of the reclassification of land owned by the company. Thus, there was a prerequisite for this to resolve some of the previous write-downs. Details of the write-offs are presented in Notes 3.3 and 4 of the financial statements of the Company.

The improvement of the net result contributed to a significant increase in financial income in the amount of PLN 8.1 million, which was the result of the revenue recognition finasowych from the valuation of the embedded derivative associated with the issuance of convertible bonds denominated in EUR.

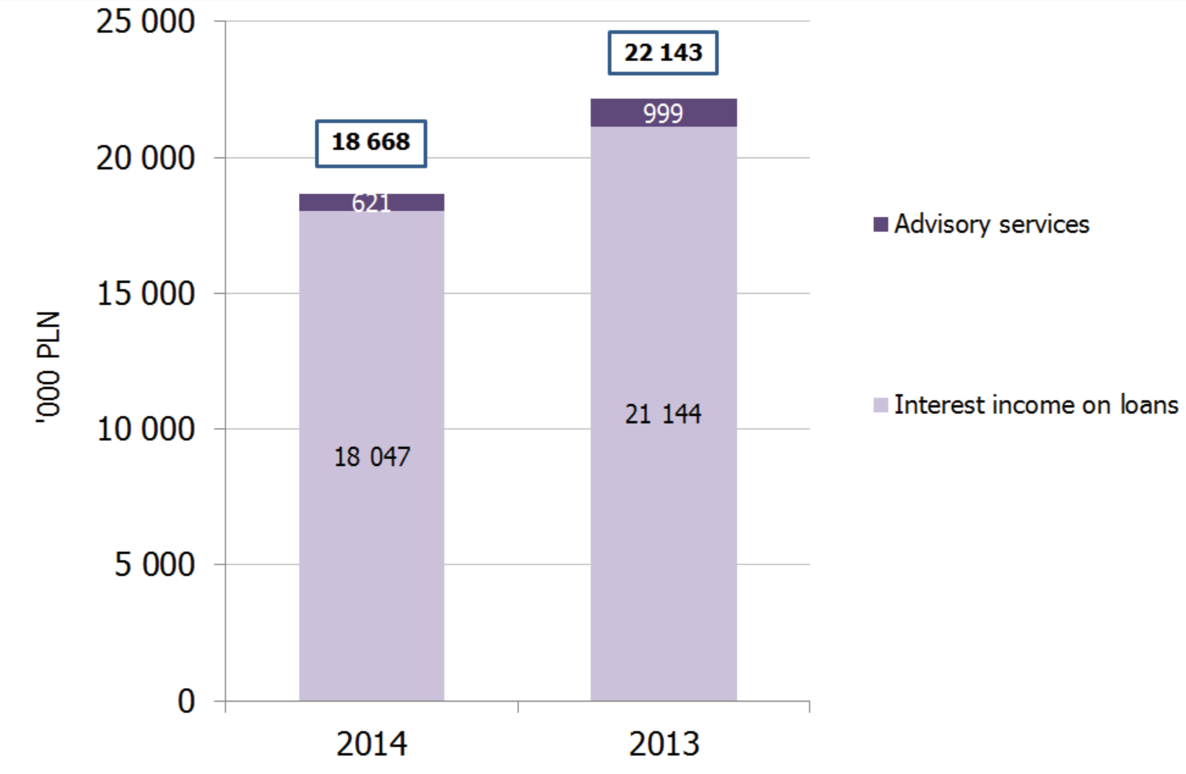
Consistently cost optimization strategy implemented in 2014 also had a significant, positive impact on net profit. Mainly due to the reduction of administrative costs by PLN 0.5 million, due to reduced demand for consulting services company (a decrease of 0.2 million PLN) and a decrease in payroll costs (PLN 0.1m).

Negative impact on the final amount of the Company's net profit had while the increase in financial costs in the amount of PLN 1.0 million, primarily due to the issuance of convertible bonds in September 2014. The recognition and, consequently, the cost of interest on these bonds.

Revenue at the largest item in the income statement of the Company in the amount of PLN 18.0 million was interest income on loans to Group companies CPD SA. These revenues decreased by PLN 3.1 million compared to 2013. The decrease was the result of a gradual decrease of the Monetary Policy Council in interest rates announced by the NBP. Consequently, the average level of WIBOR in 2014 was lower than in 2013. This decrease was a negative influence on the final net profit of the Company.

In 2014, the Company has also achieved sales of services in the amount of PLN 0.6 million, which was lower by PLN 0.4 million compared to 2013. 100% of the revenue generated in 2014 came from domestic sales in respect of services rendered to companies within the Group. The reduction of the Company's revenue is a result of cost optimization strategy in subsidiaries.

The chart below shows the structure of operating income in the years 2014 and 2013.



		As at:		Change
		31.12.2014	31.12.2013	2014/2013
		(PLN ths.)	(PLN ths.)	(%)
Total assets		**459 134**	**324 823**	***41,3%***
Non-current assets, including:		446 959	318 272	*40,4%*
	Property, plant and equipment	*6*	*7*	*-14,3%*
	Intangible assets, excluding goodwill	*7*	*10*	*-30,0%*
	Long-term receivables	*443 516*	*315 065*	*40,8%*
	Bonds	*3 430*	*3 190*	*7,5%*
	Shares in subsidiaries	*0*	*0*	*-*
Current assets, including:		12 175	6 551	*85,9%*
	Trade receivables and other receivables	*104*	*196*	*-46,8%*
	Cash and cash equivalents	*12 071*	*6 355*	*89,9%*
Total equity and liabilities		**459 134**	**324 823**	***41,3%***
Equity, including:		401 146	313 398	*28,0%*
	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*	*-*
	Share premium	*796 643*	*796 643*	*0,0%*
	Retained earnings	*-371 861*	*-475 391*	*-21,8%*
Non-current liabilities		55 649	9 304	*498,1%*
Current liabilities		2 338	2 121	*10,2%*

At the end of 2014, the Company's assets were PLN 134.3 million higher than at the end of 2013. The increase in the value of assets was mainly due discussed above partial reversal of impairment charges on loans to subsidiaries. Long-term receivables from loans granted to subsidiaries increased by PLN 128.5 million (41%) in the results of the feasibility of investment projects of these companies as a result of the adoption of spatial development plan for the area posiadancyh by these companies.

With respect to assets, the highest share (99%) of the total of these assets is represented by long-term receivables arising from long-term loans to related parties.

The value of the Company's assets, compared to 2013, increased by 5.6 million PLN. This increase was mainly caused by an increase in cash resulting from the issuance of convertible bonds. The purpose of the bond issue was to raise the capital needed to start the Smart City project Ursus by subsidiaries and completion of IRIS projetu commercialization of the company's subsidiary Belise Investments Sp z oo

As at December 31, 2014 equity CPD SA amounted to PLN 401.1 million and accounted for 87% of total assets. The increase in the value of equity was 28% compared to the end of December of 2013.

As at December 31, 2014, the Company had long-term liabilities with a value of PLN 55.6 million. Obligations under issued 3-year convertible bonds amounted to 24.1 million. Liabilities due to the embedded derivative associated with the issuance of convertible bonds denominated in euros were 18.8 million PLN. PLN 12.8 million related to liabilities of a subsidiary to Lakia Enterprises Ltd under the loan.

Short-term liabilities in the amount of PLN 2.3 million accounted for less than 1% of total assets of the Company. The largest item among these commitments was the provision for tax for previous years (2 million PLN).

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	**12,6%**	**3,5%**
Non-current liabilities to total assets	**12,1%**	**2,9%**
Borrowings including finance leases	2,8%	2,9%
Convertible bonds	5,2%	0,0%
Built-in derivative instrument	4,1%	0,0%
Current liabilities to total assets	**0,5%**	**0,7%**
Trade and other payables	0,5%	0,7%

Changed compared to the end of 2013. The structure of liabilities. The share of long-term debt in total assets increased from 2.9% at the end of December 2013. To 12.1% at the end of December 2014. This change is mainly due to the emission of 3-year convertible bonds. The share of short-term debt was small and concerned mainly the provision for taxes for previous years.

11. RISK FACTORS AND THREATS

The Company's operations are exposed to financial, operational and economic risks. The risk management policy adopted by the Company aims at minimizing the effects of adverse events. Occurrence of a specific risk, whether alone or in combination with other circumstances, may have a significant negative impact on the Company's business, its financial situation, growth prospects or financial performance and it may also have an impact on the evolution of the Company's share prices.

The risks described below do not represent a complete or exhaustive list and, as such, may not be viewed as the only risks to which the Company is exposed. Additional risks that are unknown to the Company at present or ones which are currently considered by the Company as irrelevant may also have a significant negative impact on the Company's operations, its financial situation, prospects or performance.

- **RISK RELATED TO THE MACROECONOMIC SITUATION ON THE MARKETS ON WHICH THE COMPANY AND THE GROUP OPERATE**

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

The land development business conducted by the Company and its Group is associated with the need to obtain numerous administrative decisions enabling them to implement construction projects, e.g. decisions on the location of investments, zoning and development decisions (if no master plan exists for the area), construction permits, occupancy certificates for newly erected structures, environmental decisions required under environmental legislation. The obligation to obtain the aforementioned administrative decisions triggers the risk of halting or delaying the completion of construction projects in case such decisions are not granted or if the relevant procedures are protracted.

Moreover, the Company cannot rule out the possibility that the decisions which have already been reached may be appealed against by parties to administrative proceedings, or that they might be repealed. This, in turn, would affect the ability to continue or complete the ongoing construction projects and, consequently, the Company's business operations, its financial position and performance.

Furthermore, there is also the risk of inability to implement construction projects in areas where master plans have not been adopted and where a zoning decision or a development decision cannot be obtained or is significantly constrained.

- **RISK RELATED TO COMPETITION**

While focusing on its development business in the residential and commercial sector, the Company faces strong competition from domestic and foreign developers. This may create obstacles for the Company in acquiring the right land plots for new investments at attractive prices. The increasing competition may also propel the supply of residential and commercial property and, consequently, lead to stagnation or decline of selling prices of flats/houses and rents. This kind of situation may negatively impact the Company's performance.

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

As the majority of real property, including the Ursus residential project, is concentrated in Warsaw, this fact exposes the Company to a greater risk of changes in the local market and business environment in comparison with other land development companies with a more diversified portfolio (in geographical terms).

The Company has a subsidiary in Hungary which owns property located near Alsonemedi in the vicinity of Budapest. As the Hungarian market is less stable politically and economically than the Polish market, it cannot be excluded that the negative perceptions of the Hungarian economy by investors may have a negative impact on the estimated value of the property held by the Group. However, considering the size of the project, its potential negative impact on the Group's performance is highly limited.

- **RISK RELATED TO FAILURE TO ATTAIN THE ADOPTED STRATEGIC GOALS**

The Company cannot guarantee that its strategic goals will be attained and, in particular, it cannot guarantee the expected significant expansion of the scale of its business. Successful implementation of the strategy depends on many factors beyond the Company's control, which nevertheless determine the situation on the real estate market. The Company endeavours to build its strategy on the basis of the current market situation. The Company cannot ensure, however, that its strategy is based on a complete and accurate analysis of current and future market trends. Moreover, one cannot exclude that the activities undertaken by the Company may turn out to be insufficient or missed from the perspective of its strategic goals. An erroneous assessment of market prospects and any erroneous decisions may have a significant adverse effect on the financial performance of the Company and the Group.

- **RISK RELATED TO MANAGERIAL STAFF**

The Company's operations and its further growth largely depend on knowledge, experience and qualifications of the managerial staff and key staff members. It is the competence of the managerial staff that determines the success of all milestones in implementation of land development projects. If key employees leave the Company, it might not be able to hire new, equally experienced and qualified experts who would be able to continue the implementation of the Company's strategy, and this might materially and adversely affect the Company's financial performance.

- **RISK RELATED TO FINANCING GROWTH WITH BANK LOANS AND OTHER DEBT INSTRUMENTS**

The standard practice in land development projects is to use debt financing at a significant level. Thus, the Company is exposed, on the one hand, to the risk of increasing interest rates and higher debt servicing costs and, on the other hand, the company might not be able to service its debt in an extreme situation, in case the demand for the Company's products falls. Thus, if loan agreements providing funds for construction projects are breached, there is a risk that the lender may take over the assets of the Company which are used as collateral for the loans. Likewise, the Company may not exclude the risk of more difficult access to debt financing or of material rise in the costs of debt due to a change in banks' lending policies. This may restrict the Company's opportunities to undertake new projects and, therefore, materially affect the financial results it may generated in 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.

- **LIQUIDITY RISK**

A liquidity risk arises when assets and liabilities do not overlap in terms of their payment deadlines. This situation potentially improves profitability but also increases the risk of loss. The Company applies procedures aimed at minimizing such losses by maintaining an adequate level of cash and other assets that are easy to sell, as well as by adequate access to credit lines. The Company's liquidity levels are controlled on an ongoing basis by the Management Board.

12. COURT LITIGATIONS, ADMINISTRATIVE PROCEEDINGS AND ARBITRAGE IN CASES EXCEEDING 10% OF THE COMPANY'S EQUITY

Neither CPD S.A. nor any of its subsidiaries is party to court litigation, proceedings before the authority competent for arbitration or a public body, where the total value would exceed 10% of the equity of CPD S.A.

13. COMPANY'S ORGANISATIONAL AND CAPITAL-RELATED RELATIONSHIPS

The organizational and capital relationships of CPD S.A. as well as the structure of the Group are presented in point *2. CPD S.A. AS THE PARENT COMPANY IN THE GROUP STRUCTURE* of this report.

14. 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.

15. SIGNIFICANT DEALS BETWEEN RELATED PARTIES

During the reporting period, the Company did not conclude any transactions with related parties on terms other than the market terms. Transactions with related parties are described in Note 22 to the Company’s financial statements *Transactions with related parties.*

16. CREDIT AND LOAN AGREEMENTS, WARRANTIES 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 subsidiaries of CPD S.A., 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 subsidiaries of CPD S.A. 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.

17. ISSUES OF SECURITIES, BUY-BACK OF TREASURY SHARES FOR REDEMPTION

Increases of the Company’s share capital were recorded in 2014 as a result of share issues under series D, E and F.

- **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.

18. DESCRIPTION OF DIFFERENCES IN FINANCIAL PERFORMANCE FORECASTS

The Company did not publish financial performance forecasts for 2014.

19. ASSESSMENT OF FINANCIAL RESOURCES MANAGEMENT

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.

20. CHANGES IN MANAGEMENT PRINCIPLES

In 2014, continuing the Company's strategy of focusing on the Polish market, and in particular on the project in Ursus, further simplifying the structure underwent Group. Continued investment company liquidation procedure Celtic Asset Management Sp. Z oo Reducing the number of subsidiaries of CPD SA from 44 at the end of 2011 to 37 at the date of this report, contributed to simplify the management of subsidiaries. In addition to changes in the structure of the Group in 2014, as described in Section 2. CPD SA AS A PARENT GROUP of this report and further simplification of organizational procedures, there were no major changes in the management of the Company.

21. REMUNERATION OF MANAGEMENT BOARD MEMBERS AND SUPERVISORY BOARD MEMBERS

• REMUNERATION OF SUPERVISORY BOARD MEMBERS

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	44 600	01.2014 - 12.2014	-
Wiesław Rozłucki	Member	PLN	44 600	01.2014 - 12.2014	-
TOTAL		**PLN**	**238 560**		

• REMUNERATION OF MANAGEMENT BOARD MEMBERS

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	Rsignation for 31.12.2014
Total		**240 000**	**4 005 586**	**4 248 586**		

22. AGREEMENTS WITH MANAGING STAFF – INDEMNITIES

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.

23. COMPANY SHARES HELD BY MANAGING AND SUPERVISORY STAFF

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.

24. AGREEMENTS CHANGING THE 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.

25. CONTROL SCHEME FOR EMPLOYEE STOCK PROGRAMMES

During the reporting period the Company did not introduce any employee stock programmes.

26. AGREEMENT WITH THE COMPANY'S AUDITOR

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 2014 in accordance with the signed contracts amounted to PLN 200,000 net, of which:

- PLN 87,000 was the reward for a review of the financial statements of Celtic Property Developments 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 113,000 was the fee for the audit of the financial statements of Celtic Property Developments 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.).

The total remuneration of the auditor for the year ended 31 December 2013. Amounted to PLN 236,000, of which:

- PLN 102,000 was the reward for a review of the financial statements of Celtic Property Developments 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 Celtic Property Developments 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.).

27. STRUCTURE OF ASSETS AND LIABILITIES – BY LIQUIDITY

The Company's assets structure as of 31 December 2014 and changes versus the status at the end of 2013:

	As at:				*Change*
	31.12.2014 (PLN ths.)	31.12.2013 (PLN ths.)	% in total assets 2014	% in total assets 2013	*2014/2013 (%)*
Property, plant and equipment	6	7	0,001%	0,002%	*-14,3%*
Intangible assets, excluding goodwill	7	10	0,002%	0,003%	*-30,0%*
Long term receivables	443 516	315 065	96,6%	97,0%	*40,8%*
Bonds	3 430	3 190	0,7%	1,0%	*7,5%*
Investments in subsidiaries	0	0	-	-	-
Non-current assets	**446 959**	**318 272**	**97,3%**	**98,0%**	***40,4%***
Trade and other receivables	104	196	0,02%	0,1%	*-46,9%*
Cash and cash equivalents	12 071	6 355	2,6%	2,0%	*89,9%*
Current assets	**12 175**	**6 551**	**2,7%**	**2,0%**	***85,8%***
TOTAL ASSETS	**459 134**	**324 823**	**100,0%**	**100,0%**	***41,3%***

The Company's liabilities structure as of 31 December 2014 and changes versus the status at the end of 2013:

	As at:				*Change*
	31.12.2014 (PLN ths.)	31.12.2013 (PLN ths.)	% in total assets 2014	% in total assets 2013	*2014/2013 (%)*
Share capital	3 286	3 460	0,7%	1,1%	*-5,0%*
Own shares	0	-12 300	-	-3,8%	*-100,0%*
Reserve capital	987	987	0,2%	0,3%	*0,0%*
Fair value of capital element at inception date	-27 909	0	-6,1%	-	-
Share premium	796 643	796 643	173,5%	245,3%	*0,0%*
Retained earnings/(accumulated losses)	-371 861	-475 391	-81,0%	-146,4%	*-21,8%*
Equity	**401 146**	**313 398**	**87,4%**	**96,5%**	***28,0%***
Convertible bonds	24 065	0	5,2%	-	-
Embedded derivative	18 815	0	4,1%	-	-
Borrowings, including finance leases	12 769	9 304	2,8%	2,9%	*37,2%*
Non-current liabilities	**55 649**	**9 304**	**12,1%**	**2,9%**	***498,1%***
Trade and other payables	2 338	2 121	0,5%	0,7%	*10,2%*
Current liabilities	**2 338**	**2 121**	**0,5%**	**0,7%**	***10,2%***
TOTAL EQUITY AND LIABILITIES	**459 134**	**324 823**	**100,0%**	**100,0%**	***41,3%***

Management Board Statement

V. MANAGEMENT BOARD STATEMENT

The Management Board of CPD S.A. ('the Company') hereby confirms that according to its best knowledge the Company's financial statements for the accounting year ended 31 December 2014 and all comparative data have been drawn up in accordance with the applicable accounting principles and give a true, fair and clear view of the Company's assets and financial situation and its financial results, and that the Management Board report provides a true picture of the Company's growth and achievements as well as the Company's situation, including threats and risks.

The Management Board of CPD S.A. hereby confirms that the entity authorised to audit the annual financial statements which performs the reviewed of the annual financial statements was selected in compliance with the law, and that the entity and individual auditors who carry out the audit do meet the legal requirements to issue an unbiased and independent opinion on the annual financial statements under review, in accordance with applicable regulations and professional standards. In the years 2013 and 2014, the financial statements of CPD S.A. and of 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

VI. AUDITOR’S OPINION

VII. AUDITOR’S REPORT ON THE AUDIT ON THE FINANCIAL STATEMENTS FOR THE YEAR FROM 1 JANUARY TO 31 DECEMBER 2014

CPD S.A.

Independent Registered Auditor's Opinion

Financial Statements

Director's Report

Registered Auditor's Report on the audit of the 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 financial statements of CPD S.A. (hereinafter called "the Company"), Cybernetyki 7B Street, Warsaw, which comprise the statement of financial position as at 31 December 2014, showing total assets and total equity and liabilities of PLN 459.134 thousand, the statement of comprehensive income for the period from 1 January to 31 December 2014, showing a total comprehensive profit of PLN115.656 thousand, the statement of changes in equity, the statement of cash flows for the financial year and additional information on adopted accounting policies and other explanatory notes.

The Company's Management Board is responsible for preparing the financial statements and 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 Company are obliged to ensure that the financial statements and the 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 financial statements and to express an opinion on whether the 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 Company's financial position and its financial results, and whether the accounting records constituting the basis for their preparation are properly maintained.

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.

Our audit was planned and performed to obtain reasonable assurance that the financial statements were free of material misstatements and omissions. The audit included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The audit also included assessing the accounting policies applied by the Company and significant estimates made in the preparation of the financial statements, as well as overall assesment of their presentation. We believe that our audit provides a reasonable basis for our opinion.

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

Independent Registered Auditor's Opinion

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

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

a. give a fair and clear view of the Company's financial position as at 31 December 2014 and of the financial results 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 and the Company's Memorandum of Association;

c. have been prepared on the basis of properly maintained books of account, in accordance with the applicable accounting policies.

The information contained in the 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 financial statements.

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

Piotr Wyszogrodzki

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.

CDP S.A.

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

Registered auditor's report on the audit of the 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 10 consecutively numbered pages and consists of:

pwc

I. General information about the Company

a. CPD S.A. ("the Company") has its seat in Warsaw, Cybernetyki 7B Street.

b. The 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. A 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 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 r.

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

d. As at 31 December 2014 the Company's registered 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. Total equity as at that date amounted to PLN 401.146 thousand.

e. As at 31 December 2014, the 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**		**100,00**

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.

f. During the year the Company’s operations comprised:

- activities of financial holdings,
- activities related to the real estate market services,
- central business activitiy.

g. During the year the Management Board of the Company comprised:

• Elżbieta Donata Wiczkowska	Chairman	
• Iwona Ewa Makarewicz	Board Member	
• Colin William Kingsnorth	Board Member	
• Piotr Sylwester Turchoński	Board Member	to31 December 2014

h. The Company has the following related entities:

Cooperatieve Laxey Worldwide W.A. - significant investor of the highest level

and companies belonging to the Company’s parent’s group CPD S.A.

i. The 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 financial statements in accordance with IFRS as adopted by the European Union as of 2009.

The decision to prepare the Company’s financial statements in accordance with these standards was made by the General Shareholders’ Meeting in their Resolution No. 3 passed on 22 December 2009.

j. As the parent company of the Group, the Company has also prepared consolidated financial statements according to IFRS as adopted by the European Union as at 19 March 2015. To better understand the Company’s financial position and its results of operations as the Parent Company, the financial statements should be read in conjunction with the consolidated financial statements.

II. Information about the audit

a. The audit of the financial statements 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 Piotr Wyszogrodzki (no. 90091).

b. PricewaterhouseCoopers Sp. z o.o. was appointed registered auditor to the Company by Resolution No. 2/VII/2014 of the Supervisory Board dated 2 July 2014 in accordance with paragraph 11.8. of the Company's Memorandum of Association.

c. PricewaterhouseCoopers Sp. z o.o. and the key registered auditor conducting the audit are independent of the audited entity 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, in the period from 16 February to 19 March 2015

III. The Company's results, financial position and significant items of financial statements

BALANCE SHEET 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	446.959	318.272	128.687	40	97,4	98,0
Current assets	12.175	6.551	5.624	86	2,6	2,0
Total assets	**459.134**	**324.823**	**134.311**	**41**	**100,0**	**100,0**
LIABILITIES AND EQUITY						
Equity	401.146	313.398	87.748	28	87,4	96,5
Liabilities and provisions for liabilities	57.987	11.425	46.561	408	12,6	3,5
Total liabilities and equity	**459.134**	**324.823**	**134.311**	**41**	**100,0**	**100,0**

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 (%)
Sales	621	999	(378)	(38)	0,5	(2,1)
Administrative expenses	(2.195)	(2.647)	452	(17)	(1,9)	5,5
Marketing expenses	(155)	(152)	(3)	2	(0,1)	0,3
Result from selling subsidiaries	9	-	9	-	-	-
Impairment/Reversal of impairment of investments in subsidiaries	90.966	(67.590)	158.556	235	78,7	140,0
Financial income from interest on loans	18.047	21.144	(3.097)	(15)	15,6	(43,8)
Other operating income	1	61	(60)	(98)	-	(0,1)
Other operating cost	(133)	(1.495)	(4.094)	274	(0,1)	3,1
Gross gain /(loss)	**107.161**	**(49.680)**	**156.841**	**(316)**	**92,7**	**102,9**
Net loss	**115.656**	**(48.267)**	**164.249**	**(340)**	**100,0**	**100,0**
Total comprehensive income for the year	**115.656**	**(48.267)**	**164.249**	**(340)**	**100,0**	**100,0**

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

Selected ratios characterising the Company's financial position and results

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

	2014	2013	2012
Profitability ratios			
- return on capital employed	32%	(14)%	(38)%
Liability ratios			
- gearing	13%	4%	3%
	31.12.2014	**31.12.2013**	**31.12.2012**
Liquidity ratios			
- current and quick ratio	5,2	3,1	3,4

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

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

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

The 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 (inflation of 0,7% in 2013).

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

- At the end of the financial year, the Company's total assets amounted to PLN 459.134 thousand. During the year total assets increased by an PLN 134.311 thousand (i.e. by 41%). This increase was financed mainly by net profit in the amount of PLN 115.656 PLN, increase of issued bonds with embedded derivative by PLN 42.880 thousand, and recognition of fair value of embeded component on inception date to equity in amount of PLN 27.909 thousand.

- Liability ratio has changed. The gearing ratio increased from 4% at the end of the previous year to 13% at the end of the current year. The increase was mainly due to bond issue. Liabilities from the bonds (host liability increased by fair value of embedded element) at the end of the current year amounted to PLN 42.880 thousand.

- In the financial year the Company incurred net profit mainly due to reversal of write-off for loans granted to subsidiaries. The result on investments in subsidiaries amounted in the current year to PLN 90.966 thousand. The main reason of reversing write-off was an increase of net assets of subsidiaries resulting from increase in value of owned real estate.

- The administrative expenses were the largest item of operating expenses and amounted to PLN 2.195 thousand. The administrative expenses have decreased by PLN 452 thousand, i.e. by 17,1% compared with the previous year, mainly due to lower costs of consultancy services and office maintanance.

- Interest income on loans in 2014 amounted to PLN 18.047 thousand and was related to loans granted to related entities.

- Financial income in 2014 amounted to PLN 9.774 thousand and comprised mainly financial income from valuation of embedded derivative in the amount of 9.094 PLN

- The Company's liquidity has changed. Both current and quick ratios, which amounted to 5,2 (2013: 3,1) improved mainly due to issuance of bonds to shareholders.

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

IV. The independent registered auditor's statement

a. The Management Board of the Company provided all the information, explanations, and representations requested in the course of the audit and provided a representation letter confirming the completeness of the data 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 Company has up-to-date documentation of its accounting policies, approved by the Management Board. The Company's accounting policies were tailored to its 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 closing balances as at the end of the previous year were correctly brought forward as the opening balances of the current financial year in all material respects.

e. The stocktaking of assets and liabilities were carried out and reconciled in accordance with the Accounting Act, and the results were included in the accounting records for the audited year.

f. The financial statements of the Company for the year from 1 January to 31 December 2013 were approved by Resolution No. 4 passed by the General Shareholders' Meeting on 29 May 2014 and filed with the National Court Register in Warsaw on 10 June 2014.

g. In accordance with the Resolution No. 5 of the General Shareholders' Meeting of 29 May 2014,
the net loss for the prior year of PLN 48.267 thousand will be covered with future profits.

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

i. We have assessed the operation of the accounting system. Our assessment covered in particular:
   - the accuracy of the documentation relating to business transactions;
   - the fairness, accuracy and verifiability of the books of account, including computerised books of account;
   - the methods used for controlling access to data and the computerised data processing system;
   - the safeguarding of the accounting documentation, books of account, and financial statements.

   This assessment, together with our verification of individual items of the financial statements, provides the basis for expressing an overall and comprehensive opinion on

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

these financial statements. The audit was not intended to provide a comprehensive opinion on the operations of the said system.

j. The notes to the financial statements present all significant information required by IFRS as adopted by the European Union.

k. The information in the Directors' Report for the year ended 31 December 2014 has been prepared 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 (Journal of Laws of 2014, item 133) and is consistent with that presented in the financial statements.

V. Final information

This report has been prepared in connection with our audit of the financial statements of CPD S.A., Cybernetyki 7B Street, Warsaw. The financial statements were signed by the Company's Management Board on 19 March 2015.

This report should be read in conjunction with the Independent Registered Auditor's unqualified Opinion to the General Shareholders' Meeting and the Supervisory Board of CPD S.A. dated 19 March 2015, concerning the said financial statements. The opinion on the 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 financial statements as a whole.

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

Piotr Wyszogrodzki

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

VIII. FINANCIAL STATEMENTS FOR THE ACCOUNTING YEAR FROM 1 JANUARY TO 31 DECEMBER 2014

CPD S.A.

Financial statements
for the year ended 31 December 2014

(All amounts in PLN thousands unless otherwise stated)

Statement of comprehensive income

	Notes	12 months ended 31/12/2014	12 months ended 31/12/2013
Revenues	15	621	999
Administrative costs	16	(2 195)	(2 647)
Marketing costs		(155)	(152)
Result from the sale of subsidiaries		9	0
Impairment of investments in subsidiaries	4 , 5	90 966	(67 590)
Interest income on loans	19	18 047	21 144
Other operating income	17	1	61
Other operating cost	18	(133)	(1 495)
OPERATING RESULT		107 161	(49 680)
Financial income	20	9 774	1 697
Financial costs	20	(1 278)	(284)
PROFIT (LOSS) BEFORE INCOME TAX		115 656	(48 267)
Income tax	21	0	0
PROFIT (LOSS) FOR THE YEAR		115 656	(48 267)
TOTAL COMPREHENSIVE INCOME		115 656	(48 267)
BASIC EARNINGS PER SHARE (PLN)	25	3.37	(1.42)
DILUTED EARNINGS PER SHARE (PLN)	25	2.96	(1.42)

Elżbieta Donata Wiczkowska
Chairman of the Board

Colin Kingsnorth
Board Member

Iwona Makarewicz
Board Member

(All amounts in PLN thousands unless otherwise stated)

Statement of financial position

ASSETS	Notes	As at 31/12/2014	As at 31/12/2013
Non-current assets			
Property, plant and equipment		6	7
Intangible assets		7	10
Long-term receivables	4	443 516	315 065
Bonds		3 430	3 190
		446 959	318 272
Current assets			
Trade receivables and other receivables	7	104	196
Loans and receivables		99	181
Prepayments		5	15
Cash and cash equivalents	8	12 071	6 355
		12 175	6 551
Total assets		459 134	324 823
EQUITY			
Share capital	9	3 286	3 460
Aqisition of own shares		0	(12 300)
Reserve capital		987	987
Fair Value of capital element an inception date	13	(27 909)	0
Share premium	26	796 643	796 643
Retained earnings		(371 861)	(475 391)
Total equity		401 146	313 399
LIABILITIES			
Non-current liabilities			
Issued bonds	13	24 065	0
Borrowings, including financial leasing	12	12 769	9 304
Derivative financial instruments	13	18 815	0
		55 649	9 304
Current liabilities			
Trade payables and other liabilities	11	2 338	2 121
		2 338	2 121
Total equity and liabilities		459 134	324 824

Elżbieta Donata Wiczkowska
Chairman of the Board

Colin Kingsnorth
Board Member

Iwona Makarewicz
Board Member

(All amounts in PLN thousands unless otherwise stated)

Statement of changes in equity

							Accumulated profit (loss)		
	Notes	Share capital	Value of capital element an inceptio	Own shares	Share premium	Aqisitio n of own shares	Reserve capital	Retained earnings	Total
Balance at 1 January 2013		**3 431**	**0**	**0**	**796 643**	**0**	**4 399**	**(431 523)**	**372 950**
Cover the losses for the year 2012	1,8	0	0	0	0	0	(4 399)	4 399	0
Capital increase	1,8	29	0	0	0	0	0	0	29
Aqisition of own shares		0	0	(12 300)	0	0		0	(12 300)
Conversion of liability to Board of Advisors-to-equity	1,8	0	0	0	0	0	987	0	987
		29	0	(12 300)	0	0	(3 412)	4 399	(11 285)
Total comprehensive income									
Profit for the year		0	0	0	0	0	0	(48 267)	(48 267)
		0		0	0	0	0	(48 267)	(48 267)
Balance at 31 December 2013		3 460	0	(12 300)	796 643	0	987	(475 391)	313 398
Balance at 1 January 2014		**3 460**		**(12 300)**	**796 643**	**0**	**987**	**(475 391)**	**313 398**
Capital increase		-		-	0	0	0	0	0
Increase of capital by redemption of own shares	1,8	(174)		12 300	0	0	0	(12 126)	0
Assumption of bonds	13	0	(27 909)	0	0	0	0	0	(27 909)
		(174)	(27 909)	12 300	0	0	0	(12 126)	(27 909)
Total comprehensive income									
Loss for the year						0	0	115 656	115 656
		0		0	0	0	0	115 656	115 656
Balance at 31 December 2014		3 286	(27 909)	0	796 643	0	987	(371 861)	401 145

Elżbieta Donata Wiczkowska
Chairman of the Board

Colin Kingsnorth
Board Member

Iwona Makarewicz
Board Member

(All amounts in PLN thousands unless otherwise stated)

Cash flow statement

	Notes	12 months ended 31/12/2014	12 months ended 31/12/2013
Cash flow from operating activities			
Cash generated from operations	22	(1 231)	(445)
Net cash from operating activities		(1 231)	(445)
Cash flows from investing activities			
Loans		(26 498)	(20 860)
Repayment of loans		6 743	23 097
Interest received		578	1 960
Net cash from investing activities		(19 177)	4 197
Cash flow from financing activities			
Aqisition of own shares			(12 300)
Aquisition of bonds			(3 000)
Received the credits and loans		3 533	0
Share redemption		0	0
Bonds received		22 966	0
Capital increase		0	29
Credits and loans repayment		(374)	0
Net cash from financing activities		26 125	(15 271)
Change in net cash and cash equivalents		5 716	(11 519)
Cash and cash equivalents at beginning of year		6 355	17 874
Cash and cash equivalents at end of period		12 071	6 355

Elżbieta Donata Wiczkowska
Chairman of the Board

Colin Kingsnorth
Board Member

Iwona Makarewicz
Board Member

(All the amounts are expressed in PLN 000s, unless stated otherwise)

Explanatory notes to the financial statements

1 General information

Celtic Property Developments S.A. (hereinafter the "Company" or "CPD") with its registered office in Warsaw (02-677), ul. Cybernetyki 7B, was established on the basis of its Articles of Association on 23 February 2007 (under the name of Celtic Development Corporation S.A., thereafter renamed Poen S.A. on 22 February 2008) and was entered under no. KRS 0000277147 in the register of entrepreneurs of the National Court Register kept by the District Court for Krakow-Srodmiescie in Krakow, XI Commercial Department of the National Court Register, on 23 March 2007.

On 2 September 2010, the Extraordinary General Shareholder's Meeting passed a resolution changing the Company' name from Poen S.A. to Celtic Property Developments S.A.
On 29 May 2014, the Extraordinary General Shareholder's Meeting passed a resolution changing the Company' name from Celtic Property Developments S.A. to CPD S.A. The change of the Company's name was registered in the National Court Register on 17 September 2014.

The Company's business (in accordance with its Articles of Association) is the activities of financial holding companies, activities linked to the real estate market, and activities of head office companies.

The Company is the dominant entity of Celtic Property Developments S.A. Group. The Group's annual consolidated financial statements have been prepared in accordance with the requirements of EU IFRS.
In order to fully understand the financial position and results of CPD SA as the Group's parent company, these financial statements should be read in conjunction with the annual consolidated financial statements for the period ended 31 December 2014. Those statements shall be made available on the Company's website at www.celtic.pl by the dates set in the current report concerning the date of submission of the Company's annual report and the Group's consolidated annual report for the year 2014.

On 8 June 2010, according to Notarial Deed, File A Case No. 7263/2010, the Company's Extraordinary General Shareholders' Meeting was held at which a resolution was passed concerning the cross-border merger of Poen S.A. and CPD Plc. Consequently, the share capital of Poen S.A. was increased from PLN 500,000 up to PLN 3,983,329.50, i.e. by the amount of PLN 3,483,329.50 by way of the issue of new bearer shares of B series of the nominal value of PLN 0.10 each and the total value of PLN 3,483,329.50
On 23 August 2010, the cross-border merger of the Group's parent company, i.e. Celtic Property Developments Plc (Acquired Company) and Poen S.A. (Acquiring Company), by way of contribution of all assets of the Acquired Company into the Acquiring Company in return for the newly issued shares of the Acquiring Company was registered in the National Court Register. The merger took place on the basis of the Merger Plan which assumed acquisition of Celtic Property Developments Plc by Poen S.A., a wholly-owned subsidiary of Celtic Property Developments Plc. As a result of the merger, (i) the existing shareholders of Celtic Property Developments Plc became holders of 100% of shares of Poen S.A. and, additionally, (ii) Poen SA purchased, by way of general succession, its treasury shares from Celtic Property Developments Plc for redemption. The exchange ratio of Celtic Property Developments Plc shares for Poen S.A. shares was adopted at a level that did not affect Poen S.A. ownership structure.

The Company's shares are listed on the Warsaw Stock Exchange.
The Company's share capital as at 31 December 2014 covers 32,863,000 shares of the nominal value of PLN 0.10 each, including:

- 32,335,858 ordinary bearer shares of B series;
- 163,214 ordinary bearer shares of C series;
- 76,022 ordinary bearer shares of D series;
- 88,776 ordinary bearer shares of E series; and
- 199,333 ordinary bearer shares of F series.

These financial statements have been accepted by the Management Board on 19 March 2015.

The Company uses following
REGON 120423087
NIP 677-22-86-258

As at the date of these financial statements, the composition of the management and supervisory bodies of CPD S.A. is as follows:

Management Board:
Elżbieta Donata Wiczkowska - President of the Manageme
Colin Kingsnorth - Member of the
Management Board; and
Iwona Makarewicz - Member of the Management Board.

(All the amounts are expressed in PLN 000s, unless stated otherwise)

Explanatory notes to the financial statements

Supervisory Board:
Andrew Pegge
Wiesław Piotr Oleś
Marzena Beata Bielecka
Mirosław Jerzy Gronicki
Wiesław Rozłucki

The financial statements have been prepared on the assumption that the Company will continue to pursue business activity in the foreseeable future while bearing in mind that no circumstances arise that would pose a threat to its continued activity.

2 Accounting principles

The accounting policies are consistent with the principles applicable to the annual financial statements for the year ended 31 December 2013. Those principles were applied continuously to all periods presented.

2.1 Basis of preparation

The Company's financial statements have been drawn up in accordance with the International Financial Reporting Standards ("IFRS") adopted by the European Commission and applicable as at the reporting date of these financial statements. IFRS include the standards and interpretations accepted by the International Accounting Standards Board ("IASB") and the IFRS Interpretations Committee.

New and amended standards and interpretations effective as of 1 January 2014 and evaluation of their impact on the Company's financial statements:

IFRS 10 "Consolidated Financial Statements"

The new standard replaces the guidance on control and consolidation contained in IAS 27 "Consolidated and Separate Financial Statements" and in SIC-12 "Consolidation – Special Purpose Entities". IFRS 10 revises the definition of control in such a manner that the same criteria of definition of control apply to all entities. The revised definition is accompanied by extensive application guidance.

This amendment does not apply to these 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" interpretation. The changes in the definitions have reduced the number of types of joint arrangements to two: joint operations and joint ventures. At the same time, the existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. Equity accounting is currently mandatory for all participants in joint ventures.

This amendment does not apply to these financial statements.

IAS 27 "Separate Financial Statements"

IAS 27 was amended in connection with the publication of IFRS 10 "Consolidated Financial Statements". The purpose of revised IAS 27 is to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates in the situation when an entity prepares separate financial statements. The guidance on control and consolidated financial statements was replaced by IFRS 10.
Application of the standard had no impact on these financial statements.

IFRS 12 "Disclosure of Interest in Other Entities"

The new standard applies to the entities that have an interest in a subsidiary, joint arrangement, associate or in an unconsolidated structured entity. The standard replaces the disclosure requirements currently found in IAS 27, Consolidated and Separate Financial Statements, IAS 28, Investments in Associates, and IAS 31, Interests in Joint Ventures. IFRS 12 requires that the entities disclose the information that helps financial statements' readers evaluate the nature, risk and financial consequences of investment in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To that end, the new standard requires disclosures in many areas, including major judgments and assumptions made in determining whether an entity controls, jointly controls or exercises a significant influence on the other entities; extensive disclosures on the importance of non-controlling interests in group activities and cash flows; summarised financial information about subsidiaries with significant non-controlling interests, and detailed disclosures of interests in unconsolidated structured entities.

This amendment does not apply to these financial statements.

(All the amounts are expressed in PLN 000s, unless stated otherwise)

Explanatory notes to the financial statements

Amended IAS 28 "Investments in Associates and Joint Ventures"

The amendments to IAS 28 were derived from IASB draft on joint arrangements. The Board decided to incorporate the principles relating to accounting for joint ventures using the equity method in IAS 28 as that method was applicable to both joint ventures and associates. With that exception, the other guidance remained unchanged.

Application of the standard had no impact on these financial statements.

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32

The amendments provide additional application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. Those include, among other things, clarifying the meaning of the phrase "holds a legally enforceable right of set-off" and the fact that some gross settlement mechanisms may be considered settled in net amounts upon fulfilment of specific conditions.

Application of the standard had no impact on these financial statements.

Amendments to transitional provisions in respect of IFRS 10, IFRS 11 and IFRS 12

The amendments define precisely the transitional provisions in respect of IFRS 10 "Consolidated Financial Statements". The entities adopting IFRS 10 should assess whether they have control on the first day of the annual period for which IFRS 10 has been adopted for the first time and, if the conclusions from such assessment differ from the conclusions under IAS 27 and SIC-12, the comparative data should be restated, unless impracticable. The amendments also provide additional transition relief in application of IFRS 10, IFRS 11 and IFRS 12 by limiting the requirement to provide adjusted comparative information only for the immediately preceding reporting period. Furthermore, those amendments remove the requirement to present comparative information for disclosures related to unconsolidated structured entities for the periods preceding first-time application of IFRS 12.

The Company applies the regulations arising from the standard in these financial statements.

Investment entities – amendments to IFRS 10, IFRS 12 and IAS 27

The amendments introduce the definition of an investment entity in IFRS 10. Such entities shall be obligated to show their subsidiaries at fair value through their financial results and consolidate solely the subsidiaries that provide the services associated with the Company's investment activity for the Company's benefit. IFRS 12 was also amended through introduction of new disclosures on investment entities.

The Company applies the regulations arising from the standard in these financial statements.

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

The amendments remove the requirement to disclose the recoverable amount when a cash generating unit (CGU) contains goodwill or indefinite lived intangible assets and there has been no impairment.

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

The amendments allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated (i.e. the parties have agreed to replace their original counterparty with a new one) as a result of the instrument's clearing with a central clearing chamber under the applicable laws and regulations, if specific conditions are met. Application of the standard had no impact on these financial statements.

Published standards and interpretations that are not yet effective and have not been previously applied by the Company

In these financial statements, the Company has not decided to apply at an earlier date the following published standards, interpretations of or amendments to the existing standards prior to their effective date:

(All the amounts are expressed in PLN 000s, unless stated otherwise)

Explanatory notes to the financial statements

IFRS 9 "Financial Instruments"

IFRS 9 replaces IAS 39. The standard applies to the annual periods beginning on or after 1 January 2018.
The standard introduces a single model envisaging solely two categories of classification of financial assets: those measured at fair value and those measured at amortised cost. The clasification is made at the time of the initial recognition and depends on the financial instruments management model adopted by the unit and on the characteristics of the contractual cash flows from those instruments.
IFRS 9 introduces the new impairment model, namely the expected credit losses model.
The majority of IAS 39 requirements as to classification and measurement of financial liabilities has been transposed to IFRS 9 without change. The key change consists in the requirement imposed on the entities to present in other comprehensive income the consequences of shifts in their own credit risk inherent in financial liabilities set for measurement at fair value in profit or loss.
In terms of hedge accounting, the amendments were aimed to align hedge accounting more strictly with risk management.

The Company shall apply IFRS 9 after its approval by the European Union.

As at the date of preparation of these financial statements, IFRS 9 has not yet been approved by the European Union.

IFRIC 21 "Levies"

IFRIC 21 interpretation was published on 20 May 2013 and applies to the financial years 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 is the event identified by the legislation that triggers the obligation to pay a levy. The fact itself that an entity will continue operating in a future period, or prepares its financial statements under the going concern assumption, does not give rise to the need for recognition of a liability. The same recognition principles apply to annual and interim financial statements. Application of the interpretation to liabilities arising from emission allowances is optional.

The Company applies IFRIC 21 as of 1 January 2015.

Specific benefit plans: Amendments to IAS 19 - Employee Contributions

The amendments to IAS 19 "Employee Contributions" were published by the International Accounting Standards Board in November 2013 and apply within the European Union to the annual periods beginning on or after 1 February 2015.
The amendments allow the 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 his or her years of service.

The Company shall enforce the amendments to IAS 19 as of 1 January 2016.

Annual Improvements to IFRS 2010-2012

In December 2013, the International Accounting Standards Board published the "Annual Improvements to IFRSs 2010-2012" that amend 7 standards. The amendments include changes in presentation, recognition and measurement as well as contain terminological and editorial changes. The improvements apply within the European Union for the annual periods beginning on 1 February 2015.

The Company shall enforce the above Improvements to IFRSs as of 1 January 2016.

Annual Improvements to IFRSs 2011-2013

In December 2013, the International Accounting Standards Board published the "Annual Improvements to IFRSs 2011-2013" that amend 4 standards. The amendments include changes in presentation, recognition and measurement as well as contain terminological and editorial changes. The improvements apply within the European Union for the annual periods beginning on 1 January 2015.

The Company shall enforce the above Improvements to IFRSs as of 1 January 2015.

(All the amounts are expressed in PLN 000s, unless stated otherwise)

Explanatory notes to the financial statements

IFRS 14 "Regulatory Deferral Accounts"

IFRS 14 applies to the annual periods beginning on or after 1 January 2016. The standard permits the entities which are first-time adopters of International Financial Reporting Standards to continue to account for the amounts arising from rate regulated activities in accordance with the previously applied accounting principles. In order to improve comparability with the entities that are already applying IFRS and do not show such amounts, according to the published IFRS 14, the amounts arising from rate regulated activities should be subject to presentation in a separate item both in the statement of financial position and statement of profit or loss and other comprehensive income.

The Company shall enforce the above Improvements to IFRSs as of 1 January 2016.

Amendments to IFRS 11 concerning acquisition of an interest in a joint venture

This amendment to IFRS 11 requires the investor, whenever the investor acquires an interest in a joint venture being a business within the meaning of the definition contained in IFRS 3 to apply to the acquisition of such interest the principles applicable to business combinations accounting as per IFRS 3 and the principles derived from the other standards unless they are in conflict with the guidance provided in IFRS 11.
The amendment applies to the annual periods beginning on 1 January 2016.

The Company shall enforce the amendment as of 1 January 2016.

Amendments to IAS 16 and IAS 38 concerning depreciation and amortisation

The amendment clarifies that application of the revenue-based depreciation/amortisation method is not considered appropriate as the revenues generated within the scope of an economic activity that makes use of the specific assets reflect also the factors other than consumption of the economic benefits embodied in the asset
The amendment applies to the annual periods beginning on 1 January 2016.

The Company shall enforce the amendment as of 1 January 2016.

As at the date of preparation of these financial statements, the said amendment has not yet been approved by the European Union.

IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 "Revenue from Contracts with Customers" was published by the International Accounting Standards Board on 28 May 2014 and applies to the annual periods beginning on or after 1 January 2017.

The principles envisaged in IFRS 15 shall apply to all revenue-generating contracts. The fundamental principle of the new standard is recognition of revenues at the time of transfer of goods or services to the customer, at transactional prices. All goods or services sold in packages that cannot be isolated within a package shall be recognised separately; also, all discounts and rebates applicable to transactional prices shall be, on principle, allocated to the individual items of the package. When the amount of the revenue varies, according to the new standard, variable amounts shall be allocated to the revenues if it is highly probable that their inclusion will not result in a significant revenue reversal in the future as a result of their revaluation. Also, according to IFRS 15, the costs incurred to obtain and secure the contract with a customer should be activated and accounted for in time over the period of consumption of the benefits derived from that contract.

The Company shall apply IFRS 15 as of 1 January 2017.
As at the date of preparation of these financial statements, IFRS 15 has not yet been approved by the European Union.

Amendments to IAS 16 and IAS 41 for bearer plants

The amendments require recognition of specific bearer plants such as grape vines, rubber trees and oil palms (i.e. used solely to grow produce over several periods and not intended for sale in the form of saplings or for harvesting) consistently with the requirements of IAS 16, Property, Plant and Equipment, because their operation is analogical to that of manufacturing. As a result, the amendments in question bring bearer plants into the scope of IAS 16 and not that of IAS 41. The produce obtained from bearer plants continues to be covered by the scope of IAS 41.
The amendments were published on 30 June 2014 and apply to the annual periods beginning on 1 January 2016.

The Company shall enforce the amendments as of 1 January 2016.

As at the date of preparation of these financial statements, the said amendment has not yet been approved by the European Union.

(All the amounts are expressed in PLN 000s, unless stated otherwise)

Explanatory notes to the financial statements

Amendments to IAS 27 concerning application of the equity methodology in separate financial statements

The amendment to IAS 27 enables application of the equity methodology as one of the optional methods of accounting for investments in subsidiaries, joint ventures and associates in separate financial statements.
The amendments were published on 12 August 2014 and apply to the annual periods beginning on 1 January 2016.

The Company shall enforce the amendment as of 1 January 2016.

As at the date of preparation of these financial statements, the said amendment has not yet been approved by the European Union.

Annual Improvements to IFRSs 2012-2014

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

The Company shall enforce the above Improvements to IFRSs as of 1 January 2016.

As at the date of preparation of these financial statements, the Improvements to IFRSs have not yet been approved by the European Union.

Amendments to IAS 1

On 18 December 2014, within the scope of the work on the so-called disclosure initiative, the International Accounting Standards Board published an amendment to IAS 1. The purpose of the published amendment is to clarify the concept of materiality and to explain that, if an entity deems that the specific information is immaterial, it should not disclose the same even when such disclosure is, on principle, required under another IFRS. The amended IAS 1 clarifies that the items presented in the statement of financial position and statement of profit or loss and other comprehensive income may be aggregated or disaggregated depending on their materiality. Additional guidance was also introduced concerning presentation of partial sums in those statements. The amendments apply to the annual periods beginning on 1 January 2016.

The Company shall enforce the above amendment as of 1 January 2016.

As at the date of preparation of these financial statements, the Improvements to IFRSs have not yet been approved by the European Union.

2.2 Tangible fixed assets

Tangible fixed assets are reported at historical value which shall be reduced by the write-off. Historical cost includes expenditure directly related to the acquisition of the assets.

The subsequent expenditure is accounted for at the carrying value of a given fixed asset or is recognised as a separate fixed asset (where appropriate) only when it is probable that in respect of that item there will be an inflow of economic benefits to the Company and the cost of the item can be measured reliably. All other expenditure on repair and maintenance are set against the profit or loss during the financial period in which it has been incurred.

Depreciation of fixed assets (or components thereof, if any) shall be calculated on a straight-line basis for the purpose of spreading their initial value, less the residual value, over the useful life of those assets. At each balance sheet date, verification is carried out (and changes are made, if any) of the residual value and of the periods of use of the assets. Fixed assets are depreciated over their useful life (three to five years).

When the carrying amount of an asset exceeds its estimated recoverable amount, its carrying amount is written off immediately down to the recoverable amount.

Profits and losses on sale of fixed assets are determined through comparison of the sales proceeds against the assets' carrying value and reported in the profit or loss for the period in which the assets were sold.

(All the amounts are expressed in PLN 000s, unless stated otherwise)

Explanatory notes to the financial statements

2.3 Interests in subsidiaries

Interests in subsidiaries are measured at acquisition cost adjusted for subsequent impairment write-downs.

At each balance sheet date, the Company carries out an analysis of the interests held in subsidiaries for impairment. The impairment loss is recognised in the amount by which the carrying value of a given asset exceeds its recoverable value. Recoverable value represents the higher of the two amounts: fair value of the assets less costs to sell costs or value in use. The interests in respect of which impairment was previously stated are evaluated at each balance sheet date for presence of the preconditions pointing to the possibility of reversal of the write-down made.

2.4 Financial assets

CPD classifies its financial assets in the loans and receivables category. Classification is based on the criterion of the purpose of acquisition of financial assets. The Management Board defines the classification of its financial assets at initial recognition and reassesses its classification at each balance sheet date.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and not intended for sale. They are classified as current assets provided that their maturities are not longer than 12 months from the balance sheet date. Assets with maturities longer than 12 months are classified as fixed assets. Loans and receivables are accounted for under the heading "trade receivables and other receivables" in the statement of financial position.

Financial assets are excluded from the books of account when the rights in the resulting cash flows have expired or been transferred and once CPD has transferred basically all risk and rewards incident to their ownership. Loans and receivables are recognised initially at fair value and then measured at amortised cost using the effective interest rate method.

CPD carries out an evaluation at the end of each reporting period to determine whether the objective preconditions exist pointing to occurrence of impairment of a financial asset or group of financial assets.

2.5 Cash and equivalents

Cash equivalents include cash on hand, bank deposits payable on demand, other short-term investments with a high degree of liquidity and with original maturities of up to three months or less.

2.6 Share capital

Share capital is reported at the nominal value of the issued shares.

Marginal costs directly attributable to the issue of new shares are shown in equity as a deduction, net of taxation of proceeds from the issue.

2.7 Trade payables

Trade payables are recognised initially at fair value and thereafter measured at amortised cost using the effective interest rate method.

When the difference between the value determined at amortized cost and the value in the amount of payment due does not have a material impact on the Company's financial results, such liability is recognized in the balance sheet at cost.

2.8 Loans and advances

Loans and advances are recognised initially at fair value less transaction costs incurred. Loans and advances are then shown at amortised cost.

Loans and advances are classified as short-term liabilities provided that the Company does not hold an unconditional right to defer payments by at least 12 months after the balance sheet date.

Explanatory notes to the financial statements

2.9 Complex financial instruments

Complex financial instruments issued by the Group include convertible bonds that may be converted to share capital at the holder's discretion, and the number of shares subject to issue is not dependent upon movements in their fair value.

As regards the financial instruments, when the instrument's fair value differs from the price pad and when that fair value is based on the market data, the Company recognises a "day-one-loss" and reports it depending on the specificity of the transaction. In the case of an issue of bonds convertible to shares that has been addressed in full to the Company's shareholders, the day-one-loss is charged against the equity.

The obligating component of a complex financial instrument is reported initially at the fair value of a similar liability with whom no share conversion option is associated. The equity component is reported initially in the amount of the difference between the fair value of the complex financial instrument as a whole and the fair value of the obligating component. All transactional costs that can be directly attributed are recognised in the measurement of the obligating and equity components in the appropriate proportion to their initial carrying values.

Following initial recognition, the obligating component of a complex financial instrument is reported at amortised cost using the effective interest rate method. The equity component of a complex financial instrument is not measured following initial recognition until its conversion or extinguishment. The equity component constitutes concurrently an embedded derivative which is measured at fair value through profit or loss as at the balance sheet date.

2.10 Embedded derivatives

When a financial instrument having an embedded derivative as a component is acquired and the cash flows associated with such financial instrument evolve, in full or in part, in the manner similar to the one that would have been triggered by the embedded derivative on its own, such embedded derivative is to be accounted for separately from the underlying contract. An embedded derivative is split from the underlying contract and accounted for separately if the following conditions are satisfied jointly:

- the financial instrument is not classified as an asset held for trading or available for sale whose revaluation consequences are set against the financial revenues or costs of the reporting period;

- the nature of the embedded instrument and the inherent risks are not closely related to the nature of the underlying contract and the ensuing risks;

- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and

- fair value of the embedded derivative can be reliably determined.

Embedded derivatives are reported in the similar manner as free-standing derivatives that are not considered hedging instruments.

An embedded derivative is classified as an asset or liability measured at fair value through profit or loss.

2.11 Deferred income tax

Deferred tax reported in full using the balance sheet liability method is derived from temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements and tax losses to be settled. If, however, the deferred income tax arose from the initial recognition of an asset or liability in a transaction other than a business combination that affects neither profit nor taxable income (tax loss), it shall not be recognised. Deferred income tax is determined using the tax rates (and laws) legally or actually applicable at the balance sheet date that are expected to apply at the time of realisation of the related deferred tax assets or settlement of deferred tax liabilities.

(All the amounts are expressed in PLN 000s, unless stated otherwise)

Explanatory notes to the financial statements

Deferred tax assets are recognised only when it is probable that taxable income will be achieved in the future, which will allow the use of temporary differences or tax losses.

Deferred tax assets and deferred tax liabilities are subject to netting.

2.12 Employee benefits

a) Pension provisions
CPD pays contributions under the Polish pension system based on the currently applicable indicators set against the gross salary during the term of the employee's employment (state pension scheme). The state-run pension scheme is a pay-as-you-go scheme, i.e. CPD is only required to make contributions calculated as a percentage of the remuneration as they fall due and, when the Company no longer employs the participants of the state-run pension scheme, it is not required to disburse any additional benefits. The state-run pension scheme is a defined contribution system. The cost of contributions is recognized in profit or loss in the same period in which the expense incurred on account of the related remuneration is recognised.

Under the adopted principle, no provisions are established for severance packages representing one-month remuneration as per the Labour Code. The provisions, if any, would have no major impact on the financial statements. If established, they will be accounted for on a cash basis.

b) Share-based remuneration
The Company operates a remuneration scheme in the form of subscription warrants entitling holders to acquire shares at a preferential price. The scheme is certified as settled in equity instruments. The fair value of employee services obtained in exchange for the grant of warrants is recognised as a cost and amortised over the period of acquisition of rights. At the same time, the Company recognizes a corresponding increase in reserve capital.
The entity revises its estimates of the number of warrants envisaged for processing, at each balance sheet date. The consequences of revision of the original estimates, if any, are recognised in profit or loss, with a corresponding revision of equity.

2.13 Provisions

Provisions are recognised when the CPD is under a legal or customarily expected obligation arising from past events and it is probable that an outflow of resources will be required to discharge that obligation, and the value of such outflow can be estimated reliably.

If a number of similar obligations arises, probability of an outflow of resources required to discharge those obligations is determined in respect of a given category of obligations as a whole. A provision is recognised even if there is low probability of an outflow of resources in respect of an individual item of a given category of obligations. The amounts of the provisions are shown in the present value of expenditure that is expected to be required for discharging the obligation.

2.14 Revenue recognition

Sales revenues are reported at fair value of the consideration received or due on account of the sale of services in the ordinary course of business. Revenues are presented net of tax on goods and services. Sales revenues are recognised in the period in which they were realised.

(All the amounts are expressed in PLN 000s, unless stated otherwise)

Explanatory notes to the financial statements

2.15 Other revenue

Interest revenue is recognised on a time apportionment basis using the effective interest method, provided it is not doubtful. Dividend revenue is recognised at the time when the dividend right is established.

(a) Lease revenue

Lease revenue is reported under operating lease and is recognised on a straight-line basis over the lease term. Incentives granted are recognised as an integral part of lease revenue. They are recognised in the financial result over the lease term on a straight-line basis.

Lease-related services and management services

Fees for lease-related services and management services are recognised in the period in which they are provided.

(c) Revenues on the sale of housing and office property

Revenues on the sale of housing and office property are recognised upon the transfer to the buyer of significant risks and rewards (transfer of ownership) associated with the property, provided that the CPD Group has obtained valid permit for the use of such property.

Advances received from the pre-sale of housing property are deferred until they meet the criteria to be recognised as revenue.

(d) Cost of inventory sales

The cost of sales is recognised in the amount of total capitalised costs of inventory sold.

Construction costs associated with unsold products are capitalised to inventory as work in progress or finished goods, depending on the stage of completion. When the CPD Group expects to realise a loss on produced inventory, it is recognised immediately as a cost. Inventory related to sold units is recognised as a cost of sales in the same period in which the sale occurs.

(e) Interest revenue

Interest revenue is recognised using the effective interest method.

2.16 Costs

The cost of sales mainly includes the cost of the products sold and other operating costs associated directly with the property.

The costs of operating activities are fully recognised in the Company's financial result except for those relating to subsequent reporting periods and, subject to the matching of revenues and expenses principles, are recognised in accrued expense.

The other operating costs, related directly with the property, that do not comprise overheads and administration costs are recognised in costs at the time when they are incurred.

Revenues on services invoiced to lessees and the related service provision costs are recognised separately, since the CPD Group does not act as an agent.

(All the amounts are expressed in PLN 000s, unless stated otherwise)

Explanatory notes to the financial statements

2.17 Interest expenses

The lender's return on interest is recognised under "finance costs" in the financial result, using the effective interest method.

2.18 Foreign currencies

Financial statements are presented in Polish zloty (PLN), which is the functional currency of the entity and the presentation currency of the CPD Group.
Foreign currency transactions are translated into PLN using the exchange rates applicable on the transaction date or the transaction measurement date, where relevant.

As of the balance sheet day, the asset and liability items subject to measurement are translated into PLN at the average exchange rate for the currency concerned used on that day by the National Bank of Poland.
Exchange differences arising from foreign currency transactions and measurement of monetary asset and liability items as of the balance sheet day are presented by account balance in revenue or in finance costs.

The effective interest method is a method for calculating the amortised cost of a financial asset or liability and allocating interest revenue or interest cost over the period concerned. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period 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 (for example, prepayment options), but does not consider future losses. The calculation includes all fees and points 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.

3 Financial risk management

3.1 Financial risk drivers

The activity carried out by CPD exposes it to a range of different types of financial risk: market risk (including foreign exchange risk or interest rate risk), credit risk, and liquidity risk. The financial risks are associated with the following financial instruments: loans receivable and payable, trade receivables, other receivables, cash and cash equivalents, trade payables and other payables. The accounting policy applied to the above financial instruments is described in Note 2. The overall CPD risk management policy focuses on the unpredictability of financial markets and works towards minimising its potential negative impact on the Company's financial results.

(All the amounts are expressed in PLN 000s, unless stated otherwise)

Explanatory notes to the financial statements

(a) Market risk

(i) Foreign exchange risk

The Company is exposed to foreign exchange risk arising from changes in the balances of non-PLN currencies of the parties involved. The risk concerns loans payable and assets and liabilities denominated in EUR. Foreign exchange risk arises when future transactions related to funding received / transferred or recognized assets and liabilities are denominated in a currency other than the functional currency of the entity.

As of 31 December 2014 the Company has no significant balances of receivables or liabilities in foreign currencies and consequently was not exposed to significant foreign exchange risk.

	31 December 2014	31 December 2013
Loans payable in EUR	1 769	1 700
Assumed change in PLN/EUR exchange rate	+/-1%	+/-1%
Result of the change in interest revenue	18	17
Tax shield	3	3
Effect on net result	14	14

	31 December 2014	31 December 2013
Receivables in EUR	0	0
Assumed change in PLN/EUR exchange rate	+/-1%	+/-1%
Result of the change in interest revenue	0	0
Tax shield	0	0
Effect on net result	0	0

	31 December 2014	31 December 2013
	0	0
Assumed change in PLN/EUR exchange rate	+/-1%	+/-1%
Result of the change in interest revenue	0	0
Tax shield	0	0
Effect on net result	0	0

The Management Board of the CPD Company follows exchange rate fluctuations on an ongoing basis and acts accordingly. The Company reviews its hedging activity on a regular basis to address on-going interest rate developments and adjust its risk appetite. Currently, the Company is not engaged in any hedging transactions, yet this may change, should the Management Board consider that the situation so requires.

(All the amounts are expressed in PLN 000s, unless stated otherwise)

Explanatory notes to the financial statements

(b) Interest rate risk

Interest rate risk is the risk to which the Company is exposed as a result of interest rate fluctuations. For the Company, interest rate risk is related to loans receivable and payable (Note 4 and Note 11). Floating-rate loans receivable and payable expose the Company to a risk of future cash flow fluctuations. The Company does not apply and hedging policy against interest rate fluctuations. The Management Board monitors interest rate fluctuations on an ongoing basis and acts accordingly.

Trade receivables and other receivables and liabilities do not bear interest and have a maturity of up to 1 year.

	31 December 2014	31 December 2013
Loans receivable bear interest at a variable rate.	469 439	461 124
Assumed change of interest rates	+/-1pp	+/-1pp
Result of the change in interest revenue	4 694	4 611
Tax shield	892	876
Effect on net result		

	31 December 2014	31 December 2013
Loans payable bear interest at a variable rate	12 769	9 304
Assumed change of interest rates	+/-1pp	+/-1pp
Result of the change in interest revenue	128	93
Tax shield	24	18
Effect on net result	+ -103	

(c) Credit risk

Credit risk arises for cash, bank deposits and in respect of loans receivable, trade receivables and other receivables - including outstanding receivables.

Cash is deposited with a bank enjoying a high credibility ranking (HSBC); As regards loan receivables, loans are granted exclusively to related parties. The credit risk arising from loans receivable is analysed by the Management Board on an ongoing basis through day-to-day control of operations and assessment of the investment projects of those parties. The Company analyses the collectability of loans granted to related parties based on the value of net assets of the borrowers. According to the Management Board, the amount of loans receivable as of the balance sheet day is fully recoverable.

As regards trade receivables and other receivables, the Company applies procedures for assessing the creditworthiness of the Company's clients.

(d) Liquidity risk

Liquidity risk is the risk that arises when the maturity dates for assets and liabilities do not coincide. The situation potentially improves returns, but also increases the risk of losses. CPD applies procedures to minimise such losses by maintaining a suitable level of cash and by on-going monitoring and projecting of cash flows. The Company has sufficient working assets for timely payment of any liabilities. The Company's liquidity level is controlled by the Management Board on an ongoing basis.

Nominal amount of the Company's liabilities including interest:

	31 December 2014	31 December 2013
Loans including interest until maturity*	12 769	9 304
Trade receivables and other receivables	2 338	2 121
	15 107	11 425

** Loans are paid on demand so the nominal value of interest calculated between the balance sheet day and the maturity date is PLN 0.*

(All the amounts are expressed in PLN 000s, unless stated otherwise)

Explanatory notes to the financial statements

3.2 Capital management

In capital management terms, the Company's goal is to protect its business continuity, so that it can ensure returns for shareholders and benefits for other stakeholders, as well as maintain the optimum capital structure with a view to reducing its cost.

In order to maintain and adjust the capital structure, the Company may revise the amount of declared dividend, return capital to shareholders, issue new shares or sell assets to reduce debt.

The funding ratio, which reflects the capital structure, is calculated as net debt/total capital. The net debt is calculated as loans (including current and long-term loans reported on the balance sheet), trade liabilities and other liabilities less cash and cash equivalents. The total amount of capital is calculated as the equity recorded on the balance sheet plus net debt.

Owing to the present-day global market developments, the Company aims to maintain a low funding ratio, so that it does not exceed 20%.

	31 December 2014	31 December 2013
Loans payable	12 769	9 304
Bonds payable	42 880	0
Trade receivables and other receivables	2 338	2 121
Less cash and cash equivalents	-12 071	-6 355
Net debt	**45 916**	**5 070**
Equity	401 146	313 398
Total capital	**447 063**	**318 468**
Funding ratio	**10%**	**2%**

According to Management Board plans, the funding structure should not change radically and should not exceed the 20% threshold in the next few years. Should the situation on the capital and property markets change, the Company's strategy will be to increase the funding ratio so that it reaches the 20%.

3.3 Significant estimates

(a) Fair value of net assets at which they were recognised in CPD books as of the date of their acquisition on 23 August 2010.

In connection with the settlement on 23 August 2010 of the Celtic Property Developments Plc acquisition in the CPD S.A. parent company books, the Management Board estimated the fair value of the net assets acquired (for the needs of the settlement of the above transaction in CPD S.A. books, the acquired assets do not represent a joint venture within the meaning of the definition in IFRS 3; pursuant to the standard, the transaction was treated as an acquisition of a set of assets and liabilities in exchange for a treasury share-based payment). As a consequence, the assets and liabilities acquired were measured at their fair value as of the merger date and recognised in such amounts in the books of the company which acquired them. The most significant items of the net assets acquired were shares in subsidiaries and loans receivable.
The fair value of the receivables was fixed at the estimated amount of outstanding liabilities on the date of acquisition, using the current interest rate applied to similar financial instruments.

As regards the shares in the Buffy Holdings No 1 Ltd, Lakia Enterprises Ltd, and Celtic Investments Limited subsidiaries, their fair value was measured using the adjusted net assets method, which provides an approximation of expected future cash flows available to shareholders on account of their respective shares. The value of the cash flows was estimated using inter alia the fair value of the properties owned by the subsidiaries and the value of discounted future operating costs related to their functioning.

(All the amounts are expressed in PLN 000s, unless stated otherwise)

Explanatory notes to the financial statements

(b) Balance-sheet valuation of the shares in subsidiaries and loans extended to subsidiaries

As of the balance sheet day, the Company analysed the amount of the subsidiaries' shares value impairment by comparing the book value of the shares and their recoverable value. Recoverable value represents the higher of the two amounts: fair value of the assets less costs to sell costs or value in use. According to the Company, there is no reason to believe that the value in use diverged significantly from the fair value as of the balance sheet day. As a consequence, the analysis of the share value impairment was based on fair value.

As regards the shares in the Buffy Holdings No 1 Ltd, Lakia Enterprises Ltd, and Celtic Investments Limited subsidiaries, their fair value was measured based on the net assets of those companies, which are an approximation of expected future cash flows available to shareholders for their respective shares. The fair value of the properties owned by the subsidiaries is a key component determining the value of the estimated cash flows.

The investment properties owned by the CPD's subsidiaries are appraised at fair value using the following methods:
- undeveloped land and developed land with multi-family houses is appraised using the comparative method;
- investment properties with high rental income (3 office buildings located in Warsaw) are appraised using the investment method
- development areas in Warsaw, Ursus District, designated, under the applicable spatial plan, for housing and commercial development, are appraised using the residual method;
- development areas in Warsaw, Ursus District, designated, under the applicable spatial plan, for public purposes, and development areas in the town of Wolbórz are appraised using the comparative method.

As of 31 December 2014, the net value of the shares in the Buffy Holdings No1 Ltd., Celtic Investments Limited, and Lakia Enterpises subsidiaries amounted to zero and did not change on a year-to-year basis (the amount of the impairment charge for the individual companies as of 31 December 2014 was estimated using the above approach, which was consistent with that used for 31 December 2013). (b) Information on the shares in subsidiaries is presented in Note 5.

(b) At the same time, the Company analysed, as of the balance sheet day, the recoverability of the loans granted to the subsidiaries. The recoverability analysis is based on the net assets of the individual subsidiaries that are CPD's creditors. The level of net assets of the subsidiaries holding the properties appraised at fair value represents the cash likely to be generated by the subsidiaries to be used to repay their debt to CPD. CPD determines the amount of the write-down with respect to the subsidiaries that demonstrate a negative value of net assets as of the balance sheet day. The Company believes that due to the negative value of the net assets of those subsidiaries there is a real risk that they will be unable to repay the loans.

As of 31 December 2014, the Company assessed the recoverability of the loans receivable from the subsidiaries and, based on the analyses, it decided to derecognise the write-down of PLN 118 million compared to 31 December 2013. The decision was made as a result of positive changes in the net assets of the subsidiaries to which CPD grants loans and was related, in the first place, to an increase in the fair value of the investment properties held by the subsidiaries. For information on loans extended to related parties see Note 4.

Explanatory notes to the financial statements

(c) Measurement of the fair value of embedded derivatives

On 26 September 2014, the Company released a bond issue available to existing shareholders. The financial data concerning the bonds issued are presented in Note 14 to the financial statement. The bonds have an embedded derivative, i.e. option for the conversion of bonds for shares at a fixed rate of PLN 4.38 per share. Because the bonds were issued in a currency other (EUR) than the Company's functional currency, the embedded derivative contains a currency cap, which means that the value of the shares obtained will be calculated against the exchange rate applicable on the conversion date, not higher, however, than 1EUR = 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:
- adjustment of the discounting curve on account of the issuer's risk - 8%
- share price change - 65% - the value was calculated by using historic CPD S.A. share price performance.
- fixed bond/share conversion rate - PLN 4.38
- exchange rate cap - 1 EUR = PLN 4.1272
- the bonds can be converted from 26 September 2015 until 5 days before maturity, i.e. 22 September 2017.

As of 31 December 2014, the amount of the liability arising under the embedded derivative is PLN 18.4 million and represents the difference between the price of the bond fixed using the above fair value approach and the value of the bond exclusive of the derivative established according to depreciated cost using the effective interest method.

(All the amounts are expressed in PLN 000s, unless stated otherwise)

Explanatory notes to the financial statements

4 Long-term receivables

	31 December 2014	31 December 2013
Long-term loans granted to related entities (note 24), including:		
- loan	453 478	426 888
- interest	79 819	73 675
Impairment loss	(89 781)	(185 498)
	443 516	**315 065**

Details relating to loans granted to related entities as at 31 Dec 2014

Related entity	Loan currency	Principal in PLN 000s	Interest accrued in PLN 000s	Interest rate	Margin	Maturity
1/95 Gaston Investments	PLN	20	0	3M WIBOR	1,55%	on demand
2/124 Gaston Investments	PLN	2 226	302	3M WIBOR	1,55%	on demand
3/93 Gaston Investments	PLN	1 889	262	3M WIBOR	1,55%	on demand
4/113 Gaston Investments	PLN	5 271	846	3M WIBOR	1,55%	on demand
5/92 Gaston Investments	PLN	2 367	305	3M WIBOR	1,55%	on demand
6/150 Gaston Investments	PLN	1 980	264	3M WIBOR	1,55%	on demand
7/120 Gaston Investments	PLN	1 211	177	3M WIBOR	1,55%	on demand
8/126 Gaston Investments	PLN	3 697	452	3M WIBOR	1,55%	on demand
9/151 Gaston Investments	PLN	785	116	3M WIBOR	1,55%	on demand
10/165 Gaston Investments	PLN	999	123	3M WIBOR	1,55%	on demand
11/162 Gaston Investments	PLN	854	113	3M WIBOR	1,55%	on demand
12/132 Gaston Investments	PLN	2 479	345	3M WIBOR	1,55%	on demand
13/155 Gaston Investments	PLN	2 480	306	3M WIBOR	1,55%	on demand
15/167 Gaston Investments	PLN	1 261	132	3M WIBOR	1,55%	on demand
16/88 Gaston Investments	PLN	356	64	3M WIBOR	1,55%	on demand
18 Gaston Investments	PLN	2 400	229	3M WIBOR	1,55%	on demand
19/97 Gaston Investments	PLN	403	62	3M WIBOR	1,55%	on demand
20/140 Gaston Investments	PLN	460	73	3M WIBOR	1,55%	on demand
Antigo Investments	PLN	4 730	450	3M WIBOR	1,55%	on demand
Write-off for the loan extended to Antigo			*(263)*			
Blaise Gaston Investments	PLN	3 678	559	3M WIBOR	1,55%	on demand
Blaise Investments	PLN	25 079	4 414	3M WIBOR	1,55%	on demand
Belise Investments	PLN	32 425	7 010	3M WIBOR	1,55%	on demand
Write-off for the loan extended to Belise			*(6 238)*			
Buffy Holdings No 1 Ltd	PLN	137 971	28 838	3M WIBOR	0,75%	on demand
Write-off for the loan extended to Buffy Holdings	PLN	*(30 375)*	*(28 838)*			
Celtic Investments Ltd	PLN	1 735	33	3M LIBOR	0,75%	on demand
Write-off for the loan extended to CIL	PLN	*(1 599)*	*(33)*			
Challange 18	PLN	169 234	28 156	3M WIBOR	1,55%	on demand
Elara Investments	PLN	3 210	42	3M WIBOR	1,55%	on demand
Write-off for the loan extended to Elara Investments	PLN	*(2 845)*	*(42)*			
Gaston Investments	PLN	8 512	453	3M WIBOR	1,55%	on demand
Write-off for the loan extended to Gaston Investments	PLN	*(3 426)*	*(453)*			
HUB Developments	PLN	2 444	204	3M WIBOR	1,55%	on demand
Write-off for the loan extended to HUB		0	*(110)*			
Lakia Enterprises Limited	PLN	32 996	5 490	3M WIBOR	1,55%	on demand
Write-off for the loan extended to Lakia Enterprises		*(9 743)*	*(5 490)*			
		405 164	**38 352**			

(All the amounts are expressed in PLN 000s, unless stated otherwise)

Explanatory notes to the financial statements

As intended by the Management Board, the loans granted will be repaid in the period from 3 to 5 years.
The maximum value of the credit risk related to loans and trade receivables is equal to the carrying value.
Granted loans are not secured.

In 2014 interest on loans granted to subsidiaries was depreciated at PLN 13,480,000 and the principal amounts under loans granted were depreciated at PLN 5,456,000.

Change in the write-off for loans granted by CPD classified as long-term and short-term loans in 2014:

Impairment loss for the loans as at 31 Dec 2013	**227 659**
Write-off for 2014 (note 3.3)	-117 550
Impairment loss for the loans as at 31 Dec 2014	**110 109**

Premises which justify the impairment of receivables related to loans are described in note 3.3.

5 Shares in related entities

Name	State	Share	31 December 2014	31 December 2013
Lakia Enterprises Ltd	Cyprus	100%	105 000	105 000
Allowance for the value of shares			-105 000	-105 000
Celtic Investments Ltd	Cyprus	100%	48 000	48 000
Allowance for the value of shares			-48 000	-48 000
Buffy Holdings No1 Ltd	Cyprus	100%	184 000	184 000
Allowance for the value of shares			-184 000	-184 000
East Europe Property Financing AB	Sweden	0%	0	601
Allowance for the value of shares			0	-601
			0	**0**

Impairment loss for the shares as at 31 Dec 2013	**337 601**
Write-off for 2014 (note 3.3)	(601)
Impairment loss for the shares as at 31 Dec 2014	**337 000**

Premises which justify the impairment of shares in subsidiaries are described in note 3.3.

In Q4 2014 all shares in a subsidiary, East Europe Property Financing AB with its registered office in Sweden, were sold.

6 Bonds

On 18 March 2013 the Company purchased bonds issued by Bolzanus Limited with its registered office in Cyprus (bonds – PLN 3m, interest as at 31 December 2014 – PLN 430,000). Bonds yield interest of 8% p.a. Maturity is on 17 February 2016.

7 Trade receivables and other receivables

	31 December 2014	31 December 2013
Trade receivables from related entities	74	30
Short-term loans to related entities, including:	0	54
- loan	15 961	34 236
- interest	4 366	7 978
- write-off for loans	(20 328)	(42 161)
Input VAT over output VAT	9	0
Other receivables from related entities	0	16
Other receivables from other entities	16	81
Accruals	5	15
Short-term receivables	**104**	**196**

(All the amounts are expressed in PLN 000s, unless stated otherwise)

Explanatory notes to the financial statements

Details relating to loans granted to related entities

Related entity	Loan currency	Principal	Interest accrued	Interest rate	Margin	Maturity
Mandy Investments	PLN	15 961	4 366	3M WIBOR	1,55%	on demand
Write-off for the loan extended to Mandy Investments		*(15 961)*	(4 366)			

8 Cash and cash equivalents

	31 December 2014	31 December 2013
Cash in bank (HSBC Bank)	12 071	6 355
	12 071	**6 355**

For the purposes of the financial statements, cash and cash equivalents include cash in bank, HSBC Bank.
The maximum value of the credit risk related to cash is equal to its carrying value.

9 Share capital

	Number of shares		Value of shares	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013
Ordinary shares (000s)	32 863	34 595	3 286	3 460

CPD SA shareholders' structure as at 31 Dec 2014*:

Entity	Registered office	Number of shares **	% of capital owned	% of voting rights held
Cooperative Laxey Worldwide W.A.,	Netherlands	10 082 930	30,68%	30,68%
Furseka Trading and Investments Ltd	Cyprus	5 137 222	15,63%	15,63%
The Value Catalyst Fund plc	Cayman Islands	3 975 449	12,10%	12,10%
QVT Fund LP	Cayman Islands, US	3 701 131	11,26%	11,26%
LP Value Ltd	British Virgin Islands	2 005 763	6,10%	6,10%
LP Alternative Fund LP	US	2 003 981	6,10%	6,10%
Shareholders with fewer than 5% shares		5 956 727	18,13%	18,13%
Total number of shares		32 863 203	100%	100%

* This shareholders' structure was based on own figures of the Company.

- 32,335,858 series B ordinary bearer shares,
- 163,214 ordinary bearer shares of C series; / English: - 163,214 series C ordinary bearer shares
- 76,022 ordinary bearer shares of D series; / English: - 76,022 series D ordinary bearer shares
- 88,776 ordinary bearer shares of E series; and / English: - 88,776 series E ordinary bearer shares
- 199,333 ordinary bearer shares of F series. / English: - 199,333 series F ordinary bearer shares

Explanatory notes to the financial statements

On 8 January 2013 an increase in the share capital was recorded. The share capital of the Company was increased from PLN 3,423,146.60 to PLN 3,430,748.80 i.e. by PLN 7,602.20 through the issue within limits of target capital of 76,022 Series D ordinary bearer shares with the face value of PLN 0.10 per share.

On 10 January 2013, the Extraordinary General Meeting of Shareholders of Celtic Property Developments S.A. passed resolution no. 3 on the issue of Series B subscription warrants with the right to take up Series E shares of the Company and depriving the existing shareholders of the entire subscription right of Series B subscription warrants and resolution no. 4 on the conditional increase in the share capital of the Company without the Series E shares subscription rights, changes to the Articles of Association of the Company, depriving the existing shareholders of the entire subscription right for Series E shares, dematerialisation of Series E shares and application for admission and trading of Series C shares in the regulated market.

Under resolution no. 3, the Company issued 88,776 Series B bearer subscription warrants (hereinafter: "Subscription Warrants"), with the right to take up a total of 88,776 Series E ordinary bearer shares with the face value of PLN 0.10 each and the total face value of PLN 8,877.60. Subscription Warrants were offered only to eligible persons namely members of the Management Board of the Company, who performed functions in the Management Board at the time the statement on taking up Subscription Warrants was made:
• President of the Management Board Mr Andrew Morrison Shepherd was offered 36,483 Subscription Warrants;
• Member of the Management Board Mr Aled Rhys Jones was offered 36,483 Subscription Warrants;
• Member of the Management Board Ms Elżbieta Wiczkowska was offered 15,810 Subscription Warrants.

Subscription Warrants were issued free of charge and the issue price of one Series E share taken up through exercise of rights in the Subscription Warrants was fixed at the equivalent of its face value, which is PLN 0.10. Each Subscription Warrants gave right to take up one Series E shares, while the right to take up Series E shares was exercised in the manner described in Article 451 of the Code of Commercial Companies and Partnerships, i.e. by means of written statements made on forms prepared by the Company.
The Subscription Warrants and Series E shares were issued outside public offering referred to in Article 3 (3) of the Act of 29 July 2005 on public offering and conditions for introduction of financial instruments into an organized trading system, and on public companies (Journal of Laws no. 184, item 1539 as amended) given the fact that the number of persons to whom the proposal to purchase offer of Subscription Warrants was sent did not exceed 99 persons.

On 20 March 2013 the Management Board of the Company passed resolution no. 13/III/2013 on increasing the share capital of the Company as part of the target capital.
Under the aforementioned resolution, the share capital of the Company was increased by PLN 19,933.30 through the issue of 199,333.00 Series F ordinary bearer shares of target capital, with the face value of PLN 0.10 (ten groszy) each share. The increase in the share capital by means of issuing Series F shares was made with the consent of the Supervisory Board, with the exception of the subscription right of the existing shareholders, in the form of a private issue addressed to selected colleagues of the Management Board. Receipts from the issue of Series F shares were appropriated for financing of ongoing activities of the Company.

On 27 March 2013 the Company invited its shareholders to place transfer offers for its shares under conditions described in the Invitation to Place Transfer Offers. The entire contents of the Invitation to Place Transfer Offers was made public on the Company's website (www.celtic.pl). In connection with the published Invitation, the Company offered to purchase no more than 1,732,394 ordinary bearer shares denoted ISIN PLCELPD00013 ("Shares") at PLN 7.10 each. During the period of receiving transfer offers for the Shares from 3 to 9 April 2013, a total of 39 transfer offers for 15,575,542 shares of the Company were received.

The invitation was based on the resolution of the Extraordinary General Meeting of the Company of 10 August 2012 on the purchase of shares of the Company for redemption, which authorised the Management Board to purchase a total of no more than 11,541,891 shares of the Company from shareholders of the Company by 31 December 2013, with the face value of PLN 0.10 (ten groszy) each and the total face value not higher than PLN 1,154,189.10. Shares can be purchased on the regulated market (during a trading session and in off-session transactions) outside the regulated market. Shares will be purchased by the Company in accordance with Article 362 § 1 subparagraph 5 of the Code of Commercial Companies and Partnerships for redemption for the price not lower than the face value of the shares and not higher than PLN 15.89 (say: fifteen zlotys eighty nine groszy) per share. In addition, the General Meeting of Shareholders authorised the Management Board of the Company to approve detailed conditions for the purchase of Shares in the scope not regulated in the resolution and to perform all factual and legal actions aimed at implementation of the resolution, and to execute an agreement with an investment firm. In order to redeem the Shares, after the purchase of all or some of the Shares, the Management Board of the Company will convene the General Meeting of Shareholders of the Company with the agenda that includes resolutions on redemption of own shares and reduction in the share capital of the Company and amendments to the Articles of Association of the Company.

Recommendation of the Management Board on adoption of a resolution on repurchase of own shares for redemption was justified by a slump at the Warsaw Stock Exchange, which was an element of global trends in capital markets, resulting in a decrease in the market price of shares of Celtic Property Developments S.A. In the opinion of the Management Board of the Company, the measurement is different from growth foundations of the value of the Company in the long term. Repurchase of part of the shares is optimal from the viewpoint of all shareholders of the Company. The Supervisory Board of the Company issued a positive opinion on the said draft of the resolution of the Extraordinary General Meeting of Shareholders of the Company, by adopting the relevant resolution that approved the draft resolutions of the General Meeting of Shareholders.

Explanatory notes to the financial statements

On 11 April 2013 the Company decided to adopt all transfer offers for the Shares and proportional reduction in the Shares, in accordance with the rules described in the Invitation. The number of shares included in the Share Transfer Offers was 15,575,542. Given the fact that the transfer offers were placed for a greater number of shares than 1,732,394 shares offered by the Company, each transfer offer was reduced by 88.88% on average, which means that the Company purchased on average 11.12% of shares offered for transfer. Following settlement of the transactions on 15 April 2013, the Company purchased, through UniCredit CAIB Poland S.A brokerage house with its registered office in Warsaw, 1,732,394 own shares. The purchase price of one share was PLN 7.10. All purchased shares are ordinary shares with the face value of PLN 0.10 each. Own shares account for 5.01% of the share capital of the Company and 5.01% of the total number of votes in the Company. In accordance with applicable provisions, the Company is not authorised to exercise the right to vote in own shares.In accordance with governing provisions of the law, in order to commence the redemption procedure for purchased shares, it is necessary to convene the General Meeting of Shareholders of the Company to pass a resolution on reduction of the share capital.

On 26 April 2013, the District Court for the capital city of Warsaw in Warsaw, 13th Commercial Division of the National Court Register, register a conditional increase in the share capital of the Company by an amount not greater than PLN 8,877.60. The conditional increase in the share capital took place by means of an issue of Series E bearer shares with the face value of PLN 0.10 (ten groszy) each, in the amount not greater than 88,776 and was performed to allow the eligible persons with Series B Subscription Warrants to exercise the rights to take up no more than 88,776 Series E shares.
Subscription Warrants were offered to eligible persons on 8 May 2013. On the same day, eligible persons with Series B Subscription Warrants, i.e. members of the Management Board of the Company exercised their rights in warrants and submitted statements on taking up Series E shares. Series E shares issued in connection with taking up Series B Subscription Warrants by eligible persons carry a transfer prohibition for a period of 18 months of the day they are admitted to stock trading under agreements signed upon taking up the shares.

The share capital of the Company was increased on 5 July 2013 when Series E shares of the Company were recorded on account of eligible persons and rights in the shares were created in accordance with Article 452 of the Code of Commercial Companies and Partnerships. Therefore, on 5 July 2013 the share capital of Celtic Property Developments S.A. was increased by PLN 8,877.60 to PLN 3,439,626.40. Consequently, the share capital of Celtic Property Developments S.A. was divided to 34,396,264 shares with the face value of PLN 0.10 (ten groszy) each, representing 100% of the votes at the General Meeting of Shareholders of the Company. Receipts from the issue of Series F shares were appropriated for financing of ongoing activities of the Company.

In accordance with resolution of the Management Board of the National Depository of Securities (KDPW) no. 448/13 of 21 June 2013, on 5 July 2013 KDPW registered 88,776 of Series E ordinary bearer shares of the Company coded ISIN: PLCELPD00013.
On 5 July 2013 Series E shares were introduced to public trading on the parallel market of the Warsaw Stock Exchange under resolution no. 745/2013 of the Management Board of WSE S.A. of 3 July 2013.

On 12 August 2013, the District Court for the capital city of Warsaw in Warsaw, 13th Commercial Division of the National Court Register issued a decision to enter the increase in the share capital of the Company by PLN 8,877.60 by issuing 88,776 Series E ordinary bearer shares. After registration of the increase, the share capital of the Company was PLN 3,439,626.40 and was divided to 34,396,264 Series B, C, D and E ordinary bearer shares with the face value of PLN 0.10 (ten groszy) each, giving right to 34,396,264 votes at the General Meeting of Shareholders of the Company.

Until 30 August 2013 the Management Board of the Company was authorised to increase the share capital of the Company within limits of the target capital by the amount not exceeding PLN 2,500,000.00 (two million five hundred thousand zlotys). The Management Board was able to exercise this right by increasing the share capital once or several times, where the shares could be taken up for cash or non-cash contributions (contributions in kind).

On 13 September 2013, the District Court for the capital city of Warsaw in Warsaw, 13th Commercial Division of the National Court Register issued a decision to enter the increase in the share capital of the Company by PLN 19,933.30 through the issue of 199,333 Series F ordinary bearer shares. After registration of the increase, the share capital of the Company is PLN 3,459,559.70 and is divided to 34,595,597 Series B, C, D, E and F ordinary bearer shares with the face value of PLN 0.10 (ten groszy) each, giving right to 34,595,597 votes at the General Meeting of Shareholders of the Company.

By means of a resolution of the Extraordinary General Meeting of Shareholders of 5 August 2014, the share capital of CPD SA was conditionally increased by PLN 979,136.
The conditional increase in the share capital was made to allow the holders of convertible bonds to exercise their right to convert bonds to no more than 9,791,360 shares. The issue of bonds allowed CPD SA to acquire financing for the key development projects of CPD SA.

(All the amounts are expressed in PLN 000s, unless stated otherwise)

Explanatory notes to the financial statements

On 26 November 2014 the District Court for the Capital City of Warsaw in Warsaw registered a decrease in the share capital of the Company by PLN 173,239.40 (say: one hundred seventy three thousand two hundred thirty nine zlotys forty groszy), following redemption of 1,732,394 (say: one million seven hundred thirty two thousand three hundred ninety four) Series B own shares of the Company with the face value of PLN 0.10 (say: ten groszy) each, that would correspond to 1,732,394 of votes at the General Meeting of Shareholders of the Company. The shares were redeemed under resolution no. 22 of the Ordinary General Meeting of Shareholders of the Company of 29 May 2014 (Rep. A no. 6337/2014).

10 Reserves

	31 December 2014	31 December 2013
As at 31 Dec 2014	987	**4 399**
Conversion of liabilities to Advisors to the Management Board to equity	0	987
Coverage of loss for 2012	0	(4 399)
	987	**987**

11 Trade liabilities and other liabilities

	31 December 2014	31 December 2013
Accrued expenses, including:	2 140	1 963
- provision for retained tax	2 027	1 829
- provision for audit	113	134
Trade liabilities	51	0
Provision for leaves	93	103
Public law liabilities	48	54
Other liabilities	6	1
	2 338	**2 121**

Trade liabilities yield no interest and fall due within a year.

The estimated fair value of trade liabilities and other liabilities is a discounted amount of future receipts which CPD S.A. will pay and approximately corresponds to their book value.

12 Pożyczki

	31 December 2014	31 December 2013
Loans from related entities	12 769	9 304
	12 769	**9 304**

As at 31 December 2014 liabilities related to loans include the loan received from the subsidiary, Lakia Enterprises (principal: PLN 7,853,000, interest: PLN 1,693,000) and the loan received from a subsidiary, Lakia Investments (principal: PLN 3,159,000, interest: PLN 64,000). The loan from Lakia Enterprises is 3M Wibor + margin of 0.50%, from Lakia Investments is 3M Wibor + margin of 1.55%.

Loan from related entities fall due within 1 to 3 years.

Incurred loans are not secured.

Exposures of loans to interest rate risk and contractual dates of interest rate changes as at the balance sheet date are shown below:

	31 December 2014	31 December 2013
Long-term loans	12 769	9 304
	12 769	**9 304**

(All the amounts are expressed in PLN 000s, unless stated otherwise)

Explanatory notes to the financial statements

13 Bonds issued

	31 December 2014	31 December 2013
Face value of convertible bonds issued on 26 September 2014	22 966	0
Equity element	27 909	0
Debt element on the initial recognition on 26 September 2014	**50 875**	**0**
Costs of interest	623	0
Measurement as at 31 Dec 2014	476	0
Measurement of the embedded derivative	(9 094)	0
Derivative element as at 31 December 2014	**42 880**	**0**

	31 December 2014	31 December 2013
Laxey Investors Limited	1	0
LP Alternative LP by Laxey Partners (GP3) as General Partner	7	0
Laxey Partners Ltd	1	0
LP Value Ltd	7	0
Laxey Universal Value LP By Laxey Partners (GP2) as General Partner	1	0
The Value Catalyst Fund Limited	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

On 26 September 2014 the Management Board of the Company passed a resolution on assignment of the 1st Tranche of Series A convertible bonds, thus the Company issued 1st Tranche convertible bonds. The redemption date of the 1st Tranche bonds is 26 September 2017. The issue of 1st Tranche bonds was a non-public issue, in accordance with Article 9 (3) of the Act on Bonds, based on resolution of the Management Board of the Issuer no. 3/IX/2014 on the issue of Series D bearer bonds, as part of the bonds issue programme.

The face value of a single bonds is 50,000 EUR (say: fifty thousand euro). The issue price of one bond is EUR 50,000. The bonds yield interest at fixed interest rate of 10% (ten per cent) a year, counting of the Bonds Issue Date. The bonds will be repurchased by the Company on the day falling 3 years after the Issue Date, i.e. on 27 September 2017, subject to early repurchase in case of an Issuer's Default of conditions under which the Bonds were issued.

The embedded derivative element is the result of:
a) the right to convert bonds to shares by the bondholder at a fixed rate,
from 26 Sep 2015 until 5 days before the redemption date, i.e. 22 Sep 2017;
b) the FX cap option relating to conversion of liabilities to shares on the conversion day at the EUR/PLN exchange rate of that day,
not higher than 1EUR = PLN 4.1272.
The method of measurement of the embedded derivative is described in note 3.3.

(All the amounts are expressed in PLN 000s, unless stated otherwise)

Explanatory notes to the financial statements

14 Deferred income tax

Deferred tax liabilities

As at 1 January 2013	**12 323**
Interest accrued on loans granted	2 914
As at 31 December 2013 – before set-off	**15 237**
Set-off with the deferred tax asset	(15 237)
As at 31 December 2012 – after set-off	**0**
Interest accrued on loans granted	3 002
Interest accrued on bonds	82
Gains/losses on exchange	45
As at 31 December 2014 – before set-off	**18 366**
Set-off with the deferred tax asset	(18 366)
As at 31 December 2014 – after set-off	**0**

Deferred tax assets

As at 1 January 2013	**12 323**
Impairment of loan receivables – activated part	2 856
Interest accrued on the loan incurred	167
Costs not invoiced	25
Provision for leaves	19
Gains/losses on exchange	(153)
As at 31 December 2013 – before set-off	**15 237**
Set-off with the deferred tax provision	(15 237)
As at 31 December 2012 – after set-off	**0**
Impairment of loan receivables – activated part	2 552
Costs not invoiced	21
Provision for leaves	18
Interest accrued on the loans incurred	334
Interest accrued on bonds	119
Gains/losses on exchange	85
As at 31 December 2014 – before set-off	**18 366**
Set-off with the deferred tax provision	(18 366)
As at 31 December 2014 – after set-off	**0**

Unrecognized deferred tax assets

As at the balance sheet date the following deferred tax assets were not recognized	**12 months completed 31 December 2014**	**12 months completed 31 December 2013**
Unrecognized asset related to impairment of shares in subsidiaries	64 030	64 144
Unrecognized asset related to the allowance related to loans	26 766	28 347
Unrecognized asset related to tax losses	2 165	716
Unrecognized deferred tax asset	**92 961**	**93 207**
Tax losses for:	**11 395**	**3 915**
2014	8 963	1 110
2013	682	167
2012	167	819
2011	819	1 528
2010	764	291

Expiry of tax losses	**2015**	**2016**	**2017**	**2018**	**2019**
	764	819	167	682	8 963

(All the amounts are expressed in PLN 000s, unless stated otherwise)

Explanatory notes to the financial statements

15 Revenues from the sales of services

	12 months completed 31 December 2014	12 months completed 31 December 2013
Revenues from the sales of services:		
- domestic sales	621	999
	621	**999**

16 Administrative costs

	12 months completed 31 December 2014	12 months completed 31 December 2013
Advisory services and auditor's remuneration	540	753
Remuneration, including:	1 026	1 119
- cost of remuneration	1 026	1 119
VAT not deducted	178	218
Other costs, including:	451	557
- transport	44	66
- taxes	8	11
- office maintenance	321	473
	2 195	**2 647**

17 Other operating revenues

	12 months completed 31 December 2014	12 months completed 31 December 2013
Dissolution of provisions	1	61
	1	**61**

18 Other operating costs

	12 months completed 31 December 2014	12 months completed 31 December 2013
Depreciation of loans granted	0	1 400
Fines paid	0	45
Receivables written off	133	50
	133	**1 495**

19 Revenues from interest on loans

	12 months completed 31 December 2014	12 months completed 31 December 2013
Revenues from interest on loans granted		
- Interest from related entities (note 24)	18 047	21 144
	18 047	**21 144**

(All the amounts are expressed in PLN 000s, unless stated otherwise)

Explanatory notes to the financial statements

20 Financial costs and revenues

	12 months completed 31 December 2014	12 months completed 31 December 2013
Revenues from interest:	263	275
- Bank interest	0	1
- Interest on bonds	240	190
- Interest on deposits	23	84
Other financial revenues	417	1 282
Financial revenues related to measurement of the embedded derivative	9 094	0
Gains/losses on exchange net	0	140
Financial revenues	**9 774**	**1 697**
Costs of interest:		
- Interest from related entities (note 24)	306	292
- Interest on bonds	620	0
- Other	270	(8)
Gains/losses on exchange net	82	0
Financial costs	**1 278**	**284**

21 Effective tax rate

	12 months completed 31 December 2014	12 months completed 31 December 2013
Profit (loss) before tax	**115 656**	**(48 267)**
Tax rate	19%	19%
Income tax at 19%	**(21 975)**	**9 171**
Liabilities to Advisors to the Management Board written off	0	12
Conversion of liabilities to shares to Advisors to the Management Board	0	82
Investment impairment	114	(1 866)
Allowances for the value of receivables from loans	21 288	(5 641)
Unrecognized asset related to the tax loss	(1 449)	(180)
Receivables written off	(25)	(276)
Measurement – derivative	1 728	0
Conversion of liabilities to Advisors to the Management Board	0	(188)
Permanent differences on which no deferred tax was calculated	318	(1 114)
Total tax	**0**	**(0)**

22 Basic operating cash flows

	12 months completed 31 December 2014	12 months completed 31 December 2013
Profit (loss) before tax	115 656	(48 267)
Adjustments related to:		
– gains/losses on exchange	(8 965)	49
– depreciation of fixed assets	5	8
– costs of interest	929	292
– revenues on interest	(18 264)	(21 418)
– impairment of shares	0	9 826
– impairment of receivables - loans	(109 784)	44 722
– depreciation of the loan	5 456	1 400
– depreciation of interest	13 480	13 023
Changes in the working capital:		
– change in receivables	38	524
– changes in trade and other liabilities	217	(603)
	(1 231)	**(445)**

(All the amounts are expressed in PLN 000s, unless stated otherwise)

Explanatory notes to the financial statements

23 Liabilities and guaranties secured on company assets

In the reporting year 2014, companies of the Celtic Group, namely a subsidiary, Belise Investments Sp. z o.o. as the borrower and CPD S.A. as the guarantor, were parties to a loan agreement signed with Bank Zachodni WBK S.A. As at 31 Dec 2014 the value of the loan liability was PLN 70,609,000.

In accordance with terms of the agreement (subject to the annexes signed) the construction loan was to mature on one of the following dates: if the loan was to be converted from construction to investment loan, the loan would mature no later than 12 August 2019, otherwise the loan would mature on 31 December 2014.

Among others, loan conversion and change of the maturity to August 2019 was conditioned on reaching the debt service ratio specified in the loan agreement and achievement of the relevant rental rate. As at the balance sheet date and as at the date of preparation of these financial statements, the debt service ratio requirement was met, while the property rental rate was not achieved. In connection therewith, with the bank's consent, the loan may be converted at the current rental rate. Currently, works are underway to collect all the documents necessary to convert the loan and change the maturity to August 2019. As at the date of preparation of these financial statements, no relevant agreement has been signed, therefore the bank may theoretically terminate the agreement and demand that the entire debt be repaid. Based on negotiations with the bank, given the fact that the relevant debt service ratio was achieved and the current rental rate of the Belise building is close to the required rate (difference of 1.5%), the Management Board believes that the most likely solution is to achieve loan conversion, based on the current ratios. Based on the credit history of the CPD Group, existing cooperation with BZ WBK Bank and the actual potential of the Group to acquire loan refinancing given the current ratios achieved by Belise Investments sp z o.o., the Management Board believes that the risk of the Group not being able to fulfil its borrowing liabilities to BZ WBK Bank is very limited.

CPD SA is the guarantor of required and due payments under the said loan and is subject to enforcement in connection with the obligation to pay the following amounts to Bank Zachodni WBK and/or the borrower:

Suretyship no. 1 to the maximum amount of EUR 20,666,000 applies to amounts which are or may be required to cover all excess of budgeted costs of project implementation and borrower's shortages of funds that endanger punctual project financing and punctual project completion.

Suretyship no. 2 to the maximum amount of EUR 20,666,000 applies to amounts which are or may be required to cover debt service or any other payments due to be paid to the bank by the borrower.

Suretyship no. 3 to the maximum amount of EUR 20,666,000 applies to amounts which are or may be required to service the debt and ensure net operating revenue to the borrower corresponding to rental of 70% net rentable area in each case ensuring that the debt service ratio is at least 100%.

In addition, in January 2015 CPD SA issued bonds for the total amount of PLN 30m. In connection therewith, CPD SA submitted itself to enforcement in connection with the obligation to pay up to PLN 45m in cash.

The fair value of property mortgaged in connection with loan security is shown below:

	31 December 2014
IRIS	100 590
	100 590

24 Transactions with related entities

Celtic Property Developments S.A. does not have a direct top-tier parent entity or top-tier parent entity. Cooperatieve Laxey Worldwide W.A. is a major top-tier investor, with a major influence on the Company.

CPD S.A. also executes transactions with key management personnel, subsidiaries and other related entities (related through members of the Supervisory Board), controlled by key management personnel of the Company.

These financial statements contain the following balances arising out of transactions concluded with related entities:

(All the amounts are expressed in PLN 000s, unless stated otherwise)

Explanatory notes to the financial statements

	12 months completed 31 December 2014	12 months completed 31 December 2013
a) Transactions with key management personnel		
Cost of remuneration of Members of the Management Board	240	233
Cost of remuneration of the Supervisory Board	239	202
Receivables from Members of the Management Board	0	16
b) Transactions with subsidiaries		
Revenues – mainly from received interest		
Smart City (formerly 1/95 Gaston Investments)	84	107
2/124 Gaston Investments	82	76
3/93 Gaston Investments	77	70
4/113 Gaston Investments	218	240
5/92 Gaston Investments	95	82
6/150 Gaston Investments	68	56
7/120 Gaston Investments	48	44
8/126 Gaston Investments	140	116
9/151 Gaston Investments	31	28
10/165 Gaston Investments	40	35
11/162 Gaston Investments	34	30
12/132 Gaston Investments	98	88
13/155 Gaston Investments	99	79
14/119 Gaston Investments	0	21
15/167 Gaston Investments	51	41
16/88 Gaston Investments	13	14
18 Gaston Investments	80	65
19/97 Gaston Investments	16	15
20/140 Gaston Investments	18	18
Antigo Investments	192	224
Blaise Gaston Investments	141	117
Blaise Investments	1 037	1 190
Belise Investments	1 660	1 375
Buffy Holdings No1 Ltd	4 606	5 476
Celtic Asset Management	45	64
Celtic Investments Ltd	16	16
Challange 18	6 813	7 738
East Europe Property Financing AB	67	304
Elara Investments	130	154
Gaetan Investments	279	549
Gaston Investments	898	130
Hub Developments	94	91
Lakia Enterprises Ltd	1 085	1 055
Mandy investments	660	1 271
Robin Investments	70	169
Costs – related to interest and management services		
Lakia Investments	64	0
Lakia Enterprises Ltd	243	292
Smart City (formerly 1/95 Gaston Investments) – depreciation of loans	3 174	0
CAM - depreciation of loans	1 120	200
Robin Investments - depreciation of loans	1 163	900
Elara - depreciation of loans	0	300
Gaetan - depreciation of interest	2 331	400
Smart City (formerly 1/95 Gaston Investments) – depreciation of interest	100	0
Belise - depreciation of interest	275	0
Blaise - depreciation of interest	750	1 300
CAM - depreciation of interest	125	222
CH18 - depreciation of interest	7 870	8 000
Elara - depreciation of interest	380	425
Gaston - depreciation of interest	315	100
HUB - depreciation of interest	100	200

(All the amounts are expressed in PLN 000s, unless stated otherwise)

Explanatory notes to the financial statements

Mandy - depreciation of interest	695	1 800
Robin - depreciation of interest	240	575
Smart City (formerly 1/95 Gaston Investments) – depreciation of interest	300	0
Liabilities related to loans		
Lakia Enterprises Ltd	12 769	9 304
Receivables – mainly related to loans		
1/95 Gaston Investments	20	2 795
2/124 Gaston Investments	2 528	1 848
3/93 Gaston Investments	2 151	1 796
4/113 Gaston Investments	6 117	5 876
Write-off for loan 4/113 Gaston Investments	0	(5 877)
5/92 Gaston Investments	2 672	2 102
6/150 Gaston Investments	2 244	1 500
7/120 Gaston Investments	1 388	1 109
8/126 Gaston Investments	4 149	3 219
9/151 Gaston Investments	901	703
10/165 Gaston Investments	1 122	873
11/162 Gaston Investments	967	744
12/132 Gaston Investments	2 824	2 203
13/155 Gaston Investments	2 786	2 157
15/167 Gaston Investments	1 393	1 050
16/88 Gaston Investments	420	356
18 Gaston Investments	2 629	1 672
19/97 Gaston Investments	465	387
20/140 Gaston Investments	533	450
Antigo investments	5 180	4 760
Write-off for loan Antigo Investments	(263)	(4 760)
Blaise Gaston Investments	4 237	3 031
Blaise Investments	29 493	29 158
Belise Investments	39 435	35 475
Write-off for loan Belise Investments	(6 237)	(5 805)
Buffy Holdings No1 Ltd	166 809	162 152
Write-off for loan Buffy Holdings No1 Ltd	(59 213)	(157 105)
Celtic Asset Management	0	1 122
Write-off for loan Celtic Asset Management	0	(1 094)
Celtic Investments Ltd	1 768	1 700
Write-off for loan Celtic Investments Ltd	(1 632)	(1 573)
Challange 18	197 390	193 618
East Europe Property Financing AB	0	7 802
Write-off for loan EEPF	0	(7 802)
Elara Investments	3 252	3 374
Write-off for loan Elara Investments	(2 887)	(3 020)
Gaetan Investments	0	12 938
Write-off for loan Gaetan Investments	0	(12 913)
Gaston Investments	8 965	5 217
Write-off for loan Gaston Investments	(3 879)	(767)
Hub Developments	2 648	2 252
Write-off for loan HUB Developments	(110)	0
Lakia Enterprises Ltd	38 486	26 520
Write-off for loan Lakia Enterprises Ltd	(15 233)	(6 590)
Mandy investments	20 328	20 352
Write-off for loan Mandy Investments	(20 328)	(20 352)
Robin Investments	0	2 466

(All the amounts are expressed in PLN 000s, unless stated otherwise)

Explanatory notes to the financial statements

c) Transactions with other related entities		
Costs		
Oleś&Rodzynkiewicz sp. komandytowa Legal Counsels	130	58
d) Transactions with shareholders		
Laxey - loan	325	0
Write-off for loan Laxey	(325)	0

On 26 September 2014 bonds were issued and taken up by CPD shareholders. For details, see note 13.

25 Profit/(loss) per one share

Profit per one ordinary share is calculated by dividing profit (loss) of the financial year by the weighted average number of issued ordinary shares existing during a financial year.

No factors that would cause dilution of profit per share occurred in the period covered by these statements or in comparable periods.

Below are data on the profit (loss) and shares used to calculated the profit (loss) per share:

	12 months completed 31 December 2014	12 months completed 31 December 2013
Loss (profit) of the financial year	115 656	(48 267)
Average weighted number of ordinary shares (000s)	34 330	34 023
Loss (profit) per share (in PLN)	**3,37**	**(1,42)**
Diluted profit for shareholders	109 180	(48 267)
Average weighted number of ordinary shares (000s)	36 905	34 023
Diluted profit per one share:	2,96	(1,42)

Weighted average number of ordinary shares in 2013 was determined with the following changes to the number of shares taken into account:
a) repurchase of 1,732,394 own shares, based on transaction of 15 April 2013,
b) registration of a capital increase of 5 July 2013 from 34,307,488 to 34,396,264).

Weighted average number of ordinary shares in 2014 was determined with the following changes to the number of shares taken into account:
a) registration of a capital decrease of 25 November 2014 from 34,396,264 to 32,863,203).

26 Legal merger of economic entities

As mentioned in general information, in 2010 in connection with acquisition of Celtic Property Developments Plc, Poen S.A. (currently CPD SA) issued new shares for the existing shareholders of the acquired company and took over own shares, which were then redeemed.

For the purposes of settling this transaction in the CPD SA books (formerly: Poen S.A.) the assets taken over are not a project as defined by IFRS 3. In accordance with this standard, the transaction was treated as a purchase of a set of assets and liabilities in return for payment in the form of own shares. Consequently, the assets and liabilities taken over were measured at their fair value at the merger date and recognized in the books of the acquiring company in such amounts.

Following the acquisition of Celtic Property Developments Plc the following amounts were recognized in books of the acquiring entity (CPD S.A.):

(All the amounts are expressed in PLN 000s, unless stated otherwise)

Explanatory notes to the financial statements

Shares of subsidiaries	337 042
Loans granted	491 156
Other assets	5 552
Liabilities	(15 657)
Own shares taken up through merger	500
Net assets acquired	**818 593**
Own shares issued	(3 483)
Purchase of own shares following the merger	(500)
Surplus posted to the share premium	(17 967)
Surplus posted to the share premium	**796 643**

27 Operating segments

In accordance with requirements of IFRS 8, the Company constitutes and is recognized by the Management Board as one operating segment. In its activities to date, the Company has not achieved considerable sales revenues.

28 Employment in professional groups in the financial year

As at 31 December 2014, the Company employed 4 employees.

29 Loans and other benefits extended to members of the Management Board and supervisory bodies of

In 2014 the Company did not extend any loans or enter into any transactions with members of the Management Board and supervisory bodies.

30 Remuneration due or paid to the entity authorised to audit financial statements for the financial year

	31 December 2014	31 December 2013
Remuneration of the entity authorised to audit the financial statements of the Company, paid out or due for the financial year	200	236

31 Events after the balance sheet date

On 13 January 2015 the Company issued a total of 30,000 Series B secured bonds (hereinafter: the "Bonds"). The Bonds were issued in the manner defined in Article 9 (3) of the Act o Bonds, i.e. in the course of private offering.
Bonds were issued under the following conditions:
The issuer did not define the purpose of the issue within the meaning of the Act o Bonds, and did not define the project to be financed from the issue of Bonds.
The Bonds being issued are Series B bonds with the face value of PLN 1,000 each, secured, without a documentary form.
The total face value of all issued Bonds is no more than PLN 30,000,000.
The face value of one Bond is PLN 1,000. The issue price of one Bond is equal to its face value and is PLN 1,000.
The Bonds will be redeemed by the Company four years after the issue date of the Bonds, i.e. on 13 January 2019 (hereinafter: Maturity Date") – subject to an early redemption of Bonds in case the Issuer defaults the conditions under which the Bonds were issued or upon demand of the Issuer.

Bonds yield interest at fixed interest rate of 9.1% per annum.

(All the amounts are expressed in PLN 000s, unless stated otherwise)

Explanatory notes to the financial statements

On 30 January 2015 companies which belong to the capital group of the Issuer: (1) Buffy Holdings No. 1 Limited with its registered office in Nicosia, Republic of Cyprus (hereinafter: the "Buyer"), (2) Challange Eighteen limited liability company with its registered office in Warsaw (hereinafter: "Buyer's Subsidiary") signed with I.M.E.S. – INDUSTRIA MECCANICA E STAMPAGGIO S.P.A. with its registered office in Sumirago, Italy (hereinafter: the "Transferor") the share transfer agreement (hereinafter: the "Agreement") of 100% of shares in IMES POLAND limited liability company with its registered office in Warsaw (hereinafter: the "Acquired Company") to Buffy Holdings No. 1 Limited.
The Acquired Company holds the right of perpetual usufruct of property comprising plot no. 98, section 2-09-09, with the area of 69 457 sq.m. and located near ul. Gierdziejewskiego in Warsaw (district of Warsaw – Ursus). In accordance with provisions of the Local Land Use Plan, the land property is sufficient to build approx. 80,000 sq.m. of residential and service space. The purchase of this asset was a major element in the strategy of the CPS SA Capital Group since it strategically supplements the portfolio of building land with great residential and service potential in the Ursus district. Following this transaction, the area controlled by the Company is more than 57 ha, out of which 80% is residential and service land. The transaction made the Company the main investor in one of the most attractive investment areas in Warsaw.

Elżbieta Donata Wiczkowska
President of the Management Board

Colin Kingsnorth
Member of the Management Board

Iwona Makarewicz
Member of the Management Board