
CPD S.A.

# ANNUAL REPORT 2015

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# FOR THE YEAR ENDED 31 DECEMBER 2015

**TRANSLATORS' EXPLANATORY NOTE**

The following document is a free translation of the Annual Report of CPD S.A. published on Marchl 17, 2016.

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, 2015, the Supervisory Board of CPD S.A. included the following persons:

- **MR WIESŁAW OLEŚ - (SUPERVISORY BOARD MEMBER NOT MEETING THE REQUIREMENTS OF INDEPENDENT MEMBER OF THE SUPERVISORY BOARD)**

Mr Wiesław Oleś was appointed to the Supervisory Board of the third term on 15 September 2015. The term of office of Mr. Wiesław Oleś expires on 15 September 2018. Mr. Wiesław Oleś has a higher education degree in law, he graduated from the Faculty of Law and Administration of the Jagiellonian University in Kraków (major: Law). Mr Wiesław Oleś is licensed legal advisor.

- **MR ANDREW PEGGE – (SUPERVISORY BOARD MEMBER NOT MEETING THE REQUIREMENTS OF INDEPENDENT MEMBER OF THE SUPERVISORY BOARD)**

Mr Andrew Pegge was appointed to the Supervisory Board of third term on 15 September 2015. The term of office of Mr Andrew Pegge expires on 15 September 2018. Mr Andrew Pegge has a higher education degree. He graduated from Sussex University (United Kingdom) and has completed postgraduate studies in marketing in the Chartered Institute of Marketing (United Kingdom) as well as the MBA (Finance) in City University Business School (United Kingdom). Mr Andrew Pegge holds also qualifications of Chartered Financial Analyst (CFA) of the Association for Investment Management Research (USA).

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

Mr Mirosław Gronicki was appointed to the Supervisory Board of the third term on 15 September 2015. The term of office of Mr Mirosław Gronicki expires on 15 September 2018. Mr. Mirosław Gronicki has a higher education degree in economics, he graduated from the Faculty of Economics of Maritime Transport at the University of Gdansk in Gdansk (major: the economics of maritime transport). Mr Mirosław Gronicki has also acquired the PhD in economics at the Faculty of Economics of the Production at the University of Gdansk.

- **MS GABRIELA GRYGER - (SUPERVISORY BOARD MEMBER MEETING THE REQUIREMENTS OF INDEPENDENT MEMBER OF THE SUPERVISORY BOARD)**

Ms Gabriela Gryger was appointed to the Supervisory Board of the third term on 24 November 2015. The term of office of Ms Gabriela Gryger expires on 15 September 2018. Ms. Gabriela Gryger has education background in finance and economics having graduated from the following universities: - Cambridge University (St. John’s College), UK - Huntsman Program in International Studies and Business (The Wharton School/CAS), the University of Pennsylvania, Philadelphia, USA. Mrs. Gryger has nearly 20 years of experience in real estate investing and consulting, both in Poland and in Europe.

- **MR MICHAEL HAXBY - (SUPERVISORY BOARD MEMBER NOT MEETING THE REQUIREMENTS OF INDEPENDENT MEMBER OF THE SUPERVISORY BOARD)**

Mr Michael Haxby was appointed to the Supervisory Board of the third term on 15 September 2015. The term of office of Mr Michael Haxby expires on 15 September 2018. Mr. Michael Haxby has a degree in economics (BSc) in accounting and financial management. Mr. Michael Haxby began his cooperation with Laxey Partners in February 2001, where since December 2002 he has been the Managing Director. Before Laxey Partners has worked in Kingpin and Buchanan Partners.

In comparison to the status at the end of 2014, the composition of Supervisory Board of CPD S.A. has changed in following manner:

- June 17, 2015, Ms. Marzena Bielecka, acting as Chairman of the Supervisory Board, resigned from her position on the date of the General Meeting CPD SA, whose agenda will contains the change of the Supervisory Board, ie 17 June 2015. The resignation was for professional reasons.
- 17 June 2015 the Annual General Meeting appointed Mr. Michael Haxby as Member of the Supervisory Board since 17 June 2015 year.
- 29 October 2015 Mr. Wieslaw Rozłucki, Member of the Supervisory Board of CPD SA. resigned, effective at the end of 31 October 2015. Mr. Wieslaw Rozłucki as a reason for resignation presented the entry into force on 1 November 2015 the amended Act - Banking Law, and in particular Article 22aa paragraph. 3.
- 24 November 2015 Extraordinary General Meeting appointed Ms. Gabriela Gryger as Member of the Supervisory Board since 24 November 2015.

## II. MANAGEMENT BOARD OF CPD S.A.

As at the day of December 31, 2015, 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 third term on 17 June 2015. On 25 September 2013, the Company's Supervisory Board entrusted Ms Elżbieta Wiczkowska with the function of the President of the Company's Management Board. The term of office of Ms Elżbieta Wiczkowska expires on 17 June 2020. Ms Elżbieta Wiczkowska has a higher education degree in medicine. She completed medical studies at Physicians Faculty of the Medical Academy in Szczecin. Ms Elżbieta Wiczkowska has an MBA diploma from the University of Illinois at Urbana-Champaign (USA). She has also completed Executive Advanced Management Program at IESE Barcelona Universidad de Navarra in Spain. Ms Elżbieta Wiczkowska holds qualifications of the ACCA (The Association of Chartered Certified Accountants).

### MR COLIN KINGSNORTH – MEMBER OF THE MANAGEMENT BOARD

Mr Colin Kingsnorth was appointed to the Management Board on 17 June 2015. The term of office of Mr Colin Kingsnorth expires on 17 June 2020. Mr Colin Kingsnorth has a higher education degree in economics (BSc), he graduated from the University of East London UEL (Great Britain). Mr Colin Kingsnorth is a member of the UK Society of Investment Professionals.

### MS IWONA MAKAREWICZ – MEMBER OF THE MANAGEMENT BOARD

Ms Iwona Makarewicz was appointed as a Member of the Management Board of third term on 17 June 2015. The term of office of Ms Iwona Makarewicz expires on 17 June 2020. Ms Iwona Makarewicz has a higher education degree being a graduate of the Warsaw School of Economics (Poland); she completed a post-graduate programme in Property Appraisal and Management w Sheffield Hallam University (Great Britain) and a post-graduate programme in property appraisal at the Warsaw University of Technology (Poland); she is a member of the Royal Institute of Chartered Surveyors and she holds the title of a licensed real estate agent.

### MR JOHN PURCELL - MEMBER OF THE MANAGEMENT BOARD

Mr John Purcell was appointed to the Management Board on 17 June 2015. The term of office of Mr John Purcell expires on 17 June 2020. Mr. John Purcell has 30 year's experience in real estate advice, investment and development in the UK and throughout Europe. He trained at Savills and also worked at Cushman & Wakefield, before joining CLS Holdings plc where he was Group Head of Property and was responsible for acquisitions, sales and asset management of the £1 billion portfolio. Following that he worked at Lend Lease REI and then joined UBS Global Asset Management to help create their European property platform. While there he also set up and ran UBS's Flagship Open Ended European Fund from 2003 – 2007. He arranged a pan-European finance facility for the Fund. He was instrumental in forming the UBS Global Asset Management Real Estate capability in Europe and was a member of the UBS Global Asset Management Real Estate Investment Committee. He has transacted in excess of €1.5bn of property during his career.

In comparison to the status at the end of 2014, the composition of the Management Board of CPD S.A. changed as follows:

- On 17 June 2015, Mr John Purcell was appointed to the Management Board;

## 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*, 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 2014 | 1 | 4 |
| 31 December 2015 | 1 | 4 |

***Board CPD S.A.***

| date | women | men |
|---|---|---|
| 31 December 2014 | 2 | 1 |
| 31 December 2015 | 2 | 2 |

# 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. 17$^{th}$ of September the Company has changed the name for CPD S.A.

Today, CPD S.A. is the holding company controlling a group of 36 subsidiaries and one half controlled, 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

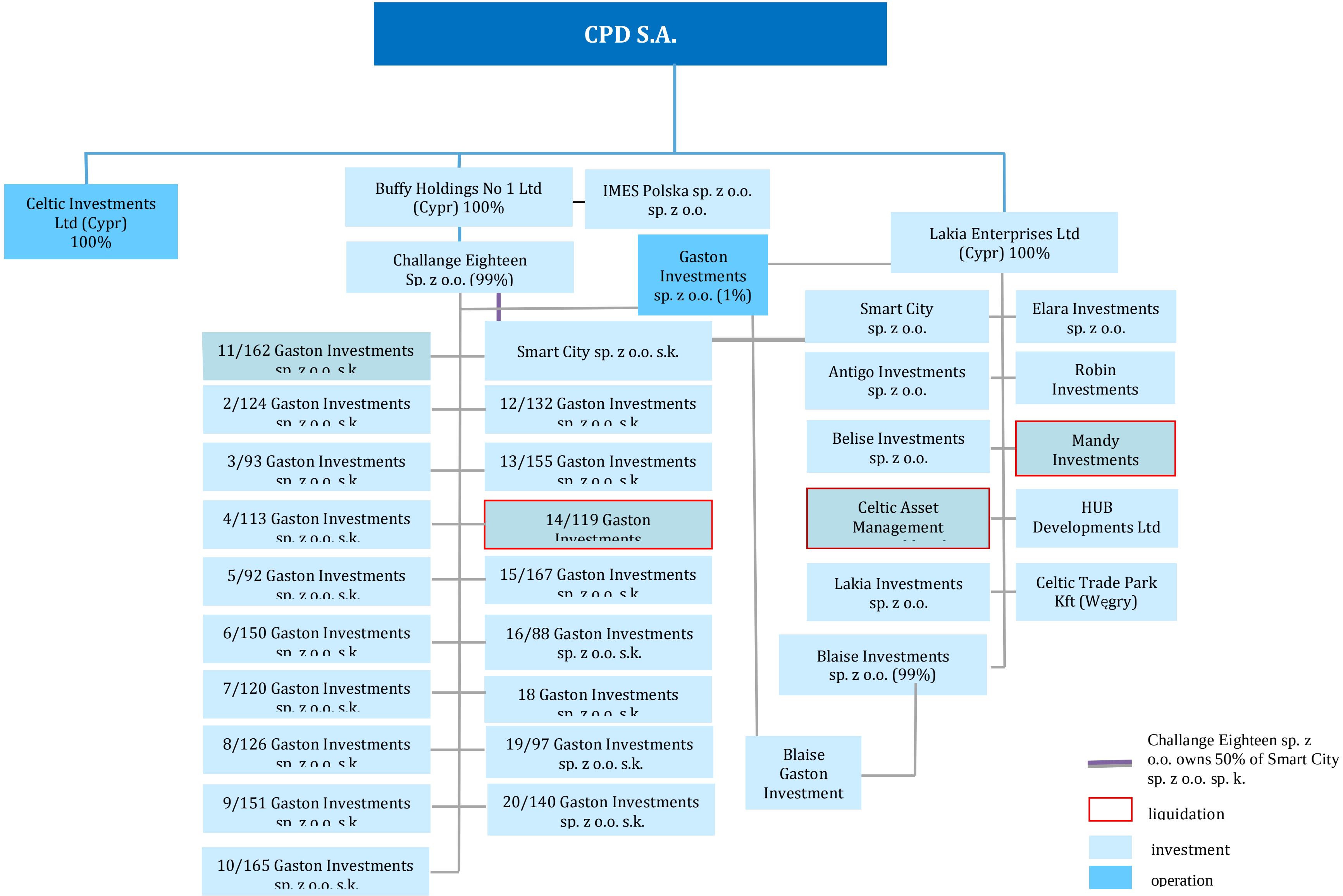
As of the report publication date, CPD S.A. (hereinafter referred to as 'the Company') directly or indirectly held shares and shareholdings in 36 subsidiaries and one half controlled. CPD S.A. directly controls 3 entities which are responsible for various areas of the Group's operations (hereinafter 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 Group companies are fully consolidated, except for the company Smart City limited liability company, limited partnership. Due to the fact that the investment agreement concerns a part of real estate held by Smart City Sp. o.o. Sp.k., and the remaining part of the plot to remains under the complete control of the Group - until the disposal of the Group's management decided to extract all assets, liabilities and equity of the entity which is a joint venture and recognition as a separate entity, in accordance with IFRS 10.

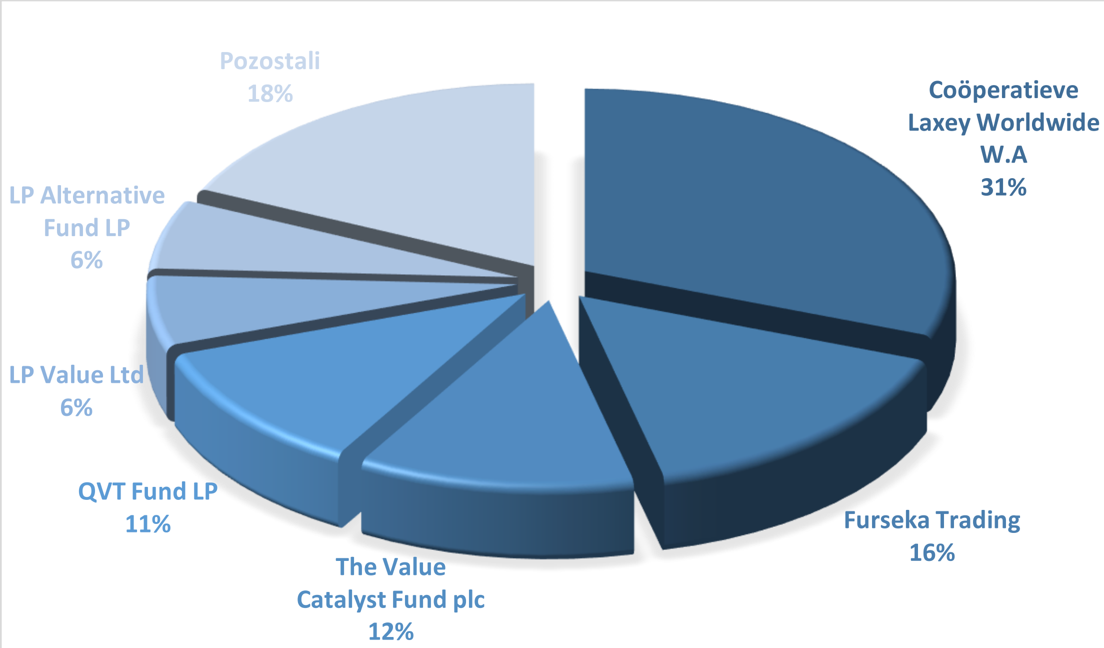
The chart below presents the structure of the CPD Group as of December 31, 2015.



# 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.

### 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.

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

## 4. CORPORATE GOVERNANCE

### • RULES OF CORPORATE GOVERNANCE

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

In 2015 the Company applied principles of corporate governance included in the document *Good Practices of the Companies Listed on the Warsaw Stock Exchange*, available on https://www.gpw.pl/pub/files/PDF/RG/DPSN2016_EN.pdf.

### • INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS

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

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

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

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

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

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

- **SHAREHOLDERS OWNING QUALIFYING SHARES AMOUNT**

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 |
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| **Pozostali** | 5 956 727 | Na okaziciela | 5 956 727 | 18.13 % | 18.13 % |

- **HOLDERS OF SECURITIES GIVING SPECIAL CONTROL RIGHTS**

The Company has not issued any securities that give special control rights to the shareholders.

- **RESTRICTIONS ON THE EXERCISE OF VOTING RIGHTS**

The Company has not issued any securities, limiting with regard to the exercise of voting rights, such as limiting the voting rights of holders given percentage or number of votes, deadlines for exercising voting rights or provisions according to which, the company's cooperation, the financial rights attaching to the securities they are separated from the ownership of securities.

- **RESTRICTIONS ON THE TRANSFER OF OWNERSHIP OF SECURITIES OF THE ISSUER**

The limitation applies to the sale of any Bonds Series A (including load a registered pledge and financial entitling to acquisition). The sale requires written consent of the Issuer and is effective against the Issuer from the date of notification of this fact. Registered Bonds are not convertible into bearer bonds.

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

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

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

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

Members of the Management Board are appointed and dismissed by the Supervisory Board. The current term of office of the Management Board runs from 17 June 2015 (i.e. from the date of the General Meeting for 2014 and the appointment of the Management Board of the third term) and ends on 17 June 2020. The term of office of the current Management Board is common and lasts 5 years (§ 13(1) of the Company's Articles). Dismissal or suspension of a member of the Management Board may take place only for significant reasons. Article 368(4) of the Code of Commercial Companies also provides to for the General Meeting's right to dismiss or suspend a member of the Management Board.

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

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

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

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

- **AMENDMENTS TO THE COMPANY ARTICLES**

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

- **GENERAL MEETING**

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

- **COMPOSITION AND CHANGES TOOK PLACE DURING LAST FINANCIAL YEAR AND DESCRIPTION OF MANAGING, SUPERVISORY OR ADMINISTRATIVE AUTHORITY OF ISSUER AND ITS COMMITTEES**

### SUPERVISORY BOARD

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

The composition of Supervisory Board of CPD S.A. is:

- Mr Wiesław Oleś
- Mr Andrew Pegge
- Mr Mirosław Gronicki
- Ms Gabriela Gryger
- Mr Michael Haxby

The composition of Supervisory Board of CPD S.A. has changed in following manner:

- June 17, 2015, Ms. Marzena Bielecka, acting as Chairman of the Supervisory Board, resigned from her position on the date of the General Meeting CPD SA, whose agenda will contains the change of the Supervisory Board, ie 17 June 2015. The resignation was for professional reasons.
- 17 June 2015 the Annual General Meeting appointed Mr. Michael Haxby as Member of the Supervisory Board since 17 June 2015 year.
- 29 October 2015 Mr. Wieslaw Rozłucki, Member of the Supervisory Board of CPD SA. resigned, effective at the end of 31 October 2015. Mr. Wieslaw Rozłucki as a reason for resignation presented the entry into force on 1 November 2015 the amended Act - Banking Law, and in particular Article 22aa paragraph. 3.
- 24 November 2015 Extraordinary General Meeting appointed Ms. Gabriela Gryger as Member of the Supervisory Board since 24 November 2015.

Management board

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

The composition of Management Board of CPD S.A. is:

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

The composition of the Management Board of CPD S.A. changed as follows:

- On 17 June 2015, Mr John Purcell was appointed to the Management Board

- **DEROGATIONS FROM CORPORATE GOVERNANCE RULES**

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

### DISCLOSURE POLICY, INVESTOR COMMUNICATIONS

- **PRINCIPLE I.Z.1.3. A CHART SHOWING THE DIVISION OF DUTIES AND RESPONSIBILITIES AMONG MEMBERS OF THE MANAGEMENT BOARD DRAWN UP ACCORDING TO PRINCIPLE II.Z.1;**

  *The Company does not apply the principle.*

  On the Company's website the scheme for the division of tasks and responsibilities between the Board members is not attached. Due to the lack of developed organizational structure in the Company the scheme of division of tasks and responsibilities between members of the Board is not developed either.

- **PRINCIPLE I.Z.1.11. INFORMATION ABOUT THE CONTENT OF THE COMPANY'S INTERNAL RULE OF CHANGING THE COMPANY AUTHORISED TO AUDIT FINANCIAL STATEMENTS OR INFORMATION ABOUT THE ABSENCE OF SUCH RULE;**

  *The Company does not apply the principle.*

  The Company has not posted information about the content of the company's internal rule of changing the company authorized to audit financial statements on it's website, as there is no such internal rules. The company applies to the content of art. 89 of the Act of 7 May 2009 on auditors and their self-government, entities authorized to audit financial statements and public oversight:

  "1. Key statutory auditor can not perform auditing activities in the same unit of public interest for a period longer than 5 years.

  2. Key auditor can again perform the financial audit in the entity referred to in paragraph. 1, after at least two years."

- **PRINCIPLE I.Z.1.15. INFORMATION ABOUT THE COMPANY'S DIVERSITY POLICY APPLICABLE TO THE COMPANY'S GOVERNING BODIES AND KEY MANAGERS; THE DESCRIPTION SHOULD COVER THE FOLLOWING ELEMENTS OF THE DIVERSITY POLICY: GENDER, EDUCATION, AGE, PROFESSIONAL EXPERIENCE, AND SPECIFY THE GOALS OF THE DIVERSITY POLICY AND ITS IMPLEMENTATION IN THE REPORTING PERIOD; WHERE THE COMPANY HAS NOT DRAFTED AND IMPLEMENTED A DIVERSITY POLICY, IT SHOULD PUBLISH THE EXPLANATION OF ITS DECISION ON ITS WEBSITE;**

  *The Company does not apply the principle.*

  The Company does not have a diversity policy in relation to the authorities of the Company and its key managers. In deciding whether the employment of board members or managers, the Company is guided by the criteria: professional experience, competence, education.

- **PRINCIPLE I.Z.1.16. INFORMATION ABOUT THE PLANNED TRANSMISSION OF A GENERAL MEETING, NOT LATER THAN 7 DAYS BEFORE THE DATE OF THE GENERAL MEETING;**

*The Company does not apply the principle.*

The costs of implementation of internet transmission, recording sessions, and publishing these transmissions, the need of broad for legal analysis relating to, among others, publication of shareholders images and their expression and organizational burden associated with these activities do not allow for implementation of these procedures in the Company. Currently there is also the relevant regulations in the Articles of Association and Regulations of the General Meeting.

- **PRINCIPLE I.Z.1.20. AN AUDIO OR VIDEO RECORDING OF A GENERAL MEETING;**

  *The Company does not apply the principle.*

  The company did not register the proceedings of the General Meetings in the form of audio or video so far. The Company believes that a form of documentation of the General Meetings allows the preservation of transparency and protection of shareholder rights. Information on resolutions adopted by the General Meetings, the Company shall publish in the form of current reports and on its website www.cpdsa.pl.

### MANAGEMENT BOARD, SUPERVISORY BOARD

- **PRINCIPLE II.Z.1. THE INTERNAL DIVISION OF RESPONSIBILITIES FOR INDIVIDUAL AREAS OF THE COMPANY'S ACTIVITY AMONG MANAGEMENT BOARD MEMBERS SHOULD BE CLEAR AND TRANSPARENT, AND A CHART DESCRIBING THAT DIVISION SHOULD BE AVAILABLE ON THE COMPANY'S WEBSITE.**

  *The Company does not apply the principle.*

  In accordance with the provisions of the Commercial Companies Code (KSH), the members of the Board are obliged to jointly manage the Company's affairs. Due to the absence of the Company's organizational structure and extensive activity in one specific area of the property precisely there were no formalized division of responsibilities between the Board members.

- **PRINCIPLE II.Z.2. A COMPANY'S MANAGEMENT BOARD MEMBERS MAY SIT ON THE MANAGEMENT BOARD OR SUPERVISORY BOARD OF COMPANIES OTHER THAN MEMBERS OF ITS GROUP SUBJECT TO THE APPROVAL OF THE SUPERVISORY BOARD.**

  *The Company does not apply the principle.*

  Corporate Documentation of Company does not provide records relating to the commented rules and agreements with the members of the Board do not impose restrictions of this type. The Company on the other hand applies the applicable law (art. 380 of the Code of Commercial Companies), according to which the board member may not, without the consent of the Company's competitive business or participate in a competitive company; (I) in accordance with the provisions of the Rules of the Supervisory Board member shall not carry out activities competitive to the Company without the consent of the Supervisory Board, (ii) in accordance with the regulations of the Management Board, member of the Board may not engage in competitive business or participate in a competitive company as a partner or a member of its authorities, without the consent of the Supervisory Board.

### GENERAL MEETING, SHAREHOLDER RELATIONS

- **PRINCIPLE IV.Z.2. IF JUSTIFIED BY THE STRUCTURE OF SHAREHOLDERS, COMPANIES SHOULD ENSURE PUBLICLY AVAILABLE REAL-TIME BROADCASTS OF GENERAL MEETINGS.**

  *The Company does not apply the principle.*

  Costs of implementation of internet transmission, recording sessions, and publishing these transmissions, the need of broad for legal analysis relating to, among others, publication of shareholders images and their expression and organizational burden associated with these activities do not allow for implementation of these procedures in the Company. Currently there is also the relevant regulations in the Articles of Association and Regulations of the General Meeting.

**CONFLICT OF INTEREST, RELATED PARTY TRANSACTIONS**

- **PRINCIPLE V.Z.5. BEFORE THE COMPANY CONCLUDES A SIGNIFICANT AGREEMENT WITH A SHAREHOLDER WHO HOLDS AT LEAST 5% OF THE TOTAL VOTE IN THE COMPANY OR WITH A RELATED PARTY, THE MANAGEMENT BOARD SHOULD REQUEST THE SUPERVISORY BOARD'S APPROVAL OF THE TRANSACTION. BEFORE GIVING ITS APPROVAL, THE SUPERVISORY BOARD SHOULD EVALUATE THE IMPACT OF THE TRANSACTION ON THE INTEREST OF THE COMPANY. THE FOREGOING DOES NOT APPLY TO TYPICAL TRANSACTIONS AND TRANSACTIONS AT ARM'S-LENGTH MADE AS PART OF THE COMPANY'S OPERATIONS BETWEEN THE COMPANY AND MEMBERS OF ITS GROUP. IF THE DECISION CONCERNING THE COMPANY'S SIGNIFICANT AGREEMENT WITH A RELATED PARTY IS MADE BY THE GENERAL MEETING, THE COMPANY SHOULD GIVE ALL SHAREHOLDERS ACCESS TO INFORMATION NECESSARY TO ASSESS THE IMPACT OF THE TRANSACTION ON THE INTEREST OF THE COMPANY BEFORE THE DECISION IS MADE.**

  *The Company does not apply the principle.*

  Company's Corporate Documentation (§ 13 paragraph. 2 point 14) contains provisions concerning the need of Supervisory Board a consent for conclusion of agreement by the Company with related parties of the Company within the Regulation of the Minister of Finance on current and periodic information published by issuers of securities and conditions for recognizing as equivalent information required by laws of a non-member state (Journal of laws of 2014, item. 133); consent is not required for typical transactions concluded on market terms within the operating business by the Company with a subsidiary in which the Company holds a majority stake. However, the above definition does not, qualify for the category of "related parties" shareholder holding 5% to 20% percent of the total number of votes in the Company.

- **PRINCIPLE V.Z.6. IN ITS INTERNAL REGULATIONS, THE COMPANY SHOULD DEFINE THE CRITERIA AND CIRCUMSTANCES UNDER WHICH A CONFLICT OF INTEREST MAY ARISE IN THE COMPANY, AS WELL AS THE RULES OF CONDUCT WHERE A CONFLICT OF INTEREST HAS ARISEN OR MAY ARISE. THE COMPANY'S INTERNAL REGULATIONS SHOULD AMONG OTHERS PROVIDE FOR WAYS TO PREVENT, IDENTIFY AND RESOLVE CONFLICTS OF INTEREST, AS WELL AS RULES OF EXCLUDING MEMBERS OF THE MANAGEMENT BOARD OR THE SUPERVISORY BOARD FROM PARTICIPATION IN REVIEWING MATTERS SUBJECT TO A CONFLICT OF INTEREST WHICH HAS ARISEN OR MAY ARISE.**

*The Company does not apply the principle.*

The Company has not adopted internal regulations relating to the determination of situations that can result in the company to a conflict of interest, and did not define the rules of conduct in the face of conflict of interest or the possibility of its occurrence. The Company will consider the possibility of implementing appropriate regulations taking into account, inter alia, how to prevent, identify and resolve conflicts of interest, as well as rules-off member of the Management Board or the Supervisory Board from participating in the consideration of matters covered by or at risk of conflict of interest.

### REMUNERATION

- **PRINCIPLE VI.Z.1. INCENTIVE SCHEMES SHOULD BE CONSTRUCTED IN A WAY NECESSARY AMONG OTHERS TO TIE THE LEVEL OF REMUNERATION OF MEMBERS OF THE COMPANY'S MANAGEMENT BOARD AND KEY MANAGERS TO THE ACTUAL LONG-TERM FINANCIAL STANDING OF THE COMPANY AND LONGTERM SHAREHOLDER VALUE CREATION AS WELL AS THE COMPANY'S STABILITY.**

  *The Company does not apply the principle.*

  The Company has no current incentive programs based on options or financial instruments (or to members of the Board or for key managers). Existing internal bonus programs for employees of the capital of the Company (including the members of the Board) are associated with the net proceeds from the sale of the investments in question do not apply while the long-term financial situation of the Company and long-term growth in shareholder value and stability of the Company.

- **PRINCIPLE VI.Z.2. TO TIE THE REMUNERATION OF MEMBERS OF THE MANAGEMENT BOARD AND KEY MANAGERS TO THE COMPANY'S LONG-TERM BUSINESS AND FINANCIAL GOALS, THE PERIOD BETWEEN THE ALLOCATION OF OPTIONS OR OTHER INSTRUMENTS LINKED TO THE COMPANY'S SHARES UNDER THE INCENTIVE SCHEME AND THEIR EXERCISABILITY SHOULD BE NO LESS THAN TWO YEARS.**

  *The Company does not apply the principle.*

  Due to the conditions of application of the rule (indicated in explaining the principle of VI.Z.1) it is not possible to comply with the rules VI.Z.2.

- **PRINCIPLE VI.Z.4. IN THIS ACTIVITY REPORT, THE COMPANY SHOULD REPORT ON THE REMUNERATION POLICY INCLUDING AT LEAST THE FOLLOWING:**

  1) **GENERAL INFORMATION ABOUT THE COMPANY'S REMUNERATION SYSTEM;**

  2) **INFORMATION ABOUT THE CONDITIONS AND AMOUNTS OF REMUNERATION OF EACH MANAGEMENT BOARD MEMBER BROKEN DOWN BY FIXED AND VARIABLE REMUNERATION COMPONENTS, INCLUDING THE KEY PARAMETERS OF SETTING THE VARIABLE REMUNERATION COMPONENTS AND THE TERMS OF PAYMENT OF SEVERANCE ALLOWANCES AND OTHER AMOUNTS DUE ON TERMINATION OF EMPLOYMENT, CONTRACT OR OTHER SIMILAR LEGAL RELATIONSHIP, SEPARATELY FOR THE COMPANY AND EACH MEMBER OF ITS GROUP;**

3) INFORMATION ABOUT NON-FINANCIAL REMUNERATION COMPONENTS DUE TO EACH MANAGEMENT BOARD MEMBER AND KEY MANAGER;

4) SIGNIFICANT AMENDMENTS OF THE REMUNERATION POLICY IN THE LAST FINANCIAL YEAR OR INFORMATION ABOUT THEIR ABSENCE;

5) ASSESSMENT OF THE IMPLEMENTATION OF THE REMUNERATION POLICY IN TERMS OF ACHIEVEMENT OF ITS GOALS, IN PARTICULAR LONG-TERM SHAREHOLDER VALUE CREATION AND THE COMPANY'S STABILITY.

*The Company does not apply the principle.*

This principle can not be applied due to the fact that the Company does not have the policy of remuneration (salary system). Legal forms of contracts and remuneration for the members of the Board shall be determined within individual students negotiations between members of the Management Board and the Supervisory Board. Due to the large group of the capital of the Company is not possible to develop such extensive data in such a short time, however, the Management Board will consider the possibility to adapt in the future reports of the Company's operations in a manner consistent with this principle. The Company publishes a report on the activities of the remuneration of the members of the Management Board and the Supervisory Board.

## 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 2015, the largest item of revenue in the amount of PLN 15.3 million represented interest income from loans granted to other entities of the Group. Data on loans granted to related entities are presented in Note 4. Long-term receivables to the Company's Financial Statements. The company also reached sales of services in the amount of PLN 0.45 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**

A As at 31 December 2015 Company assessed the recoverability of loans granted to subsidiaries and based on analysis undertaken decided to dissolve part of the impairment loss in the amount of 45.6 million PLN. The decision to terminate the write-down was a consequence of the positive changes in net assets of subsidiaries, the CPD provides loans and was mainly related to the increase in the fair value of investment property held by the company. This was the result of an excellent situation on the Warsaw residential market in 2015, which contributed significantly to the increase in net assets of subsidiaries, and the existence of possible prerequisite for this to reverse part of the earlier write-downs. Information on loans granted to related entities is presented in Note 4.

These write-downs are presented in Notes 3.3, 4 and 5 to the Financial Statements of the Company.

➢ **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.

➢ **BUILDING PERMIT DECISION**

28 of September 2015 the President of Warsaw issued a decision approving construction project and granting the construction permit. The decision concerns the construction of residential multi-family housing with services on the ground floor, underground parking, landscaping located named "URSA" in the part of the plot no. 95, precinct 2-09-09 at Hennela Street in Warsaw - Ursus district.

➢ **GENERAL CONSTRUCTOR AGREEMENT**

8 October 2015 the agreement was made by Smart City spółka z ograniczoną odpowiedzialnością spółka komandytowa with UNIBEP S.A. for the performance of construction works as a general contractor. Under the terms of the Agreement, Smart City commissioned to UNIBED S.A. the performance as a general contractor of the works for the construction of the residential project with the name of URSA – Smart City comprising the construction of four modern buildings designed specifically as regards their functionality, along with the underground garage, development of the area as well as the necessary accompanying works. Investment project shall be located on part of the plot of land with the survey number 95 from the zone 2-09-09 at Hennela street in Warsaw – District of Ursus.

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

### INCREASE VALUE OF REAL ESTATE AT THE END OF THE YEAR 2015

According to the valuation made by the company Savills sp. o.o. at the end of 2015 the total fair value of real estate held by the Group, including its investment properties and inventories amounted to PLN 656.4 million and was higher by PLN 68.5 million from the value reported at the end of 2014. The increase of value of real estate was recognized as a result of valuation of investment properties, which at the end of 2015 was positive and amounted to PLN 59.4 million. To increase of value of the property portfolio of the Group was mainly due to an increase of the value of the investment project in Ursus. It should be noted that the decrease in the real estate portfolio of parcel traffic as a result of gratuitous transfer of public land for m st. Warszawa, has not affected the value of the property portfolio and the opposite. Transfer of roads was one of the elements that made decision easier for councilors of Warszawa on the adoption of the local development plan in the area of the former factories ZPC Ursus, and thus increase value of investing the entire area of the Ursus district.

Another factor, which positively affected the value of the property portfolio of the Group was the increase in value of the building Iris, due to increased rental income due to the progressive commercialization of space.

### 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 94% leased.

### CHANGES IN THE COMPOSITION OF THE COMPANY'S MANAGEMENT BOARD

In 2015, the composition of the Company's Management Board changed as described in detail in section II of this report. As a result of the changes, the following persons constituted the Management Board as of the day of publication hereof:

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

### ➢ Changes in the composition of the Company's Supervisory Board

In 2015, the composition of the Company's Supervisory Board changed as described in detail in section I of this report. As a result of the changes, the following persons constituted the Supervisory Board as of the day of publication hereof:

- Mr Wiesław Oleś
- Mr Andrew Pegge
- Mr Mirosław Gronicki
- Ms Gabriela Gryger

- Mr Michael Haxby

## 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, 2015 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

**Selected items of the statement of comprehensive income**

| | 12 months ended | | Change |
|---|---|---|---|
| | 31.12.2015 | 31.12.2014 | 2015/2014 |
| | (PLN ths.) | (PLN ths.) | (%) |
| Revenue | 447 | 621 | -28,0% |
| Administrative expenses | -2 169 | -2 195 | -1,2% |
| Marketing costs | -143 | -155 | -7,7% |
| Gain (loss) on sale of subsidiaries | 0 | 9 | -100,0% |
| Impairment of investments in subsidiaries | 32 088 | 90 966 | -64,7% |
| Interest income on loans | 15 294 | 18 047 | -15,3% |
| Other operating income | 0 | 1 | -100,0% |
| Other operating expenses | -30 | -133 | -77,4% |
| **Profit/(loss) from operations** | **45 487** | **107 161** | **-57,6%** |
| Finance income | 8 499 | 9 773 | -13,0% |
| Finance costs | -5 800 | -1 278 | 353,8% |
| **Profit/(loss) before tax** | **48 186** | **115 656** | **-58,3%** |
| Income tax | - | - | - |
| **PROFIT/(LOSS) FOR THE YEAR** | **48 186** | **115 656** | **-58,3%** |
| Earnings per share (PLN) | 1,47 | 3,37 | -56,5% |
| Diluted earnings per share (PLN) | 1,04 | 2,96 | -64,9% |

In 2015, the Company CPD SA consistently implemented over the last few years, the strategy in relation to companies kontrulujących the whole project Ursus generated a net profit of 48.2 million PLN. This is already the second consecutive year in which the Company recorded a high net profit.

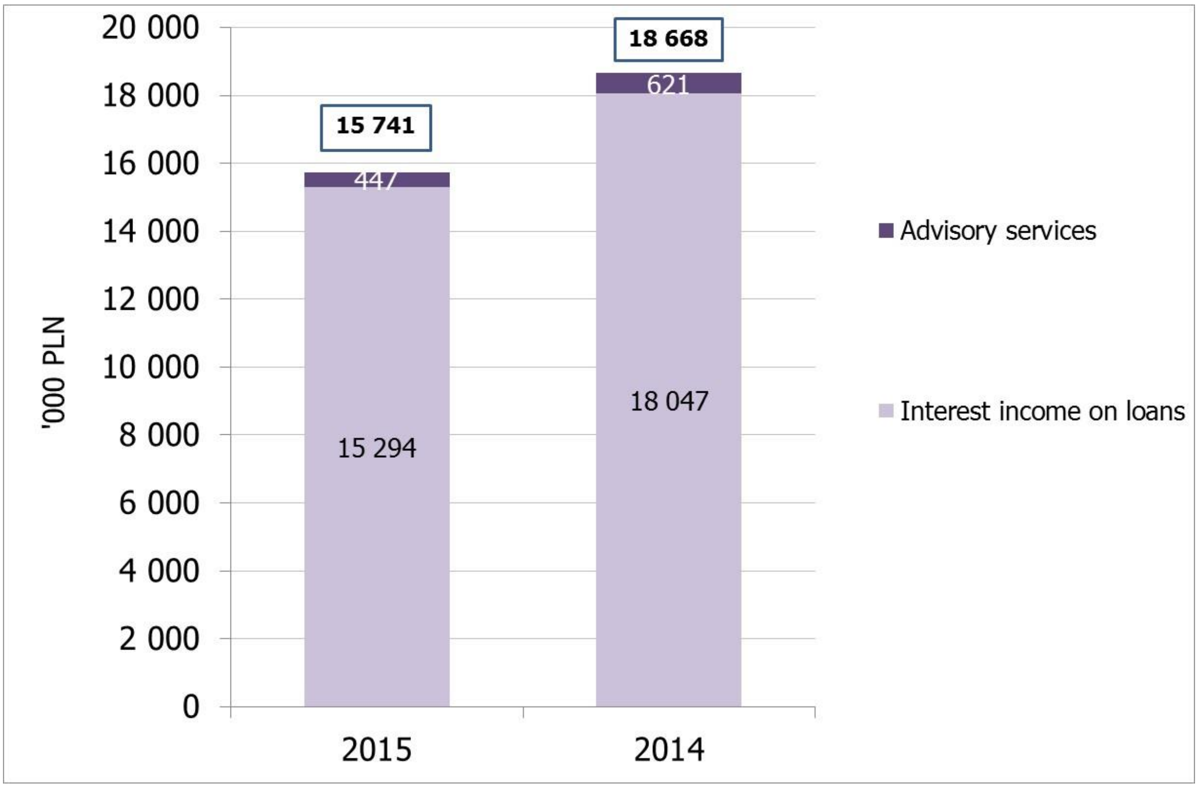
The factor that had the biggest impact on the final amount of net profit in 2015 was positive change of allowance for impairment of investments in subsidiaries in the amount of 32.1 million PLN. The Company analyzed for impairment of loans granted to subsidiaries. Due to the excellent situation on the Warsaw residential market, there was a significant increase in net assets of subsidiaries, and the existence of possible prerequisite for this to solve part of the earlier write-downs. Details of write-offs are presented in Notes 4 and 5 of the financial statements of the Company.

While the increase in financial expenses in the amount of PLN 4.5 million, mainly due to the issuance of bonds in January 2015, as a consequence of the recognition of interest costs on these bonds have a negative impact on the final amount of the net profit of the Company.

The biggest items of income in the income statement of the Company in the amount of PLN 15.3 million were interest income from loans granted to Group companies CPD SA. These revenues decreased by PLN 2.8 million compared to 2014. This decrease was due to the fact that a gradual decrease by the Monetary Policy interest rates announced by the NBP. Accordingly, the average level of WIBOR rate in 2015 was significantly lower than in 2014. The decline in interest rates was therefore a negative impact on the final net profit of the Company.

In 2015, the Company has also achieved sales of services in the amount of PLN 0.45 million, which was lower by PLN 0.17 million compared to 2014. 100% of the revenue generated in 2015 came from domestic sales in respect of services rendered to the companies in the Group.

The chart below shows the structure of sales revenue in 2015 and 2014.




Selected items in the statement of financial position

**Selected items of the statement of financial position**

| | As at: | | Change |
|---|---|---|---|
| | 31.12.2015 | 31.12.2014 | 2015/2014 |
| | (PLN ths.) | (PLN ths.) | (%) |
| **Total assets** | **534 019** | **459 134** | ***16,3%*** |
| Non-current assets, including: | 521 167 | 446 959 | *16,6%* |
| *Property, plant and equipment* | *3* | *6* | *-50,0%* |
| *Intangible assets, excluding goodwill* | *4* | *7* | *-42,9%* |
| *Long-term receivables* | *521 160* | *443 516* | *17,5%* |
| *Bonds* | *0* | *3 430* | *-100,0%* |
| Current assets, including: | 12 852 | 12 175 | *5,6%* |
| *Trade receivables and other receivables* | *1 067* | *104* | *926,1%* |
| *Bonds* | *3 670* | *0* | - |
| *Cash and cash equivalents* | *8 115* | *12 071* | *-32,8%* |
| **Total equity and liabilities** | **534 019** | **459 134** | ***16,3%*** |
| Equity, including: | 449 332 | 401 146 | *12,0%* |
| *Share capital* | *3 286* | *3 286* | *0,0%* |
| *Reserve capital* | *987* | *987* | *0,0%* |
| *Fair value of capital element at inception date* | *-27 909* | *-27 909* | - |
| *Share premium* | *796 643* | *796 643* | *0,0%* |
| *Retained earnings* | *-323 675* | *-371 861* | *-13,0%* |
| Non-current liabilities | 80 585 | 55 649 | *44,8%* |
| Current liabilities | 4 102 | 2 339 | *75,4%* |

At the end of December 2015 value of total assets of the Company increased significantly compared to the end of 2014 (an increase of 74.9 million PLN, ie 16%). First of all, it increased the value of long-term receivables from loans granted to subsidiaries (an increase of 77.6 million PLN), which was the result of growth in the value of real estate located in Warsaw's Ursus district. It has also increased the value of assets (5.6%), mainly due to the reclassification of bond assets to short-term assets.

With regard to fixed assets, nearly 100% of the assets represented just long-term receivables arising from long-term loans to related parties.

At the end of December 2015 value of the equity amounted to 449.3 million PLN, which accounted for 84% of the total assets of the Company, while liabilities accounted for 16% of total assets. These indicators have changed slightly compared to the end of 2014 (respectively 87% and 13%). The increase in the equity ratio was 12% compared to the end of December 2014.

In 2015, significantly increased the value of liabilities (increase amounted to 46%). This was mainly due to the issuance of bonds in January 2015. As at December 31, 2015, the Company had long-term liabilities with a value of 80.6 million PLN.

Long-term liabilities issued bonds amounted to PLN 56 milion Liabilities for the embedded derivative associated with the issuance of convertible bonds denominated in EUR amounted to 11.6 million PLN. 12.9 million PLN concerned and liabilities to a subsidiary Lakia Enterprises Ltd under the loan.

Short-term liabilities in the amount of PLN 4.1 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 individual categories of liabilities in the balance sheet total.

| | 31.12.2015 | 31.12.2014 |
|---|---|---|
| **Liabilities to total assets** | **15,9%** | **12,6%** |
| **Non-current liabilities to total assets** | **15,1%** | **12,1%** |
| Borrowings including finance leases | 2,4% | 2,8% |
| Bonds | 10,5% | 5,2% |
| Built-in derivative instrument | 2,2% | 4,1% |
| **Current liabilities to total assets** | **0,8%** | **0,5%** |
| Bonds | 0,2% | 0,0% |
| Trade and other payables | 0,5% | 0,5% |

Slightly changed compared to the end of 2014 was also the structure of liabilities. The share of long-term debt to total assets increased from 12.1% at the end of December 2014 to 15.1% at the end of December 2015. This change is primarily due to the issue of 4-year bonds in January 2015.

At the end of 2015 long-term liabilities accounted for 95% of total liabilities, while a year earlier the share was 96%.

## 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 2015 was 3.6% and was significantly faster than in 2014, when it stood at 3.3%. Government forecasts for 2016 predict Polish GDP growth at 3.8%, 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 2015 equivalent of PLN 146.3 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 2015, the Company did not enter into new contracts, which are significant within the meaning of the Regulation of the Minister of Finance dated 19 February 2009. On current and periodic information published by issuers of securities,

On the day of publication of the report CPD SA was one of the guarantors of the following agreements considered significant within the meaning of this Ordinance:

- Credit agreement between Belise Investments sp. z o.o. and Bank Zachodni WBK S.A.. The agreement is material because of its value at 31-12-2015 amounting to PLN 77 458 000 (at the average EUR exchange rate published by the National Bank of Poland on 31 December 2015, amounting to 4.2615 PLN/EUR) which exceeds the value 10% of CPD S.A.'s equity at 31 December 2015;
- 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 23 814 152.57 (at the average EUR exchange rate published by the National Bank of Poland on 31 December 2015, amounting to 4.2615 PLN/EUR);

- 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 18 441 033,39 (at the average EUR exchange rate published by the National Bank of Poland on 31 December 2015, amounting to 4.2615 PLN/EUR);

- Credit agreement between Smart City sp. z o.o. and BZ WBK S.A. The agreement is an agreement significant due to its value at 31.12.2015 of 65 146 288 PLN, which exceeds 10% of the equity CPD SA 31 December 2015;

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

- General constructor agreement between Smart City sp. z o.o. and Unibep S.A. The agreement is a significant agreement because its value at 10-08-2015 r. amounting to PLN 67 560 000 PLN, which exceeds the value 10% of the equity CPD SA 31 December 2015;

In addition, CPD SA grants loans to related parties. The total amount of outstanding loans granted to related parties shown in the books of the Company as at 31.12.2015 is 521 160 PLN (principal and interest, including charge-offs). These agreements represent a significant agreement because their total value exceeds 10% of the equity of CPD SA on 31 December 2015.

Furthermore, the Company guarantees the repayment of the loan taken by Belise Investments.

## 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 2015, 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 20,077,458 granted for financing or re-financing of some project costs or costs of finishing the leasable area;

31 May 2015 the Annex to the credit agreement was executed in connection with maturity of the existing loan.

The following amendments have been introduced by the Annex:

1) the Investment Loan up to EUR 18,500,000.00 was extended to refinance the debt by the Conversion and/or refinancing or financing of costs of the lease space finishing and/or payment of the Dividend;

2) the Term for full repayment of the Loan with interest and other costs was set by the parties on 31 May 2021;
3) the Conversion means usage of the funds provided in Tranche B by converting the Debt Amount of Tranche A into the Debt Amount of Tranche B and launching an additional tranche up to a maximum of EUR 1,500,000.

Other essential provisions of the Contract remain unchanged.

At the same time, in order to secure repayment of the Loan in connection with the executed Annex, CPD S.A and Lakia Enterprises Limited with the corporate seat in Nicosia (Cyprus) submitted themselves to enforcement. Moreover, the Company signed the Annex to the Warranty Contract.

- **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.

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

the credit agreement between the subsidiary company Smart City spółka z ograniczoną odpowiedzialnością spółka komandytowa which is the Company’s subsidiary and Bank Zachodni WBK S.A., entered into force. On that basis Smart City spółka z ograniczoną odpowiedzialnością spółka komandytowa was granted a credit to the maximum amount of PLN 65.146.288 for financing the construction of a multi-family housing project Ursa Smart City Stage I at Hennela and Dyrekcyjna streets in Warsaw in the district of Ursus

Repayment security for Agreement are mortgages on property and registered pledges on the rights of corporate shareholders and shares in the share capital of the general partner of the Borrower(Smart City sp. z o.o.)to be established in the near future.
Bank loan shall be made available to the Borrower after the securities have been established and the normal conditions for availability have been met.

In addition, CPD SA grants loans to related parties. The total amount of outstanding loans granted to related parties shown in the books of the Company as at 31.12.2015 is 521 160 PLN (principal and interest, including charge-offs). Details are presented in notes 4 and long-term receivables and 7 Trade and other receivables to the Company's financial statements.

The company also received a loan from its subsidiary Lakia Enterprises Ltd. The total amount of the loan (principal and interest) as of 31.12.2015 amounted to 12 909 PLN. Details are presented in Note 12 to the Financial Statements Loan Company.

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

Increases of the Company’s share capital were recorded in 2015 as a result of share issues under series D, E and F.

- **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 fiscal year 2015 the Group's financial resources are used in accordance with the plans, specifications and current needs. Group fulfilled its regularly with their obligations to counterparties, banks and mandatory charges to the State. Liabilities representing 36.6% of the total assets of the Group are not a threat to the Group's financial condition.

## 20. CHANGES IN MANAGEMENT PRINCIPLES

CPD Group finances its operations primarily with equity. In fiscal year 2015 the Group's financial resources are used in accordance with the plans, specifications and current needs. Group fulfilled its regularly with their obligations to counterparties, banks and mandatory charges to the State. Liabilities representing 36.6% of the total assets of the Group do not pose a threat to the financial condition of the Group.

Supplementary source of financing the Group's loans and bonds. At the end of 2015, the total value of liabilities from loans and borrowings, including finance lease amounted to PLN 152 million compared to 143 million PLN at the end of 2014. As part of the liabilities from loans and borrowings CPD Group shows liabilities from financial leasing, which obligation of perpetual usufruct of land. At the end of 2015 years these liabilities amounted to PLN 32.1 million, which represented 21.1% of total liabilities from loans and borrowings, including finance lease.

In September 2014, the Group issued bonds convertible into shares. At the end of 2015. Value of these liabilities amounted to 26.4 million PLN, and also taking into account the value of an embedded derivative (11.6 million PLN) total liabilities on the balance sheet of the Group amounted to 38 million PLN.

In January 2015, the Group issued bonds SERIES B. At the end of 2015. Value of these liabilities amounted to 30.9 million PLN.

## 21. REMUNERATION OF MANAGEMENT BOARD MEMBERS AND SUPERVISORY BOARD MEMBERS

- ### REMUNERATION OF SUPERVISORY BOARD MEMBERS

In 2015, 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 | 38 964 | 01.2015 - 06.2015 | Resignation for 17.06.2015 |
| Wiesław Oleś | Vice President | PLN | 60 000 | 01.2015 - 12.2015 | - |
| Andrew Pegge | Secretary | PLN | 60 000 | 01.2015 - 12.2015 | - |
| Mirosław Gronicki | Member | PLN | 60 000 | 01.2015 - 12.2015 | - |
| Wiesław Rozłucki | Member | PLN | 50 000 | 01.2015 - 12.2015 | Resignation for 29.10.2015 |
| Gabriela Gryger | Member | PLN | 6 167 | 11.2015 - 12.2015 | - |
| Michael Haxbey | Member | PLN | 32 333 | 09.2015 - 12.2015 | - |
| **TOTAL** | | **PLN** | **307 467** | | |

- ### REMUNERATION OF MANAGEMENT BOARD MEMBERS

In 2015 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 | 643 395 | 703 395 | 01.2015 - 12.2015 | - |
| Iwona Makarewicz | Member | 60 000 | 669 483 | 729 483 | 01.2015 - 12.2015 | - |
| Colin Kingsnorth | Member | 60 000 | - | 60 000 | 01.2015 - 12.2015 | - |
| John Purcell | Member | 32 333 | - | 32 333 | 06.2015 - 12.2015 | - |
| **Total** | | **212 333** | **1 298 000** | **1 525 211** | | |

## 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 2014 and 2015 were reviewed and audited by an auditing firm PricewaterhouseCoopers. with o.o with its registered office in Warsaw.

The total remuneration of the auditor for the audit, inspection Financial Statements for the year 2015, and other services provided by PricewaterhouseCoopers with net amounted to PLN 196,000, of which:

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

The total remuneration of the auditor for the year 2015 amounted to PLN 190,000 net, of which:

- PLN 65,000 was the reward for a review of the financial statements of CPD SA and the consolidated financial statements of the Group for the period from 1 January 2015 to June 30, 2015. (agreement of 18 June 2015)
- PLN 125,000 was the fee for the audit of the financial statements of CPD SA and the consolidated financial statements of the Group for the period from 1 January 2015 to 31 December 2015 (agreement dated 18 June 2015)

## 27. STRUCTURE OF ASSETS AND LIABILITIES – BY LIQUIDITY

The Company's assets structure as of 31 December 2015 and changes versus the status at the end of 2014:

| | As at: 31.12.2015 (PLN ths.) | As at: 31.12.2014 (PLN ths.) | % in total assets 2015 | % in total assets 2014 | *Change 2015/2014 (%)* |
|---|---|---|---|---|---|
| Property, plant and equipment | 3 | 6 | 0,001% | 0,001% | *-50,0%* |
| Intangible assets, excluding goodwill | 4 | 7 | 0,001% | 0,002% | *-42,9%* |
| Long term receivables | 521 160 | 443 516 | 97,6% | 96,6% | *17,5%* |
| Bonds | 0 | 3 430 | 0,0% | 0,7% | *-100,0%* |
| **Non-current assets** | **521 167** | **446 959** | **97,6%** | **97,3%** | ***16,6%*** |
| Trade and other receivables | 1 067 | 104 | 0,20% | 0,02% | *926,1%* |
| Bonds | 3 670 | 0 | 0,7% | 0,0% | - |
| Cash and cash equivalents | 8 115 | 12 071 | 1,5% | 2,6% | *-32,8%* |
| **Current assets** | **12 852** | **12 175** | **2,4%** | **2,7%** | ***5,6%*** |
| **TOTAL ASSETS** | **534 019** | **459 134** | **100,0%** | **100,0%** | ***16,3%*** |

The Company's liabilities structure as of 31 December 2015 and changes versus the status at the end of 2014:

| | As at: 31.12.2015 (PLN ths.) | As at: 31.12.2014 (PLN ths.) | % in total assets 2015 | % in total assets 2014 | *Change 2015/2014 (%)* |
|---|---|---|---|---|---|
| Share capital | 3 286 | 3 286 | 0,6% | 0,7% | *0,0%* |
| Reserve capital | 987 | 987 | 0,2% | 0,2% | *0,0%* |
| Fair value of capital element at inception date | -27 909 | -27 909 | -5,2% | 0 | *0,0%* |
| Share premium | 796 643 | 796 643 | 149,2% | 173,5% | *0,0%* |
| Retained earnings | -323 675 | -371 861 | -60,6% | -81,0% | *-13,0%* |
| **Equity** | **449 332** | **401 146** | **84,1%** | **87,4%** | ***12,0%*** |
| Bonds | 56 041 | 24 065 | 10,5% | 0 | *132,9%* |
| Embedded derivative | 11 635 | 18 815 | 2,2% | 0 | *-38,2%* |
| Borrowings, including finance leases | 12 909 | 12 769 | 2,4% | 2,8% | *1,1%* |
| **Non-current liabilities** | **80 585** | **55 649** | **15,1%** | **12,1%** | ***44,8%*** |
| Bonds | 1 279 | 0 | 0,2% | 0,0% | - |
| Trade and other payables | 2 823 | 2 339 | 0,5% | 0,5% | *20,7%* |
| **Current liabilities** | **4 102** | **2 339** | **0,8%** | **0,5%** | ***75,4%*** |
| **TOTAL EQUITY AND LIABILITIES** | **534 019** | **459 134** | **100,0%** | **100,0%** | ***16,3%*** |

## 28. GRANTED LOANS

**Details of the loans granted to related parties 31.12.2015**

| Related party | Currency | Principal amount in PLN | Accrued interest in PLN | Interest Rate | Margin | Maturity |
|---|---|---|---|---|---|---|
| 1/95 Gaston Investments | PLN | 0 | 0 | 3M WIBOR | 1,55% | on demand |
| 2/124 Gaston Investments | PLN | 3 089 | 399 | 3M WIBOR | 1,55% | on demand |
| 3/93 Gaston Investments | PLN | 2 900 | 350 | 3M WIBOR | 1,55% | on demand |
| 4/113 Gaston Investments | PLN | 6 001 | 1 035 | 3M WIBOR | 1,55% | on demand |
| 5/92 Gaston Investments | PLN | 4 068 | 417 | 3M WIBOR | 1,55% | on demand |
| 6/150 Gaston Investments | PLN | 2 491 | 341 | 3M WIBOR | 1,55% | on demand |
| 7/120 Gaston Investments | PLN | 1 678 | 228 | 3M WIBOR | 1,55% | on demand |

| | | | | | | |
|---|---|---|---|---|---|---|
| 8/126 Gaston Investments | PLN | 5 315 | 607 | 3M WIBOR | 1,55% | on demand |
| 9/151 Gaston Investments | PLN | 1 092 | 149 | 3M WIBOR | 1,55% | on demand |
| 10/165 Gaston Investments | PLN | 2 007 | 177 | 3M WIBOR | 1,55% | on demand |
| 11/162 Gaston Investments | PLN | 1 292 | 152 | 3M WIBOR | 1,55% | on demand |
| 12/132 Gaston Investments | PLN | 3 530 | 452 | 3M WIBOR | 1,55% | on demand |
| 13/155 Gaston Investments | PLN | 3 416 | 409 | 3M WIBOR | 1,55% | on demand |
| 15/167 Gaston Investments | PLN | 1 914 | 189 | 3M WIBOR | 1,55% | on demand |
| 16/88 Gaston Investments | PLN | 502 | 78 | 3M WIBOR | 1,55% | on demand |
| 18 Gaston Investments | PLN | 3 316 | 331 | 3M WIBOR | 1,55% | on demand |
| 19/97 Gaston Investments | PLN | 548 | 79 | 3M WIBOR | 1,55% | on demand |
| 20/140 Gaston Investments | PLN | 624 | 93 | 3M WIBOR | 1,55% | on demand |
| Antigo Investments | PLN | 5 001 | 74 | 3M WIBOR | 1,55% | on demand |
| *Impairment on Antigo Investments loan* | | *(1 077)* | *( 74)* | | | |
| Blaise  Gaston Investments | PLN | 6 342 | 743 | 3M WIBOR | 1,55% | on demand |
| Blaise Investments | PLN | 24 125 | 4 970 | 3M WIBOR | 1,55% | on demand |
| Belise Investments | PLN | 12 960 | 4 723 | 3M WIBOR | 1,55% | on demand |
| *Impairment on Belise Investments loan* | | | *0* | | | |
| Buffy Holdings No 1 Ltd | PLN | 161 846 | 32 911 | 3M WIBOR | 0,75% | on demand |
| *Impairment on Buffy Holdings loan* | PLN | *0* | *(30 652)* | | | |
| Celtic Asset Management | PLN | 30 | 0 | | | |
| *Impairment on CAM loan* | PLN | ( 3) | | | | |
| Celtic Investments Ltd | PLN | 1 801 | 47 | 3M LIBOR | 0,75% | on demand |
| *Impairment on CIL loan* | PLN | *(1 746)* | *( 47)* | | | |
| Challange 18 | PLN | 161 316 | 23 890 | 3M WIBOR | 1,55% | on demand |
| Elara Investments | PLN | 2 780 | 34 | 3M WIBOR | 1,55% | on demand |
| *Impairment on Elara Investments loan* | PLN | *(2 240)* | *( 34)* | | | |
| Gaston Investments | PLN | 7 998 | 1 | 3M WIBOR | 1,55% | on demand |
| *Impairment on Gaston Investments loan* | PLN | *(2 848)* | *( 1)* | | | |
| HUB Developments | PLN | 2 423 | 126 | 3M WIBOR | 1,55% | on demand |
| *Impairment on HUB loan* | | ( 375) | *( 126)* | | | |
| Smart City | PLN | 4 | 0 | 3M WIBOR | 1,55% | on demand |
| *Impairment on Smart City loan* | | ( 4) | | | | |
| IMES | | 3 343 | 70 | | 1,55% | 26.03.2020 |
| Lakia Enterprises Limited | PLN | 50 996 | 6 999 | 3M WIBOR | 1,55% | on demand |
| *Impairment on Lakia Enterprises loan* | | *0* | *(4 436)* | | | |
| Mandy Investments | PLN | 16 017 | 4 463 | 3M WIBOR | 1,55% | on demand |
| *Impairment on Mandy loan* | | *(16 017)* | (4 463) | | | |
| **Total book value** | | **476 457** | **44 703** | | | |
| | | | | | | |
| Value of loans | | 500 767 | 84 537 | | | |
| Impairment | | 24 310 | 39 833 | | | |
| Total book value | | 476 457 | 44 703 | | | |

# 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 2015 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 2014 and 2015, 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

JOHN PURCELL
MEMBER OF THE MANAGEMENT BOARD

# VI. AUDITOR'S OPINION

**Independent Registered Auditor's Report**

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

## *Report on the financial statements*

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 2015, the statement of comprehensive income for the year from 1 January 2015 to 31 December 2015, 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.

*Management and Supervisory Board's Responsibility for the financial statements*

The Company's Management Board is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union, the Report on the Company's operations and for the correctness of the accounting records in accordance with the applicable regulations. The Company's Management Board is also responsible for internal controls as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Management Board and Supervisory Board are obliged to ensure that the financial statements and the Report on the Company's operations meet the requirements of the Accounting Act of 29 September 1994 ("the Accounting Act" – Journal of Laws of 2013, item 330 as amended).

*Auditor's Responsibility*

Our responsibility was to perform an audit of the accompanying financial statements and to express an opinion and the report on whether the financial statements present, in all material respects, a true and fair view of the Company's financial position and its financial results in accordance with the regulations and the applicable accounting policies and on the correctness of the accounting records constituting the basis for their preparation.

We conducted our audit in accordance with section 7 of the Accounting Act and International Standards on Auditing as adopted by the National Council of Certified Auditors as the National Standards on Audit and Assurance. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

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

a. give a true and fair view of the Company's financial position as at 31 December 2015 and its financial performance and its cash flows for the year from 1 January 2015 to 31 December 2015, 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, including the Decree of the Minister of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions of recognizing 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 the Company's Memorandum of Association;

c. have been prepared on the basis of correctly maintained books of account.

***Report on Other Legal and Regulatory Requirements***

*Opinion on the Report on the Company's operations*

The information contained in the Report on the Company's operations for the year from 1 January to 31 December 2015 accommodate the requirements of article 49 paragraph 2 of the Accounting Act and the Decree and is consistent with the information contained in the audited financial statements.

Based on the knowledge of the Company and its environment obtained during our audit we have not identified any material misstatements in the Report on the Company's operations

In the Statement of Corporate Governance, which is a separate part of the Report on the Company's operations, the Company included information in accordance with the scope defined in the Decree. This information is consistent with the applicable regulations and with the information contained in the financial statements.

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

Piotr Wyszogrodzki

Key Registered Auditor
No. 90091

Warsaw, 17 March 2016

# VII. AUDITOR'S REPORT ON THE AUDIT ON THE FINANCIAL STATEMENTS FOR THE YEAR FROM 1 JANUARY TO 31 DECEMBER 2015

# 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 2015

## Content:

# CPD S.A.

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

**Registered auditor's report on the audit of the financial statements for the year from 1 January to 31 December 2015**

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

**This report contains 9 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 Kraków 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 Kraków, 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.

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 2015 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 449,332 thousand.

e. As at 31 December 2015, the Company's shareholders were:

| Shareholder's name | Number of shares held | Par value of shares held (PLN) | Type of shares held | 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** |

## I. General information about the Company (cont.)

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
- John Purcell Board Member from 17 June 2015.

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 Accounting Act, the Company prepares its financial statements in accordance with IFRS as adopted by the European Union.

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 9 March 2016. 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 2015 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. 3 of the Supervisory Board dated 15 June 2015 in accordance with paragraph 11, point 8 of the Company's Memorandum of Association.

c. PricewaterhouseCoopers Sp. z o.o. and the key registered auditor conducting the audit are independent of the 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 of 2015, item 1011).

d. The audit was conducted in accordance with an agreement dated 18 June 2015, in the period from 8 February to 17 March 2016.

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

## STATEMENT OF FINANCIAL POSITION as at 31 December 2015 (selected lines)

| | 31.12.2015 PLN '000 | 31.12.2014 PLN '000 | Change PLN '000 | Change (%) | Structure 31.12.2015 (%) | Structure 31.12.2014 (%) |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| Non-current assets | 521,167 | 446,959 | 74,208 | 16.6 | 97.6 | 97.3 |
| Current assets | 12,852 | 12,175 | 677 | 5.6 | 2.4 | 2.7 |
| **Total assets** | **534,019** | **459,134** | **74,885** | **16.3** | **100.0** | **100.0** |
| **LIABILITIES AND EQUITY** | | | | | | |
| Equity | 449,332 | 401,146 | 48,186 | 12.0 | 84.1 | 87.4 |
| Liabilities | 84,687 | 57,988 | 26,699 | 46.0 | 15.9 | 12.6 |
| **Total liabilities and equity** | **534,019** | **459,134** | **74,885** | **16.3** | **100.0** | **100.0** |

## STATEMENT OF COMPREHENSIVE INCOME for the year from 1 January to 31 December 2015 (selected lines)

| | 2015 PLN '000 | 2014 PLN '000 | Change PLN '000 | Change (%) | Structure 2015 (%) | Structure 2014 (%) |
|---|---|---|---|---|---|---|
| Sales | 447 | 621 | (174) | (28.0) | 0.9 | 0.5 |
| Administrative expenses | (2,169) | (2,195) | 26 | (1.2) | (4.5) | (1.9) |
| Marketing expenses | (143) | (155) | 12 | (7.7) | (0.3) | (0.1) |
| Result from selling subsidiaries | - | 9 | (9) | (100.0) | - | - |
| Impairment/Reversal of impairment of investments in subsidiaries | 32,088 | 90,966 | (58,878) | (64.7) | 66.7 | 78.7 |
| Financial income from interest on loans | 15,294 | 18,047 | (2,753) | (15.3) | 31.7 | 15.6 |
| Other operating income | - | 1 | (1) | (100.0) | - | - |
| Other operating cost | (30) | (133) | 103 | (77.4) | (0.1) | (0.1) |
| **Gross gain** | **45,487** | **107,161** | **(61,674)** | **(57.6)** | **94.4** | **92.7** |
| **Net loss** | **48,186** | **115,656** | **(67,470)** | **(58.3)** | **100.0** | **100.0** |
| **Total comprehensive income for the year** | **48,186** | **115,656** | **(67,470)** | **(58.3)** | **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:

| | 2015. | 2014 | 2013 |
|---|---|---|---|
| Profitability ratios | | | |
| - return on capital employed | 11% | 32% | (14)% |
| Liability ratios | | | |
| - gearing | 16% | 13% | 4% |
| | **31.12.2015** | **31.12.2014** | **31.12.2013** |
| Liquidity ratios | | | |
| - current and quick ratio | 3.1 | 5.2 | 3.1 |

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 deflation. The consumer price index (on a December to December basis) amounted to -0.5% in the audited year (-1.0% in 2014).

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 534,019 thousand. During the year total assets increased by PLN 74,885 thousand (i.e. by 16.3%). This increase was financed mainly by generated net profit of PLN 48,186 thousand, an increase of the balance issued bonds of PLN 33,254 thousand, with a simultaneous decrease in the balance of valuation of embedded derivative related to the convertible bonds issued by CPD in 2014 in the amount of PLN 7,179 thousand.

- Liability ratio has changed. The gearing ratio increased from 13% at the end of the previous year to 16% at the end of the current year.

- 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 32,088 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 2,169 thousand in the audited year. The administrative expenses have decreased by PLN 26 thousand, i.e. by 1.2% compared with the previous year.

- Return on capital employed amounted to 11% and was 21 percentage points lower than in the previous year. The change was primarily due to lower net income achived in 2015 when compared to prior year.

- The Company's liquidity has changed. In the audited year, the current and quick ratios, which amounted to 3.1 (2014: 5.2) decreased mainly due to increase in short term liabilities, concerning interests on liabilities from issued bonds.

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 financial statements of the Company for the year from 1 January to 31 December 2014 were approved by Resolution No. 4 passed by the General Shareholders' Meeting on 17 June 2015 and filed with the National Court Register in Warsaw on 26 June 2015.

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

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

f. The information in the Directors' Report for the year ended 31 December 2015 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 and the person entrusted with maintaining the books of account on 9 March 2016.

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 17 March 2016, 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, 17 March 2016

*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.*

# VIII. FINANCIAL STATEMENTS FOR THE ACCOUNTING YEAR FROM 1 JANUARY TO 31 DECEMBER 2015

# CPD S.A.

# Financial statements
for the year ended 31 December 2015

(' (All amounts in PLN thousands unless otherwise stated )

## Statement of comprehensive income

| | Note | 12 months ended 31/12/2015 | 12 months ended 31/12/2014 |
|---|---|---|---|
| Revenues | 15 | 447 | 621 |
| Administrative costs | 16 | (2 169) | (2 195) |
| Selling and marketing expenses | | ( 143) | ( 155) |
| Gain on disposal of subsidiaries | | 0 | 9 |
| Impairment gain/loss on investments in subsidiaries | 4 , 5 | 32 088 | 90 966 |
| Interest income on loans | 19 | 15 294 | 18 047 |
| Other operating income | 17 | 0 | 1 |
| Other operating cost | 18 | ( 30) | ( 133) |
| **OPERATING RESULT** | | 45 487 | 107 161 |
| Financial income | 20 | 8 499 | 9 773 |
| Financial costs | 20 | (5 800) | (1 278) |
| **PROFIT (LOSS) BEFORE INCOME TAX** | | 48 186 | 115 656 |
| Income tax | 21 | 0 | 0 |
| **PROFIT (LOSS) FOR THE YEAR** | | 48 186 | 115 656 |
| **TOTAL COMPREHENSIVE INCOME** | | 48 186 | 115 656 |
| **BASIC EARNINGS PER SHARE (PLN)** | 25 | 1,47 | 3,37 |
| **DILUTED EARNINGS PER SHARE (PLN)** | 25 | 1,04 | 2,96 |

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

Elżbieta Donata Wiczkowska
*Chairman of the Board*

Colin Kingsnorth
*Board Member*

John Purcell
*Board Member*

Iwona Makarewicz
*Board Member*

(' (All amounts in PLN thousands unless otherwise stated )

## Statement of financial position

| ASSETS | Note | As at 31/12/2015 | As at 31/12/2014 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | 3 | 6 |
| Intangible assets, excluding goodwill | | 4 | 7 |
| Long-term receivables | 4 | 521 160 | 443 516 |
| Bonds | | 0 | 3 430 |
| Shares in subsidiaries | 5 | 0 | 0 |
| | | 521 167 | 446 959 |
| **Current assets** | | | |
| Trade receivables and other receivables | 7 | 1 067 | 104 |
| *- trade receivables and loans* | | 1 063 | 99 |
| *- prepaid expenses* | | 4 | 5 |
| Bonds | | 3 670 | 0 |
| Cash and cash equivalents | 8 | 8 115 | 12 071 |
| | | 12 852 | 12 175 |
| **Total assets** | | 534 019 | 459 134 |
| **EQUITY** | | | |
| Share capital | 9 | 3 286 | 3 286 |
| Reserve capital | | 987 | 987 |
| Fair value of capital element at inception date | 13 | (27 909) | (27 909) |
| Share premium | 26 | 796 643 | 796 643 |
| Retained earnings | | (323 675) | (371 861) |
| **Total equity** | | 449 332 | 401 146 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Bonds issued | 13 | 56 040 | 24 065 |
| Derivative financial instruments | 13 | 11 636 | 18 815 |
| Loans and borrowings, including finance leases | 12 | 12 909 | 12 769 |
| | | 80 585 | 55 649 |
| **Current liabilities** | | | |
| Bonds issued | 13 | 1 279 | 0 |
| Trade payables and other liabilities | 11 | 2 823 | 2 338 |
| **Total liabilities** | | 534 019 | 459 134 |

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

Elżbieta Donata Wiczkowska
*Chairman of the Board*

Colin Kingsnorth
*Board Member*

John Purcell
*Board Member*

Iwona Makarewicz
*Board Member*

(' (All amounts in PLN thousands unless otherwise stated )

## Statement of changes in equity

| | | | | | | | Accumulated profit (loss) | | |
|---|---|---|---|---|---|---|---|---|---|
| | Note | Share capital | Embedded derivative at inception date | Own shares | Share premium | Supplementary capital | Other Reserves | Retained earnings | Total |
| **Balance as at 01/01/2014** | | **3 460** | **0** | **(12 300)** | **796 643** | **0** | **987** | **(475 391)** | **313 399** |
| Decrease of capital by share redemption | | ( 174) | 0 | 12 300 | 0 | 0 | 0 | (12 126) | 0 |
| Bonds covered by the shareholders | 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 | | | | | | | | | |
| Profit (loss) for the period | | 0 | 0 | 0 | 0 | 0 | 0 | 115 656 | 115 656 |
| | | 0 | | 0 | 0 | 0 | 0 | 115 656 | 115 656 |
| Balance as at 31/12/2014 | | 3 286 | (27 909) | 0 | 796 643 | 0 | 987 | (371 861) | 401 146 |
| **Balance as at 01/01/2015** | | **3 286** | **(27 909)** | **0** | **796 643** | **0** | **987** | **(371 861)** | **401 146** |
| Profit (loss) for the period | | 0 | 0 | 0 | 0 | 0 | 0 | 48 186 | 48 186 |
| | | 0 | 0 | 0 | 0 | 0 | 0 | 48 186 | 48 186 |
| **Balance as at 31/12/2015** | | **3 286** | **(27 909)** | **0** | **796 643** | **0** | **987** | **(323 675)** | **449 332** |

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

Elżbieta Donata Wiczkowska
*Chairman of the Board*

Colin Kingsnorth
*Board Member*

John Purcell
*Board Member*

Iwona Makarewicz
*Board Member*

(' (All amounts in PLN thousands unless otherwise stated )

## Cash flow statement

| | Note | 12 months ended 31/12/2015 | 12 months ended 31/12/2014 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Cash generated from operations | 22 | (1 803) | (1 231) |
| Inerest paid | | (1 380) | 0 |
| **Net cash generated from operating activities** | | (3 183) | (1 231) |
| **Cash flows from investing activities** | | | |
| Loans granted | | (54 173) | (26 498) |
| Loan repayments received | | 21 452 | 6 743 |
| Interest received | | 2 513 | 578 |
| **Net cash generated from investing activities** | | (30 208) | (19 177) |
| **Cash flows from financing activities** | | | |
| Loans received | | 0 | 3 532 |
| Loan repayments received | | ( 117) | ( 374) |
| Proceeds from issuance of bonds | | 29 552 | 22 966 |
| **Net cash generated from financing activities** | | 29 435 | 26 124 |
| **Change in net cash and cash equivalents** | | (3 956) | 5 716 |
| Cash and cash equivalents at the beginning of year | | 12 071 | 6 355 |
| **Cash and cash equivalents at the end of the period** | | 8 115 | 12 071 |

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

Elżbieta Donata Wiczkowska
*Chairman of the Board*

Colin Kingsnorth
*Board Member*

John Purcell
*Board Member*

Iwona Makarewicz
*Board Member*

(All amounts in PLN thousands unless otherwise stated )

## Notes to the financial statements

### 1 General information

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

On 2 September 2010 Extraordinary Shareholders Meeting passed a resolution about changing the company name from POEN S.A. to Celtic Property Developments S.A.

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

The subject of the company's activities (in accordance with the Statute of the company) is the activity of financial holding companies, activities linked to the real estate market, central business support (head offices).

The company is the parent of the CPD S.A. Annual consolidated financial statements of the group have been prepared in accordance with the requirements of IFRS in the EU.

In order to fully understand the financial position and results of operations CPD SA As the parent company of the Group of these financial statements should be read in conjunction with the annual consolidated financial statements for the period ended 31 December 2015, the reports will be available on the Company's website at www.celtic.pl in time according to the current report on time the annual report of the Company and the consolidated annual report of the Group for the year 2015.

On 8 June 2010, according to Rep. Notarial Deed. A No. 7263/2010 the Extraordinary General Meeting at which a resolution was passed on the cross-border merger Poen SA and CPD Plc. Consequently, the share capital of SA Poen was increased from PLN 500,000 to PLN 3,983,329.50, ie the amount of PLN 3,483,329.50 by issuing new bearer shares of series B with a nominal value of PLN 0.10 and PLN 3,483,329.50 total.

August 23, 2010, in the National Court Register registered the previous cross-border merger of the parent company in the Group, ie Celtic Property Developments Plc (Target Company) and Poen SA (Acquiring company) by transferring all assets of the Acquired Company to the Acquirer, in exchange for newly issued shares of the Acquiring Company. The merger took place on the basis of the Plan of Merger, which assumed the acquisition of Celtic Property Developments Plc, the company Poen SA which is a 100% subsidiary of Celtic Property Developments Plc. Following the merger: (i) existing shareholders of Celtic Property Developments Plc became a 100% shareholder Poen SA, and (ii) Poen SA purchased by the general succession - to redeem, own shares of Celtic Property Developments Plc. The share exchange ratio of Celtic Property Developments Plc share Poen SA, was adopted at a level that did not cause any changes in the ownership structure Poen SA

The shares of the Company are listed on the Warsaw Stock Exchange.
Share capital on December 31, 2015 includes 32 863 thousand. of shares with a nominal value of PLN $ 0.10 each, including:

- 32.335.858 bearer ordinary shares of series B,
- 163.214 bearer ordinary shares of series C,
- 76.022 bearer ordinary shares of series D,
- 88.776 bearer ordinary shares of series E,
- 199.333 bearer ordinary shares of series F.

This financial statement has been adopted by the Management Board on 9 March, 2016.

The Company uses following registration numbers:

REGON 120423087

NIP 677-22-86-258

The Board of Directors of the Company consists of:

Elżbieta Donata Wiczkowska - Chairmen of the Board

Colin Kingsnorth - Board Member

John Purcell - Board Member

Iwona Makarewicz - Board Member

(All amounts in PLN thousands unless otherwise stated )

## Notes to the financial statements

The Supervisory Board of the company consists of:
Andrew Pegge
Wiesław Piotr Oleś
Gabriela Gryger
Mirosław Jerzy Gronicki
Michael Haxby

Statements have been prepared on a going business for the foreseeable future, bearing in mind that there are no circumstances indicating a threat to the continued activity.

## 2 The accounting principles

Accounting policies are in accordance with the principles applied in the annual financial statements for the year ended December 31, 2015. these principles have been applied consistently to all periods presented.

### 2.1 Basis of preparation

The company's financial statements have been drawn up in accordance with international financial reporting standards ("IFRS") adopted by the European Commission and applicable at the reporting date of this financial statements. IFRS standards and interpretations that were extant include approved by the international accounting standards Board ("IASB") and to the Commission. The Interpretation Of International Financial Reporting.

**New and amended standards and interpretations which came into force in 2015 and description of the impact of applying the amendments:**

**IFRIC 21 "Levies"**

The interpretation of IFRIC 21 was issued on 20 May 2013 and is effective for annual periods beginning on or after 17 June 2014.
The interpretation clarifies the accounting for an obligation to pay a levy that is not income tax. The obligating event that gives rise to a liability is the event identified by the legislation that triggers the obligation to pay the levy. The fact that an entity is economically compelled to continue operating in a future period, or prepares its financial statements under the going concern assumption, does not create an obligation. The same recognition principles apply in annual and interim financial statements. The application of the interpretation to liabilities arising from emissions trading schemes is optional.

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

**Amendments to IFRSs 2011-2013**

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

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

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

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

(All amounts in PLN thousands unless otherwise stated )

## Notes to the financial statements

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

IFRS 9 replaces IAS 39. The standard is effective for annual periods beginning on or after 1 January 2018.
The standard introduces one model with only two classification categories for financial assets: those to be measured at fair value, and those to be measured at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.
IFRS 9 introduces a new model for recognition of impairment – the model of expected credit losses.
Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
Hedge accounting requirements were amended to align accounting more closely with risk management.

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

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

**Defined benefit plans: Employee contributions – Amendments to IAS 19**

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

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

**Amendments to IFRSs 2010-2012**

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

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

**IFRS 14 "Regulatory Deferral Accounts"**

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

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

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

## Notes to the financial statements

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

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

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

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

**Amendments to IAS 16 and IAS 38 – Depreciation and Amortisation**

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

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

**IFRS 15 "Revenue from Contracts with Customers"**

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

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

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

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

**Amendments to IAS 16 and IAS 41 for bearer plants**

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

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

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

(All amounts in PLN thousands unless otherwise stated )

## Notes to the financial statements

**Amendments to IAS 27 – Equity Method in Separate Financial Statements**

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

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

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

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

The amendments are solving a problem of current incoherency between IFRS 10 and IAS 28. The accounting recognistion depends on the fact if sold non-monetary assets or contributed to associated entities or joint venture are a business.
In the case when non-monetary assets are a business, an investor will present full profit or loss on the transaction. If assets are not a business, an investor recognizes profit or loss in exception to the part constituting shares of other investors.
The amendments were published on 11 September 2014 and are effective for the annual periods commencing on or after 1 January 2016.

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

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

**Improvements to IFRSs 2012-2014**

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

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

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

**Amendments to IAS 1**

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

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

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

(All amounts in PLN thousands unless otherwise stated )

## Notes to the financial statements

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

On 18 December 2014, the International Accounting Standards Board published the amendment of limited scope. The amendment to IFRS 10, IFRS 12 and IAS 28 published as "Investment entities: exemptions from preparing consolidated financial statements" precises requirements concerning investment entities and launches some convenience.
The standard explains that an entity should evaluate all its subsidiary companies, which are investment entities at fair value through profit or loss. Furthermore, it has been clarified that the exemption from preparing consolidated financial statements in the case the parent company at a higher level prepares publicly available financial statements, applies regardless of the fact whether the subsidiaries are consolidated or valued at fair value based on the financial result in accordance with IFRS 10 in the financial statements of the parent company on the highest level or a higher level.
The amendments are effective for annual periods beginning on or after 1 January 2016.

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

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

**IFRS 16 "Leases"**

IFRS 16 "Leases" (issued in January 2016 and effective for annual periods beginning on or after 1 January 2019). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Company is going to adopt the amendment of the date of application of the rules as determined by the International Accounting Standards Board.

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

**Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses**

The amendment has clarified the requirements on recognition of deferred tax assets for unrealised losses on debt instruments. The entity will have to recognise deferred tax asset for unrealised losses that arise as a result of discounting cash flows of debt instruments at market interest rates, even if it expects to hold the instrument to maturity and no tax will be payable upon collecting the principal amount. The economic benefit embodied in the deferred tax asset arises from the ability of the holder of the debt instrument to achieve future gains (unwinding of the effects of discounting) without paying taxes on those gains.

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

**Amendments to IAS 7 Disclosure Initiative**

The amended IAS 7 will require disclosure of a reconciliation of movements in liabilities arising from financing activities.

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

### 2.2 Tangible fixed assets

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

Subsequent expenditure included in the carrying amount of an asset or are recognised as a separate asset (where appropriate) only when it is probable that in respect of this item there will be inflow of economic benefits to the company and the cost of the item can be measured reliably. All other expenditure on repair and maintenance related to the profit or loss in the accounting period in which they are incurred.

The depreciation of fixed assets (or components, if any) shall be calculated on a straight-line basis in order to share their initial value, minus the residual value, the useful life of these assets. At each balance sheet date the verification is carried out (and any changes) the residual value and periods of service life of the asset. Fixed assets are depreciated over the period of their use (three to five years).

In the case when the carrying amount of an asset exceeds its estimated recoverable amount of its carrying amount seems immediately to the recoverable amount.

### 2.3 Shares in subsidiaries

Shares in subsidiaries are valued at cost, adjusted for subsequent write-down for impairment.

## Notes to the financial statements

The Company at each reporting date analyzes of shares held in subsidiaries for impairment. An impairment loss is recognized for the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value of assets less costs to sell or value in use. Shares in respect of which previously assets were impaired are assessed at each reporting date for the occurrence of reasons for possible reversal of the impairment.

### 2.4 Financial assets

CPD include your financial assets loans and receivables category. The classification is based on the criterion for the acquisition of financial assets. The Board determines the classification of its financial assets at initial recognition, as well as reassess the classification at each balance sheet date.

Loans and receivables that are not counted for derivatives financial assets of agreed or possible to determine payments, not quoted in an active market, not intended for sale. Include them to current assets, in so far as the term of their maturity does not exceed 12 months from the balance sheet date. Assets with maturities over 12 months are classified as current assets. Loans and receivables are accounted for under the heading "trade Receivables and other receivables" in the report on the financial situation.

Financial assets are excluded from the accounts when the rights to cash flows from them have expired or have been transferred and the title Company made the CPD transfer substantially all the risks and all the proceeds from their property. Loans and receivables are recognised initially at fair value and then be valued by amortised cost using effective interest rate.

CPD evaluation carried out company at the end of each reporting period whether there is objective indications of impairment of the component or group of financial assets.

(All amounts in PLN thousands unless otherwise stated )

## Notes to the financial statements

### 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 an original maturity of up to three months or less.

### 2.6 Share capital

Share capital is the nominal value of the issued shares.

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

### 2.7 Trade liabilities

Trade payables are recognized initially at fair value and, after initial recognition, they are measured at amortized cost using the effective interest method.

In the case when the difference between the value of acc. amortized cost and the value of the amount due does not have a significant impact on the financial results of the Company, such liability is recognized in the balance sheet at cost.

### 2.8 Credits and loans

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

Loans and advances are classified as current liabilities, provided that the company does not have the unconditional right to postpone payments for at least 12 months after the balance sheet date.

### 2.9 Compound financial instruments

Compound financial instruments issued by the group comprise convertible bonds that can be converted into share capital at the discretion of the holder, the number of shares to be issued is not dependent on changes in their fair value.

With regard to financial instruments where the fair value is different from the price to pay and when that fair value is based on market data to the company recognizes the "day-one-loss" and recognized it depending on the specific transaction. In the case of issue of convertible bonds, which as a whole has been addressed to the shareholders of the Company's day-one-loss is recognized in equity.

A liability and a compound financial instrument is recognized initially at the fair value of a similar liability that is not related conversion option into shares. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any possible directly attributable transaction costs are taken into account in the valuation of liability and equity components in proportion to their initial carrying amounts.

Following initial recognition, the liability component compound financial instrument is recognized at amortized cost using the effective interest rate. Equity component of compound financial instrument is not subject to valuation after the first frame until conversion or expiry. The equity component is also wbudownym derivative that at the balance sheet is measured at fair value through profit or loss.

(All amounts in PLN thousands unless otherwise stated )

## Notes to the financial statements

### 2.10 Embedded derivatives

In the case of the acquisition of a financial instrument that includes an embedded derivative, and the whole or part of the cash flows of the financial instrument vary in a way similar to that built-in derivative instrument itself, the embedded derivative is recognized separately from the host contract. This occurs when the fulfillment of the following conditions:

- A financial instrument is not classified as assets held for trading or available for sale, the revaluation results are recognized in the income or loss for the period,

- The nature of the embedded instrument and the related risks are not closely related to the nature of the host contract and the risks resulting from it,

- A separate instrument with the same characteristics as the embedded derivative would meet the definition of a derivative,

- It is possible to reliably determine the fair value of the embedded derivative.

Embedded derivatives are recognized in a similar way as other derivatives that are not designated as hedging instruments.

An embedded derivative are recognized as assets or liabilities at fair value through profit or loss.

### 2.11 Deferred income tax

Deferred tax recognized in full using the balance sheet liability method, due to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements and tax losses. However, if the deferred income tax was raised from the initial recognition of an asset or liability in a transaction other than a business combination and that affects neither the profit nor the taxable income (tax loss), do not recognize it. Deferred income tax is determined using enacted or substantively enacted at the balance sheet date rates (and laws), that are expected to apply when the related realization of deferred tax assets or settle such liabilities.

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 compensation.

### 2.12 Employee benefits

a) Reserve Retirement
CPD Company pays contributions to the Polish pension system, according to current indicators odnoszonych the gross salary for the duration of employment (state pension scheme). National pension scheme is based on a pay-as-you-go, ie CPD Company is only required to pay fees at the time of the due date calculated in relation to the remuneration rate, and when the Company ceases to employ members of the state pension scheme, it is not required to payment of any additional benefits. National pension scheme is a defined contribution system. The cost of premiums is recognized in profit or loss in the same period in which the expense is recognized for its related remuneration.

In accordance with rule are not created on the reserve pension will be covering the admission fee in accordance with the code. Potential reserves would not have significant impact on the financial statements. In the event of their occurrence will be done on a cash basis.

b) Share-based remuneration
The company runs a program in the form of wages subscription warrants entitling to purchase shares at a preferential price. The program is certified as an equity-settled. The fair value of employee services received in exchange for the grant of warrants is recognized as an expense and amortized over the vesting period. At the same time, the Company recognizes a corresponding increase in reserves.
Unit at each balance sheet revises its estimates of the number of warrants that are przewydywane for implementation. Impact of the revision of original estimates, if it exists, is recognized in profit or loss with a corresponding adjustment to equity.

(All amounts in PLN thousands unless otherwise stated )

## Notes to the financial statements

### 2.13 Provisions

Provisions are recognized when the Company has a legal CPD or constructive obligation as a result of a past event and it is probable that an outflow of resources will be required to comply with this obligation, and its size can be estimated reliably

If there are a number of similar obligations, the likelihood of an outflow of resources in order to meet with them shall be determined in respect of the category of obligations as a whole. A provision is recognised even if there is a low probability of an outflow of resources in relation to a position the category. The amount of the reserves shall be shown in the current value of inputs, which is expected to be required to settle the obligation.

### 2.14 Revenue recognition

Sales revenue is reported in the fair value of the consideration received or receivable from the sale of services in the ordinary course of business. Revenues are presented net of tax on goods and services. Proceeds from the sale are recognised in the period in which they were made.

### 2.15 Other income

Interest income in arrears are recognised using the effective interest rate if they get is not questionable. Dividend income is recognised when the right to receive payment is established shall be.

*(a) Rental income*

Rental income under operating leases are recognized straight-line basis over the lease term. Granted special offers are recognized as an integral part of the revenue from the lease. They are recognized in the income statement over the lease term straight-line basis as a reduction of revenue from the lease.

*(b) Services related to the hiring and management services*

Fees for services related to leasing and management services are recognized in the period in which the services were performed.

*(c) Revenues from the sale of residential and office*

Revenues from the sale of a residential and office are recognized when transferred to the buyer the significant risks and benefits (transfer of ownership) resulting from the Company's property, provided that the CPD Group has obtained a valid license to use.

Advances received related to pre-sale of real estate of a housing are deferred until you meet the criteria for revenue recognition.

*(d) Cost of inventories sold*

Cost of sales is recognized in the amount of the total capitalized cost of inventories sold.

Construction costs associated with unsold products are capitalized on inventories as work in progress or finished goods, depending on the severity. In a situation where it is expected that inventories produced CPD Group will realize a loss is recognized immediately as an expense. Inventories related to units sold are recognized as cost of sales in the same period in which the sale occurred.

*(e) Interest income*

Interest income is recognized using the effective interest rate.

### 2.16 Costs

Operating costs fully burden profit or loss of the company with the exception of those which relate to subsequent reporting periods and in accordance with the principle of preservation of the adequacy of the revenues and expenses, related to accrued expenses.

Operating expenses fully charged to financial result of the Company except for those which relate to subsequent periods and in accordance with the principle of conservation of matching revenues and expenses are recognized in accrued expenses.

Other operating expenses directly related to the property that do not include general and administrative costs, are expensed as incurred.

Revenues from services invoiced to tenants and the associated costs of providing these services are reported separately because the CPD Group does not act as agent.

(All amounts in PLN thousands unless otherwise stated )

## Notes to the financial statements

### 2.17 Interest costs

The cost of funding from interest income is recognised in the item "financing costs" in the financial result, based on the effective interest method.

### 2.18 Foreign currencies

The financial statements are presented in Polish zloty (PLN), which is the functional currency and presentation currency of the Group CPD.

Transakcje w walutach obcych są przeliczane na PLN za pomocą kursów walutowych obowiązujących na dzień transakcji lub z dnia wyceny, jeżeli dane pozycje są wyceniane.

At the balance sheet date, assets and liabilities which are subject to valuation shall be converted into EUR at the exchange rate for the currency set medium on this day by the Polish National Bank.

Exchange differences arising from foreign currency transactions and the monetary valuation of assets and liabilities at the balance sheet date are presented as income persaldo or financial costs.

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

## 3 Financial risk management

### 3.1 Financial risk factors

The activities carried out by the company puts on her CPD many different types of financial risks: market risk (including: the risk of changes in exchange rates or cash flows as a result of changes in interest rates), credit risk and liquidity risk. Financial risks are associated with the following financial instruments: loans received and granted trade duties, the remaining claims, cash equivalents, Payables trade and other payables. The accounting policy relating to the above financial instruments is described in note 2. The General Programme Of CPD for risk management focuses on the unpredictability of financial markets, in an effort to minimize potential adverse effects on the financial results of the CPD Company.

*(a) market risk*

(i) the risk of exchange rate changes

The company is exposed to the risk of fluctuation due to changes in balances in currencies other than LCY of the parties involved. This risk applies to loans and debts and receivables that are denominated in euro. Exchange rate changes risk arises when future transactions relating to financing of the received/transferred or included assets and liabilities are denominated in a currency other than the functional currency of the entity.

As of 31.12.2015, the Company did not have any debts balances denominated in foreign currencies and as a result was not significantly exposed to currency exchange risk.

| | December, 31 2015 | December,31 2014 |
|---|---|---|
| Loans in EUR | 1 848 | 1 769 |
| Assumed change in PLN/EUR exchange rate | +/-1% | +/-1% |
| The result of changes in interest income | 18 | 18 |
| Tax shield | 4 | 3 |
| Effect on net profit/(loss) | 15 | 14 |

| | December, 31 2015 | December,31 2014 |
|---|---|---|
| Receivables in EUR | 848 | 0 |
| Assumed change in PLN/EUR exchange rate | +/-1% | +/-1% |
| The result of changes in interest income | 8 | 0 |
| Tax shield | 2 | 0 |
| Effect on net profit/(loss) | 7 | 0 |

(All amounts in PLN thousands unless otherwise stated )

## Notes to the financial statements

| | December, 31 2015 | December,31 2014 |
|---|---|---|
| Liabilities in EUR | 38 040 | 42 880 |
| Assumed change in PLN/EUR exchange rate | +/-1% | +/-1% |
| The result of changes in interest income | 380 | 429 |
| Tax shield | 72 | 81 |
| Effect on net profit/(loss) | 308 | 347 |

The CPD Board of Directors on a regular basis keeps track of currency fluctuations and acts according to the situation. Hedging activities shall be subject to regular assessment in order to adapt to the current situation, interest rates and a specific willingness of risk. Currently, the company is not involved in any transaction the CPD, however this can be changed if, on the basis of the judgment of the Board, this will be required.

*(b) risk of changes in cash flows due to changes in interest rates*

Interest rate risk is the risk to which it is exposed, resulting from changes in market interest rates. In the case of the risk of changes in interest rates associated with loans and those loans (Note 4 and note 11). Loans and variable-yield obtained at the risk of fluctuations in the Company compromise future cash flows. The company does not protect against changes in interest rates. The Board constantly monitors fluctuations in interest rates and running up to the situation.

Trade and other receivables and payables are interest-free with a maturity of up to 1 year

| | December, 31 2015 | December,31 2014 |
|---|---|---|
| Loans bear interest at variable interest rates | 500 767 | 469 439 |
| Assumed interest rate change | +/-1pp | +/-1pp |
| The result of changes in interest income | 5 008 | 4 694 |
| Tax shield | 951 | 892 |
| **Effect on net profit/(loss)** | +/-4 059 | +/-3 802 |

| | December, 31 2015 | December,31 2014 |
|---|---|---|
| Borrowings bear interest at floating rates | 12 909 | 12 769 |
| Assumed interest rate change | +/-1pp | +/-1pp |
| The result of changes in interest income | 129 | 128 |
| Tax shield | 25 | 24 |
| **Effect on net profit/(loss)** | +/-105 | +/-103 |

*(c) credit risk*

Credit risk arises in the case of cash, bank deposits and for loans, trade receivables and other receivables - which includes outstanding receivables.

Cash and cash equivalents are deposited with a bank that has a high credit rating (HSBC). With respect to receivables from loans, they are all granted to related parties. Related credit risk of loans is continuously analyzed by the Board by the current control operations and evaluation of investment projects of these companies., the Company analyzes the collectability of loans granted to related parties on the basis of the net asset value of the borrowers. according to the Board of loans shown on the balance sheet is fully recoverable.

With respect to trade receivables and other receivables in the Company applicable procedures to assess the creditworthiness of the Company's customers.

*(d) liquidity risk*

Liquidity risk is the risk that arises when assets and liabilities payment periods do not overlap. This condition raises the potential profitability, but also increases the risk of loss. The company shall apply to the procedure, the CPD minimizing such losses by keeping an adequate level of cash and ongoing monitoring and forecasting cash przepływow. The company has wystarczajacą the amount of current assets to terminowanego regulate any obligations. Liquidity of the company is controlled by the Management Board on a regular basis CPD.

The nominal value of the company's liabilities, including interest:

| | December, 31 2015 | December,31 2014 |
|---|---|---|
| Loans with interest to maturity | 12 909 | 12 769 |
| Trade liabilities and other liabilities | 2 823 | 2 339 |
| | 15 732 | 15 108 |

(All amounts in PLN thousands unless otherwise stated )

## Notes to the financial statements

### 3.2 Capital management

The company's objective in managing capital is to safeguard the CPD Company's ability to continue, so that the activities of the CPD was the implementation of return for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost.

In order to maintain or adjust the capital structure, the company may change the amount of dividends declared CPD to be paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The financing structure factor reflecting the structure of the capital is calculated as net debt divided by total capital. Net debt is calculated as borrowings (including current and non-current borrowings as shown in the balance sheet), and other less cash and equivalents. Total capital is calculated as equity capital shown in the balance sheet with net debt.

Given the current global market situation of the Company's strategy is to maintain a low coefficient of financial structure so that the target does not exceed 20%

| | December, 31 2015 | December,31 2014 |
|---|---|---|
| Loans received | 12 909 | 12 769 |
| Trade liabilities and other | 68 955 | 42 880 |
| Less cash and equivalents | 2 823 | 2 338 |
| **Net borrowing** | -8 115 | -12 071 |
| Equity capital | **76 572** | **45 916** |
| **Total** | 449 332 | 401 146 |
| **The financing structure factor** | **525 904** | **447 063** |
| **Capital structure ratio** | **15%** | **10%** |

According to the plans of the Board structure of funding should not be a radical change, which would lead to cross the threshold of 20% over the next few years. Developments on the capital markets and the real estate market of the Company's strategy is to increase the coefficient of financial structure so that eventually reached 20%.

### 3.3 Significant estimates

(a) Fair value of net assets at which they have been included in the books of CPD at the time of the acquisition on 23.08.2010.

In the event of the shares in subsidiaries Buffy Holdings 1 Ltd, Lakia Enterprises Ltd and East Europe Property Financing AB, their fair value was established on the basis of the adjusted net assets method, which is an approximation of the expected future cash flows available to shareholders in respect of shares held. The value of these cash flow has been estimated, among others. based on the fair value of real estate owned by their subsidiaries and about the value of discounted future operating costs related to the operation of companies.

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

The company recognized impairment at the balance sheet date, shares in subsidiaries in relation to the values set at the moment of taking over and made a copy of the value impairment loss loans. The total amount of impairment of shares in subsidiaries made in the year of the balance sheet date amounted to 9.826 PLN thousand while the title loans PLN 44.721 thousand (notes 4, 5 and 6).

(All amounts in PLN thousands unless otherwise stated )

## Notes to the financial statements

(i) In the case of shares in subsidiaries Buffy Holdings No 1 Ltd Lakia Enterprises Ltd and their fair value was estimated based on the net assets of these companies constituting an approximation of the expected future cash flows available to shareholders in respect of shares held. A key element having a decisive impact on the value of estimated cash flows is the fair value of real estate owned subsidiaries.

Investment properties held by subsidiaries in relation to the CPD are measured at fair value using the following valuation methods:
- Land undeveloped and built houses with residential premises - valued by comparative method;
- Investment properties in which there are significant revenues from rent (3 office buildings located in Warsaw) - are measured in the investment;
- Investment land located in Warsaw's Ursus district, which, according to the local spatial development plan is intended for realization of building residential - commercial - measured on a residual;
- Investment land located in Warsaw's Ursus district, which, according to the local spatial development plan is intended for development purposes and public investment land located in the village of Wolbórz - measured by the comparative method.

As at 31 December 2015. Net value of interests in subsidiaries Buffy Holdings No1 Ltd, Celtic Investments Limited and Lakia Enterpises was zero and has not changed compared to the same period of the previous year (to determine the level of impairment loss in value of the shares at 31.12 .2015 in individual companies was conducted in accordance with the above-described approach and it was the same as the approach adopted on 31.12.2014). Information on shares in subsidiaries are presented in note 5.

(ii) At the same time the balance sheet date, the Company analyzes the recoverability of receivables from loans granted to subsidiaries. Analysis of the evaluation of recoverability is based on the net assets of the individual subsidiaries, which are creditors in relation to the CPD. The level of net assets of subsidiaries owning property valued at fair value shows the possible to be generated by the company cash that could be used to pay off their debts on loans taken out from the CPD. CPD determine the level of impairment in relation to companies that exhibit at the balance sheet date, the negative net asset value. The Company believes that due to the negative net asset value of these subsidiaries there is a real risk that these companies will not be able to fully repay the borrowing.

As at 31 December 2015. Company assessed the recoverability of loans granted to subsidiaries and based on analysis undertaken decided to dissolve the impairment loss in the amount of PLN 118 million compared to 31.12.2014. The decision to terminate the write-down was a consequence of the positive changes in net assets of subsidiaries, the CPD provides loans and was mainly related to the increase in the fair value of investment property held by the company. Information on loans granted to related entities is presented in note 4.

(c) Determining the fair value of embedded derivatives

On September 26, 2014 r., the company issued bonds addressed to existing shareholders. Financial data relating to bonds issued, is presented in note 14 (inn sf one.) On September 26, 2014 r., the company issued bonds addressed to existing shareholders. Financial data relating to bonds issued, is presented in note 14 (inn sf one.) To the financial statements. Issued bonds have embedded derivative in the form of the possibility of conversion of bonds into shares at a fixed rate of 4.38 PLN per share, since the bond was issued in another currency (EUR) than the functional currency (PLN) of the company, built a derivative component, contained both CAP currency, in the form of converting the value of the shares received, the rate of conversion is not higher than 1 EUR = 4.1272 PLN.

The fair value of the embedded derivative component, was estimated within level 2, by a combination of two methods: binomial trees, in the part concerning the development of the share price, and the method monte carlo, on the analysis of exchange rate volatility.

The assumptions underlying the valuation model:
- Correction curve discounting the credit risk of the issuer - 8%
- Volatility of the issuer's shares - 58.9% - value was calculated based on historical market quotes CPD SA
- Fixed rate of conversion of bonds into shares - 4.38 PLN
- Reduction of the exchange rate 1 EUR = 4.1272 PLN
- The possibility of conversion of bonds into shares in the period from 2015-09-26 to 5 days prior to the redemption date, ie. on 22-09-2017.

As at 31.12.2015 the value of liabilities due to the embedded derivative component is 11.6 million PLN and the difference between the valuation of the bonds based on the fair value model described above, and the value of the bonds with the exception of the derivative component determined at amortized cost using the effective interest rate.

(All amounts in PLN thousands unless otherwise stated )

## Notes to the financial statements

| **4 Long-term receivables** | **December 31, 2015** | **December 31, 2014** |
|---|---|---|
| Long-term loans with related parties (Note 24), including: | | |
| - loan | 484 750 | 453 478 |
| - interest | 80 074 | 79 819 |
| Impairment | (43 664) | (89 781) |
| | **521 161** | **443 516** |

**Details of the loans granted to related parties 31.12.2015**

| Related party | Currency | Principal amount in PLN | Accrued interest in PLN | Interest Rate | Margin | Maturity |
|---|---|---|---|---|---|---|
| 1/95 Gaston Investments | PLN | 0 | 0 | 3M WIBOR | 1,55% | on demand |
| 2/124 Gaston Investments | PLN | 3 089 | 399 | 3M WIBOR | 1,55% | on demand |
| 3/93 Gaston Investments | PLN | 2 900 | 350 | 3M WIBOR | 1,55% | on demand |
| 4/113 Gaston Investments | PLN | 6 001 | 1 035 | 3M WIBOR | 1,55% | on demand |
| 5/92 Gaston Investments | PLN | 4 068 | 417 | 3M WIBOR | 1,55% | on demand |
| 6/150 Gaston Investments | PLN | 2 491 | 341 | 3M WIBOR | 1,55% | on demand |
| 7/120 Gaston Investments | PLN | 1 678 | 228 | 3M WIBOR | 1,55% | on demand |
| 8/126 Gaston Investments | PLN | 5 315 | 607 | 3M WIBOR | 1,55% | on demand |
| 9/151 Gaston Investments | PLN | 1 092 | 149 | 3M WIBOR | 1,55% | on demand |
| 10/165 Gaston Investments | PLN | 2 007 | 177 | 3M WIBOR | 1,55% | on demand |
| 11/162 Gaston Investments | PLN | 1 292 | 152 | 3M WIBOR | 1,55% | on demand |
| 12/132 Gaston Investments | PLN | 3 530 | 452 | 3M WIBOR | 1,55% | on demand |
| 13/155 Gaston Investments | PLN | 3 416 | 409 | 3M WIBOR | 1,55% | on demand |
| 15/167 Gaston Investments | PLN | 1 914 | 189 | 3M WIBOR | 1,55% | on demand |
| 16/88 Gaston Investments | PLN | 502 | 78 | 3M WIBOR | 1,55% | on demand |
| 18 Gaston Investments | PLN | 3 316 | 331 | 3M WIBOR | 1,55% | on demand |
| 19/97 Gaston Investments | PLN | 548 | 79 | 3M WIBOR | 1,55% | on demand |
| 20/140 Gaston Investments | PLN | 624 | 93 | 3M WIBOR | 1,55% | on demand |
| Antigo Investments | PLN | 5 001 | 74 | 3M WIBOR | 1,55% | on demand |
| *Impairment on Antigo Investments loan* | | *(1 077)* | *( 74)* | | | |
| Blaise Gaston Investments | PLN | 6 342 | 743 | 3M WIBOR | 1,55% | on demand |
| Blaise Investments | PLN | 24 125 | 4 970 | 3M WIBOR | 1,55% | on demand |
| Belise Investments | PLN | 12 960 | 4 723 | 3M WIBOR | 1,55% | on demand |
| *Impairment on Belise Investments loan* | | | *0* | | | |
| Buffy Holdings No 1 Ltd | PLN | 161 846 | 32 911 | 3M WIBOR | 0,75% | on demand |
| *Impairment on Buffy Holdings loan* | PLN | *0* | *(30 652)* | | | |
| Celtic Asset Management | PLN | 30 | 0 | | | |
| *Impairment on CAM loan* | PLN | ( 3) | | | | |
| Celtic Investments Ltd | PLN | 1 801 | 47 | 3M LIBOR | 0,75% | on demand |
| *Impairment on CIL loan* | PLN | *(1 746)* | *( 47)* | | | |
| Challange 18 | PLN | 161 316 | 23 890 | 3M WIBOR | 1,55% | on demand |
| Elara Investments | PLN | 2 780 | 34 | 3M WIBOR | 1,55% | on demand |
| *Impairment on Elara Investments loan* | PLN | *(2 240)* | *( 34)* | | | |
| Gaston Investments | PLN | 7 998 | 1 | 3M WIBOR | 1,55% | on demand |
| *Impairment on Gaston Investments loan* | PLN | *(2 848)* | *( 1)* | | | |
| HUB Developments | PLN | 2 423 | 126 | 3M WIBOR | 1,55% | on demand |
| *Impairment on HUB loan* | | ( 375) | *( 126)* | | | |
| Smart City | PLN | 4 | 0 | 3M WIBOR | 1,55% | on demand |
| *Impairment on Smart City loan* | | ( 4) | | | | |
| IMES | | 3 343 | 70 | | 1,55% | 26.03.2020 |
| Lakia Enterprises Limited | PLN | 50 996 | 6 999 | 3M WIBOR | 1,55% | on demand |
| *Impairment on Lakia Enterprises loan* | | *0* | *(4 436)* | | | |
| | | **476 457** | **44 703** | | | |

(All amounts in PLN thousands unless otherwise stated )

**Notes to the financial statements**

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

In 2015, the amortisation of interest on loans granted to subsidiaries in a total amounts to 12 492 tys.PLN and redemption of principal of granted loans in the total amounts to 1 060 tys.PLN.
In 2015. the company has a total reversal of the allowance for loan in the amount of 45 640 thousand. PLN (see table below). After these transactions result from investments in subsidiaries disclosed in the statement of comprehensive income amounted to PLN (24 975) thousand. PLN.

In 2014, the amortisation of interest on loans granted to subsidiaries in a total amounts to 13 480 tys.PLN and redemption of principal of granted loans in the total amounts of 5 456 tys.PLN. In addition, during the year were converted loan in the amount of 7 648 thousand PLN on equity in the company EEPF. Arising as a result of the conversion shares were acquired 100% write-down.

| | |
|---|---|
| **Status of the impairment of loans at 31.12.2014** | **110 109** |
| Impairment for 2015 | -45 965 |
| **Status of the impairment of loans at 31.12.2015** | **64 144** |

Rationale to justify the permanent impairment charges on loans are described in note 3.3.

## 5 Shares in subsidiaries

| **Name** | **Państwo** | **Udział** | **December 31, 2015** | **December 31, 2014** |
|---|---|---|---|---|
| Lakia Enterprises Ltd | Cypr | 100% | 105 000 | 105 000 |
| Impairment, the value of the shares Lakia Enterprises Ltd | | | -105 000 | -105 000 |
| Celtic Investments Ltd | Cypr | 100% | 48 000 | 48 000 |
| Impairment, the value of the shares Celtic Investments Ltd | | | -48 000 | -48 000 |
| Buffy Holdings No1 Ltd | Cypr | 100% | 184 000 | 184 000 |
| Impairment, the value of the shares Buffy Holdings | | | -184 000 | -184 000 |
| | | | **0** | **0** |

| | |
|---|---|
| **Status of the impairment of shares at 31.12.2014** | **337 000** |
| Impairment for 2015 | 0 |
| **Status of the impairment of shares at 31.12.2015** | **337 000** |

Rationale to justify the permanent impairment charges on shares are described in note 3.3.

## 6 Bonds

On March 18, 2013. the company acquired bonds issued by the company Bolzanus Limited registered in in Cyprus (bonds- 3 thousand PLN, interest on December 31, 2015 - 670 thousand PLN). Bond interest rate is 8% per annum. Maturity date falls on day 17 February 2016.

(All amounts in PLN thousands unless otherwise stated )

## Notes to the financial statements

## 7 Trade receivables and other receivables

| | December 31, 2015 | December 31, 2014 |
|---|---|---|
| Trade receivables from related parties | 60 | 74 |
| Short-term loans (related party), including: | ( 0) | 0 |
| - loan | 16 017 | 15 961 |
| - interest | 4 463 | 4 366 |
| - Impairment | (20 480) | (20 328) |
| Input VAT surplus | 45 | 9 |
| Other receivables from related parties | 942 | 0 |
| Other receivables from other parties | 16 | 16 |
| Prepaid expenses | 4 | 5 |
| **Short-term receivables** | **1 067** | **104** |

**Details of the loans granted to related parties**

| Related party | Currency | Principal amount in PLN | Accrued interest in PLN | Interest Rate | Margin | Maturity |
|---|---|---|---|---|---|---|
| Mandy Investments | PLN | 16 017 | 4 463 | 3M WIBOR | 1,55% | on demand |
| *Impairment on Mandy loan* | | *(16 017)* | (4 463) | | | |

## 8 Cash and equivalents

| | December 31, 2015 | December 31, 2014 |
|---|---|---|
| Cash in the accounts (HSBC Bank) | 8 115 | 12 071 |
| | **8 115** | **12 071** |

Cash equivalents for the purpose of reports shall include cash in bank accounts in HSBC Bank.
The maximum value of the credit risk associated with cash equal to their carrying amount.

## 9 Share capital

| | The number of shares | | Value of the shares | |
|---|---|---|---|---|
| | 31/12/2015 | 31/12/2014 | 31/12/2015 | 31/12/2014 |
| Ordinary shares (in thousands) | 32 863 | 32 863 | 3 286 | 3 286 |

As at 31 December 201 Company's shareholders were*:

| Company | Country | No. of shares | % owned capital | % posiadanych praw głosu |
|---|---|---|---|---|
| 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 | 3 701 131 | 11,26% | 11,26% |
| LP Value Ltd | British Virgin Islands | 2 005 763 | 6,10% | 6,10% |
| LP Alternative Fund LP | USA | 2 003 981 | 6,10% | 6,10% |
| Udziałowcy posiadający poniżej 5% akcji | | 5 956 727 | 18,13% | 18,13% |
| Shares total | | 32 863 203 | 100% | 100% |

* The above shareholder's structure is based on own data of CPD.

(All amounts in PLN thousands unless otherwise stated )

## Notes to the financial statements

### 9 Share capital - cont.

The share capital as at 31 December 2015. Includes 32 863 thousand. shares with a nominal value of PLN 0.10 each, including:

- 32.335.858 bearer ordinary shares of series B,
- 163.214 bearer ordinary shares of series C,
- 76.022 bearer ordinary shares of series D,
- 88.776 bearer ordinary shares of series E,
- 199.333 bearer ordinary shares of series F.

### 10 Reserve capital

| | December 31, 2015 | December 31, 2014 |
|---|---|---|
| **As at 31.12.2015** | 987 | **987** |
| | **987** | **987** |

### 11 Trade payables and other payables

| | December 31, 2015 | December 31, 2014 |
|---|---|---|
| Accrued expenses, including: | 2 154 | 2 140 |
| - provision for tax for previous years | 2 027 | 2 027 |
| - provision for auditing | 127 | 113 |
| Trade payables | 572 | 52 |
| Holiday provision | 66 | 93 |
| Public-legal duties | 26 | 48 |
| Other payables | 5 | 6 |
| | **2 823** | **2 339** |

Trade liabilities are non-interest-bearing, and their payment dates fall during the year.

The estimated fair value of trade payables and other liabilities are discounted amount of expected future outflows that CPD SA pay and approximately corresponds to their book value.

### 12 Borrowings, including financial leasing

| | December 31, 2015 | December 31, 2014 |
|---|---|---|
| Loans from related parties | 12 909 | 12 769 |
| | **12 909** | **12 769** |

Loan commitments at 31 December 2015. relate to a loan received from the subsidiary Lakia Enterprises (the principal amount of 7 736 thousand PLN, interest 1 845 thousand PLN) and the loan received from the subsidiary Lakia Investments (principal amount of 3 159 thousand PLN , interest 169 thousand PLN). The interest rate on loans from a subsidiary Lakia Enterprises is 3M WIBOR + margin 0.50% of the subsidiary Lakia Investments is 3M WIBOR + margin 1.55%.

Loans from related parties will be repaid in the period from 1 to 3 years.

The loans is not secured.

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

| | December 31, 2015 | December 31, 2014 |
|---|---|---|
| Long-term loans | 12 909 | 12 769 |
| | **12 909** | **12 769** |

(All amounts in PLN thousands unless otherwise stated )

## Notes to the financial statements

## 13 Bonds issued

| | December 31, 2015 | December 31, 2014 |
|---|---|---|
| a) Bonds A series | | |
| Face value of convertible bonds issued on 26 September 2014 | 22 966 | 22 966 |
| Capital part | 27 909 | 27 909 |
| Debt part on the initial recognition date of 26 September 2014 | **50 875** | **50 875** |
| Cost of accrued interest | 2 967 | 623 |
| Valuation at the reporting date | 472 | 476 |
| Valuation of the embedded derivative | (16 273) | (9 094) |
| Total value of the bond as at 31 December 2015 | **38 040** | **42 880** |

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

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

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

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

(All amounts in PLN thousands unless otherwise stated )

## Notes to the financial statements

| | December 31, 2015 | December 31, 2014 |
|---|---|---|
| b) Bonds B series | | |
| Nominal value on 13 January 2015 | 29 552 | 0 |
| Cost of accrued interest | 2 633 | 0 |
| Interest paid | (1 354) | 0 |
| Valuation of the embedded derivative | 84 | 0 |
| Derivative as at 31 December 2015 | **30 915** | **0** |

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

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

## 14 Deferred income tax

**Deferred tax liabilities**

| | |
|---|---|
| **As at January 1, 2014** | **15 237** |
| Accrued interest on loans | 3 002 |
| Accrued interest on bonds | 82 |
| Exchange differences | 45 |
| **As at December 31, 2014 - before compensation** | **18 366** |
| Compensation of the deferred tax asset | (18 366) |
| **As at December 31, 2014 - after compensation** | **0** |
| Accrued interest on loans | (2 378) |
| Accrued interest on bonds | 127 |
| Exchange differences | 9 |
| **As at December 31, 2015 - before compensation** | **16 124** |
| Compensation of the deferred tax asset | (16 124) |
| **As at December 31, 2013 - after compensation** | **0** |

(All amounts in PLN thousands unless otherwise stated )

## Notes to the financial statements

**Deferred income tax**

| | |
|---|---|
| **As at January 1, 2014** | **15 237** |
| Impairment of loans - part of the activated | 2 552 |
| Accrued interest on borrowings | 334 |
| Accrued interest on bonds | 119 |
| Reserves for costs | 21 |
| Holiday provision | 18 |
| Exchange differences | 85 |
| **As at December 31, 2014 - before compensation** | **18 366** |
| Compensation of deferred tax provision | (18 366) |
| **As at December 31, 2014 - after compensation** | **0** |
| Impairment of loans - part of the activated | (3 562) |
| Reserves for costs | 24 |
| Holiday provision | 13 |
| Accrued interest on borrowings | 383 |
| Accrued interest on bonds | 816 |
| Exchange differences | 84 |
| **As at December 31, 2015 - before compensation** | **16 124** |
| Compensation of deferred tax provision | (16 124) |
| **As at December 31, 2013 - after compensation** | **0** |

**Unrecognised deferred tax assets**

| At the balance sheet date are not included the following deferred tax assets | **12 months ended December 31, 2015** | **12 months ended December 31, 2014** |
|---|---|---|
| Unrecognised asset impairment of shares in subsidiaries | 64 030 | 64 030 |
| Not activated due to an impairment loss on loans | 0 | 26 766 |
| Unrecognised asset in respect of tax losses | 2 121 | 2 165 |
| **Unrecognised deferred tax asset** | **66 151** | **92 961** |
| | | |
| **Tax losses for the years:** | **11 165** | **10 631** |
| 2015 | 923 | 0 |
| 2014 | 8 983 | 8 963 |
| 2013 | 682 | 682 |
| 2012 | 167 | 167 |
| 2011 | 410 | 819 |

| **Expiration of tax losses** | **2016** | **2017** | **2018** | **2019** | **2020** |
|---|---|---|---|---|---|
| | 410 | 167 | 682 | 8 983 | 923 |

(All amounts in PLN thousands unless otherwise stated )

## Notes to the financial statements

### 15 Revenue from sales

| | 12 months ended December 31, 2015 | 12 months ended December 31, 2014 |
|---|---|---|
| Proceeds from sales: | | |
| -domestic sales | 447 | 621 |
| | **447** | **621** |

### 16 Administrative costs

| | 12 months ended December 31, 2015 | 12 months ended December 31, 2014 |
|---|---|---|
| Consulting services and remuneration of the auditor | 505 | 540 |
| Remuneration, including: | 945 | 1 026 |
| - the cost of salaries | 945 | 1 026 |
| Non deductible VAT | 167 | 178 |
| Other costs, including: | 552 | 451 |
| - transport | 82 | 44 |
| - taxes | 9 | 8 |
| - office expenses | 420 | 321 |
| | **2 169** | **2 195** |

### 17 Other operating income

| | 12 months ended December 31, 2015 | 12 months ended December 31, 2014 |
|---|---|---|
| Release od provisions | 0 | 1 |
| | **0** | **1** |

### 18 Other operating costs

| | 12 months ended December 31, 2015 | 12 months ended December 31, 2014 |
|---|---|---|
| Write off of receivables | 30 | 133 |
| | **30** | **133** |

### 19 Interest income on loans

| | 12 months ended December 31, 2015 | 12 months ended December 31, 2014 |
|---|---|---|
| Interest income from loans | | |
| -Interest from related parties (Note 24) | 15 294 | 18 047 |
| | **15 294** | **18 047** |

(All amounts in PLN thousands unless otherwise stated )

## Notes to the financial statements

## 20 Financial income and expenses

| | 12 months ended December 31, 2015 | 12 months ended December 31, 2014 |
|---|---|---|
| Interest income: | **303** | **263** |
| -Bank interest | 0 | 0 |
| -Interest on bonds | 240 | 240 |
| -Interest on deposits | 63 | 23 |
| Other financial income | 847 | 416 |
| Financial income from the valuation of the embedded derivative | 7 180 | 9 094 |
| Net exchange differences | 169 | 0 |
| **Financial income** | **8 499** | **9 773** |
| | | |
| Interest costs: | | |
| -Interest from related parties (Note 24) | 284 | 306 |
| -Interest on bonds | 4 932 | 620 |
| - Remuneration for guarantees made to CPD S.A. to pay off bonds serie B | 500 | 0 |
| - Other costs | 84 | 270 |
| Net exchange differences | 0 | 82 |
| **Financial costs** | **5 800** | **1 278** |

## 21 The effective tax rate

| | 12 months ended December 31, 2015 | 12 months ended December 31, 2014 |
|---|---|---|
| **Profit (Loss) before taxes** | **48 186** | **115 656** |
| Tax rate | 19% | 19% |
| **Income tax rate 19%** | **(9 155)** | **(21 975)** |
| Accrued interest on loans | 2 906 | 0 |
| Impairment value of loans receivable | 8 733 | 21 288 |
| Interest redeemed | (2 373) | |
| Not included the assets in respect of tax losses | ( 175) | (1 449) |
| Accrued interest on bonds | ( 680) | 0 |
| Valuation - derivative | 1 364 | 1 728 |
| Interest paid on loans | ( 455) | 0 |
| Other | ( 165) | 408 |
| | **0** | **0** |

## 22 Cash flow from operating activities

| | 12 months ended December 31, 2015 | 12 months ended December 31, 2014 |
|---|---|---|
| Profit/loss before tax | 48 186 | 115 656 |
| Adjustments for: | | |
| – exchange differences | (7 090) | (8 965) |
| – depreciation | 6 | 5 |
| – interest costs | 5 260 | 929 |
| – interest income | (15 598) | (18 264) |
| – impairment of shares | | 0 |
| – impairment of loans | (45 641) | (109 784) |
| – waiver of loans | 1 060 | 5 456 |
| – waiver of interest of loans | 12 492 | 13 480 |
| Changes in working capital: | | |
| - changes in receivables | ( 962) | 38 |
| - change in trade liabilities and other | 484 | 218 |
| | **(1 803)** | **(1 231)** |

(All amounts in PLN thousands unless otherwise stated )

## Notes to the financial statements

## 23 Commitments and guarantees secured by the assets of the unit

In the reporting year 2015 the company with Celtic Group - a subsidiary Belise Investments Sp. o.o. as the borrower and the CPD SA as a guarantor - were a party to the loan agreement with Bank Zachodni WBK SA The value of the debt obligation as of 31.12.2015 amounted to 77 458 thousand PLN.

Under the terms of the contract (including the signed annexes) the final repayment of the loan is 31 May 2021.

Company CPD SA is the guarantor of due and outstanding payments on the loan described above and submitted to execution as the obligation to pay the Bank Zachodni WBK and / or borrower of the following amounts:

Guarantee 1 to a maximum amount of EUR 20,666,000 related to amounts which are or may be required to cover any overruns of budgeted project costs and shortfalls of the borrower threatening the timely financing of the project and the timely completion of the project.

Guarantee 2 to a maximum amount of EUR 20,666,000 related to amounts which are or may be required to cover the debt service or any other due payments due for payment to the bank by the borrower.

In addition, in January 2015, the company CPD SA issued bonds totaling PLN 30 million. In this respect, the company CPD SA submitted to execution as the obligation to pay a sum of money to the amount of PLN 45 million.

Since December 2015, the Group companies Celtic - a subsidiary of Smart City Sp. o.o. Sp.k. as the borrower and the CPD SA as a guarantor - are party to the loan agreement with Bank Zachodni WBK SA to finance the construction project of residential, multifamily Ursa Smart City, at the intersection of ul. Hennela and Dyrekcyjna in Warsaw's Ursus district. The guarantor is obliged to provide a corporate guarantee for each of the Phase ensuring provision of Borrower additional funds equivalent to at least 10% of the net cost of the Project, in order to:
(A) costs and expenses of the phases, in the case of exceeding the budget of the Project; or
(B) the costs and expenses of the phases, when it is not possible for them to funding the Loan, and while there is a lack of Available Funds, which could be used for this purpose
Net costs of the Project amounts to 56 765 thousand. PLN for Phase I and 51 812 thousand. PLN for Phase II.

The fair value of the property covered by mortgages to secure loans have been shown below:

| | **December 31, 2015** |
|---|---|
| IRIS | 101 850 |
| Ursa Smart City | 37 230 |
| | **139 080** |

## 24 Related party transactions

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

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

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

| **a)Transactions with key management personnel** | **12 months ended December 31, 2015** | **12 months ended December 31, 2014** |
|---|---|---|
| Remuneration of members of the Board of Directors | 212 | 240 |
| Remuneration of members of the Supervisory Board | 308 | 239 |

(All amounts in PLN thousands unless otherwise stated )

## Notes to the financial statements

**b) Transactions with subsidiaries**

| | | |
|---|---|---|
| Revenues | | |
| *Smart City (prev. 1/95 Gaston Investments)* | 0 | 84 |
| *2/124 Gaston Investments* | 97 | 82 |
| *3/93 Gaston Investments* | 88 | 77 |
| *4/113 Gaston Investments* | 189 | 218 |
| *5/92 Gaston Investments* | 112 | 95 |
| *6/150 Gaston Investments* | 78 | 68 |
| *7/120 Gaston Investments* | 51 | 48 |
| *8/126 Gaston Investments* | 155 | 140 |
| *9/151 Gaston Investments* | 33 | 31 |
| *10/165 Gaston Investments* | 54 | 40 |
| *11/162 Gaston Investments* | 39 | 34 |
| *12/132 Gaston Investments* | 108 | 98 |
| *13/155 Gaston Investments* | 103 | 99 |
| *15/167 Gaston Investments* | 58 | 51 |
| *16/88 Gaston Investments* | 15 | 13 |
| *18 Gaston Investments* | 102 | 80 |
| *19/97 Gaston Investments* | 17 | 16 |
| *20/140 Gaston Investments* | 19 | 18 |
| *Antigo Investments* | 164 | 192 |
| *Blaise  Gaston Investments* | 184 | 141 |
| *Blaise Investments* | 820 | 1 037 |
| *Belise Investments* | 1 501 | 1 660 |
| *Buffy Holdings No1 Ltd* | 4 074 | 4 606 |
| *Celtic Asset Management* | 0 | 45 |
| *Celtic Investments Ltd* | 13 | 16 |
| *Challange 18* | 5 473 | 6 813 |
| *East Europe Property Financing AB* | 0 | 67 |
| *Elara Investments* | 109 | 130 |
| *Gaetan Investments* | 0 | 279 |
| *Gaston Investments* | 293 | 898 |
| *Hub Developments* | 80 | 94 |
| *Lakia Enterprises Ltd* | 1 509 | 1 085 |
| *Mandy investments* | 534 | 660 |
| *IMES* | 70 | 0 |
| *Robin Investments* | 0 | 70 |
| Costs | | |
| *Lakia Investments* | 105 | 64 |
| *Lakia Enterprises Ltd* | 179 | 243 |
| *Smart City (prev. 1/95 Gaston Investments)* | 0 | 3 174 |
| *CAM* | 0 | 1 120 |
| *Robin Investments* | 0 | 1 163 |
| *Elara* | 535 | 0 |
| *Gaetan* | 0 | 2 331 |
| *Gaston* | 525 | 0 |
| *Smart City (prev. 1/95 Gaston Investments)* | 0 | 100 |
| *Antigo* | 539 | 0 |
| *Belise* | 1 480 | 275 |
| *Blaise* | 265 | 750 |
| *CAM* | 0 | 125 |
| *CH18* | 9 120 | 7 870 |
| *Elara* | 117 | 380 |
| *Gaston* | 385 | 315 |
| *HUB* | 149 | 100 |
| *Mandy* | 437 | 695 |
| *Robin* | 0 | 240 |
| *Smart City (prev. 1/95 Gaston Investments)* | 0 | 300 |

(All amounts in PLN thousands unless otherwise stated )

## Notes to the financial statements

| | | |
|---|---|---|
| Liabilities | | |
| *Lakia Enterprises Ltd* | 9 581 | 9 546 |
| *Lkia Investments* | 3 328 | 3 223 |
| Receivables | | |
| *1/95 Gaston Investments* | 0 | 20 |
| *2/124 Gaston Investments* | 3 488 | 2 528 |
| *3/93 Gaston Investments* | 3 250 | 2 151 |
| *4/113 Gaston Investments* | 7 036 | 6 117 |
| *Odpis on loan 4/113 Gaston Investments* | 0 | 0 |
| *5/92 Gaston Investments* | 4 485 | 2 672 |
| *6/150 Gaston Investments* | 2 832 | 2 244 |
| *7/120 Gaston Investments* | 1 906 | 1 388 |
| *8/126 Gaston Investments* | 5 922 | 4 149 |
| *9/151 Gaston Investments* | 1 241 | 901 |
| *10/165 Gaston Investments* | 2 184 | 1 122 |
| *11/162 Gaston Investments* | 1 444 | 967 |
| *12/132 Gaston Investments* | 3 982 | 2 824 |
| *13/155 Gaston Investments* | 3 825 | 2 786 |
| *15/167 Gaston Investments* | 2 103 | 1 393 |
| *16/88 Gaston Investments* | 580 | 420 |
| *18 Gaston Investments* | 3 647 | 2 629 |
| *19/97 Gaston Investments* | 627 | 465 |
| *20/140 Gaston Investments* | 717 | 533 |
| *Antigo investments* | 5 075 | 5 180 |
| *Impairment on loan Antigo Investments* | (1 151) | ( 263) |
| *Blaise Gaston Investments* | 7 085 | 4 237 |
| *Blaise Investments* | 29 095 | 29 493 |
| *Belise Investments* | 18 532 | 39 435 |
| *Impairment on loan Belise Investments* | 0 | (6 237) |
| *Buffy Holdings No1 Ltd* | 194 757 | 166 809 |
| *Impairment on loan Buffy Holdings No1 Ltd* | (30 652) | (59 213) |
| *Celtic Asset Management* | 30 | 0 |
| *Impairment on loan Celtic Asset management* | ( 3) | 0 |
| *Celtic Investments Ltd* | 1 848 | 1 768 |
| *Impairment on loan Celtic Investments Ltd* | (1 793) | (1 632) |
| *Challange 18* | 185 206 | 197 390 |
| *Elara Investments* | 2 814 | 3 252 |
| *Impairment on loan Elara Investments* | (2 274) | (2 887) |
| *Gaston Investments* | 7 999 | 8 965 |
| *Impairment on loan Gaston Investments* | (2 849) | (3 879) |
| *Hub Developments* | 2 549 | 2 648 |
| *Impairment on loan HUB Developments* | ( 501) | ( 110) |
| *Smart City* | 4 | 0 |
| *IMES* | 3 413 | 0 |
| *Lakia Enterprises Ltd* | 57 995 | 38 486 |
| *Impairment on loan Lakia Enterprises Ltd* | (4 436) | (15 233) |
| *Mandy investments* | 20 480 | 20 328 |
| *Impairment on loan Mandy Investments* | (20 480) | (20 328) |
| **c)Transactions with other related party** | | |
| Costs | | |
| *Kancelaria Radców Prawnych Oleś&Rodzynkiewicz sp. komandytowa* | 23 | 130 |

(All amounts in PLN thousands unless otherwise stated )

## Notes to the financial statements

**d) Transactions with shareholders**

| | | |
|---|---|---|
| *Laxey- loan* | 325 | 325 |
| *Impairment on loan Laxey* | ( 325) | ( 325) |

September 26, 2014 were issued bonds that were acquired by the shareholders of CPD. Details are presented in Note 13.

## 25 Earnings (loss) per share

Earnings per ordinary share is calculated by dividing the profit (loss) of the financial year by the weighted average number of ordinary shares outstanding during the year.

The following are data on profit (loss) and shares used to calculate earnings (loss) per share:

| | **12 months ended December 31, 2015** | **12 months ended December 31, 2014** |
|---|---|---|
| Profit attributable to the shareholders | 48 186 | 115 656 |
| Weighted average number of ordinary shares (in '000) | 32 863 | 34 330 |
| Earnings per share | **1,47** | **3,37** |
| Diluted profit attributable to shareholders | 44 266 | 109 180 |
| Weighted average number of ordinary shares (in '000) | 42 654 | 36 905 |
| Diluted earnings per share | 1,04 | 2,96 |

Weighted average number of ordinary shares for 2014 has been determined taking into account the following changes in the number of shares:
a) registration of capital decrease of 25 November 2014 from 34 396 264 to 32 863 203).

For the dilution of earnings as at 31 December 2015. Influenced by the issue of CPD Company of bonds convertible into shares. At the height adjustment of the affected: the amount of interest (2.344 PLN), the valuation of bonds at the balance sheet date (-4 thousand PLN) and the valuation of the embedded derivative component (-9,011 thousand PLN). These amounts are net of income taxes that will be paid in the future.

The weighted average number of shares has been adjusted in connection with the possibility of exercising the right to convert the bonds into shares (no more than 9,791,360 shares). The weighted average number of shares amounted to 42 654 thousand.

## 26 Legal connection enterprises

As mentioned in the General information provided in connection with the acquisition of Celtic Property Developments Plc, Poen S.A. has new shares for existing shareholders of the company being acquired, and also took over the shares, which have been discontinued.

For the purposes of the settlement of the above transactions in the books of the assets seized are not Sa Poen venture as defined in IFRS 3. In accordance with the disposition of this standard this transaction was treated as the acquisition of a set of assets and liabilities in exchange for the payment of its own shares. As a consequence of the acquired assets and liabilities have been valued at their fair value at the moment of connection and in such values included in the books of the acquiring company.

As a result of the acquisition of Property Developments Plc on Celtic acquirer books (CPD S.A.) diagnosed the following amounts:

| | |
|---|---|
| Shares of subsidiaries | 337 042 |
| Loans | 491 156 |
| Other assets | 5 552 |
| Laibilities | (15 657) |
| Own shares falling as a result of the merger | 500 |
| **Acquired net assets** | **818 593** |

(All amounts in PLN thousands unless otherwise stated )

## Notes to the financial statements

| | |
|---|---|
| Issued shares | (3 483) |
| The acquisition of own shares as a result of the merger | ( 500) |
| Recognized in surplus capital | (17 967) |
| **Recognized in surplus capital** | **796 643** |

## 27 Operating segments

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

## 28 Employment in professional groups in the financial year

As at 31 December 2015 the company employed 3 employees.

## 29 Loans and other benefits granted to members of the Management Board and the supervisory bodies of commercial companies

The company in 2015 did not grant the loans and did not include any other transactions with members of the Management Board and Supervisory Board.

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

| | December 31, 2015 | December 31, 2014 |
|---|---|---|
| Remuneration paid or payable to the entity authorized to audit financial statements for the year | 194 | 200 |

## 31 Events after the balance sheet date

On March 18, 2013 the Company purchased bonds issued by Bolzanus Limited, a company based in Cyprus (face value of the bond amounts to 3 mln PLN and the accrued interest as of December 31, 2015 amounts to 670 thousand PLN). Interest rate amounts to 8% per year. Redemption date was scheduled for February 17, 2016. In March 2016 the parties agreed that the outstanding debt will be settled by transferring a part of the plot no. 119 held by Bolzanus Limited in Ursus district in Warsaw to CPD SA. Bolzanus will transfer the part that is designated for residential development according to the valid Master Plan for this area.

Elżbieta Donata Wiczkowska
*Chairman of the Board*

Colin Kingsnorth
*Board Member*

John Purcell
*Board Member*

Iwona Makarewicz
*Board Member*