CPD S.A.

HALF YEAR REPORT FOR 6 MONTHS ENDED 30 JUNE 2016

TRANSLATORS' EXPLANATORY NOTE

The following document is a free translation of the H1 2016 report of CPD S.A. published on 25 August 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. OPERATING REPORT

1. INFORMATION OF CPD CAPITAL GROUP

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

Today, CPD S.A. is the holding company controlling a group of 36 subsidiaries and one co-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. CAPITAL GROUP'S STRUCTURE

As of the day of publication hereof, the CPD Group (hereinafter referred to as "the Group", "CPD Group") was composed of a dominant entity – CPD S.A. (hereinafter referred to as "the Company") and 36 subsidiaries and one co-controlled. Development activities of the Group are conducted via investment companies, direct subsidiaries of Buffy No1 Holdings Ltd (Cyprus) and Lakia Enterprises Ltd (Cyprus). Dominant entity - CPD S.A. - coordinates and supervises the activities of subsidiaries and at the same time is the decision making centre with regard to the strategic planning. CPD S.A. performs actions aiming at optimising the operating costs of the whole Group, designs investment and marketing policies and serves as the coordinator of this activity.

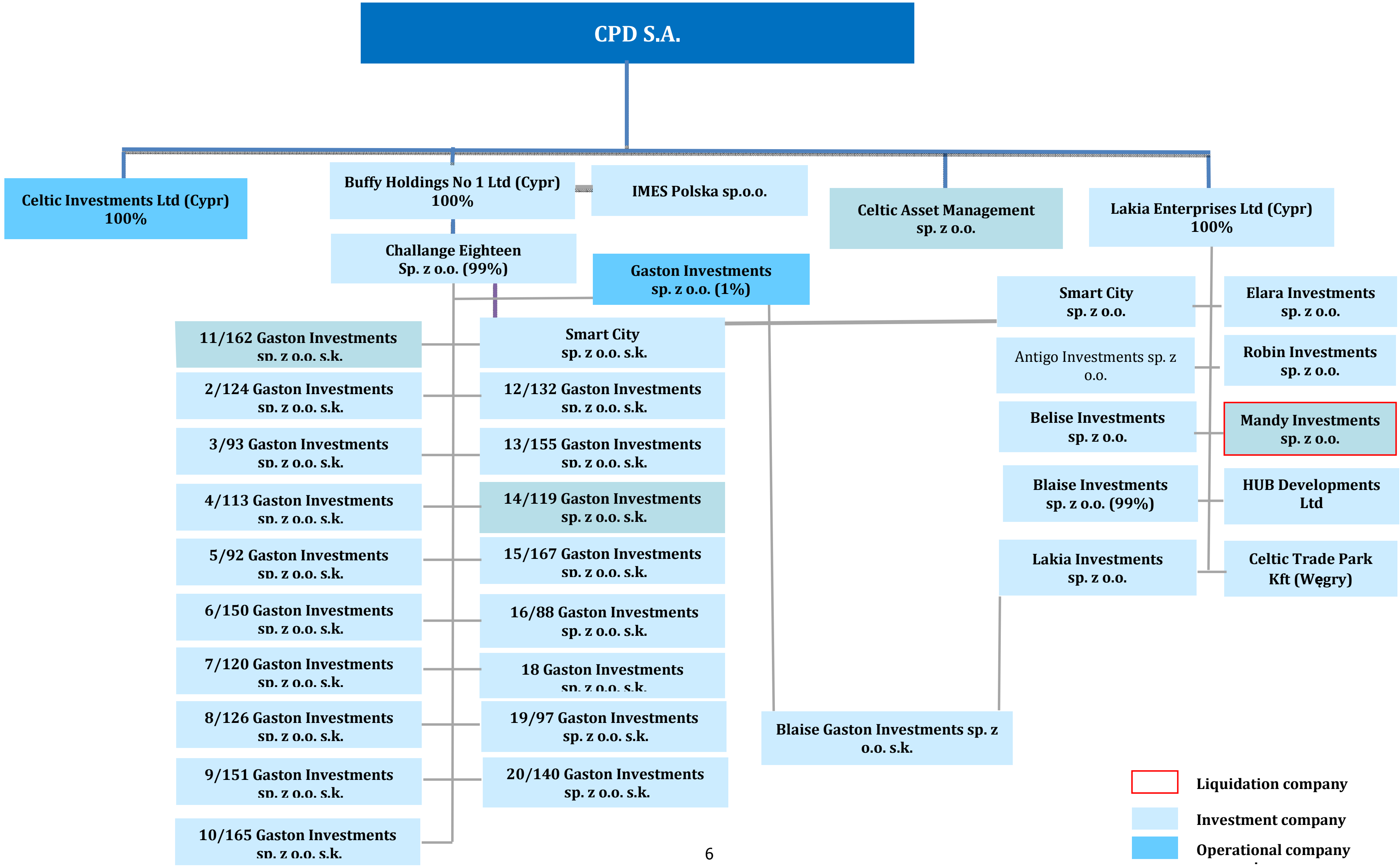
At the date of report publication, the following changes in CPD Group's structure took place:

- The process of liquidation of Celtic Asset Management Sp. o.o. was repealed by 27 April 2016. As a result of the restructuring, the company CPD SA acquired shares of Celtic Asset Management Sp. o.o., as reflected in the structure below.

- The process of liquidation of 14/119 Gaston Investments Limited Liability Company sp. k. was repealed 19 April 2016

All Group companies are consolidated by the full method, apart the company Smart City limited liability limited partnership. Correlated companies are consolidated by the equity method.

CPD Group's structure as on 30 June 2016.



3. SELECTED FINANCIAL DATA

Selected items of the consolidated statement of comprehensive income

	6 months period		
	From 01.01.2016 to 30.06.2016 (PLN ths.)	From 01.01.2015 to 30.06.2015 (PLN ths.)	*Change (%)*
Revenue	9 705	9 046	*7,3%*
Cost of sales	-1 198	-1 026	*16,8%*
Gross profit	**8 507**	**8 020**	***6,1%***
Administrative expenses - property related	*-3 354*	*-4 759*	*-29,5%*
Other administrative expenses	*-3 906*	*-6 169*	*-36,7%*
Selling and marketing costs	*-213*	*-141*	*51,1%*
Gain (loss) on disposal of investment properties	*-2 475*	*0*	-
Other income	*70*	*2 291*	*-96,9%*
Gain (loss) on revaluation of investment properties	*5 216*	*-650*	*-902,5%*
Post-tax share of the profit or loss of the joint-venture accounted for using the equity method	*308*	*-83*	*-471,1%*
Gain (loss) on disposal of subsidiaries	0	6	*-100,0%*
Profit from operations	**4 153**	**-1 485**	***-379,7%***
Finance income	4 973	6 867	*-27,6%*
Finance costs	-11 704	-7 504	*56,0%*
Profit before tax	**-2 578**	**-2 122**	***21,5%***
Income tax	-1 090	1 274	*-185,6%*
Profit for the period	**-3 668**	**-848**	***332,5%***
Earnings per share (PLN)	-0,11	-0,03	*332,5%*
Diluted earnings per share (PLN)	-0,13	-0,10	*27,5%*

In the first half of 2016 CPD Group SA recorded a gain on the sale of 8.5 million PLN. Profit on sales increased by 6.1% compared with the previous year. Note the significant improvement in the operating result. CPD Group SA posted an operating profit in the amount of PLN 4.2 million compared with an operating loss of PLN 1.5 million in the same period of 2015. However, after taking into account the financial segment profit or loss and income tax total net profit ended with a loss of 3.7 million PLN.

Among the factors that had a positive impact on the Group's results in the first half of 2016 compared to the first half of 2015, the main role was played by a positive result of revaluation of investment property in the amount of 5.2 million PLN (compared to a negative 0.65 million PLN in the first half of 2015), the decline in property maintenance costs by PLN 1.4 million and a decrease in other administrative expenses by 2.3 million PLN.

On the other hand, the main negative factor for the net results in the first half of 2016 compared to the first half of 2015 was the increase in financial expenses by PLN 4.2 million, loss on disposal of investment property in the amount of PLN 2.5 million and a decrease in financial income 1,9 million PLN.

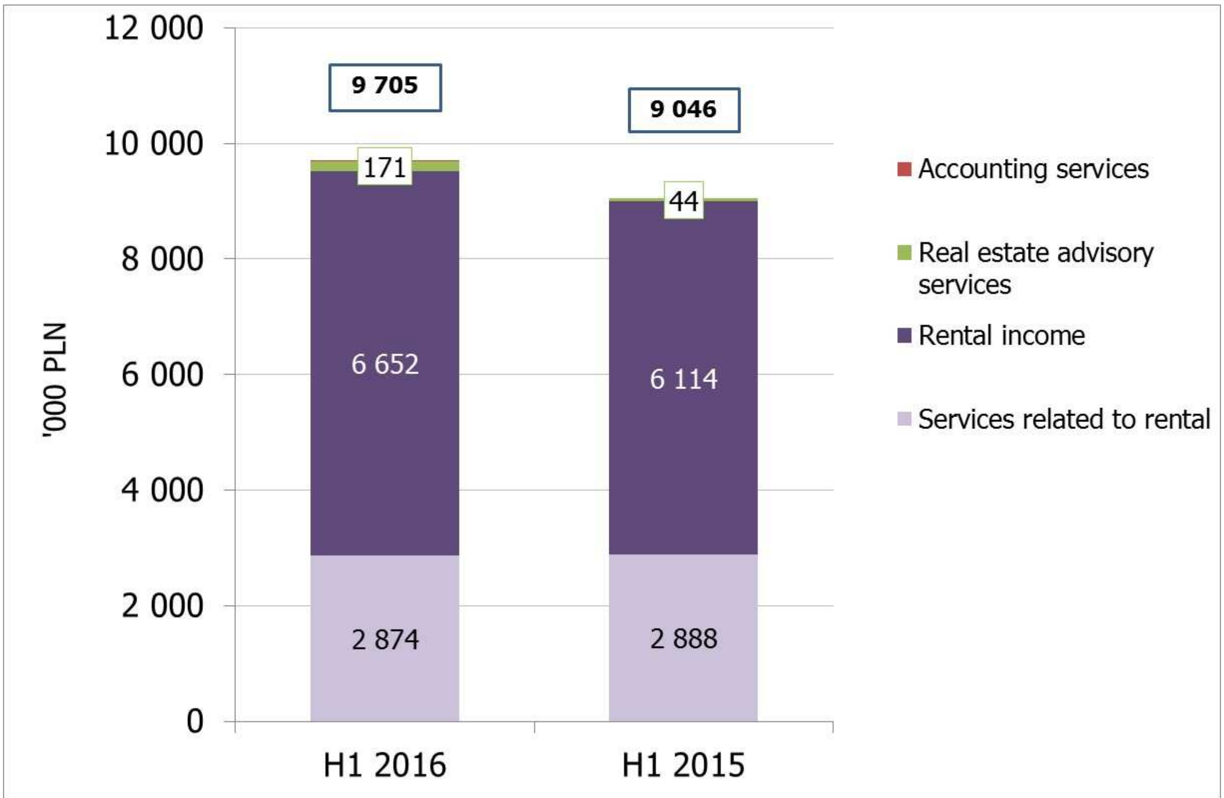
Sales revenues in the first half of 2016 amounted to € 9.7 million PLN. The largest, 69 percent share of this amount accounted for rental income. In relation to the value of the first half of the rental income amounted to PLN 6.7m to PLN 6.1m in 2015. Rental income were generated for 3 office buildings in Warsaw - building Aquarius Street Połczyńska 31A, building Solar Street Cybernetyki 7B and the building of Iris street Cybernetyki 9 the increase in rental income is due to gradual increase in the level of lease in the building Iris.

In the first half of 2016, Group provided consultancy services in real estate. These revenues amounted to 0.17 million PLN.

The increase in sales revenues of 0.7 million combined with an increase in cost of sales by PLN 0.2 million contributed to the increase in profit on sales of PLN 0.5 million (6%).

In the first half of 2016 Group has not recorded any income from the sale of stocks.

The chart below shows the structure of sales revenues in the first half of 2016 and 2015.



In the first half of 2016 Group recognized a positive revaluation of investment property in the amount of PLN 5.2 million mainly due to the weakening of the zloty against the euro. This fact had a positive effect on the final result of the net.

Also decrease administrative costs played a positive role in shaping the Group's performance.

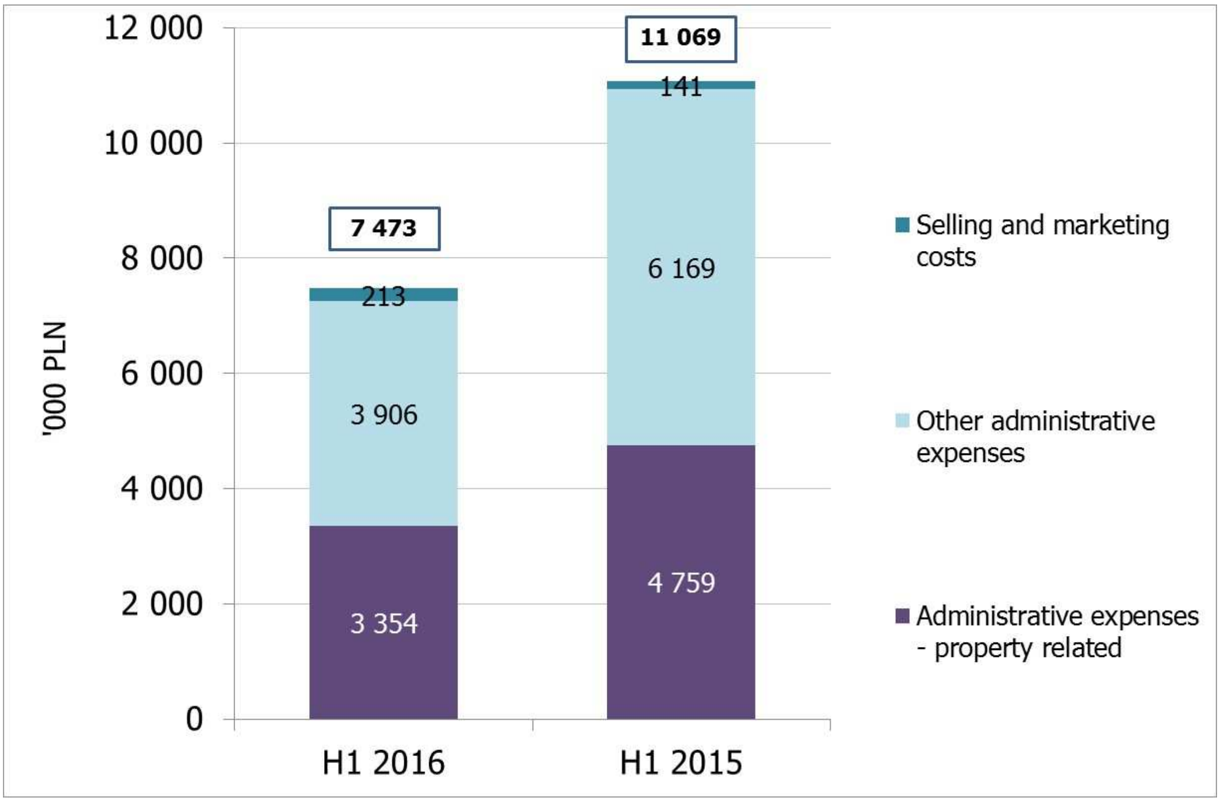
Administrative expenses decreased by 3.7 million PLN. This was due to a decrease in the cost of property maintenance, property taxes, perpetual usufruct and advisory services.

The negative impact on the final amount of the net profit of the Group had while the increase in financial expenses by PLN 4.2 million, mainly related to foreign exchange losses in the first half of 2016 amounting to 5.3 million PLN.

The decrease in financial income of 1.9 million PLN was also mainly due to exchange rate differences (in the first half of 2015 foreign exchange gains amounted to 1.7 million PLN).

Another factor that reduced the Group's results in the first half of 2016 was the sale of RWE several small plots of land designated for power infrastructure located in the district of Ursus. The Group recognized a loss on this account in the amount of 2.5 million PLN.

The chart below shows the structure of the Group's operating expenses in the first half of 2016 and 2015.



Selected items of the consolidated statement of financial position

	As at: 30.06.2016 (PLN ths.)	As at: 31.12.2015 (PLN ths.)	Change (%)
TOTAL ASSETS	**722 855**	**711 477**	**1,6%**
Non-current assets, including:	**603 734**	**667 182**	**-9,5%**
Investment properties	*572 762*	*651 094*	*-12,0%*
Investments in joint ventures accounted for using the equity method	*29 287*	*14 512*	*101,8%*
Current assets, including:	**119 121**	**44 295**	**168,9%**
Assets held for sale	*73 981*	*0*	*-*
Inventory	*5 386*	*5 296*	*1,7%*
Trade and other receivables	*23 379*	*9 256*	*152,6%*
Cash and cash equivalents	*12 673*	*26 073*	*-51,4%*
TOTAL EQUITY AND LIABILITIES	**722 855**	**711 477**	**1,6%**
Equity, including:	**447 072**	**450 831**	**-0,8%**
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*	*0,0%*
Translation reserve	*-5 402*	*-5 311*	*1,7%*
Retained earnings	*476 110*	*479 778*	*-0,8%*
Total liabilities, including:	**275 783**	**260 646**	**5,8%**
Non-current liabilities	*234 158*	*235 126*	*-0,4%*
Current liabilities	*41 625*	*25 520*	*63,1%*

At the end of June 2016 value of total assets of the Group increased slightly compared to the end of 2015 (an increase of 1.6%), among others, as a result of capital expenditures incurred. Another factor affecting the value of the Group's assets was a significant weakening of the zloty against the euro and as a result of an increase in the value of office buildings valued at 3 euros.

The value of investment property decreased due to the reclassification of several plots located in Ursus district to assets held for sale, ie assets. The value of assets increased as a result of this operation.

At the end of June 2016 the equity amounted to 447.1 million PLN, which accounted for 61.8% of the total assets of the Group, while liabilities accounted for 38.2% of total assets. These indicators have changed compared to the end of 2015 (respectively 63.4% and 36.6%).

In the first half of 2016 it has also increased the value of liabilities. This was due to the recognition of a provision for the costs of demolition work in the amount of 6.1 million PLN, entering into a short-term loan in the amount of PLN 5 million, and a significant weakening of the zloty against the euro (a significant portion of the Group's liabilities are denominated in euros). For the day of publication of consolidated financial statement Group has repaid the 5 mln loan mentioned above.

The following table shows the share of individual categories of liabilities in the balance sheet total.

	30.06.2016	31.12.2015
Liabilities to total assets	**38,2%**	**36,6%**
Non-current liabilities to total assets	**32,4%**	**33,0%**
Borrowings including finance leases	20,0%	20,3%
Bonds	8,1%	7,9%
Embedded derivative	1,0%	1,6%
Deferred income tax liabilities	3,0%	2,9%
Trade and other payables	0,3%	0,3%
Current liabilities to total assets	**5,8%**	**3,6%**
Borrowings including finance leases	1,7%	1,1%
Trade and other payables	3,4%	2,3%
Payables linked to assets held for sale	0,5%	0,0%
Bonds	0,2%	0,2%

The structure of liabilities slightly changed. The share of long-term debt in total assets fell from 33% at the end of December 2015 to 32.4% at the end of June 2016 the share of short-term debt, however, grew from 3.6% as at 31 December 2015 to 5.8% as of 30 June 2016.

4. IMPORTANT EVENTS IN THE REPORTING PERIOD

- **IRIS PROJECT AT CYBERNETYKI 9 STREET IN WARSAW**

Building Iris is a six-storey office building with a total leasable area of approximately 14.3 thousand sq.m. with 233 parking places and is the final stage of the office and residential project located at the intersection of Cybernetics and Progress in Warsaw. At the end of the half of 2015, the building is fully let.

- **COMMERCIAL LEASE OF THE SOLAR BUILDING AT CYBERNETYKI 7B STREET IN WARSAW**

This eight-storey B+ office building with an area of 5,792 sq. m. was built in 1998 and upgraded by the Group in 2008. The building is currently leased, among others, to such tenants as Berlin Chemie, Akzo Nobel, ZPUE S.A. and Medicover. As of the date of this report, the building is let in 80%.

- **COMMERCIAL LEASE OF THE AQUARIUS BUILDING AT POŁCZYŃSKA 31A STREET IN WARSAW**

Aquarius Office Park comprises: a five-storey B class office building with a total area of 5,211 sq. m., land plot for development with a valid building permit decision for an A class office building of approx. 2,500 sq. m., and land plot for development of approximately 10,000 sq. m. designated for a complex of office and warehouse buildings. The office building is currently leased to: VB Leasing, Betacom S.A., Fly Away Travel. As of the date of this report, the building is let in 89%.

- **ANNEX TO THE AGREEMENT ON THE CONSTRUCTION WORKS**

On 21 of March 2016, the company Smart City limited liability limited partnership signed an annex to the agreement on the construction works as a general contractor with UNIBEP S.A. Under the annex, Smart City commissioned UNIBEP SA implementation of the second stage of construction of a housing estate under the name of URSA - Smart City at Hennela street in Warsaw - Ursus district.

As a part of the investment will be built four residential buildings with underground garages. These buildings with a height of 7 floors above ground, there will be 357 apartments and 20 commercial units.

Deadline for completion of the second stage has been specified for the second quarter of 2017.

- **CHOICE OF AUDITOR**

On 31 of March 2016 the Supervisory Board adopted a resolution on the election of PricewaterhouseCoopers Sp. o.o. with its registered office in Warsaw, 14 Armii Ludowej, entered the list of entities authorized to audit financial statements under number 144, on the auditor authorized to:

- examine the consolidated financial statements of CPD SA for the financial year ended December 31, 2016
- examine the stand-alone financial statements of CPD SA for the financial year ended December 31, 2016
- review of the interim consolidated financial statements of CPD SA on June 30, 2016
- review of the interim financial statements CPD SA on June 30, 2016.

The agreement with PricewaterhouseCoopers Sp. o.o. will be concluded for the period necessary to carry out the work indicated therein.

- **REPEAL LIQUIDATION IN THE SUBSIDIARY OF CPD SA**

April 27, 2016, the Extraordinary General Meeting of Shareholders of Celtic Asset Management limited liability company in liquidation (subsidiary of the Company) with its registered office in Warsaw adopted a resolution on the repeal of liquidation and continued existence of the Celtic Asset Management Sp. o.o.

April 19, 2016, the Extraordinary General Meeting of Shareholders of 14/119 Gaston Investments limited liability company in liquidation (subsidiary of the Company) with its registered office in Warsaw adopted a resolution on the repeal of liquidation and continued existence of the 4/119 Gaston Investments limited liability company in liquidation

- **APPOINTMENT OF A MEMBER OF THE MANAGEMENT BOARD**

June 29, 2016, the Supervisory Board appointed Mr. Waldemar Majewski as Member of the Board of CPD SA from June 29, 2016 year.

- **REGULATING THE LEGAL STATUS OF HEATING NETWORK IN URSUS**

As a result of sale of Energetyka Ursus sp. o.o. in liquidation, which took place on the basis of the tender announced on 7th of March 2016 by the trustee, May 4, 2016, the Power Plant in Ursus was closed, which was located in close proximity to investment areas belonging to CPD S.A. As a result of acquisition of heating network by Veolia from the legal successor of Energetyka Ursus sp. z o.o. and connecting this network to district heating network, a supplier of thermal energy in the district of Ursus, including investment areas belonging to the Group CPD SA, is Veolia Energia Warszawa S.A.

Conducted technical analysis shows that for the needs of the area covered by the local zoning plan, the existing networks of heat energy functioning in Warsaw, are able to provide a safe and continuous supply of thermal energy on a competitive basis. In addition, infrastructure development, planned investments and diversification of sources and routes of supply would certainly improve the security of supply and enhance the competitiveness of the conditions for the final consumer. Aim of Veolia Energia Warszawa S.A. is to use on both stages expansion and operation of modern building technology and energy leading to energy savings, with a neutral impact on the environment.

- **SALE OF REAL ESTATE**

May 23, 2016, the companies of Issuer's subsidiaries - Challange Eighteen limited liability company sp. k. and 18 Gaston Investments sp. z o.o. signed a final sale agreement of real estate located in Ursus, precinct 2-09-09 with an area of approx. 1 ha, which consists of a plots of land registration numbers 123/13, 123/14 as well as plots of land registration numbers 156/7, 156/9, 156/11, 156/13 (property purpose in the local zoning plan is defined as the facilities and electrical equipment, areas of facilities and equipment sewage collective: in terms of drainage and waste water treatment). The property was acquired by RWE Stoen Operator sp. z o.o.

As a result of sale of Energetyka Ursus sp. z o.o. in liquidation, which took place on the basis of the tender announced March 7, 2016 by the trustee and due to the sale of the above property, after many years of efforts to introduce a reliable business partner in electricity sector in the areas owned by capital group CPD SA, RWE STOEN OPERATOR sp. z o.o. has become a major energy provider in the area.

5. FACTORS AND EVENTS OF UNUSUAL NATURE

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

6. SEASONALITY AND PERIODICITY OF THE GROUP ACTIVITIES

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

7. WRITE-DOWNS OF INVENTORIES TO FAIR VALUES

When determining the recoverable amount of inventory management considers property valuation prepared by independent valuers at 31 December 2015, taking into account possible changes in the value dictated by changes in the real estate market. In the first half of 2016 state of write-downs on inventories increased by 0.02 million PLN.

8. WRITE-DOWNS OF INVESTMENT PROPERTIES TO FAIR VALUES

In the first half of 2016 Group recorded a positive result from the revaluation of investment property to fair value in the amount of PLN 5.2 million mainly due to the weakening of the zloty against the euro. In the corresponding period of 2015 the Group's loss from the revaluation of investment property to fair value amounted to 0.65 million PLN.

9. CREATION, INCREASE, UTILISATION AND REVERSEAL OF PROVISIONS

In the first half of 2016 value of accruals increased by PLN 4 million mainly due to a provision for the cost of demolition.

10. DEFFERED TAX ASSETS AND LIABILITIES

With respect to deferred tax assets, the recoverable amount is determined based on the probability of realizing the assets in the future, taking into account the business plans of individual companies included in the consolidation. This value is determined based on management's estimates. As at 30 June 2016 the Group disclosed in the balance sheet deferred tax assets in the amount of PLN 0.42 million.

As at 30 June 2016 deferred tax liability amounted to 21.86 million PLN.

11. ACQUISITION AND SALE OF PROPERTY, PLANT AND EQUIPMENT

In the reporting period, the Group sold investment property with a book value 4.57 million PLN, which in the local master plan are defined as areas designated for facilities and equipment power, areas of facilities and equipment sewage collective. The property was acquired by RWE Stoen Operator sp. z o.o. In addition, the Group paid an advance in the amount of PLN 13.69 million for the acquisition of real estate located in Ursus district, but as a result of the agreements reached preliminary agreement has been terminated, and the date of publication of the report the amount of the advance has been recovered.

12. IMPORTANT COMMITMENTS FOR PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

Not occurred.

13. IMPORTANT SETTLEMENTS OF LAWSUITS

Not occurred.

14. PREVIOUS PERIODS ERRORS' CORRECTION

Not occurred.

15. CHANGES IN THE ECONOMIC SITUATION AND BUSINESS CONDITIONS AFFECTING THE FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES OF THE COMPANY

During the first half of 2016, there not occurred changes in the economic situation which could affect the fair value of the Group's assets and liabilities.

16. DEFAULTS ON THE LOAN OR CREDIT OR THE LOAN OR CREDIT AGREEMENT INFRINGEMENT FOR WHICH ANY REMEDIAL ACTION HAVE BEEN TAKEN TO THE END OF THE REPORTING PERIOD

Not occurred.

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

During the reporting period, the Company did not concluded transactions with related parties on terms other than the market.

18. INFORMATION ON THE CHANGES IN THE APPROACH USED TO DETERMINE THE FAIR VALUE OF FINANCIAL INSTRUMENTS

During the reporting period the Group did not make any changes in the approach used to determine the fair value of financial instruments.

19. CHANGES IN THE CLASSIFICATION OF FINANCIAL ASSETS

During the reporting period the Group did not make any changes in the classification of financial assets.

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

O Not occurred.

21. INFORMATION RELATED TO DIVIDEND

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

22. EVENTS AFTER THE DATE OF PREPARATION OF FINANCIAL STATEMENTS

July 21, 2016 Issuer's subsidiaries, ie. 2/124 Gaston Investments limited liability limited partnership, 3/93 Gaston Investments limited liability limited partnership, 4/113 Gaston Investments limited liability limited partnership, 5/92 Gaston Investments limited liability limited partnership, 6/150 Gaston Investments limited liability limited partnership, 7/120 Gaston Investments limited liability limited partnership, 8/126 Gaston Investments limited liability limited partnership, 10/165 Gaston Investments limited liability limited partnership, 11/162 Gaston Investments limited liability limited partnership, 13/155 Gaston Investments limited liability limited partnership, 15/167 Gaston Investments limited liability limited partnership, 18 Gaston Investments limited liability, 20 /140 Gaston Investments limited liability limited partnership, Challange Eighteen limited liability, Blaise

Gaston Investments limited liability limited partnership, Smart City limited liability limited partnership, entered into an agreement with the trustee acting for Energetyka Ursus limited liability company in liquidation. The trustee has committed them to pay for the subsidiaries CPD SA the amount of PLN 2 741 000 as compensation for non-contractual use of real property owned subsidiaries CPD S.A.

All the events after the publication date are performed in the note 29 of Financial statement.

23. CHANGES RELATED TO CONDITIONAL LIABILITIES OR ASSETS

August 3, 2016, the companies dependent CPD SA ie. Gaston Investments limited liability company and Challange Eighteen limited liability company entered into a conditional agreement for the sale of all rights and obligations of the limited partner and general partner in the company 14/119 Gaston Investments limited liability limited partnership. The agreement provides for the following conditions precedent to the total fulfillment of, not later than 31 December 2016.:

- repayment of the entire debt 14/119 Gaston Investments limited liability limited partnership under the loan agreements with interest to the CPD S.A
- payment of total price, in the manner and within the time specified in the agreement.

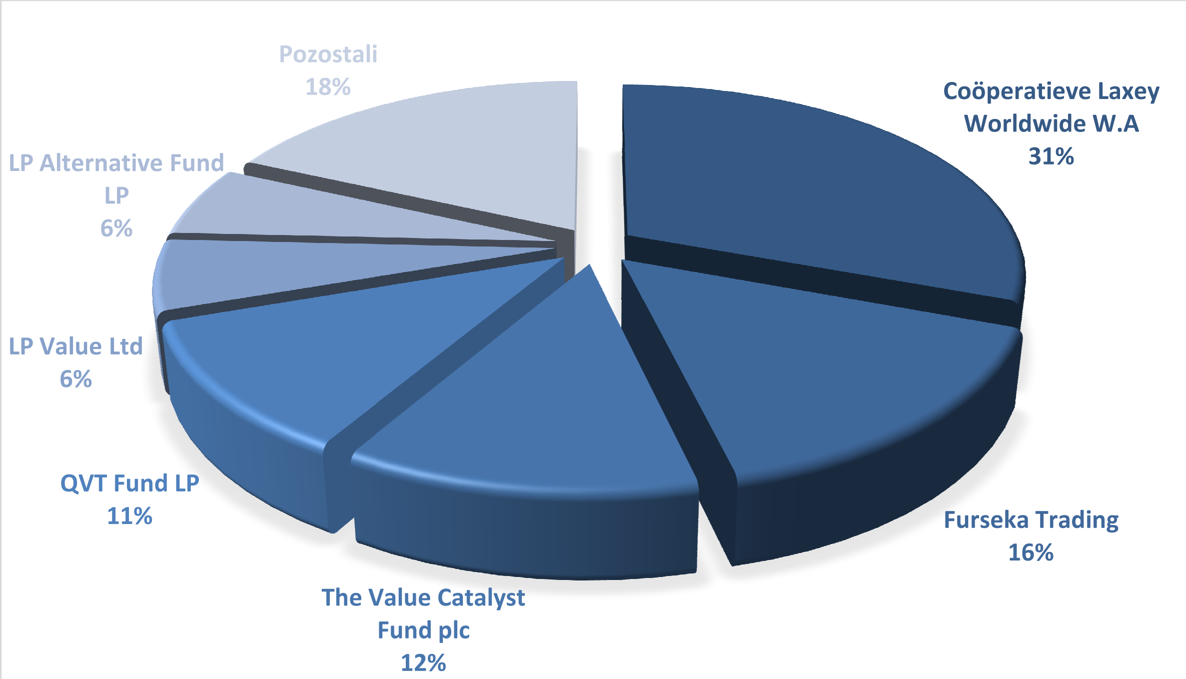
Terms of the transaction do not differ from market conditions.

24. THE MANAGEMENT BOARD'S POSITION ON THE PREVIOUSLY PUBLISHED FINANCIAL FORECASTS

Neither CPD Group nor its dominant entity – CPD S.A. – published any forecasts of financial results.

25. SHAREHOLDERS ENTITLED TO AT LEAST 5% OF VOTES AT THE GENERAL MEETING OF SHAREHOLDERS

Shareholding structure of CPD S.A.



According to the Company’s information, shareholders who own, either directly or indirectly through subsidiaries at least 5 % of the total voting power at the General Meeting of Shareholders (number of shares on the basis of notices of shareholders pursuant to art. 69 of the Act on Public Offering or the information contained in the prospectus).

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 %

26. THE COMPANY’S SHARES HELD BY THE MANAGING AND SUPERVISING PARTIES

The table below presents the Company’s shares held by the members of the Management Board performing functions in the Company’s Management Board as at the date of this report, according to the Company's information:

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	Board Member	4 734	473	0,01%	0,01%
Colin Kingsnorth	Board Member	0	0	0	0
John Purcell	Board Member	0	0	0	0
Waldemar Majewski	Board Member	0	0	0	0
Total		**47 232**	**4 723**	**0,14%**	**0,14%**

The Company has no information on the fact of holding the Company's shares by other persons being members of the managing or supervising bodies.

27. COURT, ADMINISTRATIVE AND ARBITRATION PROCEEDINGS FOR A VALUE HIGHER THAN 10% OF THE COMPANY'S EQUITY

As at the date of this report, neither CPD S.A. nor any of its subsidiaries was a party to proceedings pending at courts, bodies competent for arbitration proceedings or a public administration body, the total value of which would exceed 10% of equities of CPD S.A.

28. MAJOR LOAN AGREEMENTS, LOAN WARRANTIES AND GUARANTEES GRANTED

As at 30 June 2016 Group presents in the consolidated financial statements liabilities from loans taken out in the following banks:

- The liability for the loan granted by the bank mBank Mortgage SA in the amount of 43 062 PLN;
- The liability for the loan granted by Bank Zachodni WBK SA in the amount of 78 649 PLN

Credit agreements with mBank Hipoteczny SA were signed on 18 June 2014 and amount to a total maximum amount of credit of EUR 9.7 million for the end of June 2016. The final repayment is due in June 2029.

The loan was granted on market terms and is secured by, inter alia, through the establishment of a mortgage on investment property owned by companies Robin Investments sp. z o.o and Lakia Investments sp. z o.o. and the establishment of registered pledge on shares in the share capital of these companies.

With regard to the loan granted by Bank Zachodni WBK in connection with the fulfillment of the conditions to convert the loan and thus to change the date of the final repayment on 29 May 2015. Has signed an annex to the credit agreement dated August 12, 2011. Concluded between Belise Investments and Bank Zachodni WBK SA By virtue of the above-mentioned annex, the following changes:

- Investment loan (up to the amount of EUR 18,500,000.00) was granted to refinance the debt by making a conversion and / or refinancing or financing the costs of letting surface finish and / or payment of dividends;

- The deadline for full repayment of the Loan together with interest and other costs, the parties agreed on 31 May 2021.

Other significant provisions under the Agreement remain unchanged. At the same time, CPD SA and Lakia Enterprises Limited, with its registered office in Nicosia (Cyprus) surrendered execution in order to secure the repayment of the loan. Moreover, the company Belise Investments signed an annex to the contract of guarantee.

29. THE SUPERVISORY BOARD AND THE MANAGEMENT BOARD

At 30 June 2016, the composition of the Supervisory Board of the Company was as follows:

- Mr. Andrew Pegge – President of the Supervisory Board
- Mr. Michael Haxbey - Vice President of the Supervisory Board (Supervisory Board member meeting the requirements of independent member of the Supervisory Board)
- Mr. Wiesław Oleś – Secretary Member of the Supervisory Board
- Mr. Mirosław Gronicki – Member of the Supervisory Board (Supervisory Board member meeting the requirements of independent member of the Supervisory Board)
- Ms. Gabriela Gryger - Member of the Supervisory Board (Supervisory Board member meeting the requirements of independent member of the Supervisory Board)

At 30 June 2016, the composition of the Management Board of the Company was as follows:

- Mrs. Elżbieta Wiczkowska – President of the Management Board;
- Mr. John Purcell – Member of the Management Board;
- Ms. Iwona Makarewicz – Member of the Management Board
- Mr. Colin Kingsnorth - Member of the Management Board
- Mr. Waldemar Majewski – Member of the Management Board

The composition of the Management Board of CPD S.A. at the end of H1 2015 did change in comparison to the end of the year 2014 because of resignation of Mr. Piotr Turchonski and appointment of Mr. John Purcell.

30. OTHER IMPORTANT INFORMATION

No other except those mentioned above.

31. FACTORS AFFECTING RESULTS OF THE FOLLOWING QUARTERS

The most important factors that will influence the results of the next quarters are:

- The situation on the financial markets which may affect the valuation of properties in the portfolio of the Group.
- Start and conducting construction works in the project Smart City Ursus;
- Commercialisation of the project IRIS;
- The economic trend in the housing market, which the Company operates,
- The state of global financial markets and their impact on the Polish economy and national banking system,

- Availability of mortgages, and in particular their attractiveness to potential customers,
- Timely, compliant with schedules, completion of the first phase of the project Smart City Ursus
- The availability of external financing (loans, bonds) for real estate development entities,
- Changes in the legal and tax regulations that may influence in an uncontrollable manner the market demand for products offered by the Company;
- Maintaining a stable political situation and creating a positive economic climate by the government and local authorities,
- The economic situation affecting the receiving regular income from the rental of offices,
- Selling expenses and general and administrative
- Quarterly revaluation at fair value of the Group's properties,
- Valuation of liabilities arising from bonds.

II. MANAGEMENT BOARD STATEMENT

The Management Board of CPD S.A. ("The Company") confirms that to the best of its knowledge condensed interim consolidated financial statements of the Group CPD S.A. ("The Group") and condensed interim financial statements of the Company for the period of 6 months ended 30 June 2015 as well as comparative figures have been prepared in accordance with applicable accounting principles and give a true and fair financial and asset situation of the Group and its financial results and that the half-year report of activities of the Group includes the true situation of the achievements and the situation of the Group including principal threats and risks.

The Management of CPD S.A. confirms that the entity authorized to audit financial statements, which has reviewed Group's condensed interim consolidated financial statements and the Company's condensed interim financial statements was selected in accordance with the law, that entity as well as the auditor who has carried out the review fulfilled the conditions required by law to issue an independent and unbiased review report, in accordance with applicable regulations and professional standards.

Warsaw, 25 August, 2016

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

Waldemar Majewski

Member of the Management Board

III. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT FOR H1 FY2016 ALONG WITH CONDENSED FINANCIAL STATEMENTS OF CPD S.A.

CPD S.A.

Condensed interim consolidated financial statements

for the period of months ended 30 June 2016

and the condensed financial statements of CPD S.A.

for the period of months ended 30 June 2016

prepared in accordance with the International Financial Reporting Standards
approved by the European Union concerning the interim reporting

(unaudited financial data)

CPD S.A.

(All amounts in PLN thousands unless otherwise stated)

Condensed consolidated statement of comprehensive income

	Note	For the 6 month period ended		For the 3 month period ended	
		30-06-2016	30-06-2015	30-06-2016	30-06-2015
		(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*
Revenues	14	9 705	9 046	4 979	4 374
Cost of sales	15	(1 198)	(1 026)	(624)	(470)
PROFIT ON SALES		**8 507**	**8 020**	**4 355**	**3 904**
Administrative costs property related	16	(3 354)	(4 759)	(1 199)	(1 424)
Administrative expenses-other	17	(3 906)	(6 169)	(2 227)	(3 348)
Selling and marketing expenses		(213)	(141)	(106)	(85)
Net profit (loss) from sale of investment property		(2 475)	0	(2 475)	0
Other income	18	70	2 291	56	(291)
Net (loss)/ gain from fair value adjustments on investment properties	4	5 216	(650)	5 023	8 251
Post-tax share of the profit or loss of the joint-venture accounted for using the equity method	8	308	(83)	(138)	(83)
Result from sales of subsidiaries		0	6	0	6
OPERATING RESULT		**4 153**	**(1 485)**	**3 289**	**6 930**
Financial income	19	4 973	6 867	1 974	(32 242)
Financial costs	19	(11 704)	(7 504)	(6 065)	(3 839)
PROFIT (LOSS) BEFORE INCOME TAX		**(2 578)**	**(2 122)**	**(802)**	**(29 151)**
Income tax	20	(1 090)	1 274	(764)	(413)
PROFIT (LOSS) FOR THE PERIOD		**(3 668)**	**(848)**	**(1 566)**	**(29 564)**
Currency translation adjustment		(91)	20	(119)	(448)
TOTAL COMPREHENSIVE INCOME		**(3 759)**	**(828)**	**(1 685)**	**(30 012)**
Profit (Loss) attributable to:					
Equity holders of the Group		**(3 668)**	**(848)**	**(1 566)**	**(29 564)**
TOTAL COMPREHENSIVE INCOME					
Equity holders of the Group		**(3 759)**	**(828)**	**(1 685)**	**(30 012)**
BASIC EARNINGS PER SHARE (PLN)	24	(0,11)	(0,03)	(0,05)	(0,90)
DILUTED EARNINGS PER SHARE (PLN)	24	(0,13)	(0,10)	(0,08)	3,06

Elżbieta Donata Wiczkowska
Chairman of the Board

John Purcell
Board Member

Waldemar Majewski
Board Member

Colin Kingsnorth
Board Member

Iwona Makarewicz
Board Member

(All amounts in PLN thousands unless otherwise stated)

Condensed consolidated statement of financial position

	Note	30-06-2016 *(unaudited)*	31-12-2015
ASSETS			
Non-current assets			
Investment properties	4	572 762	651 094
Property, plant and equipment		874	964
Intangible assets, excluding goodwill		45	60
Investments in joint ventures accounted for using the equity method	8	29 287	14 512
Deferred tax assets	13	416	552
Long-term receivables		350	0
		603 734	**667 182**
Current assets			
Inventories	6	5 386	5 296
Trade receivables and other receivables	5	23 379	9 256
- receivables and loans		*16 973*	*3 988*
- prepayments		*6 406*	*5 268*
Bonds		3 702	3 670
Cash and cash equivalents	7	12 673	26 073
Current assets excluding assets held for sales		**45 140**	**44 295**
Assets held for sale	28	73 981	0
Current assets		**119 121**	**44 295**
Total assets		**722 855**	**711 477**

CPD S.A.

(All amounts in PLN thousands unless otherwise stated)

Condensed consolidated statement of financial position - cont.

	Note	30-06-2016	31-12-2015
		(unaudited)	
EQUITY			
Equity attributable to owners of the parent company			
Share capital	9	3 286	3 286
Other reserves		987	987
Embedded element at inception date		(27 909)	(27 909)
Translation reserve		(5 402)	(5 311)
Retained earnings		476 110	479 778
Total equity		**447 072**	**450 831**
LIABILITIES			
Non-current liabilities			
Trade payables and other liabilities	10	2 048	2 070
Borrowings, including financial leasing	11	144 720	144 474
Bonds issued	12	58 329	56 041
Derevatives	12	7 200	11 635
Deferred tax liabilities	13	21 861	20 906
Non-current liabilities		**234 158**	**235 126**
Current liabilities			
Trade payables and other liabilities	10	24 527	16 712
Bonds issued		1 264	1 279
Borrowings, including financial leasing	11	12 266	7 529
Current liabilities excluding liabilities held for sale		**38 057**	**25 520**
Liabilities classified as held for sale	28	3 568	0
Current liabilities		**41 625**	**25 520**
Total liabilities		**275 783**	**260 646**
Total Equity and liabilities		**722 855**	**711 477**

Elżbieta Donata Wiczkowska
Chairman of the Board

John Purcell
Board Member

Colin Kingsnorth
Board Member

Iwona Makarewicz
Board Member

Waldemar Majewski
Board Member

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

(All amounts in PLN thousands unless otherwise stated)

Condensed consolidated statement of changes in equity

	Share capital of CPD S.A.	Embedded element at inception date	Translation reserve	Reserve capital	Retained earnings	Total equity
Balance as at 01-01-2015	**3 286**	**(27 909)**	**(5 301)**	**987**	**433 430**	**404 493**
Comprehensive income						
Currency translation adjustment	0	0	20	0	0	20
Profit (loss) for the period	0	0	0	0	(848)	(848)
	0	0	20	0	(848)	(828)
Balance as at 30-06-2015 /unaudited	**3 286**	**(27 909)**	**(5 281)**	**987**	**432 582**	**403 665**
Balance as at 01-01-2016	**3 286**	**(27 909)**	**(5 311)**	**987**	**479 778**	**450 831**
Comprehensive income						
Currency translation adjustment	0	0	(91)	0	0	(91)
Profit (loss) for the period	0	0	0	0	(3 668)	(3 668)
	0	0	(91)	0	(3 668)	(3 759)
Balance as at 30-06-2016 /unaudited	**3 286**	**(27 909)**	**(5 402)**	**987**	**476 110**	**447 072**

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

Elżbieta Donata Wiczkowska
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Board Member

Iwona Makarewicz
Board Member

Waldemar Majewski
Board Member

(All amounts in PLN thousands unless otherwise stated)

Condensed consolidated statement of cash flows

	Note	For the 6 month period ended 30-06-2016 (unaudited)	30-06-2015 (unaudited)
Cash flow from operating activities			
Cash generated from operations	21	(5 882)	(3 997)
Interest paid		(2 794)	(1 378)
Net cash generated from operating activities		**(8 676)**	**(5 375)**
Cash flows from investing activities			
Capital expenditure on investments property		(9 242)	(3 888)
Purchase of property, plant and equipment		(31)	(107)
Proceeds from sale of property, plant and equipment		40	0
Proceeds from the sale of investment property		2 099	0
Acquisition of shares in related party		0	(23 059)
Loans granted		(347)	0
Loan repayments received		0	20
Cash and cash equivalents received in way of shares acquisition		0	939
Interest received		0	44
Net cash used in investing activities		**(7 481)**	**(26 051)**
Cash flows from financing activities			
Proceeds from borrowings		5 000	7 746
Proceeds from issue of bonds		0	29 552
Repayment of borrowings		(2 221)	0
Net cash used in financing activities		**2 779**	**37 298**
Net (decrease)/increase in cash and cash equivalents		**(13 378)**	**5 872**
Cash and cash equivalents at beginning of the year		**26 073**	**18 770**
Cash and cash equivalent reclassified to assets held hor sales		(22)	0
Cash and cash equivalents at the end of the period		**12 695**	**24 642**
Cash and cash equivalents at the end of the period after the transfer of cash to position assets held for sale	**7**	**12 673**	**24 642**

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Chairman of the Board

John Purcell
Board Member

Colin Kingsnorth
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Iwona Makarewicz
Board Member

Waldemar Majewski
Board Member

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

Notes to the interim condensed consolidated financial statements

1 General information

CPD S.A. ("Company", "CPD") with its registered office in Warsaw (02-677), Cybernetyki 7B str, was established on the basis of statute on 23 February 2007 (as Celtic Development Corporation S.A., then on 22 February 2008 the Company changed its name to Poen S.A.). On 23 March 2007 District Court in Cracow, XI Business Department of the National Court Register entered the Company into the Register of Businesses with the KRS number 0000277147. The Company's shares are quoted on the Warsaw Stock Exchange.

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

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

The currency of the presentation of consolidated financial statements is Polish Zloty.

Information about the Capital Group

As at balance sheet date CPD Group comprised CPD S.A. as a parent entity, 36 subsidiaries and 1 under common control.

2 The accounting principles

These condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ending 31 December 2015, drawn up in accordance with IFRS adopted for application within the European Union.

Accounting principles are consistent with the principles applied in the annual consolidated financial statements for the year ended 31 December 2015.

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

2.1 Basis of preparation

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

New and amended standards and interpretations which came into force in 2016 and description of the impact of applying the amendments:

Amendments to IAS 19 - Defined benefit plans: Employee contributions

Amendments to IAS 19 - Defined benefit plans: Employee contributions (issued in November 2013 and effective for annual periods beginning 1 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 contributions is independent of the number of years of service.

Amendment of this standard has not affected the financial statements.

Annual Improvements to IFRSs 2010-2012

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

The amendments include mainly changes made to presentation, valuation and definitions. The improvements are effective for annnual periods beginning on February 1, 2015.

Amendment of this standard has not affected the financial statements.

Notes to the interim condensed consolidated financial statements

IFRS 14 Regulatory Deferral Accounts

The amendment permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements. Regulatory deferral account balances, and movements in them, are presented separately in the statement of financial position and statement of profit or loss and other comprehensive income, and specific disclosures are required.

IFRS 14 was originally issued in January 2014 and applies to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2016.

Amendment of this standard has not affected the financial statements.

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

Amendments to IFRS 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 Group applies the rules resulting from the standard in these condensed consolidated financial statements.

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.

Amendment of this standard has not affected the financial statements.

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 June 30, 2014 and are effective for the annual periods commencing on or after 1 January 2016.

Amendment of this standard has not affected 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 Group applies the rules resulting from the amendments in these condensed consolidated financial statements.

Notes to the interim condensed consolidated financial statements

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

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

At the date of preparation of these consolidated financial statements, the amendment was not yet approved by the European Union.
Amendment of this standard has not affected the financial statements.

Amendments to IAS 1

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

The Group applies the rules resulting from the amendments in these condensed consolidated financial statements.

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

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

The Group applies the rules resulting from the amendments in these condensed consolidated financial statements.

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

IFRS 9 "Financial Instruments: Classification and Measurement"

It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. The standard is effective for accounting periods beginning on or after 1 January 2018.

Notes to the interim condensed consolidated financial statements

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling.

There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.
Contemporaneous documentation is still required but is different to that currently prepared under IAS 39.

The group is yet to assess IFRS 9's full impact.

IFRS 15, 'Revenue from contracts with customers'
The standard was published by the International Accounting Standards Board in May 2014 and is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted, subject to EU adoption.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The group is assessing the impact of IFRS 15.

The Group is going to adopt the amendments on 1 January 2018.

Clarifications to IFRS 15 Revenue from Contracts with Customers
Clarifications to IFRS 15 "Revenue from Contracts with Customers" were published April 12, 2016 and are effective for the annual reporting periods beginning on or after 1 January 2018.

Explanations provide additional information and clarification regarding the key assumptions used in IFRS 15, including on identity separate responsibilities, determining whether an entity acts as an intermediary (agent), or is the main supplier of goods and services (principal) and the method of recording revenue from licenses.
Apart from the additional clarifications also introduced exemptions and simplifications for entities applying the new standard for the first time.

The Group is going to adopt the amendments on 1 January 2018.

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

IFRS 16 „Leasing"
IFRS 16 "Leasing" was published by the International Accounting Standards Board on January 13, 2016 and are effective for annual periods beginning on or after January 1, 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 as asset at the start of the lease and, if lease payments are made over time, also 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, IRFS 16 estimated the classification of leases as either operating leases or finance leases as is required: (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 or finance leases, and to account for two types of leases differently.

The Group will apply IFRS 16 after its approval by the European Union.

At the date of preparation of these consolidated financial statements, the amendments to IFRS were 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 amendments are effective for annual periods beginning on or after 1 January 2017.

The Group is going to adopt the amendments on 1 January 2017.

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

Annual amendments MSSF 2012-2014

International Accounting Standards Board published in September 2014 "Annual amendments in IFRS from 2012 to 2014", which change 4 standards: IFRS 5, IFRS 7, IAS 19 and IAS 34.

Amendments to MSSF 2: classification and measurement of share-based payment transactions

Amendment to IFRS 2 is effective for annual periods beginning on or after January 1, 2018 or after that date. The amendment introduces, among others, guidance on accounting for cash-settled share-based payment transactions, classification of share-based payment transactions from cash-settled to equity-settled, and recognition of tax liability employee of the transaction based on shares.

The Group is going to adopt the amendments on 1 January 2018.

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

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 Group is going to adopt the amendments on 1 January 2017.

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

2.2 Changes in Group structure

As at balance sheet date CPD Group comprised CPD S.A. as a parent entity, 36 subsidiaries and 1 under common control.

In there reporting period there were following changes in Group structure:

- on April 16, 2016 the resolution had been adopted on the repeal of liquidation and continued existence of 14/119 Gaston Investments Spółka z ograniczoną odpowiedzialnością sp.k.,

- on April 27, 2016 the resolution had been adopted on the repeal of liquidation and continued existence of Celtic Asset Management sp. z o.o.

3 Significant changes in accounting estimates

In preparing these condensed consolidated financial statements the Board has made an assessment of the significant estimates and judgments, which have an impact on the accounting principles applied and the amounts recognised in the financial statements for a period of 6 months ended June 30, 2016.

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

Notes to the interim condensed consolidated financial statements

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

Major estimates and judgments adopted for the purpose of preparation of these condensed consolidated financial statements are consistent with the those applied in the annual consolidated financial statements for the period ended December 31, 2015.

Determination of the fair value of investment property

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

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

- the useful area of apartments to be built amounts to 605,787 sq.m.;
- the useful area of shops to be built on ground floors of the houses amounts to 58,475 sq.m.;
- the useful area of offices to be built amounts to 10,907 sq.m.; the assumed rent for the office space to amount to EUR 10.5 per sq.m. and the capitalization rate to be 8.25%.

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

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

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

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

Capitalization rates from the range 7.75%-9% were used for the purposes of the valuation assumed in the financial statements as at June 30, 2016.

In the first two quarters of 2016, the Group recorded a gain on the revaluation of investment properties to their fair values, which amounted to PLN 5.216.000, in consequence of the fluctuation of the rates of exchange.

During the period, the methods of valuation of investment properties did not change.

During the period, there were no changes in the levels of valuation of investment pro

Notes to the interim condensed consolidated financial statements

Accounting recognition of Smart City Sp. z o. o. Sp. k.

In 2014, an investment agreement was signed by CPD S.A. and its subsidiaries (Smart City Spółka z ograniczoną odpowiedzialnością Sp.k., Lakia Enterprises Ltd), of the one part, and entities not associated with the Group, i.e. Unidevelopment S.A. and Unibep S.A., of the other part. The agreement stipulates a joint venture consisting in the construction of a complex of multiple dwelling units with services and related infrastructure at a property belonging to Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.

Joint control over Smart City was established on 9 March 2015, when Unidevelopment S.A. – in compliance with the provisions of the investment agreement – entered the limited partnership Smart City Spółka z ograniczoną odpowiedzialnością sp.k. as the limited partner.

At the same time within the framework of the signed investment agreement, the parties have identified that part of the land (and any costs and revenues associated with them) held by the company Smart City will be under 100% control of the CPD Group. The land includes areas which, in accordance with the zoning plan is designed for public roads and educational purposes. According to the initial plans, the land was to be transferred to another special purpose company owned 100% of the CPD SA. However, in the first half of 2016 the parties of the JV agreement changed their plans and decided that these plots will be held in the SPV Smart City.The land has been mortgaged education under the loan agreement financing the Smart City project.

Therefore, in the first half of 2016 the Group decided that the educational land is an element of the joint venture and will be accounted for using the equity method.
As a result of this change CPD recognized in the first half of 2016 zero result on transferring the land for education and roads to the joint venture (JV) in accordance with the following provisions of IFRS 11:
- When the unit contains a transaction falling within the joint venture, such as the sale or contribution in kind of assets, the transaction is concluded with a joint venture and the party making sales / appellant assets in kind should recognize profit on the transaction only in proportion as the other partners have an interest in common project.

For the purposes of the settlement of Ursa Smart City joint venture in the financial statements Management of the Company, using the provisions of IFRS 10, has decided on the following approach to investment in the company Smart City:

- Assets and liabilities included in the investment agreement have been recognized as a joint venture and accounted for in the consolidated financial statements using the equity method, the investment agreement and the parties have equal rights to the distribution of profits, assets and liabilities (50%);

- Land under roads and educational purposes and the related liabilities are treated well as a joint venture and accounted for using the equity method, except that the CPD Group owns 100% of the rights to the distribution of profits, assets and liabilities, and the Group Unibep not have any rights to the land.

Calculation of Fair Value of Embedded Derivatives

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

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

Assumptions underlying the pricing model include:
- adjustment of the issuer credit risk discount curve: 8%;
- volatility of issuer share price: 50,59% based on historic quotations of shares of CPD S.A.;
- fixed bond-to-share conversion rate: PLN 4.38;
- exchange rate cap: EUR 1 = PLN 4.1272;
- opportunity to convert bonds to shares from 26 September 2015 to the day falling 5 days before the maturity date, i.e. 22 September 2017.

During the period, the methods of valuation of embedded derivative instruments did not change.

During the period, there were no changes in the levels of valuation of embedded derivative instruments.

As at March 31, 2016, the value of the liability due to the embedded derivative instrument was PLN 11 million and it constituted the difference between the valuation of bonds in accordance with the fair value model described above and the value of bonds without the embedded derivative instrument determined in accordance with amortized cost by applying the effective interest rate method.

In February 2016, a subsidiary, Belise Investments Sp. z o.o. concluded transaction conversion interest rates (IRS). Amount of the transaction the IRS corresponds to 80% of the loan balance with BZ WBK S.A. The transaction is accounted for on a monthly basis, based on the rate of EURIBOR 1 m.

IRS transaction is valued by bank BZ WBK in fair value. The result of the valuation is recognised as financial costs and revenues, in the statement of comprehensive income.

The fair value of the interest hedging contract is determined as the difference in discounted interest cash flow (cash flow based on variable rate and a fixed interest rate). The input data is market interest rates. According to the fair value hierarchy it is level 2.

In the first half of 2016, there were no transfers of instruments measured at fair value in the fair value hierarchy. There were also changes in the classification of instruments or changes in business conditions that could affect the value of financial assets and liabilities.

As at 30 June 2016 the value of IRS was PLN 1.426 thousand.

Balance sheet valuation of shares in subsidiaries and loans granted to subsidiaries (concerns the individual financial statements)

As at the balance sheet date, the Company analyzed the loss of value of shares in subsidiaries by comparing the book value of shares and their recoverable amount. The recoverable amount constitutes the higher of the two amounts: the fair value of assets less the costs of sale or the use value. In the Company's opinion, no grounds exist to recognize that the use value differs significantly from the fair value as at the balance sheet date. In consequence, the analysis of the loss of the shares' value was based on the fair value.

In the case of shares in Buffy Holdings No 1 Ltd and Lakia Enterprises Ltd, their fair value was estimated based on net assets of these companies, constituting an approximate value of future cash flows available for shareholders related to the shares held by them. The value of these cash flows was estimated, among others, based on the fair value of properties belonging to the subsidiaries.

In the case of shares in Celtic Investments Limited, the operating activity of which was suspended as at March 31, 2016 and which did not have any significant assets, the fair value of these assets was estimated based on the net assets of this company.

At the same time, as at the balance sheet date, the Company analyzed the possibility of recovering receivables due to loans granted to its subsidiaries. The Company impaired the value of loans granted to its subsidiaries if the value of their net assets was negative as at March 31, 2016. In the Company's opinion, due to the negative value of net assets of these subsidiaries, there is a substantial risk that these companies will not be able to pay the loans in full.

Tax settlements/deferred tax and activation of tax losses

In connection with the fact that the companies subject to consolidation reside in various fiscal jurisdictions, which complicates transactions between them and results in ambiguities in the interpretation of the provisions of law, tax settlements, including the determination of the right or obligation to include as well as the way of including separate transactions in the tax bill of individual Group entities, could require extremely thorough consideration. In complicated cases, the decision of the Management Board is based on opinions of specialist tax advisers.

Notes to the interim condensed consolidated financial statements

Income tax for interim periods is calculated using the tax rate reflecting the total foreseeable annual profit or loss. The difference between the income tax expenses and the tax rate of 19% results primarily from unrecognized deferred income tax assets due to tax losses and the surplus of positive temporary differences over negative temporary differences in the subsidiaries in which recognizing deferred income tax assets for the full financial year is not planned. As at each balance sheet date, the Management Board analyses the possibility of recovering tax losses based on business plans of individual companies forming part of the Group and tax forecasts for these entities, and based on this, decisions on activating or not tax losses for previous years are made.

3.1 Managing financial risk

Financial risk factors

CPD Group is exposed to the following financial risks in connection with its business activity: market risk (including the risk of changes in exchange rates, risk of the change of goodwill or cash flows in consequence of a change of interest rates), credit risk and liquidity risk.

Risk of changes in interest rates

The Group's exposure to the risk caused by changes in interest rates relates primarily to the fact that the cash flows are subject to change as a result of changes in market interest rates. The Group partly finances its operations and investment of foreign capital with interest-bearing variable rate. In connection with the current debt level, the Group is exposed to the risk of changes in interest rates in terms of the obligations arising from the issue of debt securities and credit on the nature of the supported products.

Within the Group, only Belise Investments hedges the risk of fluctuations in cash flows resulting from debt incurred based on the reference rate EURIBOR IRS transaction, concluded in the first quarter of 2016.

Other financial risks CPD Group have been presented in the consolidated financial statements for the year ended December 31, 2015.

Liquidity risk

In the first quarter of 2016 there were no significant changes to the level of liquidity risk. The details of the current borrowings were presented the the consolidated financial statements for the year ended December 31, 2015.

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

4 Investment properties

	01-01-2016 30-06-2016	01-01-2015 30-06-2015
At the beginning of the reporting period	**651 094**	**581 386**
Capital expenditure	9 242	3 888
Transfer of road plots of land in Urus to the municipality of Warsaw	0	(5 818)
Acquisition	0	23 990
Disposal of investment property	(4 574)	0
Transfer of investment property to joint venture (Note 8)	(16 000)	0
Transfer of investment property to assets help for sale	(68 930)	0
Transfer of capitalised financial liabilities to Liabilities held for sale	(3 242)	0
Disposal of investment property in course of joint venture (Note 8)	0	(16 620)
properties	5 216	(650)
Change of capitalised financial liabilities	(44)	2 741
At the end of the reporting period	**572 762**	**588 917**

In the first half of 2016 the capital expenditure on investment properties amounted to PLN 9,242 thousand and related mainly to the cost of demolition to prepare the assets for sale and expenditure for the purchase of heating networks in Ursus.

Sale of real estate in the second quarter of 2016 related to land located in Warsaw, Ursus.

In the second quarter of 2016 the Group separated the assets held for sale, including investment property amounting to PLN 68.9 million and the right of perpetual usufruct - PLN 3.2 million.

Direct operating costs for investment properties:	For the 6 month period ended 30-06-2016	 30-06-2015
- rent income bearing	1 998	2 006
- other	38	54
	2 036	**2 060**

5 Trade receivables and other receivables

	30-06-2016	31-12-2015
Trade receivables	1 001	1 292
Receivables from the state	1 917	2 678
Receivables from related parties	46	18
Prepaid expenses	6 406	5 268
Advances paid to be returned	13 694	0
Other receivables	315	0
Short-term receivables	**23 379**	**9 256**
Long-term receivables	350	0
Total receivables	**23 729**	**9 256**

The major item in Trade receivables and other receivables are advances for property acquisition amounting to PLN 13.694 thousand, which as at the date of preparation of these condensed consolidated financial statements has been recovered by the Group.

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

6 Inventories

	30-06-2016	31-12-2015
At the beginning of the reporting period	**5 296**	**6 525**
Nabycie	0	0
Capital expenditure	19	70
Impairment loss	(19)	(1 312)
Exchange differences	90	13
At the end of the reporting period	**5 386**	**5 296**

7 Cash and cash equivalents

	30-06-2016	31-12-2015
Cash at bank and on hand	4 782	19 209
Cash on escrow account	3 326	3 204
Short-term bank deposits	4 565	3 660
	12 673	**26 073**

Restricted cash means the funds transferred as a result of the implementation of the credit agreement with mBank Hipoteczny.

Cash and cash equivalents for the purposes of the cash flow statement include cash accounts and in hand and short-term bank deposits.

In the second quarter of 2016 in connection with the separation of assets held for sale the cash and cash equivalent amounting to PLN 22 thousand were presented as asset held for sale.

8 Joint venture

The below table summarizes the carrying amounts of the Group major investments in joint ventures:

	30-06-2016	31-12-2015
Smart City Spółka z ograniczoną odpowiedzialnością sp.k.	**29 287**	**14 512**
Opening balance as at 1 January	**14 512**	**0**
Group's share in net assets as at the date of starting joint venture	**0**	15 472
interim condensed consolidated financial statements	308	(911)
The land for educational purposes and provisions transferred to joint venture (note 4)	14 500	0
Other adjustments	(33)	(49)
Closing balance	**29 287**	**14 512**

Notes to the interim condensed consolidated financial statements

8 Joint venture - cont.

Condensed financial information of individually material joint ventures of the Group is presented in the below table:

	Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.	
Financial information coming from statement of financial position		
Total non-current assets, including	**16 043**	**27**
Fixed assets	43	27
Investment properties	16 000	0
Total current assets, including:	**78 591**	**30 876**
Inventory	58 515	21 091
Trade receivables and other receivables	8 868	8 648
Cash and cash equivalents	11 208	1 137
Total assets	**94 634**	**30 903**
Total current liabilities, including:	**45 042**	**1 874**
Trade payables and other liabilties	43 542	1 874
Provisions	1 500	0
Total non-current liabilities, including:	**5 435**	**0**
Borrowings	5 435	0
Total liaabilities	**50 477**	**1 874**
Net assets	**44 157**	**29 029**
% held by the Group - with regards to investment property	***100%***	***100%***
Group share of net assets of the joint venture	14 500	
% held by the Group	***50%***	***50%***
Group share of net assets of the joint venture	14 829	14 515
Purchase price allocation adjustments	(25)	22
Consolidated adjustments	(17)	(25)
Carrying amount of investment in joint venture presented in the interim condensed consolidated financial statements	**29 287**	**14 512**

In the first two quarters of 2016, the Group recognized a gain on the joint venture in Smart City Spółka z ograniczoną odpowiedzialnością Sp.k. amounting to PLN 308 thousand.

9 Share capital

	Number of shares		Value of shares	
	30-06-2016	**31-12-2015**	**30-06-2016**	**31-12-2015**
Ordinary shares (in thousands)	34 068	34 833	3 286	3 286

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

10 Trade payables and other liabilities

Non-current liabilities

	30-06-2016	31-12-2015
Deposits of tenants	2 048	2 070

Current liabilities

	30-06-2016	31-12-2015
Trade payables	1 352	1 279
Payables to related parties	88	0
Social security and other taxes	4 097	372
Deposits of tenants	140	120
Other liabilities	232	322
Accrued expense	18 618	14 619
	24 527	**16 712**

Increase by PLN 5.4 million in accrued expense in comparison to December 31, 2015 is mainly due to the recognition of provision for demolition costs.

11 Borrowings, including financial leasing

	30-06-2016	31-12-2015
Non-current		
Bank loans	114 826	112 364
Financial liabilities - hedging instruments	1 070	0
Financial leasing	28 824	32 110
	144 720	**144 474**
Current		
Loans from related parties	5 024	0
Bank loans	6 886	7 529
Financial liabilities - hedging instruments	356	0
	12 266	**7 529**
Total borrowings	**156 986**	**152 003**

As of June 30, 2016 bank credits consist of:
- payable of PLN 43 063 thousand to mBank Hipoteczny S.A. (PLN 1 786 thousand being short-term and PLN 41 277 thousand long-term),
- payable of PLN 78 649 thousand to Bank Zachodni BZ WBK (PLN 5 100 thousand being long-term and PLN 73 549 thousand as short-term).

On 18 June 2014 the subsidiaries Lakia Investments and Robin Investments entered into loan agreements with mBank Hipoteczny. The above mentioned loan was granted to refinance a loan with HSBC Bank Poland from 2006, which was used to finance the office investments located in Cybernetics 7b and Połczyńska 31a. Mortgage credit in the mBank was launched on 1 July 2014. As at balance sheet date Lakia's involvement amounted to EUR 5.534.033, and Robin's - EUR 4.285.405,14. According to the terms and conditions of the loan agreement with mBank Hipoteczny, the companies are obliged to repay the entire loan until June 20, 2029.

The loan was granted on market terms and is secured by, among others, mortgage on investment properties owned by companies Robin Investments Sp. o.o. and Lakia Investments Sp. o.o. and registered pledge on the shares of these companies.

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

On August 12, 2011 the subsidiary Belise Investments Sp. o.o. entered into with a bank loan agreement with BZ WBK SA to finance or refinance part of the cost of finishing the surface of the office building IRIS. According to the annex to the credit agreement signed in May 2015 deadline for full repayment of the Loan, together with interest and other costs, follows on the date of May 31, 2021.

In February 2016 Belise Investments entered into a swap transaction rate IRS, in order to secure the streams of interest payments, for an amount corresponding to 80% of the loan BZ WBK.

The value of hedging derivatives - the IRS as at the balance sheet date was estimated at PLN 1.426 thousand. The method of valuation of IRS transactions is presented in note 3.

Finance lease liabilities relate to the right to perpetual usufruct and are recognized due to the increase in the fair value of investment property for accounting purposes (Note 4).

In May 2016 the Group received a loan in the amount of PLN 5 million, bearing interest at the fixed rate of 5% from major investor, Cooperatieve Laxey Worldwide W.A. The loan is to be repaid at the request of the lender. As at the date of preparation of these condensed consolidated financial statements the loan has been repaid.

12 Bonds issued

	30-06-2016	31-12-2015
a/ Bonds serie A		
Nominal value of the convertble bonds issued on Sept 26, 2014	22 966	22 966
Capital part	27 909	27 909
Debt part on the intial recognition date of Sept 26, 2014	**50 875**	**50 875**
Accrued interest	4 295	2 967
Valuation as at balance sheet date	1 374	472
Valuation of the embedded derivative	(20 709)	(16 274)
Bonds value as at balance sheet date	**35 835**	**38 040**
b/ Bonds serie B		
Nominal value of bonds issued on Jan 13, 2015 r. (*)	29 552	29 552
Accrued interest	3 897	2 633
Paid interest	(2 633)	(1 354)
Valuation using the effective interest rate method	142	84
Bonds value as at balance sheet date	**30 958**	**30 915**

(*) The nominal value of bonds issued on 13 January 2015 (PLN 30,000,000) was decreased by the costs of the issue of bonds, which amount to PLN 448,000. The costs of the issue of bonds included the cost of handling the issue of bonds by an investment house, which amounted to PLN 425,000, and the costs of legal services.

	30-06-2016	31-12-2015
Long-term		
Bonds issued	58 329	56 041
Derevatives	7 200	11 635
Short-term		
Bonds issued - interest	1 264	1 279
	66 793	**68 955**

On 26 September 2014, the Management Board of the Company passed a resolution on the allocation of Advance I of series A convertible bonds and the Company issued convertible bonds within Advance I. The redemption of bonds within Advance I falls on 26 September 2017. The issue of bonds within Advance I was carried out in the form of a private placement, in accordance with the provisions of Section 9(3) of the Bonds Act, pursuant to Resolution No. 3/IX/2014 of the Issuer's Management Board on the issue of series D bearer bonds within a bond issue program.

(All amounts in PLN thousands unless otherwise stated)

The nominal value of one bond is EUR 50,000 (fifty thousand euros). The issuing price of one bond is EUR 50,000. The bonds bear interest according to the fixed interest rate of 10% (ten percent) per year from the Bond Issue Date. The bonds will be purchased by the Company on a day falling 3 years after the Issue Date, i.e. on 27 September 2017 – except in the event of early repurchase in Case of Breach of the terms and conditions of the issue of Bonds by the Issuer.

Embedded derivative instrument results from:
a) the right to convert bonds to shares by bond holder at a fixed rate in the period from 26 September 2015 until 5 days before the redemption date, i.e. 22 September 2017;
b) cap currency option concerning the translation of the liability into shares as at the conversion date at the EUR/PLN rate from that day, however not higher than EUR 1 = PLN 4.1272.
The method of valuation of the embedded derivative instrument is described in note 3.

On 13 January 2015, the Company issued 30,000 series B covered bonds ("Bonds") in total. Bonds were issued in accordance with the provisions of Section 9(3) of the Bonds Act, i.e. in the form of a private offer.
The Bonds were issued in accordance with the following terms and conditions:
The issuer did not specify the purpose of the issue within the meaning of the Bonds Act or the undertaking to be financed from the issue of the Bonds.
The issued Bonds are series B covered, bearer bonds with the nominal value of PLN 1,000 each and do not have the form of an instrument.
The total nominal value of all issued bonds is maximum PLN 30,000,000.

The nominal value of one Bond is PLN 1,000. The issuing price of one Bond corresponds to its nominal value, i.e. PLN 1,000.

The Bonds will be repurchased by the Company on the day falling 4 years after the Bonds issue date, i.e. on 13 January 2019 ("Redemption Date") – except in the event of an early repurchase of Bonds in case of a breach of the terms and conditions of the issue of Bonds by the Issuer or on the Issuer's request.

The Bonds bear interest in accordance with the fixed interest rate of 9.1% per year.

If the Issuer does not repurchase the Bonds earlier in case of a breach at the request of the Bond Holder or at the request of the Issuer, the Bonds will be repurchased on the Redemption Date by paying the amount equal to the nominal value of Bonds plus due and unpaid interest on the Bonds.
On 9 February 2015, an agreement on the establishment of a registered pledge on Blaise Investments sp. z o.o.'s shares was concluded by Lakia Enterprises Limited and Matczuk Wieczorek i Wspólnicy Kancelarii Adwokatów i Radców Prawnych sp. j., acting on their own behalf, but for the account of bond holders holding series B bonds.
The registered pledge was established on 100 shares in the share capital of Blaise Investmetns sp. z o.o. with the nominal value of PLN 50 each, constituting 100% of the share capital of this company. The nominal value of the package of 1,000 shares is PLN 50,000.
The registered pledge was established up to the amount of PLN 45,000,000.

13 Deferred income taxes

	30-06-2016	31-12-2015
Deferred tax assets	**416**	**552**
Deferred tax liabilities	**21 861**	**20 906**

Expiry of tax losses	**2016**	**2017-2018**	**2019-2020**	**Total**
- Losses on which deferred tax was recognized	3 159	6 771	3 786	13 716
- Losses on which deferred tax was not recognized	81 374	90 297	11 179	182 850

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

14 Revenue by nature

	For the 6 month period ended		For the 3 month period ended	
	30-06-2016	30-06-2015	30-06-2016	30-06-2015
Rent income	6 652	6 114	3 321	3 054
Real estate advisory services	171	44	70	44
Property related services	2 874	2 888	1 580	1 276
Accounting services	8	0	8	0
	9 705	**9 046**	**4 979**	**4 374**

Rent revenues are earned by office properties in Warsaw: Aquarius (Połczynska St.), Solaris and Iris (both Cybernetyki St.). Increase in rent income in the first two quarters of 2016 by 9% as compared to similar prior year period is driven mainly by Iris building, gaining increasing number of tenants over time.
The Group did not recognise any income from inventory sales in the first half of 2016.

15 Cost of sales

	For the 6 month period ended		For the 3 month period ended	
	30-06-2016	30-06-2015	30-06-2016	30-06-2015
Change of inventory impairment write downs	19	70	19	70
The cost of services rendered	1 179	956	605	400
	1 198	**1 026**	**624**	**470**

The costs of the services consisted mainly of costs of services related to the maintenance of leased office buildings and other services re-invoiced to tenants.

16 Administrative costs property related

	For the 6 month period ended		For the 3 month period ended	
	30-06-2016	30-06-2015	30-06-2016	30-06-2015
Personnel costs	717	573	321	134
Property maintenance	2 007	2 060	984	639
Property taxes	78	1 538	(374)	552
Perpetual usufruct	433	484	212	47
Depreciation of fixed assets and intangible assets	119	104	56	52
	3 354	**4 759**	**1 199**	**1 424**

In the second half of 2016 the Group reversed the provision for real estate tax in the amount of PLN 821 thousand.

17 Administrative expenses-other

	For the 6 month period ended		For the 3 month period ended	
	30-06-2016	30-06-2015	30-06-2016	30-06-2015
Consultancy services	2 529	4 157	1 400	2 095
Transportation	5	28	2	20
Taxes	144	300	74	274
Office maintenance	771	960	421	568
Other services	201	387	135	313
Cost related for non deductible VAT	196	141	180	28
Impairment write offs	60	196	15	50
	3 906	**6 169**	**2 227**	**3 348**

In the first half of 2016 years the Group recorded a decrease in the cost of advisory services in relation to the same period of 2015 by PLN 1 628 thousand. This was a consequence of cost optimization.

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

18 Other income

	For the 6 month period ended		For the 3 month period ended	
	30-06-2016	30-06-2015	30-06-2016	30-06-2015
Provision released	0	1 088	0	-769
Payables written back	0	0	0	-20
Sale of PPE	4	0	4	0
Other	66	1 203	52	498
	70	**2 291**	**56**	**(291)**

19 Financial income and expenses

	For the 6 month period ended		For the 3 month period ended	
	30-06-2016	30-06-2015	30-06-2016	30-06-2015
Interest expense:				
- Loans from related parties			0	0
- Bank loans	(1 426)	(1 624)	(711)	29
- Bank facility arrangement fee	0	0	0	112
- Interest from financial leases	(1 203)	(1 233)	(602)	(621)
- Interest on bonds	(2 592)	(2 390)	(1 315)	(1 251)
- Other interest	425	(281)	461	(147)
- Interest on loans from related parties	(24)	0	(24)	0
- Other	(112)	(502)	(69)	(487)
Net exchange differences	(5 264)	0	(5 264)	0
Revaluation of derivatives (IRS)	(1 499)	0	(465)	0
Valuation of amortized cost	0	0	1 906	0
Other financial Costs	(9)	(502)	18	(502)
Result of changing subsidiary into joint venture	0	(972)	0	(972)
Financial costs	**(11 704)**	**(7 504)**	**(6 065)**	**(3 839)**
Interest income:				
- Bank interest	25	51	11	(63)
- interest from unrelated parties	34	119	2	60
- Received dividends	0	0	0	0
Profit on bonds revaluation	4 435	4 997	3 869	3 125
Valuation of amortized cost	479	0	479	0
Profit on a bargain purchase	0	0	0	(32 048)
Other financial income	0	0	(346)	(26)
Net exchange differences	0	1 700	(2 041)	(3 290)
Financial income	**4 973**	**6 867**	**1 974**	**(32 242)**

20 Income tax

	For the 6 month period ended		For the 3 month period ended	
	30-06-2016	30-06-2015	30-06-2016	30-06-2015
Current income tax	0	(183)	0	(183)
Deferred taxes	1 090	(1 091)	764	596
	1 090	**(1 274)**	**764**	**413**

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

21 Cash flow from operating activities

	For the 6 month period ended 30-06-2016	30-06-2015
Profit/loss before tax	(2 578)	(2 122)
Adjustments for:		
- depreciation of tangible fixed assets	86	89
- depreciation of intangible assets	15	15
- currency translation adjustments	(90)	73
- gains (losses) on revaluation to fair value of investment property	(5 216)	650
- gains (losses) on PPE sale	(4)	0
- gains (losses) on shares disposal	0	(6)
- share of the profit or loss of the joint venture	(308)	83
- gains (losses) on sale of investment property	2 475	0
– loss on change the subsidiary into joint venture	0	972
– result on embedded derivatives	(4 435)	(4 997)
– interest costs	3 982	4 160
– interest income	(35)	(119)
– exchange differences	6 433	(2 064)
– impairment of inventories	19	70
- result on bonds revaluation using efective rate method	142	41
– other adjustments - cash of subsidiary designed for sale	0	0
– other adjustments	(58)	183
Changes in working capital		
- changes in receivables	(15 910)	(1 456)
- changes in inventories	(19)	(70)
- change in trade liabilities and other	9 619	501
	(5 882)	**(3 997)**

Notes to the interim condensed consolidated financial statements

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

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

		For the 6 month period ended	
		30-06-2016	30-06-2015
(a) Transactions with key management personnel			
The cost of the salaries of members of the Board of Directors		126	90
The cost of the salaries of the members of the Supervisory Board		150	159
The cost of services rendered by the members of the Board of Directors		391	996
Total payables		88	0
(b) Transactions with the other related parties			
Revenues			
Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.		205	69
Wolf Investments Sp. z o.o..		0	3
Laxey Cooperative		0	6
Costs			
Laxey Cooperative	*(loan interest)*	24	0
Kancelaria Radców Prawnych Oleś i Rodzynkiewicz		33	20
Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.		0	2
		30-06-2016	**31-12-2015**
Payables			
Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.		47	19
Receivables			
Kancelaria Radców Prawnych Oleś i Rodzynkiewicz		14	0
Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.		0	18
Laxey Cooperative	*(loan and accrued interest)*	5 024	0

23 Payment of dividends

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

24 Earnings per share

	For the 6 month period ended		For the 3 month period ended	
	30-06-2016	30-06-2015	30-06-2016	30-06-2015
Profit attributable to the shareholders in the parent company	(3 668)	(848)	(1 566)	(29 564)
Weighted average number of ordinary shares (in '000)	32 863	32 863	32 863	32 863
Earnings per share	(0,11)	(0,03)	(0,05)	(0,90)
Diluted profit attributable to shareholders	(5 454)	(4 279)	(3 401)	22 577
Weighted average number of ordinary shares (in '000)	42 654	42 654	42 654	7 377
Diluted earnings per share	(0,13)	(0,10)	(0,08)	3,06

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim condensed consolidated financial statements

The issuance of bonds convertible into shares by CPD contributed to the dilution of profit. The amount of adjustment of the result was affected by the amount of interest (PLN 1.328 thousand), valuation of bonds as at the balance sheet date (PLN 902 thousand) and the valuation of the embedded derivative instrument (PLN -4.435 thousand). These amounts will be reduced by the income tax to be paid in the future.

The weighted average number of shares was adjusted due to the possible exercise of right to convert bonds convertible into shares (not more than 9,791,360 shares). The weighted average number of shares amounted to 42,654 thousand.

25 Contingent liabilities

In the first two quarters of 2016 there were no significant changes in contingent liabilities.

26 Segment reporting

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

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

27 Seasons of activity and unusual events

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

28 Assets and liabilities held for sale

In the second quarter of 2016 the Group separated the following assets and liabilities included in the disposal group classified as held for sale:

Assets	**30-06-2016**	**42 185**
Investment properties	72 172	0
Trade receivables and other receivables	1 787	0
Cash and cash equivalents	22	0
Liabilities		
Borrowings, including financial leasing	3 242	0
Other current payables	326	0
Net assets group held for sale	**70 413**	**0**

Assets held for sale concern the sale of the subsidiary - Blaise Gaston Spółka z ograniczoną odpowiedzialnością sp.k., whose main asset is a parcel of land.

29 Events after the end of the reporting period

On July 21, 2016 the subsidiaries entered into an agreement with the trustee acting for Energetyka Ursus limited liability company in liquidation. The trustee has committed them to pay for the subsidiaries CPD SA the amount of PLN 2.741 thousand as compensation for non-contractual use of real property owned subsidiaries CPD S.A.

On July 21, 2016 the subsidiary 14/119 Gaston Investments Spółka z ograniczoną odpowiedzialnościa Sp.k. withdrew from the final agreement the acquisition of property and the right of perpetual usufruct. Pursuant to the agreement the company is entitled to a full refund of any amount paid by the company as an advance. As at the date of publication of these condenced consolidated financial statements the Group has fully recovered the advance.

Notes to the interim condensed consolidated financial statements

On August 3, 2016, CPD's subsidiaries: Gaston Investments Sp. z o. and Challange Eighteen Sp. z o.o. entered into a conditional agreement for the sale of all rights and obligations of the limited partner and general partner in the company 14/119 Gaston Investments Spółka z ograniczoną odpowiedzialnością sp.k. The agreement provides for the following conditions precedent to the total fulfillment of, not later than 31 December 2016.:

- repayment of the entire debt 14/119 Gaston Investments limited liability limited partnership under the loan agreements with interest to the CPD S.A
- payment of total price, in the manner and within the time specified in the agreement.

At the date of publication of these condensed consolidated financial statements of the Group repaid a loan in the principal amount of PLN 5 million to the shareholder.

There were no other significant post balance sheet events.

(All amounts in PLN thousands unless otherwise stated)

II Interim financial statements of the parent

30 Interim financial information of the parent

30.1 Condensed statement of comprehensive income

	Nota	6 months ended 30-06-2016 (unaudited)	6 months ended 30-06-2015 (unaudited)	3 months ended 30-06-2016 (unaudited)	3 months ended 30-06-2015 (unaudited)
Revenues		140	264	47	130
Administrative costs	30.12	(1 022)	(996)	(595)	(71)
Selling and marketing expenses		(13)	(76)	(7)	(39)
Impairment gain/loss on investments in subsidiaries		(7 467)	(11 986)	(7 467)	(11 986)
Interest income on loans		7 476	7 704	3 729	3 654
OPERATING RESULT		**(886)**	**(5 090)**	**(4 293)**	**(8 312)**
Financial income	30.13	4 859	5 631	4 254	2 598
Financial costs	30.13	(3 610)	(2 528)	(2 214)	(1 319)
PROFIT (LOSS) BEFORE INCOME TAX		**363**	**(1 987)**	**(2 253)**	**(7 033)**
Income tax		0	0	0	0
TOTAL COMPREHENSIVE INCOME		**363**	**(1 987)**	**(2 253)**	**(7 033)**
BASIC EARNINGS PER	30.9	0,01	(0,06)	(0,07)	(0,21)
DILUTED EARNINGS PER SHARE (PLN)	30.9	(0,03)	(0,13)	(0,10)	(0,20)

Elżbieta Donata Wiczkowska
Chairman of the Board

Colin Kingsnorth
Board Member

John Purcell
Board Member

Iwona Makarewicz
Board Member

Waldemar Majewski
Board Member

(All amounts in PLN thousands unless otherwise stated)

30.2 Statement of financial position

ASSETS	Note	30-06-2016 *(unaudited)*	31-12-2015
Non-current assets			
Property, plant and equipment		2	3
Intangible assets, excluding goodwill		2	4
Long-term receivables	30.7	532 095	521 160
		532 099	**521 167**
Current assets			
Należności handlowe oraz pozostałe należności	30.8	657	1 067
- trade receivables and loans		617	1 063
- prepaid expenses		40	4
Bonds	30.6	3 702	3 670
Cash and cash equivalents		210	8 115
		4 569	**12 852**
Total assets		**536 668**	**534 019**
EQUITY			
Share capital		3 286	3 286
Reserve capital		987	987
Fair value of capital element at inception date		(27 909)	(27 909)
Share premium		796 643	796 643
Retained earnings		(323 312)	(323 675)
Total equity		**449 695**	**449 332**
LIABILITIES			
Non-current liabilities			
Bonds issued	30.10	58 329	56 041
Derivative financial instruments		7 200	11 635
Loans and borrowings, including finance leases		17 981	12 909
		83 510	**80 585**
Current liabilities			
Bonds issued		1 264	1 279
Trade payables and other liabilities		2 199	2 823
		3 463	**4 102**
Total liabilities		**536 668**	**534 019**

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Board Member

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

(All amounts in PLN thousands unless otherwise stated)

30.3 Statement of changes in equity

				Accumulated profit (loss)			
	Share capital	Embedded derivative at inception date	Share premium	Other Reserves	Own shares	Retained earnings	Total
Balance as at 01-01-2015	**3 286**	**(27 909)**	**796 643**	**987**	**0**	**(371 861)**	**401 146**
Profit (loss) for the period	0	0	0	0	0	(1 987)	(1 987)
	0	0	0	0	0	(1 987)	(1 987)
Balance as at 30-06-2015 /unaudited	**3 286**	**(27 909)**	**796 643**	**987**	**0**	**(373 848)**	**399 159**
Balance as at 01-01-2016	**3 286**	**(27 909)**	**796 643**	**987**	**0**	**(323 675)**	**449 332**
Profit (loss) for the period	0	0	0	0	0	363	363
	0	0	0	0	0	363	363
Balance as at 30-06-2016 /unaudited	**3 286**	**(27 909)**	**796 643**	**987**	**0**	**(323 312)**	**449 695**

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CPD S.A.

(All amounts in PLN thousands unless otherwise stated)

30.4 Cash flow statement

	Nota	6 months ended 2016-06-30 (unaudited)	6 months ended 2015-06-30 (unaudited)
Cash flow from operating activities			
Cash generated from operations	30.14	(724)	(994)
Inerest paid		(1 296)	0
Net cash generated from operating activities		**(2 020)**	**(994)**
Cash flows from investing activities			
Loans granted		(26 897)	(45 256)
Loan repayments received		14 766	14 884
Interest received		1 316	1 596
Net cash generated from investing activities		**(10 815)**	**(28 776)**
Cash flows from financing activities			
Loans received		5 000	0
Loan repayments received		(70)	(82)
Proceeds from issuance of bonds		0	29 552
Net cash generated from financing activities		**4 930**	**29 470**
Change in net cash and cash equivalents		**(7 905)**	**(300)**
Cash and cash equivalents at the beginning of year		**8 115**	**12 071**
Cash and cash equivalents at the end of the period		**210**	**11 771**

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(All amounts in PLN thousands unless otherwise stated)

Notes to the interim financial statements

30.5 Shares in subsidiaries

Name	Country	Share	30-06-2016	31-12-2015
Buffy Holdings No1 Ltd	Cyprus	100%	184 000	184 000
Impairment, the value of the shares Buffy Holdings			(184 000)	(184 000)
Celtic Investments Ltd	Cyprus	100%	48 000	48 000
Impairment, the value of the shares Celtic Investments			(48 000)	(48 000)
Lakia Enterprises Ltd	Cyprus	100%	105 000	105 000
Impairment, the value of the shares Lakia Enterprises Ltd			(105 000)	(105 000)
			0	**0**

30.6 Bonds

On March 18, 2013. the company acquired bonds issued by the company Bolzanus Limited registered in in Cyprus (bonds - 3 mln zł., interest on June 30, 2016 - 702 ths. zł.). Bond interest rate is 8% per annum. Maturity date fell on 17 February 2016.

30.7 Long-term receivables

	30-06-2016	31-12-2015
Long-term loans to related parties, including:		
-loan	496 600	484 750
-interest	85 984	80 074
Impairment	(50 839)	(43 664)
	531 745	**521 160**

Details of the loans granted to related parties

Related party	Principal amount	Accrued interest	Interest Rate	Margin	Maturity
2/124 Gaston Investments	3 030	428	3M WIBOR	1,55%	on demand
3/93 Gaston Investments	2 757	349	3M WIBOR	1,55%	on demand
4/113 Gaston Investments	6 226	1 132	3M WIBOR	1,55%	on demand
5/92 Gaston Investments	4 118	435	3M WIBOR	1,55%	on demand
6/150 Gaston Investments	2 497	381	3M WIBOR	1,55%	on demand
7/120 Gaston Investments	1 525	208	3M WIBOR	1,55%	on demand
8/126 Gaston Investments	5 811	695	3M WIBOR	1,55%	on demand
9/151 Gaston Investments	1 257	167	3M WIBOR	1,55%	on demand
10/165 Gaston Investments	2 077	210	3M WIBOR	1,55%	on demand
11/162 Gaston Investments	1 572	173	3M WIBOR	1,55%	on demand
12/132 Gaston Investments	3 760	510	3M WIBOR	1,55%	on demand
13/155 Gaston Investments	3 745	465	3M WIBOR	1,55%	on demand
14/119 Gaston Investments	13 550	45	3M WIBOR	1,55%	on demand
15/167 Gaston Investments	1 994	222	3M WIBOR	1,55%	on demand
16/88 Gaston Investments	505	87	3M WIBOR	1,55%	on demand
18 Gaston Investments	3 316	385	3M WIBOR	1,55%	on demand
19/97 Gaston Investments	548	88	3M WIBOR	1,55%	on demand
20/140 Gaston Investments	624	103	3M WIBOR	1,55%	on demand

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim financial statements

30.7 Long-term receivables - cont.

Antigo Investments	4 356	133	3M WIBOR	1,55%	on demand
Impairment	*(1 077)*	*(74)*			
Blaise Gaston Investments	13 796	597	3M WIBOR	1,55%	on demand
Blaise Investments	24 126	5 360	3M WIBOR	1,55%	on demand
Belise Investments	12 960	4 933	3M WIBOR	1,55%	on demand
Buffy Holdings No 1 Ltd	161 871	34 884	3M WIBOR	0,75%	on demand
Impairment	*(5 793)*	*(34 884)*			
Celtic Asset Management	973	6	3M WIBOR	1,55%	on demand
Impairment	*(3)*	*0*			
Celtic Investments Ltd	1 917	54	3M LIBOR	0,75%	on demand
Impairment	*(1 746)*	*(47)*			
Challange 18	156 867	25 722	3M WIBOR	1,55%	on demand
Elara Investments	2 843	79	3M WIBOR	1,55%	on demand
Impairment	*(2 240)*	*(34)*			
Gaston investments	508	8	3M WIBOR	1,55%	on demand
HUB Developments	2 428	165	3M WIBOR	1,55%	on demand
Impairment	*(375)*	*(126)*			
Lakia Enterprises Limited	50 996	7 826	3M WIBOR	1,55%	on demand
Impairment	*0*	*(4 436)*			
IMES	*4 043*	*131*	3M WIBOR	1,55%	26.03.2020
Smart City	4	0	3M WIBOR	1,55%	on demand
Impairment	*(4)*	*0*			
	485 362	**46 383**			

In accordance with the intention of the Board the loans will be repaid over a period of from 3 to 5 years. The maximum value of the credit risk associated with the loans and trading duties is equal to their carrying amount. Loans are not secured.

30.8 Trade receivables and other receivables

	30-06-2015	31-12-2015
Trade receivables from related parties	512	60
Trade receivables from other parties	1	0
Short-term loans with related parties, including:	0	0
- loans	16 036	16 017
- interest	4 722	4 463
- impairment	(20 758)	(20 480)
Surplus of input VAT over output VAT	28	45
Other receivables from related parties	0	942
Other receivables from other parties	76	16
Prepayments	40	4
Short-term receivables	**657**	**1 067**

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim financial statements

30.8 Trade receivables and other receivables - cont.

Details of the loans granted to related parties

Related party	Principal amount	Accrued interest	The Interest Rate	Margin	Maturity
Mandy Investments	16 036	4 722	3M WIBOR	1,55%	on demand
Impairment	*(16 036)*	(4 722)			

30.9 Earnings per share

	6 months ended		3 months ended	
	30/06/2016	30/06/2015	30/06/2015	30/06/2015
Profit attributable to the shareholders in the parent company	363	(1 987)	(2 253)	(7 033)
Weighted average number of ordinary shares (in '000)	32 863	32 863	32 863	32 863
Earnings per share	0,01	(0,06)	(0,07)	(0,21)
Diluted profit attributable to shareholders	(1 423)	(5 418)	(4 089)	(8 604)
Weighted average number of ordinary shares (in '000)	42 654	42 654	42 654	42 654
Diluted earnings per share	(0,03)	(0,13)	(0,10)	(0,20)

The issuance of bonds convertible into shares by CPD contributed to the dilution of profit. The amount of adjustment of the result was affected by the amount of interest (PLN 1.328 thousand), valuation of bonds as at the balance sheet date (PLN 902 thousand) and the valuation of the embedded derivative instrument (PLN -4.435 thousand). These amounts will be reduced by the income tax to be paid in the future.

The weighted average number of shares was adjusted due to the possible exercise of right to convert bonds convertible into shares (not more than 9,791,360 shares). The weighted average number of shares amounted to 42,654 thousand.

30.10 Bonds issued

	30 June 2016	31 December 2015
a/ Bonds A series		
Nominal value of the convertble bonds issued on Sept 26, 2014	22 966	22 966
Capital part	27 909	27 909
Debt part on the intial recognition date of Sept 26, 2014	**50 875**	**50 875**
Accrued interest	4 295	2 967
Valuation as at balance sheet date	1 374	472
Valuation of the embedded derivative	(20 709)	(16 274)
Bonds value as at balance sheet date	**35 835**	**38 040**

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim financial statements

30.10 Bonds issued - cont.

Bondholder	30 June 2016	31 December 2015
Weyerhaeuser Company Master Retirement Trust	1	1
Laxey Investors Limited	0	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.

	30 June 2016	31 December 2015
b) Bonds B series		
Nominal value on 13 January 2015	29 552	29 552
Cost of accrued interest	3 897	2 633
Interest paid	(2 633)	(1 354)
Valuation of the embedded derivative	142	84
Derivative as at 31 December 2015	**30 958**	**30 915**

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim financial statements

30.10 Bonds issued - cont.

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.

30.11 Borrowings, including financial leasing

	30-06-2015	31-12-2015
Loans from related parties	17 981	12 909
	17 981	**12 909**

Loan commitments at June 30, 2016 relate to: a loan from a subsidiary Lakia Enterprises (interest rate on the loan is 3M WIBOR + margin 0.50%, the loan is payable on the lender demand), a loan from a subsidiary Lakia Investments (interest rate on the loan is 3M WIBOR + margin 1.55%, the loan is payable on the lender demand) and a loan from Laxey NL. On June 30, 2016 the loan balance from the company Lakia Enterprises amounts to 9 578 thousands PLN (capital: 7 666 thousands PLN, interest 1 912 thousands PLN); the balance of the loan from the company Lakia Investments amounts to 3 379 thousands PLN (capital: 3 159 thousand. PLN, interest 220 thousand PLN); loan balance of Laxey NL amounts to 5 024 thousand. PLN (capital 5 000 thousand. PLN, interest: 24 thousand PLN).

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim financial statements

30.12 Administrative costs

	6 months ended		3 months ended	
	30-06-2016	30-06-2015	30-06-2016	30-06-2015
Advisory services	108	185	69	(333)
Salaries	468	491	200	251
Auditor's remuneration	65	1	65	0
Costs of not deductible VAT	142	70	141	0
Other services, including:	239	249	120	153
- Transport	4	27	1	27
- Taxes	4	8	4	8
- Office expenses	183	165	90	165
- Other costs	26	49	26	49
	1 022	**996**	**595**	**71**

30.13 Financial income and expenses

	6 months ended		3 months ended	
	30-06-2016	30-06-2015	30-06-2016	30-06-2015
Interest income:				
- Bank interest	10	38	3	15
-Interest from unrelated parties	32	119	0	60
Financial income from the valuation of the embedded deriva	4 876	4 997	4 310	3 125
Valuation of bonds at amortized cost	(59)	(41)	(59)	(41)
Net exchange differences	0	518	0	(561)
Financial income	**4 859**	**5 631**	**4 247**	**2 575**

	Okres 6 miesięcy zakończony		Okres 3 miesięcy zakończony	
	30-06-2016	30-06-2015	30-06-2016	30-06-2015
Interest costs:				
-Interest from unrelated parties	2 561	1 257	1 284	118
-Interest from related parties	159	1 271	91	1 193
Other financial costs	0	0	(28)	8
Net exchange differences	890	0	867	0
Financial costs	**3 610**	**2 528**	**2 214**	**1 201**

The result on financial activities is mainly influenced by negative exchange rate differences (890 thousands PLN) and income from the valuation of the embedded derivative (4 876 thousands PLN).

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim financial statements

30.14 Cash flow from operating activities

	30-06-2016	30-06-2015
Profit/loss before tax	363	(1 987)
Adjustments for:		
– exchange differences	(3 576)	(5 288)
– depreciation	3	4
– interest costs	2 751	2 516
– interest income	(7 518)	(7 863)
– impairment on shares	0	0
– impairment on loans	7 467	11 986
Changes in working capital:		
– changes in receivables	410	(256)
– - change in trade liabilities and other	(624)	(106)
	(724)	**(994)**

30.15 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	30-06-2016	30-06-2015
Remuneration of members of the Supervisory Board	150	159
Remuneration of members of the Board of Directors	120	90

	30-06-2016	30-06-2015
b) Transactions with a major investor		
Costs		
Laxey Worldwide W.A. - loan	338	321
Impairment on Laxey Worldwide W.A. loan	*(338)*	*(321)*

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim financial statements

30.15 Related party transactions - cont.

	30-06-2016	30-06-2015
c) Transactions with subsidiaries		
Revenues		
2/124 Gaston Investments	50	47
3/93 Gaston Investments	47	41
4/113 Gaston Investments	98	91
5/92 Gaston Investments	66	51
6/150 Gaston Investments	40	38
7/120 Gaston Investments	27	24
8/126 Gaston Investments	88	72
9/151 Gaston Investments	18	16
10/165 Gaston Investments	33	21
11/162 Gaston Investments	22	18
12/132 Gaston Investments	58	51
13/155 Gaston Investments	57	49
14/119 Gaston Investments	46	0
15/167 Gaston Investments	32	27
16/88 Gaston Investments	8	7
18 Gaston Investments	54	49
19/97 Gaston Investments	9	8
20/140 Gaston Investments	10	9
Blaise Gaston Investments	112	83
Blaise Investments	390	422
Belise Investments	210	439
Buffy Holdings No1 Ltd	1 973	2 054
Celtic Asset Management	6	0
Celtic Investments Ltd	5	7
Challange 18	2 589	2 787
Elara Investments	46	55
Gaston Investments	116	423
Hub Developments	39	40
Lakia Enterprises Ltd	827	667
Mandy Investments	259	270
Antigo	79	81
IMES	61	20
Costs		
Lakia Investments	51	53
Lakia Enterprises Ltd	84	91
Laxey NL	24	0

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim financial statements

30.15 Related party transactions - cont.

	30-06-2016	30-06-2015
Liabilities		
Lakia Investments	3 276	3 276
Lakia Enterprises Ltd	9 537	9 537
Kancelaria Radców Prawnych Oleś&Rodzynkiewicz sp. komandytowa	14	0
Receivables		
2/124 Gaston Investments	3 458	3 206
3/93 Gaston Investments	3 106	2 887
4/113 Gaston Investments	7 358	6 461
5/92 Gaston Investments	4 553	3 459
6/150 Gaston Investments	2 878	2 588
7/120 Gaston Investments	1 733	1 708
8/126 Gaston Investments	6 506	5 032
9/151 Gaston Investments	1 424	1 090
10/165 Gaston Investments	2 287	2 005
11/162 Gaston Investments	1 745	1 260
12/132 Gaston Investments	4 270	3 537
13/155 Gaston Investments	4 210	3 365
14/119 Gaston Investments	13 595	0
15/167 Gaston Investments	2 216	1 830
16/88 Gaston Investments	592	500
18 Gaston Investments	3 701	3 273
19/97 Gaston Investments	636	558
20/140 Gaston Investments	727	655
Antigo Investments	4 489	5 462
Impairment on Antigo Investments loan	(1 151)	(263)
Blaise Gaston Investments	14 393	6 268
Blaise Investments	29 486	28 959
Belise Investments	17 893	19 500
Impairment on Belise Investments loan	0	0
Buffy Holdings No1 Ltd	196 755	192 716
Impairment on Buffy Holdings No1 Ltd loan	(40 677)	(68 109)
Celtic Asset Management	979	15
Impairment on CAM loan	(3)	0
Celtic Investments Ltd	1 971	1 787
Impairment on Celtic Investments Ltd loan	(1 793)	(1 632)
Challange 18	182 589	195 828
Elara Investments	2 922	3 373
Impairment on Elara Investments loan	(2 274)	(2 887)
Gaston Investments	516	9 291
Impairment on Gaston Investments loan	0	(3 421)
Hub Developments	2 593	2 619
Impairment on HUB Investments loan	*(501)*	*(110)*
Lakia Enterprises Ltd	58 822	57 153
Impairment on Lakia Enterprises Ltd loan	(4 436)	(25 025)
Mandy Investments	20 758	20 634
Impairment on Mandy Investments loan	(20 758)	(20 328)
Smart City Sp. z o.o.	4	4
Impairment on Smart City Sp. z o.o. loan	(4)	0
IMES	4 174	2 783

(All amounts in PLN thousands unless otherwise stated)

Notes to the interim financial statements

30.15 Related party transactions - cont.

d) Transactions with other related parties	**30-06-2016**	**30-06-2015**
Costs		
Kancelaria Radców Prawnych Oleś&Rodzynkiewicz sp. komandytowa	33	21

30.16 Share capital

At the reporting date the share capital amounted to 3 286 ths.PLN. Until the date of this financial statements there were no changes in the share capital.

Warsaw, 25 August 2016