ANNUAL REPORT 2013

Celtic

CELTIC PROPERTY DEVELOPMENTS S.A.

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2013

TRANSLATORS' EXPLANATORY NOTE

The following document is a free translation of the Annual Report of CELTIC PROPERTY DEVELOPMENTS S.A. published on April 18, 2014.

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.

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I. SUPERVISORY BOARD OF CELTIC PROPERTY DEVELOPMENTS S.A.

As at the day of the report publication, the Supervisory Board of Celtic Property Developments S.A. included the following individuals:

Ms. Marzena Bielecka – President of the Supervisory Board (Supervisory board member meeting the requirements for an independent member of the supervisory board)

Ms. Marzena Bielecka was appointed to the Supervisory Board of the second term on 24 May 2012. The term of office of Ms. Marzena Bielecka expires on 24 May 2015. Ms. Marzena Bielecka has tertiary education: she graduated from the University of Warsaw, Department of Polish and Slavonic Studies (major: Yugoslavian Studies). Ms. Marzena Bielecka is also a graduate of the Advanced Management Program conducted by IESE Barcelona, Universidad de Navarra, in Spain.

Mr. Wiesław Oleś – Vice-President of the Supervisory Board

Mr. Wiesław Oleś was appointed to the Supervisory Board of the second term on 24 May 2012. The term of office of Mr. Wiesław Oleś expires on 24 May 2015. Mr. Wiesław Oleś has tertiary legal education: he graduated from the Faculty of Law and Administration of the Jagiellonian University in Kraków (major: Law). Mr. Wiesław Oleś is also a licensed legal advisor.

Mr. Mirosław Gronicki – Member of the Supervisory Board (Supervisory board member meeting the requirements for an independent member of the supervisory board)

Mr. Mirosław Gronicki was appointed to the Supervisory Board of the second term on 24 May 2012. The term of office of Mr. Mirosław Gronicki expires on 24 May 2015. Mr. Mirosław Gronicki has tertiary economic education: he graduated from the Faculty of Economics of Maritime Transport at the University of Gdansk in Gdansk (major: Economics of Maritime Transport). Mr. Mirosław Gronicki has also obtained a PhD degree in economics at the Faculty of Economics of Production at the University of Gdansk.

Mr. Andrew Pegge – Member of the Supervisory Board

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

Mr. Wiesław Rozłucki – Member of the Supervisory Board (Supervisory board member meeting the requirements for an independent member of the supervisory board)

Mr. Wiesław Rozłucki was appointed to the Supervisory Board of the second term on 24 May 2012. The term of office of Mr. Wiesław Rozłucki expires on 24 May 2015. Mr. Wiesław Rozłucki graduated from the Warsaw School of Economics (Szkoła Główna Handlowa, formerly SGPiS) – Department of Foreign Trade (1970). In 1977 he obtained a PhD degree in Economic Geography. Between 1973 and 1989, Mr. Rozłucki was a researcher at the Institute of Geography and Spatial Management of the

Polish Academy of Sciences (PAN), and subsequently served as the Secretary of the Polish Committee of the International Geographical Union. In 1979–1980 he studied at the London School of Economics. Since 1990 he was involved in the ownership transformation processes, first as an advisor to the Minister of Finance, then as the Director of the Capital Markets Development Department at the Ministry of Privatisation. Between 1991 and 1994, Mr. Rozłucki was a member of the Polish Securities Commission. From 1991 to 2006, he was President of the Management Board of the Warsaw Stock Exchange as well as Chairman of the Supervisory Board of the National Depository for Securities. In 1990s, Mr. Rozłucki was a member of the Economic Development Council to President of the Republic of Poland. He was also a member of governing bodies of the World Federation of Exchanges (WFE) and the Federation of European Securities Exchanges (FESE). Currently, Mr. Rozłucki is a Supervisory Board member of public companies: GPW, Orange Polska, Bank BPH, TVN as well as Best Practices Committee established in 2001. He is also Chairman of the Programming Board of the Polish Institute of Directors and of Programming Board of Harvard Business Review Polska. He also provides individual consulting services, acting as a strategic adviser to Rothschild and Warburg Pincus. Since 2011, Mr. Rozłucki has served as the Chairman of the Economic Award Committee at the President of Poland. Mr. Wiesław Rozłucki was honoured with the Commander’s Cross of the Order of Polonia Restituta and the French distinction L’Ordre National du Mérite.

In comparison with the situation at the end of 2012, the following changes occurred in the composition of the Supervisory Board of Celtic Property Developments S.A.:

- On 24 September 2013, Mr. Colin Kingsnorth filed a resignation from his function in the Company’s Supervisory Board, effective on the start of the General Meeting with an agenda including changes in the composition of the Company’s Supervisory Board, which was held on 24 October 2013. On 25 September 2013 the Supervisory Board adopted Resolution No. 2/IX/2013 appointing Mr. Colin Kingsnorth as a member of the Management Board in the current term of office. Mr. Colin Kingsnorth’s mandate as a Management Board member commenced on 24 October 2013;
- On 24 October 2013 Mr. Andrew Pegge was appointed member of the Company’s Supervisory Board and on 24 September 2013 Mr. Andrew Pegge filed a resignation from his function as a member of the company’s Management Board.

II. MANAGEMENT BOARD OF CELTIC PROPERTY DEVELOPMENTS S.A.

As at the day of report publication, the Management Board of Celtic Property Developments S.A. included the following persons:

MS. ELŻBIETA WICZKOWSKA – PRESIDENT OF THE MANAGEMENT BOARD

Ms. Elżbieta Wiczkowska was appointed to the Management Board of the second term on 28 August 2010. On 25 September 2013, the Supervisory Board of the Company appointed Ms. Elżbieta Wiczkowska President of the Management Board. The term of office of Ms. Elżbieta Wiczkowska expires on 21 July 2015. Ms. Elżbieta Wiczkowska has tertiary medical education. She completed medical studies at the Faculty of Medicine of the Medical Academy in Szczecin. Ms. Elżbieta Wiczkowska holds an MBA diploma from the University of Illinois at Urbana-Champaign (USA). She also completed the Executive Advanced Management Program at IESE Barcelona, Universidad de Navarra, in Spain. Ms. Elżbieta Wiczkowska holds qualifications of the ACCA (The Association of Chartered Certified Accountants).

MR. COLIN KINGSNORTH – MEMBER OF THE MANAGEMENT BOARD

Mr. Colin Kingsnorth started his mandate as a member of the Management Board as of 24 October 2013. The term of office of Mr. Colin Kingsnorth expires on 21 July 2015. Mr. Colin Kingsnorth holds tertiary economic education (BSc): he is a graduate of the University of East London UEL (United Kingdom). Mr. Colin Kingsnorth is a member of the (UK Society of Investment Professionals).

MS. IWONA MAKAREWICZ – MEMBER OF THE MANAGEMENT BOARD

Ms. Iwona Makarewicz was appointed as a Management Board member of the second term of office as of 26 September 2013. The term of office of Ms. Iwona Makarewicz expires on 21 July 2015. Ms. Iwona Makarewicz holds tertiary education: she graduated from the Warsaw School of Economics (Warsaw, Poland); she holds a post-graduate diploma in Property Appraisal and Management at Sheffield Hallam University (United Kingdom) and a post-graduate degree in property appraisal at the Warsaw University of Technology (Poland); she is a member of The Royal Institute of Chartered Surveyors (United Kingdom) and holds the title of a licensed estate agent.

MR. PIOTR TURCHOŃSKI – MEMBER OF THE MANAGEMENT BOARD

Mr. Piotr Turchoński was appointed as a Management Board member of the second term of office as of 26 September 2013. The term of office of Mr. Piotr Turchoński expires on 21 July 2015. Mr. Piotr Turchoński has tertiary education: he is a graduate of the Silesian University of Technology in Gliwice where he completed a study programme at the Construction Department (major: civil engineering); he holds a post-graduate diploma in Management from the Warsaw School of Economics and a post-graduate diploma in Investment, also from the Warsaw School of Economics; additionally, he completed a bachelor-level study programme in business administration at the Cavendish College (London); he holds the RICS title from The Royal Institute of Chartered Surveyors (United Kingdom) and the CCIM title from the Anglo American Real Property Institute (USA).

In comparison with the situation at the end of 2012, the following changes occurred in the composition of the Management Board of Celtic Property Developments S.A.:

- On 17 September 2013 Mr. Andrew Shepherd, then President of the Management Board, filed his resignation effective on 17 September 2013. Mr. Andrew Shepherd did not specify reasons for his resignation;

- On 17 September 2013 Mr. Aled Rhys Jones, then member of the Management Board, filed his resignation effective on 17 September 2013. Mr. Aled Rhys Jones did not specify reasons for his resignation;
- On 24 September 2013 Mr. Andrew Pegge, then member of the Management Board, filed his resignation effective on 24 September 2013 (end of day). Mr. Andrew Pegge did not specify reasons for his resignation. Mr. Andrew Pegge was appointed member of the Supervisory Board on 24 October 2013.
- As of 26 September 2013 Ms. Iwona Makarewicz and Mr. Piotr Turchoński started to fulfil their functions as members of the Management Board;
- As of 24 October 2013 Mr. Colin Kingsnorth started to fulfil his functions as a member of the Management Board.

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

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

Supervisory Board of Celtic Property Developments S.A.

As at:	Women	Men
31 December 2012	1	4
31 December 2013	1	4

Management Board of Celtic Property Developments S.A.

As at:	Women	Men
31 December 2012	1	2
31 December 2013	2	2

IV. MANAGEMENT BOARD REPORT

1. CELTIC PROPERTY DEVELOPMENTS S.A. – HISTORY AND BUSINESS PROFILE

The company was founded under the original name the Celtic Development Corporation S.A. based in Kraków and registered in the Register of Entrepreneurs of the National Court Register kept by the District Court in Krakow, 11th Business Division of the National Court Register under the KRS number 0000277147 on the basis of a decision issued by the District Court in Krakow, 11th Business Division of the National Court Register on 23 March 2007. The Company's seat was changed pursuant to the resolution of the General Meeting of 27 April 2007, and that fact was recorded in the Register of Entrepreneurs of the National Court Register kept by the District Court in Krakow, 11th Business Division of the National Court Register on 28 May 2007. The name of the Company was changed to Poen Spółka Akcyjna pursuant to the resolution of the General Meeting of 22 February 2008, and that fact was recorded in the Register of Entrepreneurs of the National Court Register kept by the District Court in Warsaw, 12th Business Division of the National Court Register, on 28 April 2008.

On 22 June 2010 the Extraordinary General Meeting of Celtic Property Developments Plc (hereinafter referred to as 'CPD Plc') took a resolution on a cross-border merger of Celtic Property Developments Plc and Poen S.A. Following the registration, on 23 August 2010 CPD Plc ceased to exist while Poen S.A. became the parent company. As a result of the merger, previous shareholders of CPD Plc became shareholders in Poen S.A. at 100%. Moreover, Poen S.A. acquired, by means of general succession, its treasury shares from CPD Plc for the purpose of redemption. On 2 September 2010, the Extraordinary General Meeting adopted a resolution amending the Company's Articles, consisting, among others, in renaming the Company into Celtic Property Developments S.A., and that fact was recorded in the Register of Entrepreneurs of the National Court Register kept by the District Court in Warsaw, 12th Business Division of the National Court Register, on 10 September 2010.

As of 23 December 2010, the shares of Celtic Property Developments S.A. have been listed on the Warsaw Stock Exchange.

Today, Celtic Property Developments S.A. is a holding company controlling a group of 37 subsidiaries, focusing on activities in the office and residential property segments. The Group's current plans focus on residential development, mainly through the implementation of its flagship project in the Ursus district of Warsaw.

2. CELTIC PROPERTY DEVELOPMENTS S.A. AS THE PARENT COMPANY IN THE GROUP STRUCTURE

As of the report publication date, Celtic Property Developments S.A. (hereinafter referred to as 'the Company') directly or indirectly held shares and shareholdings in 37 subsidiaries. Celtic Property Developments S.A. directly controls 4 entities which are responsible for various areas of the Group's operations (hereinafter referred to as 'the Celtic Group', 'the Group'):

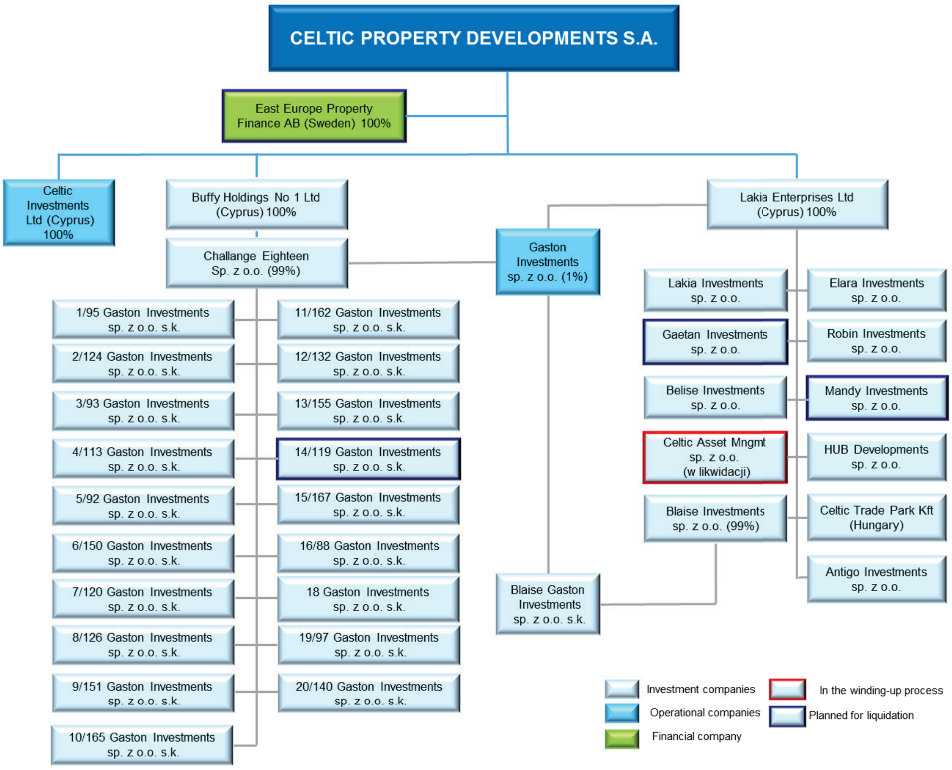
- **Buffy Holdings No1 Ltd (Cyprus)** – this company holds shares in investment companies responsible for the Ursus investments;
- **Lakia Enterprises Ltd (Cyprus)** – this company holds shares in investment companies responsible for investment projects in Poland and Hungary;
- **Celtic Investments Ltd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

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

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

In 2013, as the Group continued its strategy of concentrating on the Ursus project and terminating inactive projects, the Group's structure underwent further simplification. The liquidation of an operations company in Hungary was completed, and the liquidation of Celtic Asset Management Sp. z o.o., an investment company, was continued. Also, a decision was made to liquidate three other investment companies (Mandy Investments Sp. z o.o., 14/119 Gaston Investments Sp. komandytowa and Gaetan Investments Sp. z o.o.) in connection with the sale of real property held by those companies. The liquidation of East Europe Property Finance AB is also planned.

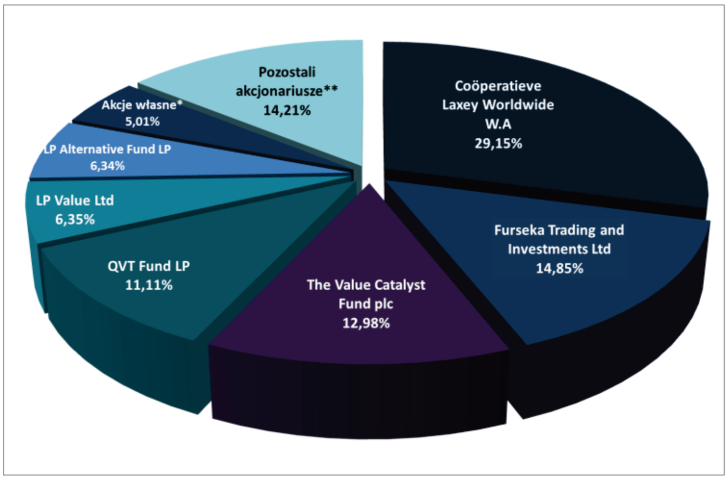
The chart below presents the structure of the Celtic Group as of the publication of this report.



3. SHAREHOLDERS

CONTROLLING STAKES

CELTIC PROPERTY DEVELOPMENTS S.A. – SHAREHOLDING STRUCTURE



**On 15 April 2013 the Company purchased 1,732,394 treasury shares with the purpose of redemption under a buy-back scheme. According to applicable law, the Company may not exercise voting rights under treasury shares.*

*** Shareholders who hold under 5% of shares each.*

According to the information held by the Company during the reporting period, the shareholders who, either directly or indirectly through subsidiaries, held at least 5% of the total number of votes at the General Meeting of Shareholders (the number of shares is given on the basis of shareholder notifications under Article 69 of the Act on Public Offering or data contained in the prospectus) were as follows:

Shareholders	Number of shares	Type of shares	Number of votes	As % of total number of shares	As % of total number of votes
Coöperatieve Laxey Worldwide W.A	10 082 930	Bearer shares	10 082 930	29,15%	29,15%
Furseka Trading and Investments Ltd	5 137 222	Bearer shares	5 137 222	14,85%	14,85%
The Value Catalyst Fund plc	4 490 475	Bearer shares	4 490 475	12,98%	12,98%
QVT Fund LP	3 843 635	Bearer shares	3 843 635	11,11%	11,11%
LP Value Ltd	2 198 450	Bearer shares	2 198 450	6,35%	6,35%
LP Alternative Fund LP	2 193 931	Bearer shares	2 193 931	6,34%	6,34%
Own shares	1 732 394	Bearer shares	1 732 394	5,01%	5,01%*
Other shareholders**	4 916 560	Bearer shares	4 916 560	14,21%	14,21%
TOTAL	**34 595 597**		**34 595 597**	**100,00%**	**100,00%**

**On 15 April 2013 the Company purchased 1,732,394 treasury shares with the purpose of redemption under a buy-back scheme. According to applicable law, the Company may not exercise voting rights under treasury shares.*

The above shareholding structure is presented in relation to the total number of shares amounting to 34,595,597 shares and including shares of series B, C, D, E and F which represent 100% of votes at the Company's General Meeting.

On 30 August 2013, the Company received a notification under Articles 69.1.1 and 69.2.2 in connection with a transaction concluded between Horseguard Trading Ltd. and a subsidiary of Horseguard Trading Ltd., i.e. Furseka Trading and Investments Ltd. In an off-session block trade settled on 30 August 2013, Horseguard Trading Ltd. sold 5,137,222 shares of Celtic Property Developments S.A. bearing an entitlement to 5,137,222 votes at the Company's General Meeting to its subsidiary Furseka Trading and Investments Ltd. As a result, Horseguard Trading Ltd. indirectly held the Company's shares. On 9 September 2013 Horseguard Trading Ltd. sold 100% of its shares in

Furseka Trading and Investments Ltd. Following that transaction, Horseguard Trading Ltd. did not hold any shares in the Company as of 9 September 2013, whether directly or indirectly.

SHAREHOLDERS WITH SPECIAL RIGHTS

All shares issued by the Company to date are ordinary bearer shares. The Company Articles do not grant any specific rights to shares in the Company, including preferential voting rights or the right to appoint members of the Company's governing bodies. The Company's shareholders do not own shares bearing special controlling rights.

RESTRICTIONS ON VOTING RIGHTS

Under paragraph 4.5 of the Company Articles, neither a lienor nor a pledgee have the right to exercise voting right from pledged shares or shares granted for usage. On 15 April 2013 the Company purchased 1,732,394 treasury shares with the purpose of redemption under a buy-back scheme. According to applicable law, the Company may not exercise voting rights under treasury shares.

RESTRICTIONS REGARDING TRANSFER OF OWNERSHIP RIGHTS

All B, C, D and F series shares of Celtic Property Developments S.A. issued hitherto are freely marketable and are not subject to any restrictions, except those arising under the Company Articles, the Polish Code of Commercial Companies and Partnerships, the Act on Trading in Financial Instruments, the Act on Public Offering, or any other relevant provisions of law. Series E shares issued in connection with series B subscription warrants being taken up by entitled parties (i.e. members of the Management Board serving on the Management Board as of 8 May 2013 and holding B series subscription warrants) must not be disposed of for a period of 18 months following their admission to stock exchange trading i.e. starting from 5 July 2013, under contracts signed in parallel with the taking-up of the shares.

In accordance with paragraph 4.6 of the Company Articles, bearer shares are not convertible to registered shares. Conversion of registered shares into bearer shares may be carried out upon a shareholder's request through a Management Board's resolution which must be adopted within seven days from the date of submission of a written request for share conversion to the Management Board. Such request should indicate the number of registered shares covered by the conversion request and the numbers of such shares. In the case of conversion of registered shares into bearer shares, the Management Board includes in the agenda of the forthcoming General Meeting a point on amending the Articles in respect of the number of registered shares.

4. CORPORATE GOVERNANCE

• RULES OF CORPORATE GOVERNANCE

Celtic Property Developments S.A. is regulated by its corporate regulations such as the Company Articles, General Meeting Rules, Supervisory Board Rules and Management Board Rules. All those documents are available on the Company website at: www.celtic.pl.

In 2013 the Company applied corporate governance principles included in the document entitled *Code of Best Practice for WSE-Listed Companies*, available (in Polish) at *http://corp-gov.gpw.pl/assets/library/polish/regulacje/dobre_praktyki_16_11_2012.pdf.* This text is an appendix to the resolution of the WSE Council No. 19/1307/2012 of 21 November 2012.

- **DEROGATIONS FROM CORPORATE GOVERNANCE RULES**

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

- *Rule II.1. 9a) regarding the publishing on the company website a record of the General Meeting in audio or video format*

  Transparency of information policy with regard to General Meetings is secured by performing by the Company of all the obligations, as provided for by the Regulation of the Minister of Finance on the current and periodic information reported by issuers of securities. Pursuant to the above mentioned regulation, the Company publishes information about the time and place of General Meetings, its agenda and draft resolutions which allows to each shareholder or other person concerned, participation in the General Meeting. After the end of the General Meeting, the Company immediately forwards to the public content of resolutions taken by the General Meeting and other relevant information about the General Meeting. In the assessment of the Management Board, the Company uses its reasonable diligence and regulations applied are sufficient to ensure the transparency and effectivness of Company's information policy in the field of recording the proceedings of the General Meeting with existing, it means traditional, method of registration of the General Meeting. Additionally, each shareholder pursuant the relevant provisions of the Code of Commercial Companies, has the possibility to review at any time the book of protocols of General Meeting

- *Rule I.12 regarding that a company should enable its shareholders to exercise the voting right during a General Meeting either in person or through a plenipotentiary, outside the venue of the General Meeting, using electronic communication means and Rule IV. 10 regarding that a company should enable its shareholders to participate in a General Meeting using electronic communication means through: 1) real-life broadcast of General Meetings and 2) real-time bilateral communication where shareholders may take the floor during a General Meeting from a location other than the General Meeting.*

  The fact of non-transmission of the deliberations of the General Meeting and of the possibility of two-way communication in real time during the deliberations of the General Meeting, does not result solely from a policy adopted by the Company's Management Board but is a consequence of the adjustment to the regulations being in force in the Company both in terms of the Company Articles and General Meeting by-laws. None of these documents does not provide for the solutions provided in Rules no I.12 and IV.10 of *Code of Best Practice*. The documents governing the way in which the General Meeting is conducted are available to the public on the Company's website which causes that the rules in carrying out the General Meetings are clear and available to all shareholders. In addition, the Company on the occasion of convening of the General Meeting-in the notice of convening the General Meeting-clearly shows that the Company Articles or General Meeting by-laws do not provide for the possibility of attending or speaking at the General Meeting using electronic means of communication – which in some kind is the information about the incidental non-application of *Code of Best Practice*.

  Taking into account the above, it should be considered that Company's shareholders had sufficient grounds to conclude that the Company does not currently apply solutions to broadcast proceedings of General Meetings or to allow the participation of shareholders in General Meetings by using the means of communication at a distance.

In addition, in the assessment of the Company's Management Board, the current course of General Meetings does not indicate in any way the need to make such transmission, or communications. The Company is not able to provide support for the General Meeting with guarantee of technical safety and legal safety for two-way communication in real time, and in particular the adequacy of the verification of the legitimacy of the shareholder.

The intention of the Company is the continuous compliance with all principles of corporate governance set out in the *Code of Best Practice for WSE Listed Companies.* The Company will undertake all efforts within its capacities for the implementation of all the governance rules arising from the *Code of Best Practice for WSE Listed Companies* as soon as possible.

- **INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS**

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

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

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

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

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

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

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

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

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

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

An Audit Committee was established within the Supervisory Board. The Audit Committee comprises three to five members, including at least one independent member of the Supervisory Board who meets the criteria of independence and holds qualifications in the field of accounting or financial auditing. Currently, all members of the Supervisory Board are also members of the Audit Committee.

MANAGEMENT BOARD – APPOINTMENT, DISMISSAL, POWERS

Members of the Management Board are appointed and dismissed by the Supervisory Board. The current term of office of the Management Board has been running from 21 July 2010 (i.e. from the date of the General Meeting for 2009 and the appointment of the Management Board of the second term) and will end on 21 July 2015. The term of office of the current Management Board is common for its members and lasts 5 years (§13.1 of the Company's Articles). A member may be revoked or suspended only for valid reasons. Article 368.4 of the Polish Code of Commercial Companies and Partnerships also provides that the General Meeting may revoke or suspend a Management Board member.

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

- fixing the date and the agenda of General Meetings and the convening of General Meetings;
- submitting proposals to the General Meeting, together with an opinion of the Supervisory Board, in matters covered by the agenda of the Meetings;
- submitting to the Supervisory Board financial statements and the Management Board's written report on its activities during the accounting period and a proposal on the distribution of profit or losses, and those documents are to be reviewed at the Annual General Meeting;
- adopting the Company's Organizational Rules and other internal acts governing the work of the Company's business;

- developing and adopting the Company's annual, multi-annual and strategic plans;
- appointing proxies and granting the power of attorney;
- requesting the Supervisory Board to convene its meetings;
- requesting the Supervisory Board to approve the Management Board Rules, the Company's Organizational Rules, annual budgets and Company's growth plans.

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

By 30 August 2013 the Management Board was entitled to increase the Company's share capital within the limits of the target capital by an amount not exceeding PLN 2,500,000. The Management Board was allowed to exercise this entitlement through one or more successive increases of share capital, with shares being taken up against cash or in-kind contributions. The Management Board was entitled, upon the Supervisory Board's consent, to cancel the shareholders' pre-emptive rights, in whole or in part, to shares issued under the aforementioned entitlement. D and F series shares were issued as part of the target share capital. Both share issues were described in point *17. SECURITIES ISSUES, REPURCHASE OF TREASURY SHARES* of this report.

- **AMENDMENTS TO COMPANY ARTICLES**

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

- **GENERAL MEETING**

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

5. STRATEGY AND POLICY REGARDING FURTHER DEVELOPMENT OF THE GROUP

The Company's strategy fits into the strategy of the Celtic Group as a whole. In the coming years, the Group intends to pursue a strategy aimed at building the value of the Group's assets in a gradual and consistent way through maximisation of rent income and a comprehensive completion of the Ursus project. To follow its strategic guidelines, the Group will focus primarily on launching the Ursus project. In order to accelerate growth of the value of the Group's assets, the Group intends to split the

Ursus project into smaller subprojects and to conduct them in collaboration with experienced residential developers. A parallel implementation of a number of development subprojects within the Ursus project will enable the Company to reduce the time needed to complete the entire project, which will translate into a fast increase in the value of the Group's other assets in the region and it will also allow the Group to achieve synergies and to optimise the costs of promotion, sales and marketing associated with those endeavours.

Another important element of the strategy is to optimise operating costs, both within the Company and in the Celtic Group as a whole. As part of the effort to reduce operating costs in 2012–2013, the Company sold or liquidated its foreign operations in Montenegro, United Kingdom, Italy and Hungary. The Company achieved further reductions of operating costs through measures such as reduction of personnel costs, including cuts in the Management Board members' remuneration. The adopted strategy was reflected in financial aspects and in the organisational and capital structure of the Celtic Group as a whole.

Regardless of the strategic assumptions adopted for the coming years, the Company does not exclude that it may be interested in acquiring other entities operating in the development sector in future. Potential acquisition targets will be primarily companies which own land in interesting locations and/or which conduct projects which are in line with the Group's image.

The overall strategy, as described above, executed under very demanding market conditions, shaped by the overall economic slowdown, declining demand for real estate and more difficult access to capital, determined the guidelines for each area of the Group's operations for the next few years, aiming to optimise costs and increase the value of assets held by the Company's Shareholders and to maximise return on investment.

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

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

The Company operates as a single operating segment. In the year 2013, the highest position in revenues, PLN 21.1 million, was represented by interest income from loans extended to other companies within the Group. Data on loans granted to related parties are presented in Note 4 *Long-term receivables* to the Company's financial statements. The Company also generated PLN 0.99 million of revenues from sale of services, and 100% of those services were sold on the domestic market.

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

➢ **DECREASE OF ADMINISTRATIVE COSTS**

Total Company's administrative costs in 2013 amounted to PLN 2.6 mln and were by by PLN 6.8 mln lower compared to 2012. The decrease in administrative costs was due to the reduction of the Company's demand for advisory services (decrease by PLN 3.9 mln) and to the reduction of wages costs (by PLN 2.7 mln) following the Company's Management Board remuneration reduction and reductions in employments. .

➢ **IMPAIRMENT WRITE-DOWNS ON INVESTMENTS IN SUBSIDIARIES**

The impairment write-down on investments in subsidiaries for 2013 amounted to PLN 67.6m and embraced:

- impairment write-down on a part of borrowings granted to subsidiaries, amounting to PLN 44.7m and write-off on a part of interest on borrowings granted to companies of CPD SA Group amounting to PLN 13.0m. These write-downs and write-offs were made with reference to the borrowings granted to subsidiaries, which as of 31 December 2013 disclosed negative values of net assets. In the opinion of the Company, due to the negative value of net assets of those subsidiaries, there is a real threat that those entities will not be able to repay the assumed borrowings in whole;

- Revaluation write-down on shares in subsidiary Lakia Enterprises Ltd. amounting to PLN 9.8m arising from the analysis of net assets of its subsidiaries as of 31 December 2013. Due to negative net assets of the group of subsidiaries of Lakia Eneterprises, its shares were written off as of 31.12.2013. The decrease in net assets of subsidiaries of Lakia Enterprises results mainly from sales transactions of individual real properties in Magdalenka, Nowa Piesecznica, Jaktorów, real property at ul. Jana Kazimierza in Warsaw and the decrease in valuation of real properties in Hungary.

The above write-downs and write-offs are presented in notes 3.3, 4 and 5 to the Company's Financial Statements.

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

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

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

➢ REPURCHASE OF TREASURY SHARES FOR THE PURPOSE OF REDEMPTION

On 15 April 2013, following an invitation announced by the Company on 27 March 2013 to place offers to sale the Company's shares, the Company purchased 1,732,394 its treasury shares via the UniCredit CAIB Poland S.A. brokerage house seated in Warsaw. The number of shares under the sale offers totalled 15,575,542. The reduction rate reached 88.88%. Shares were purchased in accordance with Resolution No. 3 of the Extraordinary General Meeting of Celtic Property Developments S.A. of 10 August 2012 regarding the purchase of the Company's shares with the purpose of redemption, in keeping with Article 362 § 1.5) of the Polish Code of Commercial Companies and Partnerships. The purchase price for one share was PLN 7.10. All of the purchased shares are ordinary shares with a nominal value of PLN 0.10 each. Treasury shares represent 5.01% of the Company's share capital and 5.01% of the total number of votes in the Company; however, in keeping with the applicable regulations, the Company is not entitled to exercise voting rights from its treasury shares. The buy-back of shares has been described under point 17. *ISSUES OF SECURITIES AND BUY-BACK OF TREASURY SHARES* of this report. The applicable law provides that in order to commence the redemption of shares acquired under a buy-back scheme, the General Meeting must be convened to adopt a resolution regarding a decrease of share capital.

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

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

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

In the Management Board's view, 2013 saw no unusual events which would have had an effect on the Company's performance.

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

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

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

10. OVERVIEW OF ESSENTIAL ECONOMIC AND FINANCIAL DATA

Selected items of the statement of comprehensive income

	12 months ended		*Change*
	31.12.2013 (PLN ths.)	**31.12.2012** (PLN ths.)	***2013/2012*** *(%)*
Revenue	999	3 181	*-68,6%*
Cost of sales	-	-	-
Gross profit	**999**	**3 181**	***-68,6%***
Administrative expenses	-2 647	-9 424	*-71,9%*
Marketing costs	-152	-564	*-73,0%*
Impairment of investments in subsidiaries	-67 590	-194 981	*-65,3%*
Interest income on loans	21 144	29 505	*-28,3%*
Other operating income	61	772	*-92,1%*
Other operating expenses	-1 495	-2 564	*-41,7%*
Profit from operations	**-49 680**	**-174 075**	***-71,5%***
Finance income	1 697	1 079	*57,2%*
Finance costs	-284	-2 638	*-89,2%*
Profit (loss) before tax	**-48 267**	**-175 634**	***-72,5%***
Income tax	-	-	-
PROFIT (LOSS) FOR THE YEAR	**-48 267**	**-175 634**	***-72,5%***
Diluted earnings per share (PLN)	-1,42	-5,15	*-72,5%*

In 2013 the Company achieved revenue from sales of services amounting to PLN 1.0m, which were lower by PLN 2.2m than those in the previous year. 100% revenue generated in 2013 originated from domestic sales of services provided for companies being members of the Group.

The largest revenue item in the Company's income statement, amounting to PLN 21.1m, was revenue from interest on the borrowings granted to companies of CPD SA Group. This revenue decreased by PLN 8.4m in comparison with the previous year, mainly due to the very significant decrease in WIBOR rate in 2013.

In 2013 Celtic Property Developments S.A. decreased the net loss in comparison with previous year by PLN 127.4m, closing the year with a negative result amounting to PLN 48.3m. The factor which exerted the greatest influence on the final amount of net loss in 2013 was the increase in the impairment write-down on investments in subsidiaries amounting to PLN 67.6m. The increase in the impairment write-down on investments in subsidiaries was composed of the increase in the impairment write-down on shares in subsidiary Lakia Enterprises Ltd amounting to PLN 9.8m, increase in the impairment write-down on borrowings amounting to PLN 44.7m, and write-off on borrowing interest amounting to PLN 13m. The impairment of shares in Lakia Enterprises Ltd resulted from the conducted analysis of net assets of its subsidiaries.

With reference to receivables in respect of borrowings granted to subsidiaries, the Company increased the impairment write-down on borrowings since in the opinion of the Company, due to the negative value of net assets of those subsidiaries, there is a real threat that those entities will not be able to repay the assumed borrowings in whole. Details of the write-downs are presented in notes 3.3, 4 and 5 of the Company's Financial Statements.

In addition, the final financial result was affected by the decrease in the administrative expenses by PLN 6.8m in comparison with year 2012, which was caused by decreased demand of the Company for consultancy services (decrease by PLN 3.9m) and decreased remuneration expenses (by PLN 2.7m).

Selected items of the statement of financial position

	As at:		Change
	31.12.2013	31.12.2012	2013/2012
	(PLN ths.)	(PLN ths.)	(%)
Total assets	**324 823**	**385 673**	***-15,8%***
Non-current assets, including:	**318 272**	**344 660**	***-7,7%***
Property, plant and equipment	*7*	*12*	*-41,7%*
Intangible assets, excluding goodwill	*10*	*13*	*-23,1%*
Long-term receivables	*315 065*	*334 809*	*-5,9%*
Bonds	*3 190*	*-*	*-*
Shares in subsidiaries	*-*	*9 826*	*-100,0%*
Current assets, including:	**6 551**	**41 013**	***-84,0%***
Trade receivables and other receivables	*196*	*23 139*	*-99,2%*
Cash and cash equivalents	*6 355*	*17 874*	*-64,4%*
Total equity and liabilities	**324 823**	**385 673**	***-15,8%***
Equity, including:	**313 398**	**372 951**	***-16,0%***
Share capital	*3 460*	*3 431*	*0,8%*
Own shares	*-12 300*	*-*	*-*
Reserve capital	*987*	*4 399*	*-77,6%*
Share premium	*796 643*	*796 643*	*0,0%*
Retained earnings	*-475 391*	*-431 522*	*10,2%*
Non-current liabilities	9 304	-	-
Current liabilities	2 121	12 722	*-83,3%*

At the end of 2013 the Company's assets were lower by PLN 60.8m than at the end of 2012. The decrease in the assets value was caused to the greatest extent by the write-downs described above with reference to impairment on investments in subsidiaries, embracing write-downs on receivables from borrowings granted to subsidiaries and write-downs on shares in subsidiaries.

With reference to fixed assets, the item with the largest share (99%) in the total assets was long-term receivables in respect of long-term borrowings granted to affiliates.

In comparison with year 2012, the value of Company's current assets decreased by PLN 34.5m. The decrease was caused mainly by the reclassification of short-term borrowings into long-term ones.

As of 31 December 2013, equity of Celtic Property Developments S.A. amounted to PLN 313.4m and accounted for 96% of the balance sheet total.

As of 31 December 2013, the Company had long-term liabilities towards subsidiary Lakia Enterprises Ltd in respect of a received borrowing, while short-term liabilities amounting to PLN 2.1m accounted for less than 1% of the Company's balance sheet total.

11. RISK FACTORS AND THREATS

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

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

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

The overall macroeconomic situation of Poland, including such factors as: GDP growth rate, inflation rate and interest rates, the level of investments in the economy and the unemployment rate, have a direct effect on the level of wealth and the purchasing power of the population and on the financial standing of companies. Consequently, those factors also affect the demand for products and services offered by the Company and its Group and may influence their financial performance.

In 2013, Poland's economy grew at 1.6%, which was slightly less than the 1.9% recorded in 2012. According to the Polish government's 2014 forecasts, the country's GDP will grow at approx. 2.5–2.9%, yet it may not be excluded that the pace of GDP growth in subsequent years will be lower. In case the GDP growth rate declines, the demand for products offered by the Company and its Group may decrease, which may lead to a decrease in prices of residential and commercial properties and affect the financial standing of the Company and its Group.

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

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

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

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

- **RISK RELATED TO COMPETITION**

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

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

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

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

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

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

- **RISK RELATED TO MANAGERIAL STAFF**

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

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

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

- **FOREIGN EXCHANGE RISK**

As of 31 December 2013, the Company had no loans denominated in foreign currencies. However, the Company does not rule out the possibility of taking out further foreign currency loans, denominated mainly in EUR. Therefore, the Company may be exposed to the risk of depreciation of Polish zloty against the currencies of the loans, which may adversely affect the Company's financial performance. This risk is partially mitigated by the fact that proceeds from the lease and sale of office premises are settled in foreign currencies.

- **LIQUIDITY RISK**

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

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

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

13. COMPANY'S ORGANISATIONAL AND CAPITAL-RELATED RELATIONSHIPS

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

14. SIGNIFICANT AGREEMENTS

In the accounting year 2013 the Company did not enter into any new agreements which would be significant agreements in the meaning of the regulation published by the Minister of Finance on 19 February 2009 regarding ongoing and periodic information to be disclosed by issuers of securities.

As of the publication of this report, Celtic Property Developments S.A. was among the guarantors in the following agreements which are deemed to be significant agreements in the meaning of the aforementioned Regulation:

- A loan agreement with Bank Zachodni WBK S.A. The agreement is a significant agreement given its value as of 31 December 2013, amounting to PLN 53,655.5 thousand (at the average EUR exchange rate published by the National Bank of Poland on 31 December 2013 and amounting to 4.1472 PLN/EUR), which exceeds 10% of the equity of Celtic Property Developments S.A. as of 31 December 2013;

- A loan agreement with HSBC Bank. The agreement is a significant agreement given its value amounting to PLN 40,319.1 thousand (at the average EUR exchange rate published by the National Bank of Poland on 31 December 2013 and amounting to 4.1472 PLN/EUR), which exceeds 10% of the equity of Celtic Property Developments S.A. as of 31 December 2013.

Moreover, Celtic Property Developments S.A. has granted loans to related entities. The total of receivables related to granted loans presented in the Company balance sheet amounts to PLN 315.119 ths. (principal and interests, including write-offs). Those agreements are deemed to be significant agreements given their total value, exceeding 10% of the equity of Celtic Property Developments S.A. as of 31 December 2013.

Apart from the aforementioned agreements, during the accounting year in question the Company was not party to any other agreements which would exceed 10% of its equity.

15. SIGNIFICANT DEALS BETWEEN RELATED PARTIES

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

16. CREDIT AND LOAN AGREEMENTS, WARRANTIES AND GUARANTEES

In the accounting year 2013 there was no new credit or loan agreement where the Company would be a party. Obligations arising from the existing loan agreements with BZ WBK S.A. and HSBC Bank, where Celtic Property Developments S.A. is the guarantor, were repaid on time. Neither the collaterals nor guarantees for those loans changed throughout 2013.

BZ WBK S.A loan agreement. The agreement was signed on 12 August 2011 between Bank Zachodni WBK S.A. and the subsidiary Belise Investments Sp. z o.o. as the borrower, Celtic Property Developments S.A., Lakia Enterprises Ltd. headquartered in Nicosia (Cyprus) and East Europe Property Financing A.B. headquartered in Stockholm (Sweden) as sureties. As security for the loan was a mortgage on the real property and the right properties situated on its buildings. The agreement concerned the finance of the construction and finishing of Iris building located at Cybernetyki 9 street in Warsaw, which was delivered in October 2012. Subject to the terms of the agreement, the Bank made available an Investment Loan up to EUR 20,141,000 for financing or refinancing a part of the project's costs or costs of lease space finishing and a revolving VAT Loan up to PLN 2,100,000 for financing or partial refinancing the VAT tax, due in connection with project implementation. With regard to the VAT Loan, the final repayment will take place no later than on 12 August 2014. In the event of conversion of the construction to the investment loan, the final repayment of the loan shall occur no later than on 12 August 2019, otherwise the deadline of the final repayment provided for in the loan agreement is August 2014. One of the conditions to obtain the loan conversion and thus postponing the final loan repayment for the period up to August 2019 is the achievement of the level of leased area defined in the bank agreement. The priority of the Company's Management Board is to finish the commercialisation of Iris building and to convert the construction loan into an investment loan in accordance with the schedule. Therefore, if any grounds occur which might affect the adopted schedule, in order to prevent them the Company's Management Board decided to subsidise the Iris project for the purposes of full commercialisation of the project. In 2013 Celtic Group supported the Iris project with the amount of PLN 1.5 million.

In the opinion of the Board, any failure to renew the loan repayment deadline by BZ WBK SA and consequently place the loan in foreclosure could result in the collection of the debt by the bank in connection with the sale of assets securing the loan (real estate, stocks), the amounts lower than reported in the consolidated financial statements as at 31 December 2013 (the value of the property covered by the mortgage lien was disclosed in Note 6 to Financial Statements). In the opinion of the Board, the risk, that in August 2014, the loan will not be converted to a long-term investment loan or the loan will not be extended is low.

<u>HSBC Bank loan agreement</u>. In the reporting year 2013 Celtic Group companies were parties to the loan agreement related to the financing of the real estate development activities, concluded on 7 July 2009 with HSBC Bank and annexed on 29 March 2012. Parties to this agreement are the Bank HSBC (HSBC Bank Plc and HSBC Bank Polska S.A.) and Celtic Property Developments S.A. subsidiaries: Blaise Investments Sp. z o.o., Devin Investments Sp. o.o., Lakia Investments Sp. z o.o. and Robin Investments Sp. z o.o. as borrowers. Under the current wording of the agreement the loan is secured by a registered pledge on the fixed and floating assets of subsidiaries located in Poland: Lakia Investments Sp. z o.o., Robin Investments Sp. z o.o. and Blaise Investments Sp. z o.o , and on the shares of a shareholder in Cyprus: Lakia Enterprises Ltd. Moreover, according to the agreement Celtic Property Developments S.A., Blaise Investments Sp. z o.o., Lakia Investments Sp. z o.o., Robin Investments Sp. z o. o and Lakia Enterprises Ltd (Cyprus) are established as sureties to the loan granted. Each of sureties is responsible up to the amount of the loan together with interest. Pursuant to the applicable terms of the loan agreement with HSBC Bank, the Group was obliged to repay the whole loan by 27 March 2014. The Group obtained the consent of HSBC Bank to the extension of the loan for the subsequent 3 years. As of the day of publication hereof, the Group is finalising an annex to the agreement extending the period of the current financing for subsequent years.

In the opinion of the Board, any consequences resulting from the non- repayment of the loan term by HSBC and consequently place the loan in foreclosure could result in the collection of the debt by the bank in connection with the sale of assets securing the loan (real estate, stocks), the amounts lower than reported in the consolidated financial statements at 31 December 2013 (the value of the property covered by the mortgage lien has been disclosed in Note 6 to Consolidated Financial Statements). In the opinion of the Board, the risk does not extend the deadline for repayment of the loan by the bank is low.

Moreover, in previous years Celtic Property Developments S.A. has granted loans to related entities. The total of receivables related to granted loans presented in the Company balance sheet amounts to PLN 315.119 ths. (principal and interests, including write-offs). Details are presented in Notes no 4 *Long term receivables* and Note no 6 *Other receivables* to the Company's financial statements.

The Company has also a borrowing from its subsidiary Lakia Enterprises Ltd. The total amount of the borrowing principal and interest) as of 31.12.2013 amounted to PLN 9,304 ths. Details are presented in Note 11 *Borrowings* to the Company's Financial Statements

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

Increases of the Company's share capital were recorded in 2013 as a result of share issues under series D, E and F.

- **ISSUE OF D SERIES SHARES**

On 15 October 2012 the Company's Management Board passed a resolution regarding an increase of the Company's share capital within the limits of the target capital (hereinafter called 'the Resolution'). On the basis of the Resolution, the Company's share capital was increased from the amount of PLN 3,423,146.60 to PLN 3,430,748.80, i.e. by PLN 7,602.20 through an issue of 76,022 ordinary bearer shares, D series, with a nominal value of PLN 0.10 (ten groszy) each ('D series shares'). The Management Board was authorized to carry out the increase of the Company's share capital in this way on the basis of §4a of the Company's Articles.

The increase of the Company's share capital through the issue of D series shares was effected upon the approval of the Supervisory Board, with the pre-emptive rights of existing shareholders being excluded, and it took the form of a private placement targeted at selected Management Board advisors.

The Management Board decided that the issue price of one D series share would be equal to its nominal value and will amount to PLN 0.10 (ten groszy) per share, and the Company's Supervisory Board approved this decision. D series shares were entirely paid in cash via a bank transfer to the Company's bank account. Proceeds from the issue of D series shares were allocated to finance the Company's ongoing operations.

The increase of the share capital was registered by the District Court for Warsaw, 13th Business Division of the National Court Register, on 8 January 2013. Consequently, as of 8 January 2013, the share capital of Celtic Property Developments S.A. was increased by PLN 7,602.20 to PLN 3,430,748.80 and was subdivided into 34,307,488 shares, representing 100% of votes at the General Meeting.

Pursuant to resolution No. 155/13 adopted by the Management Board of the National Depository for Securities on 25 February 2013, on 7 March 2013 the National Depository registered 76,022 ordinary bearer shares, D series, marked with the following ISIN code: PLCELPD00013.

On 7 March 2013, D series shares were introduced to trading on the parallel market of the Warsaw Stock Exchange under resolution No. 255/2013 of the WSE Management Board of 5 March 2013.

- **ISSUE OF E SERIES SHARES**

On 10 January 2013 the Extraordinary General Meeting of Celtic Property Developments S.A. adopted resolution No. 3 regarding the issue of subscription warrants, B series, with the right to take up E series shares in the Company, and cancelling the current shareholders' all pre-emptive rights with respect to B series subscription warrants; it also adopted resolution No. 4 regarding conditional increase of the Company's share capital with the exclusion of the pre-emptive rights with respect to E series shares, dematerialization of the E series shares and application for admission and introduction of E series shares to trading on the regulated market.

Under resolution No. 3, the Company issued 88,776 registered subscription warrants, B series ('subscription warrants'), with the right to take-up a total of 88,776 ordinary bearer shares in the Company, E series, with a nominal value of PLN 0.10 (ten groszy) each, and a total nominal value of to PLN 8,877.60. Subscription warrants were offered exclusively to entitled individuals, i.e. Management Board members serving on the Management Board when the statement on the taking up of subscription warrant was made, i.e.:

- Mr. Andrew Morrison Shepherd, President of the Management Board – 36,483 subscription warrants were offered;
- Mr. Aled Rhys Jones, member of the Management Board – 36,483 subscription warrants were offered;
- Ms. Elżbieta Wiczkowska, member of the Management Board – 15,810 subscription warrants were offered.

Subscription warrants were issued free of charge and the issuing price of one share of the E series, taken up as part of the exercise of rights under subscription warrants, was set as equal to the nominal value of such share, i.e. PLN 0.10. Any subscription warrant bore an entitlement to take up one share, E series, whereas the right to take up E series shares was exercised in the manner described in Article 451 of the Polish Code of Commercial Companies and Partnerships i.e. through written statements made on forms prepared by the Company.

The issue of subscription warrants and E series shares was conducted outside the public offering, as referred to in Article 3.3 of the Act of 29 July 2005 on public offerings and terms of introduction of securities to the organized trading system and on public companies (Official Journal, No. 184, item 1539, as amended) due to the fact that the number of individuals who were the addressees of the offer to purchase subscription warrants did not exceed 99 (ninety-nine).

As of 26 April 2013 the District Court for Warsaw in Warsaw, 13th Business Division of the National Court Register, registered the conditional capital increase in the Company by no more than PLN 8,877.60. A conditional increase of share capital occurred through the issue of bearer shares, E series, with a nominal value of PLN 0.10 (ten groszy) each, in a number not exceeding 88,776, and was effected in order to enable entitled individuals, holders of B series subscription warrant, to exercise their rights to take up no more than 88,776 E series shares.

Subscription warrants were offered to entitled individuals on 8 May 2013. On the same day the entitled individuals who held B series subscription warrants, i.e. members of the Company's Management Board, exercised their rights under the warrants and made statements regarding the taking-up of E series shares. E series shares issued in connection with the taking-up of B series subscription warrants by entitled individuals must not be disposed of for 18 months following their admission to stock exchange trading under contracts signed in parallel with taking up the shares.

The increase of the Company's share capital occurred on 5 July 2013 as a result of the E series shares being recorded on the accounts of entitled individuals and origination of rights under those shares in keeping with Article 452 of the Polish Code of Commercial Companies and Partnerships. Considering the foregoing, the share capital of Celtic Property Developments S.A. was increased, as of 5 July 2013, by PLN 8,877.60 to PLN 3,439,626.40. As a result of the increase, the share capital of Celtic Property Developments S.A. was subdivided into 34,396,264 shares with a nominal value of PLN 0.10 (ten groszy) each, and the shares represented 100% of the votes at the General Meeting. Proceeds from the issue of E series shares were allocated to finance the Company's ongoing operations.

Pursuant to resolution No. 448/13 adopted by the Management Board of the National Depository for Securities on 21 June 2013, on 5 July 2013 the National Depository registered 88,776 ordinary bearer shares, E series, marked with the following ISIN code: PLCELPD00013.

On 5 July 2013 E series shares were brought into stock exchange trading on the parallel market of the Warsaw Stock Exchange under resolution No. 745/2013 adopted by the Management Board of the Warsaw Stock Exchange on 3 July 2013.

On 12 August 2013 the District Court for Warsaw in Warsaw, 13th Business Division of the National Court Register, issued a decision to record the increase in the Company's share capital by PLN 8,877.60 via an issue of 88,776 ordinary bearer shares, E series. Once the capital increase was recorded, the Company's share capital totalled PLN 3,439,626.40 and was subdivided into 34,396,264 ordinary bearer shares, B, C, D and E series, with a nominal value of PLN 0.10 (ten groszy) each, bearing an entitlement to 34,396,264 votes at the Company's General Meeting.

- **ISSUE OF F SERIES SHARES**

On 20 March 2013 the Company's Management Board adopted resolution no. 13/III/2013 regarding an increase of the Company's share capital within the target capital.

Under the aforementioned resolution the Company's share capital was increased by PLN 19,933.30 through an issue of 199,333.00 ordinary bearer shares, F series, with a nominal value of PLN 0.10 (ten groszy) each, the issue falling within the target capital figure. The capital increase through the issue of F series shares was conducted upon the approval of the Supervisory Board, excluding the pre-emptive rights of existing shareholders, and was conducted as a private placement addressed to selected individuals collaborating with the Management Board. Proceeds from the issue of F series shares were allocated to finance the Company's ongoing operations.

On 13 September 2013 the District Court for Warsaw in Warsaw, 13th Business Division of the National Court Register, issued a decision to record the increase in the Company's share capital by PLN 19,933.30 via an issue of 199,333 ordinary bearer shares, F series. Once the capital increase was recorded, the Company's share capital totals PLN 3,459,559.70 and is subdivided into 34,595,597 ordinary bearer shares, B, C, D, E and F series, with a nominal value of PLN 0.10 (ten groszy) each, bearing an entitlement to 34,595,597 votes at the Company's General Meeting.

Pursuant to resolution No. 188/14 adopted by the Management Board of the National Depository for Securities on 14 February 2014, on 19 February 2014 the National Depository registered 199,333 ordinary bearer shares, F series, marked with the following ISIN code: PLCELPD00013.

On 19 February 2014 F series shares were brought into stock exchange trading on the parallel market of the Warsaw Stock Exchange under resolution No. 178/2014 adopted by the Management Board of the Warsaw Stock Exchange on 17 February 2014.

- **BUY-BACK OF TREASURY SHARES FOR REDEMPTION**

On 27 March 2013 the Company invited its shareholders to submit sale offers for its shares under terms and conditions specified in the Invitation to Submit Sale Offers. The full text of the Invitation was published on the Company's website (www.celtic.pl). In connection with the announced Invitation, the Company proposed the acquisition of up to 1,732,394 ordinary bearer shares designated with ISIN PLCELPD00013 code ("Shares") at PLN 7.10 each. During the period when sale offers were accepted, between 3 and 9 April 2013, a total of 39 share sale offers were accepted, for a total of 15,575,542 shares.

The Invitation was based on the resolution adopted by the Company's General Meeting on 10 August 2012 regarding the purchase of the Company's shares for the purpose of redemption; the resolution authorised the Management Board to purchase no more than 11,541,891 of the Company's shares with a nominal value of PLN 0.10 (ten groszy) and with the total nominal value not exceeding PLN 1,154,189.10, and to do so no later than by 31 December 2013. The shares may be purchased on the regulated market: (during a stock exchange session or off-session) as well as outside the regulated market. The shares shall be purchased by the Company pursuant to Article 362 § 1.5 of the Polish Code of Commercial Companies and Partnerships for the purpose of redemption at a price which is no lower than the nominal value of shares and no higher than PLN 15.89 (say: fifteen złoty and eighty-nine groszy) per one share. Moreover, the General Meeting authorised the Company's Management Board to establish detailed terms and conditions of share purchase in the scope which is not regulated by the resolution and also authorised the Company's Management Board to carry out any practical and legal actions aiming at the exercise of the resolution, including the conclusion of an agreement with an investment firm. For the purpose of the redemption of shares, once all or part of the shares were purchased, the Company's Management Board shall convene the General Meeting with an agenda including at least the adoption of resolutions on the redemption of the Company's treasury shares, on a decrease of the Company's share capital and amendments to the Company's Articles.

The rationale behind the Management Board's recommendation for the resolution regarding the buy-back of the Company's treasury shares for the purpose of redemption was the downturn on the Warsaw Stock Exchange, which was part of global capital market trends and resulted in a decline of the market price of Celtic Property Developments S.A. shares. In the view of the Company's Management Board, the market valuation diverges from the fundamentals of the Company's value growth in the long term. The buy-back of the Company's shares, therefore, is an optimal solution from the perspective of the interests of all shareholders. The Supervisory Board of the Company approved said draft resolution of the Extraordinary General Meeting by adopting a resolution approving the draft resolutions of the General Meeting.

On 11 April 2013 the Company decided to accept all share sale offers and to make a pro-rata reduction, effected in accordance with the rules specified in the Invitation. The number of shares under the share sale offers totalled 15,575,542. Given that sale offers covered a larger number of shares than the number of 1,732,394 shares suggested by the Company, each sale offer was reduced by an average of 88.88%, which means that the Company purchased, on average, 11.12% of shares offered for sale. As a result of transaction settlement, on 15 April 2013 the Company had purchased 1,732,394 treasury shares via UniCredit CAIB Poland S.A., a brokerage house seated in Warsaw. The purchase price per share was PLN 7.10. All the purchased shares are ordinary shares with a nominal value of PLN 0.10 each. Treasury shares represent 5.01% of the Company's share capital and 5.01% f the total number of votes in the Company; however, pursuant to applicable regulations the Company is not entitled to exercise voting rights under treasury shares.

Pursuant to the applicable provisions of law, in order to commence the redemption procedure for bought-back shares the General Meeting must be convened to adopt a resolution regarding a decrease in share capital.

Apart from the issues described above the Company did not issue any other securities in 2013.

18. DESCRIPTION OF DIFFERENCES IN FINANCIAL PERFORMANCE FORECASTS

The Company did not publish financial performance forecasts for 2013.

19. ASSESSMENT OF FINANCIAL RESOURCES MANAGEMENT

The Company finances its operations mostly from its equity. In the accounting year of 2013 the Company's financial resources were used in accordance with plans, intended use and ongoing needs. The Company regularly fulfilled its obligations vis-à-vis its business partners and banks and also paid its mandatory dues to the State. Liabilities represented 3.5% of the Company's balance sheet total and did not pose a threat to the Company's financial standing.

20. CHANGES IN MANAGEMENT PRINCIPLES

In 2013, as the Group continued its strategy of concentrating its business on the Polish market and, in particular, on the Ursus project, the Group's structure underwent further simplification. The liquidation of an operations company in Hungary was completed, and the liquidation of Celtic Asset Management Sp. z o.o., an investment company, was continued. Also, a decision was made to liquidate three other investment companies (Mandy Investments Sp. z o.o., 14/119 Gaston Investments Sp. komandytowa and Gaetan Investments Sp. z o.o.) in connection with the sale of real property held by those companies. The liquidation of East Europe Property Finance AB is also planned. The reduction of the number of subsidiaries of Celtic Property Developments S.A. from 44 (as at the end of 2011) to 37 (as of the publication of this report), helped to simplify the management rules within the Group. Apart from changes in the Group's structure in 2013, as described in detailed in point *2. CELTIC PROPERTY DEVELOPMENTS S.A. AS THE PARENT COMPANY IN THE GROUP STRUCTURE* of this report, and apart from further simplification of organisational procedures, no other major changes occurred in the management principles applied within the Company and the Group.

21. REMUNERATION OF MANAGEMENT BOARD MEMBERS AND SUPERVISORY BOARD MEMBERS

- ### Remuneration of Supervisory Board members

In 2013 members of the Supervisory Board of Celtic Property Developments S.A. received the following sums of remuneration in connection with their performance of functions in the Company's Supervisory Board:

Name		CCY	Amount (PLN)	For the period	Comments
Marzena Bielecka	President of the Supervisory Board	PLN	60 000	01.2013 - 12.2013	
Wiesław Oleś	Vice President of the Supervisory Board	PLN	44 640	01.2013 - 12.2013	
Colin Kingsnorth	Secretary of the Supervisory Board	PLN	-	01.2013 - 10.2013	Mr C. Kingsnorth renounced from the remuneration for the function in the Supervisory Board. Mr Kingsnorth resigned from the function in the Supervisory Board from 24.10.2013.
Mirosław Gronicki	Member of the Supervisory Board	PLN	44 640	01.2013 - 12.2013	
Wiesław Rozłucki	Member of the Supervisory Board	PLN	44 640	01.2013 - 12.2013	
Andrew Pegge	Member of the Supervisory Board	PLN	8 400	11.2013 - 12.2013	Mr. Pegge is the member of the Supervisory Board from 24.10.2013.
Total			**202 320**		

- ### Remuneration of Management Board members

Remuneration received in 2013 by members of the Management Board of Celtic Property Developments S.A. in connection with their performance of functions upon appointment as members of the Management Board as well as compensation for services performed for the Group companies were as follows:

Name	Function	Remuneration for the function in CPD S.A. Management Board on the appointment basis (PLN)	Remuneration for services rendered for other companies from Celtic Group (PLN)	TOTAL (PLN)	Period	Comments
Andrew Morrison Shepherd	President of the MB (until 17.09.2013)	42 833	128 540	**171 374**	01.2013 - 09.2013	Resignation on 17.09.2013.
Aled Rhys Jones	Member of the MB	42 833	128 540	**171 374**	01.2013 - 09.2013	Resignation on 17.09.2013.
Andrew Pegge	Member of the MB	44 000	-	**44 000**	01.2013 - 09.2013	Resignation on 24.09.2013.
Elżbieta Wiczkowska	President of the MB (from 25.09.2013)	60 000	264 000	**324 000**	01.2013 - 12.2013	President of the MB from 25.09.2013
Colin Kingsnorth	Member of the MB	11 290	-	**11 290**	10.2013 - 12.2013	Member of the MB from 24.10.2013
Iwona Makarewicz	Member of the MB	16 000	73 313	**89 313**	09.2013 - 12.2013	Member of the MB from 26.09.2013
Piotr Turchoński	Member of the MB	16 000	134 350	**150 350**	09.2013 - 12.2013	Member of the MB from 26.09.2013
Total		**232 957**	**728 743**	**961 700**		

22. AGREEMENTS WITH MANAGING STAFF – INDEMNITIES

Members of the Management Board of Celtic Property Developments S.A. are not employed by the Company under contracts of employment. The Company has not entered into agreements with its managerial staff where an indemnity would be foreseen in case such individuals resign or are dismissed from their posts without a valid reason or if dismissal occurs as a result of a merger following a takeover.

23. COMPANY SHARES HELD BY MANAGING AND SUPERVISORY STAFF

The table below presents the share ownership held by Management Board members serving on the the Company's Management Board as of the publication of this report, in accordance with information held by the Company:

Shareholder		Number of shares owned	Nominal value of shares	Shares as % of total number of shares	Votes as % of total number of votes
Elżbieta Wiczkowska	President of the Management Board	42 498	4 250	0,123%	0,123%
Iwona Makarewicz	Member of the Management Board	473	47	0,001%	0,001%
TOTAL		**42 971**	**4 297**	**0,124%**	**0,124%**

*The total number of shares, comprising B, C, D, E and F series shares, totalling 34,595,597 shares.

In comparison with the preceding reporting period, the number of shares held by Ms. Elżbieta Wiczkowska rose by 15,810 shares, after E series shares acquired in exercise of rights from B series subscription warrants were taken up on 8 May 2013 and then recorded on securities accounts on 5 July 2013.

The Company has no information regarding the ownership of shares by any other individuals who are members of the Company's managing bodies or supervisory bodies.

24. AGREEMENTS CHANGING THE OWNERSHIP STRUCTURE

Following the resolution adopted on 10 August 2012 by the Extraordinary General Meeting regarding the buy-back of the Company's shares for the purpose of redemption, and the Invitation to Submit Sale Offers, announced on 27 March 2013, as a result of the transaction settled on 15 April 2013 the Company had purchased 1,732,394 treasury shares via UniCredit CAIB Poland S.A., a brokerage house seated in Warsaw. All the purchased shares are ordinary shares with a nominal value of PLN 0.10 each. Treasury shares represent 5.01% of the Company's share capital and 5.01% f the total number of votes in the Company; however, pursuant to applicable regulations the Company is not entitled to exercise voting rights under treasury shares.

On 30 August 2013, the Company received a notification under Articles 69.1.1 and 69.2.2 in connection with a transaction concluded between Horseguard Trading Ltd. and a subsidiary of Horseguard Trading Ltd., i.e. Furseka Trading and Investments Ltd. In an off-session block trade settled on 30 August 2013, Horseguard Trading Ltd. sold 5,137,222 shares of Celtic Property Developments S.A. bearing an entitlement to 5,137,222 votes at the Company's General Meeting to its subsidiary Furseka Trading and Investments Ltd. As a result, Horseguard Trading Ltd. indirectly held the Company's shares. On 9 September 2013 Horseguard Trading Ltd. sold 100% of its shares in Furseka Trading and Investments Ltd. Following that transaction, Horseguard Trading Ltd. did not hold any shares in the Company as of 9 September 2013, whether directly or indirectly.

As of the publication of this report, the Company had not received any notifications concerning changes in the proportions of shares held by shareholders who, to date, have held at least 5.0% of the Company's shares.

25. CONTROL SCHEME FOR EMPLOYEE STOCK PROGRAMMES

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

26. AGREEMENT WITH THE COMPANY'S AUDITOR

In the years 2012 and 2013 the financial statements of Celtic Property Developments S.A. and the consolidated financial statements of the Group were reviewed and audited by PricewaterhouseCoopers Sp. z o.o., an audit firm based in Warsaw.

The auditor's total fees for auditing and reviewing the financial statements for the year 2013 amounted to PLN 236,000 net and comprised:

- PLN 102,000 for the review of the financial statements of Celtic Property Developments S.A. and the consolidated financial statements of the Group for the period from 1 January 2013 to 30 June 2013 (Agreement of 25 July 2013);
- PLN 134,000 for the review of the financial statements of Celtic Property Developments S.A. and the consolidated financial statements of the Group for the period from 1 January 2013 to 31 December 2013 (Agreement of 9 January 2014).

The auditor's total fees for auditing and reviewing the financial statements for the year ended 31 December 2012 amounted to PLN 170,000 and comprised:

- PLN 70,000 for the review of the financial statements of Celtic Property Developments S.A. and the consolidated financial statements of the Group for the period from 1 January 2012 to 30 June 2012 (Agreement of 6 August 2012);
- PLN 100,000 for the review of the financial statements of Celtic Property Developments S.A. and the consolidated financial statements of the Group for the period from 1 January 2012 to 31 December 2012 (Agreement of 21 December 2012).

27. STRUCTURE OF ASSETS AND LIABILITIES – BY LIQUIDITY

The Company's assets structure as of 31 December 2013 and changes versus the status at the end of 2012:

	As at:		% in total assets	% in total assets	Change
	31.12.2013	31.12.2012			2013/2012
	(PLN ths.)	(PLN ths.)	2013	2012	(%)
Property, plant and equipment	7	12	0,002%	0,003%	*-41,7%*
Intangible assets, excluding goodwill	10	13	0,003%	0,003%	*-23,1%*
Long term receivables	315 065	334 809	96,996%	86,812%	*-5,9%*
Bonds	3 190	-	0,982%	-	-
Investments in subsidiaries	-	9 826	0,000%	2,548%	*-100,0%*
Non-current assets	**318 272**	**344 660**	**98,0%**	**89,4%**	***-7,7%***
Trade and other receivables	196	23 139	0,1%	6,0%	*-99,2%*
Cash and cash equivalents	6 355	17 874	2,0%	4,6%	*-64,4%*
Current assets	**6 551**	**41 013**	**2,0%**	**10,6%**	***-84,0%***
TOTAL ASSETS	**324 823**	**385 673**	**100,0%**	**100,0%**	***-15,8%***

The Company's liabilities structure as of 31 December 2013 and changes versus the status at the end of 2012:

	As at:		% in total assets	% in total assets	Change
	31.12.2013	31.12.2012			2013/2012
	(PLN ths.)	(PLN ths.)	2013	2012	(%)
Share capital	3 460	3 431	1,1%	0,9%	*0,8%*
Own shares	-12 300	-	-3,8%	-	-
Reserve capital	987	4 399	0,3%	1,1%	*-77,6%*
Share premium	796 643	796 643	245,3%	206,6%	*0,0%*
Retained earnings/(accumulated losses)	-475 391	-431 522	-146,4%	-111,9%	*10,2%*
Equity	**313 398**	**372 951**	**96,5%**	**96,7%**	***-16,0%***
Borrowings, including finance leases	9 304	-	2,9%	-	-
Non-current liabilities	**9 304**	**-**	**2,9%**	**-**	**-**
Trade and other payables	2 121	3 711	0,7%	1,0%	*-42,8%*
Borrowings, including finance leases	-	9 011	0,0%	2,3%	*-100,0%*
Current liabilities	**2 121**	**12 722**	**0,7%**	**3,3%**	***-83,3%***
TOTAL EQUITY AND LIABILITIES	**324 823**	**385 673**	**100,0%**	**100,0%**	***-15,8%***

MANAGEMENT BOARD STATEMENT

V. MANAGEMENT BOARD STATEMENT

The Management Board of Celtic Property Developments S.A. ('the Company') hereby confirms that according to its best knowledge the Company's financial statements for the accounting year ended 31 December 2013 and all comparative data have been drawn up in accordance with the applicable accounting principles and give a true, fair and clear view of the Company's assets and financial situation and its financial results, and that the Management Board report provides a true picture of the Company's growth and achievements as well as the Company's situation, including threats and risks.

The Management Board of Celtic Property Developments S.A. hereby confirms that the entity authorised to audit the annual financial statements which performs the reviewed of the annual financial statements was selected in compliance with the law, and that the entity and individual auditors who carry out the audit do meet the legal requirements to issue an unbiased and independent opinion on the annual financial statements under review, in accordance with applicable regulations and professional standards. In the years 2012 and 2013, the financial statements of Celtic Property Developments S.A. and of the Group were reviewed and audited by PricewaterhouseCoopers Sp. z o.o., an audit firm based in Warsaw.

ELŻBIETA WICZKOWSKA
PRESIDENT OF THE MANAGEMENT BOARD

COLIN KINGSNORTH
MEMBER OF THE MANAGEMENT BOARD

IWONA MAKAREWICZ
MEMBER OF THE MANAGEMENT BOARD

PIOTR TURCHOŃSKI
MEMBER OF THE MANAGEMENT BOARD

VI. AUDITOR'S OPINION

Celtic Property Developments S.A.

Independent Registered Auditor's Opinion

Financial Statements

Director's Report

Registered Auditor's Report on the audit of the financial statements

For the year from 1 January to 31 December 2013

Content:

Independent Registered Auditor's Opinion

To the General Shareholders' Meeting and the Supervisory Board of Celtic Property Developments S.A

We have audited the accompanying financial statements of Celtic Property Developments S.A. (hereinafter called "the Company"), Cybernetyki 7B Street, Warsaw, which comprise the statement of financial position as at 31 December 2013, showing total assets and total equity and liabilities of PLN 324 823 thousand, the statement of comprehensive income for the period from 1 January to 31 December 2013, showing a total comprehensive loss of PLN 48 267 thousand, the statement of changes in equity, the statement of cash flows for the financial year and additional information on adopted accounting policies and other explanatory notes.

The Company's Management Board is responsible for preparing the financial statements and Directors' Report in accordance with the applicable regulations, and for the correctness of the accounting records. Members of the Management Board and Members of the Supervisory Board of the Company are obliged to ensure that the financial statements and the Director's Report comply with the requirements of the Accounting Act of 29 September 1994 ("the Accounting Act" – Journal of Laws of 2013, item 330 as amended).

Our responsibility was to perform an audit of the accompanying financial statements and to express an opinion on whether the financial statements comply in all material respects with the applicable accounting policies and whether they present, in all material respects, a true and clear view of the Company's financial position and its financial results, and whether the accounting records constituting the basis for their preparation are properly maintained.

We conducted our audit in accordance with:

a. the provisions of Chapter 7 of the Accounting Act;

b. national standards of auditing issued by the National Council of Registered Auditors.

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

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

Independent Registered Auditor's Opinion

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

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

a. give a fair and clear view of the Company's financial position as at 31 December 2013 and of the financial results for the year from 1 January to 31 December 2013, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union;

b. comply in terms of form and content with the applicable laws and the Company's Memorandum of Association;

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

Without qualifying our opinion on the truth and fairness of the audited financial statements, we draw attention to Note 21 in the financial statements, which indicates that as of 31 December 2013 Celtic Property Development's subsidiaries presented short term bank loan liabilities in a total amount of PLN 94 004 thousand, exceeded their current assets by PLN 82 081 thousand, and of which Celtic Property Development S.A. is a guarantor. The bank loan liabilities are pledged on investment properties owned by the subsidiaries with book value (equal the fair value) as of 31 December 2013 in the amount of PLN 145 981 thousand. Celtic Property Development S.A. as the parent company of the Group is in the process of negotiations with the banks regarding the extension of the repayment period of loan liabilities, however at the moment of issuing this opinion no binding agreements have been signed. In accordance with the Management's assessment the risk that the extension will not be granted is low. However if the repayment date of loan liabilities would not be extended, the banks could recover their debt through sale of the properties, on which the debt is pledged. As a result there is uncertainty that the subsidiaries won't be able to realize their significant properties in a normal course of business, i.e. through commercial leasing of the space, and in the same time there is uncertainty that the Celtic Property Development S.A. may by unable to recover the value of its investments in subsidiaries (i.e. loans in the book value of PLN 37 941 thousand). The financial statements do not include adjustments that would be required, if the investment properties pledged as collateral for the bank loans, have to be disposed of immediately.

The information contained in the Directors' Report for the year from 1 January to 31 December 2013 has been presented in accordance with the provisions of the Decree of the Minister of Finance dated 19 February 2009 concerning the publication of current and periodic information by issuers of securities and the conditions of acceptance as equal information required by the law of other state, which is not a member state ("*the Decree*" – Journal of Laws of 2014, item 133) and is consistent with the information presented in the audited financial statements.

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

Wojciech Maj

Key Registered Auditor
No. 6128

Warsaw, 18 April 2014

Translation note:
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VII. AUDITOR'S REPORT ON THE AUDIT ON THE FINANCIAL STATEMENTS FOR THE YEAR FROM 1 JANUARY TO 31 DECEMBER 2013

Celtic Property Developments S.A.

Registered auditor's report on the audit of the financial statements for the year from 1 January to 31 December 2013

Translation note:
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Registered auditor's report on the audit of the financial statements for the year from 1 January to 31 December 2013

To the General Shareholders' Meeting and the Supervisory Board of Celtic Property Developments S.A.

This report contains 10 consecutively numbered pages and consists of:

I. General information about the Company

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

b. The Company was formed on the basis of a Notarial Deed drawn up on 23 February 2007 at the Notary Public's Office of Dorota Mika in Cracow and registered with Rep. No. 863/2007. On 23 March 2007, the Company was entered in the Register of Businesses maintained by the District Court in Cracow, XI Business Department of the National Court Register, with the reference number KRS 0000277147. On 2 September 2010 the General Shareholders' Meeting adopted a resolution changing the Parent Company's name from Poen S.A. to Celtic Property Developments S.A.

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

d. As at 31 December 2013 the Company's share capital amounted to PLN 3 459 559,70 and consisted of 34.595.597 shares, with a nominal value of PLN 0,10 each. Total equity as at that date amounted to PLN 354 199 476,20.

e. As at 31 December 2013, the Company's shareholders were:

Shareholder's name	Number of shares held	Par value of shares held (PLN)	Type of shares held (ordinary /preference)	Votes (%)
Cooperatieve Laxey Worldwide W.A.	10.082.930	1.008.293,0	ordinary	29,15
Furseka Trading	5.137.222	513.722,2	ordinary	14,85
The Value Catalyst Fund Plc	4.490.475	449.047,5	ordinary	12,98
QVT Fund LP	3.843.635	384.363,5	ordinary	11,11
LP Value Ltd	2.198.450	219.845,0	ordinary	6,35
LP Alternative Fund LP	2.193.931	219.393,1	ordinary	6,34
Own shares*	1 732 394	173.239.4	ordinary	5,01
Shareholders with less than 5% of shares	4.916.560	491.656,0	ordinary	14,21
	34.595.597	**3.459.559,7**		**100,0**

**On 15th of April 2013 Company acquired 1.732.394 own shares (buy back transaction) in order to redeem shares. According to law Company does not have voting rights from own shares.*

On 10 January 2013 Company's share capital was increased by PLN 8.877,60, from PLN 3.430.748,8 to PLN 3.439.626,40 as a result of submitting shares of E series on the accounts of Board Members. The increase of share capital was registered by the District Court in Warsaw, XII Business Department of the National Court Register on 12 August 2013.

On 20 March 2013 Compnay's share capital was increased by PLN 19.933,30, from PLN 3.439.626,40 to PLN 3.459.559,70 as a result of issuing shares of F series to the selected advisors of the Board. The share capital increase was registered by the District Court in Warsaw on 13 September 2013.

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

- property development,
- asset management,
- leasing of the properties.

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

• Elżbieta Donata Wilczkowska	Chairman from 25 September 2013
• Colin William Kingsnorth	Board Member from 24 October 2013
• Piotr Sylwester Turchoński	Board Member from 25 September 2013
• Iwona Ewa Makarewicz	Board Member from 25 September 2013
• Andrew Morrison Shepherd	Chairman till 17 September 2013
• Aled Rhys Jones	Board Member till 17 September 2013
• Andrew Pegge	Board Member from 10 January to 24 September 2013

h. The Company has the following related entities:

Cooperatieve Laxey Worldwide W.A. - significant investor

and companies belonging to the Company's parent's group.

i. The Company is an issuer of securities admitted for trading on the Warsaw Stock Exchange. In accordance with the choice of selecting accounting policies permitted by the Accounting Act, the Company has decided to prepare its financial statements in accordance with IFRS as adopted by the European Union.

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

j. As the parent company of the Group, the Company has also prepared consolidated financial statements according to IFRS as adopted by the European Union as at as at 31 December 2013. Consolidated financial statements were prepared on 18 April 2014. To better understand the Company's financial position and its results of operations as the Parent Company, the financial statements should be read in conjunction with the consolidated financial statements.

II. Information about the audit

a. The audit of the financial statements for the year from 1 January to 31 December 2013 was conducted by PricewaterhouseCoopers Sp. z o.o. with its seat in Warsaw, Al. Armii Ludowej 14, registered audit company no. 144. The audit was conducted on behalf of the registered audit company under the supervision of the key registered auditor Wojciech Maj (no. 6128).

b. PricewaterhouseCoopers Sp. z o.o. was appointed registered auditor to the Company by Resolution No. 8/VIII/2013 of the Supervisory Board dated 19 March 2013 in accordance with paragraph 11 point 8 of the Company's Memorandum of Association.

c. PricewaterhouseCoopers Sp. z o.o. and the key registered auditor conducting the audit are independent of the audited entity within the meaning of art. 56, clauses 2-4 of the Act dated 7 May 2009 on registered auditors and their self-government, registered audit companies and on public supervision (Journal of Laws No. 77, item 649, as amended).

d. The audit was conducted in accordance with an agreement dated 9 January 2014 and conducted during the period from 17 February to 18 April 2014.

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

STATEMENT OF FINANCIAL POSITION as at 31 December 2013 (selected lines)

	31.12.2013 PLN '000	31.12.2012 PLN '000	Change PLN '000	Change (%)	Structure 31.12.2013 (%)	Structure 31.12.2012 (%)
ASSETS						
Non-current assets	**318.272**	344.660	**(26.389)**	**(8)**	**98,0**	89,4
Current assets	**6.551**	41.013	**(34.462)**	**(84)**	**2,0**	10,6
Total assets	**324.823**	**385.673**	**(60.850)**	**(16)**	**100,0**	**100,0**
LIABILITIES AND EQUITY						
Equity	**313.398**	372.951	**(59.553)**	**(16)**	**96,5**	96,7
Liabilities and provisions for liabilities	**11.425**	12.722	**(1.298)**	**(10)**	**3,5**	3,3
Total liabilities and equity	**324.823**	**385.673**	**(60.851)**	**(16)**	**100,0**	**100,0**

STATEMENT OF COMPREHENSIVE INCOME for the year from 1 January to 31 December 2013 (selected lines)

	2013 PLN '000	2012 PLN '000	Change PLN '000	Change (%)	Structure 2013 (%)	Structure 2012 (%)
Sales	999	3.181	(2.182)	(69)	(2,1)	(1,8)
Administrative expenses	(2.647)	(9.424)	6.777	72	5,5	5,4
Marketing expenses	(152)	(564)	412	73	0,3	0,3
Net gain / (loss) from fair value adjustment on investments	(67.590)	(194.981)	127.391	65	140,0	111,0
Financial income from interest on loans	21.144	29.505	(8.361)	28	(44,6)	(16,8)
Other operating income	61	772	(384)	50	(0,8)	(0,4)
Other operating cost	(1.495)	(2.564)	1,069	42	3,2	1,5
Gross loss	**(49.680)**	**(174.074)**	**138.273**	**71**	**102,9**	**99,1**
Loss for the year	**(48.267)**	**(175.634)**	**128.203**	**73**	**100,0**	**100,0**
Total comprehensive income for the year	**(48.267)**	**(175.634)**	**128.203**	**73**	**100,0**	**100,0**

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

Selected ratios characterising the Company's financial position and results

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

	2013	**2012**	**2011**
Profitability ratios			
- return on capital employed	(14 %)	(38%)	(40)%
Liability ratios			
- gearing	4 %	3%	3%
	31.12.2013	**31.12.2012**	**31.12.2011**
Liquidity ratios			
- current and current ratio	3,1	3,4	0,3

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

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

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

The financial statements do not take into account the effects of inflation. The consumer price index (on a December to December basis) amounted to 0.7% in the audited year (2.4% in 2012).

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

- At the end of the financial year, the Company's total assets amounted to PLN 324.823 thousand. During the year total assets decreased by PLN 60.851 thousand (i.e. by 16%). This decrease resulted mainly from the recognition of provision for shares in subsidiaries in the amount of PLN 9.826 thousand and from the write-off of loans granted from CPD to subsidiaries in the amount of PLN 57.743 thousand.

- Total equity as at 31 December 2013 amounted to PLN 313.398 thousand and decreased by PLN 59.553 thousand as compared to prior period. This decrease resulted mainly from the net loss for the current financial year of PLN 48.267 and acquisition of own shares amounted to PLN12.300 thousand

- In the financial year the Company recognised loss mainly due to impairment of investments in subsidiaries in the total amout of PLN 67.590 thousand. The total value of impairment comprised of: (i) provision on loans recognized in 2013 in the amount of PLN 44.721 thousand and with the balance at year end 31 December 2013 of PLN 227.655 thousand and (ii) provisions for shares in subsidiaries recognized in 2013 in the amount of PLN 9.826 thousand and with the balance at year end 31 December 2013 of PLN 337.601 thousand. The impairment charges resulted from continuing decrease of net assets of subsidiaries in which the Company holds shares.

- Financial income in 2013 amounted to PLN 21.144 thousand and related mainly to the interest generated on loans granted to subsidiaries.

- The most significant position among operating costs were administrative expenses, that amounted to PLN 2.647 thousand. Administrative expenses have decreased as compared to prior period by 72%.

- The Company's liquidity has not changed significantly. Both current and quick ratio amounted to 3,1 as at 31 December 2013 compared to 3,4 as at 31 December 2012.

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

IV. The independent registered auditor's statements

a. The Management Board of the Company provided all the information, explanations, and representations requested in the course of the audit and provided a representation letter confirming the completeness of the data included in the accounting records and the disclosure of all contingent liabilities and post balance-sheet events which occurred up to the date on which that letter was signed.

b. The scope of the audit was not limited.

c. The Company has up-to-date documentation of its accounting policies, approved by the Management Board. The Company's accounting policies were tailored to its needs and ensured the recognition of all events having a material effect on the assessment of its financial position and results, taking into consideration the prudence principle. There were no changes to the accounting policies compared with the previous year.

d. The closing balances as at the end of the previous year were correctly brought forward as the opening balances of the current financial year in all material respects.

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

f. The financial statements of the Company for the year from 1 January to 31 December 2012 were approved by Resolution No. 4 passed by the General Shareholders' Meeting on 1 July 2013 and filed with the National Court Register in 18 July 2013.

g. In accordance with the resolution of the General Shareholders' Meeting of 1 July 2013, the net loss for the prior year of PLN 175.633 thousand was covered in the following manner:

   1) the amount of PLN 4.399 thousand to be covered by reserve capital;
   2) the remaining part of loss in the amount of PLN 171.234 thousand to be covered from future earnings.

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

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

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

   This assessment, together with our verification of individual items of the financial statements, provides the basis for expressing an overall and comprehensive opinion on these financial statements. The audit was not intended to provide a comprehensive opinion on the operations of the said system.

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

k. *The* information in the Directors' Report for the year ended 31 December 2012 has been prepared in accordance with the provisions of the Decree of the Minister of Finance dated 19 February 2009 concerning the publication of current and periodic *information by is*suers of securities and the conditions of acceptance as equal information required by the law of other state, which is not a member state (Journal of Laws of 2009, No. 33, item 259, as amended) and is consistent with that presented in the financial statements.

V. Final information

This report has been prepared in connection with our audit of the financial statements of Celtic Property Developments S.A., Cybernetyki 7B Street, Warsaw . The financial statements were signed by the Company's Management Board on 18 April 2014.

This report should be read in conjunction with the Independent Registered Auditor's unqualified Opinion to the General Shareholders' Meeting and the Supervisory Board of Celtic Property Developments S.A. dated 18 April 2014, concerning the said financial statements. The opinion on the financial statements expresses a general conclusion drawn from the audit and involves assessing the materiality of individual audit findings rather than being a sum of all the evaluations of individual financial statement components. This assessment takes account of the impact of the facts noted on the truth and fairness of the financial statements as a whole.

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

Wojciech Maj

Key Registered Auditor
No. 6128

Warsaw, 18 April 2014

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

VIII. FINANCIAL STATEMENTS FOR THE ACCOUNTING YEAR FROM 1 JANUARY TO 31 DECEMBER 2013

Celtic Property Developments S.A.

Financial statements

for the year ended 31 December 2013

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

1 General information

Celtic Property Developments S.A. ("Company", "CPD") with its registered office in Warsaw (02-677), Cybernetyki 7B, 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.

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.

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

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

In order to fully understand the financial position and results of operations CPD SA As the parent company of the Group of these financial statements should be read in conjunction with the annual consolidated financial statements for the period ended 31 December 2012, the reports will be available on the Company's website at www.celtic.pl in time according to the current report on time the annual report of the Company and the consolidated annual report of the Group for the year 2012.

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

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

The shares of the Company are listed on the Warsaw Stock Exchange.
Share capital on December 31, 2013, includes 34 595 thousand. of shares with a nominal value of PLN $ 0.10 each, including:
-34.068.252 bearer ordinary shares of series B,
-163.214 bearer ordinary shares of series C,
-76.022 bearer ordinary shares of series D,

This financial statement has been adopted by the Management Board on 17 April, 2014.

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

The Board of Directors of the Company consists of:
Elżbieta Donata Wiczkowska - Chairmen of the Board
Colin Kingsnorth - Board Member
Piotr Turchoński - Board Member
Iwona Makarewicz - Board Member

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

The Supervisory Board of the company consists of:
Andrew Pegge
Wiesław Piotr Oleś
Marzena Beata Bielecka
Mirosław Jerzy Gronicki
Wiesław Rozłucki

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

2 The accounting principles

Accounting policies are in accordance with the principles applied in the annual financial statements for the year ended December 31, 2012. these principles have been applied consistently to all periods presented.

2.1 Basis of preparation

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

New and amended standards and interpretations which came into force in 2013 and description of the impact of applying the amendments:

IFRS 13 "Fair value measurement"

IFRS 13, Fair value measurement, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), aims to improve consistency and reduce complexity by providing a revised definition of fair value, and a single source of fair value measurement and disclosure requirements for use across IFRSs.

The Company has applied the changes to IFRS 13 from 1 January 2013.

IFRS 12 "Disclosure of Interest in Other Entities"

IFRS 12, Disclosure of Interest in Other Entities, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. IFRS 12 sets out the required disclosures for entities reporting under the two new standards: IFRS 10, Consolidated financial statements, and IFRS 11, Joint arrangements, and replaces the disclosure requirements currently found in IAS 28, Investments in associates. IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires disclosures in a number of areas, including significant judgments and assumptions made in determining whether an entity controls, jointly controls, or significantly influences its interests in other entities, extended disclosures on share of non-controlling interests in group activities and cash flows, summarised financial information of subsidiaries with material non-controlling interests, and detailed disclosures of interests in unconsolidated structured entities.

Amendment of this standard has not affected the financial statements.

Amendments to IAS 1 "Presentation of Financial Statements"

Amendments to IAS 1, Presentation of Financial Statements (issued June 2011, effective for annual periods beginning on or after 1 July 2012), changes the disclosure of items presented in other comprehensive income. The amendments require entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be reclassified to profit or loss in the future. The suggested title used by IAS 1 has changed to 'statement of profit or loss and other comprehensive income'. Amendment of this standard has not affected the financial statements.

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

Amended IAS 19 "Employee Benefits"
Amended IAS 19, Employee Benefits (issued in June 2011, effective for periods beginning on or after 1 January 2013), makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. The standard requires recognition of all changes in the net defined benefit liability (asset) when they occur, as follows: (i) service cost and net interest in profit or loss; and (ii) remeasurements in other comprehensive income.

The Company has applied the changes to IFRS 13 from 1 January 2013.

Disclosures—Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7
Disclosures—Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2013). The amendment requires disclosures that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off.

Amendments to IFRS 1 First-time adoption of International Financial Reporting Standards - Government loans

Amendments to IFRS 1 First-time adoption of International Financial Reporting Standards - Government loans. The amendments, dealing with loans received from governments at a below market rate of interest, give first-time adopters of IFRSs relief from full retrospective application of IFRSs when accounting for these loans on transition. This will give first-time adopters the same relief as existing preparers.

Amendment of this standard has not affected the financial statements.

IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine
IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine, (issued in October 2011 and effective for annual periods beginning on or after 1 January 2013). The interpretation clarifies that benefits from the stripping activity are accounted for in accordance with the principles of IAS 2, Inventories, to the extent that they are realised in the form of inventory produced. To the extent the benefits represent improved access to ore, the entity should recognise these costs as a 'stripping activity asset' within non-current assets, subject to certain criteria being met.

This standard does not apply to the Company.

Other changes does not apply to the financial statements.

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

Published standards and approved by the EU which have not yet entered into force

IFRS 9 "Financial Instruments: Classification and Measurement"

IFRS 9, Financial Instruments: Classification and Measurement. Key features of the standard issued in November 2009 and amended in October 2010, December 2011 and November 2013 are:

• Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

• An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent payments of principal and interest only (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.

• All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

• Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities

At the date of the report of the present financial statements, an amendment to IFRS 9 have not yet been approved by the European Union.

IFRS 10 "Consolidated Financial Statements"

IFRS 10, Consolidated Financial Statements (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), replaces all of the guidance on control and consolidation in IAS 27 "Consolidated and separate financial statements" and SIC-12 "Consolidation - special purpose entities". IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. This definition is supported by extensive application guidance.

The Company applies the changes to IFRS 10 after January 1, 2014.

IFRS 11 "Joint Arrangements"

IFRS 11, Joint Arrangements, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), replaces IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly Controlled Entities—Non-Monetary Contributions by Ventures". Changes in the definitions have reduced the number of types of joint arrangements to two: joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. Equity accounting is mandatory for participants in joint ventures.

The Company applies the changes to IFRS 11, after January 1, 2014.

IFRS 12 "Disclosure of Interest in Other Entities"

IFRS 12, Disclosure of Interest in Other Entities, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. IFRS 12 sets out the required disclosures for entities reporting under the two new standards: IFRS 10, Consolidated financial statements, and IFRS 11, Joint arrangements, and replaces the disclosure requirements currently found in IAS 28, Investments in associates. IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires disclosures in a number of areas, including significant judgments and assumptions made in determining whether an entity controls, jointly controls, or significantly influences its interests in other entities, extended disclosures on share of non-controlling interests in group activities and cash flows, summarised financial information of subsidiaries with material non-controlling interests, and detailed disclosures of interests in unconsolidated structured entities

The Company applies the changes to IFRS 12 after January 1, 2014.

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

IAS 27 "Separate Financial Statements"

IAS 27, Separate Financial Statements, (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013), was changed and its objective is now to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The guidance on control and consolidated financial statements was replaced by IFRS 10, Consolidated Financial Statements.

IAS 28 "Investments in Associates and Joint Ventures"

IAS 28 "Investments in Associates and Joint Ventures" (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013). The amendment of IAS 28 resulted from the Board's project on joint ventures. When discussing that project, the Board decided to incorporate the accounting for joint ventures using the equity method into IAS 28 because this method is applicable to both joint ventures and associates. With this exception, other guidance remained unchanged

The Company applies the changes to IAS 28 after January 1, 2014.

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014). The amendment added application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. This includes clarifying the meaning of 'currently has a legally enforceable right of set-off' and that some gross settlement systems may be considered equivalent to net settlement.

The Company applies the changes to IAS 32 after January 1, 2014.

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

Transition Guidance Amendments to IFRS 10, IFRS 11 and IFRS 12 (issued on 28 June 2012 and effective for annual periods beginning 1 January 2013). The amendments clarify the transition guidance in IFRS 10 Consolidated Financial Statements. Entities adopting IFRS 10 should assess control at the first day of the annual period in which IFRS 10 is adopted, and if the consolidation conclusion under IFRS 10 differs from IAS 27 and SIC 12, the immediately preceding comparative period (that is, year 2012 for a calendar year-end entity that adopts IFRS 10 in 2013) is restated, unless impracticable. The amendments also provide additional transition relief in IFRS 10, IFRS 11, Joint Arrangements, and IFRS 12, Disclosure of Interests in Other Entities, by limiting the requirement to provide adjusted comparative information only for the immediately preceding comparative period. Further, the amendments will remove the requirement to present comparative information for disclosures related to unconsolidated structured entities for periods before IFRS 12 is first applied.

The Company applies the changes after January 1, 2014.

Amendments to IFRS 10, IFRS 12 and IAS 27 - Investment entities

Amendments to IFRS 10, IFRS 12 and IAS 27 - Investment entities (issued on 31 October 2012 and effective for annual periods beginning 1 January 2014). The amendment introduced a definition of an investment entity as an entity that (i) obtains funds from investors for the purpose of providing them with investment management services, (ii) commits to its investors that its business purpose is to invest funds solely for capital appreciation or investment income and (iii) measures and evaluates its investments on a fair value basis. An investment entity will be required to account for its subsidiaries at fair value through profit or loss, and to consolidate only those subsidiaries that provide services that are related to the entity's investment activities. IFRS 12 was amended to introduce new disclosures, including any significant judgements made in determining whether an entity is an investment entity and information about financial or other support to an unconsolidated subsidiary, whether intended or already provided to the subsidiary

The Company applies the changes after January 1, 2014.

IFRIC 21 "Levies"

IFRIC 21 - Levies (issued on 20 May 2013 and effective for annual periods beginning 1 January 2014). The interpretation clarifies the accounting for an obligation to pay a levy that is not income tax. The obligating event that gives rise to a liability is the event identified by the legislation that triggers the obligation to pay the levy. The fact that an entity is economically compelled to continue operating in a future period, or prepares its financial statements under the going concern assumption, does not create an obligation. The same recognition principles apply in interim and annual financial statements. The application of the interpretation to liabilities arising from emissions trading schemes is optional.

The Company applies the changes to IFRIC 21 after January 1, 2014.

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

At the date of the report of the present financial statements, an amendment to IFRIC 21 have not yet been approved by the European Union.

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

Amendments to IAS 36 - Recoverable amount disclosures for non-financial assets (issued on 29 May 2013 and effective for annual periods beginning 1 January 2014; earlier application is permitted if IFRS 13 is applied for the same accounting and comparative period). Amendments to IAS 36 The amendments remove the requirement to disclose the recoverable amount when a CGU contains goodwill or indefinite lived intangible assets but there has been no impairment.

The Company applies the changes to IAS 36 after January 1, 2014.

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

Amendments to IAS 39 - Novation of Derivatives and Continuation of Hedge Accounting (issued on 27 June 2013 and effective for annual periods beginning 1 January 2014). The amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated (i.e parties have agreed to replace their original counterparty with a new one) to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met.

The Company applies the changes to IAS 39 after January 1, 2014.

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 July 2014). 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

The Company applies the changes to IAS 19 after January 1, 2015.

At the date of the report of the present financial statements, an amendment to IAS 19 have not yet been approved by the European Union.

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 beginng on 1 July, 2014.

The Company applies the changes after January 1, 2015.

At the date of the report of the present financial statements, the amendments have not yet been approved by the European Union.

Annual Improvements to IFRSs 2011-2013

Annual Improvements to IFRSs 2013 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014). The improvements consist of changes to four standards.
The basis for conclusions on IFRS 1 is amended to clarify that, where a new version of a standard is not yet mandatory but is available for early adoption; a first-time adopter can use either the old or the new version, provided the same standard is applied in all periods presented.
IFRS 3 was amended to clarify that it does not apply to the accounting for the formation of any joint arrangement under IFRS 11. The
At the date of the report of the present financial statements, the amendments have not yet been approved by the European Union.

The Company is currently assessing the impact of the amendments on its financial statements.

2.2 Tangible fixed assets

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

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

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

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

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

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

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

Available-for-sale financial assets are non derivatives that are either designated in this category or not classified in any of the other categories. They are included in non current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

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

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

Impairment of loans and receivables is determined in the case of objective indications that the company CPD you will not be able to download a single or group of accounts receivable in accordance with the original maturity. Serious financial difficulties of the debtor, a high probability of bankruptcy or other financial reorganization of the debtor, breach of contract or non-payments are indications that point to the loss of value of trade receivables and loans. The amount of impairment is defined as the difference between the book value and the present value of estimated future cash flows discounted by the original effective interest rate. The book value of the asset shall be reduced by the use of the account and the amount of the write-down is a copy included in the financial result. In the case of trade receivables and loans, when they are bad, they are written down in the weight created impairment.

The subsequent recovery of the amounts originally written is recognised as a result.

2.5 Cash and equivalents

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

2.6 Share capital

Share capital is the nominal value of the issued shares.

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

2.7 Trade liabilities

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

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

2.8 Credits and loans

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

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

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

2.9 Deferred income tax

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

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

2.10 Employee benefits

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

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

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

2.11 Provisions

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

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

2.12 Revenue recognition

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

2.13 Other income

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

2.14 Costs

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

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

2.15 Interest costs

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

2.16 Foreign currencies

The financial statements are presented in Polish zloty (PLN), which is the functional currency and presentation currency of the Group CPD.
Transakcje w walutach obcych są przeliczane na PLN za pomocą kursów walutowych obowiązujących na dzień transakcji lub z dnia wyceny, jeżeli dane pozycje są wyceniane.

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

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

3 Financial risk management

3.1 Financial risk factors

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

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

As of 31.12.2013, the Company did not have any debts or liabilities balances denominated in foreign currencies and as a result was not significantly exposed to currency exchange risk.

	December 31, 2013	December 31, 2012
Loans in EUR	1 700	764
Assumed change in PLN/EUR exchange rate	+/-1%	+/-1%
The result of changes in interest income	17	8
Tax shield	3	1
Effect on net profit/(loss)	14	7

	December 31, 2013	December 31, 2012
Receivables in EUR	0	201
Assumed change in PLN/EUR exchange rate	+/-1%	+/-1%
The result of changes in interest income	0	2
Tax shield	0	0
Effect on net profit/(loss)	0	2

	December 31, 2013	December 31, 2012
Liabilities in EUR	0	126
Assumed change in PLN/EUR exchange rate	+/-1%	+/-1%
The result of changes in interest income	0	1
Tax shield	0	0
Effect on net profit/(loss)	0	1

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

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

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

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

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

	December 31, 2013	December 31, 2012
Loans bear interest at variable interest rates	461 124	464 811
Assumed interest rate change	+/-1pp	+/-1pp
The result of changes in interest income	4 611	4 648
Tax shield	876	883
Effect on net profit/(loss)	+/-3 735	+/-3 764

	December 31, 2013	December 31, 2012
Borrowings bear interest at floating rates	9 304	9 011
Assumed interest rate change	+/-1pp	+/-1pp
The result of changes in interest income	93	90
Tax shield	18	17
Effect on net profit/(loss)	+/-75	+/-72

(c) credit risk

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

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

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

(d) liquidity risk

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

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

	December 31, 2013	December 31, 2012
Loans with interest to maturity *	9 304	9 011
Trade liabilities and other liabilities	2 121	3 711
	11 425	12 722

**The loans are payable on demand to the nominal value of interest calculated from the balance sheet date to maturity is equal to 0.*

3.2 Capital management

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

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

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

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

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

	December 31, 2013	December 31, 2012
Loans received	9 304	9 011
Trade liabilities and other	2 121	3 711
Less cash and equivalents	-6 355	-17 874
Net borrowing	**5 070**	**-5 152**
Equity capital	313 398	369 253
Total	**318 468**	**364 101**
The financing structure factor	**2%**	**-1%**

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

3.3 Significant estimates

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

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

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

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

At the balance sheet date, the company has carried out an analysis of the loss of the value of shares in subsidiaries, by comparing the book value of the shares to their recoverable amount. Recoverable amount is the higher of the two amounts: the fair value of the asset, less the cost of sales, or value in use. In the evaluation of the company there are no grounds to consider that value in significantly deviated from the fair values at the balance sheet date. As a result, the analysis of the loss of value was based on fair value.

Real estate of 3 level, in which there are significant rental income (Połczyńska 31A, Cybernetyki 7b, Cybernetyki 9) have been valued using the profit method "Top Slice", using equivalent yield. Real estate of 2 level (Ursus, Wolborz) were measured by the comparative method. Value of the properties was based on average prices used in the transactions of similar properties, adjusted by the prices taken into account by potential market participants, location and size of the land, its legal status.

In particular, in current valuation, the properties located in the area of Ursus were valued taking into account the current situation of planning (lack of the plan, the current study, the existing environment). The price per square meter has the most significant impact on the valuation result.

In the case of a subsidiary Lakia Enterprises Ltd, the decline in fair value is primarily due to sale of properties located in Magdalenka, Nowa Piasecznica, Jaktorów and Jana Kazimierza in Warsaw and due to decline in the valuation of the property located in Hungary.

Impairment losses on loans was recognized for outstanding loans to the subsidiaries of the Company. The Company believes that due to the negative value of the net assets of these subsidiaries there is a real risk that these companies will not be able to repay in full borrowings.

(All amounts in PLN thousands unless otherwise stated)

Statement of comprehensive income

	Notes	12 months ended December 31, 2013	12 months ended December 31, 2012
Revenues	13	999	3 181
Administrative costs	14	(2 647)	(9 424)
Marketing costs		(152)	(564)
Impairment of investments in subsidiaries	4 , 5	(67 590)	(194 981)
Interest income on loans	17	21 144	29 505
Other operating income	15	61	772
Other operating cost	16	(1 495)	(2 564)
OPERATING RESULT		(49 680)	(174 075)
Financial income	16	1 697	1 079
Financial costs	16	(284)	(2 638)
PROFIT (LOSS) BEFORE INCOME TAX		(48 267)	(175 634)
Income tax	17	0	0
PROFIT (LOSS) FOR THE YEAR		(48 267)	(175 634)
TOTAL COMPREHENSIVE INCOME		(48 267)	(175 634)
BASIC AND DILUTED EARNINGS PER SHARE	23	(1,42)	(5,15)

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(All amounts in PLN thousands unless otherwise stated)

Statement of financial position

	Notes	As at December 31, 2013	As at December 31, 2012
ASSETS			
Non-current assets			
Property, plant and equipment		7	12
Intangible assets		10	13
Long-term receivables	4	315 065	334 809
Bonds		3 190	0
Shares in subsidiaries	5	0	9 826
		318 272	**344 660**
Current assets			
Trade receivables and other receivables	6	196	23 139
Cash and cash equivalents	7	6 355	17 874
		6 551	**41 013**
Total assets		**324 822**	**385 673**
EQUITY			
Share capital	8	3 460	3 431
Own shares		(12 300)	0
Reserve capital		987	4 399
Share premium	24	796 643	796 643
Retained earnings		(475 391)	(431 522)
Total equity		**313 398**	**372 951**
LIABILITIES			
Non-current liabilities			
Borrowings, including financial leasing		9 304	0
		9 304	**0**
Current liabilities			
Trade payables and other liabilities	10	2 121	3 711
Borrowings, including financial leasing	11	0	9 011
		2 121	**12 722**
Total equity and liabilities		**324 823**	**385 673**

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Statement of changes in equity

					Accumulated profit (loss)			
	Notes	Share capital	Own shares	Share premium	Own shares	Reserve capital	Retained earnings	Total
Balance at 1 January 2012		**3 407**	**0**	**796 643**	**1 161**	**23 078**	**(280 128)**	**544 161**
Cover the losses for the year 2011	1,8	0	0	0	(1 161)	(23 078)	24 239	0
Capital increase	1,8	24	0	0	0	0	0	24
Reserve for issue of share warrants		0	0	0	0	2 370	0	2 370
Conversion of liability to Board of Advisors-to-equity	1,8	0	0	0	0	2 038	0	2 038
The costs incurred in connection with the issuance of new shares		0	0	0	0	(9)	0	(9)
		24	**0**	**0**	**(1 161)**	**(18 678)**	**24 239**	**4 423**
<u>Całkowite dochody okresu</u>								
Profit for the year		0		0	0	0	(175 634)	(175 634)
		0	**0**	**0**	**0**	**0**	**(175 634)**	**(175 634)**
Balance at 31 December 2012		3 431	0	796 643	0	4 399	(431 523)	372 950
Balance at 1 January 2013		**3 431**	**0**	**796 643**	**0**	**4 399**	**(431 523)**	**372 950**
Cover the losses for the year 2012	9	0	0	0	0	(4 399)	4 399	0
Capital increase		29	-	0	0	0	0	29
Own shares for redemption	1,8	0	(12 300)	0	0	0	0	(12 300)
Conversion of liability to Board of Advisors-to-equity	9	0	0	0	0	987	0	987
		29	(12 300)	0	0	(3 412)	4 399	(11 284)
<u>Całkowite dochody okresu</u>								
Loss for the year					0	0	(48 267)	(48 267)
		0	0	0	0	0	(48 267)	(48 267)
Balance at 31 December 2013		**3 460**	**(12 300)**	**796 643**	**0**	**987**	**(475 391)**	**313 398**

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(All amounts in PLN thousands unless otherwise stated)

Cash flow statement

	Notes	12 months ended December 31, 2013	12 months ended December 31, 2012
Cash flow from operating activities			
Cash generated from operations	20	(445)	(4 139)
Interest paid		0	(557)
Net cash from operating activities		(445)	(4 696)
Cash flows from investing activities			
Acquisition of property, plant and equipment		0	(15)
Loans		(20 860)	(23 804)
Repayment of loans		23 097	44 168
Interest received		1 960	4 707
Net cash from investing activities		4 197	25 056
Cash flow from financing activities			
Received the credits and loans		0	0
Share redemption		(12 300)	0
Bonds received		(3 000)	0
Capital increase		29	0
Credits and loans repayment		0	(3 511)
Net cash from financing activities		(15 271)	(3 511)
Change in net cash and cash equivalents		(11 519)	16 849
Cash and cash equivalents at beginning of year		17 874	1 025
Cash and cash equivalents at end of period		6 355	17 874

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(All amounts are expressed in thousands)

Notes to the financial statements

4 Notes to the financial statements	December 31, 2013	December 31, 2012
Long-term loans to related parties (Note 24), including:		
-loan	426 888	420 488
-interest	73 675	67 462
Impairment	(185 498)	(153 141)
	315 065	**334 809**

Details of the loans granted to related parties 31.12.2013

Related party	Currency of the loan	Principal amount in PLN	Accrued interest in PLN	The Interest Rate	Margin	Maturity
1/95 Gaston Investments	PLN	2 479	316	3M WIBOR	1,55%	on demand
2/124 Gaston Investments	PLN	1 627	220	3M WIBOR	1,55%	on demand
3/93 Gaston Investments	PLN	1 611	185	3M WIBOR	1,55%	on demand
4/113 Gaston Investments	PLN	5 248	629	3M WIBOR	1,55%	on demand
Impairment		*(5 248)*	*(629)*			
5/92 Gaston Investments	PLN	1 892	210	3M WIBOR	1,55%	on demand
6/150 Gaston Investments	PLN	1 305	195	3M WIBOR	1,55%	on demand
7/120 Gaston Investments	PLN	980	129	3M WIBOR	1,55%	on demand
8/126 Gaston Investments	PLN	2 907	313	3M WIBOR	1,55%	on demand
9/151 Gaston Investments	PLN	618	84	3M WIBOR	1,55%	on demand
10/165 Gaston Investments	PLN	790	83	3M WIBOR	1,55%	on demand
11/162 Gaston Investments	PLN	665	79	3M WIBOR	1,55%	on demand
12/132 Gaston Investments	PLN	1 957	246	3M WIBOR	1,55%	on demand
13/155 Gaston Investments	PLN	1 950	207	3M WIBOR	1,55%	on demand
15/167 Gaston Investments	PLN	969	81	3M WIBOR	1,55%	on demand
16/88 Gaston Investments	PLN	305	50	3M WIBOR	1,55%	on demand
18 Gaston Investments	PLN	1 523	149	3M WIBOR	1,55%	on demand
19/97 Gaston Investments	PLN	341	46	3M WIBOR	1,55%	on demand
20/140 Gaston Investments	PLN	395	55	3M WIBOR	1,55%	on demand
Antigo Investments	PLN	4 502	258	3M WIBOR	1,55%	on demand
Impairment		*(4 502)*	*(258)*			
Blaise Gaston Investments	PLN	2 613	418	3M WIBOR	1,55%	on demand
Blaise Investments	PLN	25 031	4 127	3M WIBOR	1,55%	on demand
Belise Investments	PLN	29 433	6 042	3M WIBOR	1,55%	on demand
Impairment			*(5 805)*			
Buffy Holdings No 1 Ltd	PLN	137 920	24 231	3M WIBOR	0,75%	on demand
Impairment	PLN	*(132 874)*	*(24 231)*			
Celtic Investments Ltd	PLN	1 684	16	3M LIBOR	0,75%	on demand
Impairment	PLN	*(1 557)*	*(16)*			
Challange 18	PLN	163 880	29 739	3M WIBOR	1,55%	on demand
Elara Investments	PLN	3 083	291	3M WIBOR	1,55%	on demand
Impairment	PLN	*(2 729)*	*(291)*			
Gaston Investments	PLN	4 726	491	3M WIBOR	1,55%	on demand
HUB Developments	PLN	2 042	210	3M WIBOR	1,55%	on demand
Robin Investments	PLN	2 297	169	3M WIBOR	1,55%	on demand
Lakia Enterprises Limited	PLN	22 116	4 404	3M WIBOR	1,55%	on demand
Impairment		*(2 186)*	*(4 404)*			
		277 517	**37 547**			

(All amounts are expressed in thousands)

On May 1, 2012 in accordance with the contract of acquisition debt the company took over all loans granted by the company East Europe Property Financing AB other related parties. Amount of the acquired loans totalled 389.875 PLN plus interest in the amount of PLN 46.650. The proportion of debt in accordance with what was settled to the principal and interest in individual Companies was the ratio of the amount of interest to the loan amount (46.650/389.875) and amounted to 11,97%.

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.

The loans granted to Celtic Asset Management and EEPF were reclassified from long-term loans to short-term loans as the Management Board decided to liquidate the two subsidiaries. The balances of the loans and accrued interest on 31 December 2013 are as follows: EEPF - loan: PLN 6 367 thousand, interest: PLN 1 435 thousand; Celtic Asset Management - loan: PLN 1 043 thousand, interest: PLN 80 thousand. 100% impairment was made on the loans mentioned above.

The loan granted to Robin was reclassified from short-term loans to long-term loans. The balance of the loan and accrued interest on 31 December 2013 amounts to: loan: PLN 2 297 thousand, interest: PLN 169 thousand.

In 2013 a write-off of interest granted to CPD subsidiaries in total amount of PLN 13 022 thousand was made.

Status of the impairment of loans at 31.12.2012	**182 937**
Impairment for 2013	44 721
Status of the impairment of loans at 31.12.2013	**227 659**

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

5 Shares in subsidiaries

Name	Country	Share	December 31, 2013	December 31, 2012
Lakia Enterprises Ltd	Cyprus	100%	105 000	105 000
Impairment			-105 000	-95 174
Celtic Investments Ltd	Cyprus	100%	48 000	48 000
Impairment			-48 000	-48 000
Buffy Holdings No1 Ltd	Cyprus	100%	184 000	184 000
Impairment			-184 000	-184 000
East Europe Property Financing AB	Sweden	100%	601	601
Impairment			-601	-601
			0	**9 826**

Status of the impairment of loans at 31.12.2012	**327 774**
Impairment for 2013	9 826
Status of the impairment of loans at 31.12.2013	**337 601**

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

6 Trade receivables and other receivables

	December 31, 2013	December 31, 2012
Trade receivables from related parties	30	575
Short-term loans with related parties	54	22 473
- loans	34 236	44 323
- interest	7 978	7 946
- impairment	(42 161)	(29 796)
Public-legal duties	0	1
Other receivables from related parties	16	16
Other receivables from other parties	81	60
Accrued costs	15	14
	196	**23 139**

The significant increase in loans receivable is the result of a reclassification of short-term loans to the long-term loans (note 4). In accordance with the intentions of Board Members these loans will be repaid within 12 months of the balance sheet date. This is consistent with the Board's strategy and plans of liquidation of the subsidiaries which were granted the loans.

(All amounts are expressed in thousands)

Notes to the financial statements

Details of the loans granted to related parties

Related party		Principal amount	Accrued interest	The Interest Rate	Margin	Maturity
Gaetan Investments	PLN	10 876	2 062	3M WIBOR	1,55%	on demand
Impairment		*(10 850)*	(2 062)			
Mandy Investments	PLN	15 951	4 401	3M WIBOR	1,55%	on demand
Impairment		*(15 951)*	(4 401)			
EEPF	PLN	6 367	1 435	3M WIBOR	0,75%	on demand
Impairment		*(6 367)*	*(1 435)*			
Celtic Asset Management	PLN	1 043	80	3M WIBOR	1,55%	on demand
Impairment		*(1 014)*	*(80)*			

7 Cash and equivalents

	December 31, 2013	December 31, 2012
Cash in the accounts (HSBC Bank)	6 355	17 874
	6 355	**17 874**

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

8 Share capital

	The number of shares		Value of the shares	
	31/12/2013	31/12/2012	31/12/2013	31/12/2012
Ordinary shares (in thousands)	34 595	34 307	3 460	3 431

As at 31 December 2013 Company's shareholders were*:

Company	Country	No. of shares	% owned capital	% posiadanych praw głosu
Coopertaive Laxey Worldwide W.A.,	Netherlands	10 082 930	29,2%	29,15%
Furseka Trading and Investments Ltd	Cyprus	5 137 222	14,9%	14,85%
The Value Catalyst Fund plc	Cayman Islands	4 490 475	13,0%	12,98%
QVT Fund LP	Cayman Islands	3 843 635	11,1%	11,11%
LP Value Ltd	British Virgin Islands	2 198 450	6,4%	6,35%
LP Alternative Fund LP	USA	2 193 931	6,3%	6,34%
Own shares		1 732 394	5,0%	5,01%
Shareholders with stakes below 5%		4 916 560	14,2%	14,21%
Liczba akcji razem		34 595 597	100%	100%

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

Share capital on December 31, 2013, includes 34 595 thousand. of shares with a nominal value of PLN $ 0.10 each, including:
-34.068.252 bearer ordinary shares of series B,
-163.214 bearer ordinary shares of series C,
-76.022 bearer ordinary shares of series D,
- 88.776 bearer ordinary shares of series E,
- 199.333 bearer ordinary shares of series F.

On 12 July, 2012 A series subscription warrants were offered to entitled persons, according to the resolution No. 22 of the Annual General Meeting of Celtic Property Developments S.A. held on 24 May 2012. The entitled persons took-up all offered subscription warrants. Afterwards the entitled persons have exercised rights from subscription warrants and took-up 163.214 C series bearer shares of the Company of the nominal value 10 gr (ten groszy) each. The entitled persons were the persons who were performing a function in the Management Board of the Company's Management Board on 12 July 2012 and owned A series subscription warrants, entitling to take-up in total up to 163.214 C series shares. Following the take-up of C series shares, the subscription warrants have lost their validity.

The C series shares issue was done on the basis of the resolution No. 23 of the Annual General Meeting of CELTIC PROPERTY DEVELOPMENTS S.A. held on 24 May 2012, on: conditional shares capital increase with exclusion of the pre-emption right with respect to C series shares, amendments to Company's statute, deprivation of current shareholders of the pre-emption right with respect to C series shares, dematerialization of the C series shares and application to admit and introduce the C series shares to the regulated market, communicated by the Company by the current report No.12/2012. The conditional share capital increase by the amount not higher than 16.321,40 PLN was registered by the District Court for the Capital City of Warsaw, XIII Commercial Division of the National Court Register on 19 June 2012.

On 31 July 2012 the Company's share capital was increased as a result of the registration of C series shares on the securities accounts of entitled persons, by the amount of PLN 16.321,40, to total amount of PLN 3.423.146,60. The above mentioned capital increase has been registered by the District Court for the Capital City of Warsaw, XII Commercial Division of the National Court Register on 12 November 2012.

On 15 October 2012 the Board of Directors of CPD S.A. adopted a resolution on capital increase under the authorised capital from PLN 3.423.146,60 to PLN 3.430.748,80, by the amount of PLN 7.602,20, by way of issuing of 76 022 bearer shares of series D at their nominal value of PLN 0,10. The share capital increase by way of D series shares issuance requires the consent of the Supervisory Board with a completele disapplication of the preemption rights of current shareholders.

The share capital increase by the amount of PLN 7.602,20 was registred by the National Court on 8 January 2013.

On 10 January 2013 the Extraordinary General Meeting of Celtic Property Developments S.A. adopted resolution No. 3 regarding the issue of subscription warrants, B series, with the right to take up E series shares in the Company, and cancelling the current shareholders' all pre-emptive rights with respect to B series subscription warrants; it also adopted resolution No. 4 regarding conditional increase of the Company's share capital with the exclusion of the pre-emptive rights with respect to E series shares, dematerialization of the E series shares and application for admission and introduction of E series shares to trading on the regulated market.

Under resolution No. 3, the Company issued 88,776 registered subscription warrants, B series ('subscription warrants'), with the right to take-up a total of 88,776 ordinary bearer shares in the Company, E series, with a nominal value of PLN 0.10 (ten groszy) each, and a total nominal value of to PLN 8,877.60. Subscription warrants were offered exclusively to entitled individuals, i.e. Management Board members serving on the Management Board when the statement on the taking up of subscription warrant was made, i.e.:

• Mr. Andrew Morrison Shepherd, President of the Management Board – 36,483 subscription warrants were offered;
• Mr. Aled Rhys Jones, member of the Management Board – 36,483 subscription warrants were offered;
• Ms. Elżbieta Wiczkowska, member of the Management Board – 15,810 subscription warrants were offered.

Subscription warrants were issued free of charge and the issuing price of one share of the E series, taken up as part of the exercise of rights under subscription warrants, was set as equal to the nominal value of such share, i.e. PLN 0.10. Any subscription warrant bore an entitlement to take up one share, E series, whereas the right to take up E series shares was exercised in the manner described in Article 451 of the Polish Code of Commercial Companies and Partnerships i.e. through written statements made on forms prepared by the Company.

The issue of subscription warrants and E series shares was conducted outside the public offering, as referred to in Article 3.3 of the Act of 29 July 2005 on public offerings and terms of introduction of securities to the organized trading system and on public companies (Official Journal, No. 184, item 1539, as amended) due to the fact that the number of individuals who were the addressees of the offer to purchase subscription warrants did not exceed 99 (ninety-nine).

On 20 March 2013 the Company's Management Board adopted resolution no. 13/III/2013 regarding an increase of the Company's share capital within the target capital.

Under the aforementioned resolution the Company's share capital was increased by PLN 19,933.30 through an issue of 199,333.00 ordinary bearer shares, F series, with a nominal value of PLN 0.10 (ten groszy) each, the issue falling within the target capital figure. The capital increase through the issue of F series shares was conducted upon the approval of the Supervisory Board, excluding the pre-emptive rights of existing shareholders, and was conducted as a private placement addressed to selected individuals collaborating with the Management Board. Proceeds from the issue of F series shares were allocated to finance the Company's ongoing operations.

On 27 March 2013 the Company invited its shareholders to submit sale offers for its shares under terms and conditions specified in the Invitation to Submit Sale Offers. The full text of the Invitation was published on the Company's website (www.celtic.pl). Following the publication of the Invitation the Company offered to buy no more than 1,732,394 ordinary bearer shares marked with the following ISIN code: PLCELPD00013 ('Shares') at PLN 7.10 each. During the period when sale offers were accepted, between 3 and 9 April 2013, a total of 39 share sale offers were accepted, for a total of 15,575,542 shares.

Notes to the financial statements

The Invitation was based on the resolution adopted by the Company's General Meeting on 10 August 2012 regarding the purchase of the Company's shares for the purpose of redemption; the resolution authorised the Management Board to purchase no more than 11,541,891 of the Company's shares with a nominal value of PLN 0.10 (ten groszy) and with the total nominal value not exceeding PLN 1,154,189.10, and to do so no later than by 31 December 2013. The shares may be purchased on the regulated market: (during a stock exchange session or off-session) as well as outside the regulated market. The shares shall be purchased by the Company pursuant to Article 362 § 1.5 of the Polish Code of Commercial Companies and Partnerships for the purpose of redemption at a price which is no lower than the nominal value of shares and no higher than PLN 15.89 (say: fifteen złoty and eighty-nine groszy) per one share. Moreover, the General Meeting authorised the Company's Management Board to establish detailed terms and conditions of share purchase in the scope which is not regulated by the resolution and also authorised the Company's Management Board to carry out any practical and legal actions aiming at the exercise of the resolution, including the conclusion of an agreement with an investment firm. For the purpose of the redemption of shares, once all or part of the shares were purchased, the Company's Management Board shall convene the General Meeting with an agenda including at least the adoption of resolutions on the redemption of the Company's treasury shares, on a decrease of the Company's share capital and amendments to the Company's Articles.

The rationale behind the Management Board's recommendation for the resolution regarding the buy-back of the Company's treasury shares for the purpose of redemption was the downturn on the Warsaw Stock Exchange, which was part of global capital market trends and resulted in a decline of the market price of Celtic Property Developments S.A. shares. In the view of the Company's Management Board, the market valuation diverges from the fundamentals of the Company's value growth in the long term. The buy-back of the Company's shares, therefore, is an optimal solution from the perspective of the interests of all shareholders. The Supervisory Board of the Company approved said draft resolution of the Extraordinary General Meeting by adopting a resolution approving the draft resolutions of the General Meeting.

On 11 April 2013 the Company decided to accept all share sale offers and to make a pro-rata reduction, effected in accordance with the rules specified in the Invitation. The number of shares under the share sale offers totalled 15,575,542. Given that sale offers covered a larger number of shares than the number of 1,732,394 shares suggested by the Company, each sale offer was reduced by an average of 88.88%, which means that the Company purchased, on average, 11.12% of shares offered for sale. As a result of transaction settlement, on 15 April 2013 the Company had purchased 1,732,394 treasury shares via UniCredit CAIB Poland S.A., a brokerage house seated in Warsaw. The purchase price per share was PLN 7.10. All the purchased shares are ordinary shares with a nominal value of PLN 0.10 each. Treasury shares represent 5.01% of the Company's share capital and 5.01% f the total number of votes in the Company; however, pursuant to applicable regulations the Company is not entitled to exercise voting rights under treasury shares.

Pursuant to the applicable provisions of law, in order to commence the redemption procedure for bought-back shares the General Meeting must be convened to adopt a resolution regarding a decrease in share capital.

As of 26 April 2013 the District Court for Warsaw in Warsaw, 13th Business Division of the National Court Register, registered the conditional capital increase in the Company by no more than PLN 8,877.60. A conditional increase of share capital occurred through the issue of bearer shares, E series, with a nominal value of PLN 0.10 (ten groszy) each, in a number not exceeding 88,776, and was effected in order to enable entitled individuals, holders of B series subscription warrant, to exercise their rights to take up no more than 88,776 E series shares.

Subscription warrants were offered to entitled individuals on 8 May 2013. On the same day the entitled individuals who held B series subscription warrants, i.e. members of the Company's Management Board, exercised their rights under the warrants and made statements regarding the taking-up of E series shares. E series shares issued in connection with the taking-up of B series subscription warrants by entitled individuals must not be disposed of for 18 months following their admission to stock exchange trading under contracts signed in parallel with taking up the shares.

The increase of the Company's share capital occurred on 5 July 2013 as a result of the E series shares being recorded on the accounts of entitled individuals and origination of rights under those shares in keeping with Article 452 of the Polish Code of Commercial Companies and Partnerships. Considering the foregoing, the share capital of Celtic Property Developments S.A. was increased, as of 5 July 2013, by PLN 8,877.60 to PLN 3,439,626.40. As a result of the increase, the share capital of Celtic Property Developments S.A. was subdivided into 34,396,264 shares with a nominal value of PLN 0.10 (ten groszy) each, and the shares represented 100% of the votes at the General Meeting. Proceeds from the issue of E series shares were allocated to finance the Company's ongoing operations.

(All amounts are expressed in thousands)

Notes to the financial statements

Pursuant to resolution No. 448/13 adopted by the Management Board of the National Depository for Securities on 21 June 2013, on 5 July 2013 the National Depository registered 88,776 ordinary bearer shares, E series, marked with the following ISIN code: PLCELPD00013.

On 5 July 2013 E series shares were brought into stock exchange trading on the parallel market of the Warsaw Stock Exchange under resolution No. 745/2013 adopted by the Management Board of the Warsaw Stock Exchange on 3 July 2013.

On 12 August 2013 the District Court for Warsaw in Warsaw, 13th Business Division of the National Court Register, issued a decision to record the increase in the Company's share capital by PLN 8,877.60 via an issue of 88,776 ordinary bearer shares, E series. Once the capital increase was recorded, the Company's share capital totalled PLN 3,439,626.40 and was subdivided into 34,396,264 ordinary bearer shares, B, C, D and E series, with a nominal value of PLN 0.10 (ten groszy) each, bearing an entitlement to 34,396,264 votes at the Company's General Meeting.

By 30 August 2013 the Management Board was entitled to increase the Company's share capital within the limits of the target capital by an amount not exceeding PLN 2,500,000. The Management Board was allowed to exercise this entitlement through one or more successive increases of share capital, with shares being taken up against cash or in-kind contributions.

On 13 September 2013 the District Court for Warsaw in Warsaw, 13th Business Division of the National Court Register, issued a decision to record the increase in the Company's share capital by PLN 19,933.30 via an issue of 199,333 ordinary bearer shares, F series. Once the capital increase was recorded, the Company's share capital totals PLN 3,459,559.70 and is subdivided into 34,595,597 ordinary bearer shares, B, C, D, E and F series, with a nominal value of PLN 0.10 (ten groszy) each, bearing an entitlement to 34,595,597 votes at the Company's General Meeting.

9 Reserve capital

	December 31, 2013	December 31, 2012
	4 399	
Profit for the year 2010	0	21 922
Board remuneration in warrants	0	3 527
Conversion of liability to Board of Advisors-to-equity	987	2 038
The costs incurred in connection with the issuance of new shares	0	(9)
Cover the losses for the year 2011	0	(23 078)
Cover the losses for the year 2012	(4 399)	0
	987	**4 399**

10 Trade payables and other payables

	December 31, 2013	December 31, 2012
Accrued expenses, including:	1 963	3 384
- reserve for tax for previous years	1 829	1 829
- reserve for shares	0	1 415
- reserve for auditing	134	100
- other provisions	0	40
Trade payables	0	154
Holiday provision	103	123
Public-legal duties	54	47
Other payables	1	3
	2 121	**3 711**

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

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

11 Borrowings, including financial leasing

	December 31, 2013	December 31, 2012
Loans from related parties	9 304	9 011
	9 304	**9 011**

Liability for loans at 31 December 2012 as a whole relate to a loan from a subsidiary of Lakia Enterprises (including the principal amount of PLN 7.853, the amount of accrued interest PLN 1,451). Interest on the loan is Wibor 3M + 0.50% margin. The loan is payable at the request of the lender.

The loan is not secured.

(All amounts are expressed in thousands)

Notes to the financial statements

Loan exposure to interest rate risk and the contractual repricing dates at the balance sheet date are as follows:

	December 31, 2013	December 31, 2012
Long-term loans	9 304	9 011
	9 304	**9 011**

12 Deferred income tax

Deferred tax liabilities

As at January 1, 2012	**7 000**
Accrued interest on loans	5 323
Exchange differences	0
As at December 31, 2012 - before compensation	**12 323**
Compensation of the deferred tax asset	(12 323)
As at December 31, 2012 - after compensation	**0**
Accrued interest on loans	2 914
As at December 31, 2013 - before compensation	**15 237**
Compensation of the deferred tax asset	(15 237)
As at December 31, 2013 - after compensation	**0**

Aktywa z tytułu odroczonego podatku dochodowego

As at January 1, 2012	**7 000**
Impairment of loans - part of the activated	5 054
Accrued interest on borrowings	109
Exchange differences	160
As at December 31, 2012 - before compensation	**12 323**
Compensation of deferred tax provision	(12 323)
As at December 31, 2012 - after compensation	**0**
Impairment of loans - part of the activated	2 856
Reserves for costs	25
Holiday provision	19
Accrued interest on borrowings	167
Exchange differences	(153)
As at December 31, 2013 - before compensation	**15 237**
Compensation of deferred tax provision	(15 237)
As at December 31, 2013 - after compensation	**0**

Unrecognised deferred tax assets

At the balance sheet date are not included the following deferred tax assets	12 months ended December 31, 2013	12 months ended December 31, 2012
Unrecognised asset impairment of shares in subsidiaries	64 144	62 278
Not activated due to an impairment loss on loans	28 347	23 356
Unrecognised asset in respect of tax losses	716	536
Unrecognised deferred tax asset	**93 207**	**86 170**
Tax losses for the years:	**3 915**	**2 805**
2013	1 110	0
2012	167	167
2011	819	819
2010	1 528	1 528
2009	291	291

Expiration of tax losses	**2014**	**2015**	**2016**	**2017**	**2018**
	291	1 528	819	167	1 110

(All amounts are expressed in thousands)

13 Revenue from sales

	12 months ended December 31, 2013	12 months ended December 31, 2012
Proceeds from sales:		
-domestic sales	999	627
-foreign sales	0	2 555
	999	**3 182**

14 Administrative costs

	12 months ended December 31, 2013	12 months ended December 31, 2012
Consulting services and remuneration of the auditor	753	4 613
Remuneration, including:	1 119	3 857
- the cost of salaries	1 119	1 487
-the cost of salaries in warrants	0	2 370
Non deductible VAT	218	235
Other costs	557	719
	2 647	**9 424**

** Share-based programme*

On 22 December, 2011 the Supervisory Board has taken a resolution on determination of the remuneration of the members of the Board. At the request of the Board of Directors part of the due remuneration was to be paid to the Board Members in shares offered for subscription at the issue price reduced compared to market price. Supervisory Board passed its recommendation to the Shareholders Meeting to take the resolutions to increase share capital by the amount of 16.321,40 PLN by emissions of 163.214 bearer shares series C, having a par value of PLN 0.10 per share. At the same time, the Supervisory Board recommended the issuance of free of charge subscription warrants of C series to which coverage shall be entitled only to the members of the Management Board. Holders of the C series subscription warrants will be the only people entitled to purchase shares of series C. In effect, the members of the Management Board will have the right to purchase the shares at a price of par (PLN 0.10 per share).

The payment of remuneration might have been conducted only to those holders of the warrants who acted as Board Members at the time of the declaration of C series shares cquisition.

The total value of compensation in shares is PLN 2.775 thousand, of which the costs of the financial year 2012 was PLN 1.619 thousand and for 2011 PLN 1.156 thousand. The value was determined on the difference between the maximum and reduced the level of remuneration laid down by the management board the Supervisory Board. For the purpose of calculation of the amount of compensation the following parameteres were adopted: the average exchange rate of Polish National Bank as at 22 December 2011 of PLN 4,4438 and the par share value of PLN 17, with the closing quatations on the WSE in Warsaw from 20 December 2011.

To calculate the amount of remuneration for the period from August 2011 to July 2012, the Company adopted the average NBP exchange rate of December 22, 2011 amounting to PLN 4.4438 and the price of one share equal to 17 PLN, corresponding to the closing share Celtic Property Developments SA on the Stock Exchange in Warsaw on 20 December 2011.

On 4 October 2012 the Supervisory Board of the Company has passed a resolution on determination of remuneration of Board Members for the period from 1 August 2012 to 31 December 2012. At the request of the Board of Directors of part of the due remuneration was to be paid to the members of the Board of Directors in shares, offered for subscription at the issue price reduced compared to market price. Supervisory Board passed its recommendation to the Shareholders Meeting to take the resolutions to increase share capital by the amount of 8.877,60 PLN by emissions of 88.776 bearer shares of series E, having a par value of PLN 0.10 per share. At the same time, the Supervisory Board instructed and authorised the Management Board to include in the agenda of the forthcoming Extraordinary General Meeting of Shareholders resolutions to provide the Board of Directors of subscription warrants and share issues E. The payment of remuneration might have been conducted only to those holders of the warrants who acted as Board Members at the time of the declaration of e series shares acquisition.

The total value of compensation in shares of E serie is PLN 752 thousand. The value was determined on the difference between the maximum and reduced the level of remuneration laid down by the management board the Supervisory Board. For the purpose of

(All amounts are expressed in thousands)

Notes to the financial statements

15 Other operating income

	12 months ended December 31, 2013	12 months ended December 31, 2012
Reversed provision - Supervisory Comittee	0	383
Write off of liabilities- Supervisory Committee	0	389
Provision	61	0
	61	**772**

16 Other operating costs

	12 months ended December 31, 2013	12 months ended December 31, 2012
Write off of loans	1 400	0
Penalty paid	45	0
Write off of receivables	50	2 564
	1 495	**2 564**

Partial write off of loans granted to CPD subsiadries took place in December 2013. The total amount is 1.400 thousand PLN: Robin Sp. z o.o. (900 thousand PLN), Elara Sp. z o.o. (300 thousand PLN) and Celtic Asset Management Sp. z o.o. w likwidacji (200 thousand PLN).

17 Interest income on loans

	12 months ended December 31, 2013	12 months ended December 31, 2012
Interest income from loans		
-Interest from related parties (Note 24)	21 144	29 505
	21 144	**29 505**

18 Financial income and expenses

	12 months ended December 31, 2013	12 months ended December 31, 2012
Interest income:	**275**	**243**
-Bank interest	1	0
-Interest on bonds	190	0
-Interest on deposits	84	234
-Interest from unrelated units	0	9
Other financial income	1 282	836
Net exchange differences	140	0
Financial income	**1 697**	**1 079**
Interest costs:		
-Interest from related parties (Note 24)	292	590
-Write off of loan ineterest	0	0
- Other	(8)	0
Net exchange differences	0	2 048
Financial costs	**284**	**2 638**

(All amounts are expressed in thousands)

Notes to the financial statements

19 The effective tax rate

	12 months ended December 31, 2013	12 months ended December 31, 2012
Loss before taxes	**(48 267)**	**(175 634)**
Tax rate	19%	19%
Income tax rate 19%	**9 171**	**33 370**
Write off of liabilities- Supervisory Committee	12	147
Conversion obligations shares to Supervisory Committee	82	23
Impairment of investment	(1 866)	(12 857)
Impairment value of loans receivable	(5 641)	(19 249)
Not included the assets in respect of tax losses	(180)	(97)
Write off of receivables	(276)	(487)
Conversion of liability to Supervisory Committe	(188)	(269)
Permanent differences for which no deferred taxes were calculated	(1 114)	(581)
	(0)	**(0)**

20 Cash flow from operating activities

	12 months ended December 31, 2013	12 months ended December 31, 2012
Profit/loss before tax	(48 267)	(175 633)
Adjustments for:		
– exchange differences	49	(418)
- acquisition of fixed assets	0	(15)
– depreciation	8	8
– interest costs	292	590
– interest income	(21 418)	(29 505)
– impairment of shares	9 826	67 061
– impairment of loans	44 722	127 911
– unpaid remuneration in warrants	0	2 370
– write off of liabilities	0	(389)
– write off of receivables	0	2 561
– write off of loans	1 400	9
– write off of loan interest	13 023	0
Changes in working capital		
- changes in receivables	524	3 015
- change in trade liabilities and other	(603)	(1 704)
	(445)	**(4 139)**

(All amounts are expressed in thousands)

Notes to the financial statements

21 Commitments and guarantees secured by the assets of the unit

In the reporting year 2013 the Group companies Celtic were a party of two loan agreements with HSBC Bank Poland in the amount of PLN 40 389 million ; and the West Bank WBK SA in the amount of PLN 53 656 million .

Parties to the agreement with HSBC Bank are subsidiaries of the company CPD SA: Blaise Investments Sp. with o.o. Lakia Investemnts Sp. with o.o. and Robin Investments Sp. with o.o. as a borrower. The loan is secured by a registered pledge on the fixed and floating assets of subsidiaries located in Poland : Lakia Investments Sp. with o.o. Robin Investments Sp. with o.o. and Blaise Investments Sp. z oo , and on the shares of a shareholder in Cyprus : Lakia Enterprises Ltd. Furthermore, in accordance with the provisions of the credit agreement CPD SA , Lakia Investments Sp. with o.o. Robin Investments Sp. with o.o. , and Blaise Investments Sp. with o.o. and Lakia Enterprises Ltd. is established as guarantors of the credit granted . Each of the guarantors corresponds to the amount of the loans with interest.

The repayment term, including interest and other costs in accordance with the applicable annex to the credit agreement (signed on 29 March 2012) falls on March 27, 2014.

At the time of preparing these financial statements, the company's subsidiaries - borrowers are under advanced negotiations with HSBC Bank on the extension of the maturity of the current funding for the coming years, while binding agreement on this issue has not yet been concluded.

Parties to the credit agreement with Bank Zachodni WBK SA is a subsidiary of the Group CPD - Belise Investments Sp. with o.o. as the borrower and the CPD SA as guarantor. In addition, as security for the loan was a mortgage on the real property and the right properties situated on its buildings. Under the terms of the final repayment of the construction loan falls in one of the following terms: in the case of a conversion of the construction loan for the investment, the final repayment of the loan will be made not later than 12 August 2019, in the opposite case, the final repayment date provided for in the Agreement is August 2014. One of the conditions for conversion of the loan and thus postpone the final repayment of the loan for the period August 2019 to achieve the contractual bank surface renting level. The priority for the Group Management Board is to complete the commercialization of Iris building and convert the construction loan into an investment loan on schedule, ie in August 2014, in connection with the above, in case of any conditions that may affect the approved schedule, the Board has decided that it will Iris subsidize the project to the full commercialization of the project. In 2013, Celtic Group supported the project Iris amount of PLN 1.5 million.

In the opinion of the Board, the risk that in August 2014, the credit will not be converted to a long-term investment credit or the credit will not be extended is low.

The fair value of the property covered by the mortgage lien in favor of the loan collateral was demonstrated below:

	December 31, 2013
Aquarius	26 542
Ursus	85 018
Cybernetyki 7b	34 422
	145 981

22 Related party transactions

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

The CPD also contains transactions with key management staff, subsidiaries and other affiliated, controlled by key staff of the CPD Group.
These financial statements contain the following balances resulting from transactions with related parties:

a)Transactions with key management personnel	**12 months ended December 31, 2013**	**12 months ended December 31, 2012**
Remuneration of members of the Supervisory Board	233	212
Remuneration of members of the Board of Directors	202	222
Receivables from the Board Members	16	16
Value of the warrants granted to the members of the Supervisory Board	0	2 370

(All amounts are expressed in thousands)

Notes to the financial statements

b) Transactions with subsidiaries

Revenues		
1/95 Gaston Investments	107	51
2/124 Gaston Investments	76	42
3/93 Gaston Investments	70	29
4/113 Gaston Investments	240	131
5/92 Gaston Investments	82	31
6/150 Gaston Investments	56	37
7/120 Gaston Investments	44	30
8/126 Gaston Investments	116	57
9/151 Gaston Investments	28	18
10/165 Gaston Investments	35	18
11/162 Gaston Investments	30	17
12/132 Gaston Investments	88	53
13/155 Gaston Investments	79	41
14/119 Gaston Investments	21	45
15/167 Gaston Investments	41	12
16/88 Gaston Investments	14	10
18 Gaston Investments	65	29
19/97 Gaston Investments	15	11
20/140 Gaston Investments	18	13
Antigo Investments	224	58
Blaise Gaston Investments	117	78
Blaise Investments	1 190	1 036
Belise Investments	1 375	2 065
Buffy Holdings No1 Ltd	5 476	7 930
Celtic Asset Management	64	546
Celtic Investments Ltd	16	4
Challange 18	7 738	7 348
Celtic Property Developments KFT	0	0
East Europe Property Financing AB	304	7 846
Elara Investments	154	137
Gaetan Investments	549	551
Gaston Investments	130	179
Hub Developments	91	79
Lakia Enterprises Ltd	1 055	964
Mandy investments	1 271	1 208
Robin Investments	169	186
Costs		
Celtic Asset Management	0	53
Celtic Investments Ltd	0	1 530
Lakia Enterprises Ltd	292	964
Liabilities		
Lakia Enterprises Ltd	9 304	12 502
Receivables		
1/95 Gaston Investments	2 795	1 402
2/124 Gaston Investments	1 848	1 382
3/93 Gaston Investments	1 796	803
4/113 Gaston Investments	5 876	4 240
Impairment	(5 877)	(1 266)
5/92 Gaston Investments	2 102	851
6/150 Gaston Investments	1 500	1 071
7/120 Gaston Investments	1 109	816
8/126 Gaston Investments	3 219	1 762
9/151 Gaston Investments	703	491
10/165 Gaston Investments	873	608
11/162 Gaston Investments	744	507

(All amounts are expressed in thousands)

Notes to the financial statements

12/132 Gaston Investments	2 203	1 632
13/155 Gaston Investments	2 157	1 381
14/119 Gaston Investments	0	1 319
15/167 Gaston Investments	1 050	473
16/88 Gaston Investments	356	286
18 Gaston Investments	1 672	1 093
19/97 Gaston Investments	387	294
20/140 Gaston Investments	450	362
Antigo investments	4 760	4 942
Impairment	(4 760)	(490)
Blaise Gaston Investments	3 031	2 145
Blaise Investments	29 158	29 101
Belise Investments	35 475	33 380
Impairment	(5 805)	0
Buffy Holdings No1 Ltd	162 152	156 520
Impairment	(157 105)	(139 892)
Celtic Asset Management	1 122	1 907
Odpis na pozyczkę Celtic Asset management	(1 094)	(1 380)
Celtic Investments Ltd	1 700	740
Impairment	(1 573)	0
Challange 18	193 618	197 091
East Europe Property Financing AB	7 802	7 498
Impairment	(7 802)	(7 498)
Elara Investments	3 374	3 690
Impairment	(3 020)	(2 615)
Gaetan Investments	12 938	14 860
Impairment	(12 913)	(11 279)
Gaston Investments	5 217	3 109
Impairment	(767)	0
Hub Developments	2 252	2 165
Lakia Enterprises Ltd	26 520	25 465
Impairment	(6 590)	0
Mandy investments	20 352	32 637
Impairment	(20 352)	(18 477)
Robin Investments	2 466	4 773
Impairment	0	(41)
c)Transactions with other related party		
Costs		
Kancelaria Radców Prawnych Oleś&Rodzynkiewicz sp. komandytowa	58	100

(All amounts are expressed in thousands)

Notes to the financial statements

23 Earnings (loss) per share

Basic earnings per share are calculated as profit attributable to equity holders of the Company divided by weighted average number of ordinary shares during the year.

In the period covered by this report and the comparable periods, there were no factors resulting in the dilution of earnings per share.

The following are data on the loss and shares used to calculate loss per share:

	12 months ended December 31, 2013	**12 months ended December 31, 2012**
Loss (gain) on financial year	(48 267)	(175 633)
Weighted average number of ordinary shares (in thousands)	34 023	34 091
Loss per share (in PLN)	**(1,42)**	**(5,15)**

Diluted earnings per share do not differ from basic earnings per share.

24 Legal connection enterprises

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

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

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

Shares of subsidiaries	337 042
Loans	491 156
Other assets	5 552
Laibilities	(15 657)
Own shares falling as a result of the merger	500
Acquired net assets	**818 593**
Issued shares	(3 483)
The acquisition of own shares as a result of the merger	(500)
Recognized in surplus capital	**814 610**

(All amounts are expressed in thousands)

Notes to the financial statements

25 Operating segments

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

26 Employment in professional groups in the financial year

As at 31 December 2012 the company employed 4 employees.

27 Loans and other benefits granted to members of the Management Board and the supervisory bodies

Outside of the remuneration paid in shares, as described in Note 8 and 14, the Company has not granted loans and has not entered into any other transactions with members of the Management Board and Supervisory Board.

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

	December 31, 2013	December 31, 2012
Remuneration paid or payable to the entity authorized to audit financial statements for the year	236	170

29 Events after the balance sheet date

Pursuant to resolution No. 188/14 adopted by the Management Board of the National Depository for Securities on 14 February 2014, on 19 February 2014 the National Depository registered 199,333 ordinary bearer shares, F series, marked with the following ISIN code: PLCELPD00013.
On 19 February 2014 F series shares were brought into stock exchange trading on the parallel market of the Warsaw Stock Exchange under resolution No. 178/2014 adopted by the Management Board of the Warsaw Stock Exchange on 17 February 2014.

Elżbieta Donata Wiczkowska
Prezes Zarządu

Colin Kingsnorth
Członek Zarządu

Piotr Turchoński
Członek Zarządu

Iwona Makarewicz
Członek Zarządu

Celtic