Reinhold Polska AB (publ)

CIN 556706-3713

In-house translation – unaudited - the English version is for convenience only and in case of any discrepancy, the Swedish text shall prevail.

ANNUAL REPORT FOR THE FINANCIAL YEAR

2012-01-01 – 2012-12-31

The board of Directors and the CEO of Reinhold Polska AB hereby submit the following Annual Report:

Contents	Page

Unless otherwise stated, all amounts are in EUR

Management Report

The business

The management and the managing director of Reinhold Polska AB (publ) hereby submit their management report for the financial year 2012.

Reinhold Polska AB is since December 2007 listed on the Warsaw Stock Exchange, WSE, in Poland. The quotation is a listing on a regulated market in the EU which means that the company is under the supervision of the Swedish Financial Supervisory Authority. On December 31th 2012 two types of shares were issued, class A and class B shares. Only the company's class B shares are listed on WSE since the WSE does not allow larger vote differences than 1:5. The number of registered ordinary shares amount to a total of 7.000.000 of which 900.000 are class A and 6.100.000 are class B. Every class A-share has ten votes per share and every class B-share has one vote per share at the shareholders' meetings. The company's accounting currency is Euro and the quota value is 0,053 Euro per share for all shares.

The closing share price was 0,28 PLN (1,15) per share at the end of the accounting period at 31 December 2012. This corresponds to a total market value of 1.960.000 PLN (on the assumption that the company's class A shares and class B shares has the same value even if the class A shares had been listed). At the end of the period the number of shareholders amounted to approx. 300 shareholders. On December 31th 2012, the largest shareholders were as follows:

	Number of shares	Class of shares	% of capital	% of votes
ALMC hf.	1 226 100	B	17,52	8,12
Dornberg Investments Ltd	1 028 731	A+B	14,70	60,45
SEB-Stiftelsen	445 000	B	6,36	2,95
Jesper Lyckéus	700 000	B	10,00	4,64
Parkerhouse Investments Ltd	420 000	B	6,00	2,78

The year commenced with a focus on engaging with BZ WBK S.A. and the negotiation of a restructuring agreement based on the fact that the transaction to sell Reinhold Centre in Katowice did not close in December 2011. The agreement was signed with the bank in April 2012. The Group was not able to meet its obligations under that agreement therefore in July 2012, negotiations once again commenced in order to find the best solution for the Group and the bank to exit from the situation without causing bankruptcy of the Group due to the guarantee held by the bank over Reinhold Polska AB.

The payment to the bank was extended to July 30, and when this failed the discussion centered around how the two sides could settle the obligations. In March 2013 an agreement was agreed whereby the bank would take over the land and buildings in Katowice belonging to Reinhold Polska Projekt 4 Sp. z o.o. through a court approved reorganization. Both parties also agreed to sell the land held in Krakow by the end of 2013. The process is as of the date of this report still ongoing and the bank is in the process of agreeing a new date for the sale of the land in Krakow to extend the agreement to June 30, 2014.

The company also engaged in discussions into possible co-operation on its sites in Katowice (residential) and Wroclaw which were mortgaged by Pekao S.A. However nothing was forthcoming as of the end of the third quarter and the decision was made to place the assets in Wroclaw and Katowice residential project for sale, and is why the value was adjusted to reflect this.

This also meant that the parent company was forced to write down the value of shares in subsidiaries and intercompany receivables, with subsequent effects that the parent company's equity was consumed. This in turn requires that the company must take certain measures in accordance with company law.

Regarding questions on corporate governance and related issues, these are reported in the Corporate Governance Report that the Board of Reinhold Polska AB will deliver before the AGM.

Important events during the financial year

a) The conclusion of the agreement with BZ WBK SA on April 24, 2012 to restructure the loan to Reinhold Polska 4 Sp. z.o.o.s meaning that the group would put money in the company to reduce debt. The agreed payments were never made and the contract was dissolved despite extensions granted by the bank in August 2012.

b) Approval by the Annual General Meeting of shareholders to approve a rights issue where the Board were given a mandate to issue new shares in the company.

Since the assets fell below half the called up share capital the auditors Ernst & Young resigned in February 2012. This forced the company to look for a different accounting firm to audit the Company's annual report, as well as auditing the prepared balance sheet. A new auditor, Erik Lindahl of R3 Revisionsbyrå was appointed at the Annual General Meeting on October 4th, 2013.

Important events after the financial years' end

When the board members resigned during the financial year, the Company's Board was not complete by November 26, 2012.The remaining directors resigned at end of the fiscal year in March 2013 as a result of the difficult, unresolved financial situation. This was because no solution had been reached despite numerous attempts in 2012 to find an investor.

On October 4. 2013 a new Board consisting of Mr. Phillip Cook, Mr. Marek Tarchalski and Mr. Padraic Coll were appointed by an Extraordinary General Meeting of the shareholders. The Board set about to restructure the Company so as to put it on a basic financial footing. In December 2013, the Company sold its interest in Reinhold Group BV and by extension sold its interest in the Polish tier subsidiaries of Reinhold Group AB. The Company also sold all receivables and liabilities it had to Reinhold Group BV and the Polish tier subsidiaries.

Expected future developments

The company will focus on negotiations with creditors in order to strengthen its financial position and enable a prospective investor who is interested in an investment vehicle with an IPO in Warsaw to quickly and economically be able to acquire a working platform.

Financial position

The Group had per the closing date liquid assets of 5 328 EUR (22 330). The equity ratio was -88.97% (-25.25%). The Group equity amounted to EUR -15 098 051 (-4 690 657), corresponding to -2.16 (-0.67) per share. Liquid assets in the parent company by December 31, 2012 amounted to EUR 546 (411). The Group is continued dependent on external sources of financing in order to operate daily business functions.

Result

The result before tax of the Group in 2012 amounts to EUR -10 669 069 (-7 134 613).

Investments

During the year, which was the Group's 6th year in business, the Company tried to retain as much value in the projects it owned in order to maximize the potential returns that the Company could have gotten from the eventual sale of the projects. No new investments were made.

Information concerning the projects

The table below shows the Group's current projects and which phase they are in.

Project name	City	Type	Status
Reinhold Przyjaźni	Wrocław	Housing/Commercial	To be disposed
Reinhold Center	Katowice	Offices	To be disposed
Reinhold Pulaskiego	Katowice	Housing	To be disposed
Reinhold Plaza	Kraków	Shops/Offices	To be disposed

Staff
The number of employees during the year was 1 (5), with 0 (3) women. All employees are working in Poland. Staff costs for the Group amounted to EUR 3 620 (118 481).

Parent Company
The Parent Company's principal activity is to provide management resources to the rest of the group. Revenue amounted to EUR 24 999 (213 495) and the profit before tax was EUR -14,155,691 (-21,195,684). The number of employees has been 0 (0) and neither any wages or related expenses have been paid.

Annual General Meeting
The next Annual General Meeting of Reinhold Polska is scheduled to be held in Stockholm on March 7, 2014, at 4:30 pm. Notice of the AGM will be published shortly.

Information policy
Reinhold Polska AB will provide financial information during 2014 as follows:

- The quarterly report for the period January through March will be presented on May 15.
- The semi-annual report for the period January Through June will be presented on August 29.
- The 9-month interim report for the period January through September will be presented on November 14.
- The Q4/Year-end report for 2013 will be presented on March 21 2014.
-

The company's press releases are available at www.reinholdpolska.com. The Company's press releases are also available for download on the website of Finansinspektionen (the Swedish Financial Supervisory Authority), www.fi.se, for market information and at the Polish stock exchange website for market information, www.gpwinfostrefa.pl.

Financial overview

The Group	2012	2011	2010	2009	2008
Earnings per share, EUR	-1,52	-1,02	-2,71	-0,41	-1,16
Net profit (loss) for the year, EUR	-10 669 069	-7 134 613	-18 976 944	-2 847 354	-8 133 040
Equity per share, EUR	-2,16	-0,67	0,27	3,03	3,5
Book value of the project properties, EUR	16 254 139	18 270 398	24 225 109	56 529 844	39 107 416
Equity ratio, %	-88,97	-25,25	3,47	24,04	34,8
Quick ratio, %	2,9	1,4	59,9	47,5	145

Parent company	2012	2011	2010	2009	2008
Equity ratio, %	-161888	25,04	71,89	99,08	99,5

Equity ratio: Average shareholders' equity in relation to average total assets.
Quick ratio: Current assets, excluding inventories, as a percentage of current liabilities.

Proposed allocation of the parent company´s result

Profit carried forward	874 717
Net loss for the year	-14 155 691
	-13 280 974

The Board proposes that the available funds, EUR -13 280 974, be carried forward.

Income statement — The Group

EUR	Note	2012-01-01 2012-12-31	2011-01-01 2011-12-31
Net sales	3	1 176 175	1 090 525
Other operating incomes	4	56 885	412 363
		1 233 060	1 502 888
Operating expenses			
Goods for resale		-824 056	-744 993
Write-down projects	15	0	-3 879 653
Other external costs	5,23	-801 291	-688 824
Personnel costs	2	-3 620	-118 481
Depreciation/amortization of propert, plant and equipment and intangible assets	6	-1 724	-3 705
Other operating expenses		-3 852 428	0
Total operating expenses		-5 483 119	-5 435 656
Operating profit/loss		-4 250 059	-3 932 768
Financial income and expenses			
Financial income	8	3 740 821	1 161 847
Financial expenses	9	-10 159 831	-4 363 691
Total financial income and expenses		-6 419 010	-3 201 845
Profit before income tax		-10 669 069	-7 134 613
Income tax	10	0	0
Net profit (loss) for the year attributable to the parent con		-10 669 069	-7 134 613
Earnings per share, before dilution (Euro)	25	-1,52	-1,02
Earnings per share, after dilution (Euro)	25	-1,52	-1,02
Average number of shares			
-Before dilution		7 000 000	7 000 000
-After dilution		7 000 000	7 000 000

The Group's statement of Comprehensive Income	2012-01-01 2012-12-31	2011-01-01 2011-12-31
Income for the period	-10 669 069	-7 134 613
Other comprehensive income		
-Exchange differences on foreign operations	261 675	520 677
Total comprehensive income	-10 407 394	-6 613 936
of which attributable to the equity holders of the parent company	-10 407 394	-6 613 936

Balance Sheet

EUR		Group	
Assets	Note	2012-12-31	2011-12-31
Fixed Assets			
Intangible assets		0	296
Tangible assets - equipment	11	7 025	7 872
		7 025	8 168
Total Fixed Assets		**7 025**	**8 168**
Current Assets			
Inventories			
Real estate developments	15	16 254 139	18 270 398
		16 254 139	18 270 398
Current receivables			
Accounts receivables		52 266	157 499
Other receivables	17	638 865	106 646
Prepaid expenses		12 274	15 298
Cash and bank balances		5 328	22 330
		708 733	301 773
Total current assets		**16 962 872**	**18 572 171**
Total assets		**16 969 897**	**18 580 339**

Balance sheet

EUR		The Group	
Equity and liabilities	**Note**	**2012-12-31**	**2011-12-31**
Equity			
Equity and reserves attributable to the parent company's shareholders			
Share capital (7 000 000)	18	370 437	370 437
Other contributed capital		32 413 283	32 413 283
Non-restricted reserves		-37 474 377	-30 913 793
Net profit (loss) for the year		-10 407 394	-6 560 584
Total equity		-15 098 051	-4 690 657
Provisions and Reserves			
Other provisions	26	7 854 688	300 000
		7 854 688	300 000
Current liabilities			
Accounts payable- trade		1 459 627	1 104 061
Liabilities to credit institutions	19	16 477 731	17 041 566
Other current liabilities	21,24	4 456 962	3 175 370
Accrued expenses ande prepaid income	20	1 818 940	1 649 999
Total current liabilities		24 213 260	22 970 996
Total equity and liabilities		**16 969 897**	**18 580 339**
Provided guarantees and contingent liabilities			
Contingent liabilities	22	None	None
Provided guarantees	22	30 731 834	37 965 443

Changes in equity

Attributable to the parent company's shareholders

EUR

The Group

	Share capital	Other contributed capital	Reserves	Result brought forward incl. net profit (loss) for the year	Total Equity
Equity 2011-01-01	**370 437**	**32 413 283**	**-231 911**	**-30 681 883**	**1 869 926**
Net profit (loss) for the year				-7 134 613	-7 134 613
Other comprehensive income					
Exchange differences			574 029		574 029
Total other comprehensive income			574 029		574 029
Total comprehensive income			**574 029**	**-7 134 613**	**-6 560 583**
Equity 2011-12-31	**370 437**	**32 413 283**	**342 118**	**-37 816 496**	**-4 690 657**
Net profit (loss) for the year				-10 669 069	-10 669 069
Other comprehensive income					
Exchange differences			261 676		261 676
Total other comprehensive income			261 676		261 676
Total comprehensive income			**261 676**	**-10 669 069**	**-10 407 393**
Equity 2012-12-31	**370 437**	**32 413 283**	**603 794**	**-48 485 565**	**-15 098 051**

Reserves consists of exchange rate differences.

Cash flow statement — The Group

EUR

	2012-01-01 2012-12-31	2011-01-01 2011-12-31
Cash flow generated from operating activities		
Operating profit	-4 250 059	-3 912 362
Adjustments for items not included in cash flow		
Depreciation	1 724	7 500
Write-down of projects	3 388 532	3 879 653
Translation difference	0	395 035
Interest received	20 183	1 161 847
Interest paid	-2 305 143	-3 713 541
Changes in allocations	0	-100 000
Cash flow generated from operating acitivities before changes in working caoital	-3 144 763	-2 281 868
Cash flow from changes in working capital:		
Increase (-) / Decrease (+) in development property	0	0
Increase (-) / Decrease (+) in current receivables	-423 962	27 108 426
Increase (+) / Decrease (-) in current liabilities	4 662 902	517 062
Cash flow from operating activities	**1 094 177**	**25 343 620**
Cash flow from investment activities		
Aquisition of fixed assets	0	0
Cash flow from investment activities	**0**	**0**
Cash flow from financing activities		
Assumed loans	0	453 337
Amortization of liability	0	-26 406 985
Cash flow from financing activities	**0**	**-25 953 648**
Cash flow for the year	1 094 177	-610 028
Cash and cash equivalents at the beginning of the year	22 330	648 639
Exchange rate adjustments	-1 111 179	-16 281
Cash and cash equivalents at the year-end	5 328	22 330

Supplementary disclosure to the cash flow statement - Group

Cash and cash equivalents

The following components are included in cash and cash equivalents:

Cash and bank balances	5 328	22 330

Total interest paid in the Group amounts to 2 305 143 EUR (3 713 541 EUR)

Income statement

Parent company

EUR	Note	2012-01-01 2012-12-31	2011-01-01 2011-12-31
Net sales	3	24 999	0
Other operating incomes	4	0	213 495
		24 999	213 495
Operating expenses			
Other operating expenses	5	-720 781	-863 298
Personnel costs	2	0	0
Depreciation/amortization of property, plant and equipment and intangible assets	6	-637	-1 261
Other operating expenses		-276 231	0
Total Operating expenses		-997 649	-864 558
Operating profit/loss		-972 650	-651 063
Financial items			
Result from participation in group companies	7	-10 878 052	-20 371 805
Financial income	8	5 815 879	2 932 337
Financial expenses	9	-8 120 868	-3 105 153
Total financial items		-13 183 041	-20 544 621
Profit before income tax		-14 155 691	-21 195 684
Income tax expenses	10	0	0
Net profit (loss) for the year	25	-14 155 691	-21 195 684

The parent company's report for the total comprehensive income	**2012-12-31**	**2011-12-31**
Net profit (loss) for the year	-14 155 691	-21 195 684
Other comprehensive income		
-Exchange rate differences	0	0
Total comprehensive income	-14 155 691	-21 195 684

Balance sheet — Parent company

EUR

Assets	Note	2012-12-31	2011-12-31
Fixed assets			
Tangible assets			
Equipment	11	-	637
		0	637
Financial instruments			
Participations in Group companies	12	5 000	17 510
Other long-term receivables	14	0	743 226
		5 000	760 736
Total fixed assets		**5 000**	**761 373**
Current assets			
Current receivables			
Other receivables	17	2 429	10 070
Receivables from Group companies	16	0	4 306 459
Prepaid expenses and accrued income		0	0
		2 429	4 316 529
Cash and bank balances		546	411
		546	411
Total current assets		**2 975**	**4 316 940**
Total assets		**7 975**	**5 078 312**

Balance sheet

Parent company

EUR			
Equity and liabilities	**Note**	**2012-12-31**	**2011-12-31**
Equity			
Restricted capital			
Share capital (7 000 000)	18	370 437	370 437
Unrestricted capital			
Share premium reserve		-	32 413 194
Profit (loss) brought forward		874 717	-10 342 793
Net profit (loss) for the year		-14 155 691	-21 195 684
Total equity		-12 910 537	1 245 154
Provisions			
Other provisions	26	7 854 688	0
Total provision		7 854 688	0
Current liabilities			
Accounts payable - trade		759 952	343 086
Other current liabilities	21,24	3 831 459	3 263 704
Accrued expenses and prepaid income	20	472 413	226 368
Total current liabilities		5 063 824	3 833 158
Total equity and liabilities		**7 975**	**5 078 312**

Provided guarantees and contingent liabilities

Contingent liabilities	22	None	None
Provided guarantees	22	33 591	7 267 200

Changes in equity

Parent company

Changes in equity

EUR

	Share capital	Share premium reserve	Result brought forward	Profit (loss) for the year	Total equity
Equity 2011-01-01	**370 437**	**32 413 194**	**-5 889 690**	**-4 453 103**	**22 440 838**
Allocation of net profit (loss) in accordance with the AGM decision	-	-	-4 453 103	4 453 103	0
Net profit (loss) for the year	-	-		-21 195 684	-21 195 684
Equity 2011-12-31	**370 437**	**32 413 194**	**-10 342 793**	**-21 195 684**	**1 245 154**
Allocation of net profit (loss) in accordance with the AGM decision	-	-32 413 194	11 217 510	21 195 684	0
Net profit (loss) for the year	-	-		-14 155 691	-14 155 691
Equity 2012-12-31	**370 437**	**0**	**874 717**	**-14 155 691**	**-12 910 537**

Cash flow statement — Parent company

EUR

	2012-01-01 2012-12-31	2011-01-01 2011-12-31
Cash flow generated from operating activities		
Operating profit/loss	-972 650	-651 063
Adjustment for items not included in cash flow		
Depreciation	637	1 261
Translation differenses	276 231	0
Interest received	21	1 151 720
Interest paid	-266 180	0
Cash flow generated from operating activities before changes in working capital	-961 941	501 918
Cash flow from changes in working capital:		
Increase (-) / Decrease (+) in current receivables	7 641	27 422 673
Increase (-) / Decrease (+) in current liabilities	954 435	201 877
Cash flow generated from operating activities	**135**	**28 126 468**
Cash flow from investment activities		
Acquisition of subsidary		
Increase (-) / Decrease (+) in long-term receivables	0	-28 678 010
Cash flow from investment activities	**0**	**-28 678 010**
Cash flow from financing activities		
Assumed loans	0	551 366
Cash flow from financing activities	**0**	**551 366**
Cash flow of the year	135	-176
Cash and cash equivalents at the beginning of the year	411	587
Cash and cash equivalents at the year-end	546	411

Supplementary disclosure to the cash flow statement - Group

Cash and cash equivalents

The following components are included in cash and cash equivalents:

Cash and bank balances	546	411

Notes to the financial statements

General information

Reinhold Polska AB (the parent company) and its subsidiaries (together forming the Group) are in the business of real estate development. The business consists of developing and managing real estates projects in Poland.

The parent company is a public limited liability company with its registered office in Stockholm. The address of the head office is, since February 2011, Gamla Brogatan 32, 2 tr, 111 20 Stockholm.

The annual report was approved for publication by the Board of Directors on February 14, 2014 . The consolidated income statement and consolidated balance sheet will be brought forth for adoption by the AGM which are planned to be held in Stockholm on 7th March 2014.

The annual report was prepared under the assumption that the company will continue to operate (going concern basis).

Note 1 Accounting and valuation principles

Basis of preparation

The annual report was prepared in accordance with IFRS, *International Financial Reporting Standards,* as adopted by the EU as well as in accordance with the Annual Accounts Act (ÅRL) and the recommendation from the Swedish Financial Reporting Board, RFR 1, *Supplementary Accounting Rules for Groups.*

The parent company has prepared its annual report in accordance with the Annual Accounts Act (1995:1554) and the recommendation from the Swedish Financial Reporting Board RFR 2 *Reporting for Legal Entities.* RFR 2 requires the parent company, as the legal entity, to apply all the EU approved IFRS and statements, to the extent that this is possible within the framework of the Annual Accounts Act, and take into account the correlation between accounting and taxation. This recommendation specifies the exceptions from and additions to IFRS that may be applied. The accounts have been prepared using acquisition values for all items.

The consolidated financial statements have been prepared in accordance with the purchase method.

The Parent company's accounting principles
In creating the parent company's financial reports the Council of financial reporting RFR 2 (*Reporting for Legal Entities)* has been applied. The parent company applies the same accounting principles as the Group except for the events stated below.

Participation in subsidiaries is accounted for in the parent company to acquisition value with deduction for possible accrued write-downs.

Reporting in accordance with IFRS

In order to prepare reports in accordance with IFRS, it is necessary to use some important estimates for reporting purposes. In addition, management must make certain assessments when applying the accounting principles used for the Group. These are described in more detail below.

The accounting policies adopted are consistent with those of the previous financial year.

Significant accounting judgements, estimates and assumptions

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reported date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Write-downs
Assets are tested for write-downs whenever events or circumstances indicate that the carrying amount may not be recoverable. A write-down is made for the amount that the assets reported value exceeds its recoverable amount. The recoverable amount is equal to the asset's fair value less selling costs, or its value in use, depending on which amount is higher. When testing for impairment, assets are grouped together at the lowest level where there are separate, identifiable cash flows (cash generating units).

The term write-downs are also used in connection to revaluations of real estates which is accounted for as current asset. These real estates are valued post by post (real estate by real estate) in accordance with lower of cost or market, which is the lowest of acquisition price or net realizable value. Net realizable value is the appreciated market value in the current business after deductions for appreciated cost for completion and sales costs. Net realizable values for real estate developments are based on external created project estimations where assumptions are made of the projects expected incomes and costs. The projects future cash flows is discounted with a discount factor. Those projects (real estate developments) which shows a negative present value from the discounting becomes an object for write-downs.

Property, plant and equipment

Machinery and equipment

Property, plant and equipment are reported at acquisition cost less accumulated depreciation and any impairment losses. Depreciation is based upon the estimated useful life of the asset. Machinery and equipment is depreciated 20 - 35% per year.

At each balance sheet date, the residual values and estimated useful lives of assets are reassessed and, if necessary, they are adjusted. An asset's reported value is immediately written down to its recoverable amount whenever the reported value exceeds the estimated recoverable amount.

Tax

Immediate tax is tax that is to be paid or received in reference to present year, with application of the tax rates which are decide or nearly decided upon on the accounting year-end. It includes possible adjustments of tax assignable to earlier periods.

Deferred tax is reported in full in the consolidated financial statements in accordance with the balance sheet method for all temporary differences that arise between the tax base of assets and liabilities and their carrying amounts. However, deferred tax is not reported if it is the result of a transaction which represents the first time that the asset or liability is recorded, given that the asset/liability is not the result of a business acquisition. Deferred tax is calculated using tax rates (and tax statutes) that have been established or announced as per the balance sheet date. Furthermore, there must be an expectation that such rates will apply when the deferred tax asset in question is realized or when the deferred tax liability is settled.

Deferred tax assets are reported to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Allocations and contingent liabilities

Allocations are accounted for when the company has an obligation as a result of an incident and it is probable that payments have to be made to fulfil the obligation. A condition is that it is possible to do an appreciation of the amount being paid. Contingent liabilities is possible obligations which derive from occurred incidents and which existence will be confirmed through one or more uncertain future incidents, which is not totally inside the company's control, occurs or not. As contingent liabilities it is accounted for claims deriving from occurred incidents, which is not accounted for as liabilities or allocations since it's not likely that an payment will be needed to adjust the claim or the size of the amount can't be calculated with sufficient accuracy.

Summary of significant accounting policies

The most important accounting principles that were applied in preparing the consolidated financial statements are presented below. Unless otherwise stated, these principles have been applied consistently for all years presented in the reports.

Consolidated financial statements

Subsidiaries are all the companies in which the Group has a controlling interest and is thereby entitled to formulate the financial strategies and operating strategies in a manner that is typically associated with a shareholding of more than half of the voting rights. Subsidiaries are included in the consolidated financial statements as of the date when a controlling influence was transferred to the Group. They are excluded from the consolidated financial statements as of the day when a controlling influence no longer exists.

The Group's acquisitions of subsidiaries are reported in accordance with the purchase accounting method. Acquisition costs are comprised of the fair value of assets provided as payment, newly issued equity instruments and assumed or taken over liabilities as of the date of transfer. Costs that are directly related to the acquisition are accounted for in the result when it arises. Identifiable acquired assets and assumed liabilities, as well as contingent liabilities from the acquisition of a company are initially valued at fair value on the date of acquisition, regardless of the scale of any minority interests. Whenever there is a difference between the cost of acquisition and fair value of the Group's share of identifiable acquired net assets, it is reported as goodwill. If the acquisition cost is less than the fair value of the acquired subsidiary's net assets, the difference is recognized directly in the income statement.

Inter-company transactions and balance sheet items, as well as unrealized gains on transactions between group companies, are eliminated. Unrealized losses are also eliminated, unless the transaction is proof that there is a write-down requirement for the transferred asset.

Segment reporting

The management has set the segment areas based on the information used by the strategic team for strategic decisions. Reinhold Polska is conducting its operations in one business segment and one geographical area. The business segment is acquiring and developing commercial and residential properties. The geographical area is Poland.

Translation of subsidiaries in foreign currencies

(a) Functional currency and reporting currency
Items included in the financial statements for the different units belonging to the Group are valued in the currency used in the economic environment where each company has its main operations (functional currency). The Euro, which is the parent company's functional currency, is used to prepare the consolidated financial statements. The reporting currencies are Polish Zloty (PLN) and Euros.

(b) Transactions and balance sheet items
Transactions in foreign currencies are converted to the functional currency using the exchange rate that was applicable on the transaction date. Exchange gains and losses that arise in conjunction with the payment of such transactions and when restating monetary assets and liabilities in foreign currencies at the closing day rate are reported in the income statement.

(c) Group companies
The profit (loss) and financial position for all Group companies that have a different functional currency than performance currency are translated to the Group's performance currency as follows:

1) Assets and liabilities in the balance sheet are translated using the closing day rate,

2) Income and expenses in the income statement are translated using the average exchange rate (provided that the average exchange rate gives a reasonable approximation of the accumulated effect of the rates that were in effect on the transaction dates), and

3) All exchange rate differences that arise from this are reported as a separate part of equity, above other comprehensive income.

Upon consolidation, any exchange rate differences that arise as a consequence of restating net investments in foreign operations, and borrowing transactions and other currency instruments that have been identified as hedges for such investments are transferred to equity. Upon the disposal of foreign operations, any such exchange rate differences are reported in the income statement as part of capital gains/losses.

The following exchange rates have been used when preparing these financial statements:
Average rate 0,2455 EUR/PLN
Closing day rate 0,2392 EUR/PLN

Financial instruments
The Group classifies its financial instruments according to the following categories: loan receivables, accounts receivable and available-for-sale financial assets. Classification is based on the purpose for which the instrument was acquired. Management determines how to classify such instruments when they are initially reported. The classification is reassessed at each reporting occasion.

Loan receivables and accounts receivable
Accounts receivable are non-derivative financial assets with fixed or ascertainable payments that are not listed on an active market. A distinguishing feature is that they arise when the Group provides money, goods or services directly to a customer, without the intention of trading with the receivable that is thus created. Loan receivables and accounts receivable are included in the item "Accounts receivable" in the balance sheet.

Loan receivables and customer receivables are initially recorded at fair value. Afterwards, they are recorded at accrued acquisition cost using the effective interest rate method, less any provision for a decline in value. A provision for a reduction in the value of accounts receivable is made when there is objective evidence that the Group will not be able to collect all amounts that have fallen due in accordance with the original terms. The size of the provision is determined by calculating the difference between the asset's carrying amount and the present value of expected future cash flows, discounted by the effective interest rate. The amount of the provision is reported in the income statement.

Available-for-sale financial instruments
Available-for-sale financial instruments are non-derivative assets which have either been assigned to this category or have not been classified as belonging to any of the other categories. They are included in non-current assets unless management intends to dispose of the asset within 12 months of the balance sheet date.

Purchases and sales of financial instruments are recorded on the transaction date, which is the date when the Group commits itself to purchasing or selling the asset. Financial instruments are initially valued at fair value plus any transaction costs. This applies to all financial assets that are not valued at fair value via the income statement. Financial instruments are removed from the balance sheet when the right to receive the cash flows from the instrument has expired or been transferred and the Group has transferred essentially all of the risks and benefits associated with ownership of the asset. Following the initial valuation at acquisition, available-for-sale financial assets and financial assets valued at fair value via the income statement are reported at fair value. Upon the sale of available-for-sale financial assets, or when the value of such assets has become impaired, the accumulated adjustment of fair value is reported in the income statement, as well as all income from the sale of the financial instrument.

Financial liabilities
In this category it is accounted for interest-bearing and non- interest-bearing liabilities which cannot be hold for trade. Valuations are made of accrued acquisition costs.

Long-term liabilities have a remaining duration of more than one year, while liabilities with shorter duration is accounted for as current. Acounts payable – trade has short expected duration and is therefore valuated to nominal amount without discounting.

Real estate developments
The Group's intention is to develop properties, not to own or manage them long-term. Real estate developments shall be sold upon completion and as such, they are classified as current assets and valued in accordance with IAS 2, Inventories. The production costs for completed developments include both direct costs as well as a reasonable proportion of indirect costs. Interest expenses related to real estate developments are recognized by each respective legal entity. In the consolidated financial statements, the corresponding amounts have been reversed and included in the cost of acquisition. As a rule, real estate developments are reported as assets during the accounting period when a binding agreement regarding acquisition has been made.

Cash and cash equivalents
Cash and cash equivalents includes both cash and bank deposits.

Share capital
Ordinary shares are classified as equity. Any transaction costs that are directly related to the new issue of shares or options are reported (net, after tax) as part of equity. This is shown as a deduction from the proceeds of the issue.

Revenue
Other operating income consists in the parent company primarily of service charges invoiced to subsidiaries, and in the group primarily of VAT reclaimed in Poland, as well as income from hiring out advertising space on the group's building sites. Revenue is recognized as follows:

Sale of projects
Revenue from the sale of the company's project properties is recognized when the material risk has been transferred to the purchaser and a binding contract to that effect has been signed.

Sale of services
For the sale of services, revenue is recognized in the period when the service is rendered.

Interest income
For interest income, revenue recognition is split over the duration using the effective interest rate method.

Borrowing costs
In the consolidated accounts borrowing costs are included in the acquisition cost for the real estates. Normally the borrowing cost which is added to the acquisition cost is limited to assets which take considerable time to complete. Interest costs are included in the acquisition cost as to the point where the real estate is completed. If special borrowings have been made for the projects the actual borrowing cost is used. In other cases the borrowing cost is calculated out of the Groups average borrowing costs.

Standards issued but not effective

Standards issued but yet not effective up to the date of issuance of the Group's financial statements are listed below. This listing is of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt those standards when they become effective.

IAS 1 ***Financial Statement Presentation – Presentation of Items of Other Comprehensive Income***
The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items which will never be reclassified. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

IAS 12 ***Income Taxes – Recovery of Underlying Assets***
The amendment clarified the determination of deferred tax in investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on on-depreciable assets measured using the revaluation model in IAS 16 should always be measured on the sale basis of the asset. The amendment becomes effective for annual periods beginning on or after 1 January 2012.

IAS 19 ***Employee Benefits (Amendment)***
The IASB has issued numerous amendments to IAS 19. These range from fundamental changes like removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IAS 27 (as revised in 2011)
As a consequence of the new IFRS 10 and IFRS 12, what remains in IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The amendment becomes effective for annual periods beginning on or after 1 Jaunary 2013.

IAS 28 (as revised in 2011)
As a consequence of the new IFRS 10 and IFRS 12. IAS 28 has been renamed IAS 28 *Investements in Associated and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 9 ***Financial instruments: Clasification and Measurment***
IFRS 9 as issued reflects the first phase f the IASB's work on the replacement of IAS 39 and applies to classification and measurment of financial assets and financial liabilities as defined in IAS 39. The standard is effective for annual peridos beginning on or after 1 January 2013. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The completion of this project is expected over the course of 2011. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurment of the Group's financial assets, but will potentially have no impact on classification and measurments of financial liablities. The Group will quantify the effect on conjunction with the other phases, when issued, to present a comprehensive picture.

IFRS 10 ***Consolidated Financial Statements***
IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 *Consolidation – Special Purpose Entities*.

IFRS 10 establishes a single control model that applies to all entities including 'special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to deermine which entities are controlled, and therefore are required to be consolidated by a parent, compard with the requirements that were in IAS 27. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 11 ***Joint Arrangements***
IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly-controlled Entities – Non-monetary Contributions by Ventures.*

IFRS 11 removes the option to account for jointly controlled antities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method.

This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 12 ***Disclosure of Involvement with Other Entities***
IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28 *Investments in Associates.* These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required.

This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 13 ***Fair Value Measurement***
IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance of how to measure fair value under IFRS when fair value is required or permitted.

This standard becomes effective for annual periods beginning on or after 1 January 2013.

Financial risk management objectives and policies

Typically, a Group is exposed to many different types of financial risks as part of doing business: market risk (including currency risk, interest rate risk, and price risk), credit risk, liquidity risk and risk for bankruptcy.

The Board considers that the liquidity includes net liabilities and equity corresponding to equity in the parent company. The foremost purpose with the Groups handling of liquid resources emanates from the principle of maintaining good relations to the Group's credit granters and stable solidity to promote the Group's business and particularly the liquidity together with the overall purpose of maximize the shareholders' value.

The Group handles its assets from the changes that occur on the market at which the Group is active. To retain or change the structure of equity in purpose of adapting to the new changes which may occur the Group may change dividend principles, repurchase shares, issue shares, company bonds or convertible debt instrument or in other way adjust capital structure after existing need.

The Board oversees the management of these risks to ensure that the Groups' risk taking activities are governed by appropriate strategies and procedures and that financial risks are identified, measured and managed accordingly.

Currency risk
The Group has international business activities. As such, there is currency exposure primarily in the following currencies: Polish Zloty (PLN), Euros (EUR) and Swedish Crowns (SEK). Currency risk arises through future business transactions, reported assets and liabilities and from net investments in foreign operations. At present, the Group has decided not to hedge its currency exposure.

The parent company's holdings in foreign subsidiaries, receivables and liabilities from/to Group companies and cash equivalents are exposed to exchange rate differences.

Interest rate risk
Interest rate risk is the risk that fluctuations in market interest rates will negatively impact the Group's net interest income/expense and cash flow. The Group manages interest rate risk by maintaining a loan portfolio with varying fixed-interest terms. A change in the interest rate by +/- 1 % impacts the Group's net profit by EUR +/- 450,000. However, such an impact only arises upon the sale of a project, since that is when the Group capitalizes its borrowing costs (in accordance with IAS 23).

A table for current loans with expiration dates is set out in the note 19. The management, subsequent to the closing of the financial year has negotiated with BZ WBK for the possibilities of prolonging the loan and is in discussions with Pekao S.A. to restructure that loan.

Credit risk
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract leading to a financial loss. The Group is exposed to credit risk from its leasing activities and its financing activities, including deposits with banks and financial institutions.

Credit risk is managed by requiring tenants to pay in advance. The credit quality of the tenant is assessed based on the management's internal assessment of its credit rating and any publicly available information at the time of entering into a lease agreement. Outstanding tenants' receivables are regularly monitored. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial asset.

Refinancing risk
Refinancing risk is the risk that it will be difficult or more expensive to refinance a loan. At the moment the Group management is working with restructure the loans by prolonging the duration and secure the repayment of the loans.

Liquidity risk
Liquidity risk means that cash equivalents and marketable securities are insufficient for meeting the liquidity needs created by the business. At the moment the company is without options to answer to the current liquidity need. In case of no obtained funds from the owners the subsidiaries won't be able to go through with their payments.

Another option to obtain funds is to a sale of projects. However the time from identification of buyer to obtaining receiving the purchase sum is considerable.

Since February 2011 the company is depending on loans from external parties outside the existing ägarkrets for the daily operations and if this financial option ceases the company won't be able to fulfill its comittments.

At 31 December 2012 all of the polish subsidiaries in the Group had negative equity. Continous existence without contribution of capital and/or the restructuring of existing loans from the Parent is not possible for the polish subsidiaries.

Note 2 Personnel

Average number of employees	2012	2011
Parent company		
Men	0	0
Women	0	0
Total parent company	0	0
Subsidiaries		
Men	1	2
Women	0	3
Total subsidiaries	1	5
Total Group	1	5

Gender distribution, senior management	2012	2011
	Proportion of women %	Proportion of women i %
The Group		
Proportion of women		
The Board of Directors	0%	0%
Senior management	0%	0%
Parent company		
Proportion of women		
The Board of Directors	0%	0%
Senior management	0%	0%

Salaries, other remuneration and payroll overheads	2012	2011
The Group		
Board, CEO and senior management	0	0
(of which variable remuneration)	0	(0)
Other employees	3 620	101 865
Total	**3 620**	**101 865**
Social security charges	0	16 616
Pension expenses	0	0
Total	**0**	**16 616**
Parent company		
Board, CEO and senior management	0	0
Other employees	0	0
Summa	**0**	**0**
Social security charges	0	0
Pension expenses	0	0
Total	**0**	**0**

2012

Amount in EUR	Salary/remuneration 2012	Other benefits and compensations	Pension expenses	Total remuneration
Waldemar Tevnell, Chairman of the board Until 2012-12-14	28 784	0	0	28 784
Patrick Coll, CEO	11 947	0	0	11 947
Stanislav Dudzik, Board member until 2012-11-26	11 947	0	0	11 947
Ryszard Danielewicz, Board member until 2012-07-04	0	0	0	0
Torgny Krook, Board member until 2012-04-13	8 328	0	0	8 328
Michael Scully Board member	11 947	0	0	11 947
Marek Tarchalski, Board member	11 947	0	0	11 947
Other senior management	0	0	0	0
Total	**84 900**	**0**	**0**	**84 900**

2011

Amount in EUR	Salary/remuneration 2011	Other benefits and compensations	Pension expenses	Total remuneration
Waldemar Tevnell , Chairman of the board	30 105	0	0	30 105
Patrick Coll, CEO	0	0	0	0
Stanislav Dudzik, Board member	2 000	0	0	2 000
Anders Lettström, Board member	7 296	0	0	7 296
Torgny Krook, Board member	2 000	0	0	2 000
André Rosberg, Board member	82 698	0	0	82 698
Gösta Gustafsson, Board member	54 030	0	0	54 030
Michal Borowski, Ex - Board member	81 194	0	0	81 194
Other senior management	133 374	0	13 086	146 460
Summa	**392 697**	**0**	**13 086**	**405 783**

Benefits for senior executives

Remuneration and benefits for Board members
The amount paid to Board members (excluding the CEO) in accordance with the AGM decision regarding remuneration.

Severance
The company has not committed itself to any severance packages.

Note 3 Net sales

Amount in EUR	2012	2011
The Group		
Sale of services	1 176 175	1 090 525
Sale of projects	0	0
Total	**1 176 175**	**1 090 525**

Amount in EUR	2012	2011
Parent company		
Sale of services	24 999	0
Total	**24 999**	**0**

Note 4 Other operating income

Amount in EUR	2012	2011
The Group		
Other operating income	56 885	412 363
Total	**56 885**	**412 363**

Amount in EUR	2012	2011
Parent company		
Other operating income	0	213 495
Total	**0**	**213 495**

Other operating income consists in the parent company primarily of service charges invoiced to subsidiaries, and in the group primarily of moms (VAT) reclaimed in Poland, as well as income from hiring out advertising space on the group's building sites.

Note 5 Audit fees

Amount in EUR	2012	2011
The Group		
R3		
Audit assignment	25 000	0
Other assignments	0	0
Total	**25 000**	0
Ernst & Young		
Audit assignment	14 298	53 964
Other accounting services	0	24 800
Other assignments	0	9 200
Total	**14 298**	**87 964**
AT Audit Sp.z.o.o		
Audit assignment	0	35 945
Other assignments	0	8 755
Total	0	**44 700**
PwC		
Audit assignment	15 206	10 791
Total	**15 206**	**10 791**
Parent company		
R3		
Audit assignment	25 000	0
Other assignments	0	0
Total	**25 000**	**0**

Ernst & Young		
Audit assignment	14 298	53 964
Other accounting services	0	24 800
Other assignments	0	9 200
Total	**14 298**	**87 964**
PwC		
Audit assignment	15 206	10 791
Total	**15 206**	**10 791**

Note 6 Depreciation/amortizationof property, plant and equipment and intangible assets

Amount in EUR	2012	2011
The Group		
Amortization intangible assets	312	1 254
Depreciation property, plant and equipment	1 412	2 451
Total depreciation/amortization	1 724	3 705
Parent company		
Depreciation property, plant and equipment	637	1 261
Total depreciation/amortization	637	1 261

Note 7 Result from participation in group companies

Amount in EUR	2012	2011
Parent company		
Write-down of intercompany receivables	- 8 854 107	-20 371 805
Reversal of write-downs of receivables which have been converted into equity	10 883 048	0
Write-down of participation in group companies	-12 906 993	0
Total	**-10 878 052**	**-20 371 805**

Note 8 Financial income

Amount in EUR	2012	2011
The Group		
Interest income	8 494	1 161 847
Received waiver interest expense	3 720 638	0
Exchange rate differences	11 689	0
Total financial income	**3 740 821**	**1 161 847**
Parent company		
Interest income intercompany	3 370 122	1 780 617
Interest income , other	21	1 151 720
Exchange rate differences intercompany	2 445 736	0
Total financial income	**5 815 879**	**2 932 337**

Note 9 Financial expenses

Amount in EUR	2012	2011
The Group		
Interest expenses	2 305 143	3 955 616
Exchange rate differences	0	408 075
Fulfilment of provided guarantees	7 854 688	0
Total financial expenses	**10 159 831**	**4 363 691**
Parent company		
Interest expenses	266 180	242 076
Exchange rate differences	0	2 863 077
Fulfilment of provided guarantees	7 854 688	0
Total financial expenses	**8 120 868**	**3 105 153**

Note 10 Income tax expenses

Amount in EUR		2012		2011
The Group				
Profit before income tax		-10 669 069		-7 134 613
Tax according to the applicable tax rate for the group	26,3%	2 805 965	26,3%	1 876 403
Tax effect of				
Differences in tax rate in abroad business		-357 411		-639 891
Non-deductible expenses		-643 821		-552 151
Non-taxable income		0		0
Tax effect of net loss that is not accounted for as deferred tax asset		-1 804 733		-684 361
Accounted tax	**0,0%**	**0**	**0,0%**	**0**

The applicable tax rate for Poland is 19%, for Sweden 26.3%, and 20% for the Netherlands. The Group and the parent company have elected not to report deferred tax assets on tax loss carry-forwards, as it is not deemed likely that these can be utilized in the foreseeable future.
Idle fiscal deficit amount on 31 December 2011 in the Group to Euro 13 182 187 of which EUR 3 220 280 is assignable to the Swedish parent company. Idle deficit can, in Poland, be used within five years to 50 percent of the nominal value.

Amount in EUR	%	2012	%	2011
Parent company				
Profit before income tax		-14 155 691		-21 195 684
Tax according to the applicable tax rate for the parent company	26,3%	3 722 946	26,3%	5 574 465
Tax effect of				
Non-deductible expenses		-2 860 925		-5 357 776
Non-taxable income		0		0
Tax effect of net loss that is not accounted for as deferred tax asset		-862 021		-216 689
Accounted tax	**0,0%**	**0**	**0,0%**	**0**

Idle fiscal deficit amount on 31 December 2011 in the parent company to Euro 3 220 280.

Not 11 Machinery and equipment

Amount in EUR	2012	2011
The Group		
Accumulated acquisition costs		
At the beginning of the year	18 511	100 905
New acquisitions	0	7 358
Sales and Disposals	0	-83 111
Translation difference	811	-6 641
Closing accumulated acquisition costs	**19 322**	**18 511**
Accumulated depreciations		
At the beginning of the year	-10 639	-86 621
Year's depreciations	-1 412	-2 451
Sales and Disposals	0	69 712
Translation difference	-246	8 721
Closing accumulated depreciations	**-12 297**	**-10 639**
Carrying amount at year-end	**7 025**	**7 872**
Parent Company		
Accumulated acquisition costs		
At the beginning of the year	8 478	8 478
New acquisitions	0	0
Sales and Disposals	0	0
Closing accumulated acquisition costs	**8 478**	**8 478**
Accumulated depreciations		
At the beginning of the year	-7 841	-6 580
Sales and Disposals	0	0
Year's depreciations	-637	-1 261
Closing accumulated depreciations	**-8 478**	**-7 841**
Carrying amount at year-end	**0**	**637**

Note 12 Participations in Group companies

Amount in EUR	2012	2011
Parent company		
Accumulated acquisition costs		
At the beginning of the year	17 510	17 510
Year's acquisitions	12 894 483	0
Write-down	- 12 906 993	0
Closing accumulated acquisition costs	**5 000**	**17 510**

The table below provides a specification of the company's shareholdings and shares in Group companies as of 2012-12-31.

Subsidiary/ CIN /Regd Office	Number of shares	Proportion in %	Equity EUR	Book value EUR
Reinhold Polska BV 60586035, the Netherlands	100	100	-1 064 798	5 000
Reinhold Polska Project 4 SP.z.o.o 0000268865,Poland	8 938	82,55	-3 381 333	0
Reinhold Polska Project 8 SP.z.o.o 0000273715, Poland	1 670	62,55	1 159 542	0

The Group also consists of the following subsidiaries to till Reinhold Polska BV, which also holds the remaining shares in RPP4 and RPP8, wholly-owned subsidiaries:

Subsidiary/ CIN /Regd Office	Number of shares	Proportion in %	Equity EUR
Reinhold Polska Services Sp. z.o.o. 000027008, Poland	1 000	100	-3 659 326
Reinhold Polska Projekt 1 Sp. z.o.o. 0000269860, Poland	1 000	100	-5 846 817
Reinhold Polska Projekt 2 Sp. z.o.o. 0000269837, Poland	1 000	100	-2 124 506
Reinhold Polska Projekt 3 Sp. z.o.o. 0000268926, Poland	1 000	100	-3 915 839
Reinhold Polska Projekt 4 Sp. z.o.o. 0000268865, Poland	1 890	17,45	-3 381 333
Reinhold Polska Projekt 5 Sp. z.o.o. 0000274418, Poland	1 000	100	-2 591 768
Reinhold Polska Projekt 6 Sp. z.o.o. 0000275235, Poland	1 000	100	-2 166 232
Reinhold Polska Projekt 7 Sp. z.o.o. 000027497, Poland	1 000	100	-282 561
Reinhold Polska Projekt 8 Sp. z.o.o. 0000273715, Poland	1 000	37,45	1 159 542

Reinhold Polska Projekt 9 Sp. z.o.o. 0000274260, Poland	1 000	100	-193 648
Reinhold Polska Projekt 10 Sp. z.o.o. 0000284950, Poland	1 000	100	-1 097 612
Reinhold Polska Projekt 12 Sp. z.o.o. 0000287696, Poland	1 000	100	6 035
Reinhold Polska Projekt 14 Sp. z.o.o. 0000289623, Poland	1 000	100	5 467

Note 13 Financial instruments

All financial assets have been classified as receivables, which includes depositions blocked bank deposits, cash and bank balances. All financial liabilities have been classified as other financial liabilities valued to accrued acquisition value, which include depositions, accounts payable – trade, liabilities to credit institutes, part of other short-term liabilities and parts of accrued expenses. The fair value of the financial assets and liabilities is being considered correspond to the book values since the financial assets and liabilities with long durations leaps with market conditions.

Note 14 Depositions

Amount in EUR	2012	2011
The Group		
Accounted value at the beginning of the year	0	0
Newly added	0	0
Accounted value at year-end	0	0

Amount in EUR	2012	2011
Parent company		
Accounted value at the beginning of the year	743 226	717 071
Newly added / re-paid	770 077	26 155
Write.down	-1 513 303	0
Accounted value at year-end	**0**	**743 226**

All of the parent company's receivables are with inter-group companies and have an interest of 0-8 % and are payable on demand.

Note 15 Real estate developments

Amount in EUR	2012	2011
The Group		
Accumulated acquisition costs		
At the beginning of the year	18 270 398	24 225 109
Capitalized interest expenses	0	0
New acquisitions	0	0
Disposals	0	0
Exchange rate differences	2 120 243	-2 075 058
Write-down after valuation	-4 136 502	-3 879 653
Closing accumulated acquisition costs	**16 254 139**	**18 270 398**
Carrying amount at year-end	**16 254 139**	**18 270 398**

Amount in EUR	Purchase price	Write-downs	Capitalized income	Other expenses	Total
All projects					
Total at 2012-12-31	**9 263 091**	**-19 218 018**	**4 506 421**	**21702 645**	**16 254 139**

Not 16 Intercompany receivables

Amount in EUR	2012	2011
Parent company		
Reinhold Polska Services	1 755 273	1 490 093
Reinhold Polska Projekt 1	5 822 396	4 042 680
Reinhold Polska Projekt 2	2 536 450	2 115 791
Reinhold Polska Projekt 3	2 498 487	3 589 336
Reinhold Polska Projekt 4	35 557	9 248 050
Reinhold Polska Projekt 5	4 827 170	4 052 440
Reinhold Polska Projekt 6	2 434 275	2 031 685
Reinhold Polska Projekt 7	703 705	587 141
Reinhold Polska Projekt 8	2 563	1 671 600
Reinhold Polska Projekt 9	223 195	186 228
Reinhold Polska Projekt 10	1 981 805	1 654 645
Reinhold Polska Projekt 12	329	274
Reinhold Polska Projekt 14	329	274
Write-down	-22 821 534	-26 363 778
Total	0	4 306 459

Note 17 Other receivables

Amount in EUR	2012	2011
The Group		
VAT recoverable	67 238	51 455
Other items	571 627	55 191
Total	638 865	106 646
Parent company		
VAT recoverable	2 358	10 070
Other items	71	0
Total	2 429	10 070

Note 18 Share Capital

The table below shows the changes in Reinhold Polska's share capital. Of the total number of shares, 900,000 are Class A shares entitled to 10 votes each and 6,100,000 are Class B shares, which are entitled to 1 vote each.

Amount in EUR	Transaction	Increase of numbers of shares	Total numbers of shares	Increase of the share capital	Share capital	Quota value
IB 2006		1 000 000	1 000 000		52 920	
2006	New issue of shares	6 000 000	7 000 000	317 517	370 437	
Total 2012-12-31			**7 000 000**		**370 437**	**0,053**

Note 19 Interest-bearing loans

The Groups interest-bearing loans at credit institutes had as of 2012-12-31 the following amounts in nominal value and with the following maturity schedules;

2012

Amount in EUR	Overdue	1-3 months	4-6 months	7-12 months	Total
Short-term bank borrowings	16 477 731	0	0	0	16 477 731
Total	**16 477 731**	**0**	**0**	**0**	**16 477 731**

2011

Amount in EUR	Overdue	1-3 months	4-6 months	7-12 months	Total
Short-term bank borrowings	17 041 566	0	0	0	17 041 566
Total	**17 041 566**	**0**	**0**	**0**	**17 041 566**

	Interest rate agreements	Penalty interest rate
DNB	WIBOR + 1,85 %	18 %
PEKAO S.A.	19,50 %	19,50%
~~DANSKE~~	~~6M WIBOR + 0,25%~~	~~18 %~~
BZ WBK	WIBOR 1M + 2%	18 %

The Group

	Bank	Loan amount incl. accrued interest at 31 December 2012 PLN	Loan amount incl. accrued interest at 31 December 2012 EUR	Maturity date
Reinhold Polska Services	DnB Nord	10 293	2 527	Due to payment
Reinhold Polska Projekt 1	DnB Nord	37 129	9 114	Due to payment
Reinhold Polska Projekt 1	Pekao S.A.	4 388 249	1 077 135	Due to payment
Reinhold Polska Projekt 2	DnB Nord	22 584	5 543	Due to payment
Reinhold Polska Projekt 3	Danske Bank	85 325	20 944	Due to payment
Reinhold Polska Projekt 3	DnB Nord	4 676	1 062	Due to payment
Reinhold Polska Projekt 4	BZ WBK	62 516 767	15 345 304	Due to payment
Reinhold Polska Projekt 5	DnB Nord	3 776	927	Due to payment
Reinhold Polska Projekt 5	Pekao S.A	1 054	259	Due to payment
Reinhold Polska Projekt 6	DnB Nord	927	228	Due to payment
Reinhold Polska Projekt 7	DnB Nord	8 200	2 013	Due to payment
Reinhold Polska Projekt 8	DnB Nord	19 574	4 805	Due to payment
Reinhold Polska Projekt 9	DnB Nord	5 684	1 395	Due to payment
Reinhold Polska Projekt 10	DnB Nord	18 171	4 460	Due to payment
Reinhold Polska Projekt 12	DnB Nord	5 255	1 290	Due to payment
Reinhold Polska Projekt 14	DnB Nord	5 255	1 290	Due to payment
TOTAL			**16 477 731**	

Note 20 Accrued expenses and prepaid income

Amount in EUR	2012-12-31	2011-12-31
The Group		
Prepaid income for completed projects	552 450	817 808
Accrued expenses Cushmann case	421 119	237 236
Accrued expenses Katowice	122 730	0
Accrued expenses City Office, Krakow	0	317 940
Accrued architectural expenses	220 913	0
Accrued board member fees	155 920	0
Accrued interest expense	156 112	0
Accrued legal fees	140 781	0
Accrued fees for annual accounts and audit	36 000	0
Other items	12 915	277 015
Total	**1 818 940**	**1 649 999**

Amount in EUR	2012-12-31	2011-12-31
Parent company		
Accrued board member fees	155 920	0
Accrued interest expense	156 112	87 728
Accrued legal fees	124 381	0
Annual accounts and audit	36 000	53 640
Other items	0	85 000
Total	**472 413**	**226 368**

Note 21 Other current liabilities

Amount in EUR	2012-12-31	2011-12-31
The Group		
Social security charges	0	17 964
Loan from Gösta Gustafsson	2 787 906	1 979 501
Loan from R Gustafsson Byggnads AB	0	335 400
Loan from RG Byggnadsfirma	0	185 340
Loan from IDG Sp.z.o.o	223 756	0
Loan from IGI Sp z.o.o.	201 909	354 899
Loan from Alterco S.A	273 119	227 812
Loan from Galley Head	194 586	0
Loan from Coucal	111 603	0
Other items	664 083	74 454
Total	**4 456 962**	**3 175 370**

Amount in EUR	2012-12-31	2011-12-31
Parent company		
Loan from Gösta Gustafsson	2 787 906	1 979 501
Loan from R Gustafsson Byggnads AB	0	335 400
Loan from RG Byggnadsfirma	0	185 340
Loan from IDG Sp.z.o.o	223 756	0

Loan from IGI Sp z.o.o.	201 909	354 899
Loan from Alterco S.A	273 119	227 812
Loan from Galley Head	194 586	0
Loan from Coucal	111 603	0
Other items	664 083	74 454
Total	**3 831 459**	**3 263 704**

Note 22 Contingent liabilities and provided guarantees

Amount in EUR	2012-12-31	2011-12-31
The Group		
Contingent liabilities	None	None
Provided guarantees		
Parent company's guarantee BZ WBK Bank	0	7 267 200
Parent company's guarantee DNB Bank	33 591	0
Real estate mortgage Pekao S.A	6 353 123	6 353 123
Real estate mortgage BZ WBK Bank	24 345 120	24 345 120
Total	30 731 834	37 965 443
Total contingent liabilities and provided guarantees	**30 761 834**	**37 965 443**

Amount in EUR	2012-12-31	2011-12-31
Parent company		
Contingent liabilities	None	None
Provided guarantees		
Parent company's guarantee BZ WBK Bank	0	7 267 200
Parent company's guarantee DNB Bank	33 591	0
Total	33 591	7 267 200
Total contingent liabilities and provided guarantees	**33 591**	**7 267 200**

The real estate mortgage issued to Pekao S.A is a security for loans regarding project RPP 1.
The real estate mortgage issued to BZ WBK Bank is a security for loans regarding project RPP 4.

Note 23 Operational leasing

Amount in EUR	2012	2011
The Group		
Within 1 year	0	0
Within 2-5 years	0	0
After 5 years	0	0
	0	0

Leasing fees during 2012 amounted to EUR 0 (2 122).

Note 23 Transactions with closely related parties

The transaction parties below are closely related to Reinhold Polska AB (publ). Separate information about the Group in the note below. All the transactions are considered to have been carried out on prevailing market terms.

The Group

	2012		2011	
	Liability to closely related parties at 31 December	Receivable from closely related parties at 31 December	Liability to closely related parties at 31 December	Receivable from closely related parties at 31 December
Closely related parties				
IGD Sp. z.o.o., 11,5% interest	223 756		0	
IGI Sp. z.o.o., 11,5% interest	201 909		354 899	
IGI Torun Sp. z.o.o., 11,5% interest	10 866		11 602	
Alterco S.A, 11,5% interest	273 119		227 812	
Castle Carbery Prop. Ltd, 11,5% interest	17 306		15 577	
Derwent Sp. z.o.o., 15% interest	72 234		58 292	
Galley Head Inv. Ltd, 6% interest	194 586		95 281	
Coucal Sp. z.o.o., 11,5% interest	111 603		78 821	
Padraic Coll, 8% interest	1 534		1 137	
Total	**1 106 913**	**0**	**843 421**	**0**

	2012		2011	
	Sales at 31 December	Purchases at 31 December	Sales at 31 December	Purchases at 31 December
Closely related parties				
Alterco S.A, administrative services		0		3 922
Artur Walczuk, consultancy services		0		54 538
INVEST André Rosberg, consultancy services		0		28 070
WTC Waldemar Tevnell, consultancy services		15 000		30 000
Total	**0**	**15 000**	**0**	**116 530**

Parent Company

	2012		2011	
	Liability to closely related parties as of 31 December	Receivable from closely related parties as of 31 December	Liability to closely related parties as of 31 December	Receivable from closely related parties as of 31 December
Closely related parties				
IGD Sp. z.o.o., 11,5% interest	223 756		0	
IGI Sp. z.o.o., 11,5% interest	201 909		354 899	
IGI Torun Sp. z.o.o., 11,5% interest	10 866		11 602	
Alterco S.A, 11,5% interest	273 119		227 812	
Castle Carberry Prop. Ltd, 11,5% interest	17 306		15 577	
Derwent Sp. z.o.o., 15% interest	72 234		58 292	
Galley Head Inv. Ltd, 6% interest	194 586		95 281	
Total	**993 776**	**0**	**763 463**	**0**

	2012		2011	
	Sales at 31 December	Purchases at 31 December	Sales at 31 December	Purchases at 31 December
Closely related parties				
INVEST André Rosberg, consultancy services		0		14 116
WTC Waldemar Tevnell, consultancy services		15 000		27 985
Total	**0**	**15 000**	**0**	**42 101**

Note 25 Result per share, before and after dilution

Result per share is calculated by dividing the result attributable to the parent company shareholders with a weighted average of number of outstanding ordinary shares during the period.

Amount in EUR	2012	2011
The Group		
Net loss for the year attributable to the parent company's owners	-10 669 069	-7 134 613
Weighted average number of outstanding shares	7 000 000	7 000 000
Result per share, before and after dilution	**-1,52**	**-1,02**

Amount in EUR	2012	2011
Parent company		
Net loss for the year attributable to the parent company's owners	-14 155 691	-21 195 684
Weighted average number of outstanding shares	7 000 000	7 000 000
Result per share, before and after dilution	**-2,02**	**-3,03**

Note 26 Provisions

The provision relates to a claim for payment received from BZ WBK S.A issued February 27, 2013 to fulfil the parent company guarantee amounting PLN 32 000 000 regarding RPP4.

The income statements and balance sheets will be submitted for adoption at the Annual General Meeting.

The Board of Directors and the CEO hereby affirm that, to the best of their knowledge, the consolidated annual report has been prepared in accordance with IFRS (the international financial reporting standards), as adopted by the EU, and gives a true and fair view of the Group's position and results. The annual report has been prepared in accordance with generally accepted accounting principles in Sweden, and gives a true and fair view of the parent company's position and results.

The Management Report for the Group and the parent company gives a true and fair view of developments in the Group's and the parent company's business, position, and results, and describes material risks and uncertainties facing the parent company and the companies in the Group.

Stockholm den

Marek Tarchalski Chairman of the Board	Phillip Cook	Patrick Coll CEO

My audit report, that differs from the standard text, has been submitted

Erik Lindahl
Authorized public accountant

In-house translation – the English version is for convenience only and in case of any discrepancy, the Swedish text shall prevail.

AUDITOR'S REPORT

To the annual meeting of the shareholders of Reinhold Polska AB, Corporate identity number 556706-3713

Report on the annual accounts and consolidated accounts

I have audited the annual accounts and consolidated accounts of Reinhold Polska AB for the year 2012.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts and consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, in accordance with the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

My responsibility is to express an opinion on these annual accounts and consolidated accounts based on my audit. I conducted the audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Because of the circumstances described under the heading “Disclaimer of opinion” I have not been able to collect enough audit evidence as a basis to express an audit opinion.

Basis for disclaimer of opinion

I was elected as auditor for the company in October 2013 and have therefore not been able to conduct any audit during the accounting year.

As is stated in the Directors report on page 3 of the Annual report and the consolidated group accounts, and thereby the valuation of assets and liabilities, have been prepared upon the assumption of going concern. Going concern presumes financing is being provided to the company. During our audit I have not been able to collect enough audit evidence verifying that additional financing can be provided and that the annual accounts and consolidated accounts thereby can be prepared on the assumption of going concern. Because of this there is a material uncertainty regarding the valuation of development property in the consolidated balance sheet and regarding the group company receivables.

Disclaimer of opinion

Because of the circumstances described under the heading “Basis for disclaimer of opinion” I am not able to express an audit opinion on whether or not the annual report has been made in accordance with Annual report Act or if it gives a fair picture of the parent company’s financial standing as of 31

December 2012 or of its financial result or cash flows for the year according to the Annual report Act or if the consolidated group accounts has been made in accordance with the same act and gives a, in all, a fair and accurate picture of the group's financial position as per (20121231).

The Director's report is consistent with the other sections of the annual reports and consolidated accounts.

Disclosures of particular importance

Without affecting our opinions expressed above we would like to draw attention to that the Board of Directors has prepared the annual accounts under the assumption of going concern. This assumes that the company's financing needs for business purposes for its development of ongoing development projects can be met as described by the Board of Directors and the managing director on page 3 in the annual report. If funding cannot be obtained, there is a material uncertainty which raises substantial doubt about the ability to continue operations.

Other matters

The annual accounts and consolidated accounts for the year 2011 were audited by two other auditors who, in their audit report dated 11 May 2012, expressed that they have not received enough audit evidence that additional financing could be obtained and that the annual report as well as the group consolidated accounts could be prepared under the assumption of going concern.

Report on other legal and regulatory requirements

In addition to my audit of the annual accounts and consolidated accounts, I have examined the proposed appropriations of the company´s profit or loss and the administration of the Board of Directors and the Managing Director of Reinhold Polska AB for the year 2012.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company´s profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

Auditor's responsibility

My responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on my audit. Besides the below mentioned exemptions, I conducted the audit in accordance with generally accepted auditing standards in Sweden.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion on discharge.

Basis for disclaimer of opinion

As stated in the Director's report section, page 3, of the annual report and the consolidated group accounts and thereby the valuation of assets and liabilities, have been prepared under the assumption of going concern. Going concern presumes financing is being provided to the company. During our audit I have not been able to collect enough audit evidence verifying that additional financing can be provided and that the annual accounts and consolidated accounts thereby can be prepared on the assumption of going concern. Because of this there is a material uncertainty regarding the valuation of development property in the consolidated balance sheet.

Opinion and disclaimer for opinion

Following the circumstance described in the paragraph “Basis of disclaimer of opinion” I can neither recommend nor reject to the annual meeting of the shareholders that the loss is appropriated in accordance with the proposal in the statutory administration report.

I can recommend that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Remarks

The annual report has not been drawn up in such time that is has been possible to, according to 7 chapter 10 § of the Companies Act, to hold annual shareholders meeting within six months after the end of the financial year.

As can be seen in the balance sheet section of the annual report the equity of the company is below half of the registered share capital and the Board of Directors therefore have a duty to provide a control balance sheet for liquidation purposes. No such control balance sheet has been made which is subject to my remark. Since no control balance sheet has been made the Board of Directors and the managing director can be held liable for the liabilities of the company for the period of time stated in the Companies Act 25 chapter §§ 18 and 20. The annual meeting of the shareholders have to decide upon the matter of winding up (liquidation).

Stockholm 14 February 2014

Eric Lindahl

Authorized Public Accountant

Attached documentation to the auditor's report above:

- Copy of the former auditor's report according to Chapter 9 § 23 of the Companies Act.