Ronson Europe N.V.

Annual Report
for the year ended
31 December 2008

GENERAL INFORMATION

Management Board

Shraga Weisman
Tomasz Łapiński
Andrzej Gutowski
Karol Pilniewicz
David Katz
Amos Weltsch

Supervisory Board

Uri Dori
Thierry Leleu
Mark Segall
Yair Shilhav
Reuven Sharoni

Registered office

Weena 210-212
3012 NJ Rotterdam
The Netherlands

Auditors

KPMG Accountants N.V.
Burg. Rijnderslaan 10-20
1185 MC Amstelveen
The Netherlands

To our shareholders

2008 marked our first full year of operations as a public company. Despite the turbulent markets, we successfully executed on our business strategy on a number of fronts. During the year:

- We delivered 103 units and expect early in 2009 to deliver a further 10 units that were completed and "sold" in 2008 but did not have final delivery;
- We completed 1 project constituting 58 residential units with a total area of 3,983 m^2 and we are to complete another project constituting 232 units with a total area of 16,100 m^2 in the coming weeks;
- We commenced the development of 5 new projects, constituting 430 residential units with a total area of 41,800 m^2;
- We refinanced all of our existing short term credit facilities in amount of PLN 109 million;
- Despite pricing pressures throughout the markets, we were able to maintain gross margins of approximately 43.9%;
- We ended the year with a strong equity to total asset ratio of 44.1%.

Nonetheless, from a capital markets perspective, 2008 proved to be a very challenging year – to say the least – for virtually every company that traded on the Warsaw Stock Exchange. Real estate development focused companies were particularly hard hit. Ronson was no exception, as our stock price declined by more than 80%. This was a result of the rapid and deepening spread of the global credit crisis, the sub-prime mortgage meltdown and the retrenchment in almost every emerging market around the world. The crisis seems to be deepening early into 2009 and, unfortunately, we still have virtually no visibility on when the markets may begin to ease.

In 2008, Poland appeared to weather the crisis better than most emerging market economies. According to initial Polish Statistical Office estimates, Poland's GDP rose by approximately 4.8% during the year and is still expected to remain positive in 2009.

We believe that Ronson is well situated to ride out the current storm and to position itself ultimately to thrive in the market. We believe that the fact that our projects tend to be smaller in scale and unique in location and quality will allow us to distinguish our product offering to potential buyers and to remain nimble, allowing us to adjust quickly to any significant changes in the marketplace.

We also continue to strongly believe that in the medium and long term, the residential Polish market holds great promise. Over 4 million new units will need to be built in order for Poland to reach the EU27 average number of units per 1,000 inhabitants. With current annual production topping out at approximately 130,000 units (which has been even further reduced in the current market environment), the long-term shortage in the residential market will remain evident and will foster great residential development opportunity. We believe that the current financial crisis will also weed out a number of the smaller and less experienced developers, further positioning us to thrive when market conditions begin to improve.

Currently, we remain well capitalized. The PLN 141.5 million of equity we raised in our November 2007 initial public offering allowed us to finance some land acquisitions and strengthen our balance sheet.

2008 also marked a year of transition for our management team. I joined Ronson in October last year and am more excited than ever to put my 20 plus years of experience through cyclical real estate development markets to guide Ronson through these difficult times and to ensure that it remains strong and thriving. Together with the rest of our dedicated and seasoned senior management team and quality employees, we are more committed and more excited than ever to make Ronson the premier quality residential real estate development company in Poland.

Sincerely,

Shraga Weisman
CEO

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Supervisory Board report

We take pleasure in presenting the Financial Statements of Ronson Europe N.V. for the financial year 2008, accompanied by the report of the management board. KPMG Accountants N.V. have audited the Financial Statements and issued an unqualified Auditor's Report. We recommend the shareholders to adopt the Financial Statements as presented.

We concur with the Management Board's proposal as taken up on page 87 to allocate the net profit for the year 2008 amounting to PLN 15,141 thousand to retained earnings.

Supervision

During 2008, there were frequent Supervisory Board and Management Board meetings, during which, among others, the following topics were discussed:

- the Company's business strategy;
- changes in the Management Board members and remuneration policy;
- additions and changes to the Supervisory Board;
- the corporate governance structure of the Company and the implementation of the Dutch Corporate Governance Code;
- risk management and;
- financial results and other related issues.

In addition, the Supervisory Board has also met twelve times (including seven meetings of the Audit Committee) without the presence of the Management Board to discuss, among other things, the functioning of the Management Board. The Board also met with the external auditors without the presence of the Management Board. All Supervisory Board meetings held in 2008 were attended by the majority of the members of the Supervisory Board. None of the members of the Supervisory Board have been absent during more than one Supervisory Board meeting in 2008.

Audit Committee

The roles and responsibilities of the Audit Committee are to supervise, monitor and advise the Management Board and Supervisory Board on all matters related to risk management, audit, control and compliance to relevant financial legislation and regulations. The Audit Committee evaluates the performance of external auditors and related costs. During 2008 the Audit Committee met seven times. The Audit Committee has also held quarterly meetings with the external auditors.

Remuneration and Nominating Committee

It is the primary task of the Remuneration and Nominating Committee to: (i) propose to the Supervisory Board remuneration of the members of the Management Board, including a review and monitoring of the Group's total remuneration policy (ii) advise the Supervisory Board on matters relating to the nominations of both Supervisory and Management Board members. The Remuneration and Nominating Committee regularly reviews the Supervisory Board profile, its effectiveness and composition. The committee also reviews the performance of the members of the Management Board. During 2008 the Remuneration and Nominating Committee met a number of times.

Financial statements

The Management Board has prepared the 2008 financial statements. These financial statements were discussed at a Supervisory Board meeting attended by the auditors.

Composition of the Supervisory Board

On 23 June 2008, the General meeting of shareholders appointed Mr. Reuven Sharoni as a member of the Board of Supervisory Directors for a term of four years.

In order to secure continuity within the Board, the Supervisory Board has adopted an arrangement that provides for a staggered expiration of individuals terms. Under this arrangement, the reappointment for a four year term of one member of the Supervisory Board will be scheduled prematurely for the upcoming Annual General Meeting of shareholders. This will be repeated for each Supervisory Board member at the occasion of the Annual General Meetings of shareholders over the next three years.

Composition of the Management Board

On 23 June 2008, the General meeting of shareholders appointed Mr Tomasz Łapiński as managing director A and member of the Management Board for a term of four years and granted him the title 'Chief Financial Officer'. Mr Łapiński replaced Mr Ariel Bouskila who resigned as managing director and 'Chief Financial Officer' effective on 23 June 2008.

The General meeting of shareholders which was held on 10 October 2008 and approved the appointment of Messrs Shraga Weisman, Adrzej Gutowski and Karol Pilniewicz as members of the Management Board for a term of four years. Mr Weisman was appointed managing director A and granted the title 'Chief Executive Officer', and replaced Mr Dror Kerem who stepped down as managing director and 'Chief Executive Officer' of the Company effective on 10 October 2008. Mr Gutowski was appointed managing director A and granted the title 'Sales and Marketing Director'. Mr Pilniewicz was appointed managing director B and replaced Mr Karim Habra as managing director of the Company who stepped down from this position effective on 3 September 2008.

11 March 2009
For the Supervisory Board

Uri Dori,
Chairman

Corporate Governance

Governance structure

The Company is a Dutch public company with a listing on the Warsaw Stock Exchange ("WSE").

Corporate Governance Code in the Netherlands

On 9 December 2003, the Dutch Corporate Governance Committee, also known as the Tabaksblat Committee, released the Dutch Corporate Governance Code ("the Code"). The Code contains 21 principles and 113 best practice provisions for management boards, supervisory boards, shareholders and general meetings of shareholders, financial reporting, auditors, disclosure, compliance and enforcement standards.

Dutch companies listed on a government-recognized stock exchange, whether in the Netherlands or elsewhere, are required under Dutch law to disclose in their annual reports whether or not they apply the provisions of the Dutch Corporate Governance Code and, if they do not apply, to explain the reasons why. The Code provides that if a company's general meeting of shareholders explicitly approves the corporate governance structure and policy and endorses the explanation for any deviation from the best practice provisions, such company will be deemed to have applied the Code.

The Company acknowledges the importance of good corporate governance. The Management and Supervisory Boards have reviewed the Code, and generally agree with its basic provisions. The Boards have and will take any further steps they consider appropriate to implement the Code.

The Company supports the Code and has applied the relevant best practice provisions of the Dutch Corporate Governance Code, except for the provisions set out below.

Non-Compliance with the Dutch Corporate Governance Code:

II. 1.1 A Management Board member is appointed for a maximum period of four years. A member may be reappointed for a term not more than four years at a time.

Members of the Management Board that were appointed before the end of the financial year 2007, have been appointed for an unlimited period and the Company does not consider it appropriate to renegotiate the existing agreements, in so far as this would be possible given the mandatory provisions of Dutch labor law. Any appointments of members of the Management Board after 1 January 2008 have been in compliance with this provision.

II. 1.3 The Company shall have a suitable internal risk management and control system. It shall, in any event, employ as instruments of the internal risk management and control system:

- risk analyses of the operational and financial objectives of the Company;
- a code of conduct which should, in any event, be published on the Company's website;
- guides for the layout of the financial reports and the procedures to be followed in drawing up the reports; and
- a system of monitoring and reporting.

The Company does not yet have a code of conduct, but intends to adopt such a code in due course.

II. 2.1 Options to acquire shares are a conditional remuneration component, and become unconditional only when the management board members have fulfilled predetermined performance criteria after a period of at least three years from the grant date.

The currently outstanding options have been granted unconditionally. The Company shall not amend these existing agreements. Considering that the Company is still in a relatively early stage of development and that the setting of credible predetermined performance criteria at a term of at least three years is not practical at this stage, the Company shall not apply this provision.

Governance structure (cont'd)

II. 2.6 The supervisory board shall draw up regulations concerning ownership of and transactions in securities by management board members, other than securities issued by their 'own' company. The regulations shall be posted on the Company's website. A management board member shall give periodic notice, but in any event at least once a quarter, of any changes in his holding of securities in Dutch listed companies to the compliance officer or, if the company has not appointed a compliance officer, to the chairman of the supervisory board. A management board member who invests exclusively in listed investment funds or who has transferred the discretionary management of his securities portfolio to an independent third party by means of a written mandate agreements is exempted from compliance with this last provision.

The Company believes that the restrictions under Dutch securities law are sufficient to govern the ownership of and transactions in securities by members of the Management Board. Implementing additional restrictions would potentially harm the Company's ability to attract and ensure the continued services of the members of the Management Board and the Company therefore believes that applying this best practice provision is not in its best interest.

III. 2.1 The supervisory board members, with the exception of not more than one person, shall be independent within the meaning of best practice provision III. 2.2.

Our Supervisory Board currently consists of five members, of which two are independent within the meaning of the Dutch Corporate Governance Code. GE (18.4% shareholding) and ITR Dori (64.2% shareholding) have agreed to use their voting rights in such a manner to procure that ITR Dori will be in a position to nominate independent supervisory directors to the Company. Moreover, the Company's articles of association state that the Supervisory Board shall have at least two independent Supervisory Board directors.

III. 4.3 The supervisory board shall be assisted by the company secretary. The company secretary shall see to it that correct procedures are followed and that the supervisory board acts in accordance with its statutory obligations and its obligations under the articles of association. He shall assist the chairman of the supervisory board in the actual organization of the affairs of the supervisory board (information, agenda, evaluation, training program, etc.). The company secretary shall, either on the recommendation of the supervisory board or otherwise, be appointed and dismissed by the management board, after the approval of the supervisory board has been obtained.

The Company is in the process of determining the exact profile of the company secretary. As soon as the Company has determined this profile, it shall seek a suitable candidate. The Company expects to appoint a company secretary during the year 2009.

III. 7.3 The supervisory board shall adopt a set of regulations containing rules governing ownership of and transactions in securities by supervisory board members, other than securities issued by their 'own' company. The regulations shall be posted on the company's website. A supervisory board member shall give periodic notice, but in any event at least once a quarter, of any changes in his holding of securities in Dutch listed companies to the compliance officer or, if the company has not appointed a compliance officer, to the chairman of the supervisory board. A supervisory board member who invests exclusively in listed investment funds or who has transferred the discretionary management of his securities portfolio to an independent third party by means of a written mandate agreement is exempted from compliance with this last provision.

The Company believes that the restrictions under Dutch securities law are sufficient to govern the ownership of and transactions in securities by Supervisory Board members. Implementing additional restrictions would potentially harm its ability to attract and ensure the continued services of Supervisory Board members and the Company therefore believes that applying this best practice provision is not in its best interest.

IV. 3.1 Meetings with analysts, presentations to analysts, presentations to investors and institutional investors and press conferences shall be announced in advance on the company's website and by means of press releases. Provision shall be made for all shareholders to follow these meetings and presentations in real time, for example by means of web casting or telephone lines. After the meetings, the presentations shall be posted on the company's website.

Considering the Company's size, it would create an excessive burden to provide facilities which enable shareholders to follow in real time the meetings and presentations referred to in the best practice provision. The Company will ensure that presentations are posted on its website immediately after the meetings in question.

V.3.1 The external auditor and the audit committee shall be involved in drawing up the work schedule of the internal auditor. They shall also take note of the findings of the internal auditor.

On 10 December 2008, the Code was updated by the Corporate Governance Code Monitoring Committee. The Company will implement the updated Code to the extent applicable and appropriate as per the financial year 2009. Moreover the Audit Committee is currently in the process of appointing an internal auditor, whose duty will be to support the Audit Committee in its functions.

Governance structure (cont'd)

Corporate Governance Code in Poland

On 4 July 2007, the WSE Supervisory Board adopted the corporate governance rules of the WSE contained in the Code of Best Practice for WSE-Listed Companies (the "WSE Corporate Governance Rules 2008"). The WSE Corporate Governance Rules 2008 apply to companies listed on the WSE, irrespective of whether such companies are incorporated in Poland or outside of Poland. The WSE Corporate Governance Rules 2008 consist of general recommendations relating to best practices for listed companies (Part I) and best practice provisions relating to management boards, supervisory board members and shareholders (Parts II to IV).

The WSE Corporate Governance Rules 2008 impose upon the companies listed on the WSE an obligation to disclose in their current reports continuous or incidental non-compliance with best practice provisions (with the exception of the rules set forth in Part I, in respect of which and based on a resolution of the Management Board of the WSE dated 11 December 2007 WSE-listed companies are not required to publish a current report). Moreover, every year each WSE-listed company is required to publish a detailed statement on any non-compliance with the WSE Corporate Governance Rules 2008 (including the rules set forth in Part I) by way of a statement submitted with the company's annual report (the "Yearly Compliance Statement"). With regards to the Yearly Compliance Statement for 2008, companies should report on any non-compliance with the previously applicable corporate governance rules of the WSE contained in the Code of Best Practice for Public Companies in 2005, adopted by the Management Board and the Supervisory Board of the WSE on 15 December 2004 (the "WSE Corporate Governance Rules 2005").

Companies listed on the WSE are required to justify non- or partial compliance with any WSE Corporate Governance Rules and to show the ways of eliminating the possible consequences of such non-compliance or the steps such company intends to take to mitigate the risk of non-compliance with such rule in future.

The Company intends, to the extent practicable, to comply with all principles of the WSE Corporate Governance Rules. However, certain principles will apply to the Company only to the extent permitted by Dutch law. In particular, as Dutch law does not provide for elections of the Supervisory Board's members by separate groups of shareholders, the Company's internal regulations do not and will not include provisions on group elections (Rule 6 of WSE Corporate Governance Rules 2005). No reports will be provided by the Supervisory Board member delegated by a group of shareholders (Rule 30 of WSE Corporate Governance Rules 2005) because Dutch law does not provide for delegation of a board member by a group of shareholders.

Detailed information regarding non-compliance, as well as additional explanations regarding partial compliance with certain Corporate Governance Rules of the WSE due to incompatibilities with Dutch law, are included in the aforementioned reports, which are also available on the Company's website (www.ronson.pl) and are being published by way of a current report to WSE .

The Company makes all efforts to comply with all principles of both the Dutch Code and the WSE Corporate Governance Rules and to enforce such corporate structure that ensures the Company's transparency to the most possible extent. The Company believes that its efforts are appreciated by its stakeholders and that these efforts will support the Company's growth and its reliability.

General Meeting of Shareholders

The annual General Meeting of Shareholders shall be held within six months after the end of the financial year to deal with, among other matters: (i) the annual report; (ii) adoption of the annual accounts, (iii) discussion of any substantial changes in corporate governance; (iv) discussion of remuneration policy for the Board of Managing Directors, (v) granting of discharge to the Board of Managing Directors for the management over the past financial year (vi) discussion of remuneration of Supervisory Board members, (vii) granting of discharge to the Supervisory Board for the supervision over the past financial year, (viii) policy on additions to reserves and dividends, (ix) adoption of the profit appropriation, (x) (re)appointment of members of the Board of Managing Directors and (xi) (re)appointment of members of the Board of Supervisory Directors.
Other General Meetings of Shareholders shall be held as often as the Management Board or the Supervisory Board deems necessary. Shareholders representing in the aggregate of at least one-tenth of the Company's issued capital may request the Management Board or the Supervisory Board to convene a General Meeting of Shareholders, stating specifically the business to be discussed.

Issue of new shares

The Company shall only issue shares pursuant to a resolution of the General Meeting or of another corporate body designated to do so by a resolution of the General Meeting for a fixed period not exceeding five years. The designation must be accompanied by a stipulation as to the number of shares that may be issued. The designation may each time be extended for a period of up to five years. The designation may not be cancelled, unless the designation provides otherwise. A decision by the General Meeting to issue shares or to designate another body to issue shares can only be taken upon the proposal of the Board of Managing Directors. The proposal is subject to the approval of the Board of Supervisory Directors.
The Board of Managing directors is, subject to the approval of the Supervisory Board, authorized to resolve to issue shares for a period of five years which lapses at 2011 for a maximum issue of shares of 25% of the issued share capital immediately prior to that issue, with an aggregate maximum of all non-issued shares of the authorizes capital.
Each shareholder shall have a pre-emptive right with respect to any share issue in proportion to the aggregate amount of his shares, except if shares are issued for a non-cash consideration or if shares are issued to employees of the Group.

As the two leading shareholders – ITR Dori B.V. and GE Real Estate CE Residential B.V. – are controlling respectively 64.2% and 18.4% of the Company's share capital and votes in the General Meeting of Shareholders of the Company, the change of control over the Company is not possible without their consent and involvement. In addition, the two leading shareholders are represented both in the Supervisory Board and in the Management Board of the Company.

Supervisory and management boards

The Company has a two-tier corporate governance structure, consisting of an executive Management Board (the "Management Board") and a non-executive Supervisory Board (the "Supervisory Board"). The day-to-day management and policy-making of the Company is vested in the Management Board, under the supervision of the Supervisory Board. There are currently six members of the Management Board whose names are set out below. The Supervisory Board supervises the Management Board and the Company's general course of affairs and the business it conducts. It also supports the Management Board with advice. In performing their duties the Supervisory Board members must act in accordance with the interests of the Company and the business connected with it.

Supervisory Board

The Articles of Association provide that the Company shall have a Supervisory Board consisting of at least three and at most seven persons of which at least two Supervisory Directors shall be independent. Supervisory Directors are appointed by the General meeting of shareholders for a period of four years. After holding office for the first period of four years, Supervisory Directors are eligible for re-election for two additional terms of four years each. The General meeting of shareholders shall establish the remuneration for each Supervisory Director.

Supervisory Board Committees

The Supervisory Board is supported by two committees:

- the Audit Committee;
- the Remuneration and Nominating Committee.

These committees are composed from members of the Supervisory Board with relevant experience. All committees operate under the overall responsibility of the Supervisory Board, in accordance with the best practice stipulations of the Code.

Composition of the Supervisory Board

Uri Dori (age 66, Israeli citizen, male)

Uri Dori was appointed the Chairman of the Supervisory Board of the Company on 28 September 2007. He is the Chairman of the Management Board and Chief Executive Officer in U Dori Group Ltd (formerly: U. Dori Engineering Works Corporation Ltd.) Mr Dori is a board member of the following companies: U. Dori Engineering Works Corporation Ltd., ACAD Building and Investments Ltd., ACAD Equipment and Assets (1979) Ltd., ROM GEVES Casing and Covering (1997) Ltd., Innovate Ltd., Bay Heart Limited, U. Dori Technologies & Investments Ltd., Maor – Mortgage Bonds Backed Securities (1999) Ltd., Mendor Limited, Bay Heart Assets (1994) Limited, Undoran Engineering Ltd. (formerly: U.N. Dori Ltd), Ziggurat Systems Ltd., U Dori Construction Ltd (formerly: U. Dori Construction and Infrastructure Ltd.), Mildan Initiating and Investments Ltd, Udor Holdings Ltd. and Dorad Energy Ltd. His current term as Supervisory Director expires in September 2011. There is no conflict of interest between the Company and other business activities of Mr. Uri Dori.

Composition of the Supervisory Board (cont'd)

Thierry Leleu (age 40, French citizen, male)

Thierry Hubert Francois Leleu was appointed a member of the Supervisory Board of the Company on 28 September 2007. Since 2006, Mr Leleu has been the General Counsel of GE Real Estate Europe SAS. Prior to 2006, Mr Leleu was an investment director at Orion Capital Management, a European real estate private equity fund and, until 2002, he was a partner at Norton Rose law firm. He has been serving as a member of the board of directors of DxO Labs since 2002 and AZMT Holding B.V. since 2007. He is also a member of the management board of Olympian B.V. (under incorporation). His current term as Supervisory Director expires in September 2011. There is no conflict of interest between the Company and other business activities of Mr. Thierry Leleu.

Mark Segall (age 46, US citizen, male)

Mark Segall was appointed a member of the Supervisory Board of the Company on 28 September 2007. Mr Segall is the founder of Kidron Corporate Advisors LLC, a corporate advisory and mergers and acquisitions boutique, and of Kidron Opportunity Fund I, LLC, a small private equity fund. Prior to forming Kidron in 2003, he was the Co-chief executive officer of Investec Inc. Mr Segall serves on the board of directors of Integrated Asset Management plc, and Answers Corporation. His current term as Supervisory Director expires in September 2011. There is no conflict of interest between the Company and other business activities of Mr. Mark Segall.

Yair Shilhav (age 49, Israeli citizen, male)

Yair Shilhav was appointed a member of the Supervisory Board on 28 September 2007, and he is the Chairman of the Audit Committee. Since 2004, Mr Shilhav has been the owner of a business consulting office. Between 2000 and 2003, he was a member of the executive directory committee of the audit firm, Somekh Chaikin, a member of KPMG ("Somekh Chaikin"). Between 1995 and 2003, he was the head of the Haifa branch of Somekh Chaikin, of which he was partner from 1990 to 2003. Prior to becoming a partner at Somekh Chaikin, he was head of the professional and finance department of the same firm. He was also the head of the accountancy faculty at Haifa University between 1998 and 2002. His current term as Supervisory Director expires in September 2011. There is no conflict of interest between the Company and other business activities of Mr. Yair Shilhav.

Reuven Sharoni (age 70, Israeli citizen, male)

Reuven Sharoni was appointed a member of the Supervisory Board on 23 June 2008. Mr. Sharoni's recent positions include Deputy Manager and head of Non Life Arieh Insurance Company Ltd. from 1980 to 1984. In the years 1984 to 2000, he acted as Deputy General Managing Director and from 2000 until 2002 as the General Managing Director of Arieh Insurance Company Ltd. Since 2003, Mr. Sharoni has been an active chairman of Shirbit Insurance Company Ltd. and since 2006 also a Chairman of Millenium Pension Savings Ltd. Mr. Sharoni graduated from Hebrew University Jerusalem – Middle East Studies, International Affairs. He also completed his MBA studies at Sehiller University in Paris. His current term as Supervisory Director expires in June 2012. There is no conflict of interest between the Company and other business activities of Mr. Reuven Sharoni.

Management Board

The management of the Company is entrusted to the Management Board under the supervision of the Supervisory Board. The Articles of Association provide that the Management Board shall consist of two or more managing directors. Managing directors are appointed by the General meeting of shareholders. The Management Board shall meet as often as a managing director requests a meeting. All resolutions by the Management Board shall be adopted by an absolute majority of the votes cast.
The Management Board as a whole is responsible for the day-to-day management, including comprehensive risk management control, financing and regulatory compliance.

The Company and its operating companies are organised along clear functional reporting lines. Throughout the Group, corporate and operating accountabilities, roles and responsibilities are in place.

Composition of the Management Board

Shraga Weisman (age 57, Israeli citizen, male)

On 10 October 2008, Mr. Shraga Weisman was appointed as managing director A and President of the Management Board, for a term of four years and granted the title 'Chief Executive Officer'. Mr. Weisman replaced Mr. Dror Kerem who stepped down as President of the Management Board and 'Chief Executive Officer' on 10 October 2008.

Composition of the Management Board (cont'd)

Mr. Weisman served as 'Chief Executive Officer' of Ashdar Building Company Ltd. from 1997 until May 2008. Ashdar Building Company Ltd., listed on the Tel-Aviv Stock Exchange since May 2007, is one of the largest real estate development companies in Israel focusing on residential and commercial projects, hotels and protected accommodation projects. From 1990 to 1997, he was 'Chief Executive Officer' of Natanya Tourism Development Company, which developed residential and infrastructure development projects in Israel. Mr. Weisman holds a BA title from Tel-Aviv University, an MSC title from Technion, the Israeli Institute of Technology, and is a certified real estate appraiser in Israel.

Tomasz Łapiński (age 32, Polish citizen, male)

On 23 June 2008, Mr. Łapiński was appointed as managing director A and Member of the Management Board, for a term of four years and granted the title 'Chief Financial Officer'. Mr. Łapiński replaced Mr. Ariel Bouskila who stepped down as Member of the Management Board and 'Chief Financial Officer' of 23 June 2008.

Between 2000 and 2008, Mr. Łapiński worked in the investment banking division of UniCredit Group in Warsaw (formerly of HVB and of Bank Austria Creditanstalt) – in UniCredit CA IB Poland (formerly CA IB Financial Advisers). His experience in investment banking includes mainly M&A (mergers and acquisitions) transactions as well as other corporate finance related assignments. He was also responsible for equity capital market (ECM) transactions, including the initial public offering of Ronson Europe N.V. Before joining CA IB Financial Advisers, from 1998 to 2000, Mr. Łapiński worked for the consulting company Central Europe Trust. Mr. Łapiński graduated from Warsaw School of Economics (Finance and Banking Faculty).

David Katz (age 65, Israeli citizen, male)

David Katz was appointed a member of the Management Board of the Company on 1 October 2007. Since 1983, Mr Katz has been the Vice President of U Dori Group Ltd (formerly: U. Dori Engineering Works Corporation Ltd.) and is currently the manager of the initiative department outside of Israel in U. Dori Engineering Works Corporation Ltd. From 1969 to 1983 he was a performance engineer at Ashtrom Engineering & Construction Ltd. He is a member of the board of the following companies: U. Dori Engineering Works Corporation Ltd., Jerusalem Finance B.V, I.T.R Dori B.V, D.A.C. Engineering Ltd, ACAD Building and Investments Limited, ACAD Equipment and Assets (1979) Limited, U. Dori Technologies & Investments Ltd, Bay Heart Assets (1994) Limited, U Dori Construction Ltd (formerly: U. Dori Construction and Infrastructure Ltd), Mildan Initiating and Investments Ltd, David K. Holdings Ltd. There is no conflict of interest between the Company and other business activities of Mr. David Katz.

Karol Pilniewicz (age 30, Polish citizen, male)

On 10 October 2008, Mr. Pilniewicz was appointed as managing director B and Member of the Management Board, for a term of four years. Mr. Pilniewicz replaced Mr. Karim Habra who stepped down as Member of the Management Board as of 3 September 2008.

Mr. Pilniewicz is employed by GE Real Estate Central and Eastern Europe. There is no conflict of interest between the Company and other business activities of Mr. Karol Pilniewicz. Before joining GE Real Estate, between 2003-2008 Mr. Pilniewicz was employed by Aareal Bank A.G. In 2002-2003 Mr. Pilniewicz worked in ING Real Estate Investment Management Poland. Mr. Pilniewicz is graduated from Academy of Economics in Katowice.

Andrzej Gutowski (age 40, Polish citizen, male)

On 10 October 2008, Mr. Gutowski was appointed as managing director A and Member of the Management Board, for a term of four years and granted the title 'Sales and Marketing Director'.

Mr. Gutowski has been employed by Ronson Development Management Sp. z o.o. for five years as the 'Sales and Marketing Manager'. Mr. Gutowski is also a member of the management boards of many subsidiaries of the Company. Before joining Ronson Development Group, between 1994-2003 Mr. Gutowski worked for Emmerson Sp. z o.o. (leading real estate agency and Advisory Company in the Polish market) as Director of Primary Markets and member of the management board. From 1988 until 1993, Mr. Gutowski studied at Warsaw School of Economics (Foreign Trade). Mr. Gutowski does not perform any activities other than for the Company.

Amos Weltsch (age 57, Israeli citizen, male)

Amos Weltsch was appointed a member of the Management Board member on 1 October 2007. Mr Weltsch has been the chief operating officer and member of the Management Board of Cinema City International N.V. since 1980. He has lso held various senior management positions with Israel Theatres Limited and affiliated companies since 1980. From 1974 to 1978, he was a manager at L. Glickman Building Materials, and from 1978 to 1980, a managing director of Eitan Cement Limited. There is no conflict of interest between the Company and other business activities of Mr. Amos Weltsch

Remuneration Report

Introduction

The Extraordinary General meeting of shareholders held on 1 October 2007, upon recommendation of the Supervisory Board, approved the Company's remuneration policy which sets forth the terms of remuneration of the members of the Management Board. The same General meeting approved a long-term incentive plan for members of the Management Board and other key personnel of the Company and its subsidiaries. The remuneration for the Supervisory Board was also adopted at the same General shareholders' meeting.

Remuneration Policy

The objective of the Company's remuneration policy is to provide a compensation program that allows the Company to attract, retain and motivate members of the Supervisory and Management Boards and those who have the character traits, skills and background to successfully lead, manage and supervise the Company. The remuneration policy is designed to reward members of the Management Boards and other key personnel for their contribution to the success of the Company. Each of the Supervisory Boards member receives fixed annual remuneration and remuneration per attended at meeting.

Governance

The General meeting of shareholders approves all aspects of the remuneration policy for the Management Board. The General Meeting of Shareholders further determines the remuneration of the Supervisory Board. Compensation of both the Supervisory Board and Management Board is reviewed regularly. The Supervisory Board has a dedicated Remuneration Committee.

Remuneration of the Management Board

Shraga Weisman

Mr. Shraga Weisman is a member of the Management Board of Ronson Europe N.V. and is waiting to enter into a consulting agreement with Ronson Europe N.V. and an employment contract with a subsidiary of the Company (Ronson Development Management Sp. z o.o.). Mr. Weisman will enter into the abovementioned agreements as soon as all formal issues related to his work permit in Poland are finalized. The envisaged terms of his compensation package include a gross monthly fee of the PLN equivalent of EUR 20,000 and a bonus for joining Ronson Europe N.V. which is still subject to negotiations. In addition, he will be entitled to an annual bonus set at 3.3% of the consolidated annual pre-tax profit of the Group. Mr. Weisman will be also entitled to reimbursement of housing and office costs amounting up to the PLN equivalent of EUR 3,000 per month, as well as certain other social and medical insurance costs. His compensation also includes a reimbursement of reasonably incurred and documented expenses related to the proper performance of his consulting agreement up to the amount of EUR 5,000 per calendar year as well as reimbursement of the costs related to his and his family's travel to Israel up to the maximum amount of EUR 20,000 per year and a company car.

Tomasz Łapiński

Mr. Tomasz Łapiński as a member of the Management Board of Ronson Europe N.V. has entered into the employment contract with a subsidiary of the Company (Ronson Development Management Sp. z o.o.). The conditions of the employment contract include monthly salary of PLN 37,000, reimbursement of the medical insurance costs and a company car. The bonus scheme for Mr. Tomasz Łapiński is still to be agreed.

Andrzej Gutowski

Mr. Andrzej Gutowski as a member of the Management Board of Ronson Europe N.V. has entered into the employment contract with a subsidiary of the Company (Ronson Development Management Sp. z o.o.). The conditions of the employment contract include a monthly salary of PLN 20,000, reimbursement of the medical insurance costs and a company car. Mr. Gutowski is also entitled to quarterly bonus based on the value of the apartments sold by the Company in the particular quarter. His bonus is capped at a maximum amount of PLN 28,000 per quarter. Mr. Gutowski is also entitled to participate in the Company's Employee Stock Incentive Plan (see below).

Remuneration of the Management Board (cont'd)

David Katz

Mr. David Katz is not entitled to any remuneration from Ronson Europe nor from any of the Company's subsidiaries except for a reimbursement of out-of-pocket expenses related to services provided to the Company (mainly comprising travel and accommodation expenses).

Amos Weltsch

Mr. Amos Weltsch is not entitled to any remuneration from Ronson Europe nor from any of the Company's subsidiaries except for a reimbursement of out-of-pocket expenses related to services provided to the Company (mainly comprising travel and accommodation expenses).

Karol Pilniewicz

Mr. Karol Pilniewicz is not entitled to any remuneration from Ronson Europe nor from any of the Company's subsidiaries except for a reimbursement of out-of-pocket expenses related to services provided to the Company (mainly comprising travel and accommodation expenses).

Former members of the Management Board

Dror Kerem

Mr. Dror Kerem, a former member of the Management Board, entered into a consulting agreement with the Company and into employment contract with a subsidiary of the Company (Ronson Development Management Sp. z o.o.), for an unspecified period of time and which may be terminated by either party with six months notice. The agreement includes a restraint of trade clause that will require Mr. Kerem, acting directly or indirectly, to refrain from any activity that is in competition with the Company's operations for the term of the agreement and in the event that Mr. Kerem terminates his consulting agreement for a period of twelve months thereafter. The consulting agreement entitles Mr. Kerem to a gross monthly fee of the PLN equivalent of USD 20,000. In addition, he is entitled to an annual bonus set at 3.3% of the consolidated annual pre-tax profit of the Group. Mr. Kerem is also entitled to reimbursement of housing and office costs of the PLN equivalent of USD 1,400 monthly, as well as certain other living and social insurance costs. Mr. Kerem is not entitled to any benefits upon termination except for a severance payment, which will be equal to a one-time payment of a bonus amount which is equivalent to an aggregate annual bonus of 3.3% of the consolidated annual pre-tax profit of the Group companies, proportionate to the amount of the financial year for which Mr. Kerem was subject to the consulting agreement, less any amounts already received by Mr. Kerem as bonus during such financial year, and an additional amount in respect of unfinished projects constituting a variable share in the profits of such project, depending on the stage of completion.

According to the conditions of the termination agreement concluded with Mr. Kerem on 3 September 2008, the consulting agreement between him and the Company and its subsidiary will expire as of end of March 2009 ("Expiration Date"). As at the Expiration Date of the consulting agreement Mr. Kerem will be entitled to the bonus equal to 0.5% of the pre-tax profits generated by projects that are owned by the Company as of the expiration date. This concerns however only those projects which are based on the plots of land with validated zoning conditions or with the valid master plans. Moreover, Mr. Kerem will be entitled to an additional bonus equal to 2.5% of the pre-tax profit generated by the projects that will be in construction or will be completed as of the Expiration Date. The amount of the bonus payment will be also proportional to the stage of construction (percentage of completion) of the projects as of the Expiration Date.

Prior to his resignation as Managing Director, Mr. Kerem was also entitled to participate in the Company's Employee Stock Incentive Plan (see below). In addition, the right by Mr Kerem to acquire 300,000 shares at nominal value was exercised on 24 June 2008.

Remuneration of the Management Board (cont'd)

Ariel Bouskila

Mr. Ariel Bouskila, a former member of the Management Board, entered into an employment agreement with a subsidiary of the Company (Ronson Development Management Sp. z o.o.) for an unspecified period of time and which could be terminated by either party with three months notice. The employment contracts entitled Mr. Bouskila to a gross monthly salary of the PLN equivalent of EUR 12,250. Mr. Bouskila was further entitled to a reimbursement of health insurance costs for himself and his family, a company car, communication and certain other costs.

Mr. Bouskila stepped down from the Management Board as of 23 June 2008 and was providing services to the Company until end of July 2008. As at the end of July 2008 his employment contract was terminated.

Prior to his resignation as Managing Director, Mr. Bouskila was also entitled to participate in the Company's Employee Stock Incentive Plan (see below).

Remuneration of the Management Board in 2008

Total compensation of the Members of the Management Board in 2008 – not including any benefits from the Long-term incentive plan (share based payments) – amounted to PLN 2,045 thousand, of which the compensation of:

- Mr. Dror Kerem amounted to PLN 1,423 thousand,
- Mr. Ariel Bouskila amounted to PLN 306 thousand,
- Mr. Tomasz Łapiński amounted to PLN 269 thousand,
- Mr. Andrzej Gutowski amounted to PLN 47 thousand.

Long-term incentive plan

Towards the end of 2007, an employee stock incentive plan (the "Employee Stock Incentive Plan") was implemented. The Employee Stock Incentive Plan comprises a maximum of 4,000,000 shares for members of the Management Board and key employees of the Company. The General meeting of shareholders has resolved to authorize the Supervisory Board to determine, with the participation of at least one independent member of the Supervisory Board, the exact terms of any stock or stock-based incentive scheme, and the persons entitled to participate therein, upon the recommendation of the Management Board. The General meeting of shareholders shall approve the general terms, criteria and beneficiaries of the Employee Stock Incentive Plan. In addition, under such resolution, the Company may purchase its shares in the open market to satisfy any share entitlements upon exercise of any options issued or granted under its Employee Stock Incentive Plan. The actual grant of share options is disclosed in the Notes to the Consolidated Financial Statements.

On 5 November 2007, the Company issued 1,900,000 options with an exercise price of PLN 5.75 each and right to obtain 300,000 shares. During the year ended 31 December 2008, the selected employees that joined the option programme (in November 2007) had not exercised any of their options. Following the resignation of key management employees during 2008, a total of 1,114,000 options were cancelled.

Remuneration of the Supervisory Board

Each Supervisory Board member currently receives an annual remuneration of EUR 8,900 and EUR 1,500 per attendance at meetings or EUR 750 if attendance is by telephone. The Supervisory Board members are not entitled to any benefits on termination of their service. Two Supervisory Board members (Mr. Uri Dori and Mr. Thierry Leleu) resigned from remuneration in the Company. The remuneration paid (or accrued) to the Supervisory Board members included only the remuneration for the remaining members: Mr. Mark Segall, Mr. Yair Shilhav and to Mr. Reuven Sharoni.

Directors' Report

General

Introduction

Ronson Europe N.V. ("the Company") is a Netherlands limited liability company with its statutory seat in Rotterdam, the Netherlands, and was incorporated on 18 June 2007. For an historical background and restructuring of the Company in 2007 reference is made to the Notes to the Consolidated Financial Statements (Note 1 (a) on pages 36 and 37).

The Company (together with its Polish subsidiaries, "the Group") is active in the development and sale of units, primarily apartments, in multi-family residential real-estate projects to individual customers in Poland. The Group also leases real estate to third parties, however this is an insignificant activity.

The shares of the Company are traded on the Warsaw Stock Exchange since 5 November 2007. As at 31 December 2008, 64.2% of the outstanding shares are held by I.T.R. Dori B.V. ("ITR Dori"), 18.4% of the outstanding shares are held by GE Real Estate CE Residential B.V. ("GE Real Estate") and the remaining 17.4% of the outstanding shares are held by the public. On 11 March 2009, the market price was PLN 0.8 per share giving the Company a market capitalization of PLN 181.6 million.

Company overview

The Company is an experienced, fast-growing and dynamic residential real estate developer rapidly expanding its geographic reach to major metropolitan areas across Poland. Leveraging upon its large portfolio of secured sites, the Company is well positioned to become a leading residential development company throughout Poland.

The Company aims to maximize value for its shareholders by a selective geographical expansion in Poland as well as the creation of a portfolio of real estate development properties. The Company plans to open four new projects during 2009. Bearing in mind the current difficult and uncertain market situation, the Company's portfolio will allow it to adjust to these circumstances and to adopt a strategy of spreading risks, taking into consideration the number of projects and their size as well as geographical location.

Until 31 December 2008, the Group has completed eight projects, having delivered 1,083 units with a total area of 74,186 m^2. The remaining 19 units in these completed projects, with a total area of 1,542 m^2, are expected to be delivered during 2009 (see page 20).

As of the date of this Annual Report, the Group is developing six further projects comprising a total of 662 residential units, with a total area of approximately 58,325 m^2, of which 347 units, with a total area of approximately 32,331 m^2, are expected to be completed during 2009. The remaining 315 units are expected to be completed before the end of 2010. In addition, the Group has a pipeline of 22 projects in different stages of preparation with approximately 5,300 residential units for future development in Warsaw, Poznań, Wrocław and Szczecin.

Market overview

Following a very strong performance in 2006 and 2007 in which the Polish residential market enjoyed unprecedented growth and increased prices, since the beginning of 2008, the market dynamics have shifted towards slower growth and price moderation. The Company's management anticipates that the resultant oversupply of residential units in the market should catch up with the demand curve in about two years.

In the opinion of the management, the Company is well positioned to cope with changing market conditions and is preparing new projects for development, which will be distinguished in the market by their location, quality and attractive pricing. Management believes that the Company's profitable and efficient business model, together with a healthy financial position and a secured inventory comprising attractive plots of land secured at attractive prices should allow the Company to continue and develop its operations even in more challenging markets.

The Company's management is also continuing to monitor the consequences of the ongoing deterioration of the international credit markets, which has already affected both customers when applying for mortgage loans to finance the purchase of houses and apartments and the financial sector in its attitude towards real estate companies and residential developers. In order to minimize the market risk, the Company is now taking a very selective approach when initiating projects. Moreover, in the preparation phase of all projects, great emphasis is now put on splitting the projects into smaller parts. As far as the relations with financial institutions are concerned, the Company is prepared for the increasing costs of debt financing as well as for more demanding debt facility structures that are proposed by the lending banks.

Business highlights during the year ended 31 December 2008

A. Results breakdown by project

Revenue is recognized upon the transfer to the buyer of significant risks and rewards of the ownership of the residential unit, i.e., upon signing of the protocol of technical acceptance and the transfer of the key to the buyer of the residential unit. Total revenue of the Group recognized during the year ended 31 December 2008 amounted to PLN 77.3 million, whereas cost of sales amounted to PLN 43.4 million, which resulted in a gross profit amounting to PLN 34.0 million and a gross margin of 43.9%.

The following table specifies revenue, cost of sales and gross profit in 2008 on a project by project basis:

	Information on the delivered units		Revenue		Cost of sales		Gross profit	Gross margin
Project	**Number of units**	**Area of units (m2)**	**PLN (thousands)**	**%**	**PLN (thousands)**	**%**	**PLN (thousands)**	**%**
Meridian	40	2,863	27,944	36.1%	15,739	36.3%	12,205	43.7%
Mistral	14	1,114	10,409	13.5%	6,602	15.2%	3,807	36.6%
Imaginarium I	49	3,387	36,142	46.7%	19,749	45.5%	16,393	45.4%
Other	N.A	N.A	2,852	3.7%	1,277	3.0%	1,575	55.2%
Total / Average	**103**	**7,364**	**77,347**	**100.0%**	**43,367**	**100.0%**	**33,980**	**43.9%**

Meridian

The construction of the Meridian housing estate was completed in October 2007. This project was developed on a land strip of 5,196 m^2 located in the Wola district of Warsaw. The Meridian housing estate comprises 3 seven- and nine-storey buildings with a total of 206 apartments (and 7 commercial units) with an aggregate floor space of 15,000 m^2. The size of the apartments varies from 47 m^2 to 183 m^2.

During the year ended 31 December 2008, the Group recognized revenue from the sale of 39 apartments (additionally including parking places and storages) and 1 commercial unit.

Mistral

The construction of the Mistral housing estate was completed in December 2007. This project was developed on a land strip of 5,366 m^2 located in the Ursynów district of Warsaw. The Mistral housing estate comprises 4 two-storey detached houses of 10 to 17 apartments each, with a total of 54 apartments (no commercial units) with an aggregate floor space of 4,300 m^2. The size of the apartments varies from 51 m^2 to 113 m^2.

During the year ended 31 December 2008, the Group recognized revenue from the sale of 14 apartments (additionally including parking places and storages).

Imaginarium I

The construction of the Imaginarium housing estate was completed in the first quarter of 2008. This project was developed on part of a land strip of 10,343 m^2 located in the Bielany district in Warsaw. The Imaginarium housing estate comprises two-storey buildings with a total of 58 apartments (no commercial units) with an aggregate floor space of 3,983 m^2. The size of the apartments varies from 30 m^2 to 110 m^2.

During the year ended 31 December 2008, the Group recognized revenue from the sale of 49 apartments (additionally including parking places and storages).

Other

Other revenues are mainly associated with the sales and delivering to the customer the fitness centre in Słoneczny Skwer project and the sales of the parking places and storages in the projects that were completed in previous years.

Business highlights during the year ended 31 December 2008 (cont'd)

B. Units sold during the year

The table below presents information on the total units sold (i.e. total number of units for which the Company signed the preliminary sale agreements with the clients), during the year ended 31 December 2008:

Subsidiary	Project name	Units sold until 31 December 2007	Units sold during the year ended 31 December 2008	Units for sale as at 31 December 2008	Total
Meridian (*)	Warsaw	181	17	8	206
Imaginarium I (*)	Warsaw	50	7	1	58
Mistral (*)	Warsaw	51	3	-	54
Galileo (**)	Poznań	37	30	165	232
Constans (**)	Warsaw	-	4	32	36
Imaginarium II (**)	Warsaw	-	36	29	65
Gardenia (**)	Warsaw	-	-	22	22
Gemini I (**)	Warsaw	-	8	151	159
Nautica (**)	Warsaw	-	27	121	148
Total		**319**	**132**	**529**	**980**

(*) For information on the completed projects see "Business highlights during the year ended 31 December 2008 – A. Results breakdown by project" (page 13).

(**) For information on the current projects under construction see "Outlook for 2009" (page 20 and 21).

C. Land purchase

The table below sets out the details of the three strips of land purchased by the Group during the year ended 31 December 2008:

Subsidiary	Project name	Location	Land strip m^2	Date of the final notarial deed	Acquisition price PLN (thousands)
Ronson Development Skyline Sp. z o.o.	Newton	Poznań	10,908	18/01/2008	8,181
Ronson Development Home Sp. z o.o.	Gardenia	Warsaw, Jozefoslaw	7,129	31/03/2008	4,300
Ronson Development North Sp. z o.o.	Osiedle Wislane	Warsaw, Lomianki	31,785	16/09/2008	21,000
Total			**49,822**		**33,481**

Newton

On 18 January 2008, Ronson Development Skyline Sp. z o.o. signed the final notarial deed for the purchase of a plot of land with an area of 10,908 m^2 located in Poznań. The Group is planning to build a housing project that will comprise 25 semi-detached units (50 apartments in total) with an aggregate floor space of 5,600 m^2.

Gardenia

On 31 March 2008, Ronson Development Home Sp.k. signed the final notarial deed for the purchase of a plot of land with an area of 7,129 m^2 located in Warsaw's suburbs, in Jozefoslaw. The construction of the Gardenia project commenced in August 2008 (for more information see "Outlook for 2009" on page 21).

Business highlights during the year ended 31 December 2008 (cont'd)

C. Land purchase (cont'd)

Osiedle Wislane

On 16 September 2008, Ronson Development North Sp. z o.o. signed the final notarial deed for the purchase of a plot of land with an area of 31,785 m^2 located in Warsaw's suburbs, in Lomianki. The Group is planning to build multifamily buildings that will comprise 500 apartments with an aggregate floor space of 30,000 m^2.

Aurora

Ronson Development West Sp. z o.o, ("R.D. West") concluded in June 2007 a preliminary sale and purchase agreement regarding four plots of land in Poznań (agreed total value amounting to PLN 62 million). The seller has not fulfilled conditions required to conclude transaction and thus the agreement expired. Currently R.D. West is in the process of enforcing the return of the advance payment amounting to PLN 12.4 million paid to the seller. The proceedings were commenced following the decision by the court affecting the enforcement clause. The claim of R.D. West is well secured and in addition to submission of the seller to the enforcement proceeding under par 777 of Polish Civil Proceeding Code, it also includes a mortgage on the land (which was subject of the said transaction) up to PLN 24.8 million.

D. Commencement of construction work

The table below presents information on five projects for which the construction work was commenced during the year ended 31 December 2008.

Project name	Location	Area of plot (m^2)	Total units	Total area of units (m^2)	Expected completion of construction
Constans (*)	Warsaw	36,377	36	10,100	2009
Imaginarium II (*)	Warsaw	7,042	65	4,700	2009
Gardenia (*)	Warsaw	7,129	22	3,700	2009
Gemini I (*)	Warsaw	3,929	159	12,800	2010
Nautica (*)	Warsaw	10,749	148	10,500	2010
Total		**65,226**	**430**	**41,800**	

(*) For further information on the current projects under construction see "Outlook for 2009" (page 20 and 21).

Overview of results

The Company's net income for the year ended 31 December 2008 was PLN 15,141 thousand and can be summarized as follows:

	For year ended 31 December	
	2008	2007
	PLN (thousands, except per share data)	
Revenue	77,347	129,588
Cost of sales	(43,367)	(69,851)
Gross profit	**33,980**	**59,737**
Selling and marketing expenses	(1,526)	(413)
Administrative expenses	(14,059)	(9,356)
Other income/(expense), net	(72)	360
Result from operating activities	**18,323**	**50,328**
Finance income	2,357	1,321
Finance expense	(1,159)	(1,156)
Net finance income	**1,198**	**165**
Profit before taxation	**19,521**	**50,493**
Income tax expense	(4,380)	(10,217)
Profit before minority interests	**15,141**	**40,276**
Minority interests	-	1,373
Profit attributable to equity holders of the company	**15,141**	**38,903**
Net earnings per share (basic and diluted)	**0.07**	**0.39**

Revenue
Total revenue decreased by 40.3% from PLN 129.6 million during the year ended 31 December 2007 to PLN 77.3 million during the year ended 31 December 2008, which is primarily explained by a decrease in apartments delivered to the customers in terms of area size (in m^2).

Cost of sales
Cost of sales decreased by 37.9% from PLN 69.9 million during the year ended 31 December 2007 to PLN 43.4 million during the year ended 31 December 2008, which is primarily explained by a decrease in apartments delivered to the customers in terms of area size (in m^2).

Administrative expenses
Administrative expenses increased by 50.3% from PLN 9.4 million for the year ended 31 December 2007 to PLN 14.1 million for the year ended 31 December 2008. The increase is primarily a result of:

- an increase in share-based payment expense (non-cash) that accrued from the long-term incentive plan of shares and share options for management and key employees, from PLN 0.8 million during the year ended 31 December 2007 to PLN 2.3 million during the year ended 31 December 2008;
- an increase in personnel expenses expense from PLN 3.0 million during the year ended 31 December 2007 to PLN 6.2 million during the year ended 31 December 2008. The increase in the personnel expense is primarily result of increase in the average number of employees, a general increase in average wages by 10% and an increase in the key management remuneration.

Overview of results (cont'd)

Results from operating activities

As a result of the factors described above, the Company's result from operating activities decreased by PLN 32.0 million from an operating profit of PLN 50.3 million for the year ended 31 December 2007 to an operating profit of PLN 18.3 million for the year ended 31 December 2008.

Net finance income

Finance income/(expense) is accrued and capitalized as part of the cost price of inventory to the extent this is directly attributable to the construction of residential units. Unallocated finance income/(expense) not capitalized is recognized in the income statement.

The table below shows the finance income/(expense) before capitalization into inventories and the total finance income/(expenses) capitalized into inventories:

	For the year ended 31 December 2008 PLN (thousands)		
	Total amount	**Amount capitalized**	**Recognized as profit or loss**
Finance income	2,696	339	2,357
Finance expense	(21,171)	(20,012)	(1,159)
Net finance (expense)/income	**(18,475)**	**(19,673)**	**1,198**

	For the year ended 31 December 2007 PLN (thousands)		
	Total amount	**Amount capitalized**	**Recognized as profit or loss**
Finance income	1,773	452	1,321
Finance expense	(11,106)	(9,950)	(1,156)
Net finance (expense)/income	**(9,333)**	**(9,498)**	**165**

Net finance expenses before capitalization increased by 98.0% from PLN 9.3 million for the year ended 31 December 2007 to PLN 18.5 million for the year ended 31 December 2008 which is primarily a result of an increase in loans and borrowings as well as higher interest rates.

Income tax

The income tax expense as a percentage of profit before taxation was 22.4% for the year ended 31 December 2008 compared to a 20.2% for the year ended 31 December 2007. This increase in income tax expense is partly due to the increase in tax losses for which no deferred tax asset was recognized as well as due to the increase in expense non-deductible for tax.

Minority interests

Minority interests for the period from 1 January 2007 to 31 December 2007 comprised the share of minority shareholders (20.9%) in the results of subsidiaries that were not 100% owned by the Company.

Since 27 September 2007, on which date GE Real Estate, the minority shareholder, assigned and contributed its shares and rights in a number of subsidiaries in exchange for a direct ownership in the Company, there is no minority interest remaining in the Company's subsidiaries. For an historical background and restructuring of the Company reference is made to the Notes to the Consolidated Financial Statements (Note 1 (a) on pages 36 and 37).

Selected financial data

PLN/EUR	Exchange rate of Euro versus the Polish Zloty			
	Average exchange rate	**Minimum exchange rate**	**Maximum exchange rate**	**Year end exchange rate**
2008 (12 months)	**3.513**	**3.203**	**4.185**	**4.172**
2007 (12 months)	3.784	3.938	3.567	3.582

Source: National Bank of Poland ("NBP")

Selected financial data	**EUR**		**PLN**	
	(thousands, except per share data and number of shares)			
	For year ended 31 December			
	2008	**2007**	**2008**	**2007**
Revenues	**22,016**	34,242	**77,347**	129,588
Gross profit	**9,672**	15,785	**33,980**	59,737
Profit before taxation	**5,557**	13,342	**19,521**	50,493
Profit attributable to equity holders of the parent company	**4,310**	10,280	**15,141**	38,903
Cash flows used in operating activities	**(16,223)**	(70,688)	**(56,995)**	(267,519)
Cash flows used in investment activities	**(1,065)**	(521)	**(3,742)**	(1,971)
Cash flows from financing activities	**8,036**	79,918	**28,231**	302,450
Decrease in cash and cash equivalents	**(9,253)**	8,643	**(32,506)**	32,709
Inventories of residential units	**138,292**	127,798	**577,010**	457,774
Total assets	**157,468**	167,092	**657,021**	598,524
Deferred income	**13,022**	15,329	**54,334**	54,907
Non-current liabilities	**35,350**	43,389	**147,494**	155,418
Current liabilities	**52,738**	47,776	**220,044**	171,133
Shareholders' equity	**69,380**	75,928	**289,483**	271,973
Share capital	**4,539**	4,533	**16,953**	16,933
Net earnings per share (basic and diluted)	**0.019**	0.103	**0.067**	0.388

Selected financial data were translated from PLN into EUR in the following way:

(i) Balance sheet data were translated using the average exchange rate published by the National Bank of Poland for the last day of the year / period.

(ii) Income statement and cash flows data were translated using the arithmetical average of average exchange rates published by the National Bank of Poland for the last day of every month within the reporting year / period.

Financial condition

Liquidity and capital resources

The Company funds its day-to-day operations principally from the cash flows used in and provided by its operating activities, shareholder loans and borrowings under its loan facilities.

The cash flow from financing activities totalled PLN 28.2 million and PLN 302.5 million for the years ended 31 December 2008 and 2007, respectively. The significant portion of cash flow from financing activities in 2007 was associated with the proceeds from the issue of new shares amounting to PLN 142.5 million (net of attributable costs) as well with a net inflow of bank loans and loans from related parties amounting to PLN 160.0 million. These cash flows have enabled the Company to expand its land bank and to proceed with the development of its residential projects whilst at the same time maintaining sufficient liquidity in the balance sheet. The total amount of cash and cash equivalents as at 31 December 2008 was PLN 39.3 million (31 December 2007: PLN 71.8 million).

Cash flows from operating activities

The Company's net cash outflow used in operating activities for the year ended 31 December 2008 amounted to PLN 57.0 million which compares to a net cash outflow used in operating activities during the year ended 31 December 2007 of PLN 267.5 million. The cash flows used in operating activities were mainly related to financing the purchases of land and the expenditures for construction of the increasing number of projects under development, which translated into a net increase of work in progress and finished projects by PLN 119.5 million and PLN 275.1 million during the years ended 31 December 2008 and 31 December 2007, respectively.

Cash flows from investing activities

The Company's investing activities is primarily related to maintaining collateralized short-term bank deposits that are held to serve as collateral for repayment of interest related to the credit facilities provided to a subsidiary. The cash outflow used in investing activities amounted to PLN 3.7 million and PLN 2.0 million for the years ended 31 December 2008 and 31 December 2007, respectively.

Debt and net debt position

As of 31 December 2008, the Company's total debt to banks and related parties amounted to PLN 282.7 million (31 December 2007: PLN 250.8 million), comprising secured bank loans amounting to PLN 225.1 million (31 December 2007: PLN 187.6 million). Taking into account the Company's available cash position at 31 December 2008 amounting to PLN 39.3 million (31 December 2007: PLN 71.8 million), the net debt position of the Company amounted to PLN 243.4 million at the end of 2008 (end of 2007: PLN 179.0 million).

Employees

The average number of personnel employed by the Company and its subsidiaries – on a fulltime equivalent basis – increased from 35 in 2007 to 45 in 2008. The increase is largely attributable to the increase in the number of projects under development by the Company's subsidiaries.

Research and development

The Company and its subsidiaries are not involved in any research and development activities.

Environmental protection

The Company, in conducting its business activities, undertakes to comply with all laws and regulations regarding use of land and protection of the natural environment. The Company is not a party to any pending proceedings regarding potential environmental protection violations.

Outlook for 2009

A. *Completed projects*

The table below presents information on the total residential units in the two completed projects that the Company expects to sell and deliver during the year 2009:

Project name	Location	Total units	Number of residential units sold (*) Until 31 December 2007	Number of residential units sold (*) During the year ended 31 December 2008	Number of residential units sold (*) Total	Number of residential units delivered (*) Until 31 December 2007	Number of residential units delivered (*) During the year ended 31 December 2008	Number of residential units delivered (*) Total	Number of residential units expected to be delivered (*) until 31 December 2009
Meridian (**)	Warsaw	206	181	17	198	157	39	196	10
Imaginarium I (**)	Warsaw	58	50	7	57	-	49	49	9
Total		**264**	**231**	**24**	**255**	**157**	**88**	**245**	**19**

(*) For the purpose of disclosing information related to the particular projects, the word "sell" ("sold") is used, that relates to signing the preliminary sale agreement with the client for the sale of the apartment; whereas the word "deliver" ("delivered") relates to transferring the key for the apartment to the client, which is the moment of revenue recognition by the Company as stated below:

Revenue is recognized upon the transfer to the buyer of significant risks and rewards of the ownership of the residential unit, i.e. upon signing of the protocol of technical acceptance and the transfer of the key to the residential unit.

(**) For information on the completed projects see Business highlights during the year ended 31 December 2008 (page 13).

B. *Current projects under construction*

The table below presents information on six projects for which completion is scheduled in 2009 and in 2010. The Company has obtained construction permits for all six projects and has commenced construction.

Project name	Location	Area of plot (m^2)	Total area of units (m^2)	Total units	Units sold until 31 December 2008	Expected completion of construction
Galileo	Poznań	8,598	16,100	232	67	2009
Constans	Warsaw	36,377	10,100	36	4	2009
Imaginarium II	Warsaw	7,042	4,700	65	36	2009
Gardenia	Warsaw	7,129	3,700	22	-	2009
Gemini I	Warsaw	3,929	12,800	159	8	2010
Nautica	Warsaw	10,749	10,500	148	27	2010
Total		**73,824**	**57,900**	**662**	**142**	

Galileo

Stage of development

Construction of the Galileo project commenced in February 2007 and is expected to be completed in the first quarter of 2009.

Description of project

The Galileo project is being developed on a land strip of 8,598 m^2 located in the city center district of Poznań. The Galileo housing project will comprise 5 six-storey apartment buildings with a total of 226 apartments and 6 commercial units with an aggregate floor space of 16,100 m^2. The size of the apartments varies from 52 m^2 to 112 m^2.

Constans

Stage of development

Construction of the Constans project commenced in February 2008 and is expected to be completed in the third quarter of 2009, with some units expected to be completed in the first half of 2009.

Description of project

The Constans housing project is being developed on a land strip of 36,377 m^2 located in Constans near Warsaw and will comprise 18 semi-detached units (total 36 apartments) with an aggregate floor space of 10,100 m^2.

Outlook for 2009 (cont'd)

B. Current projects under construction (cont'd)

Gardenia

Stage of development

Construction of the Gardenia project commenced in August 2008 and is expected to be completed in the third quarter of 2009.

Description of project

The Gardenia project is being developed on a land strip of 7,129 m^2 located in Józefosław near Warsaw. The Gardenia project, a single family housing (houses in a row) project, will comprise 22 units with an aggregate floor space of 3,700 m^2. The size of each unit varies from 160 m^2 to 175 m^2.

Imaginarium II

Stage of development

Construction of the Imaginarium II project commenced in July 2008 and is expected to be completed by the end of the second quarter of 2009.

Description of project

The Imaginarium II project is being developed on a land strip of 7,042 m^2 located in the Bielany district in Warsaw (Gwiazdzista Street) and is situated next to the Imaginarium I project. The project is a continuation of the Imaginarium I concept in terms of quality and design. The project is divided into 3 multifamily buildings with an aggregate usable floor space of 4,700 m^2 comprising 65 apartments with sizes varying from 40 m^2 to 115 m^2.

Gemini I

Stage of development

Construction of the Gemini I project commenced in October 2008 and is expected to be completed in the third quarter of 2010.

Description of project

The project is being developed on a land strip of 3,929 m^2 located in the Ursynów district in Warsaw (KEN street) situated next to the subway station Imielin. The project will comprise one multifamily building of 11 levels with a total of 151 apartments and 8 commercial units with an aggregate floor space of 12,800 m^2. The size of the apartments varies from 45 m^2 to 148 m^2.

Nautica

Stage of development

Construction of the Nautica project commenced in November 2008 and is expected to be completed in the in the second quarter of 2010.

Description of project

The Nautica project is being developed on a land strip of 10,749 m^2 located in the Ursynów district in Warsaw (Stryjenskich Street). The project will comprise 4 five-storey, multi-family residential buildings with a total of 147 apartments and 1 commercial unit and an aggregate floor space of 10,500 m^2. The size of the apartments varies from 33 m^2 to 127 m^2.

Outlook for 2009 (cont'd)

C. Projects that construction work is planned to commence during 2009

Imaginarium III

The Imaginarium III project will be developed on a land strip of 5,700 m^2 located in the Bielany district in Warsaw (Gwiazdzista Street) and is situated next to the Imaginarium I project. The project is a continuation of the Imaginarium I concept in terms of quality and design. The project is divided into 2 multifamily buildings with an aggregate usable floor space of 3,800 m^2 comprising 60 apartments. The Company is considering opening the project in 2009

Plejada

The Plejada project will be developed on a land strip of 39,604 m^2 located in Tulce in the suburbs of Poznań. The project will comprise 146 single family houses with an aggregate floor space of 22,500 m^2 and will be divided into 8 phases; a building permit has been obtained for 51 of the 146 houses.

The Company is considering opening the first phase of this project in 2009. The first stage is to be comprised of 18 houses.

Mozart

The Mozart project will be developed on a land strip of 30,200 m^2 located in Szczecin at Duńska Street. The project will comprise 499 apartments with an aggregate floor space of 33,500 m^2 and will be divided into 4 phases.

The Company is considering opening the first phase of this project in 2009. The first stage is to comprise 82 apartments.

Goya

The Goya project will be developed on a land strip of 14,039 m^2 located in the Grabiszyn district in Wrocław The project will comprise 190 apartments with an aggregate floor space of 13,600 m^2 and will be divided into 2 phases.

The Company is considering opening the first phase of this project in 2009. The first stage is to comprise 70 apartments.

Additional information to the report

Major shareholders

To the best of the Company's knowledge, as of the date of publication of this annual report (11 March 2009), the following shareholders are entitled to exercise over 5% of the voting rights at the General Meeting of Shareholders in the Company:

Shares

	As of 11 March 2009 Number of shares / % of shares	Increase Number of shares	As of 31 December 2008 Number of shares / % of shares	Increase Number of shares	As of 31 December 2007 Number of shares / % of shares
I.T.R. Dori B.V.	145,746,776	-	145,746,776	1,324,772	144,422,004
	64.2%		64.2%		63.6%
GE Real Estate CE Residential B.V.	41,800,000	-	41,800,000	-	41,800,000
	18.4%		18.4%		18.4%

Changes in ownership of shares and rights to shares by Management Board members in the year ended 31 December 2008 and until the date of publication of the report

Shares

On 24 June 2008, the Company issued 300,000 new shares with a nominal value of EUR 0.02 each, to Mr. Dror Kerem, the former president of the Management Board and the former 'Chief Executive Officer' of the Company, at the time. These shares were issued at nominal value in accordance with the right to these shares as granted to Mr. Kerem in 2007. Subsequently, the shares were assigned by Mr. Dror Kerem to Elgindat Holdings Limited, a limited liability company of which Mr. Dror Kerem is a managing director and co-owner. No further shares were issued to Mr. Kerem until his resignation on 10 October 2008. Other former and current members of the Management Board did not individually own or receive shares in the Company during the period from 31 December 2007 until 11 March 2009.

Shares options

The members of the Management Board did not individually receive rights to shares or options on shares in the Company during the period from 31 December 2007 until 11 March 2009. Rights to shares that were granted to individual members of the Management Board before 31 December 2007 but which have not been exercised as of the date of publication of this report are as follows:

- Mr. Dror Kerem: a right to subscribe for 240,000 shares in the capital of the Company with a nominal value of EUR 0.02 each, per year annually on each anniversary date of 5 November 2007 for five successive years, being in total 1,200,000 shares, for an issue price per share equal to 5.75 PLN, provided, however, that if the consulting agreement between Mr. Kerem and the Company is terminated (for any reason), Mr. Kerem's entitlement to the vesting of the options on the anniversary date of the year of such termination shall be relative to the proportion of the year (to the anniversary date) he was employed by the Company and, thereafter, any remaining options granted in accordance with the above are automatically cancelled. As Mr. Kerem stepped down as President of the Management Board and 'Chief Executive Officer' as of 10 October 2008 and will further resign from all his other functions within the Group as of 31 March 2009, 336,000 from the above-mentioned rights will vest as of 31 March 2009. The right to subscribe to the remaining 864,000 shares will be cancelled.
- Mr. Andrzej Gutowski: a right to subscribe to a total number of 150,000 shares in the capital of the Company with a nominal value of EUR 0.02 each, for an issue price per share equal to PLN 5.75, one third per year on the anniversary date of the date of 5 November 2007 for three successive years; and
- Mr. Ariel Bouskila: a right to subscribe to a total number of 150,000 shares in the capital of the Company with a nominal value of EUR 0.02 each, for an issue price per share equal to PLN 5.75, one third per year on the anniversary date of the date of 5 November 2007 for three successive years. As Mr. Bouskila stepped down as Management Board member as of 23 June 2008 and resigned from all his functions within the Group as the end of July 2008, the above-mentioned rights have been cancelled.

Additional information to the report (cont'd)

Changes in ownership of shares and rights to shares by Supervisory Board members in the year ended 31 December 2008 and until the date of publication of the report

The members of the Supervisory Board did not individually own any shares and/or rights to shares in the Company during the period from 31 December 2007 until 11 March 2009.

Changes in the Management Board in the year ended 31 December 2008 and until the date of publication of the report

The Annual General Meeting of Shareholders that took place on 23 June 2008 adopted a resolution:

- Appointing Mr. Tomasz Łapiński as managing director A and member of the Management Board for a term of four years and granting him the title 'Chief Financial Officer'. His appointment came into force as of the day of the adoption of the resolution.

  Mr. Łapiński replaced Mr. Ariel Bouskila, who stepped down as managing director A and 'Chief Financial Officer' effective on the day of the adoption of the resolution. By the end of July 2008, Mr. Ariel Bouskila ended all his functions within the Group without any additional significant costs for the Group.

The General Meeting of Shareholders that took place on 10 October 2008 adopted resolutions as follows:

- Appointing Mr. Shraga Weisman as managing director A and President of the Management Board effective the day of the meeting, for a term of four years and granting him the title 'Chief Executive Officer'. His appointment came into force as of the day of the adoption of the resolution.

  Mr. Weisman replaced Mr. Dror Kerem who stepped down as President of the Management Board and 'Chief Executive Officer' of the Company as of the day of the General Meeting of the shareholders. On 3 September 2008, the Company, its subsidiary Ronson Development Management Sp. o.o. ("Ronson Management"), Mr. Kerem and Elgindat Holdings Ltd., which is a company owned by Mr. Kerem ("Elgindat") concluded termination agreements whereby parties mutually agreed to terminate the consulting agreement entered into between the Company and Elgindat on 1 January 2008 and the employment agreement entered into between Mr. Kerem and Ronson Management on 1 January 2008. The termination of both agreements will be effective as of 31 March 2009. Mr. Kerem has agreed to continue to render agreed-upon services to the Company during the termination period and to co-operate with the new 'Chief Executive Officer' of the Company to ensure a smooth transition. Mr. Kerem shall be entitled to receive his remuneration as specified in the original employment and consulting agreements up until 31 March 2009.

- Appointing Mr. Karol Pilniewicz as managing director B and member of the Management Board effective the day of the meeting, for a term of four years. His appointment came into force as of the day of the adoption of the resolution.

  Mr. Pilniewicz replaced Mr. Karim Habra who resigned from his position as Management Board member (Director B) on the 3 September 2008. The resignation by Mr. Karim Habra is connected with his resignation as managing director of GE Real Estate Central and Eastern Europe, which company is an affiliate of GE Real Estate CE Residential B.V., one of the principal shareholders of the Company.

- Appointing Mr. Andrzej Gutowski as managing director A and member of the Management Board and granting him the title 'Sales and Marketing Director' effective the day of the meeting, for a term of four years. The resolution came into force on the day of its adoption.

Changes in the Supervisory Board members in the year ended 31 December 2008 and until the date of publication of the report

The Annual General Meeting of Shareholders held on 23 June 2008 adopted a resolution appointing Mr. Reuven Sharoni as a member of the Board of Supervisory Directors. His appointment came into force as of the day of the adoption of the resolution, for a term of four years.

Additional information to the report (cont'd)

Overview of the results during the three months ended 31 December 2008

Due to the fact that the Company is incorporated under of laws of Netherlands and due to the fact the EU Transparency Directive ("Directive") has been incorporated in Dutch law starting 1 January 2009, the Company decided to take advantage of the new Dutch regulations resulting from the adopted Directive. Among others, the new regulations do not impose on the Company the obligation to publish separately its financial results for the fourth calendar quarter if the Company is publishing the full year report within 4 months after year end. Nevertheless, due to the fact that the Company's shares are traded on the Warsaw Stock Exchange and taking into consideration potential expectations of the investors who may be interested in analysis of the Company's results for the fourth quarter 2008, the Board of Managing Directors decided to include the following information in this Directors' Report:

The Company's net income for the three months ended 31 December 2008 was PLN 590 thousand and can be summarized as follows:

	For the three months ended 31 December	
	2008	**2007**
	(Unaudited)	**(Unaudited)**
	PLN (thousands)	
Revenue	13,573	88,819
Cost of sales	(9,053)	(46,095)
Gross profit	**4,520**	**42,724**
Selling and marketing expenses	(835)	(24)
Administrative expenses	(2,963)	(2,677)
Other income/(expense), net	(499)	203
Result from operating activities	**223**	**40,226**
Finance income	762	548
Finance expense	(391)	(284)
Net finance income	**371**	**264**
Profit before taxation	**594**	**40,490**
Income taxes expense	(4)	(7,827)
Profit before for the period	**590**	**32,663**

Other

As of 31 December 2008, the Company has issued guarantees for bank loans granted to subsidiaries amounting to a total of PLN 45,563 thousand.

As of 31 December 2008, the Group has no litigation claims or liabilities that in total exceed 10% of the Group's equity.

The following net movements in the Group's main provisions took place during the year ended 31 December 2008:
- a decrease in the provision for deferred tax liabilities of PLN 6,422 thousand;
- an increase in the provision for ground work in work in progress of PLN 2,480 thousand;
- an increase in the provision for tax interest penalties of PLN 163 thousand.

Additional information to the report (cont'd)

Indemnity for Management Board members and Supervisory Board members

The Articles of Association of the Company provide for an indemnification for all directors of the Company (article 42). The members of the Supervisory Board and Management Board shall be reimbursed for (i) all reasonable costs of conducting a defence against claims based on acts or failures to act in the exercise of their duties, (ii) any damages or fines payable by them as a result of an act or failure to act in the exercise of their duties, and (iii) reasonable costs of appearing in other legal proceedings in which they are involved as current or former directors of the Company. No indemnification will be given to any director if it has been determined by a judgment which is no longer subject to appeal, that the act or failure to act is characterized as wilful misconduct or gross negligence. Resolutions to award the indemnification are to be disclosed in the Annual Accounts of the Company. Adoption of the Annual Accounts will be considered to be approval of such resolutions, unless the General Meeting of Shareholders decides otherwise.

Risk factors

The Company's business is subject to numerous risks, such as risks related to its business and strategy, its employees and growth, regulatory approval and other government regulations, and its financial condition.

Risk factors which are specific to the Company:

- The Company may be unable to sell the residential units that it builds at attractive prices. The value of a residential property depends to a large extent on its location, architectural design and standard of construction. If the Company misjudges the desirability of a property's location or its design, it may not be able to sell the property at the budgeted price or at all. If the Company is required to reduce the sales price to attract purchasers, the market value of the property could be significantly reduced and the Company's margins could decrease below profitable levels.
- Risk associated with the acquisition of further land and identifying profitable development projects includes the risk of stronger competition in the real estate market, the risk of a slow process of obtaining permits, the absence of local zoning plans and the limited availability of land with the appropriate infrastructure.
- Risk associated with access to financing for the Company's potential clients as well as to the Company.
- The Company faces significant competition from other developers. Competition may lead to, among other things, either to an over-supply of residential properties through over-development or to an increase in land prices.
- Risk associated with the concentration of the Company's activities in Warsaw.
- Risk associated with the lack of diversification outside the residential segment.
- Risk associated with the lack of comparable financial and operating history.
- Risk associated with the Company's inability to effectively manage its expansion and the consequences of its internal and external growth.
- Risk associated with unsuccessful geographical expansion of the Company's business in Poland.
- The Company is dependent on senior members of the management, especially the members of the Management Board. The departure of few members of the Management Board and/or other key employees within short period of time could have an adverse effect on the ability of the Company to conduct its activities.
- Risk associated with attracting and retaining sufficiently qualified management personnel.
- Risk associated with restrictive covenants in the Company's credit agreements. Events beyond its control could result in the Company not being able to comply with such covenants and, as a result, constitute an event of default under the credit agreements. If an event of default under a credit agreement were to occur, the Company may be forced to repay the outstanding amount of the loan earlier than planned.

Risk factors which are specific to the Company's industry:

- Risk associated with obtaining administrative consents. The Company cannot guarantee that any permits, consents or permissions required from various government entities in connection with existing or new development projects will be obtained by the Company in a timely manner or, what is less likely, will be obtained at all, or that any current or future permits, consents or permissions will not be withdrawn.
- Risk associated with the completion of development projects. This risk includes, in particular, the delay or failure to receive permits required for the sites to be used in accordance with the Company's plans, delays in the completion of construction, costs that exceed those budgeted because of unfavorable weather conditions, the insolvency of contractors or subcontractors, labor disputes at the contractor or subcontractor level, increases of prices and shortages of construction materials or equipment, accidents or unforeseen technical difficulties, the inability to obtain permits needed to bring the building or buildings into use or other required permits, or changes in the regulations relating to land use.

Additional information to the report (cont'd)

Risk factors (cont'd)

Risk factors which are specific to the Company's industry (cont'd):

- Risk associated with the Company's dependence on contractors. The Company uses specialist construction companies for most of the construction work on its various projects. The Company cannot guarantee the correct and timely performance of the contracted works by the contractors. This may cause delays in the completion of individual projects and consequently increase the costs of their completion. Moreover, contractors may develop liquidity problems which may affect the quality and timely completion of the works commissioned by the Company.
- Risk associated with the shortage of properly qualified labor workers.
- Risk associated with the cyclicality of the real estate residential development market.
- Risk associated with claims from contractors.
- Risk associated with increases in operating and other costs including, but not limited to the following factors: inflation; increases in taxes and other statutory charges; changes in the law, regulations or government policies (including those relating to health and safety at work and environmental protection) which increase the costs of compliance with such laws, regulations or policies; and increases in the cost of borrowing. In light of the growing competition on the Polish real estate market, the Company could also be faced with increased marketing costs.
- Risk associated with increases in project costs. The Company has entered into, and will enter into, construction agreements with general contractors to build the Company's development projects. The costs of these projects can vary due to: changes in the scope of a given project and in its architectural design; increases in the cost of building materials and of labor costs; the contractors not completing the works within the agreed term and to a standard which is acceptable to the Company.
- Risk associated with additional financing requirements.
- Risk associated with debt gearing.
- Risk associated with liability regarding protection of the environment.
- Risk associated with adverse site or ground conditions.
- Risk associated with infrastructure.
- Risk associated with using improper construction technology.
- Risk associated with material losses in excess of insurance pay-outs.
- Risk associated with the potential liability in connection with post-construction obligations.
- Risks associated with the Company's agreements containing clauses prohibited by law as well as the enactment of the Act on Protecting Purchasers in Real Estate Development Transactions.
- Risk associated with the potential increase of the VAT rate in Poland.
- Risk associated with the Company's inability to detect and prevent fraud or other misconduct committed by its employees or third parties.

Risks related to Poland:

- Developing legal and regulatory framework in Central and Eastern European countries.
- Economic and political risk.
- Risks related to difficulties in effecting service of legal process and enforcing judgments against the Company and its management.
- Risk associated with inefficiency of the land and mortgage registry system.
- Risk associated with restitution.

Risk factors relating to the Company's Structure:

- The interests of the Company's controlling shareholder may conflict with those of minority shareholders.
- Exercise of certain shareholders' rights and tax treatment for non-Dutch investors in a Dutch company may be more complex and costly.

Additional information to the report (cont'd)

Statement relating to the system of internal control

In line with best practice provision II.1.4 of the Dutch Code and bearing in mind the recommendations of the Monitoring Committee Corporate Governance Code, the Company issues a declaration about the effectiveness of the system of internal control of the processes on which the financial reporting is based.

In 2008, the Management Board assessed the effectiveness of the system of internal controls for financial reporting. During the investigation on which this assessment was based, no shortcomings were identified that might possibly have a material impact on the financial reporting. On the basis of the results of the above assessment and the risk analyses that were carried out at the Company within the framework of governance and compliance, the Management Board is of the opinion - after consulting with the Audit Committee and with the approval of the Supervisory Board - that the system of internal controls provides a reasonable degree of certainty that the financial reporting contains no inaccuracies of material importance. An inherent element in how people and organisations work together in a dynamic world is that systems of internal control cannot provide an absolute degree (though they can provide a reasonable degree) of certainty as regards the prevention of material inaccuracies in the financial reporting and the prevention of losses and fraud.

In our view the system of internal controls, focused on the financial reporting, functioned effectively over the past year. There are no indications that the system of internal controls will not function effectively in 2009.

Directors Representation statement

In conjunction with the EU Transparency Directive as incorporated in Chapter 5.3 of the Dutch Financial Markets Supervision Act (*Wet op het financieel toezicht*) the Management Board therefore confirms to the best of its knowledge that:

- the Annual Financial Statements for the year ended 31 December 2008 give a true and fair view of the assets, liabilities, financial position and profits and loss of the Company and its subsidiaries,
- the additional management information disclosed in the Annual Report gives a true and fair view of the Company and its subsidiaries as at 31 December 2008 and the state affairs during the financial year to which the report relates, and
- the annual report describes the principal risk facing the Company. These are described in detail in this Director's Report.

Representation concerning election of the Company's auditor

The Management Board confirms that the Company's auditor has been elected according to applicable rules and the audit firm and its registered accountants engaged in the audit of the financial statements of Ronson Europe N.V. meet the objectives to present an objective and independent report.

The Management Board

Shraga Weisman Chief Executive Officer Director A	**Tomasz Łapiński** Chief Financial Officer Director A	**Andrzej Gutowski** Sales and Marketing Director Director A
Amos Weltsch Director B	**David Katz** Director B	**Karol Pilniewicz** Director B

Rotterdam, 11 March 2009

To: The Annual General Meeting of Shareholders of Ronson Europe N.V.

AUDITOR'S REPORT

Report on the financial statements

We have audited the accompanying 2008 financial statements of Ronson Europe N.V., Rotterdam as set out on pages 31 to 86. The financial statements consist of the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated balance sheet as at 31 December 2008, the income statement, statement of changes in shareholders’ equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes. The company financial statements comprise the company balance sheet as at 31 December 2008, the company income statement, statement of changes in shareholders’ equity and the statement of cash flows for the year then ended and the notes**.**

Management's responsibility

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the directors’ report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Ronson Europe N.V. as at 31 December 2008, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of Ronson Europe N.V. as at 31 December 2008, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part f of the Netherlands Civil Code, we report, to the extent of our competence, that the directors' report set out on pages 12 to 28 is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Amstelveen, 11 March 2009

KPMG ACCOUNTANTS N.V.

P. Mizrachy RA

Consolidated Income Statement

For the year ended 31 December		2008	2007
In thousands of Polish Zlotys (PLN)	***Note***		
Revenue	*6*	77,347	129,588
Cost of sales		(43,367)	(69,851)
Gross profit		**33,980**	**59,737**
Selling and marketing expenses		(1,526)	* (413)
Administrative expenses	*7,8*	(14,059)	* (9,356)
Other (expense)/income, net		(72)	* 360
Result from operating activities		**18,323**	**50,328**
Finance income	*9*	2,357	1,321
Finance expense	*9*	(1,159)	(1,156)
Net finance income		**1,198**	**165**
Profit before taxation		**19,521**	**50,493**
Income tax expense	*10*	(4,380)	(10,217)
Profit for the period		**15,141**	**40,276**
Attributable to:			
the equity holders of the company		15,141	38,903
minority interests	*21*	-	1,373
Profit for the period		**15,141**	**40,276**
Net earnings per share (basic and diluted)	*20*	**0.07**	**0.39**

* Reclassified for comparison purposes (see note 3(v)).

The notes on pages 36 to 78 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31 December		**2008**	**2007**
In thousands of Polish Zlotys (PLN)	***Note***		
Assets			
Property and equipment	*11*	1,017	807
Long-term finance lease receivable	*13*	692	590
Deferred tax assets	*14*	2,149	1,348
Total non-current assets		**3,858**	**2,745**
Inventories of residential units	*15*	577,010	457,774
Trade and other receivables	*16*	31,409	* 64,424
Income tax receivable		378	-
Cash and cash equivalents	*17*	39,323	71,829
Short-term bank deposits - collateralized	*18*	5,043	* 1,752
Total current assets		**653,163**	**595,779**
Total assets		**657,021**	**598,524**
Equity			
Shareholders' equity	*19*		
Share capital		16,953	16,933
Share premium reserve		215,105	215,105
Retained earnings		57,425	39,935
Total shareholders' equity		**289,483**	**271,973**
Liabilities			
Loans and borrowings	*22*	144,167	145,669
Deferred tax liability	*14*	3,327	9,749
Total non-current liabilities		**147,494**	**155,418**
Loans and borrowings	*22*	138,585	105,175
Provisions	*23*	3,144	501
Deferred income	*24*	54,334	54,907
Trade and other payables	*25*	23,832	* 10,463
Income tax payable		149	* 87
Total current liabilities		**220,044**	**171,133**
Total liabilities		**367,538**	**326,551**
Total equity and liabilities		**657,021**	**598,524**

* Reclassified for comparison purposes (see note 3(v)).

The notes on pages 36 to 78 are an integral part of these consolidated financial statements

Consolidated Statement of Changes in Shareholders' Equity

For the years ended 31 December 2008 and 31 December 2007:

In thousands of Polish Zlotys (PLN)	Owners' net investment / Equity attributable to equity holders of the parent	Minority interests	Retained earnings	Share capital	Share premium reserve	Total equity (invested)
Balance of combined equity invested in the subsidiaries of Ronson Group at 1 January 2007	106,036	18,711	-	-	-	124,747
Net profit for year ended 31 December 2007	(226)	1,373	39,129	-	-	40,276
Net contribution in kind of assets and liabilities and issue of shares upon establishment of the Company (1)	(105,810)	-	-	172	91,878	(13,760)
Net contribution in kind of assets and issue of new shares (2)	-	(20,084)	-	45	20,084	45
Exclusion of a subsidiary from consolidation (3)	-	-	-	-	(22,360)	(22,360)
Share-based payment (see note 19(c))	-	-	806	-	-	806
Capital payment	-	-	-	-	700	700
Issue of new shares in exchange of share premium reserve	-	-	-	14,772	(14,772)	-
Issue of new shares (4)	-	-	-	1,944	139,575	141,519
Balance at 31 December 2007	**-**	**-**	**39,935**	**16,933**	**215,105**	**271,973**
Net profit for year ended 31 December 2008	-	-	15,141	-	-	15, 141
Issue of new shares (5)	-	-	-	20	-	20
Share-based payment (see note 19(c))	-	-	2,349	-	-	2,349
Balance at 31 December 2008	**-**	**-**	**57,425**	**16,953**	**215,105**	**289,483**

(1) On 29 June 2007, the Company issued 45,000 shares (establishment shares) with a par value of EUR 1 per share (PLN 172 thousand) to ITR Dori, that were subsequently split on 29 September 2007 into 2,250,000 shares with a par value of EUR 0.02 per share.
Following the incorporation of the Company, the sole shareholder and founder of the Company, ITR Dori, assigned and contributed to the Company, on 29 June 2007, its shares and rights to shares in 36 Polish companies at book value, which amounted to PLN 105,810 thousand as well as a liability under a loan agreement between ITR Dori and Ronson Development Residential Sp. z o.o., one of the Polish entities in which the shares were transferred to the Company. The principal amount under the loan agreement of which the liability was contributed plus accrued interest as at 29 June 2007, amounted to PLN 13,932 thousand. The net effect of the contribution is a decrease of PLN 13,760 thousand as presented above.

(2) On 27 September 2007, the Company issued 11,890 shares with a par value of EUR 1 per share (PLN 45 thousand) to GE Real Estate, the minority shareholder that split these shares on 29 September 2007 into 594,500 shares with a par value of EUR 0.02 per share.
As part of the process of combining the Ronson Group activities under Ronson Europe, GE Real Estate made a contribution in kind of its shares held in certain Polish Ronson subsidiaries at book value, which amounted to PLN 20,084 thousand. The net effect of the contribution is an increase of PLN 45 thousand as presented above.

(3) Excluding Brighton Tec from the consolidation:
Initially, Brighton Tec owned the land at Klobucka Street in district Mokotów in Warsaw. On 26 September 2007, the land was sold to Landscape, a wholly-owned subsidiary of the Company. Subsequently, the Group ceased to consolidate Brighton Tec (for more information see note 1(c)).

(4) On 24 October 2007, the Company completed an initial public offering of its shares on the Warsaw Stock Exchange, having sold 26.6 million new shares at an offering price of PLN 5.75 per share. From the total proceeds received of PLN 153,333 thousand, the Group deducted an amount of PLN 11,814 thousand representing the total costs directly attributed to the initial public offering. Those costs represent mainly underwriters' legal, advisory and accounting fees, and costs related to the initial public offering road show, related public relations and marketing.

(5) On 24 June 2008, the Company issued 300,000 new ordinary shares with a nominal value of EUR 0.02 each to Mr. Dror Kerem, the former president of the Management Board and the former Chief Executive Officer of the Company. The shares were issued to Mr. Dror Kerem at nominal value for a total amount of EUR 6 thousand (PLN 20 thousand) in accordance with the rights to shares in the Company granted to Mr. Dror Kerem in 2007.

The notes on pages 36 to 78 are an integral part of these consolidated financial statements

Consolidated Statement of Cash Flows

For the year ended 31 December		2008	2007
In thousands of Polish Zlotys (PLN)	***Note***		
Cash flows from operating activities			
Profit for the period		15,141	40,276
Adjustments to reconcile profit for the period to net cash used in operating activities:			
Depreciation	*11*	515	509
Net finance expense/(income),net	*9*	18,475	* 9,333
Loss on sale of property and equipment		16	-
Share based payments	*19*	2,349	806
Income tax expenses	*10*	4,380	* 10,217
		40,876	61,141
Decrease/(increase) in finished goods		41,941	68,975
Decrease/(increase) in work in progress		(161,467)	(344,060)
Decrease/(increase) in trade and other receivables		32,824	* (43,055)
Increase/(decrease) in trade and other payables		13,369	* (5,485)
Increase/(decrease) in provisions	*23*	2,643	-
Increase/(decrease) in deferred income		(573)	3,917
		(30,387)	(258,567)
Interest paid		(17,474)	* (8,228)
Interest received		2,696	* 1,374
Income tax paid		(11,830)	* (2,098)
Net cash used in operating activities		**(56,995)**	**(267,519)**
Cash flows from investing activities			
Acquisition of property and equipment	*11*	(500)	(219)
Short-term bank deposits – collateralized		(3,291)	* (1,752)
Proceeds from sale of property and equipment		49	-
Net cash used in investing activities		**(3,742)**	**(1,971)**
Cash flows from financing activities			
Proceeds from new shares issued	*19*	20	154,250
Costs directly attributed to the new shares issued	*19*	-	(11,814)
Proceeds from bank loans, net of bank charges		54,107	179,985
Proceeds from related-party loans		-	36,442
Repayment of bank loans		(18,280)	(25,856)
Repayment of related-party loans		(7,616)	(30,557)
Net cash from financing activities		**28,231**	**302,450**
Net effect of excluding a subsidiary from consolidation (see page 35)		-	(251)
Net change in cash and cash equivalents		**(32,506)**	**32,709**
Cash and cash equivalents at beginning of the year		71,829	39,120
Cash and cash equivalents at end of the year	*17*	**39,323**	**71,829**

* Reclassified for comparison purposes.

The notes on pages 36 to 78 are an integral part of these consolidated financial statements

Consolidated Statement of Cash Flows (cont'd)

Net cash effect due to exclusion of a subsidiary from consolidation as described in Note 1(c)

In thousands of Polish Zloty (PLN)	***2007***
Non-current assets	45,408
Current assets	753
Equity	(22,360)
Non-current liabilities	(16,677)
Current liabilities	(7,375)
Total	**(251)**

Notes to the Consolidated Financial Statements

1. Background and business of the Company

(a) Ronson Europe N.V. ("the Company"), a Netherlands limited liability company with its statutory seat in Rotterdam, the Netherlands, was incorporated on 18 June 2007. The Company (together with its Polish subsidiaries "the Group"), is active in the development and sale of units, primarily apartments, in multi-family residential real-estate projects to individual customers in Poland. The Group also leases real estate to third parties.

The shares of the Company are traded on the Warsaw Stock Exchange since 5 November 2007. As at 31 December 2008, 64.2% of the outstanding shares are held by I.T.R. Dori B.V. ("ITR Dori"), 18.4% of the outstanding shares are held by GE Real Estate CE Residential B.V. ("GE Real Estate") and the remaining 17.4% of the outstanding shares are held by the public.

The Ronson Group was originally set up in 2000 by a group of investors to develop residential properties in Poland. At the time, Israel Theatres Ltd. and U. Dori Engineering Works Corp Ltd, formed a Dutch holding company called ITR Dori, to subscribe for 50% in the share capital of the Ronson Group. Both Israel Theatres Ltd. and U. Dori Engineering Works Corp Ltd. held 50% of the shares in ITR Dori. Within the Ronson Group, for each project a separate company domiciled in Poland was established. Each of these companies, in which ITR Dori directly owned 50% of the shares, held all the assets and liabilities of the relevant project. The remaining 50% ownership in those companies was held by non-related parties and accordingly ITR Dori had no control over the Ronson entities.

On 19 January 2006, ITR Dori acquired the remaining 50% of the equity in each of the Polish companies from the other shareholders, after which ITR Dori became the sole shareholder of each Polish company of the Ronson Group.

In November 2006, General Electric Company Inc., through its wholly-owned subsidiary, Gator Investments Sp. z o.o., invested in the Ronson Group in cash, buying 20.9% of the shares in a number of the Polish companies, specifically in those companies that were directly related to the development of residential projects.

Following the incorporation of the Company, the sole shareholder and founder of the Company, ITR Dori, assigned and contributed to the Company, on 29 June 2007, its shares and rights to shares in 36 Polish companies as well as a liability under a loan agreement between ITR Dori and Ronson Development Residential Sp. z o.o., one of the Polish companies in which the shares were transferred to the Company. The principal amount under the loan agreement of which the liability was contributed plus accrued interest as at 29 June 2007, amounted to PLN 13,932 thousand.

On 26 September 2007, the 20.9% minority interest in the Polish companies was transferred from Gator Investments Sp. z o.o. to GE Real Estate, a Dutch holding company. Both of these companies are wholly owned by General Electric Company Inc.

On 27 September 2007, GE Real Estate contributed its shares in the Polish companies to the Company, in exchange for 11,890 new shares with a par value of EUR 1 per share. Following this contribution, as of 27 September 2007, ITR Dori held 79.1% of the equity in the Company and GE Real Estate the remaining 20.9%.

On 29 September 2007, the General Meeting of Shareholders of the Company resolved to split the 56,890 shares with a par value of EUR 1 per share into 2,844,500 shares with a par value of EUR 0.02 per share.

On 10 October 2007, the General Meeting of the Shareholders of the Company resolved to issue 197,155,500 shares with a par value of 0.02 EUR. The share capital was paid up through a charge to the available share premium reserve.

Notes to the Consolidated Financial Statements

1. Background and business of the Company (cont'd)

On 24 October 2007, the Company completed a successful initial public offering of its shares on the Warsaw Stock Exchange, having issued and sold 26.7 million new shares at an offering price of PLN 5.75 per share, whereas ITR Dori sold 13.7 million existing shares at an offering price of PLN 5.75 per share. Following the initial public offering, the Company had a total market capitalisation of over PLN 1.3 billion. The Company's shares trade under the symbol "RON".

The net proceeds from the shares issued during the initial public offering on 24 October 2007 are used for (i) the realization of the Company's development plans throughout Poland, including the building of a portfolio of real estate properties through the purchase of real estate for future projects and (ii) the repayment of a portion of existing bank debt and shareholder loans.

(b) The Consolidated Financial Statements of the Ronson Group as of and for the year ended 31 December 2007 are presented for comparative purposes and have been included from 1 January 2007 reflecting the fact that control by the Group and its owners effectively existed throughout the year ended 31 December 2007 taking into account minority interests in the individual entities of the Group as per these dates. All balances between the entities in the Group as of 31 December 2007 as well as all transactions during the year ended 31 December 2007 have been eliminated.

(c) Brighton Tec Sp. z o.o. ("Brighton"), a Polish company and a wholly-owned subsidiary of ITR Dori, which owned the Group's investment property, was included in the Company's Consolidated Financial Statements until 30 June 2007. On 26 September 2007, the transfer of the legal ownership of the investment property from Brighton to Ronson Development Landscape Sp.k., a limited partnership and part of the Group, was completed. After the sale of assets, Brighton does not perform any operating activities and, accordingly, is no longer consolidated in the Consolidated Financial Statements. Once the acquisition of this property was completed, the use of this property has changed – Ronson Development Landscape Sp.k. initiated activities aimed at preparing the acquired property for development in a real-estate project.

Notes to the Consolidated Financial Statements

1. Background and business of the Company (cont'd)

(d) Detailed below are the Polish companies whose financial statements have been included in these Consolidated Financial Statements, the year of incorporation and the percentage of ownership and voting rights directly held by the Company as at 31 December 2008:

	Entity name	Year of incorporation	Share of ownership & voting rights (end of period)
a.	**held directly by the Company :**		
1.	Ronson Development Management Sp. z o.o.	1999	100.0%
2.	Ronson Development 2000 Sp. z o.o.	2000	100.0%
3.	Ronson Development Warsaw Sp. z o.o.	2000	100.0%
4.	Ronson Development Investments Sp. z o.o.	2002	100.0%
5.	Ronson Development Metropol Sp. z o.o.	2002	100.0%
6.	Ronson Development Properties Sp. z o.o.	2002	100.0%
7.	Ronson Development Apartments Sp. z o.o.	2003	100.0%
8.	Ronson Development Residential Sp. z o.o.	2003	100.0%
9.	Ronson Development Enterprise Sp. z o.o.	2004	100.0%
10.	Ronson Development Company Sp. z o.o.	2005	100.0%
11.	Ronson Development Creations Sp. z o.o.	2005	100.0%
12.	Ronson Development Buildings Sp. z o.o.	2005	100.0%
13.	Ronson Development Structure Sp. z o.o.	2005	100.0%
14.	Ronson Development Poznań Sp. z o.o.	2005	100.0%
15.	Ronson Development Innovation Sp. z o.o. (1)	2006	100.0%
16.	Ronson Development Wroclaw Sp. z o.o.	2006	100.0%
17.	Ronson Development Capital Sp. z o.o.	2006	100.0%
18.	EEE Development Sp. z o.o.	2006	100.0%
19.	Ronson Development Habitat Sp. z o.o.	2006	100.0%
20.	Ronson Development Sp. z o.o. (General partner, see (2))	2006	100.0%
21.	Ronson Development Construction Sp. z o.o. (Limited partner, see (2))	2006	100.0%
22.	Ronson Development City Sp. z o.o. (no activities at 31 December 2008)	2006	100.0%
23.	Ronson Development Village Sp. z o.o. (1)	2007	100.0%
24.	Ronson Development Conception Sp. z o.o. (1)	2007	100.0%
25.	Ronson Development Architecture Sp. z o.o.	2007	100.0%
26.	Ronson Development Skyline Sp. z o.o. (1)	2007	100.0%
27.	Ronson Development Continental Sp. z o.o. (1)	2007	100.0%
28.	Ronson Development Universal Sp. z o.o. (1)	2007	100.0%
29.	Ronson Development Retreat Sp. z o.o.	2007	100.0%
30.	Ronson Development South Sp. z o.o. (1)	2007	100.0%
31.	Ronson Development West Sp. z o.o. (1)	2007	100.0%
32.	Ronson Development East Sp. z o.o. (no activities at 31 December 2008) (1)	2007	100.0%
33.	Ronson Development North Sp. z o.o. (1)	2007	100.0%
34.	Ronson Development Providence Sp. z o.o.	2007	100.0%
35.	Ronson Development Destiny Sp. z o.o. (no activities at 31 December 2008) (1)	2007	100.0%
36.	Ronson Development Millenium Sp. z o.o. (no activities at 31 December 2008) (1)	2007	100.0%
b.	**held indirectly by the Company :**		
1	Ronson Development Community Sp.k. (2)	2007	100.0%
2	Ronson Development Estate Sp.k. (no activities at 31 December 2008) (2)	2007	100.0%
3	Ronson Development Home Sp.k. (2)	2007	100.0%
4	Ronson Development Horizon Sp.k. (no activities at 31 December 2008) (2)	2007	100.0%
5	Ronson Development Landscape Sp.k. (2)	2007	100.0%
6	Ronson Development Town Sp.k. (no activities at 31 December 2008) (2)	2007	100.0%
7	AGRT Sp. z o.o.	2007	100.0%

The projects managed by the companies are in various stages of development ranging from being in the process of acquiring land for development to projects which are completed or near completion.

(1) The Company has the power to govern the financial and operating policies of this entity and to obtain benefits from its activities, whereas Kancelaria Radcy Prawnego Jaroslaw Zubrzycki holds the legal title to the shares of this entity.

(2) The companies above are held by Ronson Development Construction Sp. z o.o., a limited partner holding a 99% interest, and Ronson Development Sp. z o.o., a General partner holding a 1% interest.

Notes to the Consolidated Financial Statements

2. Basis of preparation and measurement

(a) Basis of preparation and statement of compliance

These Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS") as well as in accordance with article 362.9 of the Netherlands Civil Code. The Company has adopted the standards and interpretations with an effective date before 1 January 2008.

The Consolidated Financial Statements were authorised by the Boards of Directors of Ronson Europe N.V. on 11 March 2009.

The comparative figures in the Consolidated Income Statements been prepared by aggregating the individual income statements of the entities in the Group for the year ended 31 December 2007 taking into account minority interests in the individual entities of the Group during this period. All balances and transactions between the entities in the Group have been eliminated.

(b) Basis of measurement

The Consolidated Financial Statements have been prepared on the historical cost basis except for investment property which was measured at fair value. The methods used to measure fair values are discussed further in notes 12 and 26.

(c) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

The Consolidated Financial Statements are presented in thousands of Polish Zloty ("PLN") which is the Group's functional and presentation currency. Although the Company is Dutch Company, it operates mainly in Poland.

Transactions in currencies other than the functional currency are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in currencies other than the functional currency are recognized in the income statement.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Notes to the Consolidated Financial Statements

2. Basis of preparation and measurement (cont'd)

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements, are described in the following notes:

- Note 12 – valuation of investment property
- Note 13 – long-term finance lease receivable
- Note 14 – utilization of tax losses
- Note 26 – valuation of financial instruments

3. Significant accounting policies

The accounting policies set out below have been applied consistently in all periods presented in these Consolidated Financial Statements.
Certain comparative amounts have been reclassified to conform with the current year's presentation.

(a) Basis of preparation of the consolidated financial statements

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated statements from the date that control commences until the date that control ceases.

(ii) Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Ronson Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established. For this purpose comparatives are restated. The assets and liabilities acquired under common control are recognized at the historical carrying amounts. Any difference between the carrying value and the cash paid for the acquisition is recognized directly in the equity.

(iii) Transactions eliminated on combination

Intra-group balances and transactions, and any unrealized gains and losses arising (to the extend there is no evidence of impairment) from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions using:

- the purchase or selling rate of the bank whose services are used by the Group – in case of foreign currency sales or purchase transactions, as well in the case as of the debt or liability payment transactions;

- the average rate specified for a given currency by the National Bank of Poland as on the transaction date, unless a customs declaration or other binding document indicates another rate – in case of other transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Foreign currency differences arising on retranslation are recognized in the income statement.

Notes to the Consolidated Financial Statements

3. Significant accounting policies (cont'd)

(c) Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments of the Group comprise loans granted, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognized initially at cost plus any directly attributable transaction costs, except as described below.

A financial instrument is recognized if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognized if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognized if the Group's obligations specified in the contract expire, or are discharged or cancelled.

Cash and cash equivalents comprise cash on hand and on-call deposits. Cash equivalents are short-term highly liquid investments that readily convert to a known amount of cash and which are subject to insignificant risk of changes in value.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Non-derivative financial instruments are classified into one of the following categories:

- Loans and receivables.
- Other financial liabilities.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are classified as current assets, provided their maturity does not exceed 12 months after the balance sheet date. Loans and receivables with maturities exceeding 12 months from the balance sheet date are classified under non-current assets. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest method less any allowance for impairment. Gains and losses are recognized in the income statement when the loans and receivables are derecognized or impaired, as well as, through the amortization process.

Other financial liabilities

Other financial liabilities are measured at amortized cost using the effective interest method less any impairment losses and are valued at amortized cost not later than at the end of the reporting period.

Notes to the Consolidated Financial Statements

3. Significant accounting policies (cont'd)

(d) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

Repairs and renewals are charged to the income statement when the expenditure is incurred. Major improvements are capitalized when incurred, providing that they increase the future economic benefits embodied in the item of property and equipment.

When components of an item of property and equipment have different useful lives, they are accounted for as separate items of property and equipment.

(ii) Subsequent costs

The cost of replacing part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognized in the income statement as incurred.

(iii) Depreciation

Depreciation is calculated on the straight-line basis over the estimated useful life of each component of an item of property and equipment.

The estimated useful life of property and equipment, depending on the class of asset, ranges from 3 to 7 years. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Depreciation methods, useful lives and residual values are reassessed at the reporting date. Depreciation is calculated starting from the month following the month in which an asset is brought into use.

(e) Investment property

Investment property is property held either to earn rental income, for capital appreciation, or both. Investment property is measured at fair value with any changes therein recognized in the income statement.

Fair value is calculated annually by an independent appraiser, having an appropriate recognized professional qualification, based on active market prices, adjusted if necessary for any differences in the nature, location or condition of the specific asset. If this information is not available, alternative valuation methods, such as recent prices of less active markets, are applied.

Investment property is de-recognized when disposed of or permanently withdrawn from use and no future benefits are expected from its disposal. Gains or losses on de-recognition of investment property are recognized in the income statement for the year in which such de-recognition took place.

Notes to the Consolidated Financial Statements

3. Significant accounting policies (cont'd)

(f) Leases

(i) Finance leases – lessee accounting

Leases in which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

(ii) Finance leases – lessor accounting

The Group is the lessor of a building to a third party under an agreement that is classified as a finance lease.

The gross investment in the lease equals the sum of minimum lease payments less building maintenance costs to be paid by the Group. The net investment in finance leases represents the difference between the gross investment in the lease and unearned income.

The principal portion of lease payments received subsequently reduces the initial net investment in the finance leases.

(g) Inventories of residential units

Inventories consist of multi-family residential real estate projects to individual customers.
Inventories are measured at the lower of cost and net realizable value. The cost of inventories includes expenditure incurred relating to the construction of a project. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Costs relating to the construction of a project are included in inventories of residential units as follows:

- costs incurred relating to projects or a phase of a project which are not available for sale (work in progress),
- costs incurred relating to units unsold associated with a project or a phase of a project that is available for sale (finished goods).

Project construction costs include:

a) land or leasehold rights for land,
b) construction costs paid to subcontractors for the construction of residential units,
c) planning and design costs,
d) perpetual usufruct fees and real estate taxes incurred during the period of construction,
e) selling expenses to the extent they are reasonably expected to be recovered from the sale of the project or from incidental operations,
f) borrowing costs to the extent they are directly attributable to the development of the project (see accounting policy (o)),
g) professional fees attributable to the development of the project,
h) construction overheads and other directly related costs.

Notes to the Consolidated Financial Statements

3. Significant accounting policies (cont'd)

(h) Trade and other receivables

Trade and other receivables are stated at amortized cost less impairment losses.

(i) Equity

(i) Share capital

Share capital includes the proceeds received from the issue of ordinary shares on the nominal value in exchange for cash or share premium.

(ii) Share premium reserve

Share premium includes the excess of proceeds received from the issue of shares over the nominal value of shares.
Shares issuance costs are deducted from share premium net of any related income tax benefits.

(j) Impairment

(i) Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in the income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost the reversal is recognized in the income statement.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets other than investment property, inventories of residential units and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset exceeds its recoverable amount or the net realizable value.

The recoverable amount or the net realizable value of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, except for inventories of residential units which consider cost.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount or the net realizable value. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Notes to the Consolidated Financial Statements

3. Significant accounting policies (cont'd)

(k) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(l) Revenue and cost of sales

Revenue from operations includes:

(i) Revenue from the sale of residential units

Revenues from the sale of residential units are recognized upon transfer to the buyer of the significant risks and rewards of ownership of the residential unit (i.e. upon signing of the protocol of technical acceptance and transfer of the key to the residential unit), after a valid building occupancy permit has been obtained by the Group.

Advances received related to pre-sales of residential units, which represent deferred income, are deferred when they do not meet the criteria to be recognized as revenue. When they subsequently meet these criteria, they are recognised as revenue.

(ii) Revenue on finance leases

Finance lease income is recognized based on the annuity method under which total finance lease interest income and the excess of scheduled lease payments over the cost of the related assets is deferred and amortized as income over the lease term by employing the effective interest rate that provides a constant periodic rate of return on the net investment in the lease.

(iii) Revenue on operating leases

Payments received under operating leases are recognized in the income statement on a straight-line basis over the term of the lease.

(iv) Cost of sales

Cost of sales is recognized as a reduction of total costs capitalized to inventory based on the proportion of residential units sold.

Construction costs relating to unsold units are capitalized as inventory within current assets, either as work in progress or finished goods depending on the stage of completion. Any expected loss on sale, if any, is recognized as an expense immediately when identified. Inventory relating to units sold is expensed as cost of sales in the same period as the related sale.

(m) Selling and marketing expense

Selling and marketing expense are accrued and capitalized to the value of inventory to the extent they are directly attributable to the particular residential project and are reasonably expected to be recovered from the sale of the project or from incidental operations. Selling and marketing expense which are not capitalized are recognized in the income statement on an accrual basis.

(n) Other income and expense, net

Other income comprises mainly revenues from rental of land and properties that are dedicated for development. Other expenses and income are recognized in the income statement on an accrual basis.

Notes to the Consolidated Financial Statements

3. Significant accounting policies (cont'd)

(o) Finance income and expense

Finance income comprises interest income and foreign currency gains. Interest income is recognized on the accrual basis using the effective interest method.

Finance expense comprises interest expense on borrowings and foreign currency losses.

Borrowing costs (including interest and foreign exchange gains and losses) are accrued and capitalized to the value of inventory to the extent they are directly attributable to the construction of residential units. These costs are recognized in the income statement over the estimated duration of the loan, except to the extent that they are directly attributable to construction. Debt issuance expenses, as well as civil activity taxes on loans between sister companies, represent an adjustment to the effective interest rate. Borrowing costs which are not capitalized are recognized in the income statement using the effective interest method.

(p) Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the income statement.
Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax expense is calculated according to tax regulations in effect in the jurisdiction in which the individual companies are domiciled.
Deferred income tax is provided, using the balance sheet method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, and for tax losses carried forward, except for the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.
The principal temporary differences arise primarily on differences in the timing of revenue recognition for accounting and tax purposes, fair value adjustments on investment property, accruals and finance income/expense. In addition, there are tax losses carry-forwards.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. At each balance sheet date deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(q) Segment reporting

A segment is a distinguishable component of the Group that is providing products or services within a particular economic environment (geographical segment), or providing related products or services (business segments) which is subject to risks and rewards that are different from those of other segments. The Group's primary format for segment reporting is based on geographical segments, while the secondary format is business segment.

(r) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. The computations of the basic earnings per share are determined on the basis of the weighted average number of shares outstanding during the year. The diluted earnings per share are determined by adjusting the income statement attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted and rights to obtain shares by employees.

Notes to the Consolidated Financial Statements

3. Significant accounting policies (cont'd)

(s) Share options granted

The Group operates a share-based incentive plan. The fair value of share options granted to management and other employees as at the grant date is recognised as an employee expense, with a corresponding increase in equity recognised in retained earnings, over the period during which the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

(t) Employee benefits

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

The Company's subsidiaries in Poland are required, under applicable regulations, to pay, on a monthly basis, social security contributions for the employees' future pension benefits. These benefits, according to IAS 19 "Employee Benefits", are state plans and are characterised as defined contribution plans. Therefore, the Company's subsidiaries have no legal or constructive obligation to pay future pension benefits and their obligation is limited to payment of contributions as they fall due.

(u) Consolidated Statement of Cash Flow

Net finance expense that recognized in the Consolidated Income Statement as well as net finance expense capitalized to work in progress, recognized in the Consolidated Statement of Cash Flows as operating activity.

Short-term bank deposits - collateralized recognized in the Consolidated Statement of Cash Flows as investing activities on the net basis.

Changes in finished goods represent the Decrease/(increase) finished goods excluding the amounts transferred from work in progress. Changes in work in progress represent the Decrease/(increase) work in progress excluding the amounts transferred to finished goods.

(v) Reclassification of comparative figures

In order to conform the presentation of the comparative figures, the Consolidated Financial Statements for the year ended 31 December 2007, to the Consolidated Financial Statements for the year ended 31 December 2008. The Group changed presentation of some financial data in the Consolidated Balance Sheet, Consolidated Income Statement and Consolidated Statement of Cash Flows as compared to its presentation in the published Annual Report for the year ended 31 December 2007. And they summarized as follows:

In the Consolidated Balance sheet Short-term deposits - collateralized are disclosed separately from the "Trade and other receivables". Furthermore, income tax receivables and payables are shown separately from "Trade and other receivables" and "Trade and other payables", respectively.

In the Consolidated Income Statement "Selling and marketing expenses" and "Other operating income/(expenses)" are presented separately from "Administrative expenses".

In the Consolidated Cash Flows cash flows arising from taxes on income and adjustments of the net result for the income taxes are disclosed separately, cash flows from interest received and paid as well as adjustments relating to interests in the net cash used in operating activities are shown separately and cash flows from change in short-term deposits – collateralized are presented as cash flow from investing activities.

Notes to the Consolidated Financial Statements

3. Significant accounting policies (cont'd)

(w) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations, are not yet effective for the year ended 31 December 2008, and have not been applied in preparing these Consolidated Financial Statements:

- Revised IAS 1 *Presentation of Financial Statements* (effective from 1 January 2009). The revision of IAS 1 is aimed at improving users' ability to analyse and compare the information given in financial statements. The changes made are to require information in the financial statements to be aggregated on the basis of shared characteristics and to introduce a statement of comprehensive income. The Group has not yet completed its analysis of the impact of revised IAS 1 on the consolidated financial statements.

- IFRS 8 *Operating Segments* (effective for annual periods beginning on or after 1 January 2009). The Standard requires that segment information should be presented and disclosed based on the basis of components that management monitors in making business decisions. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The Group has not yet completed its analysis of the impact of IFRS 8 on the financial statements.

- IAS 23 *(Revised) Borrowing Costs* (effective from 1 January 2009). The revised Standard will require the capitalization of borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. Revised IAS 23 will not constitute a change in accounting policy, as the Group already capitalizes borrowing costs to inventory.

- IFRIC 13 *Customer Loyalty Programmes* (effective for annual periods beginning on or after 1 July 2008). The Interpretation explains how entities that grant loyalty award credits to customers who buy other goods or services should account for their obligations to provide free or discounted goods or services ('awards') to customers who redeem those award credits. Such entities are required to allocate some of the proceeds of the initial sale to the award credits and recognize these proceeds as revenue only when they have fulfilled their obligations. The Group does not expect the Interpretation to have any impact on its financial statements.

- IFRS 3 *(Revised) Business Combinations* (effective for annual periods beginning on or after 1 July 2009). The scope of the revised standard has been broadened (some business combinations excluded from the previous version of the standard have not been excluded from the scope of the revised IFRS 3). A definition of a business has been altered in order to be more precise. The definition of contingent liabilities capable of being recognised in the business combination has been narrowed. Transaction costs are no longer included in the cost of the combination. Rules of recognition of contingent consideration have been modified (to fair value measurement). Non-controlling (minority) interests may be measured at fair value. IFRS 3 is not (yet) relevant to the Group's operations, as none of the Group entities has been engaged in business combinations.

- Amendments to IAS 27 *Consolidated and Separate Financial Statements* (effective for annual periods beginning on or after 1 July 2009). In relation with the revised IFRS 3 (above), the changes introduced to IAS 27 include the following: changed definition of non-controlling (minority) interests; regulation of recognition and measurement of transactions with non-controlling interests while retaining control; changed recognition and measurement of loss of control. Amendments to IAS 27 are not expected to have an impact on the consolidated financial statements.

Notes to the Consolidated Financial Statements

3. Significant accounting policies (cont'd)

(w) New standards and interpretations not yet adopted

- Amendments to IFRS 2 *Share-based Payments* Payment – Vesting Conditions and Cancellations effective for annual periods beginning on or after 1 January 2009) clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The amendments to IFRS 2 will become mandatory for the Group's 2009 consolidated financial statements, with retrospective application. The Group has not yet determined the potential effect of the amendment.

- Amendments to IAS 32 *Financial Instruments Presentation* and IAS 1 *Presentation of Financial Statements* – Puttable Financial Instruments and Obligations Arising on Liquidation requires puttable instruments, and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. The possible impact of the amendments, which become mandatory for the Group's 2009 consolidated financial statements, with retrospective application required, are not yet examined by the Company.
- IFRIC 15 *"Agreements for the Construction of Real Estate"* The interpretation was issued on 3 July 2008 and is effective for annual period beginning on or after 1 January 2009. It provides the guidance on revenue recognition and recognition of related expense by the entities that undertake the construction of real estate directly or through subcontractors. The Group does not expect the Interpretation to have any impact on its financial statements.

4. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the methods described in the respective note specific to that asset or liability: investment property (see note 12) and non-derivative financial instruments (see note 26).

Notes to the Consolidated Financial Statements

5. Segment reporting

Segment information is presented in respect of the Group's geographical segments (primary segments). The Group operates principally in one business segment, the development and sale of residential units ("Residential"). Since all of the Group's activities exhibit substantially identical characteristics, all of them are aggregated into one business segment in 2008. During 2007, the Group had also realised income and recorded expenses in the business segment Rental of office space ("Rental") which is shown in the Segment report for the year ended 31 December 2007.

Inter-segment pricing is determined on an arm's-length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise head office expenses and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property and equipment, and intangible assets other than goodwill.

Geographical segments

The Group operates in four geographical segments:

- Warsaw
- Poznań
- Wrocław
- Szczecin

The most developed geographical segment is the Warsaw market, in which the Group has completed several residential projects. In the other geographical segments, the Group has not completed any project.

Data presented in the table below are based on the geographical location of the Group's companies and their assets.

In thousands of Polish Zlotys (PLN)	For the year ended 31 December 2008						
	Warsaw	**Poznań**	**Wrocław**	**Szczecin**	**Unallocated**	**Eliminations**	**Total**
Total external revenues	**77,347**	**-**	**-**	**-**	**-**	**-**	**77,347**
Segment result	31,227	(652)	147	(24)	-	-	30,698
Unallocated result	-	-	-	-	(12,375)	-	(12,375)
Result from operating activities	**31,227**	**(652)**	**147**	**(24)**	**(12,375)**	**-**	**18,323**
Net finance income							1,198
Income tax expense							(4,380)
Profit for the period							**15,141**

Notes to the Consolidated Financial Statements

5. Segment reporting (cont'd)

In thousands of Polish Zlotys (PLN)	As at 31 December 2008						
	Warsaw	Poznań	Wrocław	Szczecin	Unallocated	Eliminations	Total
Segment assets	349,790	168,557	71,595	58,326	-	-	648,268
Unallocated assets	-	-	-	-	8,753	-	8,753
Total assets	**349,790**	**168,557**	**71,595**	**58,326**	**8,753**	**-**	**657,021**
Segment liabilities	207,244	114,787	18,579	16,772	-	-	357,382
Unallocated liabilities	-	-	-	-	10,156	-	10,156
Total liabilities	**207,244**	**114,787**	**18,579**	**16,772**	**10,156**	**-**	**367,538**
Capital expenditure	-	-	-	-	500	-	500
Depreciation	240	-	-	-	275	-	515

In thousands of Polish Zlotys (PLN)	For the year ended 31 December 2007						
	Warsaw	Poznań	Wrocław	Szczecin	Unallocated	Eliminations	Total
Total external revenues							
Residential	129,139	-	-	-	-	-	129,139
Rental	449	-	-	-	-	-	449
Total segment revenue	**129,588**	**-**	**-**	**-**	**-**	**-**	**129,588**
Segment result							
Residential	57,267	(131)	(132)	(76)	-	-	56,928
Rental	(54)	-	-	-	-	-	(54)
Unallocated result	-	-	-	-	(6,546)	-	(6,546)
Result from operating activities	**57,213**	**(131)**	**(132)**	**(76)**	**(6,546)**	**-**	**50,328**
Net finance income							165
Income tax expense							(10,217)
Profit for the period							**40,276**

In thousands of Polish Zlotys (PLN)	As at 31 December 2007						
	Warsaw	Poznań	Wrocław	Szczecin	Unallocated	Eliminations	Total
Segment assets							
Residential	283,707	129,054	73,190	59,825	-	-	545,776
Rental	-	-	-	-	-	-	-
Unallocated assets	-	-	-	-	52,748	-	52,748
Total assets	**283,707**	**129,054**	**73,190**	**59,825**	**52,748**	**-**	**598,524**
Segment liabilities							
Residential	202,173	82,806	21,907	3,883	-	-	310,769
Rental	-	-	-	-	-	-	-
Unallocated liabilities	-	-	-	-	15,782	-	15,782
Total liabilities	**202,173**	**82,806**	**21,907**	**3,883**	**15,782**	**-**	**326,551**
Capital expenditure	-	-	-	-	219	-	219
Depreciation	240	-	-	-	269	-	509

Notes to the Consolidated Financial Statements

6. Revenue

For the year ended 31 December *In thousands of Polish Zlotys (PLN)*	2008	2007
Sale of residential units	77,347	129,139
Rental revenue	-	449
Total revenues	**77,347**	**129,588**

7. Administrative expenses

For the year ended 31 December *In thousands of Polish Zlotys (PLN)*	2008	2007
Personnel expenses (see note 8)	6,157	2,959
External services	4,022	3,181
Share-based payment transactions (see note 19(c))	2,349	806
Materials and energy	532	900
Depreciation	515	509
Taxes and charges	254	621
Other	230	380
Total administrative expenses	**14,059**	**9,356**

8. Personnel expenses

For the year ended 31 December *In thousands of Polish Zlotys (PLN)*	2008	2007
Wages and salaries	5,280	2,443
Social security and other benefits	877	516
Total	**6,157**	**2,959**
Average number of personnel employed	**45**	**35**

Notes to the Consolidated Financial Statements

9. Finance income and expense

For the year ended 31 December 2008

In thousands of Polish Zlotys (PLN)	Total amount	Amount capitalized	Recognized in the income statement
Interest income on bank deposits	2,365	339	2,026
Foreign exchange gain	264	-	264
Other finance income	67	-	67
Finance income	**2,696**	**339**	**2,357**
Interest expense on financial liabilities measured at amortized cost	(19,287)	(18,460)	(827)
Foreign exchange loss	(8)	-	(8)
Commissions and fees	(1,657)	(1,552)	(105)
Other finance expense	(219)	-	(219)
Finance expense	**(21,171)**	**(20,012)**	**(1,159)**
Net finance (expense)/income	**(18,475)**	**(19,673)**	**1,198**

For the year ended 31 December 2007

In thousands of Polish Zlotys (PLN)	Total amount	Amount capitalized	Recognized in the income statement
Interest income on bank deposits	1,342	452	890
Foreign exchange gain	32	-	32
Interests on granted loans	399	-	399
Finance income	**1,773**	**452**	**1,321**
Interest expense on financial liabilities measured at amortized cost	(10,194)	(9,299)	(895)
Foreign exchange loss	(188)	-	(188)
Commissions and fees	(724)	(651)	(73)
Finance expense	**(11,106)**	**(9,950)**	**(1,156)**
Net finance (expense)/income	**(9,333)**	**(9,498)**	**165**

Notes to the Consolidated Financial Statements

10. Income tax expense/(benefit)

For the year ended 31 December *In thousands of Polish Zlotys (PLN)*	2008	2007
Current tax expense		
Current period	11,623	1,971
Adjustment in respect of prior periods	(20)	-
Total current tax expense	**11,603**	**1,971**
Deferred tax expense		
Origination and reversal of temporary differences	(3,115)	11,229
Benefit of tax losses recognized	(4,108)	(2,983)
Total deferred tax (benefit)/expense	**(7,223)**	**8,246**
Total income tax expense	**4,380**	**10,217**

Reconciliation of effective tax rate

For the year ended 31 December *In thousands of Polish Zlotys (PLN)*	2008	2007
Profit for the period	15,141	40,276
Total income tax expense	4,380	10,217
Profit excluding income tax	**19,521**	**50,493**
Expected income tax using the Polish tax rate (19%)	**3,709**	**9,594**
Tax effect on:		
Effect of Netherlands tax rates	28	(21)
Change in unrecognized temporary differences over-provided in prior periods	(20)	(103)
Non-deductible expenses	549	255
Losses for which no deferred tax asset was recognized	553	82
Recognition of previously unrecognized differed tax assets	(110)	-
Other differences	(329)	410
Tax charge for the period	**4,380**	**10,217**
Effective tax rate	**22.4%**	**20.2%**

Notes to the Consolidated Financial Statements

11. Property and equipment

For the year ended 31 December	2008	2007
In thousands of Polish Zlotys (PLN)		
Cost or deemed cost		
Balance at 1 January	1,458	626
Transfer from inventories	290	430
Excluding the fixed assets of Brighton Tec Sp. z o.o. from the consolidation	-	(39)
Additions	500	441
Disposals	(96)	-
Closing balance	**2,152**	**1,458**
Depreciation and impairment losses		
Balance at 1 January	651	142
Depreciation for the period	515	509
Disposals	(31)	-
Closing balance	**1,135**	**651**
Carrying amounts		
At 1 January	807	484
Closing balance	**1,017**	**807**

Impairment loss

In the years ended 31 December 2008 and 31 December 2007, the Group did not recognize any impairment loss with respect to Property and equipment.

12. Investment property

For the year ended 31 December	2008	2007
In thousands of Polish Zlotys (PLN)		
Cost		
Balance at 1 January	-	7,810
Transfer to inventories	-	(7,810)
Closing balance	**-**	**-**
Fair value adjustment		
Balance at 1 January	-	36,490
Transfer to inventories	-	(36,490)
Closing balance	**-**	**-**
Fair value		
At 1 January	-	44,300
Closing balance	**-**	**-**

Notes to the Consolidated Financial Statements

12. Investment property (cont'd)

Until 26 September 2007, Investment property included properties held for long-term rental yields and capital appreciation, and were not occupied by the Group. The investment property consisted of a plot of land in Warsaw (Klobucka Street) held based on a perpetual usufruct right of land and a number of buildings and warehouses located on this land that in part were leased to third parties under lease agreements with an indefinite term subject to a three-month notice period for termination.

Investment property was valued at fair value determined annually by an independent appraiser, having an appropriate recognized professional qualification, based on current prices on an active market.

On 26 September 2007, the legal ownership of the investment property was transferred from Brighton Tec Sp. z o.o. a wholly-owned subsidiary of ITR Dori B.V. to Ronson Development Landscape Sp.k., a limited partnership, which is part of the Group. As a result of the sale of the property, Brighton Tec Sp. z o.o. does not perform any operating activity and was excluded from the consolidated financial statements as of the year ended 31 December 2007.

After the acquisition of this property, the use of this property has changed – Ronson Development Landscape Sp.k. initiated activities aimed at preparing the acquired property for development in a real-estate project.

Revenue recognized and costs incurred relating to the investment property during the period ended 31 December 2008 and 31 December 2007, are summarized in the table below:

	Rental income		Cost	
For the year ended 31 December	**2008**	**2007**	**2008**	**2007**
In thousands of Polish Zlotys (PLN)				
Klobucka	-	449	-	601
Total	**-**	**449**	**-**	**601**

13. Long-term finance lease receivable

The Group is a lessor under finance lease arrangement under which it leases an office building and the land adjacent to the building in Warsaw to a third party.

Finance lease receivables as at 31 December 2008, non-current and current, and their ageing are presented in the table below:

In thousands of Polish Zloty (PLN)	**Less than 1 year**	**Between 1 and 5 years**	**More than 5 years**	**Total**
Finance lease payments receivable	98	390	975	1,463
Unearned interest income	(28)	(145)	(598)	(771)
Total	**70**	**245**	**377**	**692**

Finance lease receivables as at 31 December 2007, non-current and current, and their ageing are presented in the table below:

In thousands of Polish Zlotys (PLN)	**Less than 1 year**	**Between 1 and 5 years**	**More than 5 years**	**Total**
Finance lease payments receivable	80	321	882	1,283
Unearned interest income	(21)	(108)	(564)	(693)
Total	**59**	**213**	**318**	**590**

Notes to the Consolidated Financial Statements

14. Deferred tax assets and liabilities

Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities as at the beginning and end of the financial periods are attributable to the following:

In thousands of Polish Zlotys (PLN)	**Opening balance 01 January 2008**	**Recognized in the income statement**	**Closing balance 31 December 2008**
Deferred tax assets			
Interest liabilities	514	481	995
Tax losses carried forward	5,865	4,108	9,973
Other	150	76	226
Total deferred tax assets	**6,529**	**4,665**	**11,194**
Deferred tax liabilities			
Difference in timing of revenue recognition on the sale of residential units for accounting and tax purposes	10,374	(6,244)	4,130
Accrued and capitalized interest	3,409	3,330	6,739
Other	1,147	356	1,503
Total deferred tax liabilities	**14,930**	**(2,558)**	**12,372**
Total deferred tax benefit (see Note 10)		**7,223**	
Deferred tax assets	6,529		11,194
Deferred tax liabilities	14,930		12,372
Offset of deferred tax assets and liabilities for individual companies	(5,181)		(9,045)
Deferred tax assets reported in the balance sheet	**1,348**		**2,149**
Deferred tax liabilities reported in the balance sheet	**9,749**		**3,327**

Notes to the Consolidated Financial Statements

14. Deferred tax assets and liabilities (cont'd)

In thousands of Polish Zloty (PLN)	Opening balance 01 January 2007	Recognized in the income statement	Exclusion of a subsidiary from consolidation	Closing balance 31 December 2007
Deferred tax assets				
Foreign exchange rate differences	6	(6)	-	-
Interest liabilities	89	546	(121)	514
Tax loss carry forwards	3,836	2,983	(954)	5,865
Other	-	150	-	150
Total deferred tax assets	**3,931**	**3,673**	**(1,075)**	**6,529**
Deferred tax liabilities				
Difference in timing of revenue recognition on the sale of residential units for accounting and tax purposes	2,161	8,213	-	10,374
Fair value gain on investment property	6,933	-	(6,933)	-
Foreign exchange differences	194	(194)	-	-
Accrued and capitalized interest	600	2,809	-	3,409
Other	56	1,091	-	1,147
Total deferred tax liabilities	**9,944**	**11,919**	**(6,933)**	**14,930**
Total deferred tax expense (see Note 10)		**(8,246)**		
Deferred tax assets	3,931			6,529
Deferred tax liabilities	9,944			14,930
Offset of deferred tax assets and liabilities for individual companies	(1,181)			(5,181)
Deferred tax assets reported in the balance sheet	**2,750**			**1,348**
Deferred tax liabilities reported in the balance sheet	**8,763**			**9,749**

Unrecognized deferred tax liabilities

There are no unrecognized deferred tax liabilities.

Unrecognized deferred tax assets

A deferred tax asset is recognized only to the extent that it is more likely than not that future taxable profits will be available against which the asset can be utilized. Unrecognized deferred tax assets relate primarily to tax loss carry-forwards, which are not considered probable of realization prior to their expiration.

Notes to the Consolidated Financial Statements

14. Deferred tax assets and liabilities (cont'd)

Realization of deferred tax assets

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. In order to fully realize the deferred tax asset (before offsetting against deferred tax liability), the Group will need to generate future taxable income of approximately PLN 58,916 thousand. Taxable profit realized by the Group companies amounted to PLN 66,354 thousand for the year ended 31 December 2008. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not that the Group will realize the benefits of these deductible differences. The amount of the deferred tax asset which is considered realizable, could however be reduced in the near term if estimates of future taxable income during the tax loss carry-forward period are reduced.

Tax losses in Poland are required to be utilized within 5 years following the period in which they originated, subject to the limitation that a maximum of 50% of the loss carry-forward can be used in one year. Tax losses in the Netherland are required to be utilized within 9 years following the period in which they originated.

Movement in unrecognized deferred tax assets

Unrecognized deferred tax assets in Poland

In thousands of Polish Zlotys (PLN)	Balance 01 January 2007	Additions	Recognition	Exclusion Brighton Tec from the Combined financial statements	Balance 31 December 2007	Additions	Balance 31 December 2008
Tax losses	1,051	10	(71)	(990)	-	553	553
Total	**1,051**	**10**	**(71)**	**(990)**	**-**	**553**	**553**

Unrecognized deferred tax assets in the Netherlands

	Balance 01 January 2007		Additions		Balance 31 December 2007		Additions		Balance 31 December 2008	
In thousands of Polish Zlotys	PLN	EUR	PLN	EUR	PLN	EUR	PLN	EUR	PLN	EUR
Tax losses	-	-	2,819	787	2,819	787	1,195	175	4,014	962
Total	**-**	**-**	**2,819**	**787**	**2,819**	**787**	**1,195**	**175**	**4,014**	**962**

Notes to the Consolidated Financial Statements

14. Deferred tax assets and liabilities (cont'd)

Tax losses carry forward

Tax losses carry forward in Poland

As 31 December	2008			2007		
In thousands of Polish Zlotys (PLN)	**Recognized tax losses**	**Unrecognized tax losses**	**Total tax losses**	**Recognized tax losses**	**Unrecognized tax losses**	**Total tax losses**
Tax loss 2003 carried forward	-	-	-	479	-	479
Tax loss 2004 carried forward	489	897	1,386	1,512	-	1,512
Tax loss 2005 carried forward	781	347	1,128	1,569	-	1,569
Tax loss 2006 carried forward	6,549	1,013	7,562	9,427	-	9,427
Tax loss 2007 carried forward	15,166	402	15,568	17,883	-	17,883
Tax loss 2008 carried forward	29,504	250	29,754	-	-	-
Total tax losses carried forward	**52,489**	**2,909**	**55,398**	**30,870**	**-**	**30,870**

Tax losses carry forward in the Netherlands

As 31 December	2008			2007		
In thousands of EUR	**Recognized tax losses**	**Unrecognized tax losses**	**Total tax losses**	**Recognized tax losses**	**Unrecognized tax losses**	**Total tax losses**
Tax loss 2007 carried forward	-	787	787	-	787	787
Tax loss 2008 carried forward	-	175	175	-	-	-
Total tax losses carried forward	**-**	**962**	**962**	**-**	**787**	**787**

As 31 December	2008			2007		
In thousands of Polish Zlotys (PLN)	**Recognized tax losses**	**Unrecognized tax losses**	**Total tax losses**	**Recognized tax losses**	**Unrecognized tax losses**	**Total tax losses**
Tax loss 2007 carried forward	-	3,284	3,284	-	2,819	2,819
Tax loss 2008 carried forward	-	730	730	-	-	-
Total tax losses carried forward	**-**	**4,014**	**4,014**	**-**	**2,819**	**2,819**

Notes to the Consolidated Financial Statements

15. Inventories of residential units

For the year ended 31 December 2008:

In thousands of Polish Zlotys (PLN)	**Opening balance 01 January 2008**	**Transferred to finished units**	**Additions**	**Closing balance 31 December 2008**
Expense for land purchases	367,635	(4,639)	45,102	408,098
Construction costs	40,018	(15,415)	82,992	107,595
Planning and permits	4,789	(701)	9,539	13,627
Borrowing costs (*)	11,351	(1,781)	19,673	29,243
Other	4,804	(1,096)	3,871	7,579
Work in progress	**428,597**	**(23,632)**	**161,177**	**566,142**

In thousands of Polish Zlotys (PLN)	**Opening balance 01 January 2008**	**Transferred from work in progress**	**Recognized in the income statement**	**Closing balance 31 December 2008**
Finished units	**29,177**	**23,632**	**(41,941)**	**10,868**
Total inventories of residential units	**457,774**			**577,010**

For the year ended 31 December 2007:

In thousands of Polish Zlotys (PLN)	**Opening balance 01 January 2007**	**Transferred to finished units**	**Additions**	**Closing balance 31 December 2007**
Expense for land purchases	131,559	(16,178)	252,254	367,635
Construction costs	29,290	(62,965)	73,693	40,018
Planning and permits	3,157	(2,073)	3,705	4,789
Borrowing costs (*)	4,874	(3,021)	9,498	11,351
Other	1,452	(1,128)	4,480	4,804
Work in progress	**170,332**	**(85,365)**	**343,630**	**428,597**

In thousands of Polish Zlotys (PLN)	**Opening balance 01 January 2007**	**Transferred from work in progress**	**Recognized in the income statement**	**Closing balance 31 December 2007**
Finished units	**12,588**	**85,365**	**(68,776)**	**29,177**
Total inventories of residential units	**182,920**			**457,774**

(*) Borrowing costs capitalized to the value of inventory with capitalization rates as presented in note 9 and note 22.

Balance sheet value of inventories used to secure loans received from banks (mortgage):

As at 31 December *In thousands of Polish Zlotys (PLN)*	**2008**	**2007**
Balance sheet value of inventory	**437,248**	**272,987**
Amount of secured bank loans	**225,133**	**187,575**

For information about future commitments to the general contractor for construction services, see note 27.

Notes to the Consolidated Financial Statements

16. Trade and other receivables

As at 31 December		**2008**	**2007**
In thousands of Polish Zlotys (PLN)	Note		
Value added tax (VAT) receivables		16,716	30,273
Prepayments for current assets		1,270	404
Trade receivables		978	2,060
Trade receivables from related parties	*28*	45	2,606
Advances for inventories of residential units		-	29,081
Other receivables (*)		12,400	-
Total		**31,409**	**64,424**

(*) Ronson Development West Sp. z o.o, ("R.D. West") concluded in June 2007 a preliminary sale and purchase agreement regarding four plots of land in Poznań (agreed total value amounting to PLN 62 million). The seller has not fulfilled conditions required to conclude transaction, and currently R.D. West is in dispute regarding the advance payment amounting to PLN 12.4 million paid to the seller. The claim of R.D. West is well secured and includes submission of the seller to the enforcement proceeding under par 777 of Polish Civil Proceeding Code and mortgage on the land (which was subject of the said transaction) up to PLN 24.8 million.

As at 31 December 2008 and 31 December 2007, the Group had no allowance for doubtful debts.

As at 31 December 2008, receivables denominated in foreign currencies were insignificant. As at 31 December 2007, receivables denominated in foreign currencies included Trade receivables from related parties denominated in Euro amounting to PLN 2,606 thousand (EUR 728 thousand).

17. Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits freely available for the Group. Cash at bank comprises of overnight deposits, the short-term deposits have an original maturity varying from one day to three months.

As at 31 December	**2008**	**2007**
In thousands of Polish Zlotys (PLN)		
Cash at bank and in hand	18,223	31,829
Short-term deposit	21,100	40,000
Cash and cash equivalents	**39,323**	**71,829**

Cash at bank earns interest at floating rates based on daily bank deposit rates. As at 31 December 2008 and 31 December 2007 the Group held deposits amounting to PLN 13,859 thousand and PLN 24,556 thousand, respectively, in overnight deposits that earn interest rates that vary between 2.3% - 4.5%.
Short-term deposits have a duration varying between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates that vary between 5%-6%.

For information about the fair value of cash and cash equivalents see note 26.
For information about the pledge over banks accounts see note 22.

18. Short-term bank deposits - collateralized

Short-term bank deposit – collateralized, are held to serve as collateral for repayment of interest related to the credit facilities provided to a subsidiary. The interest rates earned on these deposits vary from 2.0% to 2.8% on an annual basis.
For information about the fair value of short-term bank deposits - collateralized see note 26.

Notes to the Consolidated Financial Statements

19. Shareholders' equity

A. Share capital

The authorized share capital of the Company consists of 800,000,000 shares of EUR 0.02 par value each. The number of issued and outstanding ordinary shares as at 31 December 2008 amounted to 226,966,666 (as at 31 December 2007: 226,666,666 shares).

On 24 June 2008, the Company issued 300,000 new ordinary shares with a nominal value of EUR 0.02 each, to Mr. Dror Kerem, the former President of the Management Board and the former Chief Executive Officer of the Company. The shares were issued to Mr. Dror Kerem at nominal value for a total amount of EUR 6 thousand (PLN 20 thousand) in accordance with the rights to shares in the Company granted to Mr. Dror Kerem in 2007.

For the incorporation details and further historical background of the Company, see note 1 (a).

B. Share premium reserve

For the year ended 31 December	**2008**	**2007**
In thousands of Polish Zlotys (PLN)		
Balance at the beginning of the year	**215,105**	**-**
Net contribution in kind of assets and liabilities [(1)]	-	91,878
Net contribution in kind of assets [(2)]	-	20,084
Exclusion of a subsidiary from consolidation [(3)]	-	(22,360)
Capital payment	-	700
Issue of new shares in exchange of share premium reserve	-	(14,772)
Net proceeds of new shares issued in excess of par value [(4)]	-	139,575
Balance at the end of the year	**215,105**	**215,105**

(1) Following the incorporation of the Company, the sole shareholder and founder of the Company, ITR Dori, assigned and contributed to the Company, on 29 June 2007, its shares and rights to shares in 36 Polish companies, which amounted to PLN 105,810 thousand as well as a liability under a loan agreement between ITR Dori and Ronson Development Residential Sp. z o.o., one of the Polish entities in which the shares were transferred to the Company. The principal amount under the loan agreement of which the liability was contributed plus accrued interest as at 29 June 2007, amounted to PLN 13,932 thousand.

(2) As part of the process of combining the Ronson Group activities under Ronson Europe, GE Real Estate made a contribution in kind of its shares held in certain Polish Ronson subsidiaries, which amounted to PLN 20,084 thousand.

(3) Excluding Brighton Tec from the consolidation:
Initially, Brighton Tec owned the land at Klobucka Street in district Mokotów in Warsaw. On 26 September 2007 the land was sold to Landscape, a wholly-owned subsidiary of the Company. Subsequently, the Group ceased to consolidate Brighton Tec (for more information see note 1(c)).

(4) This represents the proceeds above par from the initial public offering after deducting an amount of PLN 11,814 thousand representing the total costs directly attributed to the initial public offering. Those costs represent mainly underwriters' legal, advisory and accounting fees, and costs related to the initial public offering road show, related public relations and marketing.

Notes to the Consolidated Financial Statements

19. Shareholders' equity (cont'd)

C. Share-based payments

During the fourth quarter of 2007, a new long-term incentive plan (the "Plan") was implemented. The persons eligible for participation in the Plan are the employees of the Group, including the members of the Management Board. Under the Plan, share options are granted to members of the Management Board and selected employees. The exercise price of the granted options is determined by the Supervisory Board on the date of granting the share options and shall not be less than the fair market value at the time of the grant of the options. Options are conditional on the employee being employed or Board members being in office at the time the options are exercisable (vesting period) and can only be settled in shares. Options granted shall vest over three and five years, one third and one fifth in each year after one year from the date of grant, respectively.

On 5 November 2007, a total of 1,900,000 options with an exercise price of PLN 5.75 per share were granted to selected employees of the Company. Of the above total, 700,000 options will vest over a three year period and the remaining 1,200,000 options will vest over five years, while having an optional term of five and seven years, respectively. The latter options were granted to Mr. Dror Kerem, the former President of the Management Board and the former Chief Executive Officer of the Company.

During the year ended 31 December 2008, the selected employees that joined the option programme (granted in 2007) had not exercised any of their options. Following the resignation of key management employees during 2008, a total of 1,114,000 options were cancelled. The details regarding the number of the options outstanding as of 31 December 2008 are provided below:

	Number of options			
Vesting dates	**Granted**	**Exercised**	**Cancelled**	**Outstanding**
5 November 2008	473,333	-	(50,000)	423,333
5 November 2009	473,333	-	(244,000)	229,333
5 November 2010	473,334	-	(340,000)	133,334
5 November 2011	240,000	-	(240,000)	-
5 November 2012	240,000	-	(240,000)	-
Total	**1,900,000**	**-**	**(1,114,000)**	**786,000**

The weighted average fair value of options granted in 2007 using the Black-Scholes valuation model was approximately PLN 2.75 per option. The significant inputs into the model were a weighted average share price of PLN 5.75 at the grant date, the exercise price mentioned above, volatility of 50%, dividend yield of 0%, an option life of five years and seven years, an annual risk free rate of 6% and estimation that 70% from the employed will implement the options.
The cost impact of the share-based payment on the financial statements of the Company was an expense of PLN 1,155 thousand for the year ended 31 December 2008 (year ended 31 December 2007: PLN 275 thousand) recognized in the income statement with a corresponding increase in equity.

In addition, Mr. Dror Kerem, the former President of the Management Board and the former Chief Executive Officer of the Company, received the right to obtain 300,000 shares in the capital of the Company with a nominal value of EUR 0.02 each, for nominal value, which right was exercised on 24 June 2008. This right was granted by the Supervisory Board and measured at fair market value at the time of the grant. The cost impact of the rights granted to Mr. Dror Kerem was an expense of PLN 1,194 thousand for the year ended 31 December 2008 (year ended 31 December 2007: PLN 531 thousand) which has been recognized in the income statement with a corresponding increase in equity.

Notes to the Consolidated Financial Statements

20. Net earnings per share

A. Basic and diluted earnings per share

Weighted average number of ordinary shares (basic):

For the year ended 31 December *In thousands of Polish Zlotys (PLN)*	**2008**	**2007**
Net income (PLN thousands) attributable to the equity holders of the parent company	15,141	38,903
Balance at beginning of the period	226,666,666	-
Effect of new shares issued during the period	156,164	100,265,099
Weighted average number of ordinary shares (basic)	**226,822,830**	**100,265,099**
Basic earnings per share	**0.07**	**0.39**

Weighted average number of shares (diluted):

For the year ended 31 December *In thousands of Polish Zlotys (PLN)*	**2008**	**2007**
Net income (PLN thousands) attributable to the equity holders of the parent company	15,141	38,903
Weighted average number of ordinary shares (basic)	226,822,830	100,265,099
Effect of right to obtain shares	143,836	110,870
Effect of shares options on issue	1,347,578	702,174
Weighted average number of ordinary shares (diluted)	**228,314,244**	**101,078,143**
Diluted earnings per share	**0.07**	**0.39**

Notes to the Consolidated Financial Statements

20. Net earnings per share (cont'd)

B. Pro forma data

For comparison purposes, the calculation of the basic and diluted earnings per share for the year ended 31 December 2008 and for the year ended 31 December 2007 as shown below takes into consideration the number of shares issued since the incorporation of the Company on 18 June 2007. For this pro forma data, the issuances of the incorporation shares and of the shares paid out of the share premium reserve during 2007 are assumed to have taken place as per 1 January 2007.

For the year ended 31 December *In thousands of Polish Zlotys (PLN)*	**2008**	**2007**
Net income (PLN thousands) attributable to the equity holders of the parent company	15,141	38,903
Weighted average number of shares for calculating basic earnings per share	226,822,830	173,703,927
Basic earnings per share	**0.07**	**0.22**
Weighted average number of shares for calculating diluted earnings per share	228,314,244	174,113,790
Diluted earnings per share	**0.07**	**0.22**

21. Minority interests

For the year ended 31 December *In thousands of Polish Zlotys (PLN)*	**2008**	**2007**
Balance at the beginning of the year	**-**	**18,711**
Minority interests profits of consolidated subsidiaries	-	1,373
Net contribution in kind of assets (*)	-	(20,084)
Balance at the end of the year	**-**	**-**

(*) On 27 September 2007, GE Real Estate (the minority shareholder) assigned and contributed its shares and rights in 34 Polish companies in exchange for 11,890 new shares with a par value of EUR 1 per share that provided GE Real Estate with 20.9% of the Company total shares. Since that date there is no minority interest in the Company's subsidiaries.

Notes to the Consolidated Financial Statements

22. Loans and borrowings

Information about the contractual terms of the Group's interest-bearing loans and borrowings is presented in the table below. For more information about the Group's exposure to interest rate and foreign currency risk, see note 29.

As at 31 December	**2008**	**2007**
In thousands of Polish Zlotys (PLN)		
Non-current liabilities		
Loans from related parties	57,619	55,477
Secured bank loans	86,548	90,192
Total non-current liabilities	**144,167**	**145,669**
Current liabilities		
Loans from related parties	-	7,792
Secured bank loans	138,585	97,383
Total current liabilities	**138,585**	**105,175**

Terms and debt repayment schedule

Terms and conditions of outstanding loans are as follows:

Loans as at 31 December 2008:

In thousands of Polish Zlotys (PLN)	**Currency**	**Nominal interest rate**	**Year of maturity**	**Capital**	**Accrued interest**	**Bank charges**	**Carrying value**
Jeruzalem Finance Company B.V.	PLN	6%	2011	42,610	3,714	-	46,324
Gator Investments Sp. z o.o.	PLN	6%	2011	10,338	957	-	11,295
Subtotal (related parties)				**52,948**	**4,671**	**-**	**57,619**
Bank Loans	PLN	WIBOR 1M + Bank's margin(*)	2009	79,320	281	(935)	78,666
Bank Loans	PLN	WIBOR 3M + Bank's margin(*)	2009	59,963	188	(231)	59,920
Bank Loans	PLN	WIBOR 1M + Bank's margin(*)	2010	17,150	94	(67)	17,177
Bank Loans	PLN	WIBOR 3M + Bank's margin(*)	2010	69,483	-	(113)	69,370
Subtotal (Bank)				**225,916**	**563**	**(1,346)**	**225,133**
Total				**278,864**	**5,234**	**(1,346)**	**282,752**

(*) Not disclosed for commercial reasons.

Notes to the Consolidated Financial Statements

22. Loans and borrowings (cont'd)

Loans as at 31 December 2007:

In thousands of Polish Zlotys (PLN)	Currency	Nominal interest rate	Year of maturity	Capital	Accrued interest	Bank charges	Carrying value
Gator Investments Sp. z o.o.	PLN	6%	2008	7,616	176	-	7,792
Jeruzalem Finance Company B.V.	PLN	6%	2011	42,610	2,014	-	44,624
Gator Investments Sp. z o.o.	PLN	6%	2011	10,339	514	-	10,853
Subtotal (related parties)				**60,565**	**2,704**	**-**	**63,269**
Bank Loans	PLN	WIBOR 1M + Bank's margin(*)	2008	25,595	-	(44)	25,551
Bank Loans	PLN	WIBOR 3M + Bank's margin(*)	2008	71,788	-	(338)	71,450
Bank Loans	PLN	WIBOR 1M + Bank's margin(*)	2009	46,085	-	(513)	45,572
Bank Loans	PLN	WIBOR 3M + Bank's margin(*)	2009	45,562	-	(560)	45,002
Subtotal (Bank)				**189,030**	**-**	**(1,455)**	**187,575**
Total				**249,595**	**2,704**	**(1,455)**	**250,844**

(*) Not disclosed for commercial reasons.

For the bank loans the following collateral was given:

- Ordinary and floating mortgages on real estate, see note 15.
- Pledge over bank accounts up to the amounts/instalments due that amounted to PLN 10,974 thousand and PLN 4,363 thousand as at 31 December 2008 and 31 December 2007, respectively.
- Deposits guarantee for interests on credits, see note 18.
- Assignment of receivables arising from insurance agreement and from the agreements concluded with clients.
- Registered pledge on 1,147,500 shares (0.5% share capital) of Ronson Europe N.V. (owned by ITR Dori B.V.) and shares of particular subsidiary companies.
- Subordination agreement on loans from related parties.
- Blank promissory note drawn by particular subsidiary companies with a promissory note declaration up to the amount of the loan plus interest.
- Advance payments of dividends until full repayment of loans are not allowed.

23. Provisions

For the year ended 31 December *In thousands of Polish Zlotys (PLN)*	**2008**	**2007**
Balance at the beginning of the year	**501**	**501**
Increase (*)	2,643	-
Balance at the end of the year	**3,144**	**501**

(*) The main source of the increase in 2008 is related to the contracted preparation of ground works.

Notes to the Consolidated Financial Statements

24. Deferred income

Deferred income classified as current consists of customer advances for construction work in progress (deferred revenue). Deferred income comprises customer advances for the following projects:

In thousands of Polish Zlotys (PLN) **Subsidiary**	**Project**	**As at 31 December 2008**	**As at 31 December 2007**
Ronson Development Company Sp. z o.o.	Galileo	32,637	5,848
Ronson Development Properties Sp. z o.o.	Imaginarium II	11,144	-
Ronson Development Properties Sp. z o.o.	Imaginarium I	5,356	31,646
Ronson Development Metropol Sp. z o.o.	Constans	2,475	-
Ronson Development Buildings Sp. z o.o.	Gemini I	1,243	-
Ronson Development Structure Sp. z o.o.	Nautica	992	-
Ronson Development Investment Sp. z o.o.	Meridian	352	12,314
Ronson Development Creations Sp. z o.o.	Mistral	-	5,079
Other	Other	135	20
Total		**54,334**	**54,907**

For information about contingent receivables from signed contacts with clients, see note 27.

25. Trade and other payables

As at 31 December *In thousands of Polish Zlotys (PLN)*	**2008**	**2007**
Trade payables	15,612	7,960
Non-trade payables and accrued expenses	2,132	1,392
Value added tax (VAT) and other tax payables	4,559	1,111
Guarantees for construction work	1,529	-
Total	**23,832**	**10,463**

As at 31 December 2008 and 31 December 2007, payables denominated in foreign currencies were insignificant.

26. Fair value estimation

In thousands of Polish Zlotys (PLN)	*Note*	**As at 31 December 2008**	
		Carrying amount	**Fair value**
Assets:			
Trade and other receivables	*16*	31,409	31,409
Short-term bank deposits – collateralized	*18*	5,043	4,989
Cash and cash equivalents	*17*	39,323	39,323
Liabilities:			
Secured bank loans	*22*	225,133	223,159
Loan from related parties	*22*	57,619	52,242
Trade and other payables	*25*	23,832	23,832
Unrecognized gain			**7,297**

Notes to the Consolidated Financial Statements

26. Fair value estimation

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

In thousands of Polish Zlotys (PLN)	*Note*	As at 31 December 2007	
		Carrying amount	**Fair value**
Assets:			
Trade and other receivables	*16*	64,424	66,176
Short-term bank deposits – collateralized	*18*	1,752	1,763
Cash and cash equivalents	*17*	71,829	71,829
Liabilities:			
Secured bank loans	*22*	187,575	187,575
Loan from related parties	*22*	63,269	61,414
Trade and other payables	*25*	10,463	10,463
Unrecognized gain			**3,618**

Estimation of fair values

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

- trade and other receivables, cash and cash equivalents and trade and other payables: the carrying amounts approximate fair value because of the short maturity of these instruments;
- short-term bank deposit - collateralized: the fair value is estimated by discounting the future cash flows of each instrument at rates currently offered to the Group for similar instruments of comparable maturities by the Group's bankers;
- loans and borrowings: the fair value is estimated by discounting the future cash flows of each instrument at rates currently offered to the Group for similar instruments of comparable maturities by the Group's bankers.

Interest rates used for determining fair value

The interest rates used to discount estimated cash flows (PLN denominated), where applicable, are based on WIBOR plus/minus margin as at 31 December 2008 and 31 December 2007 and are as follows:

As at 31 December	**2008**	**2007**
Loans and borrowings	8.98%	6.78%
Short-term bank deposits – collateralized	5.00%	4.00%

27. Contingencies, commitments and receivables

Investment commitments:

The amounts in the table below present unpaid investment commitments of the Group in respect of construction services to be rendered by the general contractors:

In thousands of Polish Zlotys (PLN) **Subsidiary**	**Project**	**As at 31 December 2008**	**As at 31 December 2007**
Ronson Development Buildings Sp. z o.o.	Gemini I	56,720	-
Ronson Development Structure Sp. z o.o.	Nautica	44,806	-
Ronson Development Home Sp.k.	Gardenia	5,499	-
Ronson Development Metropol Sp. z o.o.	Constans	16,138	-
Ronson Development Properties Sp. z o.o.	Imaginarium II	8,050	-
Ronson Development Company Sp. z o.o.	Galileo	601	32,755
Total		**131,814**	**32,755**

Notes to the Consolidated Financial Statements

28. Contingencies, commitments and receivables (cont'd)

Investment commitments (cont'd):

Moreover according to the conditions of the termination agreement concluded with Mr. Kerem on 3 September 2008, the consulting agreement between him and the Company and its subsidiary will expire as of end of March 2009 ("Expiration Date"). As at the Expiration Date of the consulting agreement Mr. Kerem will be entitled to the bonus equal to 0.5% of the pre-tax profits generated by projects that are owned by the Company as of the expiration date. This concerns however only those projects which are based on the plots of land with validated zoning conditions or with the valid master plans. Moreover, Mr. Kerem will be entitled to an additional bonus equal to 2.5% of the pre-tax profit generated by the projects that will be in construction or will be completed as of the Expiration Date. The amount of the bonus payment will be also proportional to the stage of construction (percentage of completion) of the projects as of the Expiration Date.

Contracted sales not yet recognized:

The table below presents amounts to be received from the customers having bought apartments from Ronson subsidiary companies and which are based on the value of the sale and purchase agreements signed with the clients until 31 December 2008 after deduction of payments received at balance sheet date (such payments being presented in the Consolidated Balance Sheet as Deferred income):

In thousands of Polish Zlotys (PLN)

Subsidiary	Project	As at 31 December 2008	As at 31 December 2007
Ronson Development Properties Sp. z o.o.	Imaginarium II	23,995	-
Ronson Development Structure Sp. z o.o.	Nautica	17,360	-
Ronson Development Company Sp. z o.o.	Galileo	12,114	17,395
Ronson Development Buildings Sp. z o.o.	Gemini I	9,497	-
Ronson Development Metropol Sp. z o.o.	Constans	2,389	-
Ronson Development Investment Sp. z o.o.	Meridian	2,232	5,969
Ronson Development Properties Sp. z o.o.	Imaginarium I	515	5,108
Ronson Development Creation Sp. z o.o.	Mistral	-	3,103
Total		**68,102**	**31,575**

As at 31 December 2008, the Group did not have any contingents liabilities.

28. Related parties

Parent and ultimate controlling party

The Group enters into various transactions with its subsidiaries and with its directors and executive officers.
The main related parties' transactions arise on:

- loans received,
- settlements with ITR Dori,
- transactions with key management personnel,
- shares and shares options,
- land purchase from related parties.

Notes to the Consolidated Financial Statements

28. Related parties (cont'd)

Loans received

During the year ended 31 December 2008, the Group repaid loans from related parties amounting to PLN 8,447 thousand and did not receive any loans from related parties in this period (see note 22 for details).

Settlements with ITR Dori

Until 30 September 2007, transactions with ITR Dori comprised consultancy fees in respect of management services provided for the benefit of the Group companies, which amounted to PLN 1,036 thousand during the year ended 31 December 2007. Moreover, during the year ended 31 December 2007, the Group re-charged ITR Dori for costs incurred locally for the preparation of the initial public offering of the shares in the Company.

Transactions with key management personnel

The key management personnel of Company include:

Shraga Weisman - President of the Management Board, Chief Executive Officer (since 10 October 2008)
Tomasz Łapiński - Member of the Management Board, Chief Financial Officer (since 23 June 2008)
Andrzej Gutowski - Member of the Management Board, Sales and Marketing Director (since 10 October 2008)
David Katz - Member of the Management Board
Karol Pilniewicz - Member of the Management Board (since 10 October 2008)
Amos Weltsch - Member of the Management Board
Including former management board members:
Ariel Bouskila - Chief Financial Officer (until 23 June 2008)
Dror Kerem - Chief Executive Officer (until 10 October 2008)
Karim Habra (until 3 September 2008)

Loans to directors

As at 31 December 2008 and 31 December 2007, there were no loans granted to directors.

Key management personnel compensation

Apart from the compensation listed below, there were no additional benefits granted to key management personnel in the periods ended 31 December 2008 and 31 December 2007.

Key management personnel compensation can be presented as follows:

In thousands of Polish Zloty (PLN)	**Employment agreement**	**Management salary**	**Other (bonuses)**	**Total**
Management Board – 31 December 2008	538	695	812	**2,045**
Management Board – 31 December 2007	71	361	-	**432**

Residential units purchased by key management

The Group has sold residential units including parking places and storages ("Units") to Amixam Property Sp. z o.o., a Polish company of which 50% of the shares are held by Mr. Dror Kerem. During the year ended 31 December 2007, the Group sold one unit for a consideration of PLN 497 thousand (during the year ended 31 December 2008: nil). This transaction has been executed at arm's length and was in adherence to the Group's policy in respect of related-party transactions.

Notes to the Consolidated Financial Statements

28. Related parties (cont'd)

Shares and share options

Shares

On 24 June 2008, the Company issued 300,000 new shares with a nominal value of EUR 0.02 each, to Mr. Dror Kerem, the former President of the Management Board and the former Chief Executive Officer of the Company. These shares were issued at nominal value in accordance with the right to these shares as granted to Mr. Dror Kerem in 2007. Subsequently, the shares were assigned by Mr. Dror Kerem to Elgindat Holdings Limited, a limited liability company of which Mr. Dror Kerem is a managing director and co-owner.

Share options

During the year ended 31 December 2008, the members of the Management Board did not receive rights to shares or options on shares. During the year ended 31 December 2007, the following members of the Management Board received rights to shares in the Company:

- Mr. Dror Kerem: a right to subscribe for 240,000 shares in the capital of the Company with a nominal value of EUR 0.02 each, per year annually on each anniversary date of 5 November 2007 for five successive years, being in total 1,200,000 shares, for an issue price per share equal to 5.75 PLN, provided, however, that if the consulting agreement between Mr. Kerem and the Company is terminated (for any reason) Mr. Kerem's entitlement to the vesting of the options on the anniversary date of the year of such termination shall be relative to the proportion of the year (to the anniversary date) he was employed by the Company and, thereafter, any remaining options granted in accordance with the above are automatically cancelled. As Mr. Kerem stepped down as President of the Management Board and 'Chief Executive Officer' as of 10 October 2008 and will further resign from all his other functions within the Group as of 31 March 2009, 336,000 from the above-mentioned rights will vest. The right to subscribe to the remaining 864,000 shares will be cancelled; and
- Mr. Andrzej Gutowski: a right to subscribe to a total number of 150,000 shares in the capital of the Company with a nominal value of EUR 0.02 each, for an issue price per share equal to PLN 5.75, one third per year on the anniversary date of the date of 5 November 2007 for three successive years; and
- Mr. Ariel Bouskila: a right to subscribe to a total number of 150,000 shares in the capital of the Company with a nominal value of EUR 0.02 each, for an issue price per share equal to PLN 5.75, one third per year on the anniversary date of the date of 5 November 2007 for three successive years. As Mr. Bouskila stepped down as Management Board member as of 23 June 2008 and resigned from all his functions within the Group as the end of July 2008, the above-mentioned rights have been cancelled.

Land purchased from related parties

On 26 July 2007, Ronson Development Landscape Sp.k., a newly formed Polish subsidiary of Ronson, entered into a preliminary purchase agreement to acquire the assets of Brighton Tec Sp. z o.o. from ITR Dori. The primary asset of Brighton Tec was a plot of land located in Mokotów, Warsaw. Brighton Tec has been seeking zoning approval for construction of a residential project on this site, rather than a commercial project as originally contemplated. On 27 September 2007, the asset sale was consummated for an amount of PLN 43,473 thousand (EUR 11,500 thousand) in cash, which was equal to the appraised fair value of the asset.

Notes to the Consolidated Financial Statements

29. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Board reviews and agrees policies for managing each of these risks and they are summarised below. The Group also monitors the market price risk arising from all financial instruments.

The Group does not use derivative financial instruments to hedge currency or interest rate risks arising from the Group's operations and its sources of finance. It is, and has been throughout the year ended 31 December 2008 and 2007, the Group's policy that no trading in (derivative) financial instruments shall be undertaken.

The Group's principal financial instruments comprise cash balances, bank loans and loans from related parties. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial instruments such as financial lease receivables, trade debtors and trade creditors, which arise directly from its operations.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counter party to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Group to concentrations of credit risk consist principally of advances for inventories of residential units and cash and cash equivalents.

The Group is making significant cash payments as security for preliminary land purchase agreements. The Group minimizes its credit risk arising from such payments by registering advance repayment obligations in the mortgage register of the respective property. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The Group does not expect any counter parties to fail in meeting their obligations. The carrying amount of trade and other receivables (see note 16) reflects the maximum exposure to the risk.

The Group places its cash and cash equivalents in financial institutions with high credit ratings. Management does not expect any counterparty to fail to meet its obligations. Concentrations of credit risk with respect to trade receivables are limited due to the large number of customers comprising the Group's customer base. The credit quality of cash at banks and short-term bank deposits can be assessed by reference to external credit ratings:

In thousands of Polish Zloty (PLN) **Rating**	**As at 31 December 2008**	**As at 31 December 2007**
AAA	24	40
AA	7,274	66,321
A	24,258	5,468
BBB	7,767	-
Total cash at banks and short-term bank deposits	**39,323**	**71,829**

Notes to the Consolidated Financial Statements

29. Financial risk management (cont'd)

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising return.

(i) Foreign currency risk
The Group is exposed to foreign currency risk on receivables and borrowings denominated in a currency other than PLN to a limited extent only. As at 31 December 2008, Trade receivables denominated in foreign currencies were insignificant. Moreover the Group is exposed also foreign currency risk on long-term finance lease receivable in USD amounting to USD 234 thousand (PLN 692 thousand) and USD 242 thousand (PLN 590 thousand) as at 31 December 2008 and 31 December 2007, respectively.

(ii) Price risk
The Group's exposure to marketable and non-marketable securities price risk is not significant because the Group has not invested in securities as at 31 December 2008 and 2007.

(iii) Interest rate risk
The Group's fixed-rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable-rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short-term receivables and payables are not exposed to interest rate risk.
In respect of income-earning financial assets and interest-bearing financial liabilities, the following tables indicate their average effective interest rates at the reporting date and the periods in which they mature or, if earlier, re-price.

			As at 31 December 2008					
In thousands of Polish Zlotys (PLN)	**Note**	**Average effective interest rate**	**Total**	**6 months or less**	**6-12 months**	**1-2 years**	**2-5 years**	**More than 5 years**
Fixed rate instruments								
Loans from related parties	*22*	6.00%	57,619	-	-	-	57,619	-
Cash and cash equivalents	*17*	0.05%-0.15%	4,364	4,364	-	-	-	-
Short-term bank deposits - collateralized	*18*	2%-3%	5,043	2,774	2,269	-	-	-
Variable rate instruments								
Secured bank loans	*22*	WIBOR + Bank's margin(*)	225,133	13,176	125,409	86,548	-	-
Cash and cash equivalents	*17*	WIBID - 1%-2%	34,959	34,959	-	-	-	-

			As at 31 December 2007					
In thousands of Polish Zlotys (PLN)	**Note**	**Average effective interest rate**	**Total**	**6 months or less**	**6-12 months**	**1-2 years**	**2-5 years**	**More than 5 years**
Fixed rate instruments								
Loans from related parties	*22*	6.00%	63,269	7,792	-	-	55,477	-
Cash and cash equivalents	*17*	0.05%-0.15%	7,273	7,273	-	-	-	-
Short-term bank deposits - collateralized	*18*	2%-3%	1,752	1,752	-	-	-	-
Variable rate instruments								
Secured bank loans	*22*	WIBOR + Bank's margin(*)	187,575	18,622	78,761	90,192	-	-
Cash and cash equivalents	*17*	WIBID - 1%-2%	64,556	64,556	-	-	-	-

(*) Not disclosed due to commercial reasons.

Notes to the Consolidated Financial Statements

29. Financial risk management (cont'd)

Market risk (cont'd)

It is estimated that a general increase of one percentage point in interest rates at the balance sheet date would increase (decrease) the net assets and income statement by the amounts listed in the table below. The analysis prepared for 12-month periods assumes that all other variables remain unchanged.

	As at 31 December 2008		As at 31 December 2007	
In thousands of Polish Zlotys (PLN)	**Increase by 1%**	**Decrease by 1%**	**Increase by 1%**	**Decrease by 1%**
Income statement				
Variable interest rate assets	117	(117)	215	(215)
Variable interest rate liabilities *	(753)	753	(547)	547
Total	**(636)**	**636**	**(332)**	**332**
Net assets				
Variable interest rate assets	117	(117)	215	(215)
Variable interest rate liabilities *	(753)	753	(547)	547
Total	**(636)**	**636**	**(332)**	**332**

* The financial costs which are related to loans and borrowing are capitalized by the Group to work-in-progress. Such costs are gradually recognized in the income statement based on the proportion of residential units sold. It has been assumed in the above analysis that one third of the financial costs calculated and capitalized in a given period is disclosed in the income statement based on the proportion of residential units sold of a given period and the remaining part of the costs remains in the inventories and will be disclosed in the income statement in the following accounting periods.

Notes to the Consolidated Financial Statements

29. Financial risk management (cont'd)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g. accounts receivable, other financial assets) and projected cash flows from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, finance leases and hire purchase contracts.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	As at 31 December 2008			
In thousands of Polish Zlotys (PLN)	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
Loans and borrowings	138,585	86,548	57,619	-
Trade and other payables	23,832	-	-	-
Total	**162,417**	**86,548**	**57,619**	**-**

	As at 31 December 2007			
In thousands of Polish Zlotys (PLN)	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
Loans and borrowings	105,175	90,192	55,477	-
Trade and other payables	10,463	-	-	-
Total	**115,638**	**90,192**	**55,477**	**-**

Notes to the Consolidated Financial Statements

30. Capital management

When managing capital, it is the Group's objective to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the profit appropriation, return capital to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio and leverage.

The gearing ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. Leverage is calculated as net debt divided by total capital employed. Total capital employed is calculated as 'equity' as shown in the consolidated balance sheet plus net debt financing assets in operation.

The gearing ratios and leverage at 31 December 2008 and 31 December 2007 were as follows:

As at 31 December *In thousands of Polish Zlotys (PLN)*	**2008**	**2007**
Loan and borrowings, including current portion	282,752	250,844
Less: cash and cash equivalents	(39,323)	(71,829)
Net debt	**243,429**	**179,015**
Total equity	289,483	271,973
Total capital employed	**532,912**	**450,988**
Gearing ratio	**84.1%**	**65.8%**
Leverage	**45.7%**	**39.7%**

Neither the Company nor its subsidiaries are subject to externally imposed capital requirements. There were no changes in the Groups approach to capital management during the year.

Company Income Statement

For the year ended 31 December *In thousands of Polish Zlotys (PLN)*	*Note*	2008	2007
Revenue		2,561	4
General and administrative expense	*3*	(5,103)	(1,232)
Operating Loss		**(2,542)**	**(1,228)**
Finance income	*4*	3,812	524
Finance expense	*4*	(868)	(423)
Net finance income		**2,944**	**101**
Profit/(loss) before taxation		**402**	**(1,127)**
Income tax	*5*	-	-
Profit/(loss) before result from subsidiaries		**402**	**(1,127)**
Result from subsidiaries after taxation	*8*	**14,739**	**40,256**
Profit for the period		**15,141**	**39,129**

The notes on pages 83 to 86 are an integral part of these Company financial statements.

Company Balance Sheet

As at 31 December *In thousands of Polish Zlotys (PLN)*	*Note*	2008	2007
Assets			
Investment in subsidiaries	*8*	249,260	187,490
Loan granted to subsidiaries	*9*	53,068	55,900
Total non-current assets		**302,328**	**243,390**
Trade and other receivables		146	463
Receivable from subsidiaries		2,551	4
Cash and cash equivalents		703	44,809
Total current assets		**3,400**	**45,276**
Total assets		**305,728**	**288,666**
Equity			
Shareholders' equity	*10*		
Share capital		16,953	16,933
Share premium reserve		215,105	215,105
Retained earnings		57,425	39,935
Total shareholders' equity		**289,483**	**271,973**
Liabilities			
Long-term liabilities			
Loans from subsidiaries	*11*	15,192	14,353
Total long-term liabilities		**15,192**	**14,353**
Current liabilities			
Trade and other payables		1,053	1,457
Payable to subsidiaries		-	883
Total current liabilities		**1,053**	**2,340**
Total shareholders' equity and liabilities		**305,728**	**288,666**

The notes on pages 83 to 86 are an integral part of these Company financial statements.

Company Statement of Changes in Shareholders' Equity

For the years ended 31 December 2008 and 31 December 2007:

In thousands of PLN	Share capital	Share premium reserve	Retained earning	Total
Balance at the beginning of the period	-	-	-	-
Net profit for year ended 31 December 2007	-	-	39,129	39,129
Net contribution in kind of assets and liabilities and issue of shares upon establishment of the Company [(1)]	172	91,878	-	92,050
Net contribution in kind of assets and issue of new shares [(2)]	45	20,084	-	20,129
Exclusion of a subsidiary [(3)]	-	(22,360)	-	(22,360)
Share-based payment (see note 12)	-	-	806	806
Capital payment	-	700	-	700
Issue of new shares in exchange of share premium reserve	14,772	(14,772)		-
Issue of new shares [(4)]	1,944	139,575		141,519
Balance at 31 December 2007	**16,933**	**215,105**	**39,935**	**271,973**
Net profit for year ended 31 December 2008	-	-	15,141	15,141
Issue of new shares [(5)]	20	-	-	20
Share-based payment (see note 12)	-	-	2,349	2,349
Balance at 31 December 2008	**16,953**	**215,105**	**57,425**	**289,483**

(1) On 29 June 2007, the Company issued 45,000 shares (establishment shares) with a par value of EUR 1 per share (PLN 172 thousand) to ITR Dori, that were subsequently split on 29 September 2007 into 2,250,000 shares with a par value of EUR 0.02 per share.
Following the incorporation of the Company, the sole shareholder and founder of the Company, ITR Dori, assigned and contributed to the Company, on 29 June 2007, its shares and rights to shares in 36 Polish companies, which amounted to PLN 105,810 thousand as well as a liability under a loan agreement between ITR Dori and Ronson Development Residential Sp. z o.o., one of the Polish entities in which the shares were transferred to the Company. The principal amount under the loan agreement of which the liability was contributed plus accrued interest as at 29 June 2007, amounted to PLN 13,932 thousand.

(2) On 27 September 2007, the Company issued 11,890 shares with a par value of EUR 1 per share (PLN 45 thousand) to GE Real Estate, the minority shareholder, that split there shares on 29 September 2007 into 594,500 shares with a par value of EUR 0.02 per share.
As part of the process of combining the Ronson Group activities under Ronson Europe, GE Real Estate made a contribution in kind of its shares held in certain Polish Ronson subsidiaries, which amounted to PLN 20,084 thousand.

(3) Excluding Brighton Tec from the consolidation:
Initially, Brighton Tec owned the land at Klobucka Street in district Mokotów in Warsaw. On 26 of September 2007 the land was sold to Landscape, a wholly-owned subsidiary of the Company. Subsequently, the Group ceased to consolidate Brighton Tec (for more information see note 1).

(4) On 24 October 2007, the Company completed an initial public offering of its shares on the Warsaw Stock Exchange, having sold 26.6 million new shares at an offering price of PLN 5.75 per share. From the total received, the Group deducted an amount of PLN 11,814 thousand representing the total costs directly attributed to the initial public offering. Those costs represent mainly underwriters' legal, advisory and accounting fees, and costs related to the initial public offering road show, related public relations and marketing.

(5) On 24 June 2008, the Company issued 300,000 new ordinary shares with a nominal value of EUR 0.02 each to Mr. Dror Kerem, the former president of the Management Board and the former Chief Executive Officer of the Company. The shares were issued to Mr. Dror Kerem at nominal value for a total amount of EUR 6 thousand (PLN 20 thousand) in accordance with the rights to shares in the Company granted to Mr. Dror Kerem in 2007.

The notes on pages 83 to 86 are an integral part of these Company financial statements.

Company Statement of Cash Flows

For the year ended 31 December		2008	2007
In thousands of Polish Zlotys (PLN)	*Note*		
Cash flows from operating activities			
profit for the period		15,141	39,129
Adjustments to reconcile profit for the period to net cash (used in)/from operating activities:			
Net finance expense/(income),net	*4*	(2,944)	(101)
Net results subsidiaries during the year	*8*	(14,739)	(40,256)
Share based payment		2,349	806
		(193)	(422)
Decrease/(increase) in trade and other receivables		317	(463)
Decrease/(increase) in receivable from subsidiaries		(2,547)	(4)
Increase/(decrease) in trade and other payable		(404)	1,457
Increase/(decrease) in creditors from subsidiaries		(883)	883
		(3,710)	1,451
Interest received		627	522
Net cash (used in)/provided by operating activities		**(3,083)**	**1,973**
Cash flows from investing activities			
Loan granted to subsidiaries	*9*	(14,312)	(55,900)
Repayment of Loan granted to subsidiaries	*9*	20,300	-
Investment in subsidiaries	*8*	(47,031)	(43,700)
Net cash used in investing activities		**(41,043)**	**(99,600)**
Cash flows from financing activities			
Proceeds from new shares issued		20	154,250
Costs directly attributed to the new shares issued		-	(11,814)
Net cash from financing activities		**20**	**142,436**
Net change in cash and cash equivalents		**(44,106)**	**44,809**
Cash and cash equivalents at 1 January		44,809	-
Cash and cash equivalents at 31 December		**703**	**44,809**

The notes on pages 83 to 86 are an integral part of these Company financial statements.

Notes to the Company Financial Statements

1. General

Ronson Europe N.V. ("the Company"), is a Netherlands limited liability company with its statutory seat in Rotterdam, the Netherlands, and was incorporated on 18 June 2007.
The shares of the Company are traded on the Warsaw Stock Exchange since 5 November 2007. As at 31 December 2008, 64.2% of the outstanding shares are held by I.T.R. Dori B.V. ("ITR Dori"), 18.4% of the outstanding shares are held by GE Real Estate CE Residential B.V. ("GE Real Estate") and the remaining 17.4% of the outstanding shares are held by the public.
The Company holds and owns (directly and indirectly) 43 Polish company's. These companies are active in the development and sale of units, primarily apartments, in multi-family residential real-estate projects to individual customers in Poland and lease real estate to third parties.

2. Accounting principles

The accounting principles and measurement basis of the Company's statutory accounts are consistent with those applied in the consolidated financial statements (see Note 2 to the consolidated financial statements). The Company financial statements have been prepared in conformance with generally accepted accounting principles in the Netherlands ("Dutch GAAP") as well as in accordance with Part 9 of Book 2 of the Netherlands Civil Code, whereas the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU and Dutch GAAP as described in Note 2 to the consolidated financial statements.

3. General and administrative expense

For the year ended 31 December *In thousands of Polish Zlotys (PLN)*	**2008**	**2007**
External services	1,459	359
Share-based payment	2,349	806
Remuneration fees (see note 7)	1,281	47
Other	14	20
Total	**5,103**	**1,232**

4. Net finance income and expense

For the year ended 31 December *In thousands of Polish Zlotys (PLN)*	**2008**	**2007**
Interests on granted loans to subsidiaries	3,156	-
Interest income on bank deposits	547	505
Foreign exchange gain	109	19
Finance income	**3,812**	**524**
Interests on loans received from subsidiaries	(839)	(421)
Commissions and fees	(29)	(2)
Finance expense	**(868)**	**(423)**
Net finance income	**2,944**	**101**

Notes to the Company Financial Statements

5. Income tax

No Dutch income taxes have been recorded, primarily because of the tax loss for the financial period ended 31 December 2008, which will be carried forward. Realisation of this deferred income tax asset is dependent upon generating sufficient taxable income in the period that the deferred income tax asset is realised. Based on all available information, it is not probable that the deferred income tax asset is realisable and therefore the deferred tax asset is valued at nil.
The accumulated tax losses available for carry forward as per 31 December 2008 are estimated to be EUR 3,775 thousand (2007: EUR 3,087 thousand).

6. Personnel

The Company did not employ any personnel during the financial years ended 31 December 2008 and 31 December 2007.

7. Directors' remuneration

The Board of Managing Directors of the Company consists of 6 members (2007: 5 members). The board members are entitled to a total remuneration of PLN 2,045 thousand during the year 2008 (2007: PLN 432 thousand) and have been paid through the Company and the Company's subsidiaries.

The Supervisory Board of the Company consists of 5 members (2007: 4 members). The Supervisory directors are entitled to an annual fee of EUR 8,900 plus an amount of EUR 1,500 per board meeting (EUR 750 if attendance is by telephone). Two supervisory directors have waived their remuneration for 2008. The total Supervisory Board remuneration during 2008 amounted to PLN 203 thousand (EUR 49 thousand ; 2007: PLN 32 thousand (EUR 8 thousand)).

8. Investment in subsidiaries

The subsidiaries of the Company are valued at their net equity value.

The movements in subsidiaries are as follows:

For the year ended 31 December *In thousands of Polish Zlotys (PLN)*	**2008**	**2007**
Balance at beginning of the year	187,490	-
Contribution in kind from company shareholders (*)	-	103,534
Investments in subsidiaries	47,031	43,700
Net result subsidiaries during the year	14,739	40,256
Balance at end of the year	**249,260**	**187,490**

(*) for more information see Company Statement of Change in Shareholders' Equity, notes 1, 2 and 3.

Notes to the Company Financial Statements

9. Loan granted to subsidiaries

For the year ended 31 December *In thousands of Polish Zlotys (PLN)*	**2008**	**2007**
Balance at beginning of the year	55,900	-
Loans granted during the year	14,312	55,900
Loans repayment during the year	(20,300)	-
Interests accrued	3,156	-
Balance at end of the year	**53,068**	**55,900**

The loans are due after five years from the granting date and bear an interest rate of 6%, the principal and accrued interest are payable at the date of maturity of the loan. The borrower may prepay the loan at any time starting one year from the loan agreement date.

10. Shareholders' equity

The authorized share capital of the Company consists of 800,000,000 shares of EUR 0.02 par value each. The number of issued and outstanding ordinary shares as at 31 December 2008 amounted to 226,966,666 (as at 31 December 2007: 226,666,666 shares). For details on shares issued during 2008 and 2007, reference is made to Note 19 of the consolidated financial statements.

11. Loans from subsidiaries

For the year ended 31 December *In thousands of Polish Zlotys (PLN)*	**2008**	**2007**
Balance at beginning of the year	14,353	-
Contribution in kind from company shareholders (*)	-	13,932
Interests accrued	839	421
Balance at end of the year	**15,192**	**14,353**

(*) On 31 October 2006, Ronson Development Residential Sp. z o.o granted an unsecured loan to Jerusalem Finance Company B.V. ("JFC") amounting to PLN 13,399 thousand. JFC is a company fully owned by ITR Dori and provides financing to each of the companies within the Group. The loan has a maturity date of 31 October 2011 and an interest rate of 6%. Following the incorporation of the Company in June 2007, the liability under this loan agreement including the accrued interest as at 29 June 2007 amounting to PLN 13,932 thousand was assigned to the Company (see Company statement of changes in shareholders' equity under item (1)).

Notes to the Company Financial Statements

12. Information about agreed-upon engagements of the Company's auditor

Information about the agreements and the values from those agreements is disclosed below*:

For the year ended 31 December	**2008**	**2007**
In thousands of Polish Zlotys (PLN)		
Audit remuneration (1)	1,191	630
Remuneration for other services (2)	-	2,052
Total remuneration	**1,191**	**2,682**

(1) Audit remuneration includes the amounts paid and due to KPMG worldwide for professional services related to the audit and review of unconsolidated and consolidated financial statements of the Company and its subsidiaries for the relevant year.

(2) Remuneration includes fees for other services rendered by the auditor in 2008 and 2007. The services rendered in 2007 related mainly to the initial public offering of the Company's shares in October 2007.

* excluding fees for tax advisory services.

Rotterdam,
11 March 2009

The Management Board

Shraga Weisman
Chief Executive Officer
Director A

Tomasz Łapiński
Chief Financial Officer
Director A

Andrzej Gutowski
Sales and Marketing Director
Director A

Amos Weltsch
Director B

David Katz
Director B

Karol Pilniewicz
Director B

Supervisory Board

Uri Dori

Thierry Leleu

Mark Segall

Yair Shilhav

Reuven Sharoni

Articles of Association rules regarding profit appropriation

In accordance with Article 30 of the Articles of Association,

1) the Board of Managing Directors, with prior approval of the Supervisory Board, shall determine which portion of the profits – the positive balance of the income statement – shall be reserved. The profit remaining shall be at the disposal of the general meeting;

2) profit distributions may only be made to the extent the equity exceeds the paid and called up part of the capital increased with the reserves which must be maintained pursuant to the law;

3) Dividends shall be paid after the adoption of the Annual Accounts evidencing that the payment of dividends is lawful. The General Meeting shall, upon a proposal of the Board of Managing Directors, which proposal must be approved by the Board of Supervisory Directors, at least determine (i) the method of payment in case payments are made in cash (ii) the date and (iii) the address or addresses on which the dividends shall be payable;

4) the Board of Managing Directors, with prior approval of the Supervisory Board, may resolve to pay an interim dividend provided the requirement of the second paragraph has been complied with as shown by interim accounts drawn up in accordance with the provision of the law;

5) the General meeting may, subject to due observance of the provision of paragraph 2 and upon a proposal by the Board of Managing Directors, which proposal has been approved by the Supervisory Board, resolve to make distributions out of a reserve which need not to be maintained by virtue of the law;

6) cash payments in relation to shares if and in as far as the distributions are payable outside the Netherlands, shall be made in the currency of the country where the shares are listed and in accordance with the applicable rules of the country in which the shares of the Company have been admitted to an official listing on a regulated stock exchange. If such currency is not the same as the legal tender in the Netherlands the amount shall be calculated against the exchange rate determined by the Board of Managing Directors at the end of the day prior to the day on which the General meeting shall resolve to make the distributions in accordance with paragraph.1 above. If and in as far as the Company on the first day on which the distribution is payable, pursuant to governmental measures or other extraordinary circumstances beyond its control, is not able to pay on the place outside the Netherlands or in the relevant foreign currency, the Board of Managing Directors is authorised to determine to that extent that the payments shall be made in euros and on one or more places in the Netherlands. In such case the provisions of the first sentence of this paragraph shall not apply.

7) the General meeting may, upon a proposal by the Managing Directors, which proposal was approved by the Supervisory Board, resolve to pay dividends, or make distributions out of a reserve which need not to be maintained by virtue of the law, wholly or partially in the form of shares in the capital of the Company;

8) a claim of a shareholder to receive a distribution expires after 5 years;

9) for the calculation of the amount of profit distribution, the shares held by the Company shall be excluded.

Proposed profit appropriation

For the year ended 31 December 2008, Management proposes to allocate the net profit for the year 2008 amounting to PLN 15,141 thousand to retained earnings. This proposal has been reflected in the Company's balance sheet per 31 December 2008.

Auditor's report

The auditor's report is set up on pages 29 and 30.

Report on the Application of Corporate Governance Principles by Ronson Europe N.V. (the "Company") in the Financial Year Ended on 31 December 2008

Part I

List of corporate governance principles which were not adhered to by the issuer, stating the circumstances and reasons for not applying the given principle and the manner in which the Company intends to remove possible consequences of not applying the given principle or what steps it intends to undertake to mitigate the risk of not applying the given principle in the future.

The Company is incorporated and organized under Dutch law. Therefore, not all the rules set forth in the "Code of Best Practice for WSE Listed Companies" applied directly to the Company and some could have only been applied to the extent permitted by Dutch law.

It should be noted further that the Company, as an entity incorporated under Dutch law is subject to the Dutch Code of Corporate Governance (the "**Dutch Code of Corporate Governance**").

In 2008 the Company did not comply with the following rules set forth in the "Code of Best Practice for WSE Listed Companies":

Rule II.6.

A General Meeting should be attended by members of the Management Board who can answer questions submitted at the General Meeting.

Directors (i.e. members of the Company's management board (the "**Management Board**")) are authorised to take part in the General Meetings as advisors. Dutch law does not provide for any provisions which would require the mandatory presence of directors. Although the Company made every possible effort to ensure the presence of as large a number of directors as possible at the General Meetings, it could not have ensured the presence of all the directors.

Rule III.3.

A General Meeting should be attended by members of the Supervisory Board who can answer questions submitted at the General Meeting.

Directors (i.e. members of the Company's supervisory board (the "**Supervisory Board**")) are authorised to take part in the General Meetings as advisors. Dutch law does not provide for any provisions which would require the mandatory presence of directors. Although the Company made every possible effort to ensure the presence of as large a number of directors as possible at the General Meetings, it could not have ensured the presence of all the directors.

Rule III.6.

At least two members of the Supervisory Board should meet the criteria of being independent from the company and entities with significant connections with the company. The independence criteria should be applied under Annex II to the Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board. Irrespective of the provisions of point (b) of the said Annex, a person who is an employee of the company or an associated company cannot be deemed to meet the independence criteria described in the Annex. In addition, a relationship with a shareholder precluding the independence of a member of the Supervisory Board as understood in this rule is an actual and significant relationship with any shareholder who has the right to exercise at least 5% of all votes at the General Meeting.

From 1 January 2008 to 22 June 2008 there were four members of the Company's supervisory board (the "**Supervisory Board**"), one of whom was independent acting chairman of the audit committee. The second independent member of the Supervisory Board was appointed by the Annual General Meeting of Shareholders on 23 June 2008.

Rule IV.2.

The rules of General Meetings should not restrict the participation of shareholders in General Meetings and the exercising of their rights. Amendments of the rules should take effect at the earliest as of the next General Meeting.

The primary document which regulates the internal organisation of a public company limited by shares established and existing under Dutch law are the articles of association. The Company's articles of association (the "**Articles of Association**") define in detail the manner of convening, conducting and decision making by the Company's general meeting (the "**General Meeting**"). Under Dutch law no special by-laws regulating the general meeting's organisation and functioning exist. The Articles of Association may be amended exclusively on the basis of resolutions of the General Meeting.

Part II

Operations and main powers of the general meeting; shareholders' rights and the exercise thereof. An annual General Meeting is held within six months of the end of the Company's financial year.

Extraordinary general meetings are convened by the Management Board or the Supervisory Board (in exceptional situations also by shareholders or depository interest holders) whenever it is deemed necessary. Furthermore, extraordinary General Meetings are held upon a written request filed with the Management Board by shareholders and/or deposit interest holders who jointly represent at least one-tenth of the issued capital.

The notice of the convening a General Meeting specifies the matters to be discussed thereat. The convening notice will include any matter discussion of which has been requested in writing by one or more one or more persons entitled to attend the General Meeting, representing individually or collectively at least 1% of the issued capital or holding shares of the Company which represent a value of at least EUR 50,000,000.

General Meetings will be held in Rotterdam, Amsterdam, The Netherlands or in Haarlemmermeer, The Netherlands (Schiphol Airport). If a General Meeting is held elsewhere, valid resolutions can only be adopted if the entire issued capital of the Company is represented.

All shareholders, depository interest holders (which have fulfilled certain formal conditions), usufructuaries (*vruchtgebruikers*) and pledgees with voting rights are entitled to attend the General Meeting, to speak and to cast a vote. Each ordinary share will give the right to cast one vote. Unless Dutch law or the Articles of Association require a greater majority, resolutions are adopted by absolute majority of votes cast.

The General Meeting is empowered to pass resolutions *inter alia* in the following matters:

i. the issue of shares in the Company and decreasing the Company's equity;
ii. restriction or exclusion of pre-emptive rights;
iii. appointment, suspension and dismissal of the members of the Management Board;
iv. appointment, suspension and dismissal of the members of the Supervisory Board;
v. amendment of the Articles of Association, however only following a proposal of the Management Board which has been approved by the Supervisory Board;
vi. the dissolution of the Company, however only following a proposal of the Management Board which has been approved by the Supervisory Board.

Resolutions of the Management Board require the prior approval of the General Meeting when such resolutions relate to an important change in the identity or character of the Company or certain undertakings of the Company, including in any case:

i. the transfer of the enterprise, or practically the entire enterprise, of the Company to a third party;
ii. the entry into or termination of a long-term agreement by the Company or a subsidiary with, or the co-operation of the Company or a subsidiary with, another legal entity or partnership or as a fully liable partner in a limited partnership, if

such co-operation or termination is of far-reaching significance for the Company; and

iii. the acquisition or disposal of a participation in the capital of the Company with a value of at least one third of the amount of the assets as set forth in the balance sheet with explanatory notes, or if the Company prepares a consolidated balance sheet, as set forth in the consolidated balance sheet, with explanatory notes, forming part of the most recently adopted annual accounts of the Company.

Part III

Composition and operations of the managing and supervising bodies of the company and their committees.

The Company has a two-tier board structure: a Management Board and a Supervisory Board. The day-to-day management and policy-making of the Company is vested in the Management Board, under the supervision of the Supervisory Board. The Supervisory Board supervises the Management Board and the Company's general course of affairs and the business it conducts. It also supports the Management Board with advice. In performing their duties, the Supervisory Board members must act in accordance with the interests of the Company and the business connected with it.

The Management Board is responsible for the day-to-day management of the Company's operations, under the supervision of the Supervisory Board. The Management Board is required to keep the Supervisory Board properly informed, consult with the Supervisory Board on important matters and submit certain important decisions to the Supervisory Board for its approval (as more fully described below).

The Company's Articles of Association provide that the Management Board shall consist of one or more managing directors A and may, in addition, consist of one or more managing directors B. The Supervisory Board shall determine the precise number of members of the Management Board and the precise number of Management Board members of a specific class. The General Meeting of Shareholders shall grant the title of "Chief Executive Officer" to one of the managing directors A, who will be the chairman of the Management Board. The General Meeting of Shareholders may also grant the tile of "Chief Financial Officer" to a managing director A and other titles to managing directors A or managing directors B.

The Management Board may perform all acts necessary or useful for achieving the Company's corporate purpose, save for those acts that are prohibited by law or by its Articles of Association. The Management Board as a whole is authorized to represent the Company, as are two members of the Management Board acting jointly among whom, if one or more managing directors B are in office, at least one managing director B.

Members of the Management Board are appointed by the General Meeting following a nomination by the Supervisory Board. A nomination is binding if it is drawn up in due time and contains the names of no fewer than two persons for each vacancy. However, the General Meeting may deprive such nomination of its binding character by a resolution adopted with a majority of no less than two thirds of votes cast, with such votes representing more than one half of the issued capital.

The General Meeting may suspend or dismiss Management Board members at any time. If a resolution to suspend or dismiss a Management Board member has not been proposed by the Supervisory Board, the resolution to suspend or dismiss a Management Board member is adopted with no less than two thirds of votes cast, with such votes representing more than half of the issued capital. The Supervisory Board may also suspend Management Board members at any time. The suspension may at all times be cancelled by the General Meeting by a resolution adopted with no less than two thirds of votes cast, with such votes representing more than half of the issued capital.

Under the Articles of Association all resolutions by the Management Board are adopted by an absolute majority of the votes cast; provided, however, that resolutions with respect to the purchase of real property are adopted by the Management Board by unanimous vote.

Under the Articles of Association the Supervisory Board may resolve that specific resolutions of the Management Board must be approved by the Supervisory Board. Such resolutions must be clearly specified and reported to the Management Board in writing. The absence of approval of the Supervisory Board does not affect the authority of the Management Board (or its members) to represent the Company.

In 2008 the Management Board consisted:

(i) from 1 January 2008 to 23 June 2008, of the following five members: Dror Dory Kerem (President of the Board, Chief Executive Officer); Ariel Bouskila (Chief Financial Officer); David Katz; Karim Habra; and Amos Weltsch;

(ii) from 23 June 2008 to 3 September 2008, of the following five members: Dror Dory Kerem (President of the Board, Chief Executive Officer); Tomasz Łapiński (Chief Financial Officer); David Katz; Karim Habra; and Amos Weltsch;

(iii) from 3 September 2008 to 10 October, 2008 of the following four members: Dror Dory Kerem (President of the Board, Chief Executive Officer), Tomasz Łapiński (Chief Financial Officer); David Katz; and Amos Weltsch; and

(iv) from 10 October 2008 to 31 December 2008, of the following six members: Shraga Weisman (President of the Board, Chief Executive Officer); Andrzej Gutowski (Sales & Marketing Director); Tomasz Łapiński (Chief Financial Officer); David Katz; Karol Pilniewicz; and Amos Weltsch.

The Supervisory Board is responsible for supervising the conduct of, and providing advice to, the Management Board and supervising the Company's business generally. In performing its duties, the Supervisory Board is required to act in the interests of the Company's business as a whole. The members of the Supervisory Board are not, however, authorized to represent the Company in dealings with third parties.

The Company's Articles of Association state that the Supervisory Board will consist of no fewer than three and no more than seven natural persons, of which at least one will be independent within the meaning of the Articles of Association.

The Company’s Articles of Association provide that the General Meeting appoints the members of the Supervisory Board following nomination thereof by the Supervisory Board. A nomination is binding if it is drawn up in due time and contains the names of no fewer than two persons for each vacancy. However, the General Meeting may deprive such nomination of its binding character by resolution adopted with a majority of no less than two thirds of the votes cast, with such votes representing more than one half of the issued capital.

Under the Articles of Association the General Meeting may at any time suspend or dismiss members of the Supervisory Board. If a resolution to suspend or dismiss a member of the Supervisory Board has not been proposed by the Supervisory Board, the resolution to suspend or dismiss a member of the Supervisory Board is adopted with no less than two thirds of the votes cast, with such votes representing more than one half of the issued capital. The Articles of Association provide that the Supervisory Board members will retire periodically in accordance with a rotation plan to be drawn up by the General Meeting.

Under the Articles of Association the Supervisory Board can only adopt resolutions by an absolute majority of the votes cast. Each member of the Supervisory Board is entitled to one vote.

Two committees within the Supervisory Board have been established: (i) an Audit Committee; and (ii) a Remuneration and Nominating Committee.

The abovementioned committees are composed from members of the Supervisory Board with relevant experience. Both committees operate under the overall responsibility of the Supervisory Board, in accordance with the Dutch Code of Corporate Governance.

The Company’s Audit Committee assists the Supervisory Board in monitoring its systems of internal control, the integrity of the Company’s financial reporting process and the contents of the Company’s financial statements and reports. The Audit Committee also assists the Supervisory Board in assessing and mitigating the business and financial risks of the Company.

The Audit Committee meets at least twice a year and also meets each time the Company proposes to issue a press release containing the Company’s financial figures.

The Company’s Remuneration and Nominating Committee advises the Supervisory Board on the remuneration of the members of the Management Board and monitors the Company’s remuneration policy, which covers bonus plans for the Company’s senior management and members of the Management Board. The Remuneration and Nominating Committee also advises on the selection criteria and appointment procedures for members of the Management Board and members of the Supervisory Board, as well as the proposals for appointments and reappointments thereto, and the policy of the Management Board on selection criteria and appointment procedures for members of the senior management. It also assesses the functioning of individual members of the Supervisory Board and the Management Board.

In 2008 the Supervisory Board consisted of the following members: Uri Dori (Chairman of the Supervisory Board); Thierry Leleu; Mark Segall; Reuven Sharoni (appointed on 23 June 2008) and Yair Shilhav.

Part IV

Internal control and risk management.

The Company fully complies with the internal control provisions of the Combined Code and the Dutch Code of Corporate Governance. The Board has established a continuous process for identifying and managing the risks faced by the Company, and confirms that any appropriate actions have been taken, or are being taken, to address any weaknesses. The Audit Committee plays a key role in the Company's internal control and risk management. As mentioned above, this committee assists the Supervisory Board in reviewing its systems of internal controls, the integrity of the Company's financial reporting process and the contents of the Company's financial statements and reports. The Audit Committee also assists the Supervisory Board in assessing and mitigating the business and financial risks of the Company.