

Ronson Europe N.V.

Annual Report
for the year ended
31 December 2009

GENERAL INFORMATION

Management Board

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

Supervisory Board

Uri Dori, *Chairman*
Mark Segall, *Vice-Chairman*
Frank Roseen
Yair Shilhav
Reuven Sharoni

Company Secretary

Rami Geris

Registered office

Weena 210-212
3012 NJ Rotterdam
The Netherlands

Auditors

Ernst & Young Accountants LLP
Boogschutterstraat 1a
7324 AE Apeldoorn
The Netherlands

LETTER FROM THE CEO

To our shareholders

2009 was a year which the global economy showed the first signs of recovery from the international financial crisis of 2008. For the Polish economy, the crisis was less severe when compared to other countries. Despite fears and worries accompanying the crisis, the Company was able to achieve and even exceed its goals, which is evidenced by the following:

- The Company sold 263 units in 2009, and thereby achieved its sales goals.
- The value of shares of Ronson Europe at the Warsaw Stock Exchange increased during 2009 by over 200% from PLN 0.54 per share at the end of 2008 to PLN 1.73 per share at the end of 2009.
- The Company's gross operating margin was maintained at a high and healthy level of 34.6%.
- The Company has succeeded to improve its balance sheet structure by issuing new shares in a private placement transaction securing gross proceeds of PLN 72.6 million. This share issue changed substantially the Company's ability to commence new projects in 2010.
- Internal control processes have been improved in order to control and monitor both income and sales procedures as well as cost budgets. In addition, internal processes were enhanced in order to be able to streamline operations and to be prepared and ready for a planned increasing in scale of the Company's operations.
- The Company's land bank was improved through its obtaining zoning approvals and by progressing with architectural designs in order to be able to position the Company to be able to commence new projects as soon as market conditions improve sufficiently.
- Last, but not least, the positioning and perception of the Ronson brand was improved.

The Polish market overcame the global financial crisis in a relatively smooth way. GDP increased by 1.7% in 2009 and the unemployment rate reached only 11.5%, an increase by only 1.5% during the year. During 2009, the WIG index increased by 47%. Moreover, the forecasts for the Polish economy for 2010 are positive with projections for a further increase of GDP by some 2% to 3%.

The residential market in Poland showed its own resilience in 2009. It is estimated that the number of units completed in 2009 amounted to some 150,000 which was some 6% above the number realised during 2008. However, this positive trend was somewhat offset by a decrease in the number of newly commenced projects in 2009 as compared to 2008, especially, in the number of projects commenced by residential developers, which is estimated to be lower than in 2008 by some 39%. The decreasing number of commenced projects largely reflects the inability of most developers to meet the more stringent borrowing conditions required by banks in the last year and generally restricted access to financing for projects. According to our own assessment of the market, such conditions will likely continue in 2010.

We 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 150,000 units (which has been even further reduced in the current market environment), the long-term shortage in the residential market will remain pronounced and should continue to create great residential development opportunities.

In our opinion, the Company is in an advantageous position to exploit the current market conditions. The Company currently enjoys the following advantages:

- a strong capital structure allowing the Company to start and finance new projects.
- a pipeline of projects at attractive locations.
- a highly professional staff.
- a known brand in Warsaw and an emerging brand in other Polish cities.

The advantages mentioned above should give the Company the opportunity to extend significantly the scale of its operations and sales and to rank amongst the largest residential development companies in Poland.

We wish to thank all of our shareholders for their continued support and confidence in our ability to carry out our corporate vision.

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 2009, accompanied by the report of the management board. Ernst & Young Accountants LLP 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 88 to allocate the net profit for the year 2009 amounting to PLN 21,034 thousand to retained earnings.

Supervision

During 2009, there were frequent Supervisory Board and Management Board meetings, during which, among others, the following topics were discussed:

- the Company's business strategy, including the responses by the Company to the changed market environment as a result of the 2009 financial crisis;
- the strengthening of the Company's financial position including the issue of new shares and warrants during 2009;
- performance review of the Management Board and evaluation of the Company's remuneration policy;
- additions and changes to the Supervisory Board;
- the corporate governance structure of the Company;
- risk management;
- group restructuring anticipating Polish tax regulations;
- appointment of the Company's auditors and;
- financial results and other related issues.

The Supervisory Board (including its committees) met thirteen times (including eight 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 2009 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 2009.

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 2009, the Audit Committee met eight times. The Audit Committee has also been involved in the process of the selection of the external auditors, with whom the committee met twice during the year.

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 2009, the Remuneration and Nominating Committee met a number of times.

Financial statements

The Management Board has prepared the 2009 financial statements. These financial statements were discussed at a Supervisory Board meeting attended by the auditors.

Supervisory Board Report

Change in composition of the Supervisory Board

On 29 May 2009, the General meeting of shareholders appointed Mr Frank Roseen 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.

Change in composition of the Management Board

During 2009, there have been no changes in the composition of the Management Board of the Company.

10 March 2010
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'). For this reason the Company is subject to both Dutch and Polish rules and regulations regarding corporate governance.

Corporate Governance Code in the Netherlands

On 9 December 2003, the Dutch Corporate Governance Committee released the Dutch Corporate Governance Code. It was updated on 10 December 2008 by the Corporate Governance Code Monitoring Committee to take effect as of financial year 2009. The updated Dutch Corporate Governance Code ('the Code') contains principles and 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, either 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 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 complied with 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 purport. The Boards have taken and will take any further steps they consider required and appropriate to further implement the Code and improve the Company's corporate governance features. This is very much a living process. It is the Company's policy to discuss the topic annually with the shareholders and schedule it for this purpose for the annual general meeting of shareholders each financial year. The topic has been part of the agenda for each general meeting of shareholders since 2008.

The corporate governance policy and the corporate governance framework of the Company were approved for the first time by the shareholders in 2007 at the occasion of the IPO of the Company. In view of the evolution of the corporate governance structure and framework since then, the topic is scheduled for further discussion and approval in the upcoming general meeting of shareholders to be held no later than by end of April 2010.

Exceptions to the application of the Dutch Corporate Governance Code:

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

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 labour law. Any appointments of members of the Management Board after 1 January 2008 have been in compliance with this provision.

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 (15.3% 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. 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.*

An internal auditor has been appointed during 2009. The internal auditor started activities in November 2009.

Transactions with a conflict of interest

During the financial year 2009, no transactions as referred to in best-practice provisions II.3.4, III.6.3 and III.6.4 took place involving a conflict of interest relating to directors, supervisory board members or natural and/or legal persons holding at least 10% of the shares in the company. Applying best-practice provisions II.3.2, II.3.3, III.6.1 and III.6.2 was therefore not relevant.

Governance structure (cont'd)*Statement referred to in Section 3 of the Decree of 23 December 2004, Stb 747, determining the further requirements concerning the contents of annual reports*

Based on Section 391 of Book 2 of the Dutch Civil Code (Act of 9 July 2004, Stb 370, to amend Book 2, CC) and the Royal Decree of 23 December 2004, limited liability companies, whose shares – to put it briefly – are listed on a regulated stock exchange, must include a statement in their annual reports about their compliance with the principles and best practices of the Code.

In light of the foregoing the Company confirms that in the year under review, it did not comply fully with the provisions of the Code, nor does it intend to comply with these during the current financial year or the next financial year. Its reasons for doing so are explained in the paragraphs above.

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’).

Companies listed on the WSE are required to justify non- or partial compliance with any WSE Corporate Governance Rules 2008 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 2008. However, certain principles will apply to the Company only to the extent permitted by Dutch law. Detailed information regarding non-compliance, as well as additional explanations regarding partial compliance with certain WSE Corporate Governance Rules 2008 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 2008 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 certain period that lapses at 9 October 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 authorized 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 15.3% 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.

Corporate Governance

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 Dutch Corporate Governance Code.

Composition of the Supervisory Board

Uri Dori (age 67, Israeli citizen, male), Chairman

Uri Dori was appointed as member 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 Dori.

Mark Segall (age 47, US citizen, male), Vice-Chairman

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 Segall.

Frank Roseen (age 47, Greek citizen, male)

Frank Roseen was appointed a member of the Supervisory Board of the Company on 29 May 2009. Since 2009, Mr Roseen has been the General Counsel of GE Real Estate Europe SAS. Prior to 2009, Mr Roseen 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 May 2013. There is no conflict of interest between the Company and other business activities of Mr Roseen.

Yair Shilhav (age 50, 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. 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 Shilhav.

Reuven Sharoni (age 71, 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 Sharoni.

Corporate Governance

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 58, 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 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. Mr Weisman does not perform any activities other than for the Company.

Tomasz Łapiński (age 33, 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'.

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). Mr Łapiński does not perform any activities other than for the Company.

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.

David Katz (age 66, Israeli citizen, male)

David Katz was appointed as managing director B and 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., 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 Katz.

Composition of the Management Board (cont'd)

Karol Pilniewicz (age 31, 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 is employed by GE Real Estate Central and Eastern Europe. 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. There is no conflict of interest between the Company and other business activities of Mr Pilniewicz.

Amos Weltsch (age 58, Israeli citizen, male)

Amos Weltsch was appointed as managing director B and 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 also 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 Weltsch.

Explanatory notes by reason of the Decree, Article 10 of the Takeover Directive

By reason of the Decree of 5 April 2006 to implement article 10 of Directive 2004/25/EC of the European Parliament and the Council of the European Union of 21 April 2004 regarding public takeover bids, Ronson Europe N.V. ('the Company') provides the following explanation:

a. Capital structure of the Company

The capital of the company consists of one class of shares, being ordinary shares with a nominal value of EUR 0.02 each. Information on issued shares has been included under Note 22 to the Consolidated Financial Statements.

b. Restriction on transferring shares or issued depositary receipts with the Company's co-operation

The Articles of Association of the Company have no restriction with respect to the transfer of shares. The Company has no depositary receipts issued with the Company's co-operation.

c. Duty to report interests in the Company

The Company has been notified regarding shareholders with a substantial holding in accordance with the Act on Financial Supervision (5% or more) in the Company (I.T.R. Dori B.V., GE Real Estate CE Residential B.V. and Amplico Otworthy Fundusz Emerytalny and ING Otworthy Fundusz Emerytalny).

d. Special controlling rights

The Company has issued no shares with special controlling rights.

e. Employees' shares

The Company currently does not hold any employee share scheme or option plan where the control rights are not exercised directly by the employees.

f. Restriction on voting right and issue of depositary receipts

No restrictions are currently imposed on voting rights attached to issued shares. The Company has no depositary receipts issued with the Company's co-operation.

g. Agreements with shareholders

Currently, the Company is unaware of any shareholder agreements, except for the so-called Relationship Agreement between its two largest shareholders, I.T.R. Dori B.V. and GE Real Estate CE Residential B.V. which sets forth certain rights and obligations of the two largest shareholders with respect to each other. For a description of the Relation Agreement reference is made to pages 75 to 77 of the Company's Prospectus dated 10 October 2007 as available from the Company's website: www.ronson.pl.

h. Regulations pertaining to the appointment and dismissal of executive and supervisory directors and amendments to the Articles of Association

By virtue of articles 13 and 14 and articles 21 and 22 of the Articles of Association, the general meeting is authorised to appoint, suspend or dismiss members of the Management Board as well as members of the Supervisory Board. The Directors shall be appointed from a list of nominees, containing the names of at least two persons for each vacancy, to be drawn up by the Board of Supervisory Directors. A nomination which is drawn up in time shall be binding. However, the general meeting may deprive the nomination of its binding character by resolution adopted with a majority of not less than two thirds of the votes cast, representing more than half of the issued capital. The members of the Management Board and the Supervisory Board may be suspended or dismissed by the general meeting at any time. If a resolution to suspend or dismiss a Director has not been proposed by the Board of Supervisory Directors, the resolution to suspend or dismiss a managing Director is adopted with not less than two thirds of the votes cast by shareholders, representing more than half of the issued capital.

By virtue of article 40 of the Articles of Association, the Articles of Association can only be amended at the proposal of the Board of Managing Directors subject to approval from the Supervisory Board and the shareholders.

i. The powers of the board

By virtue of article 5 of the Articles of Association, the Management Board is, subject to the approval of the Board of Supervisory Directors, authorised to resolve to issue shares for a certain period that lapses at 9 October 2011 for a maximum per 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 authorized share capital.

j. Important agreements when issuing a public bid

The Company is not aware of any existing agreement which is relevant in the context of the issuance of a public bid.

k. Agreements with executive directors or employees in the event of a public bid

The employment contracts the Members of the Management Board do not contain any specific clauses which refer to a change of control in the Company.

Remuneration Report

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. has entered into a consulting agreement with Ronson Europe N.V. as well as an employment contract with a subsidiary of the Company (Ronson Development Management Sp. z o.o.). The terms of his compensation package include a gross monthly fee of the PLN equivalent of EUR 25,000. In addition, he is entitled to an annual bonus set at 3.3% of the consolidated annual pre-tax profit of the Group. Mr Weisman is 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 an 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. In addition, he is entitled to an annual bonus set at 0.75% of the consolidated annual pre-tax profit of the Group.

Andrzej Gutowski

Mr Andrzej Gutowski as a member of the Management Board of Ronson Europe N.V. has entered into an 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).

Corporate Governance

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).

Remuneration of the Management Board in 2009

Total compensation of the current Members of the Management Board and the former Member of the Management Board, Mr Dror Kerem, in 2009 – not including any benefits from the employee stock incentive plan (share based payments) and the company car – amounted to PLN 4,721 thousand, of which the compensation of:

- Mr Shraga Weisman amounted to PLN 2,656 thousand,
- Mr Tomasz Łapiński amounted to PLN 734 thousand,
- Mr Andrzej Gutowski amounted to PLN 423 thousand,
- Mr Dror Kerem amounted to PLN 908 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. 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. Following the resignation of key management employees in 2008 and 2009, a total of 1,260,667 options were cancelled, whereas the right to obtain 300,000 shares was exercised during 2008. During the year ended 31 December 2009, the other selected employees that joined the option programme had not exercised any of their options.

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. Moreover Supervisory Board members are entitled to reimbursement of out-of-pocket expenses related to services provided to the Company (mainly comprising travel and accommodation expenses). The Supervisory Board members are not entitled to any benefits on termination of their service. Two Supervisory Board members (Mr Uri Dori and Mr Frank Roseen) have waived their remuneration from the Company. The remuneration paid (or accrued) to the Supervisory Board members includes only the remuneration for the remaining members: Mr Mark Segall, Mr Yair Shilhav and to Mr Reuven Sharoni. The total Supervisory Board remuneration during 2009 amounted to PLN 259 thousand (EUR 60 thousand).

Risk Profile and Risk Management

Risk Profile

Management believes that the residential market as a whole in Poland is less saturated than in any other country within the European Union, including also the developing countries in Central and Eastern Europe, which in general provides for many opportunities for residential developers. However due to the fact that the Polish economy is still experiencing many dynamic changes, it may be sensitive to potential up and down-turns. These market conditions form an important and significant risk factor for the Company and for other residential developers, as the development process (including stages such as the purchase of land, the preparation of land for construction works, the construction process itself and, finally, also the sale of apartments) may take several years from start until completion. It is important to understand that decisions taken by the Company must assume a relatively long-term time horizon for each project as well as a significant volatility of land prices, construction cost levels and sales prices of apartments during the duration of projects which may have a material impact on the Company's profitability and financing needs.

Another specific risk is associated with the rapid development of many Polish cities which very often involves a lack of stability of development plans which could substantially impact the likelihood that projects on particular sites are realised as initially desired or planned. Quite often, residential developers are interested in buying land parcels without zoning conditions or without a valid master plan for the area, which would allow for a better assessment of the ultimate value of the plot. Pursuing such market opportunities may result in relatively low prices of the land parcels. However, this strategy may result in increasing operational and financial risks for the developer. Moreover, changing development plans of the cities could also impact the planned development and realisation of utility infrastructure (including water, gas, sewage and electricity connections), which is critical factor for the Company and other developers. However, for a vast majority of land parcels, the Company has already obtained zoning approvals, which reduces this risk to the Company significantly.

Another operating risk lies within the construction process itself. The Company does not operate a construction business, but, instead, it hires third party general contractors, who are responsible for running the construction and for the finalisation of the project including obtaining all permits necessary for safe use of the apartments. Important selection criteria when hiring a general contractor include experience, professionalism and financial strength of the contractor as well as the quality of the insurance policy covering all risks associated with the construction process.

Recent turbulence in the financial markets has resulted in a lack of stability in the manner in which financing institutions (banks) have approached both real estate companies and individual customers when applying for a mortgage loan. As the real estate business is very capital consuming, the role of the banking sector and its lending abilities are crucial for the Company leveraging not only when land parcels are acquired but also during the later stages of development, especially during the construction phase. Moreover, the availability of external financing is a crucial element driving the demand for apartments, as the vast majority of our customers is using mortgage secured loans to finance the purchase of apartments.

For addition information see Note 31 of the Consolidated Financial Statements.

Risk Profile and Risk Management

Risk Management

As part of its risk management measures, the Company is requesting, monitoring and taking insurance policies for most common risks associated with the activities of its contractors and their subcontractors, including construction companies and architectural designers, as well as insurance policies with respect to third-party liability. In the Company's opinion, these insurance policies offer adequate coverage for the financial consequences of any misconduct of Company's business partners.

In order to mitigate the market risks involved with the Company's activities, the Company applies relevant internal procedures, which include, for instance, a stipulation that any acquisition of land requires unanimous approval of the Management Board of the Company. Moreover, in response to the recent increasing market instability, the Company decided to scale down the size of individual projects offered for sale, by splitting larger residential projects into relatively smaller phases (usually at below 100 units for each stage of completion). The Company's plans for 2010 assume the commencement of construction of seven new projects comprising some 500 to 600 units to be sold, which means that the average scale of each new project, i.e. stage of completion, will be below 100 units. The Company is mitigating the risks related to the construction process by selecting and hiring experienced construction companies with good reputation and proven track-record in Poland.

Moreover, various other organisational measures and procedures were implemented in order to improve the quality of operations and to incorporate adequate checks and balances, including approvals, authorisations, reviewing investment decisions and so on. As part of implementing best-practice provisions of both the Dutch and Polish corporate governance codes, the Company introduced a tailored internal risk management and control system. During 2009, the proper operation of the new internal risk management and control system has been monitored. The evaluation was discussed with the members of the Audit Committee and the Supervisory Board. Also, the Company has a set whistleblower rules in place to ensure that employees of the Company and its subsidiaries have the possibility of reporting alleged irregularities of a general, operational or financial nature.

The Company's Management Board believes that its existing risk management measures are sufficient to provide a reasonable degree of certainty as to the absence of material inaccuracies in the financial reporting, losses and fraud.

For a description of the Company's financial risk management reference is made to Note 31 of the Consolidated Financial Statements.

Directors' Report

General

Introduction

Ronson Europe N.V. ('the Company') is a Dutch public company with its statutory seat in Rotterdam, the Netherlands, and was incorporated on 18 June 2007.

The Company (together with its Polish subsidiaries, 'the Group') is active in the development and sale of residential units, primarily apartments, in multi-family residential real-estate projects to individual customers in Poland.

The shares of the Company are traded on the Warsaw Stock Exchange since 5 November 2007. As at 31 December 2009, 64.2% of the outstanding shares are held by I.T.R. Dori B.V. ('ITR Dori'), 15.3% of the outstanding shares are held by GE Real Estate CE Residential B.V. ('GE Real Estate') and the remaining 20.5% of the outstanding shares are held by other investors including Amplico Otwarty Fundusz Emerytalny and ING Otwarty Fundusz Emerytalny whereby each party is holding an interest of between 5% and 10% of the outstanding shares. On 9 March 2010, the market price was PLN 1.63 per share giving the Company a market capitalization of PLN 443.9 million.

Company overview

The Company is an experienced, fast-growing and dynamic residential real estate developer expanding its geographic reach to major metropolitan areas across Poland. Leveraging upon its large portfolio of secured sites, the Company believes it 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. Bearing in mind the current difficult and uncertain market conditions, the Company believes that its development strategy should allow it to adjust to these conditions through spreading risks, evaluating and potentially modifying the number of projects and their sizes as well as considering various geographical locations.

Until 31 December 2009, the Group has completed ten projects comprising 1,406 units with a total area of 97,100 m², having delivered to clients 1,271 units with a total area of 86,800 m². The remaining 135 units in these completed projects, with a total area of 10,300 m², are expected to be delivered during 2010 and 2011 (see page 23).

As of the date of this Annual Report, the Group is in the midst of developing four projects comprising a total of 371 units, with a total area of approximately 37,500 m², which are expected to be completed during 2010. In addition, the Group has a pipeline of 22 projects in different stages of preparation, with approximately 5,300 residential units with a total area of approximately 385,000 m² for future development in Warsaw, Poznań, Wrocław and Szczecin.

Despite challenging market conditions, the Company's sales results have been gradually improving since the fourth quarter of 2008, which was the most difficult period for the Company as well as for the entire market. During the year ended 31 December 2009, the Company sold 263 units as net sales (taking into account cancellations of presales agreements), which corresponded to 50% of the units that were offered for sale in the beginning of the year. Management believes this was a good result given the prevailing market conditions. As the number of units offered by the Company diminishes due to progressing sales, the Company intends to benefit from improving markets and plans to initiate seven new projects during 2010. However, in order to minimize the market risk, management is scaling down the new projects into relatively smaller stages. Moreover, the current development plan assumes gradual openings spread out during next few quarters and in the event of any market deterioration or difficulties with securing financing from the banks for the considered projects, management may delay some of those plans.

Market overview

Following turbulences in the financial sector, the residential markets, also in Poland, experienced a significant decrease in the number of transactions and a diminishing demand from customers having problems arranging mortgage loans. As a result, in the fourth quarter of 2008 and in the first quarter of 2009, Polish market witnessed substantial decreases in the value of real estate projects and in the prices of residential dwellings. During the second quarter of 2009, the situation on the residential real estate market started to stabilize both with respect to the level of prices and with respect to the availability of mortgage loans to the private individuals. These trends were confirmed by positive sales results for the Company. The Management Board continues to maintain a moderately positive view, as a further increase in demand is being confirmed by positive sales results in the first two months of 2010, even despite the decreasing number of units offered for sale by the Company.

Market overview (cont'd)

Management expects that the Polish market shall witness a further increase in demand for apartments in 2010. Taking into consideration the significant decrease in the number of new projects introduced to the market in 2009 in comparison to 2008 which has resulted in a decreased supply of new apartments in the market, the Management Board expects an improving market environment in 2010.

The Polish economy has proven to be relatively strong even during the recent turbulent times, which in combination with the general scarcity of dwellings in Poland (in comparison to most other European countries) creates, what Management believes, solid long-term prospects for further development of the residential real estate market. In the opinion of the Management Board, the Company is well positioned to adapt to 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 positive sales results of the Company during the year ended 31 December 2009 appears to confirm that the Company has adapted to the changing market environment.

Notwithstanding an improvement of market conditions, the Management Board remains focused on minimizing market risks. As a consequence, the Company is now taking a very selective approach when initiating new projects. In the preparation phase of all projects, great emphasis is being put on splitting the projects into smaller parts which are completed in phases.

Business highlights during the year ended 31 December 2009

A. Projects completed

During the year ended 31 December 2009 the Group completed construction of two projects, Galileo and Imaginarium II, comprising 232 and 65 units with a total area of 16,700 m² and 4,700 m², respectively. For additional information see section 'B. Results breakdown by project' below.

B. Results breakdown by project

Revenue is recognized upon the transfer of significant risks and rewards of the ownership of the residential unit to the buyer, i.e. upon signing of the protocol of technical acceptance and the transfer of the key of the residential unit to the buyer. Total revenue of the Group recognized during the year ended 31 December 2009 amounted to PLN 116.3 million, whereas cost of sales amounted to PLN 76.1 million, which resulted in a gross profit amounting to PLN 40.2 million and a gross margin of 34.6%.

The following table specifies revenue, cost of sales and gross profit in 2009 on a project by project basis:

Project	Information on the delivered units		Revenue		Cost of sales		Gross profit	Gross margin
	Number of units	Area of units (m ²)	PLN (thousands)		PLN (thousands)		PLN (thousands)	%
				%		%		
Galileo	124	8,341	67,380	57.9%	43,215	56.8%	24,165	35.9%
Imaginarium II	43	3,244	38,410	33.0%	25,624	33.7%	12,786	33.3%
Meridian	8	596	5,351	4.6%	3,455	4.5%	1,896	35.4%
Imaginarium I	6	391	4,177	3.6%	2,742	3.6%	1,435	34.4%
Other	N.A	N.A	991	0.9%	1,079	1.4%	(88)	-8.9%
Total / Average	181	12,572	116,309	100.0%	76,115	100.0%	40,194	34.6%

Galileo

The construction of the Galileo project was completed in March 2009. The Galileo project was developed on a land strip of 8,598 m² located in the city centre district of Poznań. The Galileo housing project comprises 5 six-storey apartment buildings with a total of 226 apartments and 6 commercial units with an aggregate floor space of 16,700 m².

Imaginarium II

The construction of the Imaginarium II housing estate was completed in August 2009. This project was developed on part of a land strip of 7,042 m² located in the Bielany district in Warsaw. The Imaginarium II housing estate comprises 3 multifamily buildings with total 65 apartments with an aggregate usable floor space of 4,700 m².

Business highlights during the year ended 31 December 2009 (cont'd)

B. Results breakdown by project (cont'd)

Meridian

The construction of the Meridian housing estate was completed in October 2007. This project was developed on a land strip of 5,196 m² 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 m².

Imaginarium I

The construction of the Imaginarium I housing estate was completed in August 2008. This project was developed on part of a land strip of 10,343 m² located in the Bielany district in Warsaw. The Imaginarium housing estate comprises two-storey buildings with a total of 58 apartments with an aggregate floor space of 3,983 m².

Other

Other revenues are mainly associated with sales of the parking places and storages in other projects that were completed in previous years.

C. 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 2009:

Project name	Location	Units sold until 31 December 2008	Units sold during the year ended 31 December 2009	Units for sale as at 31 December 2009	Total
Meridian ^(*)	Warsaw	198	7	1	206
Imaginarium I ^(*)	Warsaw	57	(1)	2	58
Galileo ^(*)	Poznań	67	81	84	232
Imaginarium II ^(*)	Warsaw	36	22	7	65
Constans ^(**)	Warsaw	4	(2)	34	36
Gardenia ^(**)	Warsaw	-	-	22	22
Gemini I ^(**)	Warsaw	8	84	72	164
Nautica ^(**)	Warsaw	27	72	50	149
Total		397	263	272	932

(*) For information on the completed projects see 'Business highlights during the year ended 31 December 2009' (pages 16 to 17).

(**) For information on the current projects under construction see 'Outlook for 2010' (pages 23 to 24).

Overview of results

The Company's net income for the year ended 31 December 2009 was PLN 21,034 thousand and can be summarized as follows:

	For year ended	
	31 December	
	2009	2008
	PLN	
	(thousands, except per share data)	
Revenue	116,309	77,347
Cost of sales	(76,115)	(43,367)
Gross profit	40,194	33,980
Changes in the value of investment property	5,602	-
Selling and marketing expenses	(3,331)	(1,526)
Administrative expenses	(14,172)	(14,059)
Other expense	(2,563)	(769)
Other income	2,117	697
Result from operating activities	27,847	18,323
Finance income	851	2,357
Finance expense	(2,710)	(1,159)
Net finance (expense)/income	(1,859)	1,198
Profit before taxation	25,988	19,521
Income tax expense	(4,954)	(4,380)
Profit for the year	21,034	15,141
Net earnings per share (basic and diluted)	0.09	0.07

Revenue

Total revenue increased by PLN 39.0 million (50.4%) from PLN 77.3 million during the year ended 31 December 2008 to PLN 116.3 million during the year ended 31 December 2009, which increase is primarily explained by an increase in apartments delivered to the customers in terms of area size (in m²) offset in part by a decrease in average selling price per m².

Cost of sales

Cost of sales increased by PLN 32.7 million (75.5%) from PLN 43.4 million during the year ended 31 December 2008 to PLN 76.1 million during the year ended 31 December 2009, which is primarily explained by an increase in number of apartments delivered to the customers and in terms of area size (in m²).

Changes in the value of investment property

The value of the investment property increase from nil during the year ended 31 December 2008 to PLN 5.6 million during the year ended 31 December 2009, is explained by the classification as 'investment property' of a property previously classified as finance lease under long-term financial receivables (office building located at one of the Company's projects). Following the transaction concluded with the lessee and the termination of the finance lease arrangement and the transfer of substantially all risks and benefits of ownership of this property to the Group in 2009, the asset is classified as investment property and, therefore, presented at fair value in the consolidated statement of financial position.

Overview of results (cont'd)

Selling and marketing expenses

Selling and marketing expenses increased by PLN 1.8 million (118.3%) from PLN 1.5 million for the year ended 31 December 2008 to PLN 3.3 million for the year ended 31 December 2009, which is primarily explained by the increase in the number of projects the Group was developing and the number of apartments that were offered for sale, which resulted in a significant increase in costs for advertising and promotion in newspapers, magazines and on the internet, as well as for outdoor posters and billboards.

Administrative expenses

Administrative expenses increased by PLN 0.1 million (0.8%) from PLN 14.1 million for the year ended 31 December 2008 to PLN 14.2 million for the year ended 31 December 2009. The increase is primarily the net effect of:

- a decrease in the 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 2.3 million during the year ended 31 December 2008 to PLN 124 thousand during the year ended 31 December 2009;
- an increase in wages and salaries expenses from PLN 5.5 million during year ended 31 December 2008 to PLN 8.0 million during the year ended 31 December 2009, which is primarily due to the temporary effect of the relatively high management remuneration expenses in 2009. During the year ended 31 December 2009, personnel expenses not only included the remuneration for the current Management Board members but also a remuneration fee paid to the former CEO of the Company in conformity with the termination agreement between the Company and the former CEO.

The Company has been focusing on saving administrative costs and expenses. The initiatives introduced by the Company in 2009 include, among others, a reduction in the number of employees (average number of employees from 45 in 2008 to 41 in 2009) and a decrease in the annual costs of the Company's external auditors.

Results from operating activities

As a result of the factors described above, the Company's operating result increased by PLN 9.5 million from an operating profit of PLN 18.3 million for the year ended 31 December 2008 to an operating profit of PLN 27.8 million for the year ended 31 December 2009.

Net finance income

Finance income and expenses are 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 and expenses not capitalized are recognized in the statement of comprehensive income.

The table below shows the finance income and expenses before capitalization into inventories and the total finance income and expenses capitalized into inventories.

Overview of results (cont'd)

	For the year ended 31 December 2009		
	PLN (thousands)		
	<u>Total amount</u>	<u>Amount capitalized</u>	<u>Recognized as profit or loss</u>
Finance income	954	(103)	851
Finance expense	(20,737)	18,027	(2,710)
Net finance (expense)/income	(19,783)	17,924	(1,859)

	For the year ended 31 December 2008		
	PLN (thousands)		
	<u>Total amount</u>	<u>Amount capitalized</u>	<u>Recognized as profit or loss</u>
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

Net finance expenses before capitalization increased by PLN 1.3 million (7.1%) from PLN 18.5 million during the year ended 31 December 2008 to PLN 19.8 million during the year ended 31 December 2009, which is a result of a decrease in the total amount of short-term deposits invested by the Company in bank accounts.

Total finance expense during year ended 31 December 2009 decreased to PLN 20.7 million from PLN 21.2 million during the year ended 31 December 2008. Increasing banking margins were offset by lower reference rates (WIBOR) in 2009.

Income tax

The income tax expense as a percentage of profit before taxation was 19.1% for the year ended 31 December 2009 compared to a 22.4% for the year ended 31 December 2008.

Directors' report

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
2009 (12 months)	4.328	3.917	4.900	4.108
2008 (12 months)	3.513	3.203	4.185	4.172

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 or as at 31 December			
	2009	2008	2009	2008
Revenues	26,874	22,016	116,309	77,347
Gross profit	9,287	9,672	40,194	33,980
Profit before taxation	6,005	5,557	25,988	19,521
Profit for the year	4,860	4,310	21,034	15,141
Cash flows used in operating activities	(3,449)	(16,223)	(14,927)	(56,995)
Cash flows from/(used in) investment activities	15	(1,065)	66	(3,742)
Cash flows from financing activities	7,759	8,036	33,582	28,231
Increase/(decrease) in cash and cash equivalents	4,326	(9,253)	18,721	(32,506)
Inventories	157,316	138,292	646,253	577,010
Investment property	2,128	-	8,740	-
Total assets	180,962	157,468	743,391	657,021
Long term liabilities	27,681	35,350	113,715	147,494
Advances received	17,860	13,022	73,367	54,334
Short term liabilities (including advances received)	60,238	52,738	247,458	220,044
Shareholders' equity	93,042	69,380	382,218	289,483
Share capital	5,054	4,539	20,762	16,953
Average number of equivalent shares (basic)	235,672,238	226,822,830	235,672,238	226,822,830
Average number of equivalent shares (diluted)	236,311,571	228,314,244	236,311,571	228,314,244
Net earnings per share (basic and diluted)	0.021	0.019	0.089	0.067
Net earnings per share (diluted)	0.021	0.019	0.089	0.066

*Information is presented in EUR solely for presentation purposes. Due to the devaluation of the Polish Zloty against the Euro over the past year, the Statement of Financial Position data do not accurately reflect the actual comparative financial position of the Company. The reader should consider changes in the PLN / EUR exchange rate in 2009 comparing to 2008, when reviewing this data.

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

- (i) Statement of financial position data were translated using the period end exchange rate published by the National Bank of Poland for the last day of the period.
- (ii) Statement of comprehensive income 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 provided by its sales activities as well as from borrowings under several loan facilities. Additional source of liquidity in 2009 was related to the issue of new shares. The cash inflow from investing and financing activities, as described below, has enabled the Company to proceed with the development of its residential projects whilst at the same time maintaining sufficient liquidity for its day-to-day operations. The total amount of cash and cash equivalents as at 31 December 2009 was PLN 58.0 million (31 December 2008: PLN 39.3 million).

Cash flows from operating activities

The Company's net cash outflow used in operating activities for the year ended 31 December 2009 amounted to PLN 14.9 million which compares to a net cash outflow used in operating activities during the year ended 31 December 2008 of PLN 57.0 million. The cash flows used in operating activities were mainly related to expenditures for construction of projects under development, which translated into a net increase of work in progress and finished projects by PLN 69.2 million and PLN 119.5 million during the years ended 31 December 2009 and 31 December 2008, respectively.

Cash flows from investing activities

The Company's investing activities is primarily related to proceeds from sale of property and equipment. The cash inflow from investing activities amounted to PLN 66 thousand during the year ended 31 December 2009 which compares to a net cash outflow of PLN 3.7 million during the years ended 31 December 2008.

Cash flows from financing activities

The cash flow from financing activities totalled PLN 33.6 million and PLN 28.2 million for the years ended 31 December 2009 and 2008, respectively. This increase of cash flow from financing activities is primarily explained by the proceeds from the issue of new shares amounting to PLN 71.6 million (net of attributable costs) in the year 2009 whereas in 2008 only a small number of new shares were issued with total proceeds of PLN 20 thousand. The cash inflow from shares issued was partly offset by the net decrease in bank borrowings of PLN 40.0 million during the year ended 31 December 2009 compared to a net increase of PLN 28.2 million (including shareholder loans) during the year ended 31 December 2008.

Debt and net debt position

As of 31 December 2009, the Company's total debt to banks and related parties amounted to PLN 249.0 million (31 December 2008: PLN 282.7 million), comprising secured bank loans amounting to PLN 188.7 million (31 December 2008: PLN 225.1 million). Taking into account the Company's available cash position at 31 December 2009 amounting to PLN 58.0 million (31 December 2008: PLN 39.3 million), the net debt position of the Company amounted to PLN 191.0 million as at 31 December 2009 (31 December 2008: PLN 243.4 million).

Employees

The average number of personnel employed by the Company and its subsidiaries – on a fulltime equivalent basis – decreased from 45 in 2008 to 41 in 2009. The decrease in number of employees results from the Company's improvement plan.

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 2010

A. Completed projects

The table below presents information on the total residential units in the four completed projects that the Company has sold and delivered as at 31 December 2009 as well as is expecting to sell and deliver during the year 2010:

Project name	Location	Total units	Number of residential units sold (*)			Number of residential units delivered (*)			Number of residential units expected to be delivered (*) until 31 December 2010
			Until 31 December 2008	During the year ended 31 December 2009	Total	Until 31 December 2008	During the year ended 31 December 2009	Total	
Galileo (**)	Poznań	232	67	81	148	-	124	124	108
Imaginarium II (**)	Warsaw	65	36	22	58	-	43	43	22
Meridian (**)	Warsaw	206	198	7	205	196	8	204	2
Imaginarium I (**)	Warsaw	58	57	(1)	56	49	6	55	3
Total		561	358	109	467	245	181	426	135

(*) 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 the transferring of significant risks and rewards of the ownership of the residential unit to the client.

(**) For information on the completed projects see Business highlights during the year ended 31 December 2009 (pages 16 to 17).

B. Current projects under construction

The table below presents information on four projects for which completion is scheduled in 2010. The Company has obtained construction permits for all four 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 2009	Expected completion of construction
Constans	Warsaw	36,377	10,000	36	2	2010
Gardenia	Warsaw	7,129	3,700	22	0	2010
Gemini I	Warsaw	3,929	13,200	164	92	2010
Nautica	Warsaw	10,749	10,600	149	99	2010
Total		58,184	37,500	371	193	

Outlook for 2010 (cont'd)

B. Current projects under construction (cont'd)

Constans

Description of project

The Constans housing project is being developed on a land strip of 36,377 m² located in Konstancin near Warsaw and will comprise 18 semi-detached units (total 36 units) with an aggregate floor space of 10,000 m². The project is divided into three phases. The first phase comprises 8 semi-detached units, the second phase comprises 6 semi-detached units and the third phase comprises 4 semi-detached units.

Stage of development

Construction of the Constans project commenced in February 2008 and, with some units already built in the first quarter of 2010, is expected to be completed in the second quarter of 2010.

Gardenia

Description of project

The Gardenia project is being developed on a land strip of 7,129 m² 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 m². The project is divided into two phases.

Stage of development

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

Gemini I

Description of project

The Gemini I project is being developed on a land strip of 3,929 m² 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 156 apartments and 8 commercial units with an aggregate floor space of 13,200 m².

Stage of development

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

Nautica

Description of project

The Nautica project is being developed on a part of land strip of 10,749 m² located in the Ursynów district in Warsaw (Stryjeńskich Street). The project will comprise 4 five-storey, multi-family residential buildings with a total of 148 apartments and 1 commercial unit and an aggregate floor space of 10,600 m².

Stage of development

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

Outlook for 2010 (cont'd)

C. Projects that construction work is planned to commence during 2010

As the number of available apartments diminishes due to progressing sales, the Company intends to benefit from improving market conditions and plans to initiate seven new projects during 2010. However, in order to minimize the market risk, the management of the Company is scaling down new projects into relatively smaller stages. Moreover, the commencement plan assumes gradual openings spread during the next few quarters and in the event of any market deterioration or difficulties with securing financing by the banks for the considered projects, management may delay some of those plans.

Imaginarium III

The Imaginarium III project will be developed on a land strip of 5,700 m² located in the Bielany district in Warsaw (Gwiazdźista Street) and is situated next to the Imaginarium I and Imaginarium II projects. The project is a continuation of the Imaginarium I and Imaginarium II concept in terms of quality and design. The Imaginarium III housing estate comprises 2 multifamily buildings with total 45 apartments with an aggregate usable floor space of 3,800 m². The Company is considering opening this project during the first quarter of 2010.

Goya

The Goya project will be developed on a land strip of 14,500 m² located in the Grabiszyn district in Wrocław. The project will comprise 190 apartments with an aggregate floor space of 12,900 m² and will be divided into 2 phases. The Company is considering opening the first phase of this project during the second quarter of 2010. The first stage is to comprise 70 apartments.

Nautica II

The Nautica II project will be developed on a part of a land strip of 10,749 m² located in the Ursynów district in Warsaw (Stryjeńskich Street). The project will comprise one semi-detached unit and one house (in total 3 units) with an aggregate floor space of 709 m². The Company is considering opening the project during the first quarter of 2010.

Osiedle Wiślane

The Osiedle Wiślane project will be developed on a land strip of 31,800 m² located in Łomianki near Warsaw. The project will comprise 604 units with an aggregate floor space of 29,800 m² and will be divided into 8 phases. The Company is considering opening the first phase of this project during the second quarter of 2010. The first stage is to comprise 52 units.

Orion

The Orion project will be developed on a land strip of 16,300 m² located in the Wola district in Warsaw (Sowińskiego Street). The project will comprise 366 units with an aggregate floor space of 26,200 m² and will be divided into 3 or more phases. The Company is considering opening the first phase of this project during the third quarter of 2010. The first stage is to comprise 81 units.

Gemini II

The Gemini II project will be developed on a land strip of 4,700 m² located in the Ursynów district in Warsaw (KEN street) situated next to the subway station Imielin. The project will comprise 182 units with an aggregate floor space of 13,700 m². The Company is considering opening this project during the third quarter of 2010.

Kłobucka

The Kłobucka project will be developed on a land strip of 21,000 m² located in the Mokotów district in Warsaw (Kłobucka street). The project will comprise 454 units with an aggregate floor space of 28,385 m² and will be divided into 4 phases. The Company is considering opening the first phase of this project during the third quarter of 2010. The first stage is to comprise 120 units.

D. Main risks and uncertainties during 2010

The economic situation in Europe and in Poland and the uncertainties in the housing market make it very difficult to predict results for 2010. The development of the Polish economy, the banking industry and the consumers' interest in new housing projects are considered to be the most significant uncertainties for the financial year ending 31 December 2010.

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 (10 March 2010), the following shareholders are entitled to exercise over 5% of the voting rights at the General Meeting of Shareholders in the Company:

	As of 10 March 2010 Number of shares / % of shares	Increase in number of shares	As of 31 December 2009 Number of shares / % of shares	Increase in number of shares	As of 31 December 2008 Number of shares / % of shares
<i>Shares issued</i>	272,360,000	-	272,360,000	45,393,333 <i>(see page 27)</i>	226,966,667
<i>Major shareholders:</i>					
I.T.R. Dori B.V.	174,898,374 64.2%	-	174,898,374 64.2%	29,151,598	145,746,776 64.2%
GE Real Estate CE Residential B.V.	41,800,000 15.3%	-	41,800,000 15.3%	-	41,800,000 18.4%
Amplico Otworthy Fundusz Emerytalny	N.A. Between 5%-10%.	N.A.	N.A. Between 5%-10%.	N.A.	N.A. N.A.
ING Otworthy Fundusz Emerytalny	N.A. Between 5%-10%.	N.A.	N.A. Between 5%-10%.	N.A.	N.A. N.A.

Changes in ownership of shares and rights to shares by Management Board members in the year ended 31 December 2009 and until the date of publication of the report

Shares

The members of the Management Board did not individually own or receive shares in the Company during the period from 1 January 2009 until 10 March 2010, with the exception of Mr David Katz who indirectly holds 5.5% of the shares and voting rights in a 50% shareholder of I.T.R Dori B.V. and, as a result, thus indirectly holds a 1.8% interest in the Company. His indirect ownership in the Company did not change during the period 1 January 2009 until 10 March 2010.

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 1 January 2009 until 10 March 2010. Rights to shares that were granted to individual members of the Management Board before 1 January 2009 but which have not been exercised as of the date of publication of this report are as follows:

- 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.

Changes in ownership of shares and rights to shares by Supervisory Board members in the year ended 31 December 2009 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 1 January 2009 until 10 March 2010, with the exception of Mr Uri Dori who indirectly holds 31.4% of the shares and voting rights in a 50% shareholder of I.T.R Dori B.V. and, as a result, thus indirectly holds a 10.1% interest in the Company. Mr Dori's indirect ownership in the Company did not change during the period 1 January 2009 until 10 March 2010.

Additional information to the report (cont'd)

Issuing of new shares/warrants in 2009

On the 22 October 2009, the Company issued of 22,696,666 new ordinary bearer shares in the capital of the Company ('New Shares I') at the issue price of PLN 1.60 per share, and 22,696,667 warrants free of charge (the 'Warrants') which entitle their holders to subscribe for 22,696,667 new ordinary bearer shares in the capital of the Company ('New Shares II') at an exercise price of PLN 1.60 per share. New Shares I were offered in a form of a private placement to selected investors who on 22 October 2009 subscribed for and paid for New Shares I. The Warrants were offered free of charge in a form of a private placement to selected investors who on 22 October 2009 subscribed for the Warrants, exercised their rights to subscribe for New Shares II and paid for New Shares II. The aggregate gross proceeds from New Shares I and New Shares II were PLN 72,629 thousand and have been paid by the selected investors.

The objective of the issue of the new shares was to obtain new funds to further develop the Company's strategy, specifically to secure funding for planned new projects. The proceeds of the share issue could also be partly used for the Company's restructuring and repayment of current bank loans, aimed at releasing collaterals from the assets dedicated for project development.

Changes in the Supervisory Board in the year ended 31 December 2009 and until the date of publication of the report

The Annual General Meeting of Shareholders held on 25 May 2009 adopted a resolution appointing Mr Frank Roseen 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. On the same date Mr Thierry Leleu resigned from the Board of Supervisory Directors.

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.

Aurora

Ronson Development West Sp. z o.o. (hereinafter '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 the transaction and thus the agreement expired. R.D. West was in legal dispute with the seller with respect to the return of the advance payment amounting to PLN 12.4 million. 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. In May 2009, the parties reached a compromise agreement whereby the initial advance payment will be returned to the Company. The Company has decided to enter into this compromise agreement even despite the fact that the Management Board was confident about the Company's ultimate success in any court proceeding. However, the Management Board decided that the potential court proceeding would nonetheless be long and complicated, and the Management Board is of the opinion that, in any event, the Company will recover the entire advance payment by enforcing the mortgage and taking control over the land. Although the repayment can be reduced to a final settlement of only PLN 9.0 million if repaid by end of April 2010 (plus statutory interest accrued since 1 August 2009 on the unpaid amount), the Management Board of the Company strongly believes that the only real potential settlement of this agreement will be based on enforcing the mortgage.

Based on the above mentioned compromise agreement and in accordance with Management Board's judgement, it is realistic to expect a full recovery of the advance payment. Therefore, the claim of PLN 12.4 million has remained being recorded under 'Trade and other receivables and prepayments' in the Consolidated Statement of Financial Position per 31 December 2009.

Additional information to the report (cont'd)

Overview of the results during the three months ended 31 December 2009

The Company's net income for the three months ended 31 December 2009 was PLN 8,723 thousand and can be summarized as follows:

For the three months ended 31 December	2009	2008
<i>In thousands of Polish Zlotys (PLN)</i>	(Unaudited)	(Unaudited)
Revenue	38,358	13,573
Cost of sales	(25,770)	(9,053)
Gross profit	12,588	4,520
Changes in the value of investment property	5,602	-
Selling and marketing expenses	(1,114)	(835)
Administrative expenses	(4,208)	(2,963)
Other expenses	(1,821)	(863)
Other income	671	364
Result from operating activities	11,718	223
Finance income	467	762
Finance expense	(1,282)	(391)
Net finance (expense)/income	(815)	371
Profit before taxation	10,903	594
Income tax expense	(2,180)	(4)
Profit for the period	8,723	590

Other

As of 31 December 2009, the Company has issued guarantees for bank loans granted to subsidiaries amounting to a total of PLN 20,043 thousand.

As of 31 December 2009, 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 2009:

- an increase in the provision for deferred tax liabilities of PLN 3,094 thousand.

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 2009, 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 2010.

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 2009 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 2009 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

Tomasz Łapiński
Chief Financial Officer

Andrzej Gutowski
Sales and Marketing Director

Amos Weltsch

David Katz

Karol Pilniewicz

Rotterdam, 10 March 2010

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 financial statements 2009 of Ronson Europe N.V., Rotterdam as set out on pages 32 to 87. The financial statements consist of the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2009, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory notes. The company financial statements comprise the company statement of financial position as at 31 December 2009, the company income statement 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 director's 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.

Auditor's Report

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 2009, 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 2009 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 management board report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Amsterdam, 10 March 2010

Ernst & Young Accountants LLP

Signed by A.J. Buisman

Consolidated Statement of Comprehensive Income

For the year ended 31 December		2009	2008
<i>In thousands of Polish Zlotys (PLN)</i>	<i>Note</i>		
Revenue	6	116,309	77,347
Cost of sales	7	(76,115)	(43,367)
Gross profit		40,194	33,980
Changes in fair value of investment property	15	5,602	-
Selling and marketing expenses		(3,331)	(1,526)
Administrative expenses	8	(14,172)	(14,059)
Other expenses	10	(2,563)	(769)
Other income	11	2,117	697
Result from operating activities		27,847	18,323
Finance income	12	851	2,357
Finance expense	12	(2,710)	(1,159)
Net finance (expense)/income		(1,859)	1,198
Profit before taxation		25,988	19,521
Income tax expense	13	(4,954)	(4,380)
Profit for the year		21,034	15,141
Other comprehensive income		-	-
Total comprehensive income for the year, net of tax		21,034	15,141
Weighted average number of ordinary shares (basic)	23	235,672,238	226,822,830
Weighted average number of ordinary shares (diluted)	23	236,311,571	228,314,244
Net earnings per share (basic)	23	0.089	0.067
Net earnings per share (diluted)	23	0.089	0.066

The notes on pages 36 to 79 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December		2009	2008
<i>In thousands of Polish Zlotys (PLN)</i>	<i>Note</i>		
Assets			
Property and equipment	14	1,319	1,017
Investment property	15	8,740	-
Long-term finance lease receivable	16	-	692
Deferred tax assets	17	3,891	2,149
Total non-current assets		13,950	3,858
Inventory	18	646,253	577,010
Trade and other receivables and prepayments	19	19,884	31,409
Income tax receivable		190	378
Short-term bank deposits - collateralized	20	5,070	5,043
Cash and cash equivalents	21	58,044	39,323
Total current assets		729,441	653,163
Total assets		743,391	657,021
Equity			
Shareholders' equity	22		
Share capital		20,762	16,953
Share premium		282,873	215,105
Retained earnings		78,583	57,425
Total shareholders' equity		382,218	289,483
Liabilities			
Loans from related parties	24	52,948	57,619
Secured bank loans	24	54,346	86,548
Deferred tax liability	17	6,421	3,327
Total non-current liabilities		113,715	147,494
Trade and other payables and accrued expenses	25	27,729	23,832
Loans from related parties	24	7,381	-
Secured bank loans	24	134,332	138,585
Advances received	26	73,367	54,334
Income tax payable		1,563	149
Provisions	27	3,086	3,144
Total current liabilities		247,458	220,044
Total liabilities		361,173	367,538
Total equity and liabilities		743,391	657,021

The notes on pages 36 to 79 are an integral part of these consolidated financial statements

Consolidated Statement of Changes in Equity

For the years ended 31 December 2009 and 31 December 2008:

<i>In thousands of Polish Zlotys (PLN)</i>	<u>Share capital</u>	<u>Share premium</u>	<u>Retained earnings</u>	<u>Total equity</u>
Balance at 1 January 2008	16,933	215,105	39,935	271,973
Net profit for the year ended 31 December 2008	-	-	15,141	15,141
Other comprehensive income	-	-	-	-
Total comprehensive income	16,933	215,105	55,076	287,114
Issue of new shares ⁽¹⁾	20	-	-	20
Share-based payments (note 22 C)	-	-	2,349	2,349
Balance at 31 December 2008	16,953	215,105	57,425	289,483
Net profit for the year ended 31 December 2009	-	-	21,034	21,034
Other comprehensive income	-	-	-	-
Total comprehensive income	16,953	215,105	78,459	310,517
Issue of new shares ⁽²⁾	3,809	67,768	-	71,577
Share-based payments (note 22 C)	-	-	124	124
Balance at 31 December 2009	20,762	282,873	78,583	382,218

(1) 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.

(2) This represents the proceeds above par from the 45,393,333 new shares, issued on 22 October 2009. The net proceeds from the new shares issued on 22 October 2009 amounted to PLN 71,577 thousand, after a deduction of PLN 1,052 thousand representing the total cost directly attributable to the new shares issued.

The notes on pages 36 to 79 are an integral part of these consolidated financial statements

Consolidated Statement of Cash Flows

For the year ended 31 December	2009	2008
<i>In thousands of Polish Zlotys (PLN)</i>	<i>Note</i>	
Cash flows used in operating activities		
Profit for the period	21,034	15,141
<i>Adjustments to reconcile profit for the period to net cash used in operating activities:</i>		
Depreciation	8 379	515
Increase in the value of investment property	15 (5,602)	-
Finance expense	12 2,710	1,159
Finance income	12 (851)	(2,357)
(Profit)/Loss on sale of property and equipment	10,11 (92)	16
Share-based payments expense	9 124	2,349
Income tax expenses	13 4,954	4,380
Subtotal	22,656	21,203
Decrease/(increase) in inventory	33 (52,001)	(99,853)
Decrease/(increase) in trade and other receivables and prepayments	11,579	32,824
Increase/(decrease) in trade and other payables and accrued expenses	33 1,397	13,369
Increase/(decrease) in provisions	27 (58)	2,643
Increase/(decrease) in advances received	19,033	(573)
Subtotal	2,606	(30,387)
Interest paid	(16,487)	(17,474)
Interest received	954	2,696
Income tax paid	(2,000)	(11,830)
Net cash used in operating activities	(14,927)	(56,995)
Cash flows from/(used in) investing activities		
Acquisition of property and equipment	14 (356)	(500)
Short-term bank deposits – collateralized	(27)	(3,291)
Proceeds from sale of property and equipment	449	49
Net cash from/(used in) investing activities	66	(3,742)
Cash flows from financing activities		
Proceeds from new shares issued	22 72,629	20
Costs directly attributed to the new shares issued	22 (1,052)	-
Proceeds from bank loans, net of bank charges	22,391	54,107
Repayment of bank loans	(60,386)	(18,280)
Repayment of related-party loans	-	(7,616)
Net cash from financing activities	33,582	28,231
Net change in cash and cash equivalents	18,721	(32,506)
Cash and cash equivalents at beginning of the year	39,323	71,829
Cash and cash equivalents at end of the year	58,044	39,323

The notes on pages 36 to 79 are an integral part of these consolidated financial statements

Notes to the Consolidated Financial Statements

1. Background and business of the Company

- (a) Ronson Europe N.V. ('the Company'), a Dutch public company with its statutory seat in Rotterdam, the Netherlands, was incorporated on 18 June 2007. The registered office is located at Weena 210-212, Rotterdam, the Netherlands. 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 shares of the Company are traded on the Warsaw Stock Exchange since 5 November 2007. As at 31 December 2009, 64.2% of the outstanding shares are held by I.T.R. Dori B.V. ('ITR Dori'), 15.3% of the outstanding shares are held by GE Real Estate CE Residential B.V. ('GE Real Estate') whereas the remaining 20.5% of the outstanding shares are held by other investors including Amplico Otwarty Fundusz Emerytalny and ING Otwarty Fundusz Emerytalny each holding between 5% and 10% of the outstanding shares.

On 22 October 2009, the Company issued 45,393,333 new shares, including 22,696,667 new shares issued as a result of the conversion of the same number of warrants convertible to shares issued on the same day (see Note 22). The Warrants were offered free of charge in a form of a private placement to selected investors who on 22 October 2009 subscribed for the Warrants and exercised their rights to subscribe for new shares. The net proceeds from the new shares issued on 22 October 2009 amounted to PLN 71,577 thousand.

A list of the companies from which the financial data are included in these Consolidated Financial Statements and the extent of ownership and control are presented in Note 1(b).

- (b) 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 or indirectly by the Company as at 31 December 2009:

Notes to the Consolidated Financial Statements

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

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.	2006	100.0%
16. Ronson Development Wrocław 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.	2006	100.0%
21. Ronson Development Construction Sp. z o.o.	2006	100.0%
22. Ronson Development City Sp. z o.o. (no activities at 31 December 2009)	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 2009) ⁽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 2009) ⁽¹⁾	2007	100.0%
36. Ronson Development Millenium Sp. z o.o. (no activities at 31 December 2009) ⁽¹⁾	2007	100.0%
37. Ronson Development Finco Sp. z o.o.	2009	100.0%
b. held indirectly by the Company :		
38. AGRT Sp. z o.o.	2007	100.0%
39. Ronson Development Community Sp.k.	2007	100.0%
40. Ronson Development Estate Sp.k.	2007	100.0%
41. Ronson Development Home Sp.k.	2007	100.0%
42. Ronson Development Horizon Sp.k.	2007	100.0%
43. Ronson Development Landscape Sp.k.	2009	100.0%
44. Ronson Development Town Sp.k. (no activities at 31 December 2009)	2009	100.0%
45. Ronson Development Eclipse Sp.k. (no activities at 31 December 2009)	2009	100.0%
46. Ronson Development Magellan Sp.k. (no activities at 31 December 2009)	2009	100.0%
47. Ronson Development Monet Sp.k. (no activities at 31 December 2009)	2009	100.0%
48. Ronson Development Orion Sp.k. (no activities at 31 December 2009)	2009	100.0%
49. Ronson Development Osiedle Hrabskie Sp.k. (no activities at 31 December 2009)	2009	100.0%
50. Ronson Development Plejada Sp.k. (no activities at 31 December 2009)	2009	100.0%
51. Ronson Development Renoir Sp.k. (no activities at 31 December 2009)	2009	100.0%
52. Ronson Development Renaissance Sp.k. (no activities at 31 December 2009)	2009	100.0%
53. Ronson Development Tamka Sp.k. (no activities at 31 December 2009)	2009	100.0%
54. Ronson Development Copernicus Sp.k. (no activities at 31 December 2009)	2009	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 Jarosław Zubrzycki holds the legal title to the shares of this entity.

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'). The Company Financial Statements of the Company have been prepared in accordance with article 362.8 of the Netherlands Civil Code.

The Consolidated Financial Statements were authorised by the Boards of Directors of Ronson Europe N.V. on 10 March 2010.

These Consolidated Financial statements have been prepared on the assumption that the Group is a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the normal course of its operations.

(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 for disclosure purposes in the notes to the Consolidated Financial Statements are discussed further in note 28.

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

(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, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the reported period. 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.

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 15 – investment property
- Note 16 – long-term finance lease receivable
- Note 17 – utilization of tax losses
- Note 18 - inventory
- Note 19 – trade and other receivables and prepayments
- Note 29 – commitments and contingencies

Notes to the Consolidated Financial Statements

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

(e) Basis of consolidation

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 financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions, and any unrealized gains and losses arising from intra-group transactions, are eliminated during consolidation. The financial statements of subsidiaries are prepared for the same period as the financial statement of parent. The Group entities keep books of accounts in accordance with accounting policies specified in the Accounting Act dated 29 September 1994 ('the Accounting Act') with subsequent amendments and the regulations issued based on that Act (all together: 'Polish Accounting Standards'). Ronson Europe N.V. keeps the books of accounts in accordance with accounting policies required by Dutch law. These consolidated financial statements include a number of adjustments not included in the books of account of the Group entities, which were made in order to bring the financial statements of those entities to conformity with IFRSs.

(f) Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year except as follows. The Group has adopted the following new and amended IFRS and IFRIC interpretations as of 1 January 2009 insofar endorsed by the EU as of the date of approval of these financial statements:

- IFRS 2 *Share-based Payment: Vesting Conditions and Cancellations* effective 1 January 2009
- IFRS 7 *Financial Instruments: Disclosures* effective 1 January 2009
- IFRS 8 *Operating Segments* effective 1 January 2009
- IAS 1 *Presentation of Financial Statements* effective 1 January 2009
- IAS 23 *Borrowing Costs (Revised)* effective 1 January 2009
- IAS 32 *Financial Instruments: Presentation* and IAS 1 *Puttable Financial Instruments and Obligations Arising on Liquidation* effective 1 January 2009
- IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* effective 1 July 2009 (early adopted)
- Amendments IFRIC 9 *Remeasurement of Embedded Derivatives* and IAS 39 *Financial Instruments: Recognition and Measurement* effective for periods ending on or after 30 June 2009
- IFRIC 13 *Customer Loyalty Programmes* effective 1 July 2008
- IFRIC 15 *Agreements for the Construction of Real Estate Service Concession Arrangements*, effective 1 July 2009
- IFRIC 16 *Hedges of a Net Investment in a Foreign Operation* effective 1 October 2008
- Improvements to IFRSs (May 2008;)

When the adoption of a standard or interpretation is deemed to have an impact on the financial statements or performance of the Group, its impact is described below.

Notes to the Consolidated Financial Statements

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

(f) Changes in accounting policies and disclosures (cont'd)

IFRS 2 Share-based Payment

The IASB issued an amendment to IFRS 2 which clarifies the definition of vesting conditions and prescribes the treatment for an award that is cancelled. The Group adopted this amendment as of 1 January 2009. It did not have an impact on the financial position or performance of the Group.

IFRS 7 Financial Instruments: Disclosures

The amended standard requires additional disclosures on re-measurement to fair value and on liquidity risk. The fair value measurements are to be disclosed by source of inputs using a three level hierarchy for each class of financial instrument. In addition, reconciliation between the opening and closing balances for Level 3 fair value measurements is now required, as well as disclosure for significant transfers between Level 1 and Level 2 fair value measurements. The amendments also clarify the requirements for liquidity risk disclosures. The amendments to IFRS 7 did not have an impact on the information presented in the Group's financial statement.

IFRS 8 Operating Segments

IFRS 8 replaces IAS 14, 'Segment reporting' and requires a 'management approach' under which segment information is identified and presented on the same basis as that used for internal reporting purposes. This has not resulted in a change in the number of reportable segments as presented in these Consolidated Financial Statements. Since the Group's activities exhibit substantially identical characteristics taking into account the type of development – i.e. apartments and houses, but are concentrated in a limited number of cities, the operating segments are defined as separate subsidiaries developing particular projects, which for reporting purposes were aggregated. The aggregation for reporting purposes is based on the geographical locations and the type of development (apartments and houses). According to the Management's assessment, the operating segments identified have similar economic characteristics. The segment information presentation and disclosures are shown in Note 5.

IAS 1 Presentation of Financial Statements

The revision of IAS 1 introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. Given the absence of Other Comprehensive Income (other than Profit for the year), the Group has elected to present one single statement.

IAS 23 Borrowing costs

The revised Standard requires 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 did not result in a change in accounting policy of the Group.

IAS 32 Financial Instruments Presentation and IAS 1 Presentation of Financial Statements 'Puttable Financial Instruments and Obligations Arising on Liquidation'

These amendments require 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 implementation of these amendments did not have any impact on the financial position or performance of the Group, as the Group had not issued such instruments.

IFRIC 13 Customer loyalty programmes

This interpretation requires customer loyalty credits to be accounted for as a separate component of the sales transaction in which they are granted. The implementation of this interpretation did not have impact on the financial position or performance of the Group, as the Group does not maintain a loyalty programme.

Notes to the Consolidated Financial Statements

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

(f) Changes in accounting policies and disclosures (cont'd)

IFRIC 15 Agreements for the Construction of Real Estate

The interpretation 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. IFRIC 15 did not constitute a change in accounting policy for the Group as the Group already applied the provision of IAS 18 related to sales of goods.

IFRIC 16 Hedges of a net investment in a foreign operation

The interpretation provides guidance on the accounting for a hedge of a net investment. As such it provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of a net investment, where within the group the hedging instruments can be held in the hedge of a net investment and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment. IFRIC 16 did not have impact on the consolidated financial statements because the Group does not hedge any net investment in a foreign operation.

Improvements to IFRSs

Adoption of the annual improvements to IFRS did not have impact on the financial position or performance of the Group.

Notes to the Consolidated Financial Statements

3. Significant accounting policies

The accounting policies set out below have been applied consistently in all periods presented in these Consolidated Financial Statements.

(a) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates prevailing 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 are retranslated at the functional currency spot rate of exchange ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

(b) Revenue

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 statement of comprehensive income on a straight-line basis over the term of the lease.

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, deposits, loans and borrowings, and trade and other payables. All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

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.

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 of the Group are classified into one of the following categories:

Category	Statement of financial position item	Measurement
Held for trading	Cash and cash equivalent	Fair value- adjusted to income statements
Loans and receivables	Short-term deposits	Amortized costs
	Trade and other receivables	Amortized costs
Other financial liabilities	Loans from related parties	Amortized costs
	Trade and other payables and accrued expenses	Amortized costs
	Secured bank loans	Amortized costs

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 reporting date. Loans and receivables with maturities exceeding 12 months from the reporting 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 statement of comprehensive income 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 and are valued at amortized cost.

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 accumulated 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.

When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the statement of comprehensive income as incurred.

(ii) 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, and adjusted prospectively since the beginning of the year, if appropriate.

(e) 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.

Notes to the Consolidated Financial Statements

3. Significant accounting policies (cont'd)

(e) Leases (cont'd)

(ii) Operating leases – lessor accounting

The Group is the lessor of a property to a third party under a operating lease agreement. The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

(f) Investment property

Investment properties are measured initially at cost, including transaction costs. Subsequently to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the statement of comprehensive income in the period in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the statement of comprehensive income in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequently accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

(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) borrowing costs to the extent they are directly attributable to the development of the project (see accounting policy (l)),
- f) professional fees attributable to the development of the project,
- g) construction overheads and other directly related costs.

Inventory is recognised as a cost of sales in the statement of comprehensive income when the sale of residential units is recognised.

Notes to the Consolidated Financial Statements

3. Significant accounting policies (cont'd)

(h) Trade and other receivables and prepayment

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.

(ii) Share premium

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 statement of comprehensive income.

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 statement of comprehensive income.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial 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.

The recoverable amount 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.

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. 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) Borrowing costs

Borrowing costs directly attributable to the inventory of properties which necessarily take a substantial period of time to get ready for their intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The interest capitalised is calculated using the Group's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amount capitalised equals the gross interest incurred on those borrowings less any investment income arising on their temporary investment. Interest is capitalised as from the commencement of the development work until the date of completion. The capitalisation of borrowing costs is suspended if there are prolonged periods when development activity is interrupted.

(m) Income tax expense

Income tax expense comprises current and deferred tax. 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.

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 reporting date deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(n) 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 statement of comprehensive income 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)

(o) 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.

(p) Cash and cash equivalents

Cash and cash equivalents in the statement of financial positions comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less.

For the purpose of the consolidated statement cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

(q) Employee benefits

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

Notes to the Consolidated Financial Statements

4. Standards issued but not yet effective

New standards, amendments to standards and interpretations, which are not yet effective for the year ended 31 December 2009, and have not been applied in preparing these Consolidated Financial Statements, are listed below:

- IFRS 3 *Business Combinations* (revised in January 2008) – effective for annual periods beginning on or after 1 July 2009,
- IAS 27 *Consolidated and Separate Financial Statements* (revised in January 2008) – effective for annual periods beginning on or after 1 July 2009,
- IFRS 1 *First-time Adoption of International Financial Reporting Standards* (revised in November 2008) - effective for annual periods beginning on or after 1 July 2009,
- IFRIC 17 *Distributions of Non-cash Assets to Owners* - effective for annual periods beginning on or after 1 July 2009,
- Improvements to IFRSs (issued in April 2009) - effective for annual periods beginning on or after various dates, earliest being 1 July 2009 - it has not been endorsed by the EU till the day of approval of these consolidated financial statements,
- Amendments to IFRS 2 *Group Cash-settled Share-based Payment Transactions* (issued 18 June 2009) - effective for annual periods beginning on or after 1 January 2010 - it has not been endorsed by the EU till the day of approval of these consolidated financial statements,
- Amendments to IFRS 1 *Additional Exemptions for First-time Adopters* (issued 23 July 2009) - effective for annual periods beginning on or after 1 January 2010 - it has not been endorsed by the EU till the day of approval of these consolidated financial statements,
- Amendment to IAS 32 *Classification of Rights Issues* (issued in October 2009) – effective for annual periods beginning on or after 1 February 2010,
- IAS 24 *Related Party Disclosures* (revised in November 2009) – effective for annual periods beginning on or after 1 February 2010 - it has not been endorsed by the EU till the day of approval of these consolidated financial statements,
- IFRS 9 *Financial instruments* (issued in November 2009) - effective for annual periods beginning on or after 1 January 2013 - it has not been endorsed by the EU till the day of approval of these consolidated financial statements,
- Amendments to IAS 39 *Financial Instruments: Recognition and Measurement: Eligible Hedged Items* (issued in July 2008) - effective for annual periods beginning on or after 1 July 2009,
- Amendment to IFRIC 14 *Prepayments of a Minimum Funding Requirement* (issued in November 2009) - effective for annual periods beginning on or after 1 January 2011 - it has not been endorsed by the EU till the day of approval of these consolidated financial statements,
- Amendment to IFRS 1 *Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters* (issued in January 2010) - effective for annual periods beginning on or after 1 July 2010 - it has not been endorsed by the EU till the day of approval of these consolidated financial statements,
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* - effective for annual periods beginning on or after 1 July 2010 - it has not been endorsed by the EU till the day of approval of these consolidated financial statements.

Management is considering the impact that the introduction of the above-mentioned new standards, amendments to existing standards and interpretations will have on the accounting policies applied by the Group.

Notes to the Consolidated Financial Statements

5. Segment reporting

The Group's operating segments are defined as separate entities developing particular residential projects, which for the reporting purposes were aggregated. The aggregation for reporting purpose is based on geographical locations (Warsaw, Poznań, Wrocław and Szczecin) and type of activity (development of apartments, development of houses). Moreover, for one particular entity the reporting was based on type of income: rental income from investment property.

According to Management Board's assessment, the operating segments identified have similar economic characteristics. Aggregation based on the type of development within the geographical location has been applied since primarily the location and the type of development determine the average margin that can be realized on each project and the project's risk factors. Considering the fact that the production process for apartments is different from that for houses and considering the fact that the characteristics of customers buying apartments slightly differ from those of customers interested in buying houses, aggregation by type of development within the geographical location has been used for segment reporting and disclosure purposes.

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

Data presented in the table below are aggregated by type of development within the geographical location:

	As at 31 December 2009										
	Warsaw			Poznań		Wrocław		Szczecin		Unallocated	Total
	Apartments	Houses	Rental	Apartments	Houses	Apartments	Houses	Apartments	Houses		
Segment assets	315,967	108,221	8,740	118,869	8,379	68,758	2,361	51,848	7,318	-	690,461
Unallocated assets	-	-	-	-	-	-	-	-	-	52,930	52,930
Total assets	315,967	108,221	8,740	118,869	8,379	68,758	2,361	51,848	7,318	52,930	743,391
Segment liabilities	212,699	50,977	2,500	56,806	42	8,445	-	16,791	1	-	348,261
Unallocated liabilities	-	-	-	-	-	-	-	-	-	12,912	12,912
Total liabilities	212,699	50,977	2,500	56,806	42	8,445	-	16,791	1	12,912	361,173

	As at 31 December 2008										
	Warsaw		Poznań		Wrocław		Szczecin		Unallocated	Total	
	Apartments	Houses	Apartments	Houses	Apartments	Houses	Apartments	Houses			
Segment assets	266,167	83,623	160,093	8,464	69,190	2,405	50,747	7,579	-	648,268	
Unallocated assets	-	-	-	-	-	-	-	-	-	8,753	8,753
Total assets	266,167	83,623	160,093	8,464	69,190	2,405	50,747	7,579	8,753	657,021	
Segment liabilities	162,428	44,816	114,744	43	18,579	-	16,772	-	-	-	357,382
Unallocated liabilities	-	-	-	-	-	-	-	-	-	10,156	10,156
Total liabilities	162,428	44,816	114,744	43	18,579	-	16,772	-	-	10,156	367,538

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Notes to the Consolidated Financial Statements

5. Segment reporting (cont'd)

	For the year ended 31 December 2009										
	Warsaw			Poznań		Wrocław		Szczecin		Unallocated	Total
	Apartments	Houses	Rental	Apartments	Houses	Apartments	Houses	Apartments	Houses		
Revenue	48,929	-	-	67,380	-	-	-	-	-	-	116,309
Segment result	13,565	(653)	5,602	23,124	(11)	228	(3)	(43)	(9)	-	41,800
Unallocated result	-	-	-	-	-	-	-	-	-	(13,953)	(13,953)
Result from operating activities	13,565	(653)	5,602	23,124	(11)	228	(3)	(43)	(9)	(13,953)	27,847
Net finance expense	(631)	7	-	(1,595)	-	6	-	(11)	-	365	(1,859)
Profit before tax	12,934	(646)	5,602	21,529	(11)	234	(3)	(54)	(9)	(13,588)	25,988
Income tax expense	-	-	-	-	-	-	-	-	-	-	(4,954)
Profit for the year											21,034
Capital expenditure	-	-	-	-	-	-	-	-	-	356	356

	For the year ended 31 December 2008										
	Warsaw		Poznań		Wrocław		Szczecin		Unallocated	Total	
	Apartments	Houses	Apartments	Houses	Apartments	Houses	Apartments	Houses			
Total external revenues	77,347	-	-	-	-	-	-	-	-	-	77,347
Segment result	31,558	(331)	(440)	(212)	155	(8)	(8)	(16)	-	-	30,698
Unallocated result	-	-	-	-	-	-	-	-	(12,375)	(12,375)	(12,375)
Result from operating activities	31,558	(331)	(440)	(212)	155	(8)	(8)	(16)	(12,375)	(12,375)	18,323
Net finance income	515	38	74	17	64	(1)	201	-	290	290	1,198
Profit before tax	32,073	(293)	(366)	(195)	219	(9)	193	(16)	(12,085)	(12,085)	19,521
Income tax expense	-	-	-	-	-	-	-	-	-	-	(4,380)
Profit for the year											15,141
Capital expenditure	-	-	-	-	-	-	-	-	-	500	500

Notes to the Consolidated Financial Statements

6. Revenue

Revenue comprises the proceeds of the sale of residential units only, from the projects as follows:

For the year ended 31 December	2009	2008
<i>In thousands of Polish Zlotys (PLN)</i>		
Galileo	67,380	-
Imaginarium II	38,410	-
Meridian	5,351	27,944
Imaginarium I	4,177	36,142
Mistral	156	10,409
Other	835	2,852
Total revenues	116,309	77,347

7. Cost of sales

Cost of sales comprises the expense for the sale of residential units only, to the following projects:

For the year ended 31 December	2009	2008
<i>In thousands of Polish Zlotys (PLN)</i>		
Galileo	43,215	-
Imaginarium II	25,624	-
Meridian	3,455	15,739
Imaginarium I	2,742	19,749
Mistral	303	6,602
Other	776	1,277
Total cost of sales	76,115	43,367

8. Administrative expenses

For the year ended 31 December	<i>Note</i>	2009	2008
<i>In thousands of Polish Zlotys (PLN)</i>			
Personnel expenses	9	9,083	8,694
External services		3,534	3,754
Materials and energy		437	532
Depreciation		379	515
Taxes and charges		241	254
Other		498	310
Total administrative expenses		14,172	14,059

Notes to the Consolidated Financial Statements

9. Personnel expenses

For the year ended 31 December		2009	2008
<i>In thousands of Polish Zlotys (PLN)</i>	<i>Note</i>		
Wages and salaries		7,990	5,468
Share-based payment transactions	22 C	124	2,349
Social security and other benefits		969	877
Total personal expense		9,083	8,694
Average number of personnel employed		41	45

10. Other expense

For the year ended 31 December		2009	2008
<i>In thousands of Polish Zlotys (PLN)</i>			
Maintenance expense of unsold units		1,496	162
Expense for contractual penalties and compensation		345	38
Civil activity taxes on contributions		479	-
Expense for abandoned projects		100	517
Net loss on sale of property and equipment		-	16
Other expense		143	36
Total other expense		2,563	769

11. Other income

For the year ended 31 December		2009	2008
<i>In thousands of Polish Zlotys (PLN)</i>			
Revenues from contractual penalties and compensation		1,289	189
Rental income from inventories		410	417
Refund of civil activity taxes		239	-
Net profit on sale of property and equipment		92	-
Other income		87	91
Total other income		2,117	697

Notes to the Consolidated Financial Statements

12. Finance income and expense

For the year ended 31 December 2009			Recognized in the statement of comprehensive income
<i>In thousands of Polish Zlotys (PLN)</i>	Total amount	Amount capitalized	
Interest income on bank deposits	856	103	753
Foreign exchange gain	44	-	44
Other finance income	54	-	54
Finance income	954	103	851
Interest expense on financial liabilities measured at amortized cost	(17,755)	(16,565)	(1,190)
Foreign exchange loss	(168)	-	(168)
Commissions and fees	(2,704)	(1,462)	(1,242)
Other finance expense	(110)	-	(110)
Finance expense	(20,737)	(18,027)	(2,710)
Net finance expense	(19,783)	(17,924)	(1,859)
For the year ended 31 December 2008			Recognized in the statement of comprehensive income
<i>In thousands of Polish Zlotys (PLN)</i>	Total amount	Amount capitalized	
Interest income on bank deposits	2,365	339	2,026
Foreign exchange gain	264	-	264
Interests on granted loans	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

Notes to the Consolidated Financial Statements

13. Income tax expense/(benefit)

For the year ended 31 December	2009	2008
<i>In thousands of Polish Zlotys (PLN)</i>		
Current tax		
Current period	3,664	11,623
Adjustment in respect of prior periods	(62)	(20)
Total current tax expense/(benefit)	3,602	11,603
Deferred tax		
Origination and reversal of temporary differences	4,287	(3,115)
Benefit of tax losses recognized	(2,935)	(4,108)
Total deferred tax expense	1,352	(7,223)
Total income tax expense	4,954	4,380

Reconciliation of effective tax rate

For the year ended 31 December	2009	2008
<i>In thousands of Polish Zlotys (PLN)</i>		
Profit for the period	21,034	15,141
Total income tax expense	4,954	4,380
Profit excluding income tax	25,988	19,521
Expected income tax using the Polish tax rate (19%)	4,938	3,709
<i>Tax effect on:</i>		
Effect of Netherlands tax rates	(109)	28
Change in unrecognized temporary differences over-provided in prior periods	(62)	(20)
Non-deductible expenses	89	549
Movement in unrecognized differed tax assets	263	443
Other differences	(165)	(329)
Tax charge for the period	4,954	4,380
Effective tax rate	19.1%	22.4%

Notes to the Consolidated Financial Statements

14. Property and equipment

For the year ended 31 December 2009

	Cars	Equipment	Building	Total
<i>In thousands of Polish Zlotys (PLN)</i>				
Cost or deemed cost				
Balance at 1 January	959	433	760	2,152
Additions	-	164	192	356
Transferred from inventories	-	-	682	682
Disposals	(78)	-	(315)	(393)
Closing balance	881	597	1,319	2,797
Depreciation and impairment losses				
Balance at 1 January	333	282	520	1,135
Depreciation for the period	168	90	121	379
Disposals	(34)	-	(2)	(36)
Closing balance	467	372	639	1,478
Carrying amounts				
At 1 January	626	151	240	1,017
Closing balance	414	225	680	1,319

For the year ended 31 December 2008

	Cars	Equipment	Building	Total
<i>In thousands of Polish Zlotys (PLN)</i>				
Cost or deemed cost				
Balance at 1 January	695	293	470	1,458
Additions	360	140	-	500
Transfer from inventories	-	-	290	290
Disposals	(96)	-	-	(96)
Closing balance	959	433	760	2,152
Depreciation and impairment losses				
Balance at 1 January	174	197	280	651
Depreciation for the period	190	85	240	515
Disposals	(31)	-	-	(31)
Closing balance	333	282	520	1,135
Carrying amounts				
At 1 January	521	96	190	807
Closing balance	626	151	240	1,017

Impairment loss

In the years ended 31 December 2009 and 31 December 2008, the Group did not recognize any impairment loss with respect to Property and equipment.

Notes to the Consolidated Financial Statements

15. Investment property

For the year ended 31 December		2009	2008
<i>In thousands of Polish Zlotys (PLN)</i>	<i>Note</i>		
Balance at 1 January		-	-
Transferred from long-term finance lease receivable	16	638	-
Acquisitions		2,500	-
Change in fair value during the year		5,602	-
Balance as at 31 December, including:		8,740	-
<i>Cost</i>		3,138	-
<i>Fair value</i>		5,602	-

As at 31 December 2009, the investment property included property 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 (71, Gwiaździsta Street) and an office building with an aggregate usable floor space of 1,400 m² located on this plot that leased to third parties under lease agreements with an indefinite term subject to a three-month notice period for termination. For addition information regarding the property acquisition see Note 16.

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. Investment property was valued based on the discounted cash flow approach, including the assumption as to the annual yield of 7.75%.

The continued instability in the financial markets causes volatility and uncertainty in the world's capital markets and real estate markets. There is a low liquidity level in the real estate market and transaction volumes have significantly reduced, resulting in a lack of clarity as to pricing levels and market drivers. As a result, there is less certainty with regard to valuations and market values can change rapidly due to the current market conditions.

The investment property is currently occupied and rental prices are in line with market rents visible in the particular market where the property is located.

16. Long-term finance lease receivable

Until 30 December 2009, the Group was a party to a finance lease arrangement under which the Group leased an office building and the land adjacent to the building in Warsaw to a third party. The expiration date of this lease arrangement was 2 March 2024.

On 16 December 2009, the Group signed an agreement with the same third party to terminate the existing finance lease arrangement on 30 December 2009 whereby substantially all risks and benefits of ownership of the property were transferred to the Group. As a result, the Group effectively acquired an investment property as presented in note 15. Consequently, as at 30 December 2009, the long-term finance lease receivables were derecognised and transferred to investment property as a part of acquisition cost.

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

<i>In thousands of Polish Zlotys (PLN)</i>	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

Notes to the Consolidated Financial Statements

17. 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:

<i>In thousands of Polish Zlotys (PLN)</i>	Opening balance 1 January 2009	Recognized in the statement of comprehensive income	Closing balance 31 December 2009
Deferred tax assets			
Tax losses carried forward	9,973	2,935	12,908
Accrued interest	995	424	1,419
Accrued expense	52	28	80
Other	174	313	487
Total deferred tax assets	11,194	3,700	14,894
Deferred tax liabilities			
Difference between tax base and carrying value of inventory	12,372	4,075	16,447
Fair value gain on investment property	-	977	977
Total deferred tax liabilities	12,372	5,052	17,424
Total deferred tax expense (see Note 13)		1,352	
Deferred tax assets	11,194		14,894
Deferred tax liabilities	12,372		17,424
Offset of deferred tax assets and liabilities for individual companies	(9,045)		(11,478)
Deferred tax assets reported in the statement of financial position	2,149		3,891
Deferred tax liabilities reported in the statement of financial position	3,327		6,421

Notes to the Consolidated Financial Statements

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

<i>In thousands of Polish Zlotys (PLN)</i>	Opening balance 01 January 2008	Recognized in the statement of comprehensive income	Closing balance 31 December 2008
Deferred tax assets			
Tax losses carried forward	5,865	4,108	9,973
Accrued interest	514	481	995
Accrued expense	-	52	52
Other	150	24	174
Total deferred tax assets	6,529	4,665	11,194
Deferred tax liabilities			
Difference between tax base and carrying value of inventory	14,930	(2,558)	12,372
Total deferred tax liabilities	14,930	(2,558)	12,372
Total deferred tax benefit (see Note 13)		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 statement of financial position	1,348		2,149
Deferred tax liabilities reported in the statement of financial position	9,749		3,327

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

17. 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 80,889 thousand. Taxable profit realized by the Group companies amounted to PLN 28,116 thousand for the year ended 31 December 2009. 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 Netherlands 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

<i>In thousands of Polish Zlotys (PLN)</i>	Balance 01 January 2008	Additions	Balance 31 December 2008	Tax losses expired	Additions/ (Realizations)	Balance 31 December 2009
Tax losses	-	553	553	(298)	(164)	91
Total	-	553	553	(298)	(164)	91

Unrecognized deferred tax assets in the Netherlands

<i>In thousands of Polish Zlotys</i>	Balance 01 January 2008		Additions		Balance 31 December 2008		Additions / (Realizations)		Balance 31 December 2009	
	PLN	EUR	PLN	EUR	PLN	EUR	PLN	EUR	PLN	EUR
Tax losses	2,819	787	1,195	175	4,014	962	(492)	(105)	3,522	857
Total	2,819	787	1,195	175	4,014	962	(492)	(105)	3,522	857

Notes to the Consolidated Financial Statements

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

Tax losses carry forward

Tax losses carry forward in Poland

As 31 December	2009			2008		
	Recognized tax losses	Unrecognized tax losses	Total tax losses	Recognized tax losses	Unrecognized tax losses	Total tax losses
<i>In thousands of Polish Zlotys (PLN)</i>						
Tax loss 2004 carried forward	-	-	-	489	897	1,386
Tax loss 2005 carried forward	566	-	566	781	347	1,128
Tax loss 2006 carried forward	5,377	44	5,421	6,549	1,013	7,562
Tax loss 2007 carried forward	11,602	234	11,836	15,166	402	15,568
Tax loss 2008 carried forward	27,033	121	27,154	29,504	250	29,754
Tax loss 2009 carried forward	23,360	80	23,440	-	-	-
Total tax losses carried forward	67,938	479	68,417	52,489	2,909	55,398

Tax losses carry forward in the Netherlands

As 31 December	2009			2008		
	Recognized tax losses	Unrecognized tax losses	Total tax losses	Recognized tax losses	Unrecognized tax losses	Total tax losses
<i>In thousands of EUR</i>						
Tax loss 2007 carried forward	-	2,674	2,674	-	3,088	3,088
Tax loss 2008 carried forward	-	688	688	-	688	688
Total tax losses carried forward	-	3,362	3,362	-	3,776	3,776

As 31 December	2009			2008		
	Recognized tax losses	Unrecognized tax losses	Total tax losses	Recognized tax losses	Unrecognized tax losses	Total tax losses
<i>In thousands of Polish Zlotys (PLN)</i>						
Tax loss 2007 carried forward	-	10,985	10,985	-	12,884	12,884
Tax loss 2008 carried forward	-	2,826	2,826	-	2,871	2,871
Total tax losses carried forward	-	13,811	13,811	-	15,755	15,755

18. Inventory

For the year ended 31 December 2009:

<i>In thousands of Polish Zlotys (PLN)</i>	Opening balance 01 January 2009	Transferred to finished units	Additions	Closing balance 31 December 2009
	Land and related expenses	408,098	(23,837)	5,469
Construction costs	107,595	(83,638)	114,491	138,448
Planning and permits	13,627	(2,040)	7,397	18,984
Borrowing costs ^(*)	29,243	(6,170)	17,924	40,997
Other	7,579	(2,983)	(265)	4,331
Work in progress	566,142	(118,668)	145,016	592,490
	Opening balance 01 January 2009	Transferred from work in progress	Recognized in the statement of comprehensive income	Closing balance 31 December 2009
Finished units	10,868	118,668	(75,773)	53,763
Inventories, valued at lower of - costs and net realisable value	577,010			646,253

Notes to the Consolidated Financial Statements

18. Inventory (cont'd)

For the year ended 31 December 2008:

<i>In thousands of Polish Zlotys (PLN)</i>	Opening balance 01 January 2008	Transferred to finished units	Additions	Closing balance 31 December 2008
Land and related expenses	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
	Opening balance 01 January 2008	Transferred from work in progress	Recognized in the statement of comprehensive income	Closing balance 31 December 2008
Finished units	29,177	23,632	(41,941)	10,868
Inventories, valued at lower of - costs and net realisable value	457,774			577,010

(*) Borrowing costs capitalized to the value of inventory with 7.5% average effective capitalization interest rate.

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

As at 31 December	2009	2008
<i>In thousands of Polish Zlotys (PLN)</i>		
Balance sheet value of inventory	442,331	437,248
Amount of secured bank loans	188,831	225,133

For information about future commitments to the general contractor for construction services related to inventory construction, see Note 29.

In view of the market situation in the property market in which the Group operates, at the end of 2009 the Group took a particularly rigorous approach to the inventory review with regard to its valuation to net realisable value. As a result of its valuation to net realisable value analyses and reviews, the Group made revaluation write-downs finished units in the total amount of PLN 127 thousand.

Notes to the Consolidated Financial Statements

19. Trade and other receivables and prepayments

As at 31 December	2009	2008
<i>In thousands of Polish Zlotys (PLN)</i>		
Value added tax (VAT) receivables	5,303	16,716
Claims receivable ^(*)	12,400	12,400
Prepayments	545	1,270
Trade and other receivables	1,636	1,023
Total	19,884	31,409

^(*) The amount recorded as Claims receivable represents the expected amount to be received in respect of the claimed repayment of the advance amount as paid by the Group for the acquisition of a land plot in Poznań (project Aurora). In May 2009, the Group entered into a settlement agreement with the seller of this land plot, which concluded the dispute between parties started in September 2008. The seller has confirmed that the original agreement related to acquisition of land has expired and has committed to pay back the advance payment on certain conditions. The Group has decided to enter into this compromise agreement even despite the fact that management was confident about the Group's ultimate success in any court proceeding. However, management decided that the potential court proceeding would nonetheless be long and complicated, and is of the opinion that, in any event, the Group will recover the entire advance payment by enforcing the mortgage and taking control over the land. Although the repayment can be contractually reduced to a final settlement of only PLN 9.0 million if repaid by end of April 2010 (plus statutory interest accrued since 1 August 2009 on the unpaid amount), management of the Group strongly believes that the only real potential settlement of this agreement will be based on enforcing the mortgage. Based on the above mentioned compromise agreement and in accordance with Management Board's judgement, it is realistic to expect a full recovery of the advance payment. Therefore, the claim of PLN 12.4 million has remained being recorded under 'Trade and other receivables and prepayments' in the Consolidated Statement of Financial Position per 31 December 2009.

As at 31 December 2009 and 31 December 2008, the Group had no allowance for doubtful debts.

20. Short-term bank deposits - collateralized

As at 31 December	2009	2008
<i>In thousands of Polish Zlotys (PLN)</i>		
Deposits collateral for securing the repayment of interest related to the credit facilities provided to the Group	3,421	5,043
Deposits collateral for construction loans	1,649	-
Total	5,070	5,043

The interest rates earned on these deposits vary from 2% to 3% on an annual basis.

For information about the fair value of short-term bank deposits - collateralized see Note 28.

For information about the pledge over short term bank deposits see Note 24.

Notes to the Consolidated Financial Statements

21. 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	2009	2008
<i>In thousands of Polish Zlotys (PLN)</i>		
Cash at bank and in hand	5,854	18,223
Short-term deposit	52,190	21,100
Cash and cash equivalents	58,044	39,323

Cash at bank earns interest at floating rates based on daily bank deposit rates. As at 31 December 2009 and 31 December 2008 the Group held deposits amounting to PLN 4,114 thousand and PLN 13,859 thousand, respectively, in overnight deposits that earn interest rates that vary between 2% - 3.5%.

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 2%-4%.

For information about the fair value of cash and cash equivalents see Note 28.

For information about the pledge over cash and cash equivalents see Note 24.

22. 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 2009 amounted to 272,360,000 (as at 31 December 2008: 226,966,667 shares).

On 22 October 2009, the Company issued 45,393,333 new shares, including 22,696,667 new shares issued as a result of the conversion of the same number of warrants convertible to shares issued on the same day. The warrants were offered free of charge in a form of a private placement to selected investors who on 22 October 2009 subscribed for the Warrants and exercised their rights to subscribe for new shares. The gross proceeds from the new shares issued on 22 October 2009 amounted to PLN 72,629 thousand, whereas the costs attributable to the issue of new shares assumed by the Company amounted to PLN 1,052 thousand. As a result, the net proceeds from the new shares issued amounted to PLN 71,577 thousand.

B. Share premium

For the year ended 31 December	2009	2008
<i>In thousands of Polish Zlotys (PLN)</i>		
Balance at the beginning of the year	215,105	215,105
Net proceeds of new shares issued in excess of par value ⁽¹⁾	67,768	-
Balance at the end of the year	282,873	215,105

(1) This represents the proceeds above par from the 45,393,333 new shares, issued on 22 October 2009. The net proceeds from the new shares issued on 22 October 2009 amounted to PLN 71,577 thousand, whereas the par value of the 45,393,333 shares amounted to PLN 3,809 thousand.

Notes to the Consolidated Financial Statements

22. Shareholders' equity (cont'd)

C. Share-based payments

During the fourth quarter of 2007, a 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 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 2009, 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 2009 and 2008, a total of 1,260,667 options were cancelled. The details regarding the number of the options outstanding as of 31 December 2009 are provided below:

Vesting dates	Number of options			Outstanding
	Granted	Exercised	Cancelled	
5 November 2008	473,333	-	(50,000)	423,333
5 November 2009	473,333	-	(317,333)	156,000
5 November 2010	473,334	-	(413,334)	60,000
5 November 2011	240,000	-	(240,000)	-
5 November 2012	240,000	-	(240,000)	-
Total	1,900,000	-	(1,260,667)	639,333

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 124 thousand for the year ended 31 December 2009 (year ended 31 December 2008: PLN 1,155 thousand) recognized in the statement of comprehensive income 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 which has been recognized in the statement of comprehensive income with a corresponding increase in equity during the year ended 31 December 2008.

Notes to the Consolidated Financial Statements

23. Net earnings per share

Basic and diluted earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share amounts are calculated by dividing the net profit for the year by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive instruments into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

Weighted average number of ordinary shares (basic):

For the year ended 31 December	2009	2008
<i>In thousands of Polish Zlotys (PLN)</i>		
Net profit (PLN thousands)	21,034	15,141
Balance at beginning of the period	226,966,667	226,666,667
Effect of new shares issued during the period	8,705,571	156,163
Weighted average number of ordinary shares (basic)	235,672,238	226,822,830
Basic earnings per share	0.089	0.067

Weighted average number of ordinary shares (diluted):

For the year ended 31 December	2009	2008
<i>In thousands of Polish Zlotys (PLN)</i>		
Net profit (PLN thousands)	21,034	15,141
Weighted average number of ordinary shares (basic)	235,672,238	226,822,830
Effect of right to obtain shares	-	143,836
Effect of shares options on issue	639,333	1,347,578
Weighted average number of ordinary shares (diluted)	236,311,571	228,314,244
Diluted earnings per share	0.089	0.066

There have been no other transactions involving ordinary shares between the reporting date and the date of completion of these consolidated financial statements.

Notes to the Consolidated Financial Statements

24. 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 31.

As at 31 December **2009** **2008**

In thousands of Polish Zlotys (PLN)

Non-current loans and borrowings

Loans from related parties	52,948	57,619
Secured bank loans	54,346	86,548
Total non-current loans and borrowings	107,294	144,167

Current loans and borrowings

Loans from related parties	7,381	-
Secured bank loans	134,332	138,585
Total current loans and borrowings	141,713	138,585

Total loans and borrowings **249,007** **282,752**

Terms and debt repayment schedule

Terms and conditions of outstanding loans are as follows:

Loans as at 31 December 2009:

<i>In thousands of Polish Zlotys (PLN)</i>	Currency	Nominal interest rate	Year of maturity	Capital	Accrued interest	Bank charges	Carrying value
I.T.R. Dori B.V. ⁽¹⁾	PLN		2010	-	5,901	-	5,901
Gator Investments Sp. z o.o.	PLN		2010	-	1,480	-	1,480
I.T.R. Dori B.V. ⁽¹⁾	PLN	6%	2011	42,610	-	-	42,610
Gator Investments Sp. z o.o.	PLN	6%	2011	10,338	-	-	10,338
Subtotal (related parties)				52,948	7,381	-	60,329
Bank Loans	PLN	WIBOR 1M + Bank's margin	2010	50,550	-	(535)	50,015
Bank Loan	PLN	WIBOR 3M + Bank's margin	2010	84,288	73	(44)	84,317
Bank Loan	PLN	WIBOR 1M + Bank's margin	2011	34,924	87	(509)	34,502
Bank Loan	PLN	WIBOR 3M + Bank's margin	2011	20,043	4	(203)	19,844
Subtotal (Bank)				189,805	164	(1,291)	188,678
Total				242,753	7,545	(1,291)	249,007

(1) Until 24 December 2009, this related party loan was due to Jeruzalem Finance Company B.V. , a Dutch limited liability company owned by the same parties which are the shareholders of the Company's parent company, I.T.R. Dori B.V. Following a transfer of the 100% ownership in Jeruzalem Finance Company B.V. to I.T.R. Dori B.V. and subsequently, a legal merger between I.T.R. Dori B.V. and Jeruzalem Finance Company B.V. on 24 December 2009, whereby Jeruzalem Finance Company B.V. ceased to exist, the loan was assumed by I.T.R. Dori B.V.

Notes to the Consolidated Financial Statements

24. Loans and borrowings (cont'd)

Loans as at 31 December 2008:

<i>In thousands of Polish Zlotys (PLN)</i>	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	(936)	78,665
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	(66)	17,178
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

For the bank loans the following collateral was given:

- Ordinary and floating mortgages on Inventory (of real estate units), see Note 18.
- Pledge over bank accounts which are presented in the Consolidated Statement of Financial Position as Cash and cash equivalents up to the amounts/instalments due amounting to PLN 4,510 thousand and PLN 10,974 thousand as at 31 December 2009 and 31 December 2008, respectively.
- Deposits guarantee for interests on credits, see Note 20.
- Assignment of receivables arising from insurance agreement and from the agreements concluded with clients.
- As at 31 December 2008, 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.

25. Trade and other payables and accrued expenses

As at 31 December	2009	2008
<i>In thousands of Polish Zlotys (PLN)</i>		
Trade payables	13,006	15,612
Guarantees for construction work	6,987	1,529
Accrued expenses	6,123	1,671
Value added tax (VAT) and other tax payables	1,009	4,559
Non-trade payables	604	461
Total	27,729	23,832

Trade and non-trade payables are non-interest bearing and are normally settled on 90-day terms.

Notes to the Consolidated Financial Statements

26. Advances received

Advances received consist of customer advances for construction work in progress (deferred revenue) and comprise customer advances for the following projects:

As at 31 December	2009	2008
<i>In thousands of Polish Zlotys (PLN)</i>		
Nautica	31,237	992
Gemini I	22,568	1,243
Imaginarium II	7,699	11,144
Galileo	5,799	32,637
Constans	3,977	2,475
Meridian	1,459	352
Imaginarium I	546	5,356
Other	82	135
Total	73,367	54,334

For information about contingent receivables from signed contacts with clients, see Note 29.

27. Provisions

For the year ended 31 December	2009	2008
<i>In thousands of Polish Zlotys (PLN)</i>		
Balance at the beginning of the year	3,144	501
Increase/(decrease)	(58)	2,643
Balance at the end of the year	3,086	3,144

A provision is recognised for expected necessary costs of development of certain plots of land owned by the Group, according to the conditions imposed by local authorities as well as for expected corporate tax expenses in relation to a dispute between one of the Company's subsidiaries and the local tax authorities in Poland.

Notes to the Consolidated Financial Statements

28. Fair value estimation

The fair values of financial assets and liabilities, together with the carrying amounts shown in the Consolidated Statement of Financial Position, are as follows:

<i>In thousands of Polish Zlotys (PLN)</i>	<i>Category</i>	<i>Note</i>	As at 31 December 2009	
			Carrying amount	Fair value
Assets:				
Trade and other receivables	<i>Loans and receivables</i>	19	14,036	14,036
Short-term bank deposits – collateralized	<i>Loans and receivables</i>	20	5,070	5,040
Cash and cash equivalents	<i>Held for trading</i>	21	58,044	58,044
Liabilities:				
Secured bank loans	<i>Other financial liabilities</i>	24	188,678	188,764
Loan from related parties	<i>Other financial liabilities</i>	24	60,329	59,935
Trade and other payables and accrued expenses	<i>Other financial liabilities</i>	25	26,720	26,720
Unrecognized gain			278	

<i>In thousands of Polish Zlotys (PLN)</i>	<i>Category</i>	<i>Note</i>	As at 31 December 2008	
			Carrying amount	Fair value
Assets:				
Trade and other receivables	<i>Loans and receivables</i>	19	13,423	13,423
Short-term bank deposits – collateralized	<i>Loans and receivables</i>	20	5,043	4,989
Cash and cash equivalents	<i>Held for trading</i>	21	39,323	39,323
Liabilities:				
Secured bank loans	<i>Other financial liabilities</i>	24	225,133	223,159
Loan from related parties	<i>Other financial liabilities</i>	24	57,619	52,242
Trade and other payables and accrued expenses	<i>Other financial liabilities</i>	25	19,273	19,273
Unrecognized gain			7,297	

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 2009 and 31 December 2008 and are as follows:

As at 31 December	2009	2008
Loans and borrowings	7.27%	8.98%
Short-term bank deposits – collateralized	4.00%	5.00%

Notes to the Consolidated Financial Statements

29. Commitments and contingencies

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:

For the year ended 31 December	2009	2008
<i>In thousands of Polish Zlotys (PLN)</i>		
Gemini I	11,211	56,720
Nautica	7,410	44,806
Constans	1,934	16,138
Gardenia	-	5,499
Imaginarium II	-	8,050
Galileo	-	601
	20,555	131,814

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 expired as of end of March 2009 ('Expiration Date'). As at the Expiration Date of the consulting agreement, Mr Kerem is entitled to a bonus equal to 0.5% of the pre-tax profits generated by projects that were 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 is entitled to an additional bonus equal to 2.5% of the pre-tax profit generated by the projects that were in construction or were completed as of the Expiration Date.

Contingent receivables - 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 2009 after deduction of payments received at reporting date (such payments being presented in the Consolidated Statement of Financial Position as Advances received):

For the year ended 31 December	2009	2008
<i>In thousands of Polish Zlotys (PLN)</i>		
Gemini I	32,003	9,497
Nautica	31,067	17,360
Galileo	9,043	12,114
Imaginarium II	4,772	23,995
Constans	336	2,389
Meridian	7	2,232
Imaginarium I	-	515
	77,228	68,102

Contingent liabilities:

As at 31 December 2009, the Group did not have any contingents liabilities.

Notes to the Consolidated Financial Statements

30. Related parties

Parent company

The Company enters into various transactions with its shareholders, subsidiaries and with its directors and executive officers. The Company's immediate shareholders are I.T.R. Dori B.V. ('ITR Dori') and GE Real Estate CE Residential B.V, with an interest in shares in the Company's capital of 64.2% and 15.3%, respectively, as at 31 December 2009. For a list of subsidiaries reference is made to Note 1(b).

The main related parties' transactions arise on:

- loans received,
- transactions with key management personnel,
- shares and share options.

Loans received

During the year ended 31 December 2009, the Group repaid loans from related parties amounting to PLN 467 thousand, comprising only accrued interest, and did not receive any loans from related parties in this period. During the year ended 31 December 2008, the Group repaid loans from related parties amounting to PLN 8,447 thousand, comprising PLN 7,616 thousand in respect of the principal amount and PLN 831 thousand accrued interest, and did not receive any loans from related parties in this period. For further information see Note 24.

Transactions with key management personnel

As at 31 December 2009, key management personnel of the Company include:

Shraga Weisman - President of the Management Board, Chief Executive Officer

Tomasz Łapiński - Member of the Management Board, Chief Financial Officer

Andrzej Gutowski - Member of the Management Board, Sales and Marketing Director

David Katz - Member of the Management Board

Karol Pilniewicz - Member of the Management Board

Amos Weltsch - Member of the Management Board

Loans to directors

As at 31 December 2009 and 31 December 2008, 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 2009 and 31 December 2008.

Key management personnel compensation can be presented as follows:

<i>In thousands of Polish Zloty (PLN)</i>	Salary and other short time benefit	Management bonus	Total
Management Board – 31 December 2009 ^(*)	2,146	2,575	4,721
Management Board – 31 December 2008	1,423	901	2,324

^(*)Including PLN 908 thousand in respect of a compensation paid to a former managing director, Mr Dror Kerem.

Shares and share options

Shares

On 22 October 2009, the Company, in the form of a private placement, issued 45,393,333 new shares, including 22,696,667 new shares issued as a result of the conversion of the same number of warrants convertible to shares issued on the same day. This transaction included 6,454,931 shares issued directly to the Company's major shareholder, ITR Dori at an issue price of PLN 1.60 per share, and 22,696,667 warrants offered free of charge also to ITR Dori which warrants entitled ITR Dori to subscribe for 22,696,667 new ordinary shares at an exercise price of PLN 1.60 per share. ITR Dori subscribed for the warrants, exercised its rights to subscribe for new shares and paid for the new shares.

Notes to the Consolidated Financial Statements

30. Related parties (cont'd)

Shares and share options (cont'd)

Share options

During the years ended 31 December 2009 and 31 December 2008, the members of the Management Board did not receive rights to shares or options on shares.

31. Financial risk management, objectives and policies

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 of Managing Directors 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 2009 and 2008, 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 manage the Group's liquidity and 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 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 and prepayments (see Note 19) 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:

<i>In thousands of Polish Zloty (PLN)</i>	As at 31 December 2009	As at 31 December 2008
Rating		
AAA	20	24
AA	1,280	7,274
A	56,562	24,258
BBB	182	7,767
Total cash at hand, at banks and short-term bank deposits	58,044	39,323

Notes to the Consolidated Financial Statements

31. Financial risk management (cont'd)

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of 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, such as bank loans, loans from related parties, cash and cash equivalents and short-term bank deposits. 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 2009, Trade receivables denominated in foreign currencies were insignificant. Until 30 December 2009 the Group was exposed to foreign currency risk on certain long-term finance lease receivables denominated in USD as at 31 December 2008 amounted to USD 234 thousand (PLN 692 thousand).

(ii) Price risk

The Group's exposure to marketable and non-marketable securities price risk does not exist because the Group has not invested in securities as at 31 December 2009 and 2008.

(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 2009								
<i>In thousands of Polish Zlotys (PLN)</i>	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	24	6.00%	60,329	5,000	2,381	52,948	-	-
Cash and cash equivalents	21	0.05%-0.15%	1,740	1,740	-	-	-	-
Short-term bank deposits – collateralized	20	2%-3%	5,070	5,070	-	-	-	-
Variable rate instruments								
Secured bank loans	24	WIBOR + Bank's margin	188,678	134,332	-	54,346	-	-
Cash and cash equivalents	21	WIBOR – 0.1% - 1%	56,304	56,304	-	-	-	-
As at 31 December 2008								
<i>In thousands of Polish Zlotys (PLN)</i>	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	24	6.00%	57,619	-	-	-	57,619	-
Cash and cash equivalents	21	0.05%-0.15%	4,364	4,364	-	-	-	-
Short-term bank deposits – collateralized	20	2%-3%	5,043	2,774	2,269	-	-	-
Variable rate instruments								
Secured bank loans	24	WIBOR + Bank's margin	225,133	13,176	125,409	86,548	-	-
Cash and cash equivalents	21	WIBOR – 0.1% - 1%	34,959	34,959	-	-	-	-

Notes to the Consolidated Financial Statements

31. 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 reporting date would increase (decrease) the net assets and the statement of comprehensive income by the amounts listed in the table below. The analysis prepared for 12-month periods assumes that all other variables remain unchanged.

<i>In thousands of Polish Zlotys (PLN)</i>	<u>As at 31 December 2009</u>		<u>As at 31 December 2008</u>	
	Increase by 1%	Decrease by 1%	Increase by 1%	Decrease by 1%
Statement of comprehensive income				
Variable interest rate assets	188	(188)	117	(117)
Variable interest rate liabilities *	(633)	633	(753)	753
Total	(445)	445	(636)	636
Net assets				
Variable interest rate assets	188	(188)	117	(117)
Variable interest rate liabilities *	(633)	633	(753)	753
Total	(445)	445	(636)	636

* 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 statement of comprehensive income 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 statement of comprehensive income 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 statement of comprehensive income in the following accounting periods.

Notes to the Consolidated Financial Statements

31. 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 and shareholders loans.

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

As at 31 December 2009				
<i>In thousands of Polish Zlotys (PLN)</i>	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Loans and borrowings	144,823	118,954	-	-
Trade and other payables	26,720	-	-	-
Total	171,543	118,954	-	-

As at 31 December 2008				
<i>In thousands of Polish Zlotys (PLN)</i>	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Loans and borrowings	141,626	95,953	67,150	-
Trade and other payables	19,273	-	-	-
Total	160,899	95,953	67,150	-

Notes to the Consolidated Financial Statements

32. 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 Statement of Financial Position) 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 Statement of Financial Position plus net debt financing assets in operation.

The gearing ratios and leverage at 31 December 2009 and 31 December 2008 were as follows:

As at 31 December	2009	2008
<i>In thousands of Polish Zlotys (PLN)</i>		
Loan and borrowings, including current portion	249,007	282,752
Less: cash and cash equivalents	(58,044)	(39,323)
Net debt	190,963	243,429
Total equity	382,218	289,483
Total capital employed	573,181	532,912
Gearing ratio	50.0%	84.1%
Leverage	33.3%	45.7%

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.

Notes to the Consolidated Financial Statements

33. Cash flow reconciliation

Inventory

For the year ended 31 December	2009	2008
<i>In thousands of Polish Zlotys (PLN)</i>		
Balance sheet change in inventory	(69,243)	(119,236)
Finance expense, net capitalized into inventories	17,924	19,673
Inventory transferred into fixed assets	(682)	(290)
Change in inventory in the consolidated statement of cash flows	(52,001)	(99,853)

Trade and other payables and accrued expenses

For the year ended 31 December	2009	2008
<i>In thousands of Polish Zlotys (PLN)</i>		
Balance sheet change in trade and other payables and accrued expenses	3,897	13,369
Acquisitions of investment property without cash transaction	(2,500)	-
Change in trade and other payables and accrued expenses in the consolidated statement of cash flows	1,397	13,369

34. Events during the period

Project completion

In March 2009, the Company completed the construction of the Galileo project and received an occupancy permit. The construction of the Galileo project commenced in February 2007.

In August 2009, the Company completed the construction of the Imaginarium II project and received an occupancy permit. The construction of the Imaginarium II project commenced in July 2008.

Bank loans

In June 2009, the Group entered into a loan facility agreement with PKO BP regarding the financing of the Gemini I project (PLN 54.7m) and regarding the extension of the land financing facility for this project (PLN 14.4m).

Despite positive decision of the credit committee of Pekao SA regarding loan for financing construction of Nautica project (up to an amount of PLN 59.6 million) the Group decided not to use this loan due to positive cash flows from customers purchasing apartments in this project.

Following the successful issue of new shares, the Group decided to partially redeem the Pekao S.A. loan that was used for financing of the land investment. On 2 November 2009, an amount of PLN 25.5 million out of a total facility amounting to PLN 45.6 million was redeemed.

Moreover, in addition to the above, the Group was able to extend maturity of loans used for financing various land investments amounting in total to PLN 81m signing relevant annexes to loan facility agreements with the following banks: PKO BP S.A., Pekao S.A., BZWBK S.A. and Bank Millennium S.A.

Notes to the Consolidated Financial Statements

34. Events during the period (cont'd)

Aurora

In May 2009, the Company entered into a settlement agreement with the seller of a land plot in Poznań (project Aurora), which concluded the dispute between parties that started in September 2008. For further information see Note 19.

Investment property

During the period the Group acquired investment property, for further information see Note 15 .

Issuing of new shares/warrants

On the 22 October 2009 the Company issued of 22,696,666 new ordinary bearer shares in the capital of the Company ("New Shares I") at the issue price of PLN 1.60 per share, and 22,696,667 warrants free of charge (the "Warrants") which entitle their holders to subscribe for 22,696,667 new ordinary bearer shares in the capital of the Company ("New Shares II") at an exercise price of PLN 1.60 per share. For further information see Note 22A.

Other

As of end of March 2009, the former President of the Management Board and former CEO of the Company, Mr Dror Kerem, left the Company.

In June 2009 the Company agreed with the general contractor responsible for Gemini I project to alter certain conditions in the existing building agreement, resulting in a decrease in the total value of the contract from PLN 65 million to PLN 57 million, whereby also the agreed-upon completion date has been accelerated.

35. Subsequent events

The Company has signed an annex extending the maturity of a loan facility (PLN 15 million) which was used for the refinancing of the land purchase in respect of the Orion project. The final repayment date has been postponed from January 2010 until December 2010. The Company is involved in the discussions regarding a further extension of this facility together with conditions of the construction facility for this project.

Company Financial Statements for the year ended 31 December 2009

Company Statement of Comprehensive Income

For the year ended 31 December		2009	2008
<i>In thousands of Polish Zlotys (PLN)</i>	<i>Note</i>		
Revenue		2,999	2,561
General and administrative expense	3	(5,334)	(5,103)
Operating Loss		(2,335)	(2,542)
Finance income	5	3,810	3,812
Finance expense	5	(901)	(868)
Net finance income		2,909	2,944
Profit/(loss) before taxation		574	402
Income tax	6	-	-
Profit/(loss) before result from subsidiaries		574	402
Result from subsidiaries after taxation	8	20,460	14,739
Profit for the year		21,034	15,141

The notes on pages 84 to 87 are an integral part of these Company financial statements.

Company Income Statement

After profit appropriation

As at 31 December		2009	2008
<i>In thousands of Polish Zlotys (PLN)</i>	<i>Note</i>		
Assets			
Investment in subsidiaries	8	276,945	249,260
Loan granted to subsidiaries	9	75,087	53,068
Total non-current assets		352,032	302,328
Trade and other receivables and prepayments		111	146
Receivable from subsidiaries		1,658	2,551
Cash and cash equivalents		45,477	703
Total current assets		47,246	3,400
Total assets		399,278	305,728
Equity			
Shareholders' equity	10		
Share capital		20,762	16,953
Share premium reserve		282,873	215,105
Revaluation reserve		4,173	-
Retained earnings		74,410	57,425
Total shareholders' equity		382,218	289,483
Liabilities			
Long-term liabilities			
Loans from subsidiaries	11	16,028	15,192
Total long-term liabilities		16,028	15,192
Current liabilities			
Trade and other payables and accrued expenses		1,032	1,053
Total current liabilities		1,032	1,053
Total liabilities		17,060	16,245
Total shareholders' equity and liabilities		399,278	305,728

The notes on pages 84 to 87 are an integral part of these Company financial statements.

Company Statement of Changes in Equity

For the years ended 31 December 2009 and 31 December 2008:

<i>In thousands of Polish Zlotys (PLN)</i>	<u>Share capital</u>	<u>Share premium</u>	<u>Revaluation reserve</u>	<u>Retained earnings</u>	<u>Total equity</u>
Balance at 1 January 2008	16,933	215,105	-	39,935	271,973
Net profit for the year ended 31 December 2008	-	-	-	15,141	15,141
Issue of new shares ¹⁾	20	-	-	-	20
Share-based payments ³⁾	-	-	-	2,349	2,349
Balance at 31 December 2008	16,953	215,105	-	57,425	289,483
Net profit for the year ended 31 December 2009	-	-	4,173	16,861	21,034
Issue of new shares ²⁾	3,809	67,768	-	-	71,577
Share-based payments ³⁾	-	-	-	124	124
Balance at 31 December 2009	20,762	282,873	4,173	74,410	382,218

¹⁾ 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.

²⁾ This represents the proceeds above par from the 45,393,333 new shares, issued on 22 October 2009. The net proceeds from the new shares issued on 22 October 2009 amounted to PLN 71,577 thousand, after a deduction of PLN 1,052 thousand representing the total cost directly attributable to the new shares issued

³⁾ See Note 22C to the Consolidated Financial Statements

The notes on pages 84 to 87 are an integral part of these Company financial statements.

Company Statement of Cash Flows

For the year ended 31 December	2009	2008
<i>In thousands of Polish Zlotys (PLN)</i>	<i>Note</i>	
Cash flows from operating activities		
Profit for the year	21,034	15,141
<i>Adjustments to reconcile profit for the period to net cash (used in)/from operating activities:</i>		
Net finance income, net	5 (2,909)	(2,944)
Net results subsidiaries during the year	8 (20,460)	(14,739)
Share based payment	124	2,349
Subtotal	(2,211)	(193)
Decrease/(increase) in trade and other receivables and prepayments	35	317
Decrease/(increase) in receivable from subsidiaries	893	(2,547)
Increase/(decrease) in trade and other payable and accrued expense	(21)	(404)
Increase/(decrease) in creditors from subsidiaries	-	(883)
Subtotal	(1,304)	(3,710)
Interest received	536	627
Net cash used in operating activities	(768)	(3,083)
Cash flows from investing activities		
Loan granted to subsidiaries	9 (21,600)	(14,312)
Repayment of Loan granted to subsidiaries	9 2,790	20,300
Investment in subsidiaries	8 (7,225)	(47,031)
Net cash used in investing activities	(26,035)	(41,043)
Cash flows from financing activities		
Proceeds from new shares issued	72,629	20
Costs directly attributed to the new shares issued	(1,052)	-
Net cash from financing activities	71,577	20
Net change in cash and cash equivalents	44,774	(44,106)
Cash and cash equivalents at 1 January	703	44,809
Cash and cash equivalents at 31 December	45,477	703

The notes on pages 84 to 87 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 2009, 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 15.3% of the outstanding shares are held by the public.

The Company holds and owns (directly and indirectly) 54 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 Company's financial statements have been prepared under the option of clause 362.8 of Part 9 of Book 2 of the Netherlands Civil Code, meaning that the accounting principles and measurement basis of the Company's statutory accounts are similar to those applied with respect to the Consolidated Financial Statements (see Notes 2 and 3 to the Consolidated Financial Statements), except for the valuation of subsidiaries which are valued using the net asset value method. The Company Financial Statements have been prepared in conformity with generally accepted accounting principles in the Netherlands ('Dutch GAAP'), whereas the Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the EU as described in Note 3 to the Consolidated Financial Statements.

3. General and administrative expense

For the year ended 31 December	2009	2008
<i>In thousands of Polish Zlotys (PLN)</i>		
External services	1,269	1,459
Share-based payment	124	2,349
Remuneration fees (see Note 4)	3,730	1,281
Other	211	14
Total	5,334	5,103

4. Directors' remuneration

The Board of Managing Directors of the Company consists of 6 members (2008: 6 members). The Management Board members were entitled to a total remuneration of PLN 4,721 thousand during the year 2009 comprising PLN 2,146 thousand as salary and other short time benefit and PLN 2,575 thousand as management bonus (2008: PLN 2,324 thousand comprising PLN 1,423 thousand as salary and other short time benefits and PLN 901 thousand as management bonus) which remuneration is incurred directly by the Company as well as by the Company's subsidiaries. For a breakdown per individual a reference is made to the Remuneration Report on page 12 (2008: Annual Report for the year ended 31 December 2008, Remuneration Report on page 11).

The Supervisory Board of the Company consists of 5 members (2008: 5 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 2009. The total Supervisory Board remuneration during 2009 amounted to PLN 259 thousand (EUR 60 thousand; 2008: PLN 203 thousand (EUR 49 thousand)).

Notes to the Company Financial Statements

5. Net finance income and expense

For the year ended 31 December	2009	2008
<i>In thousands of Polish Zlotys (PLN)</i>		
Interests on granted loans to subsidiaries	3,209	3,156
Interest income on bank deposits	384	547
Foreign exchange gain	217	109
Finance income	3,810	3,812
Interests on loans received from subsidiaries	(836)	(839)
Foreign exchange loss	(50)	-
Commissions and fees	(15)	(29)
Finance expense	(901)	(868)
Net finance income	2,909	2,944

6. Income tax

No Dutch income taxes have been recorded, primarily because of the tax loss for the financial period ended 31 December 2009, 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 2009 are estimated to be EUR 3,362 thousand (2008: EUR 3,776 thousand).

7. Personnel

The Company did not employ any personnel during the financial years ended 31 December 2009 and 31 December 2008.

8. Investment in subsidiaries

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

The movements in subsidiaries are as follows:

For the year ended 31 December	2009	2008
<i>In thousands of Polish Zlotys (PLN)</i>		
Balance at beginning of the year	249,260	187,490
Investments in subsidiaries	7,225	47,031
Net result subsidiaries during the year	20,460	14,739
Balance at end of the year	276,945	249,260

Notes to the Company Financial Statements

9. Loan granted to subsidiaries

For the year ended 31 December	2009	2008
<i>In thousands of Polish Zlotys (PLN)</i>		
Balance at beginning of the year	53,068	55,900
Loans granted during the year	21,600	14,312
Loans repayment during the year	(2,790)	(20,300)
Interests accrued	3,209	3,156
Balance at end of the year	75,087	53,068

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 redeem 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 2009 amounted to 272,360,000 (as at 31 December 2008: 226,666,667 shares). For details on shares issued during 2009 and 2008, reference is made to Note 22 of the consolidated financial statements.

According to Dutch Law the Company has an amount (net of tax) of PLN 4,173 (2008: PLN nil) as legal reserve relating to unrealised results of changes in fair value of investment properties

11. Loans from subsidiaries

For the year ended 31 December	2009	2008
<i>In thousands of Polish Zlotys (PLN)</i>		
Balance at beginning of the year	15,192	14,353
Interests accrued	836	839
Balance at end of the year	16,028	15,192

The loans mature on 31 October 2011 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 redeem the loan at any time starting one year from the loan agreement date.

12. Commitments and contingencies

As at 31 December 2009, the Company had no commitments and contingencies other than the contingent commitment in relation to the termination agreement with its former Managing Director, Mr Kerem, as disclosed in Note 29 to the Consolidated Financial Statements.

13. Related party transactions

During the financial years ended 31 December 2009 and 31 December 2008, respectively, there were no transactions between the Company on the one hand, and its shareholders, their affiliates and other related parties which would qualify as not being at arm's length.

Notes to the Company Financial Statements

14. Financial risk management, objectives and policies

For a description of the Company's financial risk management, objectives and policies reference is made to Note 31 of the Consolidated Financial Statements.

15. 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	2009	2008
<i>In thousands of Polish Zlotys (PLN)</i>		
Audit remuneration ^(*)	601	1,148
Exchanging rate differences on prior year settlements	110	43
Total remuneration	711	1,191

^(*) Audit remuneration includes the amounts paid and due to the Company's auditors 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 (excluding fees for tax advisory services).

16. Subsequent events

None

Rotterdam,
10 March 2010

The Management Board

Shraga Weisman
Chief Executive Officer

Tomasz Łapiński
Chief Financial Officer

Andrzej Gutowski
Sales and Marketing Director

Amos Weltsch

David Katz

Karol Pilniewicz

The Supervisory Board

Uri Dori

Frank Roseen

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 2009, Management proposes to allocate the net profit for the year 2009 amounting to PLN 21,034 thousand to retained earnings. This proposal has been reflected in the Company's Statement of Financial Position per 31 December 2009.

Subsequent events – other information

Refer to note 35 of the consolidated financial statements (page 79).

Auditor's report

The auditor's report is set up on pages 30 and 31.