Ronson Europe N.V.

Annual Report
for the year ended
31 December 2011

Management Board

Shraga Weisman
Tomasz Łapiński
Andrzej Gutowski
Israel Greidinger
Ronen Ashkenzai
Karol Pilniewicz

Supervisory Board

Mark Segall, *Chairman*
Arie Mientkavich, *Vice-Chairman*
Yair Shilhav
Frank Roseen
Reuven Sharoni
Przemyslaw Kowalczyk

Company Secretary

Rami Geris

Registered office

Weena 210-212
3012 NJ Rotterdam
The Netherlands

Auditors

Ernst & Young Accountants LLP
Antonio Vivaldistraat 150
1083 HP Amsterdam
The Netherlands

To our shareholders

2011 was characterised by mixed trends in the global economy. With the lingering effects of the 2008 financial crisis still impacting many countries around the world and with the Euro crisis dominating Europe, the Polish economy continued to generate growth and stability. In 2011, the Polish economy grew by 4.3%, while unemployment continued to remain stable at approximately 11%, with many of the larger Polish cities showing rates under 10%. The Polish economy is expected to grow by another 2.5% to 3.0% in 2012.

During 2011, the residential market in Poland showed signs of improvement, both on the demand and – especially – on the supply side. In 2011, construction began on 162,000 new residential units in Poland, which is an increase of 2.6% compared to 2010. The total number of applications for building permits during 2011 amounted to 184,000 which was 5.2% higher than the year before. This increased supply, which was evident in most major Polish cities may result in a price pressure in the near future.

The Company's highlights for 2011 included:

- the commencement of the development of five projects / stages of projects (Gemini II, Naturalis III, Sakura II, Chilli I and Espresso I),
- the sale of 358 units, i.e. by 33% more than during 2010, (nevertheless the Company has not managed to double its sales, as planned),
- a further strengthening of Ronson's brand name.

During 2011, the Company sold 358 units with a total value of PLN 191.9 million while in 2010 the Company sold 270 units with the total value of PLN 173.3 million. Net profit for 2011 amounted to PLN 6.8 million while in 2010 it amounted to PLN 35.1 million. The substantial decrease of net profit in 2011 reflected the effects of the unusual and difficult market conditions during 2009, when the Company did not commence construction of any significant project, which resulted in a low number of apartments completed during 2011 and delivered to our customers (which is a prerequisite for the recognition of revenues and profits).

We continue to believe that in the medium and long term, the residential Polish market holds great promise. Studies suggest that 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 160,000 units the long-term shortage in the residential market will remain pronounced and should continue to create strong residential development opportunities.

We believe the Company is in an advantageous position to exploit the current market conditions. We believe 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, and
- a known brand in Warsaw and an emerging brand in other Polish cities.

The advantages mentioned above should give the Company the opportunity to significantly expand the scale of its operations and sales, and ultimately to rank amongst the larger 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 are pleased in presenting the Financial Statements of Ronson Europe N.V. for the financial year 2011, 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 101 to allocate the net profit for the year 2011 amounting to PLN 6,826 thousand to retained earnings.

Supervision

During 2011, there were frequent Supervisory Board and Management Board meetings, during which, among other topics, the following items were discussed:

- the Company's business strategy, including the responses by the Company to the changed market environment as a result of the euro crisis;
- the strengthening of the Company's financial position;
- potential sources of long term capital;
- performance review of the Management Board and evaluation of the Company's remuneration policy;
- the corporate governance structure of the Company;
- risk management and processes undertaken during the year;
- group restructuring anticipating Polish tax regulations;
- evaluation and re-appointment of the Company's auditors; and
- financial results and other related issues.

The Supervisory Board (including its committees) met nine times (including five meetings of the Audit Committee) 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 2011 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 2011.

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 the external auditors and related costs. During 2011, the Audit Committee met five times. The Audit Committee has also been involved in the process of assessing of the performance and costs 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 2011, the Remuneration and Nominating Committee met twice during the year.

Financial statements

The Management Board has prepared the 2011 financial statements. These financial statements were discussed at a Supervisory Board meeting attended by the auditors.

Change in composition of the Supervisory Board

During the Annual General Meeting of Shareholders held on 30 June 2011, Messrs Arie Mientkavich and Przemyslaw Kowalczyk were appointed members of the Supervisory Board for a term of four years. Mr Mientkavich replaced Mr Uri Dori, who stepped down as member of the Supervisory Board effective as of 30 June 2011.

With a view to the expiration of his four year term as Supervisory Director in 2012, the reappointment of Mr Sharoni will be scheduled for the upcoming General Meeting of Shareholders.

Change in composition of the Management Board

During the Annual General Meeting of Shareholders held on 30 June 2011, Messrs Israel Greidinger and Ronen Ashkenazi were appointed members of the Management Board and managing directors B for a term of four years. Messrs Greidinger and Ashkenazi replaced Messrs Amos Weltsch and David Katz, who stepped down as managing directors B effective as of 30 June 2011.

With a view to the expiration of their four year term as Managing Directors in 2012, the reappointment of Messrs Weisman, Łapiński, Gutowski and Pilniewicz, which is recommended by the Supervisory Board, will be scheduled for the upcoming General Meeting of Shareholders.

6 March 2012
For the Supervisory Board

Mark Segall,
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 ("the 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. The Committee has published its most recent monitoring report in December 2011.

Dutch companies listed on a regulated stock exchange in the EU/EER, 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. The topic of corporate governance has been scheduled for each general meeting of shareholders since 2007.

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. 2.4 If options are granted, they shall, in any event, not be exercised in the first three years after the date of granting. The number of options to be granted shall be dependent on the achievement of challenging targets specified beforehand.

The currently outstanding options have been granted unconditionally and independent on the achievement of targets. 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.

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 six members, of which three 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.

Governance structure (cont'd)

III. 6.5 The terms of reference of the supervisory board shall contain rules on dealing with conflicts of interest and potential conflicts of interest between management board members, supervisory board members and the external auditor on the one hand and the company on the other. The terms of reference shall also stipulate which transactions require the approval of the supervisory board. The company shall draw up regulations governing ownership of, and transactions in securities by management or supervisory board members, other than securities issued by their 'own' company.

The Company believes that the restrictions under Dutch securities law are sufficient to govern the ownership of, and transactions in, securities by Supervisory and Management Board members. Implementing additional restrictions would potentially harm its ability to attract and ensure the continued services of Supervisory and Management 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.

Transactions with a conflict of interest

During the financial year 2011, 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.

Statement referred to in the Decree of 20 March 2009, Stb 154, 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 20 March 2009, 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.

Governance structure (cont'd)

Corporate Governance Code in Poland

The Code of Best Practice for WSE-Listed Companies (the 'WSE Corporate Governance Rules') applies to companies listed on the WSE, irrespective of whether such companies are incorporated in Poland or outside of Poland. The WSE Corporate Governance Rules 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 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). Moreover, every year each WSE-listed company is required to publish a detailed statement on any non-compliance with the WSE Corporate Governance Rules (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 and to show the ways of eliminating the possible consequences of such non-compliance or the steps such company intends to take to mitigate the risk of non-compliance with such rule in future.

The Company intends, to the extent practicable, to comply with all principles of the WSE Corporate Governance Rules. However, certain principles will apply to the Company only to the extent permitted by Dutch law. Detailed information regarding non-compliance, as well as additional explanations regarding partial compliance with certain WSE Corporate Governance Rules 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.

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

General Meeting of Shareholders

Per the Articles of Association[*] of the Company, 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 ("Management Board"), (v) granting of discharge to the Management Board 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 Management Board and (xi) (re)appointment of members of the Board of Supervisory Directors ("Supervisory Board").

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 Management Board. The proposal is subject to the approval of the Supervisory Board.

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.

[*] Most recently amended on 30 June 2011

Supervisory and Management Boards

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

Supervisory Board

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

Supervisory Board Committees

The Supervisory Board is supported by two committees:

- the Audit Committee (comprising Mr Shilhav (chairman), Mr Sharoni and Mr Segall)
- the Remuneration and Nominating Committee (comprising Mr Mientkavich, (chairman),Mr Shilhav and Mr Sharoni)

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

Mark Segall (age 49, US citizen, male), Chairman

Mark Segall was appointed a member of the Supervisory Board of the Company on 28 September 2007 and re-appointed on 30 June 2011. Mr Segall is the founder of Kidron Corporate Advisors LLC, a corporate advisory and mergers and acquisitions boutique, Kidron Capital Advisors LLC, a US registered broker dealer, 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 Bel Fuse Inc., Integrated Asset Management plc, and Temco Services Inc. His current term as Supervisory Director expires in June 2015. There is no conflict of interest between the Company and other business activities of Mr Segall.

Arie Mientkavich (age 69, Israeli citizen, male), Vice-Chairman

Arie Mientkavich was appointed a member of the Supervisory Board of the Company on 30 June 2011, and he is Chairman of the Remuneration Committee. He is Deputy Chairman of the Management Board of Gazit Globe Ltd (since 2005). Mr Mientkavich is Chairman of the board of the following companies: Gazit Globe Israel (Development) Ltd (since 2006), Elron Electronic Industries Ltd (since 2007) and Rafael Development Corporation Ltd (since 2007). He is Vice-Chairman of IDB Holding Corporation Ltd (since 2007) and he is also member of the board of Given Imagining Ltd and Nulens Ltd. From 1997 to 2006, Mr Mientkavich was Chairman of the board of Israel Discount Bank Ltd and from 1987 to 1997 he served as Active Chairman of the Israel Securities Board, he also was member of the License Committee as well as of the Advisory Committee of the Bank of Israel. His current term as Supervisory Board Director expires in June 2015. There is no conflict of interest between the Company and other business activities of Mr Mientkavich.

Yair Shilhav (age 53, Israeli citizen, male)

Yair Shilhav was appointed a member of the Supervisory Board on 28 September 2007 and re-appointed on 30 June 2011, 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 June 2015. There is no conflict of interest between the Company and other business activities of Mr Shilhav.

Frank Roseen (age 49, Swedish citizen, male)

Frank Roseen was appointed a member of the Supervisory Board of the Company on 29 May 2009. Mr Roseen joined GE Capital in 2002, and has 9 years of real estate experience. Mr Roseen has been responsible for GE Capital Real Estate's operations in Central and Eastern Europe since October 2008. His previous role was Managing Director - Asset Management for Asia Pacific. Prior to that, Mr Roseen was CFO for GE Commercial Finance Real Estate Asia Pacific and GE Real Estate Nordic. Before joining GE, he was Finance Director for Xerox Nordic. 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.

Reuven Sharoni (age 74, 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. 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.

Przemyslaw Kowalczyk (age 42, Polish citizen, male)

Przemyslaw Kowalczyk was appointed a member of the Supervisory Board on 30 June 2011. Since 2010 Mr Kowalczyk is an independent business consultant and operates as financial and investment advisor to a range of small and medium enterprise in Poland. From 2002 to 2009, he was member of the management board at Volkswagen Bank Polska Group. Prior to that, from 1994 to 2002, Mr Kowalczyk was active in the banking sector in both Switzerland and Poland, and held various positions including the Head of the Treasury Department with Bankgesellschaft Berlin (Polska) S.A.. His current term as Supervisory Director expires in June 2015. There is no conflict of interest between the Company and other business activities of Mr Kowalczyk.

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.

Managing directors A and B

Per the Company's Articles of Association, the Management Board shall consist of one or more managing directors A and may in addition consist of one or more managing directors B. The Supervisory Board shall determine precisely the number of managing directors and the precise number of managing directors of a specific class.

The General Meeting of Shareholders shall grant to one of the managing directors A the title of "Chief Executive Officer" who will be the chairman of the Management Board, and may also grant to one of the managing directors A the title of "Chief Financial Officer" and other titles to managing directors A or managing directors B.

The Management Board shall represent the Company. The authority to represent the Company shall also be vested in two managing directors among whom, if one or more managing directors B are in office, at least one shall be a managing director B.

Composition of the Management Board

Shraga Weisman (age 60, 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. His current term as Managing Director expires in October 2012. Mr Weisman does not perform any activities other than for the Company.

Tomasz Łapiński (age 35, Polish citizen, male)

On 23 June 2008, Mr Łapiński was appointed as managing director A and member of the Management Board, for a term of four years and granted the title 'Chief Financial Officer'. Mr Łapiński is also a member of the management boards of many subsidiaries of the Company.

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). His current term as Managing Director expires in June 2012. Mr Łapiński does not perform any activities other than for the Company.

Composition of the Management Board (cont'd)

Andrzej Gutowski (age 42, 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). His current term as Managing Director expires in October 2012. Mr Gutowski does not perform any activities other than for the Company.

Israel Greidinger (age 50, Israeli citizen, male)

On 30 June 2011, Mr Israel Greidinger was appointed as managing director B and member of the Management Board of the Company, for a term of four years. Mr Greidinger is the Chief Financial Officer and member of the Management Board of Cinema City International N.V. since 1995. He is also a director of Israel Theatres Ltd. since 1994. From 1985 to 1992, Mr Greidinger served as Managing Director of C.A.T.S. Ltd. (Computerised Automatic Ticket Sales), a London based company, and from 1992 to 1994, he was President and Chief Executive Officer of Pacer Cats Inc. His current term as Managing Director expires in June 2015. There is no conflict of interest between the Company and other business activities of Mr Greidinger.

Ronen Ashkenazi (age 50, Israeli citizen, male)

On 30 June 2011, Mr Ronen Ashkenazi was appointed as managing director B and member of the Management Board of the Company, for a term of four years. Mr Ashkenazi is CEO and co-owner of Gazit Globe Israel (Development) Ltd and director, CEO and indirect co-owner of U.Dori Group LTD. Moreover Mr Ashkenazi is a director on the board of Citycon Oyj, a property investment company specialised in retail premises in Finland, Sweden and the Baltic countries. His current term as Managing Director expires in June 2015. There is no conflict of interest between the Company and other business activities of Mr Ashkenazi.

Karol Pilniewicz (age 33, Polish citizen, male)

On 10 October 2008, Mr Pilniewicz was appointed as managing director B and Member of the Management Board of the Company, for a term of four years. Mr Pilniewicz is employed by GE Real Estate Investment Management Poland Sp. z o.o.. 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. His current term as Managing Director expires in October 2012. There is no conflict of interest between the Company and other business activities of Mr Pilniewicz.

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 26 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., Amplico Otwarty Fundusz Emerytalny and ING Otwarty 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 Supervisory Board. 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 Supervisory Board, 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 Management Board subject to approval from the Supervisory Board and the shareholders. A resolution to amend the Articles of Association shall be passed by an absolute majority of the votes cast.

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 Supervisory Board, authorised to resolve to issue shares for a certain period 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. The period of authorisation of the Management Board by the General Meeting of Shareholders lapsed at 9 October 2011.

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

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, 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 terms of his compensation package include a gross monthly fee of the PLN equivalent of EUR 2,500. 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.
In addition, he provides via his consulting company services to Ronson Europe N.V. For these services Mr Weisman's company charges Ronson Europe N.V. a monthly fee of EUR 22,500. His consulting company is also entitled to an annual bonus set at 3.3% of the consolidated annual pre-tax profit of the Group.

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 a monthly salary of PLN 42,000, 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 25,000, 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 linked to the value of Group's sales and amounts to 0.1% of the value of sales. Mr Gutowski is also entitled to participate in the Company's Employee Stock Incentive Plan (see below).

Remuneration of the Management Board (cont'd)

Israel Greidinger

Mr Israel Greidinger 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).

Ronen Ashkenazi

Mr Ronen Ashkenazi 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).

Amos Weltsch

Mr Amos Weltsch, a former member of the Management Board, 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).

David Katz

Mr David Katz, a former member of the Management Board, 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 2011

Total compensation of the Members of the Management Board – not including any benefits from the employee stock incentive plan (share based payments) and the company car – amounted to PLN 2,730 thousand, of which the compensation of:

- Mr Shraga Weisman amounted to PLN 1,660 thousand,
- Mr Tomasz Łapiński amounted to PLN 562 thousand,
- Mr Andrzej Gutowski amounted to PLN 508 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 2011, the other selected employees that joined the option program 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. Three Supervisory Board members (Mr Uri Dori (resigned), Mr Arie Mientkavich 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, Mr Przemyslaw Kowalczyk and Mr Reuven Sharoni. The total Supervisory Board remuneration during 2011 amounted to PLN 221 thousand (EUR 54 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 and with the euro currency 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 are using mortgage secured loans to finance the purchase of apartments.

For addition informational on financial instruments risks see Note 36 of the Consolidated Financial Statements.

Risk Management

As part of its risk management measures, the Company is requesting, monitoring and purchasing 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 on average around 100 units for each stage of completion). The Company's plans for 2012 assume possibility of commencement of construction of five new projects and four further stages of projects which are currently under construction comprising some 850 units, which means that the average scale of each new project, i.e. stage of completion, will be on average around 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 2011, 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 instruments risk management reference is made to Note 36 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. For information about companies in the Group from which their financial data included in the Consolidated Financial Statements see note 1 of the Consolidated Financial Statements.

The shares of the Company are traded on the Warsaw Stock Exchange since 5 November 2007. As at 31 December 2011, 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 6 March 2012, the market price was PLN 1.05 per share giving the Company a market capitalization of PLN 286 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 maintain its position as 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 by creation of a portfolio of real estate development properties. Management believes the Company has positioned itself strongly to navigate the volatile economic environment the Company has found itself in over the past several years. On the one hand, the Polish economy appears to remain stable, which potentially bodes well for the Company's prospects. On the other hand, the debt and euro crisises, which continue to play out in much of Europe, and with increasing volatility in recent months, may continue to have a negative impact on the Polish economy and the Company's overall prospects. As a result, the Company continues to adhere to a development strategy that allows it to adjust quickly to these uncertain conditions by spreading risks through (i) closely monitoring its projects, (ii) potentially modifying the number of projects and their quality and sizes, (iii) considering various other geographical locations to commence development, and (iv) maintaining its conservative financial policy compared to other regional residential developers.

Through 31 December 2011, the Group has completed the construction of fifteen projects comprising 1,824 units with a total area of 138,300 m^2. As at 31 December 2011, only 28 units in these projects with a total area of 6,400 m^2 were still available for purchase.

As of the date of this Annual Report, the Group is in the midst of developing seven projects comprising a total of 939 units, with a total area of 61,200 m^2. The construction of 743 units with a total area of 49,500 m^2, are expected to be completed during 2012.

In addition, the Group has a pipeline of 21 projects in different stages of preparation, representing approximately 4,900 residential units with a total area of approximately 352,400 m^2 for future development in Warsaw, Poznań, Wrocław and Szczecin. During 2012, the Company is considering commencement of four new stages of projects that are currently under construction comprising 231 units with a total area of 17,000 m^2 and five new projects comprising 635 units with a total area of 43,500 m^2.

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 2010, the Company sold 270 units with a total value of PLN 173.3 million, while during 2011 net sales amounted to PLN 191.9 million with a total of 358 units sold.

Company overview (cont'd)

In April 2011 the Company issued bonds with an aggregate nominal value and issue price of PLN 87.5 million. The bonds carry an interest rate composed of a base rate equal to 6 months Wibor plus a margin, with interest payable semi-annually and maturing in April 2014, with full payment due on the maturity date. The bonds will allow the Company to benefit from market opportunities as they arise and will offer the Company the flexibility to purchase new land parcels, thereby supporting the Company's further development and increasing the scale of its operations. The proceeds from the bonds will also provide the Company with the additional capital required to commence construction of new projects and to adhere to current requirements of the Polish banking sector.

Market overview

The Polish economy has proven to be relatively strong even in the recent turbulent times, which in combination with the general paucity of dwellings in Poland (in comparison to all other European countries) creates, what management believes to be, solid long term prospects for further development of the residential real estate market in spite of the volatility that has characterized the market for the past three and half years. Management believes 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. The Company's positive sales results during 2010 and 2011 seem to confirm that the Company continues to adapt positively to the changing market environment.

In 2010, the construction of over 158,000 new apartments was commenced, which is only 10% lower than in the peak year of 2008. The trend observed in 2010 has continued in 2011 when the construction of as much as 162,000 new apartments was commenced. Out of the mentioned numbers construction of 63,000 and 64,700 units respectively, was commenced by developers. This trend confirms that many developers have been able to prepare projects and arrange for relevant financing to meet customer demand. This has resulted in increased competition among real estate developers, which has, in turn, led to increased customer demands and expectations relating to quality, advanced stage of construction and expectations for lower priced apartments. Moreover an increasing number of customers have indicated interest in more "economical-sized" apartments, i.e. the same number of rooms in a smaller area. Such trend results also from changing regulations, which limit the amount of mortgage offered to customers by the banking sector in Poland (so called "Recommendation T" implemented by the Polish Financial Supervision Authority imposing, among others, new criteria of evaluating customers) as well as a decreased attractiveness of the governmental program supporting families buying their first apartment (by subsidizing costs of the mortgage loans). The purchasing power of the customers using the mortgage loans is expected to shrink in 2012, as the customers are offered a lower amount of mortgage loans. Moreover, mortgage loans will become more expensive. Simultaneously, the arrangement of financing of construction sites may become more challenging for developers due to the expected implementation of a new law entering into force in Poland in April 2012, which will require construction processes to be financed from debt and equity only or additional banking guarantees increasing security of the money of customers, if such money is used for financing the project. The Company's management is aware of these shifting trends as well as increasing demands by the Company's customers and has implemented internal processes aimed at improving customer service and responding positively to new customer requirements.

In addition, to further minimize market risk, the Company is taking a very selective approach when initiating new projects. In the preparation phase of all projects, great emphasis is put on splitting the projects into smaller parts. Management is also cognizant of the tightened credit markets. Accordingly, when planning its newest projects, the Company has prepared for increased costs of debt financing as well as for more demanding debt facility structures that are being imposed by the lending banks especially anticipating the new developers' law.

Business highlights during the year ended 31 December 2011

A. Projects completed

The table below presents information on the three projects that were completed (i.e. completing all construction works and receiving occupancy permit) during the year ended 31 December 2011:

Project name	Location	Number of units	Area of units (m^2)
Nautica II (*)	Warsaw	3	622
Constans III (*)	Warsaw	8	2,176
Imaginarium III (*)	Warsaw	45	3,800
Total		**56**	**6,598**

(*) For additional information see section 'B. Results breakdown by projects' below.

B. Results breakdown by project

Revenue from the sale of residential units is recognized upon the transfer to the buyer of significant risks and rewards of the ownership of the residential unit, i.e. upon signing of the protocol of technical acceptance and the transfer of the key to the buyer of the residential unit. Total revenue of the Group recognized during the year ended 31 December 2011 amounted to PLN 96.7 million, whereas cost of sales amounted to PLN 74 million, which resulted in a gross profit amounting to PLN 22.7 million and a gross margin of 23.5%. The decrease in gross margin, comparing to previous periods, is primarily explained by the increase in units delivered to customers in two projects, Constans and Gardenia (both are single family houses project), both having a significant lower gross margin when compared to the average gross profit margin realized by the Group.

The following table specifies revenue, cost of sales and gross profit in 2011 on a project by project basis:

	Information on the delivered units		Revenue (*)		Cost of sales (**)		Gross profit	Gross margin
Project name	**Number of units**	**Area of units (m^2)**	**PLN (thousand)**	**%**	**PLN (thousand)**	**%**	**PLN (thousand)**	**%**
Imaginarium III	36	3,110	31,831	32.9%	21,157	28.6%	10,674	33.5%
Galileo	33	2,740	17,090	17.7%	11,445	15.5%	5,645	33.0%
Nautica I	11	833	7,466	7.6%	5,759	7.8%	1,707	22.9%
Nautica II	2	421	3,761	3.9%	2,186	2.9%	1,575	41.9%
Gemini I	5	397	4,526	4.7%	3,410	4.6%	1,116	24.7%
Constans	10	2,825	16,037	16.6%	15,450	20.9%	587	3.7%
Gardenia	18	2,974	12,304	12.7%	12,224	16.5%	80	0.7%
Imaginarium II	2	166	2,092	2.2%	1,468	2.0%	624	29.8%
Imaginarium I	1	59	639	0.7%	362	0.5%	277	43.3%
Other	N.A	N.A	928	1.0%	525	0.7%	403	43.4%
Total / Average	**118**	**13,525**	**96,674**	**100.0%**	**73,986**	**100.0%**	**22,688**	**23.5%**

(*) *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.*

(**) *Cost of sales allocated to the delivered units proportionally to the expected total value of the project.*

Imaginarium III

The construction of the Imaginarium III housing estate was completed in November 2011. The Imaginarium III project was developed on a land strip of 7,600 m^2 located in the Bielany district in Warsaw (Gwiaździsta 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 four-storey, multi-family buildings with total 45 apartments with an aggregate usable floor space of 3,800 m^2.

Business highlights during the year ended 31 December 2011 (cont'd)

B. Results breakdown by project (cont'd)

Galileo

The construction of the Galileo project was completed in March 2009. The Galileo project was developed on a land strip of 8,598 m^2 located in the city center district of Poznań. The Galileo housing project comprises 5 six-storey, multi-family residential buildings with a total of 226 apartments and 6 commercial units with an aggregate floor space of 16,700 m^2.

Nautica I

The construction of the Nautica I project was completed in June 2010. The Nautica I project was developed on a land strip of 9,698 m^2 located in the Ursynów district in Warsaw (Stryjeńskich Street). The project comprises 4 five-storey, multi-family residential buildings with a total of 148 apartments and 1 commercial unit and an aggregate floor space of 10,648 m^2.

Nautica II

The construction of the Nautica II project was completed in August 2011. The Nautica II project was developed on a land strip of 1,051 m^2 located in the Ursynów district in Warsaw (Stryjeńskich Street). The project comprise one semi-detached unit and one house (in total 3 units) with an aggregate floor space of 622 m^2.

Gemini I

The construction of the Gemini I project was completed in June 2010. The Gemini I project was developed on a land strip of 3,929 m^2 located in the Ursynów district in Warsaw (KEN Street) situated next to the subway station Imielin. The project comprises one multifamily building of 11 levels with a total of 149 apartments and 15 commercial units with an aggregate floor space of 13,126 m^2.

Constans

The first, second and the third phases of the Constans housing project were completed in July 2010, November 2010 and June 2011, respectively. This project was developed on part of a land strip of 36,377 m^2 located in Konstancin near Warsaw. The first, second and the third phases of the Constans housing project comprise 8 semi-detached units (total 16 units) with an aggregate floor space of 4,471 m^2, 5 semi-detached units (total 10 units) with an aggregate floor space of 2,758 m^2 and 4 semi-detached units (total 8 units) with an aggregate floor space of 2,176 m^2, respectively.

Gardenia

The Gardenia project was completed in December 2010. The project was developed on a land strip of 7,129 m^2 located in Józefosław near Warsaw. The Gardenia project, a single family housing (houses in a row) project, comprise 22 units with an aggregate floor space of 3,683 m^2.

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 m^2 located in the Bielany district in Warsaw. The Imaginarium II housing estate comprises 3 four-storey, multi-family buildings with total 65 apartments with an aggregate usable floor space of 4,700 m^2.

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 m^2 located in the Bielany district in Warsaw. The Imaginarium I housing estate comprises 2 four-storey buildings with a total of 58 apartments with an aggregate floor space of 3,983 m^2.

Other

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

Business highlights during the year ended 31 December 2011 (cont'd)

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 2011:

Project name	Location	Units sold until 31 December 2010	Units sold during the year ended 31 December 2011	Units for sale as at 31 December 2011	Total
Nautica I (*)	Warsaw	147	2	-	149
Nautica II (*)	Warsaw	1	2	-	3
Gemini I (*)	Warsaw	154	-	2	156
Galileo (*)	Poznań	212	17	2	231
Imaginarium II (*)	Warsaw	64	-	1	65
Imaginarium III (*)	Warsaw	31	12	2	45
Constans (*)	Warsaw	8	5	21	34
Gardenia (*)	Warsaw	16	6	-	22
Gemini II (**)	Warsaw	-	137	45	182
Naturalis I (**)	Warsaw	10	3	39	52
Naturalis II (**)	Warsaw	-	16	44	60
Naturalis III (**)	Warsaw	-	-	60	60
Sakura I (**)	Warsaw	13	44	63	120
Sakura II (**)	Warsaw	-	-	136	136
Verdis I (**)	Warsaw	8	52	79	139
Impressio I (**)	Wrocław	1	21	48	70
Panoramika I (**)	Szczecin	-	9	81	90
Chilli I (**)	Poznań	-	11	19	30
Espresso I (***)	Warsaw	-	21	191	212
Total		**665**	**358**	**833**	**1,856**

(*) For information on the completed projects see "Business highlights during the year ended 31 December 2011 – B. Results breakdown by project" (pages 18 and 19).

(**) For information on current projects under construction, see "Outlook for 2012 – B. Current projects under construction" (pages 26 to 28).

(***) For addition information, see "Outlook for the remainder of 2011 and for 2012 – D. Projects for which the sales process commenced and the construction work is planned to commence in the near future" (page 29).

D. Commencements of new projects

The table below presents information on the five new projects/stages for which the construction and/or sales process commenced during the year ended 31 December 2011:

Project name	Location	Number of units	Area of units (m^2)
Gemini II (*)	Warsaw	182	13,900
Chilli I (*)	Poznań	30	2,100
Naturalis III (*)	Warsaw	60	3,400
Sakura II (*)	Warsaw	136	8,300
Espresso I (**)	Warsaw	212	9,500
Total		**620**	**37,200**

(*) For additional information see section "Outlook for 2012 – B. Current projects under construction" (pages 26 to 28).
(**) For addition information, see "Outlook for the remainder of 2011 and for 2012 – D. Projects for which the sales processes commenced and the construction work is planned to commence in the near future" (page 29).

Business highlights during the year ended 31 December 2011 (cont'd)

E. Land purchase

Espresso

In January 2011, the Group acquired a parcel of land with an area of 7,602 m^2 located in Warsaw, Wola District, at Jana Kazimierza Street ("Land 2"). Land 2 is located nearby a plot of land with an area of 8,953 m^2 which the Group had purchased during 2010 ("Land 1"). In combination, Land 1 and Land 2 shall allow the Group to build multifamily buildings that will comprise 688 units with an aggregate sellable floor space of 35,900 m^2.

Tamka

In December 2011, the Group acquired a parcel of land with an area of 1,115 m^2 located in Warsaw city centre, at Tamka Street ("Land 2"). Land 2 is located nearby a plot of land with an area of 1,400 m^2 which the Group had purchased in the past ("Land 1"). In combination, Land 1 and Land 2 shall allow the Group to build multifamily buildings that will comprise around 80 units with an aggregate sellable floor space of 5,500 – 6,000 m^2.

Overview of results

The net profit attributable to the equity holders of the parent company for the year ended 31 December 2011 was PLN 6,826 thousand and can be summarized as follows:

	For year ended 31 December	
	2011	**2010**
	PLN (thousands, except per share data)	
Revenue	96,674	241,265
Cost of sales	(73,986)	(178,544)
Gross profit	**22,688**	**62,721**
Selling and marketing expenses	(5,058)	(7,397)
Administrative expenses	(15,161)	(16,129)
Other expense	(2,863)	(6,683)
Other income	1,218	610
Result from operating activities	**824**	**33,122**
Finance income	5,209	2,411
Finance expense	(602)	(428)
Net finance income	**4,607**	**1,983**
Profit before taxation	**5,431**	**35,105**
Income tax benefit/(expense)	1,326	(14)
Net profit for the year before non-controlling interests	**6,757**	**35,091**
Non-controlling interests	69	-
Net profit for the year attributable to the equity holders of the parent	**6,826**	**35,091**
Net earnings per share attributable to the equity holders of the parent (basic and diluted)	**0.025**	**0.129**

Overview of results (cont'd)

Revenue

Total revenue decreased by PLN 144.6 million (59.9%) from PLN 241.3 million during the year ended 31 December 2010 to PLN 96.7 million during the year ended 31 December 2011, which is primarily explained by the decrease in (i) the number of units delivered by the Company and (ii) the average selling price per m^2 due to the increase in the number of single family houses delivered by the Company relative to apartments delivered. Out of 118 units delivered by the Company during the year ended 31 December 2011, there were 28 single family houses and 90 apartments in multifamily projects, while during 2010, the Company delivered 5 single family houses and 381 apartments in multifamily projects. In general, single family houses are offered and sold at a lower price per m^2 than apartments.

Cost of sales

Cost of sales decreased by PLN 104.5 million (58.6%) from PLN 178.5 million during the year ended 31 December 2010 to PLN 74.0 million during the year ended 31 December 2011, which is primarily explained by a decrease in the number of units delivered by the Company as well as by a decrease in average cost of sales per m^2 due to the increase in delivering single family houses which in general have a lower cost per m^2 when compared to apartments.

Gross margin

The gross margin during the year ended 31 December 2011 was 23.5% compared to the gross margin during the year ended 31 December 2010 of 26.0%. The decrease in gross margin is primarily explained by the increase in units delivered to customers in two projects, Constans and Gardenia. Both projects include single family houses, having a significantly lower gross margin when compared to the average gross profit margin realized by the Group on all of its projects taken as a whole.

Selling and marketing expenses

Selling and marketing expenses decreased by PLN 2.3 million (31.6%) from PLN 7.4 million for the year ended 31 December 2010 to PLN 5.1 million for the year ended 31 December 2011, which is primarily explained by the decrease in the number of new projects/stages that were commenced and introduced to the market.

Administrative expenses

Administrative expenses decreased by PLN 1.0 million (6.0%) from PLN 16.2 million for the year ended 31 December 2010 to PLN 15.2 million for the year ended 31 December 2011, which is primarily explained by a decrease in the formulaic Management Board bonuses calculated as a proportion of the profit before tax and a decrease in the legal advisory expenses, offset in part by increase in wages and salaries due to the increase in number of employees employed by the Group, resulting from the Group's growing activities.

Other expenses

Other expenses decreased by PLN 3.8 million (57.2%) from PLN 6.7 million for the year ended 31 December 2010 to PLN 2.9 million for the year ended 31 December 2011, which is primarily explained by a one-time event during the year ended 31 December 2010 related to the write-down expense in connection with the aborted Aurora project amounting to PLN 2.5 million and a decrease in expenses related to the impairment of trade receivables, from PLN 1.5 million for the year ended 31 December 2010 to PLN 0.2 million for the year ended 31 December 2011.

Other income

Other income increased by PLN 0.6 million (99.7%) from PLN 0.6 million for the year ended 31 December 2010 to PLN 1.2 million for the year ended 31 December 2011, which is primarily explained by an increase in revenues from contractual penalties and compensation mainly related to cancelation of preliminary sales agreements signed with clients from PLN 0.2 million for the year ended 31 December 2010 to PLN 0.5 million for the year ended 31 December 2011, as well as an increase in revenues from inventory rental from PLN 0.3 million for the year ended 31 December 2010 to PLN 0.4 million for the year ended 31 December 2011.

Result from operating activities

As a result of the factors described above, the Company's operating result decreased by PLN 32.3 million, from an operating profit of PLN 33.1 million for the year ended 31 December 2010 to an operating profit of PLN 0.8 million for the year ended 31 December 2011.

Overview of results (cont'd)

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.

	For the year ended 31 December 2011 PLN (thousands)		
	Total amount	**Amount capitalized**	**Recognized as profit or loss**
Finance income	5,375	(166)	5,209
Finance expense	(17,450)	16,848	(602)
Net finance (expense)/income	**(12,075)**	**16,682**	**4,607**

	For the year ended 31 December 2010 PLN (thousands)		
	Total amount	**Amount capitalized**	**Recognized as profit or loss**
Finance income	2,483	(72)	2,411
Finance expense	(14,869)	14,441	(428)
Net finance (expense)/income	**(12,386)**	**14,369**	**1,983**

Net finance expenses before capitalization decreased by PLN 0.3 million (2.5%) from PLN 12.4 million during the year ended 31 December 2010 to PLN 12.1 million during the year ended 31 December 2011, which is a result of a decrease in finance expense due to a decrease in bank loans, as well as an increase in finance income due to an increase in short-term deposits kept by the Company on bank accounts, offset in part by an increase in finance expense due to the bond issuance during April 2011.

The amount of finance expense capitalized during the year ended 31 December 2011 includes borrowing costs related to bonds issued in April 2011, of which PLN 6.0 million has been capitalized during the year ended 31 December 2011. For additional information see note 21 of the Interim Condensed Consolidated Financial Statement.

Income tax benefit/(expense)

During the year ended 31 December 2011 the Group realized a tax benefit of PLN 1.3 million in comparison to a tax expense of PLN 14 thousand for the year ended 31 December 2010. This movement is explained by the recognition of tax assets created following an organizational restructuring of the Group, which allowed the Company to utilize certain tax losses that in prior periods were deemed not to be usable.

Non-controlling interests

Non-controlling interests comprise the share of minority shareholders in losses from subsidiaries that are not 100% owned by the Company and amounted to PLN 69 thousand (positive) for the year ended 31 December 2011. There were no minority shareholders during the year ended 31 December 2010.

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
2011 (12 months)	**4.120**	**3.840**	**4.564**	**4.417**
2010 (12 months)	3.994	3.836	4.177	3.960

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			
	2011	**2010**	**2011**	**2010**
Revenues	**23,465**	60,407	**96,674**	241,265
Gross profit	**5,507**	15,704	**22,688**	62,721
Profit before taxation	**1,318**	8,789	**5,431**	35,105
Net profit for the year attributable to the equity holders of the parent	**1,657**	8,786	**6,826**	35,091
Cash flows from/(used in) operating activities	**(3,616)**	28,126	**(14,897)**	112,335
Cash flows from/(used in) investing activities	**(2,195)**	(2,168)	**(9,044)**	(8,657)
Cash flows from/(used in) financing activities	**5,746**	(16,734)	**23,675**	(66,834)
Increase/(decrease) in cash and cash equivalents	**(65)**	9,225	**(266)**	36,844
Inventory	**142,929**	137,255	**631,317**	543,529
Total assets	**173,412**	170,462	**765,961**	675,030
Advances received	**19,785**	11,199	**87,391**	44,347
Long term liabilities	**27,246**	14,792	**120,345**	58,576
Short term liabilities (including advances received)	**49,164**	50,272	**217,159**	199,077
Equity attributable to the equity holders of the parent	**96,039**	105,398	**424,203**	417,377
Share capital	**5,054**	5,054	**20,762**	20,762
Average number of equivalent shares (basic)	**272,360,000**	272,360,000	**272,360,000**	272,360,000
Average number of equivalent shares (diluted)	**272,999,333**	272,999,333	**272,999,333**	272,999,333
Net earnings per share (basic and diluted)	**0.006**	0.032	**0.025**	0.129

**Information is presented in EUR solely for presentation purposes. Due to the significant fluctuation of the Polish Zloty against the Euro over the past years, 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 2011 comparing to 2010, 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.

Financial condition

Liquidity and capital resources

The Company funds its day-to-day operations principally from cash flows provided by its sales activities as well as from borrowings under several loan facilities, including bonds. The net cash inflow from operating activities and from financing activities, as described below, has enabled the Company not only to proceed with the development of its residential projects but also to redeem its loans from related parties significantly during the year ended 31 December 2011 whilst at the same time maintaining sufficient liquidity for its day-to-day operations. The total amount of cash and cash equivalents stayed at similar level, i.e. at PLN 94.6 million on 31 December 2011 compared to PLN 94.9 million as at 31 December 2010.

Cash flows from operating activities

The Company's net cash outflow used in operating activities for the year ended 31 December 2011 amounted to PLN 14.9 million which compares to a net cash inflow from operating activities during the year ended 31 December 2010 of PLN 112.3 million. The decrease is principally due to a net cash outflow used for inventory amounting to PLN 57.8 million during the year ended 31 December 2011 as compared to a net cash inflow from inventory amounting to PLN 122.1 million during the year ended 31 December 2010; the main reason for increasing cash outflow used in inventory was increasing the number of projects under construction as well as a decrease in cost of sales recognized.

This effect was offset in part by an increase in the net cash flow from advances received from clients regarding sales of residential units from cash flow inflow PLN 212.3 million during the year ended 31 December 2010, which were offset by revenue recognized for a total amount of PLN 241.3 million, to advances received in the amount of PLN 139.7 million during the year ended 31 December 2011, which were offset by revenue recognized for a total amount of PLN 96.7 million.

Cash flows used in investing activities

The Company's investing activities is primarily related to proceeds from sale of property and equipment. The net cash outflow used in investing activities amounted to PLN 9.0 million during the year ended 31 December 2011 which compares to a net cash outflow in investing activities amounted to PLN 8.7 million during the year ended 31 December 2010. During the year ended 31 December 2011, the cash outflow was mainly caused by loans granted to third parties (PLN 5.6 million), whereas during the year ended 31 December 2010, the investment in a joint venture of PLN 7.4 million (net of cash acquired) comprised the main element of the net cash outflow.

Cash flows from financing activities

The cash flow from financing activities totalled PLN 23.7 million during the year ended 31 December 2011 which compares to a cash outflow used in financing activities amounting to PLN 66.8 million for the year ended 31 December 2010. This increase of cash flow from financing activities is primarily explained by the proceeds from the issuance of bonds (net of costs) amounting to PLN 85.8 million during the year ended 31 December 2011 compared to nil during the year ended 31 December 2010 and a repayment of secured bank loans amounting to PLN 8.2 million during the year ended 31 December 2011 compared to a repayment of secured bank loans amounting to PLN 69.0 million during the year ended 31 December 2010. The increase is partly offset by a repayment of related parties loans amounting to PLN 52.9 million during the year ended 31 December 2011 compared to nil during the year ended 31 December 2010.

Debt and net debt position

As of 31 December 2011, the Company's total debt to banks, bonds and third parties amounted to PLN 211.3 million (31 December 2010: PLN 182.5 million). Taking into account the Company's available cash position at 31 December 2011 amounting to PLN 94.6 million (31 December 2010: PLN 94.9 million), the net debt position of the Company amounted to PLN 116.7 million as at 31 December 2011 (31 December 2010: PLN 87.6 million).

Employees

The average number of personnel employed by the Company and its subsidiaries – on a fulltime equivalent basis – increased from 49 in 2010 to 55 in 2011. The increase in the number of employees resulted from the Company's growing activities.

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 2012

A. Completed projects

The table below presents information on the total number of residential units in the nine completed projects (Imaginarium III, Nautica II and Constans III were completed during 2011 while the other projects presented in the table below were completed in previous periods) that the Company has sold and delivered during 2011 and as is expecting to sell and deliver during the year 2012:

			Number of residential units sold (*)			Number of residential units delivered (*)			
Project name	**Location**	**Total units**	**Until 31 December 2010**	**During the year ended 31 December 2011**	**Total**	**Until 31 December 2010**	**During the year ended 31 December 2011**	**Total**	**Number of residential units expected to be delivered (*)**
Galileo (**)	Poznań	231	212	17	229	195	33	228	3
Constans (**)	Warsaw	34	8	5	13	2	10	12	22
Gardenia (**)	Warsaw	22	16	6	22	3	18	21	1
Nautica I (**)	Warsaw	149	147	2	149	137	11	148	1
Nautica II (**)	Warsaw	3	1	2	3	-	2	2	1
Imaginarium I (**)	Warsaw	58	58	-	58	57	1	58	-
Imaginarium II (**)	Warsaw	65	64	-	64	62	2	64	1
Imaginarium III (**)	Warsaw	45	31	12	43	-	36	36	9
Gemini I (**)	Warsaw	156	154	-	154	149	5	154	2
Total		**763**	**691**	**44**	**735**	**605**	**118**	**723**	**40**

(*) *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 2011 – B. Results breakdown by project" (pages 18 to 19).*

B. Current projects under construction

The table below presents information on ten projects for which completion is scheduled in 2012 and 2013. The Company has obtained construction permits for all ten projects/stages and has commenced construction.

Project name	**Location**	**Total area of units (m^2)**	**Total units**	**Units sold until 31 December 2011**	**Expected completion of construction**
Naturalis I	Warsaw	2,900	52	13	2012
Naturalis II	Warsaw	3,400	60	16	2012
Naturalis III	Warsaw	3,400	60	-	2013
Sakura I	Warsaw	8,100	120	57	2012
Sakura II	Warsaw	8,300	136	-	2013
Verdis I	Warsaw	9,400	139	60	2012
Impressio I	Wrocław	4,400	70	22	2012
Panoramika I	Szczecin	5,300	90	9	2012
Gemini II	Warsaw	13,900	182	137	2012
Chilli I	Poznań	2,100	30	11	2012
Total		**61,200**	**939**	**325**	

Outlook for 2012 (cont'd)

B. Current projects under construction (cont'd)

Naturalis I, II and III

Description of project

The first 3 phases of the Naturalis project are being developed on a part of a land strip of 31,800 m^2 located in Łomianki near Warsaw. The first, second and third phase of this project will comprise 1 four-storey, multi-family residential building with a total of 52 apartments and an aggregate floor space of 2,900 m^2, 1 four-storey, multi-family residential building with a total of 60 apartments and an aggregate floor space of 3,400 m^2, and 1 four-storey, multi-family residential building with a total of 60 apartments and an aggregate floor space of 3,400 m^2, respectively. In total the Naturalis project shall comprise around 490 units with a total estimated flat usable area of 30,200 m^2.

Stage of development

The construction of the first, the second and the third phases of the Naturalis project commenced in September 2010, December 2010 and December 2011, respectively, while completion is expected in the fourth quarter of 2012, the third quarter of 2012 and the second quarter of 2013, respectively.

Sakura I and II

Description of project

The first and second phases of the Sakura project are being developed on a part of a land strip of 21,000 m^2 located in the Mokotów district in Warsaw (Kłobucka Street). The first and the second phases of this project will comprise 1 eleven-storey, multi-family residential building with a total of 99 apartments and 21 commercial units and an aggregate floor space of 8,100 m^2, whereas the second stage phase will comprise 1 seven and eleven-storey, multi-family residential building with a total of 136 apartments and an aggregate floor space of 8,300 m^2. In total, the Sakura project shall comprise around 500 units with a total estimated flat usable area of 30,800 m^2.

Stage of development

The construction of the first and the second phases of the Sakura project commenced in September 2010 and October 2011, respectively, and are expected to be completed in the second quarter of 2012 and the second quarter of 2013, respectively.

Verdis I

Description of project

The Verdis project is being developed on a part of a land strip of 16,300 m^2 located in the Wola district in Warsaw (Sowińskiego Street). The first phase of this project will comprise 3 seven, eight and ten-storey, multi-family residential buildings with a total of 128 apartments and 11 commercial units and an aggregate floor space of 9,400 m^2. In total, the Verdis project shall comprise around 380 units with a total estimated flat usable area of 26,100 m^2.

Stage of development

The construction of the first phase of the project commenced in November 2010 and is expected to be completed in the third quarter of 2012.

Impressio I

Description of project

The first phase of the Impressio project is being developed on a part of a land strip of 14,500 m^2 located in the Grabiszyn district in Wrocław. The first phase of this project will comprise 3 four-storey, multi-family residential buildings with a total of 70 apartments and an aggregate floor space of 4,400 m^2. In total, the Impressio project shall comprise around 190 units with a total estimated flat usable area of 12,800 m^2.

Stage of development

The construction of the first phase of the project commenced in October 2010 and is expected to be completed in the second quarter of 2012.

Outlook for 2012 (cont'd)

B. Current projects under construction (cont'd)

Panoramika I

Description of project

The first phase of the Panoramika project is being developed on a part of a land strip of 30,300 m^2 located in Szczecin at Duńska Street. The first phase of this project will comprise 2 four and five-storey, multi-family residential buildings with a total of 90 apartments and an aggregate floor space of 5,300 m^2. In total, the Panoramika project shall comprise around 514 units with a total estimated flat usable area of 36,700 m^2.

Stage of development

The construction of the first phase of the project commenced in November 2010 and is expected to be completed in the third quarter of 2012.

Gemini II

Description of project

The second phase of the Gemini project is being developed on a part of a land strip of 4,703 m^2 located in the Ursynów district in Warsaw (KEN Avenue) situated next to the subway station Imielin The project is a continuation of Gemini I, which was completed in 2010. The Gemini II project will comprise 2 eight and eleven-storey, multi-family residential buildings with a total of 167 apartments and 15 commercial units and an aggregate floor space of 13,900 m^2.

Stage of development

The construction of the second phase of the project commenced in March 2011 and is expected to be completed in the fourth quarter of 2012.

Chilli I

Description of project

The first phase of the Chilli project is being developed on a part of a land strip of 39,604 m^2 located in Tulce near Poznań. The first phase of this project will comprise 30 units with an aggregate floor space of 2,100 m^2. In total, the Chilli project shall comprise around 274 units with a total estimated usable area of 17,800 m^2.

Stage of development

The construction of the first phase of the project commenced in June 2011 and is expected to be completed in the third quarter of 2012.

C. Projects for which construction work is considered to commence during 2012

As the Company is aware of increasing competition in the market, the Company has been careful to manage the number of new projects and the makeup of such projects in order to best satisfy consumer demand. During 2012, the Company is considering the commencement of development on another four stages of currently run projects and five new projects, which management believes are well suited to current customer requirements, including smaller apartments at more economical prices. Furthermore, in order to minimize market risk, the Company's management breaks down the new projects into relatively smaller stages. In the event of any market deterioration or difficulties with securing financing by the banks for the considered projects, management may further delay some of those plans.

a) New Projects

Magellan

The Magellan project will be developed on a part of a land strip of 12,150 m^2 located in Warsaw at Magazynowa Street. The project will comprise 273 units with an aggregate floor space of 21,600 m^2 and will be divided into 2 or more phases. The Company is considering opening the first phase of this project during 2012. The first stage is to comprise 140 units with an aggregate floor space of 11,100 m^2.

Matisse

The Matisse project will be developed on a part of land strip of 25,411 m^2 located in Wrocław at Buforowa Street. The project will comprise 329 units with an aggregate floor space of 24,600 m^2 and will be divided into 3 or more phases. The Company is considering opening the first phase of this project during 2012. The first stage is to comprise 105 units with an aggregate floor space of 7,500 m^2.

Outlook for 2012 (cont'd)

C. Projects for which construction work is planned to commence during 2012 (cont'd)

Newton

The Newton project will be developed on a land strip of 10,908 m^2 located in Poznań at Bełchatowska Street. The project will comprise 50 units with an aggregate floor space of 3,700 m^2. The Company is considering opening the first phase of this project during 2012. The first stage is to comprise 24 units with an aggregate floor space of 1,700 m^2.

Tamka

The Tamka project will be developed on a land strip of 2,515 m^2 located in Warsaw city centre at Tamka Street. The project will comprise around 80 units with an aggregate floor space of 5,500 – 6,000 m^2. The Company is considering opening the project in the fourth quarter of 2012.

Eclipse

The Eclipse project will be developed on a land strip of 15,449 m^2 located in Poznań at Jeleniogórska Street. The project will comprise 437 units with an aggregate floor space of 26,700 m^2. The Company is considering opening the first phase of this project during 2012. The first stage is to comprise 286 units with an aggregate floor space of 17,700 m^2.

b) New stages of running projects

Verdis II

The Verdis II project is a continuation of Verdis I which is currently under construction. The project will comprise 63 units with an aggregate floor space of 5,000 m^2. The Company considers commencing development of this project during 2012.

Impressio II

The Impressio II project is a continuation of Impressio I which is currently under construction. The project will comprise 120 units with an aggregate floor space of 8,400 m^2. The Company considers commencing development of this project in the fourth quarter of 2012.

Chilli II and III

The Chilli II and III projects are a continuation of Chilli I which is currently under construction. The projects will comprise 20 units and 28 units with an aggregate floor space of 1,600 m^2 and 2,000 m^2, respectively. The Company considers commencing development of these two projects during 2012.

D. Projects for which the sales process commenced and the construction work is planned to commence in the near future

Espresso (previously named Jana Kazimierza)

The Espresso project will be developed on a part of a land strip of 16,192 m^2 located in Warszawa at Jana Kazimierza Street. The project will comprise 688 units with an aggregate floor space of 35,900 m^2 and will be divided into 4 stages. In August 2011, the Company has started the sales process of the first stage comprising 212 units with an aggregate floor space of 9,400 m^2. The construction work is planned to commence during the first quarter of 2012; the building permit was obtained in February 2012.

Outlook for 2012 (cont'd)

E. Value of the preliminary sales agreements signed with clients for which revenue has not been recognized in the Consolidated Statement of Comprehensive Income for the year ended 31 December 2011

The current sales (i.e. volume and value of the preliminary sales agreements signed with the clients) do not impact Statement of Comprehensive Income account immediately but only after final settlement of the contracts with the customers (for more details see under "A" above on page 26). The table below presents the value of the preliminary sales agreements executed with the Company's clients in particular for units that have not been recognized in the Consolidated Statement of Comprehensive Income:

Project name	Location	Value of the preliminary sales agreements signed with clients in thousands of PLN	Completed / expected completion of construction
Galileo (*)	Poznań	897	Completed
Nautica I (*)	Warsaw	639	Completed
Nautica II (*)	Warsaw	1,620	Completed
Imaginarium III (*)	Warsaw	5,544	Completed
Constans (*)	Warsaw	1,295	Completed
Gardenia (*)	Warsaw	684	Completed
Gemini I (*)	Warsaw	107	Completed
Naturalis I (**)	Warsaw	3,007	2012
Naturalis II (**)	Warsaw	4,475	2012
Sakura I (**)	Warsaw	27,347	2012
Verdis I (**)	Warsaw	26,355	2012
Impressio I (**)	Wrocław	10,129	2012
Gemini II (**)	Warsaw	84,017	2012
Panoramika I (**)	Szczecin	2,721	2012
Chilli I (**)	Poznań	3,271	2012
Espresso I (***)	Warsaw	6,127	2013
Total		**178,235**	

(*) For information on the completed projects see "Business highlights during the year ended 31 December 2011 – B. Results breakdown by project" (pages 18 and 19).

(**) For information on current projects under construction, see "Outlook for 2012 – B. Current projects under construction" (pages 26-28).

(**) For additional information, see "Outlook for the remainder of 2011 and for 2012 – D. Projects for which the sales processes commenced and the construction work is planned to commence in the near future" (page 29).

F. Main risks and uncertainties during 2012

The economic situation in Europe and in Poland and the ongoing uncertainties in the housing market make it very difficult to predict results for 2012. The level of development of the Polish economy, the performance of the banking industry and consumers' interest in new housing projects, as well as increasing competition in the market are considered to be the most significant uncertainties for the financial year ending 31 December 2012.

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 (6 March 2012), the following shareholders are entitled to exercise over 5% of the voting rights at the General Meeting of Shareholders in the Company:

	As of 6 March 2012 Number of shares / % of shares	Increase in number of shares	As of 31 December 2011 Number of shares / % of shares	Increase in number of shares	As of 31 December 2010 Number of shares / % of shares
Shares issued	***272,360,000***	**-**	***272,360,000***	**-**	***272,360,000***
Major shareholders:					
I.T.R. Dori B.V.	174,898,374	-	174,898,374	-	174,898,374
	64.2%		64.2%		64.2%
GE Real Estate CE Residential B.V.	41,800,000	-	41,800,000	-	41,800,000
	15.3%		15.3%		15.3%
Amplico Otwarty Fundusz Emerytalny	N/A	N/A	N/A	N/A	N/A
	Between 5%-10%.		Between 5%-10%.		Between 5%-10%.
ING Otwarty Fundusz Emerytalny	N/A	N/A	N/A	N/A	N/A
	Between 5%-10%.		Between 5%-10%.		Between 5%-10%.

Changes in ownership of shares and rights to shares by Management Board members in the year ended 31 December 2011 and until the date of publication of the report

Shares

The following members of the Management Board own shares in the Company:

- Until 17 April 2011, Mr David Katz (a member of the Management Board of the Company until 30 June 2011), indirectly held 5.5% of the shares and voting rights in a 50% shareholder of I.T.R Dori B.V. and, as a result, indirectly held a 1.8% interest in the Company. His indirect ownership in the Company did not change during the period from 1 January 2011 until 17 April 2011. His indirect ownership ended as a result of the sale of Mr Katz's shares in the company through which he held the indirect ownership in I.T.R. Dori B.V. and the Company.
- Mr Ronen Ashkenazi, since the day of his appointment as member of the Management Board and until the day of publishing this report, indirectly held 18.5% of the shares and voting rights in a 50% shareholder of I.T.R Dori B.V. and, as a result, thus indirectly held a 5.9% interest in the Company.
- Mr Israel Greidinger, as at the date of his appointment as member of the Management Board, indirectly held 37.7% of the shares and 40.2% of the voting rights in Israel Theatres Ltd, a 50% shareholder of I.T.R Dori B.V. and, as a result, indirectly held 12.1% of the shares and 12.9% of the voting rights in the Company. As at 31 December 2011 and until the day of publishing this report, he indirectly held 40.8% of the shares and 43.8% of the voting rights in Israel Theatres Ltd, a 50% shareholder of I.T.R Dori B.V. and, as a result, thus indirectly held 13.1% of the shares and 14.1% of the voting rights in the Company.

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 2011 until 6 March 2012. Rights to shares that were granted to individual members of the Management Board before 1 January 2011 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 equal to PLN 5.75 per share, one third per year on the anniversary date of the date of 5 November 2007 for three successive years, the optional exercising term will expire on 5 November 2012.

Additional information to the report (cont'd)

Changes in ownership of shares and rights to shares by Supervisory Board members in the year ended 31 December 2011 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 2011 until 6 March 2012, with the exception of Mr Uri Dori who until 17 April 2011 indirectly held 31.4% of the shares and voting rights in a 50% shareholder of I.T.R Dori B.V. and, as a result, indirectly held a 10.1% interest in the Company. Mr Dori's indirect ownership in the Company did not change during the period from 1 January 2011 until 17 April 2011. His indirect ownership was ended as a result of the sale of Mr Dori's shares in the company through which he held the indirect ownership in I.T.R. Dori B.V. and the Company.

Changes in the Management Board in the year ended 31 December 2011 and until the date of publication of the report

The Annual General Meeting of Shareholders held on 30 June 2011 adopted the following resolutions:

- Appointing Mr Israel Greidinger as member of the Management Board and managing director B for a term of four years. His appointment came into force as of the day of the adoption of the resolution. Mr Greidinger replaced Mr Amos Weltsch, who stepped down as managing director B effective on the day of the adoption of the resolution.

- Appointing Mr Ronen Ashkenazi as member of the Management Board and managing director B for a term of four years. His appointment came into force as of the day of the adoption of the resolution. Mr Ashkenazi replaced Mr David Katz, who stepped down as managing director B effective on the day of the adoption of the resolution.

Changes in the Supervisory Board in the year ended 31 December 2011 and until the date of publication of the report

The Annual General Meeting of Shareholders held on 30 June 2011 adopted the following resolutions:

- Appointing Mr Arie Mientkavich as member of the Supervisory Board, for a term of four years. His appointment came into force as of the day of the adoption of the resolution. Mr Mientkavich replaced Mr Uri Dori, who stepped down as member of the Supervisory Board effective on the day of the adoption of the resolution.

- Appointing Mr Przemyslaw Kowalczyk as member of the Supervisory Board, for a term of four years. His appointment came into force as of the day of the adoption of the resolution.

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 in a specific case 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.

Additional information to the report (cont'd)

Overview of the results during the three months ended 31 December 2011

The Company's net income for the three months ended 31 December 2011 was PLN 5,911 thousand and can be summarized as follows:

For the three months ended 31 December *In thousands of Polish Zlotys (PLN)*	**2011 (Unaudited)**	**2010 (Unaudited)**
Revenue	35,412	68,318
Cost of sales	(23,799)	(51,275)
Gross profit	**11,613**	**17,043**
Selling and marketing expenses	(1,408)	(2,181)
Administrative expenses	(4,600)	(4,553)
Other expenses	(1,496)	(2,718)
Other income	266	33
Result from operating activities	**4,375**	**7,624**
Finance income	1,346	902
Finance expense	(158)	(200)
Net finance income	**1,188**	**702**
Profit before taxation	**5,563**	**8,326**
Income tax benefit	311	1,419
Profit for the period before non-controlling interests	**5,874**	**9,745**
Non-controlling interests	37	-
Net profit for the period attributable to the equity holders of the parent	**5,911**	**9,745**

Other

As of 31 December 2011, the Company has issued guarantees for bank loans granted to subsidiaries amounting to a total of PLN 32,989 thousand.

As of 31 December 2011, the Group had 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 2011:

- an increase in the provision for deferred tax liabilities of PLN 978 thousand (a decrease of PLN 1,090 thousand during the year ended 31 December 2010);
- a decrease in the provision for expected costs of development of certain plots of land owned by the Group according to the conditions imposed by local authorities of PLN 5,650 thousand (an increase of PLN 3,170 thousand during the year ended 31 December 2010).

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 2011, 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 2012.

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 2011 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 2011 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 agreement with the auditors was signed on 21 July 2011. For information about agreed-upon engagements of the Company's auditor see note 16 of the Company Financial Statements.

Financial risk management, objectives and policies

For information on the financial risk management, objectives and policies see note 36 of the Consolidated Financial Statements.

The Management Board

Shraga Weisman Chief Executive Officer	**Tomasz Łapiński** Chief Financial Officer	**Andrzej Gutowski** Sales and Marketing Director
Israel Greidinger	**Ronen Ashkenazi**	**Karol Pilniewicz**

Rotterdam, 6 March 2012

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 2011 of Ronson Europe N.V., Rotterdam as set out on pages 37 to 100. 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 2011, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flow for the year then ended and notes, comprising 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 2011, the company income statement for the year then ended, the company statements of changes in equity and cash flows for the year then ended and the notes.

Management's responsibility

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the director’s report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Ronson Europe N.V. as at 31 December 2011, 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 2011, its result and its cash flow for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the director's board report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the director's board report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Amsterdam, 6 March 2012

Ernst & Young Accountants LLP

Signed by J.H. de Prie

Consolidated Statement of Comprehensive Income

For the year ended 31 December		**2011**	**2010**
In thousands of Polish Zlotys (PLN)	***Note***		
Revenue	*8*	96,674	241,265
Cost of sales	*9*	(73,986)	(178,544)
Gross profit		**22,688**	**62,721**
Selling and marketing expenses	*10*	(5,058)	(7,397)
Administrative expenses	*11*	(15,161)	(16,129)
Other expenses	*13*	(2,863)	(6,683)
Other income	*14*	1,218	610
Result from operating activities		**824**	**33,122**
Finance income	*15*	5,209	2,411
Finance expense	*15*	(602)	(428)
Net finance income		**4,607**	**1,983**
Profit before taxation		**5,431**	**35,105**
Income tax benefit/(expense)	*16*	1,326	(14)
Profit for the year		**6,757**	**35,091**
Other comprehensive income		-	-
Total comprehensive income for the year, net of tax		**6,757**	**35,091**
Total comprehensive income attributable to:			
equity holders of the parent		6,826	35,091
non-controlling interests		(69)	-
Total comprehensive income for the year, net of tax		**6,757**	**35,091**
Weighted average number of ordinary shares (basic)	*28*	272,360,000	272,360,000
Weighted average number of ordinary shares (diluted)	*28*	272,999,333	272,999,333
Net earnings per share attributable to the equity holders of the parent			
In Polish Zlotys (PLN)			
basic	*28*	**0.025**	**0.129**
diluted	*28*	**0.025**	**0.129**

The notes on pages 42 to 90 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December		**2011**	**2010**
In thousands of Polish Zlotys (PLN)	***Note***		
Assets			
Non-current assets			
Property and equipment	*17*	8,949	8,371
Investment property	*18*	9,249	8,740
Loans granted to third parties	*19*	928	544
Deferred tax assets	*20*	5,843	3,444
Total non-current assets		**24,969**	**21,099**
Current assets			
Inventory	*21*	631,317	543,529
Trade and other receivables and prepayments	*22*	12,354	13,280
Income tax receivable		187	649
Short-term bank deposits – collateralized	*24*	2,512	1,585
Cash and cash equivalents	*25*	94,622	94,888
Total current assets		**740,992**	**653,931**
Total assets		**765,961**	**675,030**

The notes on pages 42 to 90 are an integral part of these consolidated financial statements

Consolidated Statement of Financial Position (cont'd)

As at 31 December		**2011**	**2010**
In thousands of Polish Zlotys (PLN)	***Note***		
Equity and liabilities			
Equity			
Shareholders' equity			
Share capital		20,762	20,762
Share premium		282,873	282,873
Retained earnings		120,568	113,742
Equity attributable to equity holders of the parent	*26*	**424,203**	**417,377**
Non-controlling interests	*27*	4,254	-
Total equity		**428,457**	**417,377**
Liabilities			
Non-current liabilities			
Floating rate bond loans	*29*	86,180	-
Secured bank loans	*29*	21,746	49,213
Loans from third parties	*29*	5,726	4,032
Other payables	*30*	384	-
Deferred tax liability	*20*	6,309	5,331
Total non-current liabilities		**120,345**	**58,576**
Current liabilities			
Trade and other payables and accrued expenses	*30*	31,832	18,953
Floating rate bond loans	*29*	1,667	-
Secured bank loans	*29*	95,965	74,701
Loans from related parties	*29*	-	53,218
Loans from third parties	*29*	-	1,311
Advances received	*31*	87,391	44,347
Income tax payable		43	43
Provisions	*32*	261	6,504
Total current liabilities		**217,159**	**199,077**
Total liabilities		**337,504**	**257,653**
Total equity and liabilities		**765,961**	**675,030**

The notes on pages 42 to 90 are an integral part of these consolidated financial statements

Consolidated Statement of Changes in Equity

For the years ended 31 December 2011 and 31 December 2010:

	Attributable to the Equity holders of parent					
In thousands of Polish Zlotys (PLN)	Share capital	Share premium	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2010	**20,762**	**282,873**	**78,583**	**382,218**	**-**	**382,218**
Comprehensive income:						
Profit for the year ended 31 December 2010	-	-	35,091	35,091	-	35,091
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	35,091	35,091	-	35,091
Share-based payments (note 26 B)	-	-	68	68	-	68
Balance at 31 December 2010	**20,762**	**282,873**	**113,742**	**417,377**	**-**	**417,377**
Non-controlling interest arising on a acquisition of newly consolidated subsidiary (see note 5)	-	-	-	-	4,323	4,323
Comprehensive income:						
Profit for the year ended 31 December 2011	-	-	6,826	6,826	(69)	6,757
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	6,826	6,826	(69)	6,757
Share-based payments (note 26 B)	**-**	**-**	**-**	**-**	**-**	**-**
Balance at 31 December 2011	**20,762**	**282,873**	**120,568**	**424,203**	**4,254**	**428,457**

The notes on pages 42 to 90 are an integral part of these consolidated financial statements

Consolidated Statement of Cash Flows

For the year ended 31 December *In thousands of Polish Zlotys (PLN)*	*Note*	2011	2010
Cash flows from/(used in) operating activities			
Profit for the period		6,757	35,091
Adjustments to reconcile profit for the period to net cash used in operating activities:			
Depreciation	*11,17*	622	452
Finance expense	*15*	602	428
Finance income	*15*	(5,209)	(2,411)
Profit on sale of property and equipment	*14*	(18)	(9)
Write-down of inventory	*21*	-	2,188
Share-based payments expense	*26*	-	68
Income tax expense/(benefit)	*16*	(1,326)	14
Subtotal		***1,428***	***35,821***
Decrease/(increase) in inventory	*38*	(57,831)	122,086
Decrease/(increase) in trade and other receivables and prepayments	*38*	1,353	7,070
Increase/(decrease) in trade and other payables and accrued expenses	*38*	12,951	(6,302)
Increase/(decrease) in provisions	*32*	(6,119)	3,418
Increase/(decrease) in advances received		43,044	(29,020)
Subtotal		***(5,174)***	***133,073***
Interest paid		(14,628)	(20,644)
Interest received		4,581	2,483
Income tax received/(paid)		324	(2,577)
Net cash from/(used in) operating activities		**(14,897)**	**112,335**
Cash flows from/(used in) investing activities			
Acquisition of property and equipment	*17*	(1,202)	(1,701)
Acquisition of / additions to investment property	*18*	(509)	(2,500)
Investment in other current financial assets	*23*	(39,452)	-
Proceeds from sales of other current financial assets	*23*	40,002	-
Acquisition of subsidiary, net of cash acquired	*5*	(1,341)	-
Short-term bank deposits – collateralized		(927)	3,485
Investment in joint venture, net of cash acquired	*6*	-	(7,406)
Loans granted to third parties		(5,635)	(544)
Proceeds from sale of property and equipment		20	9
Net cash from/(used in) investing activities		**(9,044)**	**(8,657)**
Cash flows from/(used in) financing activities			
Proceeds from bank loans		1,946	2,942
Bank charges		(631)	-
Proceeds from bond loans, net of issue costs		85,775	-
Repayment of loans received from third parties		(2,317)	(745)
Repayment of loans received from related parties		(52,948)	-
Repayment of bank loans		(8,150)	(69,031)
Net cash from/(used in) financing activities		**23,675**	**(66,834)**
Net change in cash and cash equivalents		**(266)**	**36,844**
Cash and cash equivalents at beginning of the year		94,888	58,044
Cash and cash equivalents at end of the year	*25*	**94,622**	**94,888**

The notes on pages 42 to 90 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 2011, 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. The number of shares held by the investors is equal to the number of votes, as there are no privileged shares issued by the Company.

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) The details of 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 2011, are presented below and on the following page.

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.

	Entity name	Year of incorporation	Share of ownership & voting rights at the end of	
			2011	2010
a.	**held directly by the Company :**			
1.	Ronson Development Management Sp. z o.o.	1999	100.00%	100.00%
2.	Ronson Development 2000 Sp. z o.o.	2000	100.00%	100.00%
3.	Ronson Development Warsaw Sp. z o.o.	2000	100.00%	100.00%
4.	Ronson Development Investment Sp. z o.o.	2002	100.00%	100.00%
5.	Ronson Development Metropol Sp. z o.o.	2002	100.00%	100.00%
6.	Ronson Development Properties Sp. z o.o.	2002	100.00%	100.00%
7.	Ronson Development Apartments Sp. z o.o.	2003	100.00%	100.00%
8.	Ronson Development Residential Sp. z o.o. (1)	2003	n.a.	100.00%
9.	Ronson Development Enterprise Sp. z o.o.	2004	100.00%	100.00%
10.	Ronson Development Company Sp. z o.o.	2005	100.00%	100.00%
11.	Ronson Development Creations Sp. z o.o.	2005	100.00%	100.00%
12.	Ronson Development Buildings Sp. z o.o.	2005	100.00%	100.00%
13.	Ronson Development Structure Sp. z o.o.	2005	100.00%	100.00%
14.	Ronson Development Poznań Sp. z o.o.	2005	100.00%	100.00%
15.	Ronson Development Innovation Sp. z o.o.	2006	100.00%	100.00%
16.	Ronson Development Wrocław Sp. z o.o.	2006	100.00%	100.00%
17.	Ronson Development Capital Sp. z o.o.	2006	100.00%	100.00%
18.	EEE Development Sp. z o.o.	2006	100.00%	100.00%
19.	Ronson Development Habitat Sp. z o.o. (1)	2006	n.a.	100.00%
20.	Ronson Development Sp. z o.o.	2006	100.00%	100.00%
21.	Ronson Development Construction Sp. z o.o.	2006	100.00%	100.00%
22.	Ronson Development City Sp. z o.o.	2006	100.00%	100.00%
23.	Ronson Development Village Sp. z o.o. (2)	2007	100.00%	100.00%
24.	Ronson Development Conception Sp. z o.o.	2007	100.00%	100.00%
25.	Ronson Development Architecture Sp. z o.o.	2007	100.00%	100.00%
26.	Ronson Development Skyline Sp. z o.o. (2)	2007	100.00%	100.00%
27.	Ronson Development Continental Sp. z o.o.	2007	100.00%	100.00%

(1) During 2011, Ronson Development Residential Sp. z o.o. and Ronson Development Habitat Sp. z o.o. merged into Ronson Development Finco Sp. z o.o.

(2) 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

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

	Entity name	Year of incorporation	Share of ownership & voting rights at the end of	
			2011	2010
28.	Ronson Development Universal Sp. z o.o. [(1)]	2007	100.00%	100.00%
29.	Ronson Development Retreat Sp. z o.o.	2007	100.00%	100.00%
30.	Ronson Development South Sp. z o.o.	2007	100.00%	100.00%
31.	Ronson Development West Sp. z o.o. [(1)]	2007	100.00%	100.00%
32.	Ronson Development East Sp. z o.o.	2007	100.00%	100.00%
33.	Ronson Development North Sp. z o.o.	2007	100.00%	100.00%
34.	Ronson Development Providence Sp. z o.o.	2007	100.00%	100.00%
35.	Ronson Development Destiny Sp. z o.o.	2007	100.00%	100.00%
36.	Ronson Development Millenium Sp. z o.o.	2007	100.00%	100.00%
37.	Ronson Development Finco Sp. z o.o.	2009	100.00%	100.00%
38.	Ronson Development Nautica Sp. z o.o.	2010	100.00%	100.00%
39.	Ronson Development Gemini Sp. z o.o.	2010	100.00%	100.00%
40.	Ronson Development Apartments 2010 Sp. z o.o.	2010	100.00%	100.00%
41.	Ronson Development 2010 Sp. z o.o.	2010	100.00%	100.00%
42.	Ronson Development Retreat 2010 Sp. z o.o.	2010	100.00%	100.00%
43.	Ronson Development Enterprise 2010 Sp. z o.o.	2010	100.00%	100.00%
44.	Ronson Development Wrocław 2010 Sp. z o.o.	2010	100.00%	100.00%
45.	Ronson Development EEE 2010 Sp. z o.o.	2010	100.00%	100.00%
46.	Ronson Development Nautica 2010 Sp. z o.o.	2010	100.00%	100.00%
47.	Ronson Development Gemini 2010 Sp. z o.o.	2010	100.00%	100.00%
48.	Ronson Development Skyline 2010 Sp. z o.o.	2010	100.00%	100.00%
b.	**held indirectly by the Company :**			
49.	AGRT Sp. z o.o.	2007	100.00%	100.00%
50.	Ronson Development Sp. z o.o.- Community Sp.k.	2007	100.00%	100.00%
51.	Ronson Development Sp. z o.o.- Estate Sp.k.	2007	100.00%	100.00%
52.	Ronson Development Sp. z o.o. -Home Sp.k.	2007	100.00%	100.00%
53.	Ronson Development Sp. z o.o.- Horizon Sp.k.	2007	100.00%	100.00%
54.	Ronson Development Sp. z o.o. -Landscape Sp.k.	2007	100.00%	100.00%
55.	Ronson Development Sp. z o.o. -Town Sp.k.	2007	100.00%	100.00%
56.	Ronson Development Sp. z o.o. -EEE 2011 Sp.k. (previous name Ronson Development Sp. z o.o.- Eclipse Sp.k.)	2009	100.00%	100.00%
57.	Ronson Development Sp. z o.o.- Apartments 2011 Sp.k. (previous name Ronson Development Sp. z o.o.- Magellan Sp.k.)	2009	100.00%	100.00%
58.	Ronson Development Sp. z o.o.- Idea Sp.k. (previous name Ronson Development Sp. z o.o.- Monet Sp.k.)	2009	100.00%	100.00%
59.	Ronson Development Sp. z o.o.- Destiny 2011 Sp.k. (previous name Ronson Development Sp. z o.o.- Orion Sp.k.)	2009	100.00%	100.00%
60.	Ronson Development Sp. z o.o.- Enterprise 2011 Sp.k. (previous name Ronson Development Sp. z o.o.- Osiedle Hrabskie Sp.k.)	2009	100.00%	100.00%
61.	Ronson Development Sp. z o.o.- Retreat 2011 Sp.k. (previous name Ronson Development Sp. z o.o.- Plejada Sp.k.)	2009	100.00%	100.00%
62.	Ronson Development Sp. z o.o.- Wrocław 2011 Sp.k. (previous name Ronson Development Sp. z o.o.- Renoir Sp.k.)	2009	100.00%	100.00%
63.	Ronson Development Sp. z o.o.- 2011 Sp.k. (previous name Ronson Development Sp. z o.o.- Renaissance Sp.k.)	2009	100.00%	100.00%
64.	Ronson Development Sp. z o.o.- Gemini 2 Sp.k. (previous name Ronson Development Sp. z o.o.- Tamka Sp.k.)	2009	100.00%	100.00%
65.	Ronson Development Sp. z o.o.- Verdis Sp.k. (previous name Ronson Development Sp. z o.o.- Copernicus Sp.k.)	2009	100.00%	100.00%
66.	Ronson Espresso Sp. z o.o. (previous name Landex Sp. z o.o.) [(2)]	2010	68.40%	57.80%
67.	Ronson Development Sp. z o.o.- Naturalis Sp.k.	2011	100.00%	n.a.
68.	Ronson Development Sp. z o.o.- Impressio Sp.k.	2011	100.00%	n.a.
69.	Ronson Development Sp. z o.o.- Continental 2011 Sp.k.	2011	100.00%	n.a.
70.	Ronson Development Sp. z o.o.- Providence 2011 Sp.k.	2011	100.00%	n.a.
71.	Ronson Development Sp. z o.o.- Capital 2011 Sp.k.	2011	100.00%	n.a.
72.	Ronson Development Sp. z o.o.- Architecture 2011 Sp.k.	2011	100.00%	n.a.

(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.

(2) On 23 December 2010, the Group acquired 57.8% of the equity in Ronson Espresso Sp. z o.o.. Subsequently, on 6 June 2011, the Group acquired an additional 10.6% of the equity of Ronson Espresso Sp. z o.o thereby increasing its ownership to 68.4% and gaining control over this entity. For additional information see notes 5 and 6.

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'). At the date of approval of this report for publication, taking into account the ongoing process of entering the EU and IFRS the Group's activities in the field used by the Group accounting policies is no difference between the IFRS, which came into force, and IFRS as adopted by the EU. 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 6 March 2012.

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 the purpose to prepare the Consolidated Financial Statements are discussed further in note 33.

(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, except when otherwise indicated, which is the parent company functional and presentation currency. Although the Company is Dutch, 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 18 – investment property
Note 20 – utilization of tax losses
Note 21 - inventory
Note 22 – trade and other receivables and prepayments
Note 32 – provisions
Note 34 – commitments and contingencies

Estimation of net realisable value for inventory

Inventory is stated at the lower of cost and net realisable value (NRV). NRV for completed inventory property is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Group having taken suitable external advice and in the light of recent market transactions. NRV in respect of inventory property under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction and less an estimate of the time value of money to the date of completion.

Notes to the Consolidated Financial Statements

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

Valuation of investment property
The fair value of the investment property is determined by independent real estate valuation experts based on the discounted cash flow approach. The determination of the fair value of the investment property requires the use of estimates such as future cash flows from assets (such as lettings, tenants' profiles, future revenue streams, capital values of fixtures and fittings, any environmental matters and the overall repair and condition of the property) and discount rates applicable to those assets.

(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. Jointly controlled entities are those enterprises over whose activities the Company has joint control, established by contractual agreements. The Consolidated Financial Statements include the Company's proportionate share of the enterprises' assets, liabilities, revenues and expenses with items of similar nature on a line-by-line basis, from the date that joint control commences until the date that joint control ceases.

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.

Where property is acquired, via corporate acquisitions or otherwise, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents the acquisition of a business. Where such acquisitions are not judged to be an acquisition of a business, they are not treated as business combinations. Rather, the cost to acquire the corporate entity is allocated between the identifiable assets and liabilities of the entity based on their relative fair values at the acquisition date. Accordingly, no goodwill or additional deferred taxation arises. Otherwise, acquisitions are accounted for as business combinations.

Notes to the Consolidated Financial Statements

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

(f) Changes in accounting policies and disclosures

The accounting policies adopted for the preparation of the current Consolidated Financial Statements are consistent with those of the previous financial year. The Group has adopted the following amendments to IFRS and IFRIC interpretations applicable to annual reporting periods beginning on or after 1 January 2011:

- Amendments to IAS 24 *Related Party Disclosures* (amended in November 2009) – applicable to annual reporting periods beginning on or after 1 January 2011. The standard has been amended to simplify and clarify the definition of a related party. The amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of this amendment did not have any impact on the financial position, performance and range of disclosures presented in the Financial Statements of the Group;
- Amendments to IFRIC 14 IAS 19 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements* – applicable to annual reporting periods beginning on or after 1 January 2011. The amendment removes an unintended consequence of IFRIC 14 concerning not obligatory payments for pension purposes in case there are minimum funding requirements. The adoption of this amendment did not have any impact on the financial position, performance and range of disclosures presented in the Financial Statements of the Group;
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* – applicable to annual reporting periods beginning on or after 1 July 2010. IFRIC 19 clarifies accounting principles applied when an entity renegotiates the terms of financial liability with its creditor and the liability is settled by an issue of shares or other equity instruments by debtor for the creditor. The adoption of this interpretation did not have any impact on the financial position, performance and range of disclosures presented in the Financial Statements of the Group;
- Amendments to IAS 32 *Financial Instruments - Presentation: Classification of Rights Issue.* The amendment clarifies how to classify particular rights issues in case they are denominated in different currency than the functional one of the issuer. The adoption of this amendment did not have any impact on the financial position, performance and range of disclosures presented in the Financial Statements of the Group;
- *Improvements to IFRSs* (issued in May 2010) – parts of them are applicable for annual reporting periods beginning on or after 1 July 2010, part of them for periods beginning on or after 1 January 2011. The adoption of these improvements did not have any impact on the financial position, performance and range of disclosures presented in the Financial Statements of the Group;
- Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards* - exemption from the disclosure of comparable data required according to IFRS 7 for first-time adopters of IFRS – applicable to annual reporting periods beginning on or after 1 July 2010.

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

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- through profit and loss
Loans and receivables	Short-term deposits	Amortized costs
	Trade and other receivables	Amortized costs
Other financial liabilities	Loans from related parties	Amortized costs
	Floating rate bonds	Amortized costs
	Loans from others	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.

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.

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.
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.

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.

(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 calculated using the effective interest method 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. 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, except for collateralized deposits.

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.

(r) Jointly controlled entities

The Group has an interest in a joint venture which is a jointly controlled entity, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entity. The Group recognises its interest in the joint venture using the proportionate consolidation method. The Group combines its proportionate share of each of the assets, liabilities, income and expenses of the joint venture with similar items, line by line, in its consolidated financial statements. The financial statements of the joint venture are prepared for the same reporting period as the parent company. Adjustments are made where necessary to bring the accounting policies in line with those of the Group.

Adjustments are made in the Group's consolidated financial statements to eliminate the Group's share of intragroup balances, income and expenses and unrealised gains and losses on transactions between the Group and its jointly controlled entity. Losses on transactions are recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets or an impairment loss. The joint venture is proportionately consolidated until the date on which the Group ceases to have joint control over the joint venture.

Upon loss of joint control and provided the former joint control entity does not become a subsidiary or associate, the Group measures and recognises its remaining investment at its fair value. Any difference between the carrying amount of the former joint controlled entity upon loss of joint control and the fair value of the remaining investment and proceeds from disposal are recognised in profit or loss. When the remaining investment constitutes significant influence, it is accounted for as investment in an associate.

Notes to the Consolidated Financial Statements

4. Standards issued but not yet effective

The following new standards, amendments to standards and interpretations have been issued but are not effective for 2011 and have not been adopted early:

- The first phase of IFRS 9 *Financial Instruments: Classification and Measurement* – effective for financial years beginning on or after 1 January 2015 – not endorsed by EU till the date of approval of these financial statements. In subsequent phases, the IASB will address hedge accounting and impairment. The application of the first phase of IFRS 9 will have impact on classification and measurement of the financial assets of the Company / Group. The Company / Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.
- Amendment to IFRS 7 *Financial Instruments – Disclosures: Transfer of Financial Assets* – effective for financial years beginning on or after 1 July 2011,
- Amendments to IAS 12 *Income Taxes: Deferred Tax: Recovery of Underlying Assets* – effective for financial years beginning on or after 1 January 2012 – not endorsed by EU till the date of approval of these financial statements,
- Amendments to IFRS 1 *First–time Adoption of International Financial Reporting Standards: Severe Hyperinflation and Removal of Fixed Dates for First–time Adopters* – effective for financial years beginning on or after 1 July 2011 – not endorsed by EU till the date of approval of these financial statements.
- IFRS 10 *Consolidated Financial Statements* – effective for financial years beginning on or after 1 January 2013 – not endorsed by EU till the date of approval of these financial statements,
- IFRS 11 *Joint Arrangements* – effective for financial years beginning on or after 1 January 2013 – not endorsed by EU till the date of approval of these financial statements,
- IFRS 12 *Disclosure of Interests in Other Entities* – effective for financial years beginning on or after 1 January 2013 – not endorsed by EU till the date of approval of these financial statements,
- IFRS 13 *Fair Value Measurement* - effective for financial years beginning on or after 1 January 2013 – not endorsed by EU till the date of approval of these financial statements,
- Amendments to IAS 19 *Employee Benefits* - effective for financial years beginning on or after 1 January 2013 – not endorsed by EU till the date of approval of these financial statements,
- Amendments to IAS 1 *Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income* - effective for financial years beginning on or after 1 July 2012 – not endorsed by EU till the date of approval of these financial statements,
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine - effective for financial years beginning on or after 1 January 2013 – not endorsed by EU till the date of approval of these financial statements,
- Amendments to IFRS 7 *Financial Instruments – Disclosures: Offsetting Financial Assets and Financial Liabilities* – effective for financial years beginning on or after 1 January 2013 – not endorsed by EU till the date of approval of these financial statements,
- Amendments to IAS 32 *Financial Instruments – Presentation: Offsetting Financial Assets and Financial Liabilities* – effective for financial years beginning on or after 1 January 2014 – not endorsed by EU till the date of approval of these financial statements.

Management is currently assessing the impact of the above standards and interpretations on the Group's operations.

Notes to the Consolidated Financial Statements

5. Acquisition of a controlling interest

On 23 December 2010, the Group had acquired 57.8% of the equity of Ronson Espresso Sp. z o.o. ('Espresso', previously known as Landex Sp. z o.o.) whereby a contractual arrangement existed according to which joint control over the economic activities of the entity was established. As a result, the Group recognized its interest in the joint venture using the proportionate consolidation method. (see Note 6).

On 6 June 2011, the Group acquired an additional 10.6% of the equity of Espresso for PLN 1,450 thousand in cash, thereby increasing its ownership to 68.4% and gaining control over this entity. Simultaneously the Group has acquired loan receivable amounted to PLN 1,816 thousand. Purchase price for the loan receivable was equal to its book value. The transaction was accounted for as an asset deal and not as a business combination. Therefore the requirements of IFRS 3 Business Combination were not applicable.

The net identifiable assets of Espresso as at the date of acquisition and the net amount transferred as part of the transaction were as follows:

In thousands of Polish Zlotys (PLN)	**As at transaction date (6 June 2011)**
Cash and cash equivalents	259
Inventory	30,759
Other current assets	1,015
Non-current assets	193
Current liabilities	(745)
Non-current liabilities	(18,500)
Total net identifiable assets (100%)	**12,981**
Less: interest already acquired in prior year (57.8%)	(7,208)
Non-controlling interest (31.6%)	(4,323)
Portion of net identifiable assets acquired (10.6%)	**1,450**
Less: cash and cash equivalents in interest acquired (42.2%)	(109)
Purchase of shares in newly consolidated entity, net of cash acquired	**1,341**

The acquisition of additional (10,6%) shares in Espresso as well as the acquisition of loan receivable were concluded on an arms' length terms whereby the prices are reflecting the fair value of these transactions.

Notes to the Consolidated Financial Statements

6. Interest in a joint venture

On 23 December 2010, the Group acquired 57.8% of the equity in Ronson Espresso Sp. z o.o. ('Espresso', previously known as Landex Sp. z o.o.) for a total amount of PLN 7,533 thousand. In addition the Group paid an amount of PLN 1,289 thousand for transfer of a right to loan granted by the former Espresso shareholder.

The assets and liabilities transferred and paid as part of the transaction are as follows:

As at 23 December *In thousands of Polish Zlotys (PLN)*	**2010**
Cash and cash equivalents in joint venture entity acquired	127
Inventory	12,984
Other current assets	466
Non-current assets	61
Current liabilities	(6,105)
Total net identifiable assets	**7,533**
Cash and cash equivalents in joint venture entity acquired	(127)
Total net cash outflow	**7,406**

On 6 June 2011, the Group acquired an additional 10.6% of the equity of Espresso, thereby increasing its ownership to 68.4% and gaining control over this entity (see Note 5). From the date of acquiring the initial interest (23 December 2010) until the date when control over the entity was gained, the Group recognised its interest in the joint venture using the proportionate consolidation method.

Notes to the Consolidated Financial Statements

7. 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 and development of houses). Moreover, for one particular entity the reporting was based on type of income: rental income from investment property.

According to the 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:

In thousands of Polish Zlotys (PLN) — **As at 31 December 2011**

	Warsaw			Poznań		Wrocław		Szczecin		Unallocated	Total
	Apartments	Houses	Rental	Apartments	Houses	Apartments	Houses	Apartments	Houses		
Segment assets	347,600	63,405	9,195	94,050	-	90,068	3,606	63,582	7,373	-	678,879
Unallocated assets	-	-	-	-	-	-	-	-	-	87,082	87,082
Total assets	**347,600**	**63,405**	**9,195**	**94,050**	**-**	**90,068**	**3,606**	**63,582**	**7,373**	**87,082**	**765,961**
Segment liabilities	181,636	14,844	-	31,714	-	5,912	-	17,279	-	-	251,385
Unallocated liabilities	-	-	-	-	-	-	-	-	-	86,119	86,119
Total liabilities	**181,636**	**14,844**	**-**	**31,714**	**-**	**5,912**	**-**	**17,279**	**-**	**86,119**	**337,504**

In thousands of Polish Zlotys (PLN) — **As at 31 December 2010**

	Warsaw			Poznań		Wrocław		Szczecin		Unallocated	Total
	Apartments	Houses	Rental	Apartments	Houses	Apartments	Houses	Apartments	Houses		
Segment assets	278,574	88,339	8,740	108,577	-	72,657	2,392	53,457	7,280	-	620,016
Unallocated assets	-	-	-	-	-	-	-	-	-	55,014	55,014
Total assets	**278,574**	**88,339**	**8,740**	**108,577**	**-**	**72,657**	**2,392**	**53,457**	**7,280**	**55,014**	**675,030**
Segment liabilities	141,507	38,688	-	39,503	-	8,700	1	16,972	1	-	245,372
Unallocated liabilities	-	-	-	-	-	-	-	-	-	12,281	12,281
Total liabilities	**141,507**	**38,688**	**-**	**39,503**	**-**	**8,700**	**1**	**16,972**	**1**	**12,281**	**257,653**

Notes to the Consolidated Financial Statements

7. Segment reporting (cont'd)

In thousands of Polish Zlotys (PLN)

For the year ended 31 December 2011

	Warsaw			Poznań		Wrocław		Szczecin		Unallocated	Total
	Apartments	Houses	Rental	Apartments	Houses	Apartments	Houses	Apartments	Houses		
Revenue	50,594	28,341	649	17,090	-	-	-	-	-	-	96,674
Segment result	12,262	(945)	317	5,141	-	(496)	(5)	(389)	(5)	-	15,880
Unallocated result	-	-	-	-	-	-	-	-	-	(15,056)	(15,056)
Result from operating activities	**12,262**	**(945)**	**317**	**5,141**	**-**	**(496)**	**(5)**	**(389)**	**(5)**	**(15,056)**	**824**
Net finance income	216	45	-	149	-	(4)	(1)	16	-	4,186	4,607
Profit before tax	**12,478**	**(900)**	**317**	**5,290**	**-**	**(500)**	**(6)**	**(373)**	**(5)**	**(10,870)**	**5,431**
Income tax benefit											1,326
Profit for the year											**6,757**
Capital expenditure	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,202**	**1,202**

In thousands of Polish Zlotys (PLN)

For the year ended 31 December 2010

	Warsaw			Poznań		Wrocław		Szczecin		Unallocated	Total
	Apartments	Houses	Rental	Apartments	Houses	Apartments	Houses	Apartments	Houses		
Revenue	197,769	6,371	351	36,774	-	-	-	-	-	-	241,265
Segment result	47,439	(6,275)	114	8,082	(62)	(465)	(3)	(29)	(4)	-	48,797
Unallocated result	-	-	-	-	-	-	-	-	-	(15,675)	(15,675)
Result from operating activities	**47,439**	**(6,275)**	**114**	**8,082**	**(62)**	**(465)**	**(3)**	**(29)**	**(4)**	**(15,675)**	**33,122**
Net finance income	1,629	(8)	-	144	(1)	(16)	-	(4)	-	239	1,983
Profit before tax	**49,068**	**(6,283)**	**114**	**8,226**	**(63)**	**(481)**	**(3)**	**(33)**	**(4)**	**(15,436)**	**35,105**
Income tax benefit											(14)
Profit for the year											**35,091**
Capital expenditure	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,701**	**1,701**

Notes to the Consolidated Financial Statements

8. Revenue

For the year ended 31 December *In thousands of Polish Zlotys (PLN)*	2011	2010
Imaginarium III	31,831	-
Galileo	17,090	36,774
Nautica I	7,466	85,993
Nautica II	3,761	-
Gemini I	4,526	93,423
Constans	16,037	4,313
Gardenia	12,304	2,058
Imaginarium II	2,092	13,286
Imaginarium I	639	1,544
Meridian	56	2,964
Other	872	910
Total revenue	**96,674**	**241,265**

9. Cost of sales

For the year ended 31 December *In thousands of Polish Zlotys (PLN)*	2011	2010
Imaginarium III	21,157	-
Galileo	11,445	25,184
Nautica I	5,759	64,472
Nautica II	2,186	-
Gemini I	3,410	67,718
Constans	15,450	4,078
Gardenia	12,224	2,058
Imaginarium II	1,468	9,276
Imaginarium I	362	1,054
Meridian	41	1,799
Write-down of inventory	-	2,188
Other	484	717
Total cost of sales	**73,986**	**178,544**

10. Selling and marketing expenses

For the year ended 31 December *In thousands of Polish Zlotys (PLN)*	2011	2010
Advertising	4,181	6,192
Brokerage fees	368	540
Other	509	665
Total selling and marketing	**5,058**	**7,397**

Notes to the Consolidated Financial Statements

11. Administrative expenses

For the year ended 31 December		**2011**	**2010**
In thousands of Polish Zlotys (PLN)	***Note***		
Personnel expenses	*12*	9,431	9,963
External services		3,284	3,947
Materials and energy		680	553
Depreciation		622	452
Taxes and charges		429	363
Other		715	851
Total administrative expenses		**15,161**	**16,129**

12. Personnel expenses

For the year ended 31 December		**2011**	**2010**
In thousands of Polish Zlotys (PLN)	***Note***		
Wages and salaries		8,233	9,039
Share-based payment transactions	*26 B*	-	68
Social security and other benefits		1,198	856
Total personal expenses		**9,431**	**9,963**
Average number of personnel employed		**55**	**49**

13. Other expenses

For the year ended 31 December	**2011**	**2010**
In thousands of Polish Zlotys (PLN)		
Maintenance expense of unsold units	831	1,875
Civil activity taxes on contributions	705	-
Expense for contractual penalties and compensation	605	481
Impairment of trade receivables (1)	237	1,543
Cost of research and due diligence of new projects	229	-
Expense for abandoned projects (2)	-	2,525
Guarantee for construction work	75	220
Other expense	181	39
Total other expense	**2,863**	**6,683**

(1) For additional information see note 22.

(2) Following the settlement of claim in respect of an abandoned project done during 2010, whereby the Company received a settlement payment, a write-down expense for the abandoned project amounting to PLN 2,525 thousand was recognised.

Notes to the Consolidated Financial Statements

14. Other income

For the year ended 31 December *In thousands of Polish Zlotys (PLN)*	2011	2010
Revenues from contractual penalties and compensation	521	205
Rental income from inventory	422	342
Net profit on sale of property and equipment	18	9
Other income	257	54
Total other income	**1,218**	**610**

15. Finance income and expense

For the year ended 31 December 2011 *In thousands of Polish Zlotys (PLN)*	Total amount	Amount capitalized	Recognized in the statement of comprehensive income
Interest on granted loans	244	-	244
Interest income on bank deposits	4,219	166	4,053
Foreign exchange gain	72	-	72
Income from other current financial assets (see Note 23)	550	-	550
Other Finance income	290	-	290
Finance income	**5,375**	**166**	**5,209**
Interest expense on financial liabilities measured at amortized cost	(16,036)	(15,901)	(135)
Foreign exchange loss	(114)	-	(114)
Commissions and fees	(1,133)	(947)	(186)
Other finance expense	(167)	-	(167)
Finance expense	**(17,450)**	**(16,848)**	**(602)**
Net finance income/(expense)	**(12,075)**	**(16,682)**	**4,607**

For the year ended 31 December 2010 *In thousands of Polish Zlotys (PLN)*	Total amount	Amount capitalized	Recognized in the statement of comprehensive income
Interest income on bank deposits	2,294	72	2,222
Foreign exchange gain	76	-	76
Other finance income	113	-	113
Finance income	**2,483**	**72**	**2,411**
Interest expense on financial liabilities measured at amortized cost	(12,947)	(12,932)	(15)
Foreign exchange loss	(146)	-	(146)
Commissions and fees	(1,668)	(1,509)	(159)
Other finance expense	(108)	-	(108)
Finance expense	**(14,869)**	**(14,441)**	**(428)**
Net finance expense	**(12,386)**	**(14,369)**	**1,983**

Notes to the Consolidated Financial Statements

16. Income tax expense

For the year ended 31 December *In thousands of Polish Zlotys (PLN)*	2011	2010
Current tax expense		
Current period	139	596
Adjustment for prior period	(125)	2
Total current tax expense	**14**	**598**
Deferred tax (benefit)/expense		
Origination and reversal of temporary differences	5,249	(5,221)
Benefit of tax losses recognized	(6,589)	4,637
Total deferred tax benefit	**(1,340)**	**(584)**
Total income tax (benefit)/expense	**(1,326)**	**14**

Reconciliation of effective tax rate

For the year ended 31 December *In thousands of Polish Zlotys (PLN)*	2011	2010
Profit for the period	6,757	35,091
Total income tax expense	(1,326)	14
Profit excluding income tax	**5,431**	**35,105**
Expected income tax using the Polish tax rate (19%)	**1,032**	**6,670**
***Tax effect of*:**		
Netherlands tax rates	123	401
Change in unrecognized temporary differences over-provided in prior periods	(125)	2
Non-deductible expenses, net	23	101
Movement in unrecognized deferred tax assets	(1,639)	2,572
Recognition of the tax assets in connection with organizational restructuring of the Group	(863)	(10,514)
Other differences	123	782
Tax (benefit)/charge for the period	**(1,326)**	**14**
Effective tax rate	**-24.42%**	**0.04%**

Notes to the Consolidated Financial Statements

17. Property and equipment

For the year ended 31 December 2011 *In thousands of Polish Zlotys (PLN)*	**Vehicles**	**Equipment**	**Building**	**Total**
Cost or deemed cost				
Balance at 1 January	932	843	8,482	10,257
Additions	185	924	93	1,202
Disposals	(20)	-	-	(20)
Closing balance	**1,097**	**1,767**	**8,575**	**11,439**
Depreciation and impairment losses				
Balance at 1 January	585	507	794	1,886
Depreciation for the period	166	276	180	622
Disposals	(18)	-	-	(18)
Closing balance	**733**	**783**	**974**	**2,490**
Carrying amounts				
At 1 January	347	336	7,688	8,371
Closing balance	**364**	**984**	**7,601**	**8,949**

For the year ended 31 December 2010 *In thousands of Polish Zlotys (PLN)*	**Vehicles**	**Equipment**	**Building**	**Total**
Cost or deemed cost				
Balance at 1 January	881	597	1,319	2,797
Additions	95	246	1,360	1,701
Transferred from inventory (1)	-	-	5,803	5,803
Disposals	(44)	-	-	(44)
Closing balance	**932**	**843**	**8,482**	**10,257**
Depreciation and impairment losses				
Balance at 1 January	467	372	639	1,478
Depreciation for the period	162	135	155	452
Disposals	(44)	-	-	(44)
Closing balance	**585**	**507**	**794**	**1,886**
Carrying amounts				
At 1 January	414	225	680	1,319
Closing balance	**347**	**336**	**7,688**	**8,371**

(1) 8 units in Gemini project dedicated to the Company's headquarter in Warsaw – transferred at cost value.

Impairment loss

In the years ended 31 December 2011 and 31 December 2010, the Group did not recognize any impairment loss with respect to Property and equipment.

Notes to the Consolidated Financial Statements

18. Investment property

For the year ended 31 December *In thousands of Polish Zlotys (PLN)*	2011	2010
Balance at 1 January	8,740	8,740
Acquisitions and investments	509	-
Change in fair value during the year	-	-
Balance as at 31 December, including:	**9,249**	**8,740**
Cost	***3,647***	***3,138***
Fair value adjustments	***5,602***	***5,602***

As at 31 December 2011, the investment property included property held for long-term rental yields and capital appreciation, and were not occupied by the Group. The investment property consists of a plot of land in Warsaw (71, Gwiaździsta Street) and an office building with an aggregate usable floor space of 1,318 m^2 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.

Investment property is valued at fair value determined as at 31 December 2011 by the Management. The investment property has been also valued by an independent appraiser, having an appropriate recognized professional qualification, based on current prices on an active market. Both valuations came up with similar results, however the Managements results were more conservative. Investment property was valued based on the discounted cash flow approach, including the assumption as to the annual discount rate of 10.0% (during 6 year forecast period) and capitalisation exit yield of 7.0% (2010: 7.5%), monthly rate of PLN 43/m^2 and current (and also a long term) vacancy rate of 8%.

The fair value of completed investment properties has been determined on a market value basis in accordance with International Valuation Standards (IVS), as set out by the IVSC. The valuations were prepared on an aggregated non-leveraged basis. The valuations were performed by an accredited independent valuator with a recognised and relevant professional qualification and with recent experience in the local market and the specific category of the investment properties valued.

If the yields used for the appraisals of investment property on 31 December 2011, had been 100 basis points higher than was the case at that time, the value of the investments would have been 12% lower. In this situation, the Company's shareholders' equity would have been PLN 1.1 million lower.

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.

19. Loans granted to third parties

The loans are granted to one of the shareholders of Ronson Espresso Sp. z o.o. (previously known as Landex Sp. z o.o.). The loans mature in 2013 and bear an interest rate of 13.5%. As at 31 December 2011, the balance of the loans granted to third parties included an amount of PLN 850 thousand as nominal loan amount and an amount of PLN 78 thousand as accrued interest. For securing the repayment of the loan, the Company holds a pledge on the partner's share in Ronson Espresso Sp. z o.o. as well as on a part of the loans granted by the partner to Ronson Espresso Sp. z o.o.

Notes to the Consolidated Financial Statements

20. Deferred tax assets and liabilities

Recognized deferred tax assets and liabilities

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

In thousands of Polish Zlotys (PLN)	Opening balance 1 January 2011	Recognized in the statement of comprehensive income	Acquisition of newly consolidated subsidiaries	Closing balance 31 December 2011
Deferred tax assets				
Tax loss carry forward	8,385	6,589	80	15,054
Accrued interest	80	604	56	740
Accrued expense	386	(106)	-	280
Other	720	(266)	-	454
Total deferred tax assets	**9,571**	**6,821**	**136**	**16,528**
Deferred tax liabilities				
Difference between tax base and carrying value of inventory	10,394	4,596	55	15,045
Accrued interest	-	300	-	300
Fair value gain on investment property	1,064	-	-	1,064
Other	**-**	585	-	585
Total deferred tax liabilities	**11,458**	**5,481**	**55**	**16,994**
Total deferred tax benefit (see Note 16)		**(1,340)**		
Deferred tax assets	9,571			16,528
Deferred tax liabilities	11,458			16,994
Offset of deferred tax assets and liabilities for individual companies	(6,127)			(10,685)
Deferred tax assets reported in the statement of financial position	**3,444**			**5,843**
Deferred tax liabilities reported in the statement of financial position	**5,331**			**6,309**

The tax losses carried forward expire in the following years:

In thousands of Polish Zlotys (PLN)	As at 31 December 2011
2012	-
2013	4,005
2014	3,335
2015	4,472
2016	3,242
After 2016	-
Total deferred tax asset in respect of tax losses carried forward	**15,054**

Notes to the Consolidated Financial Statements

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

In thousands of Polish Zlotys (PLN)	Opening balance 1 January 2010	Recognized in the statement of comprehensive income	Share in deferred tax of a joint venture	Closing balance 31 December 2010
Deferred tax assets				
Tax loss carry forward	12,908	(4,637)	114	8,385
Accrued interest	1,419	(1,339)	-	80
Accrued expense	80	306	-	386
Other	487	233	-	720
Total deferred tax assets	**14,894**	**(5,437)**	**114**	**9,571**
Deferred tax liabilities				
Difference between tax base and carrying value of inventory	16,360	(6,021)	55	10,394
Fair value gain on investment property	1,064	-	-	1,064
Total deferred tax liabilities	**17,424**	**(6,021)**	**55**	**11,458**
Total deferred tax benefit (see Note 16)		**(584)**		
Deferred tax assets	14,894			9,571
Deferred tax liabilities	17,424			11,458
Offset of deferred tax assets and liabilities for individual companies	(11,003)			(6,127)
Deferred tax assets reported in the statement of financial position	**3,891**			**3,444**
Deferred tax liabilities reported in the statement of financial position	**6,421**			**5,331**

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

20. 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 86,989 thousand. Taxable profit realized by the Group companies amounted to PLN 7,161 thousand for the year ended 31 December 2011. 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

In thousands of Polish Zlotys (PLN)	Balance 01 January 2010	Tax losses expired	Additions/ (Realizations)	Balance 31 December 2010	Tax losses expired	Additions/ (Realizations)	Balance 31 December 2011
Tax losses	91	(128)	4,144	4,107	(588)	(1,156)	2,363
Total	**91**	**(128)**	**4,144**	**4,107**	**(588)**	**(1,156)**	**2,363**

Unrecognized deferred tax assets in the Netherlands

	Balance 01 January 2010		Realizations		Balance 31 December 2010		Realizations		Balance 31 December 2011	
In thousands of Polish Zlotys	PLN	EUR	PLN	EUR	PLN	EUR	PLN	EUR	PLN	EUR
Tax losses	3,592	874	(1,572)	(364)	2,020	510	112	(27)	2,132	483
Total	**3,592**	**874**	**(1,572)**	**(364)**	**2,020**	**510**	**112**	**(27)**	**2,132**	**483**

Tax losses carried forward in Poland

As at 31 December	2011			2010		
In thousands of Polish Zlotys (PLN)	Recognized tax losses	Unrecognized tax losses	Total tax losses	Recognized tax losses	Unrecognized tax losses	Total tax losses
Tax loss 2006 carried forward	-	-	-	-	2,888	2,888
Tax loss 2007 carried forward	-	4,426	4,426	129	7,413	7,542
Tax loss 2008 carried forward	11,839	6,438	18,277	9,979	10,271	20,250
Tax loss 2009 carried forward	20,893	146	21,039	21,150	936	22,086
Tax loss 2010 carried forward	12,369	355	12,724	12,877	106	12,983
Tax loss 2011 carried forward	34,133	1,071	35,204	-	-	-
Total tax losses carried forward	**79,234**	**12,436**	**91,670**	**44,135**	**21,614**	**65,749**

Notes to the Consolidated Financial Statements

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

Tax losses carry forward

Tax losses carried forward in the Netherlands

As at 31 December	2011			2010		
In thousands of EUR	Recognized tax losses	Unrecognized tax losses	Total tax losses	Recognized tax losses	Unrecognized tax losses	Total tax losses
Tax loss 2007 carried forward	-	1,205	1,205	-	1,313	1,313
Tax loss 2008 carried forward	-	688	688	-	688	688
Total tax losses carried forward	**-**	**1,893**	**1,893**	**-**	**2,001**	**2,001**

As at 31 December	2011			2010		
In thousands of Polish Zlotys (PLN)	Recognized tax losses	Unrecognized tax losses	Total tax losses	Recognized tax losses	Unrecognized tax losses	Total tax losses
Tax loss 2007 carried forward	-	5,322	5,322	-	5,198	5,198
Tax loss 2008 carried forward	-	3,039	3,039	-	2,725	2,725
Total tax losses carried forward	**-**	**8,361**	**8,361**	**-**	**7,923**	**7,923**

21. Inventory

For the year ended 31 December 2011:

In thousands of Polish Zlotys (PLN)	Opening balance 01 January 2011	Share in work in progress of a joint venture	Transferred to finished goods	Additions	Closing balance 31 December 2011
Land and related expense	380,257	12,711	(11,033)	17,208	399,143
Construction costs	23,069	85	(25,570)	107,255	104,839
Planning and permits	17,845	230	(1,055)	4,852	21,872
Borrowing costs [(1)]	47,419	211	(2,874)	16,682	61,438
Other	2,216	38	(563)	1,936	3,627
Work in progress	**470,806**	**13,275**	**(41,095)**	**147,933**	**590,919**

In thousands of Polish Zlotys (PLN)	Opening balance 01 January 2011	Transferred from work in progress	Recognized in the statement of comprehensive income	Closing balance 31 December 2011
Finished goods	**74,610**	**41,095**	**(75,208)**	**40,497**

In thousands of Polish Zlotys (PLN)	Opening balance 01 January 2011	Revaluation write down recognized in statement of comprehensive income: Increase	Revaluation write down recognized in statement of comprehensive income: Utilization	Closing balance 31 December 2011
Write-down	**(1,887)**	**-**	**1,788**	**(99)**
Total inventories at the lower of cost or net realizable value	**543,529**			**631,317**

(1) Borrowing costs are capitalized to the value of inventory with 8.1% average effective capitalization interest rate.

Notes to the Consolidated Financial Statements

21. Inventory (cont'd)

For the year ended 31 December 2010:

In thousands of Polish Zlotys (PLN)	Opening balance 01 January 2010	Transferred to property and equipment[1]	Share in work in progress of a joint venture	Transferred to finished goods	Additions	Closing balance 31 December 2010
Land and related expense	389,730	(554)	12,402	(29,403)	8,082	380,257
Construction costs	138,448	(4,877)	-	(151,708)	41,206	23,069
Planning and permits	18,984	(120)	117	(4,959)	3,823	17,845
Borrowing costs [2]	40,997	(198)	289	(8,038)	14,369	47,419
Other	4,331	(54)	174	(2,191)	(44)	2,216
Work in progress	**592,490**	**(5,803)**	**12,982**	**(196,299)**	**67,436**	**470,806**

In thousands of Polish Zlotys (PLN)	Opening balance 01 January 2010	Transferred from work in progress	Recognized in the statement of comprehensive income	Closing balance 31 December 2010
Finished goods	**53,763**	**196,299**	**(175,452)**	**74,610**

In thousands of Polish Zlotys (PLN)	Opening balance 01 January 2010	Revaluation write down recognized in statement of comprehensive income		Closing balance 31 December 2010
		Increase	Utilization	
Write-down	**-**	**(2,188)**	**301**	**(1,887)**

Total inventories at the lower of cost or net realizable value	**646,253**	**543,529**

(1) For additional information see note 17.

(2) Borrowing costs are capitalized to the value of inventory with 6.9% average effective capitalization interest rate.

Write-down revaluating the inventory:

The company assessed internally the net realizable value of the inventory and decreased the value when the net realizable value was lower than the cost. In view of the market situation in the property market in which the Group operates, during the year ended 31 December 2011 and 2010 the Group took a particularly conservative approach to the inventory review with regard to its valuation to net realisable value. As a result, during the years ended 31 December 2011 and 31 December 2010, the Group made a write-down adjustment of nil and a write-down adjustment in the total amount of PLN 2,188 thousand, respectively, which amount is included as part of cost of sales in the Consolidated Statement of Comprehensive Income. Management examined possible impairment on inventory for each project separately, according to the projection of revenues net from cost of sales. For the net realizable value calculation the Company used the average effective capitalization interest rate.

The valuation of Inventory is as follows:

As at 31 December *In thousands of Polish Zlotys (PLN)*	**2011**	**2010**
Valued at cost	630,637	530,624
Valued at net realizable value	680	12,905
Total inventory	**631,317**	**543,529**

Notes to the Consolidated Financial Statements

21. Inventory (cont'd)

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

As at 31 December *In thousands of Polish Zlotys (PLN)*	**2011**	**2010**
Balance sheet value of inventory	**366,156**	**314,374**
Amount of secured bank loans	**117,711**	**123,914**

For information about future commitments to the general contractor for construction services related to inventory construction, see Note 34.

22. Trade and other receivables and prepayments

As at 31 December *In thousands of Polish Zlotys (PLN)*	**2011**	**2010**
Value added tax (VAT) receivables	9,474	4,968
Trade and other receivables	1,686	1,761
Prepayments	1,194	505
Receivables from notary deposit	-	6,046
Total trade and other receivables and prepayments	**12,354**	**13,280**

As at 31 December 2011 and 31 December 2010, the Group had no allowance for doubtful debts.
During the year ended 31 December 2011 and 31 December 2010, the Group wrote down an amount of PLN 237 thousand and PLN 1,543 thousand, respectively as irrecoverable debts included in trade and other receivables.

23. Other current financial assets

During the year ended 31 December 2011, the Group acquired shares in the open end investment fund Idea Premium SFIO managed by Idea Towarzystwo Funduszy Inwestycyjnych S.A., which investment was presented in the Statement of Financial Positions as other current financial assets. The investments was disposed of also during the year ended 31 December 2011, having generated a net return and a net positive cash flow of PLN 550 thousand which amount is included as finance income in the Consolidated Statement of Comprehensive Income (see Note 15).

24. Short-term bank deposits – collateralized

As at 31 December *In thousands of Polish Zlotys (PLN)*	**2011**	**2010**
Deposits collateral for securing the repayment of interest related to the credit facilities provided to the Group	2,185	1,585
Deposits collateral for construction loans	327	-
Total short-term bank deposits – collateralized	**2,512**	**1,585**

Notes to the Consolidated Financial Statements

24. Short-term bank deposits – collateralized (cont'd)

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 33.
For information about the pledge over short term bank deposits see Note 29.

25. 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 *In thousands of Polish Zlotys (PLN)*	**2011**	**2010**
Cash at bank and in hand	16,918	66,159
Short-term deposit	77,704	28,729
Total cash and cash equivalents	**94,622**	**94,888**

Cash at bank earns interest at floating rates based on daily bank deposit rates. As at 31 December 2011 and 31 December 2010, the Group held deposits amounting to PLN 14,002 thousand and PLN 61,668 thousand, respectively. As at 31 December 2011 and 31 December 2010, the overnight deposits and in saving accounts that earn interest rates varying between 2% - 4.5% and 2% - 4%, respectively.
Short-term deposits have a duration varying between one day and three months depending on the immediate cash requirements of the Group. As at 31 December 2011 and 31 December 2010, the earn interest at the respective short-term deposit rates varying between 5% - 5.5% and 3.5% - 4.5%, respectively.
For information about the fair value of cash and cash equivalents see Note 33.
For information about the pledge over cash and cash equivalents see Note 29.

26. 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 2011 amounted to 272,360,000 (as at 31 December 2010: 272,360,000 shares).

B. 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.

Notes to the Consolidated Financial Statements

26. Shareholders' equity (cont'd)

B. Share-based payments (cont'd)

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 2011, the selected employees that joined the option programme (granted in 2007) had not exercised any of their options. Following the resignation of key management employees during 2008 and 2010, a total of 1,260,667 options ceased to exist. The details regarding the number of the options outstanding as of 31 December 2011 are provided below:

	Number of options			
Vesting dates	**Granted**	**Exercised**	**Cancelled**	**Outstanding**
5 November 2008	473,333	-	(50,000)	423,333
5 November 2009	473,333	-	(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 nil for the year ended 31 December 2011 (year ended 31 December 2010: an expense of PLN 68 thousand – recognized in the Consolidated Statement of Comprehensive Income with a corresponding increase in equity).

27. Non-controlling interests

Movements in non-controlling interests during the year ended 31 December 2011 and 31 December 2010 are as follows:

As at 31 December	**2011**	**2010**
In thousands of Polish Zlotys (PLN)		
Opening balance	-	-
Non-controlling interest Ronson Espresso Sp. z o.o. at transaction date (6 June 2011) (1)	4,323	-
Comprehensive income (loss) attributable to non-controlling interests	(69)	-
Closing balance	**4,254**	**-**

(1) For additional information see Note 5.

Notes to the Consolidated Financial Statements

28. 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	2011	2010
Net profit attributable to equity holders of the parent company (PLN thousands)	6,757	35,091
Balance at beginning of the period	272,360,000	272,360,000
Weighted average number of ordinary shares (basic)	**272,360,000**	**272,360,000**
Basic earnings per share	**0.025**	**0.129**

Weighted average number of ordinary shares (diluted):

For the year ended 31 December	2011	2010
Net profit attributable to equity holders of the parent company (PLN thousands)	6,757	35,091
Weighted average number of ordinary shares (basic)	272,360,000	272,360,000
Effect of shares options on issue	639,333	639,333
Weighted average number of ordinary shares (diluted)	**272,999,333**	**272,999,333**
Diluted earnings per share	**0.025**	**0.129**

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

29. 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 36.

As at 31 December	**2011**	**2010**
In thousands of Polish Zlotys (PLN)		
Non-current loans and borrowings		
Floating rate bonds	86,180	-
Secured bank loans	21,746	49,213
Loans from third parties	5,726	4,032
Total non-current loans and borrowings	**113,652**	**53,245**
Current loans and borrowings		
Floating rate bonds	1,667	-
Secured bank loans	95,965	74,701
Loans from related parties	-	53,218
Loans from third parties	-	1,311
Total current loans and borrowings	**97,632**	**129,230**
Total loans and borrowings	**211,284**	**182,475**

Floating rate bonds:

On 18 April 2011, the Company issued 5,134 series A bonds with an aggregate nominal value of PLN 51,340 thousand and 3,616 series B bonds with an aggregate nominal value of PLN 36,160 thousand. The nominal value of one bond amounts to PLN 10 thousand and is equal to its issue price. The bonds shall be redeemed on 18 April 2014 at nominal value, whereby the Company has the right to early redeem any number of the series B bonds which early redemption is to be effected either on 18 April 2013 or 18 October 2013. Interest is payable semi-annually in April and October until redemption date.

The terms and conditions of the issuance of the bonds include provisions regarding early redemption at a bondholder's request to be made prior to 18 April 2014, in case of the occurrence of certain events covering a number of obligations and restrictions applicable to the Company, including the obligation to maintain its financial ratios at certain levels, restrictions on investments in land having an unregulated status and restrictions on related party transactions.

The bonds are not secured.

Covenants on secured bank loans:

As at 31 December 2011 and 2010, the Company has not breached any loan covenant, which would expose the Company for risk of obligatory and immediate repayment of any loan and has been able to extend all expiring loan facilities.

Notes to the Consolidated Financial Statements

29. Loans and borrowings (cont'd)

Terms and debt repayment schedule

Terms and conditions of outstanding loans are as follows:

Loans as at 31 December 2011:

In thousands of Polish Zlotys (PLN)	Currency	Nominal interest rate	Year of maturity	Capital	Accrued interest	Charges and fees	Carrying value
Floating rate bonds series A	PLN	Wibor 6M + 4.25%	2014	51,340	948	(775)	51,513
Floating rate bonds series B	PLN	Wibor 6M + 4.95%	2014	36,160	719	(545)	36,334
Subtotal (floating rate bonds)				**87,500**	**1,667**	**(1,320)**	**87,847**
Bank Loans	PLN	Wibor 1M + Bank's margin	2012	40,362	230	(45)	40,547
Bank Loans	PLN	Wibor 3M + Bank's margin	2012	55,407	42	-	55,449
Bank Loans	PLN	Wibor 3M + Bank's margin	2013	21,988	23	(296)	21,715
Subtotal (bank)				**117,757**	**295**	**(341)**	**117,711**
Loans from non-controlling interest granted to consolidated subsidiaries (Espresso)	PLN	9.3% (1)	2016	5,245	481	-	5,726
Subtotal (third parties)				**5,245**	**481**	**-**	**5,726**
Total				**210,502**	**2,443**	**(1,661)**	**211,284**

(1) Interest based on the latest interest rate as charged on the construction credit/loan granted by the banks to the Group and increased by 2%, and updated at the beginning of each quarter.

For the bank loans the following collateral was given:

- Ordinary and floating mortgages on Inventory (of real estate units), see Note 21.
- 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 3,308 thousand and PLN 1,115 thousand as at 31 December 2011 and 31 December 2010, respectively.
- Deposits guarantee for interests on credits, see Note 24.
- Assignment of receivables arising from insurance agreement and from the agreements concluded with clients.
- 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.

Notes to the Consolidated Financial Statements

29. Loans and borrowings (cont'd)

Loans as at 31 December 2010:

In thousands of Polish Zlotys (PLN)	Currency	Nominal interest rate	Year of maturity	Capital	Accrued interest	Charges and fees	Carrying value
Bank Loans	PLN	Wibor 1M + Bank's margin	2012	17,150	88	-	17,238
Bank Loans	PLN	Wibor 3M + Bank's margin	2012	57,407	63	(7)	57,463
Bank Loans	PLN	Wibor 1M + Bank's margin	2012	29,361	-	(92)	29,269
Bank Loans	PLN	Wibor 3M + Bank's margin	2013	20,043	-	(99)	19,944
Subtotal (bank)				**123,961**	**151**	**(198)**	**123,914**
I.T.R. Dori B.V.	PLN	6%	2012	42,610	217	-	42,827
Gator Investments Sp. z o.o.	PLN	6%	2012	10,338	53	-	10,391
Subtotal (related parties)				**52,948**	**270**	**-**	**53,218**
Loans from partner in jointly controlled entity (Espresso)	PLN	8%	2012	1,102	209	-	1,311
Loans from partner in jointly controlled entity (Espresso)	PLN	8.5% (1)	2016	4,025	7	-	4,032
Subtotal (third parties)				**5,127**	**216**	**-**	**5,343**
Total				**182,036**	**637**	**(198)**	**182,475**

(1) Interest based on the latest interest rate as charged on the construction credit/loan granted by the banks to the Group and increased by 2%, and updated at the beginning of each quarter.

30. Trade and other payables and accrued expenses

As at 31 December *In thousands of Polish Zlotys (PLN)*	**2011**	**2010**
Trade payables	21,659	9,952
Guarantees for construction work (1)	2,774	3,044
Accrued expenses	4,866	3,900
Value added tax (VAT) and other tax payables	822	929
Non-trade payables	1,711	1,128
Total trade and other payables and accrued expenses	**31,832**	**18,953**

Trade and non-trade payables are non-interest bearing and are normally settled on 30-day terms.

(1) The long-term part of guarantees for construction works is presented in non-current liabilities.

Notes to the Consolidated Financial Statements

31. 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	**2011**	**2010**
In thousands of Polish Zlotys (PLN)		
Gemini II	42,967	-
Sakura I	17,366	1,247
Verdis I	11,335	471
Impressio I	4,688	69
Imaginarium III	4,448	12,290
Naturalis II	2,330	-
Naturalis I	1,130	374
Panoramika I	1,110	-
Espresso I	587	-
Chilli I	572	-
Galileo	356	3,082
Constans	129	6,910
Nautica I	145	6,033
Nautica II	93	565
Gemini I	71	4,071
Gardenia	9	6,497
Imaginarium I	-	612
Imaginarium II	-	2,036
Other	55	90
Total Advance received	**87,391**	**44,347**

For information about contingent receivables from signed contracts with clients, see Note 34.

32. Provisions

For the year ended 31 December	**2011**	**2010**
In thousands of Polish Zlotys (PLN)		
Balance at the beginning of the year	**6,504**	**3,086**
Increase/(decrease)	(6,243)	3,418
Balance at the end of the year	**261**	**6,504**

As at 31 December 2011, the provision included expected necessary costs of guarantees for construction works amounting to PLN 261 thousand, whereas as at 31 December 2010, the provision included:

- expected costs of development of certain plots of land owned by the Group according to the conditions imposed by local authorities amounting PLN 5,650 thousand. The costs of development were fully paid by the Group to the local authorities during 2011;
- expected necessary costs of guarantees for construction works amounting PLN 220 thousand;
- expected corporate tax expenses in relation to a dispute between one of the Company's subsidiary and the local tax authorities in Poland amounting PLN 634 thousand. The final court verdict was received during 2011 and requested amounts were paid by the Company's subsidiary.

Notes to the Consolidated Financial Statements

33. 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:

In thousands of Polish Zlotys (PLN)	*Category*	*Note*	As at 31 December 2011	
			Carrying amount	Fair value
Assets:				
Trade and other receivables	*Loans and receivables*	*22*	1,686	1,686
Short-term bank deposits – collateralized	*Loans and receivables*	*24*	2,512	2,491
Loans granted to third parties	*Loans and receivables*	*19*	928	964
Cash and cash equivalents	*Held for trading*	*25*	94,622	94,622
Liabilities:				
Secured bank loans	*Other financial liabilities*	*29*	117,711	115,185
Floating rate bonds	*Other financial liabilities*	*29*	87,847	87,847
Loans from third parties	*Other financial liabilities*	*29*	5,726	5,726
Trade and other payables and accrued expenses	*Other financial liabilities*	*30*	31,010	31,010
Unrecognized gain				**2,541**

In thousands of Polish Zlotys (PLN)	*Category*	*Note*	As at 31 December 2010	
			Carrying amount	Fair value
Assets:				
Trade and other receivables and notary deposits	*Loans and receivables*	*22*	7,807	7,807
Short-term bank deposits – collateralized	*Loans and receivables*	*24*	1,585	1,575
Loans granted to third parties	*Loans and receivables*	*19*	544	584
Cash and cash equivalents	*Held for trading*	*25*	94,888	94,888
Liabilities:				
Secured bank loans	*Other financial liabilities*	*29*	123,914	124,109
Loans from related parties	*Other financial liabilities*	*29*	53,218	52,776
Loans from third parties	*Other financial liabilities*	*29*	5,343	5,632
Trade and other payables and accrued expenses	*Other financial liabilities*	*30*	18,024	18,024
Unrecognized gain				**(12)**

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 2011 and 31 December 2010 and are as follows:

As at 31 December	**2011**	**2010**
Loans and borrowings	8.49%	6.86%
Short-term bank deposits – collateralized	4.50%	4.00%

Notes to the Consolidated Financial Statements

34. Commitments and contingencies

Investment commitments:

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

For the year ended 31 December *In thousands of Polish Zlotys (PLN)*	2011	2010
Gemini II	33,141	-
Sakura II	26,188	-
Verdis	20,103	35,177
Naturalis III	11,917	-
Panoramika I	9,973	15,946
Naturalis I	5,972	8,107
Sakura I	5,303	25,286
Chilli I	3,673	-
Naturalis II	2,779	11,149
Impressio I	622	14,939
Constans	184	702
Imaginarium III	178	8,224
Nautica II	-	1,359
Total	**120,033**	**120,889**

Other commitments:

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 liabilities:

As at 31 December 2011, the Group did not have any contingents liabilities.

Notes to the Consolidated Financial Statements

34. Commitments and contingencies (cont'd)

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 2011 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 *In thousands of Polish Zlotys (PLN)*	**2011**	**2010**
Gemini II	41,100	-
Verdis I	15,020	3,139
Sakura I	9,981	5,435
Espresso I	5,540	-
Impressio I	5,446	632
Chilli I	2,699	-
Naturalis II	2,145	-
Naturalis I	1,877	2,124
Panoramika I	1,611	-
Nautica II	1,528	-
Constans	1,165	2,711
Imaginarium III	1,095	13,417
Galileo	946	6,697
Gardenia	675	2,996
Nautica I	565	703
Gemini I	36	415
Imaginarium II	-	124
Total	**91,429**	**38,393**

35. 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 2011. 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.

Outstanding balances with related parties as at 31 December 2011 and as at 31 December 2010 are unsecured, interest free (except for loans payable to shareholders) and settlement occurs in cash. The Group did not record any impairment of receivables relating to amounts owed by related parties in either year. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Notes to the Consolidated Financial Statements

35. Related parties (cont'd)

Loans received

During the year ended 31 December 2011, the Group repaid 100% of the loans received from related parties including accrued interest amounting to PLN 54.5 million, and did not receive any loans from related parties in this period. During the year ended 31 December 2010, the Group repaid loans from related parties amounting to PLN 10,288 thousand, comprising only accrued interest, and did not receive any loans from related parties in this period. For further information see Note 29.

Transactions with key management personnel

As at 31 December 2011, 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
Ronen Ashkenazi - Member of the Management Board
Karol Pilniewicz - Member of the Management Board
Israel Greidinger - Member of the Management Board

Loans to directors

As at 31 December 2011 and 31 December 2010, there were no loans granted to directors.

Key Management Board personnel compensation

Apart from the compensation listed below, there were no further benefits, including share based payments granted to key management personnel in the periods ended 31 December 2011 and 31 December 2010. Key management personnel compensation can be presented as follows:

As at 31 December *In thousands of Polish Zlotys (PLN)*	**2011**	**2010**
Mr Shraga Weisman, Chief Executive Officer		
Salary and other short term employee benefits	1,478	1,466
Management bonus	182	1,157
Subtotal - Mr Shraga Weisman	**1,660**	**2,623**
Mr Tomasz Łapiński, Chief Financial Officer		
Salary and other short term employee benefits	522	488
Management bonus	40	353
Subtotal - Mr Tomasz Łapiński	**562**	**841**
Mr Andrzej Gutowski, Sales and Marketing Director		
Salary and other short term employee benefits	311	249
Management bonus	197	112
Subtotal - Mr Andrzej Gutowski	**508**	**361**
Total	**2,730**	**3,825**

Supervisory Board remuneration

The Supervisory Board of the Company consists of 6 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 Board members have waived their remuneration and thus did not receive any payment from the Company. The total amount due in respect of Supervisory Board fees during 2011 is PLN 221 thousand (EUR 54 thousand; 2010: PLN 179 thousand (EUR 45 thousand)).

Notes to the Consolidated Financial Statements

35. Related parties (cont'd)

Residential units purchased by key management

During the year ended 31 December 2010, the Group has sold residential 3 units including parking places and storages ("Units") to Mr Andrzej Gutowski, Mr Tomasz Łapiński and Mr Karol Pilniewicz for a total net amount (excluding VAT) PLN 424 thousand, PLN 467 thousand and PLN 429 thousand, respectively. These transactions were executed at arm's length and were in adherence to the Group's policy in respect of related-party transactions. During the year ended 31 December 2011, similar transactions did not occur.

Shares and share options

During the years ended 31 December 2011 and 31 December 2010, the members of the Management Board did not receive rights to shares or options on shares.

36. 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 Management Board reviews and agrees policies for managing each of these risks and they are summarised below. The Group also monitors the market price risk arising from all financial instruments.

The Group does not use derivative financial instruments to hedge currency or interest rate risks arising from the Group's operations and its sources of finance. It is, and has been throughout the year ended 31 December 2011 and 2010, 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 and receivables.

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 amounts of the financial assets represent the maximum credit risk exposure. The maximum exposure to credit risk at the reporting date was as follows:

In thousands of Polish Zloty (PLN)	**As at 31 December 2011**	**As at 31 December 2010**
Trade and other receivables	2,880	8,312
Short-term bank deposits - collateralized	2,512	1,585
Cash and cash equivalents	94,622	94,888
Total	**100,014**	**104,785**

Notes to the Consolidated Financial Statements

36. Financial risk management, objectives and policies (cont'd)

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

In thousands of Polish Zloty (PLN)	**As at 31 December 2011**	**As at 31 December 2010**
Rating		
AAA	11	18
AA	1,764	21,995
A	76,715	72,432
BBB	15,620	443
CCC	512	-
Total cash at banks and short-term bank deposits	**94,622**	**94,888**

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 payables denominated in a currency other than PLN to a limited extent only. As at 31 December 2011 and 2010, trade receivables denominated in foreign currencies were insignificant.

(ii) Price risk

The Group's exposure to marketable and non-marketable securities price risk does not exists because the Group has not invested in securities as at 31 December 2011 and 2010.

(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. The Company repaid all its fixed-rate borrowings (shareholder loans) during 2011.

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.

Notes to the Consolidated Financial Statements

36. Financial risk management, objectives and policies (cont'd)

Interest rate risk and liquidity risk analysed

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 2011					
In thousands of Polish Zlotys (PLN)	**Note**	**Average effective interest rate**	**Total**	**6 months or less**	**6-12 months**	**1-2 years**	**2-5 years**	**More than 5 years**
Fixed rate instruments								
Cash and cash equivalents	*25*	0.05%-0.3%	**2,917**	2,917	-	-	-	-
Loans granted to third parties	*19*	13.50%	**928**	-	-	928	-	-
Short-term bank deposits - collateralized	*24*	2%-3%	**2,512**	2,512	-	-	-	-
Variable rate instruments								
Secured bank loans	*29*	WIBOR + bank's margin	**117,711**	11,284	84,681	21,746	-	-
Loans from others	*29*	9.3%[(1)]	**5,726**	-	-	-	5,726	-
Floating rate bonds	*29*	WIBOR 6M + 4.5%-4.95%	**87,847**	1,667	-	-	86,180	-
Cash and cash equivalents	*25*	WIBOT + 0.1%-0.5%	**91,705**	91,705	-	-	-	-

[(1)] *The interest rate is calculated based on the latest interest rate calculated on the construction credit/loan granted by bank to the Group increased by 2%, and updated at the beginning of every quarter.*

			As at 31 December 2010					
In thousands of Polish Zlotys (PLN)	**Note**	**Average effective interest rate**	**Total**	**6 months or less**	**6-12 months**	**1-2 years**	**2-5 years**	**More than 5 years**
Fixed rate instruments								
Loans from related parties	*29*	6.00%	**53,218**	270	52,948	-	-	-
Loans from others	*29*	8.00%	**1,311**	1,311	-	-	-	-
Cash and cash equivalents	*25*	0.05%-0.5%	**4,492**	4,492	-	-	-	-
Short-term bank deposits – collateralized	*24*	2%-3%	**1,585**	1,585	-	-	-	-
Variable rate instruments								
Secured bank loans	*29*	WIBOR + bank's margin	**123,914**	74,701	-	29,257	19,956	-
Loans from others	*29*	8.5%[(1)]	**4,032**	-	-	-	-	4,032
Loans granted to third parties	*19*	8.5%[(1)]	**544**	-	-	-	-	544
Cash and cash equivalents	*25*	WIBOR + 1%-2%	**90,396**	90,396	-	-	-	-

[(1)] *The interest rate is calculated based on the latest interest rate calculated on the construction credit/loan granted by bank to the Group increased by 2%, and updated at the beginning of every quarter.*

Notes to the Consolidated Financial Statements

36. Financial risk management, objectives and policies (cont'd)

Interest rate risk and liquidity risk analysed (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.

	As at 31 December 2011		As at 31 December 2010	
In thousands of Polish Zlotys (PLN)	**Increase by 1%**	**Decrease by 1%**	**Increase by 1%**	**Decrease by 1%**
Statement of comprehensive income				
Variable interest rate assets	306	(306)	301	(301)
Variable interest rate liabilities *	(702)	702	(425)	425
Total	**(396)**	**396**	**(124)**	**124**
Net assets				
Variable interest rate assets	306	(306)	301	(301)
Variable interest rate liabilities *	(702)	702	(425)	425
Total	**(396)**	**396**	**(124)**	**124**

* 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.

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 2011			
In thousands of Polish Zlotys (PLN)	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
Loans and borrowings	112,082	32,083	98,202	-
Trade and other payables	31,010	-	-	-
Total	**143,092**	**32,083**	**98,202**	**-**

	As at 31 December 2010			
In thousands of Polish Zlotys (PLN)	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
Loans and borrowings	133,292	32,746	24,188	5,259
Trade and other payables	18,024	-	-	-
Total	**151,316**	**32,746**	**24,188**	**5,259**

Notes to the Consolidated Financial Statements

36. Financial risk management, objectives and policies (cont'd)

Real-estate risk

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 are using mortgage secured loans to finance the purchase of apartments.

Notes to the Consolidated Financial Statements

37. 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 Group's policy is to keep the gearing ratio of the Group lower than 65%, and a leverage of the Group lower than 50%.

Banking covenants vary according to each loan agreement, but typically are not related directly to the gearing ratio of the Company but to the proportion of loan to value of the mortgage collateral which usually is required not to cross the limit of 50% or 60%. Moreover the Company is obliged to monitor its indebtedness according to the conditions of the bond issuance, which require, amongst others, that the total liabilities shall not exceed 75% of total assets (total balance sum) of the Company. During the period the Group did not breach any of its loan covenants, nor did it default on any other of its obligations under its loan agreements.

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 2011 and 31 December 2010 were as follows:

As at 31 December	**2011**	**2010**
In thousands of Polish Zlotys (PLN)		
Loan and borrowings, including current portion	211,284	182,475
Less: cash and cash equivalents	(94,622)	(94,888)
Net debt	**116,662**	**87,587**
Total equity	428,457	417,377
Total capital employed	**545,119**	**504,964**
Gearing ratio	**27.2%**	**21.0%**
Leverage	**21.4%**	**17.3%**

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.

During the period the Group did not breach any of its loan covenants, nor did it default on any other of its obligations under its loan agreements.

As at 31 December 2011 the Groups' market capitalisation was below the value of net assets. The Management took appropriate steps to review the accounts in respect if there is any additional impairment required and found no basis for it. The Management verified that the forecasted margin on inventory significantly exceed the negative value between the market capitalisation and the net assets.

Notes to the Consolidated Financial Statements

38. Cash flow reconciliation

Inventory

For the year ended 31 December *In thousands of Polish Zlotys (PLN)*	2011	2010
Balance sheet change in inventory	(87,788)	102,724
Finance expense, net capitalized into inventories	16,682	14,369
Investment in joint venture	-	12,984
Investment in newly consolidated subsidiaries	13,275	-
Write-down of inventory	-	(2,188)
Inventory transferred into fixed assets	-	(5,803)
Change in inventory in the consolidated statement of cash flows	**(57,831)**	**122,086**

Trade and other receivables and prepayments

For the year ended 31 December *In thousands of Polish Zlotys (PLN)*	2011	2010
Balance sheet change in trade and other receivables and prepayments	926	6,604
Investment in joint venture	427	466
Change in trade and other receivables and prepayments in the consolidated statement of cash flows	**1,353**	**7,070**

Trade and other payables and accrued expenses

For the year ended 31 December *In thousands of Polish Zlotys (PLN)*	2011	2010
Balance sheet change in trade and other payables and accrued expenses	13,263	(8,776)
Investment in joint venture	(312)	(26)
Acquisitions of investment property	-	2,500
Change in trade and other payables and accrued expenses in the consolidated statement of cash flows	**12,951**	**(6,302)**

Notes to the Consolidated Financial Statements

39. Events during the financial year

Land purchase

In January 2011, the joint venture company Ronson Espresso Sp. z o.o. (previously known as Landex Sp. z o.o.) has executed preliminary sale purchase agreement by finalizing acquisition of the land with an area of 7,602 m^2 located in Warsaw, Wola District, at Jana Kazimierza Street. The Company had the option to withdraw from the transaction if Ronson Espresso Sp. z o.o. was not able to receive the building permit for the project by end of 2011. The building permit was finally obtained with little delay (in February 2012) but the Company did not consider to utilise its option as the expected delay was very insignificant. As at 31 December 2011 the fair value of the above described option was estimated at nil.

In December 2011, the Group acquired a parcel of land with an area of 1,115 m^2 located in Warsaw, city centre, at Tamka Street.

Bonds

On 18 April 2011, the Company issued 5,134 series A bonds with an aggregate nominal value of PLN 51,340 thousand and 3,616 series B bonds with an aggregate nominal value of PLN 36,160 thousand. Reference is made to Note 29.

Bank loans

In January 2011, the Company entered into annexes to loan facilities with Millennium Bank for financing land acquisitions for a total amount of PLN 17.1. Based on the signed annexes, the Company repaid 25% of the loan (PLN 4.3 million). The repayment dates of the remaining amount (PLN 12.9 million) have been extended to 31 January 2012, however the Company decided to repay PLN 1.9 million before the end of December 2011.

In March 2011, the Company entered into annexes to loan facilities with BZWBK S.A. for financing land acquisitions for a total amount of PLN 55.4 million. Based on the signed annexes, the repayment dates of these loans have been extended from 31 March 2011 to 1 July 2012.

Related parties loans

In March 2011, the Group repaid 50% of the loans received from related parties amounting to PLN 26.5 million. The repayment related to principal amount only. In August 2011, the remainder of the loans received from related parties, including accrued interest amounting to PLN 28.0 million, was repaid.

Completions of projects

In July 2011, the Group completed the construction of the Nautica II project comprising 3 units with a total area of 622 m^2.

In November 2011, the Group completed the construction of the Imaginarium III project comprising 45 units with a total area of 3,800 m^2.

Commencements of new projects

In March 2011, the Group commenced the construction of the Gemini II project (the sales process commenced earlier) comprising 182 units with an aggregate floor space of 13,700 m^2.

In June 2011, the Group commenced the construction of the Chilli I project comprising 30 units with an aggregate floor space of 2,100 m^2.

In August 2011, the Group commenced the sales process in the Espresso I project (the construction has not yet started) comprising 212 units with an aggregate floor space of 9,500 m^2.

In October 2011, the Group commenced the construction of the Sakura II project (the sales process will commence in January 2012) comprising 136 units with an aggregate floor space of 8,200 m^2.

In December 2011, the Group commenced the construction of the Naturalis III project (the sales process will commence in January 2012) comprising 60 units with an aggregate floor space of 3,400 m^2.

Notes to the Consolidated Financial Statements

40. Subsequent events

Bank loans

In January 2012, the Company entered into annexes to loan facilities with Millennium Bank for financing land acquisitions for a total amount of PLN 11.0 million. The repayment dates have been extended to 31 July 2012.

Other

In February 2012, the Company obtained a building permit for the first stage of Espresso project in Warsaw.

Company Financial Statements for the year ended 31 December 2011

Company Income Statement

For the year ended 31 December *In thousands of Polish Zlotys (PLN)*	***Note***	**2011**	**2010**
Revenues from consulting services		3,488	5,434
General and administrative expense	*3*	(3,130)	(4,831)
Operating profit		**358**	**603**
Finance income	*5*	6,806	5,534
Finance expense	*5*	(6,435)	(961)
Net finance income		**371**	**4,573**
Profit before taxation		**729**	**5,176**
Income tax	*6*	-	-
Profit before result from subsidiaries		**729**	**5,176**
Result from subsidiaries after taxation	*8*	**6,097**	**29,915**
Profit for the year		**6,826**	**35,091**

The notes on pages 95 to 100 are an integral part of these Company financial statements.

Company Statement of Financial Position

After profit appropriation

As at 31 December *In thousands of Polish Zlotys (PLN)*	*Note*	2011	2010
Assets			
Investment in subsidiaries	*8*	403,503	382,887
Loan granted to subsidiaries	*9*	101,419	18,769
Total non-current assets		**504,922**	**401,656**
Trade and other receivables and prepayments		269	69
Receivable from subsidiaries		3,994	4,259
Loan granted to subsidiaries	*9*	1,756	-
Cash and cash equivalents		5,104	29,332
Total current assets		**11,123**	**33,660**
Total assets		**516,045**	**435,316**
Equity			
Shareholders' equity	*10*		
Share capital		20,762	20,762
Share premium reserve		282,873	282,873
Revaluation reserve		4,173	4,173
Retained earnings		116,395	109,569
Total shareholders' equity		**424,203**	**417,377**
Liabilities			
Long-term liabilities			
Floating rate bond loans	*12*	86,180	-
Total long-term liabilities		**86,180**	**-**
Current liabilities			
Floating rate bond loans	*12*	1,667	-
Loans from subsidiaries	*11*	3,310	16,864
Trade and other payables and accrued expenses		685	1,075
Total current liabilities		**5,662**	**17,939**
Total liabilities		**91,842**	**17,939**
Total shareholders' equity and liabilities		**516,045**	**435,316**

The notes on pages 95 to 100 are an integral part of these Company financial statements.

Company Statement of Changes in Equity

For the years ended 31 December 2011 and 31 December 2010:

In thousands of Polish Zlotys (PLN)	Share capital	Share premium	Revaluation reserve	Retained earnings	Total equity
Balance at 1 January 2010	**20,762**	**282,873**	**4,173**	**74,410**	**382,218**
Net profit for the year ended 31 December 2010	-	-	-	35,091	35,091
Share-based payments [1)]	-	-	-	68	68
Balance at 31 December 2010	**20,762**	**282,873**	**4,173**	**109,569**	**417,377**
Net profit for the year ended 31 December 2011	-	-	-	6,826	6,826
Share-based payments [1)]	-	-	-	-	-
Balance at 31 December 2011	**20,762**	**282,873**	**4,173**	**116,395**	**424,203**

[1)] See Note 26 B to the Consolidated Financial Statements

The notes on pages 95 to 100 are an integral part of these Company financial statements.

Company Statement of Cash Flows

For the year ended 31 December		2011	2010
In thousands of Polish Zlotys (PLN)	*Note*		
Cash flows from operating activities			
Profit for the year		6,826	35,091
Adjustments to reconcile profit for the period to net cash (used in)/from operating activities:			
Net finance income, net	*5*	(371)	(4,573)
Net results subsidiaries during the year	*8*	(6,097)	(29,915)
Share based payment		-	68
Subtotal		358	671
Decrease/(increase) in trade and other receivables and prepayments		(200)	42
Decrease/(increase) in receivable from subsidiaries		265	(2,601)
Increase/(decrease) in trade and other payable and accrued expense		(390)	43
Subtotal		33	(1,845)
Interest paid, net		9,565	955
Net cash used in operating activities		**9,598**	**(890)**
Cash flows from investing activities			
Loans granted to subsidiaries, net of issue cost		(98,250)	(14,250)
Repayment of loans granted to subsidiaries		7,100	3,800
Dividend from subsidiary	*8*	13,932	-
Investment in subsidiaries	*8*	(28,451)	(4,805)
Net cash used in investing activities		**(105,669)**	**(15,255)**
Cash flows from financing activities			
Repayment of loans received from subsidiaries		(13,932)	-
Proceeds from bond loans, net of issue costs		85,775	-
Net cash from financing activities		**71,843**	**-**
Net change in cash and cash equivalents		**(24,228)**	**(16,145)**
Cash and cash equivalents at 1 January		29,332	45,477
Cash and cash equivalents at 31 December		**5,104**	**29,332**

The notes on pages 95 to 100 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 2011, 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) 72 Polish companies. 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 financial statements 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.

Revenue from the consulting services are fees charged from holding to subsidiaries and is it eliminated upon consolidation.

3. General and administrative expense

For the year ended 31 December *In thousands of Polish Zlotys (PLN)*	**2011**	**2010**
External services	990	1,156
Share-based payment	-	68
Remuneration fees	2,051	3,434
Other	89	173
Total	**3,130**	**4,831**

Notes to the Company Financial Statements

4. Directors' remuneration

Key Management Board personnel compensation

Apart from the compensation listed below, there were no further benefits, including share based payments granted to key management personnel in the periods ended 31 December 2011 and 31 December 2010. Key Management Board personnel compensation can be presented as follows:

As at 31 December	**2011**	**2010**
In thousands of Polish Zlotys (PLN)		
Mr Shraga Weisman, Chief Executive Officer		
Salary and other short term employee benefits	1,478	1,466
Management bonus	182	1,157
Subtotal - Mr Shraga Weisman	**1,660**	**2,623**
Mr Tomasz Łapiński, Chief Financial Officer		
Salary and other short term employee benefits	522	488
Management bonus	40	353
Subtotal - Mr Tomasz Łapiński	**562**	**841**
Mr Andrzej Gutowski, Sales and Marketing Director		
Salary and other short term employee benefits	311	249
Management bonus	197	112
Subtotal - Mr Andrzej Gutowski	**508**	**361**
Total	**2,730**	**3,825**

Supervisory Board remuneration

The Supervisory Board of the Company consists of 6 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 Board members have waived their remuneration and thus did not receive any payment from the Company. The total amount due in respect of Supervisory Board fees during 2011 is PLN 221 thousand (EUR 54 thousand; 2010: PLN 179 thousand (EUR 45 thousand)) and can be presented as follows:

As at 31 December	**2011**	**2010**
In thousands of Polish Zlotys (PLN)		
Mr Mark Segall	71	65
Mr Yair Shilhav	68	63
Mr Reuven Sharoni	61	51
Mr Przemyslaw Kowalczyk	21	-
Total	**221**	**179**

(*) The amounts above were translated from EUR into Polish Zlotys (PLN) using the average exchange rate Published by the NBP.

Share and options on shares

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 years ended 31 December 2011 and 31 December 2010, the other selected employees that joined the option program had not exercised any of their options.

During the years ended 31 December 2011 and 31 December 2010, the members of the Management Board and the members of the Supervisory Board did not receive rights to shares or options on shares. As at 31 December 2011 the rights to shares that were outstanding to individual members of the Management Board and Supervisory Board are as follows:

Notes to the Company Financial Statements

4. Directors' remuneration (cont'd)

Share and options on shares (cont'd)

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, the optional exercising term will expire on 5 November 2012. Mr Gutowski did not exercise this right. The cost impact of the share based payment on the financial statements of the Company was nil for the year ended 31 December 2011 (31 December 2010: expense of PLN 68 thousand).

5. Net finance income and expense

For the year ended 31 December *In thousands of Polish Zlotys (PLN)*	**2011**	**2010**
Interests on granted loans to subsidiaries	5,258	4,454
Interest income on bank deposits	1,483	1,032
Foreign exchange gain	65	48
Finance income	**6,806**	**5,534**
Interest expense on bonds measured at amortized cost	(5,633)	-
Interests on loans received from subsidiaries	(378)	(836)
Foreign exchange loss	-	(109)
Commissions and fees	(424)	(16)
Finance expense	**(6,435)**	**(961)**
Net finance income	**371**	**4,573**

6. Income tax

No Dutch income taxes have been recorded, primarily because current year's tax charge has been offset against the carry forward of taxable losses from the past. Realisations of these carry forward tax losses are dependent upon generating sufficient taxable income in the period that the carry forward tax losses are realised. Based on all available information, it is not probable that the carry forward tax losses are realisable and therefore no deferred tax asset is recognized.

The accumulated tax losses available for carry forward as per 31 December 2011 are estimated to be EUR 1,893 thousand (2010: EUR 2,001 thousand) and expire as follows:

In thousands of Euros (EUR)	**As at 31 December 2011**
2012	-
2013	-
2014	-
2015	-
2016	1,205
After 2016	688
Total tax losses carry forward	**1,893**

Notes to the Company Financial Statements

7. Personnel

The Company did not employ any personnel during the financial years ended 31 December 2011 and 31 December 2010.

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 *In thousands of Polish Zlotys (PLN)*	**2011**	**2010**
Balance at beginning of the year	382,887	276,945
Investments in subsidiaries	28,451	4,805
Net result subsidiaries during the year	6,097	29,915
Dividends received during the year	(13,932)	-
Loans converted into equity [(1)]	-	71,222
Balance at end of the year	**403,503**	**382,887**

(1) The conversion of loans into equity was done to optimize the finance structure in the Group.

9. Loan granted to subsidiaries

Loans as at 31 December 2011:

In thousands of Polish Zlotys (PLN)	Currency	Nominal interest rate	Year of maturity	Capital	Accrued interest	Charges and fees	Carrying value
	PLN	6%	2013	7,350	1,768	-	9,118
	PLN	Wibor 6M + 4.75%	2014	51,340	1,000	(825)	51,515
	PLN	Wibor 6M + 5.45%	2014	36,160	755	(610)	36,305
	PLN	6%	2016	6,000	237	-	6,237
Total loans granted to subsidiaries				**100,850**	**3,760**	**(1,435)**	**103,175**

Loans as at 31 December 2010:

In thousands of Polish Zlotys (PLN)	Currency	Nominal interest rate	Year of maturity	Capital	Accrued interest	Charges and fees	Carrying value
	PLN	6%	2012	-	6,335	-	6,335
	PLN	6%	2013	7,950	2,365	-	10,315
	PLN	6%	2014	-	1,396	-	1,396
	PLN	6%	2015	-	723	-	723
Total loans granted to Subsidiaries				**7,950**	**10,819**	**-**	**18,769**

The borrower may redeem the loan at any time starting one year from the loan agreement date. The loans are not secured.

Notes to the Company Financial Statements

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 2011 amounted to 272,360,000 (as at 31 December 2010: 272,360,000 shares).

According to Dutch Law the Company has an amount (net of tax) of PLN 4,173 thousand (2010: PLN 4,173 thousand) as legal reserve relating to unrealised results of changes in fair value of investment property in underlying subsidiary.

11. Loans from subsidiaries

As at 31 December 2011 the loans from subsidiaries included only accrued interest and as at 31 December 2010 included an amount of PLN 13,932 thousand as nominal loan amount and an amount of PLN 2,931 thousand as accrued interest. The loans mature on 31 October 2012 and bear an interest rate of 6%, the principal and accrued interest are payable at the date of maturity of the loan. The full principal amounts have been redeemed before 31 December 2011.The borrower may redeem the loan at any time starting one year from the loan agreement date.

12. Floating rate bond loans

As at 31 December 2011 the floating rate bonds loan comprise a loan principal amount of PLN 87,500 thousand plus accrued interest of PLN 1,667 thousand minus costs directly attributed to the bond issuance (which are amortized based on the effective interest method) amounting to PLN 1,320 thousand. For additional information see note 29 of the Consolidated Financial Statements.

13. Commitments and contingencies

As at 31 December 2011, 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 34 to the Consolidated Financial Statements.

14. Related party transactions

During the financial years ended 31 December 2011 and 31 December 2010, 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.

15. Financial risk management, objectives and policies

For a description of the Company's financial risk management, objectives and policies reference is made to Note 36 of the Consolidated Financial Statements.

Notes to the Company Financial Statements

16. 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 *In thousands of Polish Zlotys (PLN)*	2011	2010
Audit remuneration [(1)]	651	603
Total remuneration	**651**	**603**

(1) 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). Part of audit fee related to Dutch auditor and amounted to PLN 199 thousand being equivalent of EUR 46.1 thousand for 2011 and PLN 178 thousand is equivalent of EUR 44.6 thousand for 2010.

17. Subsequent events

For a description of the Company's subsequent events reference is made to Note 40 of the Consolidated Financial Statements.

Rotterdam,
6 March 2012

The Management Board

Shraga Weisman Chief Executive Officer	**Tomasz Łapiński** Chief Financial Officer	**Andrzej Gutowski** Sales and Marketing Director
Israel Greidinger	**Ronen Ashkenazi**	**Karol Pilniewicz**

The Supervisory Board

Arie Mientkavich	**Frank Roseen**	**Mark Segall**
Yair Shilhav	**Reuven Sharoni**	**Przemyslaw Kowalczyk**

Articles of Association rules regarding profit appropriation

In accordance with Article 30 of the Articles of Association,

1) the Management Board, 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 Management Board, which proposal must be approved by the Supervisory Board, 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 Management Board, 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 Management Board, 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 Management Board 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 Management Board 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 2011, Management proposes to allocate the net profit for the year 2011 amounting to PLN 6,826 thousand to retained earnings. This proposal has been reflected in the Company's Statement of Financial Position per 31 December 2011.

Subsequent events – other information

Refer to note 40 of the consolidated financial statements (page 90).

Auditor's report

The auditor's report is set up on pages 35 and 36.