

Ronson Europe N.V.

Semi-annual Report
for the six months ended
30 June 2008

GENERAL INFORMATION

Management Board

Dror Kerem
Ariel Bouskila (resigned on 23 June 2008)
Tomasz Łapiński (as of 23 June 2008)
Karim Habra (resigned on 3 September 2008)
David Katz
Amos Weltsch

Supervisory Board

Uri Dori
Thierry Leleu
Mark Segall
Yair Shilhav
Reuven Sharoni

Registered office

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The Netherlands

Auditors

KPMG Accountants N.V.
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Directors' Report

General

Introduction

Ronson Europe N.V. ("the Company") is a Netherlands limited liability company with its statutory seat in Rotterdam, the Netherlands, and was incorporated on 18 June 2007. For an historical background and restructuring of the Company in 2007 reference is made to the Notes to the Consolidated Interim Financial Statements (Note 1 (a) on pages 26 and 27).

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

The shares of the Company are traded on the Warsaw Stock Exchange since 5 November 2007. As at 30 June 2008, 63.9% of the outstanding shares are held by I.T.R. Dori B.V. ("ITR Dori"), 18.4% of the outstanding shares are held by GE Real Estate CE Residential B.V. ("GE Real Estate") and the remaining 17.7% of the outstanding shares are held by the public. On 25 September 2008, the market price was PLN 1.59 per share giving the Company a market capitalization of PLN 360.9 million.

Company overview

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

Up to and including the first half year of 2008, the Group has completed eight projects, having delivered 1,020 units with a total area of 69,212 m². The remaining 89 units in these completed projects, with a total area of 6,522 m², are expected to be delivered during the remainder of 2008 (see page 9).

During the six months ended 30 June 2008, the Group completed the construction of 58 units, however, the revenue from those units will be recognized upon delivered during the remainder of 2008. The Group has recognized in this period the revenues from sale of 32 units from projects that were delivered in the first six months of 2008 (see page 3).

As of the date of this semi-annual report, the Group is developing four further projects with a total of 415 residential units, with a total area of approximately 38,018 m², of which 355 units, with a total area of approximately 33,987 m², are expected to be completed by the end of 2009. In addition, the Group has a pipeline of 22 projects under different stages of preparation with approximately 4,956 residential units for future development in Warsaw, Poznań, Wrocław and Szczecin. Moreover, the Group has entered into two preliminary purchase agreements regarding additional properties in Poznań and Warsaw.

Market overview

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

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

Business highlights during the six months ended 30 June 2008

Results breakdown by project

Revenue is recognized upon the transfer to the buyer of significant risks and rewards of the ownership of the residential unit, i.e., upon signing of the protocol of technical acceptance and the transfer of the key to the buyer of the residential unit. Total revenue of the Group during the six months ended 30 June 2008 amounted to PLN 22.9 million, whereas cost of sales amounted to PLN 12.1 million, which resulted in the gross profit amounting to PLN 10.8 million.

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

Project	Revenue		Cost of sales		Gross profit	Gross margin
	PLN (thousands)	%	PLN (thousands)	%	PLN (thousands)	%
Meridian	16,523	72.0%	8,167	67.5%	8,356	50.6%
Mistral	5,931	25.9%	3,736	30.9%	2,195	37.0%
Other	474	2.1%	192	1.6%	282	59.5%
Total / Average	22,928	100.0%	12,095	100.0%	10,833	47.2%

Meridian

The construction of the Meridian housing estate was completed in October 2007. This project was developed on a land strip of 5,196 m² located in the Wola district of Warsaw. The Meridian housing estate comprises 3 seven- and nine-storey buildings with a total of 206 apartments (and 7 commercial units) with an aggregate floor space of 15,000 m². The size of the apartments varies from 47 m² to 183 m².

During the six months ended 30 June 2008, the Group recognized revenue from the sale of 24 apartments (additionally including parking places and storages) and 1 commercial unit.

Mistral

The construction of the Mistral housing estate was completed in December 2007. This project was developed on a land strip of 5,366 m² located in the Ursynów district of Warsaw. The Mistral housing estate comprises 4 two-storey detached houses of 10 to 17 apartments each, with a total of 54 apartments (no commercial units) with an aggregate floor space of 4,300 m². The size of the apartments varies from 51 m² to 113 m².

During the six months ended 30 June 2008, the Group recognized revenue from the sale of 8 apartments (additionally including parking places and storages).

Other

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

Directors' Report

Land Purchase and Advance for land

A. Land purchase

The table below sets out the details of the two strips of land purchased by the Group during the six months ended 30 June 2008:

Subsidiary	Project name	Location	Land strip m ²	Date of the final Notarial Deed	Acquisition price PLN (thousands)
Ronson Development Skyline Sp. z o.o.	Newton	Poznań	10,908	18/01/2008	8,181
Ronson Development Home Sp.k.	Gardenia	Warsaw	7,129	31/03/2008	4,300
Total			18,037		12,481

Newton

On 18 January 2008, Ronson Development Skyline Sp. z o.o. signed the final notarial deed for the purchase of a plot of land with an area of 10,908 m² located in Poznań. The Group is planning to build a housing project that will comprise 25 semi-detached units (total 50 apartments) with an aggregate floor space of 5,600 m².

Gardenia

On 31 March 2008, Ronson Development Home Sp.k. signed the final notarial deed for the purchase of a plot of land with an area of 7,129 m² located in Warsaw. The construction of the Gardenia project commenced in August 2008 (for more information see "Outlook for remainder of 2008 and for 2009" on page 10).

B. Advances for land

The Group had entered into two preliminary purchase agreements in connection with the acquisition of land for the following projects:

Subsidiary	Project name	Location	Land strip m ²	Total consideration PLN (thousand)	Advance Payment PLN (thousand)
Ronson Development West Sp. z o.o.	Aurora	Poznań	38,352	62,000	12,400
Ronson Development North Sp. z o.o.	Łomianki	Warsaw	31,785	21,000	8,500
Total			70,137	83,000	20,900

Aurora

On 25 June 2007, Ronson Development West Sp. z o.o. ("R.D. West") concluded a preliminary sale and purchase agreement in connection with the transfer of ownership rights to four plots of land with an aggregate size of 31,933 m² and right of perpetual usufruct to a plot of land with a size of 6,419 m² in Poznań. The final sale and purchase agreement was expected to be executed on or before 30 June 2008 and was subject to the satisfaction or waiver of various conditions precedent including, without limitation, the confirmation that the plots are not subject to any third party rights, the receipt of the required planning decision and the completion of an environmental audit. Until the date of publication of the report the conditions have not been met.

Łomianki

On 19 November 2007, Ronson Development North Sp. z o.o. ("R.D. North") concluded a preliminary sale and purchase agreement in connection with the transfer of ownership rights to a plot of land with an area of 33,488 m² in Warsaw. On 3 July 2008, the conditional sale and purchase agreement was executed. After a number of modifications, the total area of the land subject to this transaction is 31,785 m². The final notary deed transferring the ownership of the land to R.D. North was signed on 16 September 2008.

Directors' Report**Overview of results**

The Company's net income for the six months ended 30 June 2008 was PLN 2,487 thousand and can be summarized as follows:

	For the six months ended 30 June	
	2008	2007
	PLN	
	(thousands, except per share data)	
Revenue	22,928	12,667
Cost of sales	(12,095)	(8,817)
Gross profit	10,833	3,850
Selling and marketing expenses	(476)	(284)
Administrative expenses	(7,289)	(4,137)
Other income, net	183	130
Result from operating activities	3,251	(441)
Finance income	978	728
Finance expense	(578)	(730)
Net finance income/(expense)	400	(2)
Profit/(loss) before taxation	3,651	(443)
Income taxes benefit/(expense)	(1,164)	251
Profit/(loss) before minority interests	2,487	(192)
Minority interests	-	(34)
Profit/(loss) attributable to equity holders of the parent company	2,487	(226)
Net earnings per share of EUR 0.02 each (basic and diluted)	0.011	0.000

Revenue

Total revenue increased by 81.0% from PLN 12.7 million during the six months ended 30 June 2007 to PLN 22.9 million during the six months ended 30 June 2008, which is primarily explained by higher selling prices per m² for residential units sold and an increase in total m² sold and delivered.

Cost of sales

Cost of sales increased by 37.2% from PLN 8.8 million during the six months ended 30 June 2007 to PLN 12.1 million during the six months ended 30 June 2008, which is primarily explained by an increase in total m² sold and delivered.

Gross profit

Gross profit increased by 181.4% from PLN 3.9 million during the six months ended 30 June 2007 to PLN 10.8 million during the six months ended 30 June 2008. The relatively high increase is primarily explained by the higher selling prices for residential units sold whereas the cost of sales increased to a lesser extent.

Directors' Report**Overview of results (cont'd)***Administrative expenses*

Administrative expenses increased by 76.2% from PLN 4.1 million for the six months ended 30 June 2007 to PLN 7.3 million for the six months ended 30 June 2008. The increase is primarily a result of accruing for the long-term incentive plan of shares and share options for management and key employees at an amount of PLN 2.1 million.

Results from operating activities

As a result of the factors described above, the Company's results from operating activities increased by PLN 3.7 million from an operating loss of PLN 0.4 million for the six months ended 30 June 2007 to an operating profit of PLN 3.3 million for the six months ended 30 June 2008.

Net finance income

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

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

	For the six months ended 30 June 2008		
	PLN (thousands)		
	<u>Total amount</u>	<u>Amount capitalized</u>	<u>Recognized as profit or loss</u>
Finance income	1,293	(315)	978
Finance expense	(9,634)	9,056	(578)
Net finance income/(expense)	<u>(8,341)</u>	<u>8,741</u>	<u>400</u>

	For the six months ended 30 June 2007		
	PLN (thousands)		
	<u>Total amount</u>	<u>Amount capitalized</u>	<u>Recognized as profit or loss</u>
Finance income	893	(165)	728
Finance expense	(3,387)	2,657	(730)
Net finance income/(expense)	<u>(2,494)</u>	<u>2,492</u>	<u>(2)</u>

Net finance expenses increased by 234.4% from PLN 2.5 million for the six months ended 30 June 2007 to PLN 8.3 million for the six months ended 30 June 2008. The increase is primarily a result of increasing balance of the loans and borrowings as well as increasing interest rates.

Minority interests

Minority interests for the period from 1 January 2007 to 30 June 2007 comprised the share of minority shareholders (20.9%) in the results of subsidiaries that were not 100% owned by the Company.

On 27 September 2007, GE Real Estate (the minority shareholder) assigned and contributed its shares and rights in 34 Polish companies in exchange for 11,890 new shares with a par value of EUR 1 per share that provided with the ownership of 20.9% of the Company's total shares. Since that date there is no minority interest remaining in the Company's subsidiaries. For an historical background and restructuring of the Company reference is made to the Notes to the Consolidated Interim Financial Statements (Note 1 (a) on pages 26 and 27).

Overview of selected details from the consolidated balance sheet

The following table presents selected details from the consolidated balance sheet in which material changes had occurred:

	As at 30 June 2008	As at 31 December 2007
	PLN (thousands)	
Inventories of residential units	<u>501,088</u>	<u>457,774</u>
Trade and other receivables	<u>44,310</u>	<u>66,176</u>
Loans and borrowings	<u>256,046</u>	<u>250,844</u>

Inventories of residential units

The balance of inventories of residential units is PLN 501.1 million as of 30 June 2008 as compared to PLN 457.8 million as of 31 December 2007. The increase is primarily a result of the Group's investments associated with the purchase of new plots of land for a total amount of PLN 12.5 million, construction costs for a total amount of PLN 30.0 million and borrowing costs capitalized for a total amount of PLN 8.7 million. The increase is mitigated by cost of sales recognized for a total amount of PLN 12.1 million.

Trade and other receivables

The balance of trade and other receivables is PLN 44.3 million as of 30 June 2008 which compares to a balance of PLN 66.2 million as of 31 December 2007. The decrease is primarily a result of a decrease in advance payments made by the Group for land acquisition from PLN 29.1 million as at 31 December 2007 to PLN 20.9 million as at 30 June 2008, as well as a result of a decrease in value added tax (VAT) receivables from PLN 30.3 million as at 31 December 2007 to PLN 17.1 million as at 30 June 2008.

Loans and borrowings

The total of short-term and long-term loans and borrowings is PLN 256.0 million as of 30 June 2008 compared to PLN 250.8 million on 31 December 2007. The increase is primarily the net effect of new net bank loans taken by the Group for the purpose of financing new projects for a total amount of PLN 10.8 million, on the one hand, and a redemption of shareholders' loans for a total amount of PLN 7.7 million, on the other hand.

Directors' Report**Overview of cash flows results**

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

The following table sets forth the cash flows on a consolidated basis:

	For the six months ended	
	30 June	
	2008	2007
	PLN (thousands)	
Cash flows used in operating activities	<u>(10,244)</u>	<u>(35,394)</u>
Cash flows used in investing activities	<u>(89)</u>	<u>(141)</u>
Cash flows from financing activities	<u>3,202</u>	<u>11,172</u>

Cash flows used in operating activities totaled PLN 10.2 million for the six months ended 30 June 2008 as compared to cash flows used in operating activities totaled PLN 35.4 million for the six months ended 30 June 2007. The decrease is principally due to:

- a decrease in cash flow used in inventories of residential units from PLN 65.3 million during the six months ended 30 June 2007 to PLN 43.0 million during the six months ended 30 June 2008;
- an increase in income tax paid from PLN 1.5 million during the six months ended 30 June 2007 to PLN 6.7 million during the six months ended 30 June 2008.

Cash flows used in investing activities totaled PLN 89 thousand and PLN 141 thousand during the six months ended 30 June 2008 and 30 June 2007, respectively.

Cash flows from financing activities totaled PLN 3.2 million during the six months ended 30 June 2008, as compared to PLN 11.2 million in the six months ended 30 June 2007. The decrease is principally due to:

- an increase in redemption on shareholders' loans from nil during the six months ended 30 June 2007 to PLN 7.7 million during the six months ended 30 June 2008.

Directors' Report

Outlook for the remainder of 2008 and for 2009

A. Completed projects

The table below presents information on the total residential units in the three completed projects that the Company expects to sell and deliver during the remainder of 2008:

Project name	Location	Total units	Number of residential units sold (*)			Number of residential units delivered (*)			Number of residential units expected to be delivered (*) until 31 December 2008
			Until 31 December 2007	During the six months ended 30 June 2008	Total	Until 31 December 2007	During the six months ended 30 June 2008	Total	
Meridian	Warsaw	206	181	9	190	157	24	181	25
Mistral	Warsaw	54	51	3	54	40	8	48	6
Imaginarium I	Warsaw	58	50	5	55	-	-	-	58
Total		318	282	17	299	197	32	229	89

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

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

Meridian

The Meridian project was completed in October 2007. The Meridian housing estate comprises 3 seven- and nine-storey buildings with a total of 206 apartments and 7 commercial units. Until 30 June 2008, the Company recognized revenue from the sale of 181 apartments (additionally including parking places and storages) and 7 commercial units. The Company expects to sell and to deliver the remaining 25 apartments (additionally including parking places and storages) prior to 31 December 2008.

Mistral

The Mistral project was completed in December 2007. The Mistral housing estate comprises 4 two-storey detached houses of 10 to 17 apartments each, with a total of 54 apartments. Until 30 June 2008, the Company recognized revenue from the sale of 48 apartments (additionally including parking places and storages). The Company expects to deliver the remaining 6 apartments (additionally including parking places and storages) prior to 31 December 2008.

Imaginarium I

The Imaginarium project was completed in the first quarter of 2008. The Imaginarium housing estate comprises two-storey buildings with a total of 58 apartments. The occupancy permit, which is required to deliver the apartments to the clients and to recognize revenues, was received on 13 August 2008, therefore the Company expects to realise revenues from the sales of all 58 apartments during the remainder of 2008.

Directors' Report

Outlook for the remainder of 2008 and for 2009 (cont'd)

B. Current projects scheduled to be completed in the remainder of 2008 and 2009

The table below presents information on four projects for which completion is scheduled in the remainder of 2008 and 2009. The Company has obtained construction permits for all four projects and has commenced construction:

Project name	Location	Area of plot (m ²)	Total units	Total area of units (m ²)	Number of residential units sold as at 30 June 2008
Galileo	Poznań	8,598	232	16,100	59
Konstancin	Warsaw	36,377	36	10,000	4
Gardenia	Warsaw	7,129	22	3,520	-
Imaginarium II	Warsaw	12,743	*125	8,398	** 27
Total		64,847	415	38,018	90

* In the first phase of the project 65 apartments were offered to the clients. The management is still working on preparation of the next phase comprising 60 apartments.

** The project was offered for sale in late June, whereby clients had the possibility to execute the reservation agreements. As at 30 June 2008, 27 apartments were reserved whereby reservation deposits had been made. Execution of the pre-sales agreements in this project commenced in July 2008.

Galileo

Stage of development

Construction of the Galileo project commenced in February 2007 and is expected to be completed in the 4th quarter of 2008.

Description of project

The Galileo project is being developed on a land strip of 8,598 m² located in the city center district of Poznań. The Galileo housing project will comprise 5 six-storey apartment buildings with a total of 226 apartments and 6 commercial units with an aggregate floor space of 16,100 m². The size of the apartments varies from 52 to 112 m².

Konstancin

Stage of development

Construction of the Konstancin project commenced in February 2008 and is expected to be completed in the 3rd quarter of 2009, with the completion of a number of units by the end of 2008.

Description of project

The Konstancin project is being developed on a land strip of 36,377 m² located in the Konstancin district in Warsaw. The Konstancin housing project will comprise 18 semi-detached units (total 36 apartments) with an aggregate floor space of 10,000 m².

Gardenia

Stage of development

Construction of the Gardenia project commenced in August 2008 and is expected to be completed in the 3rd quarter of 2009.

Description of project

The Gardenia project is being developed on a land strip of 7,129 m² located in the Józefosław district in Warsaw (near to Piaseczno). The Gardenia project, a single family housing (houses in a row) project, will comprise 22 units with an aggregate floor space of 3,520 m². The size of each unit varies from 171 to 184 m².

Outlook for the remainder of 2008 and for 2009 (cont'd)

B. Current projects scheduled to be completed in the remainder of 2008 and 2009 (cont'd)

Imaginarium II

Stage of development

Construction of the Imaginarium II project commenced in July 2008 and is expected to be completed by the end of the 2nd quarter of 2009.

Description of project

The Imaginarium II project is being developed on a land strip of 12,743 m² located in the Bielany district in Warsaw (Gwiazdzista Street) and is situated next to the Imaginarium I project. The project is a continuation of the Imaginarium I concept in terms of quality and design. Imaginarium II is divided into two phases comprising a total of 125 apartments. The first phase of the project commenced in June 2008 and is divided into 3 multifamily buildings with an aggregate usable floor space of 4,692 m² comprising 65 apartments with sizes varying from 40 to 115 m².

Management has not taken yet a decision about the timing of commencing the second phase of the project (comprising 60 apartments).

C. Other projects

Gemini I

Gemini I is a project situated in Warsaw, in Ursynów at KEN street. The project is very well situated next to the subway station Imielin. The project will be developed on a land strip of 3,933 m² and will comprise one multifamily building of 11 levels. It is envisaged that the ground floor will be reserved for commercial use while the remaining upper levels will comprise residential apartments only. The total planned usable floor space is 12,127 m² for apartments and 1,130 m² for commercial use. The agreement for the construction work has been concluded on 8 September 2008. The agreement envisages commencement of construction works in October 2008 and completion by the end of July 2010.

Plejada

Plejada is a project situated in Tulce in the suburbs of Poznań. The project will comprise about 146 single family houses and will be developed on a land strip of 39,604 m². The validated building permit has been obtained for 51 of 146 buildings. The Company is negotiating the agreement for the construction work, the construction work shall commence before the end of 2008. It is envisaged that in the first phase the Company will commence construction of 18 houses.

Nautica

Nautica is a project situated in Warsaw, in Ursynów at Stryjenskich Street. The project comprises 2 five-storey buildings with the total planned usable area of some 10,500 m² that will be developed on a land strip of 10,700 m². The project comprises approximately 150 apartments. The proximity of the forest in Kabaty and other recreational areas as well as the connections to the Warsaw subway and the availability of other public facilities are attractive features of the Nautica project which are considered to be a large advantage. The Company received a validated building permit. Currently, preparatory works are in an advanced stage, including the negotiations on the agreement for the construction works, which are expected to start before the end of 2008.

Other projects

Other projects, which are at various advanced stages of preparation and which may start towards the end of 2008 / in early 2009 include:

- Mozart, a multifamily project located in Szczecin; strip of land of 30,200 m², aggregated usable floor space of 33,500 m²,
- Copernicus, a multifamily project located in Poznań; strip of land of 9,700 m², aggregated usable floor space of 15,500 m².

Please note that some of the project parameters may change, as the projects are still in their preparation phase.

Directors' Report

Additional information to the report

Major shareholders

To the best of the Company's knowledge, as of the date of publication of this short report for the six months ended 30 June 2008 (26 September 2008), the following shareholders are entitled to exercise over 5% of the voting rights at the General Meeting of Shareholders in the Company:

Shares

	As of 26 September 2008 Number of shares / % of shares	Increase Number of shares	As of 30 June 2008 Number of shares / % of shares	Increase Number of shares	As of 31 December 2007 Number of shares / % of shares
I.T.R. Dori B.V.	145,746,776 64.2%	742,161	145,004,615 63.9%	582,611	144,422,004 63.6%
GE Real Estate CE Residential B.V.	41,800,000 18.4%	-	41,800,000 18.4%	-	41,800,000 18.4%

Changes in ownership of shares and rights to shares by Management Board members in the six months ended 30 June 2008 and until the date of publication of the report

Shares

On 24 June 2008, the Company issued 300,000 new shares with a nominal value of EUR 0.02 each, to Mr. Dror Kerem, President of the Management Board and Chief Executive Officer of the Company. These shares were issued at nominal value in accordance with the right to these shares as granted to Mr. Kerem in 2007. Subsequently, the shares were assigned by Mr. Dror Kerem to Elgindat Holdings Limited, a limited liability company of which Mr. Dror Kerem is a managing director and co-owner. No further shares were issued to Mr. Kerem until the date of publication of this report. Other members of the Management Board did not individually own or receive shares in the Company during the period from 31 December 2007 until 26 September 2008.

Shares options

The members of the Management Board did not individually receive rights to shares or options on shares in the Company during the period from 31 December 2007 until 26 September 2008. Rights to shares that were granted to individual members of the Management Board before 31 December 2007 but which have not been exercised as of the date of publication of this report are as follows:

- Mr. Dror Kerem: a right to subscribe for 240,000 shares in the capital of the Company with a nominal value of EUR 0.02 each, per year on the anniversary of the date the Company's shares were admitted to listing on the Warsaw Stock Exchange (the "Admission") for five successive years, being in total 1,200,000 shares, for an issue price per share equal to PLN 5.75, provided, however, that if the employment agreement between Mr. Kerem and the Company is terminated (for any reason), Mr. Kerem's entitlement to the vesting of the options on the anniversary date of the year of such termination shall be relative to the proportion of the year (to the anniversary date) he was employed by the Company and, thereafter, any remaining options granted in accordance with the above are automatically cancelled; and
- Mr. Ariel Bouskila¹: 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 Admission for three successive years. As Mr. Bouskila stepped down as Management Board member as of 23 June 2008 and resigned from all his functions within the Group as the end of July 2008, the above-mentioned rights have expired.

¹ Mr. Bouskila resigned as member of the Management Board as of 23 June 2008.

Directors' Report**Additional information to the report (cont'd)*****Changes in ownership of shares and rights to shares by Supervisory Board members in the six months ended 30 June 2008 and until the date of publication of the report***

The members of the Supervisory Board did not individually own any shares and/or rights to shares in the Company during the period from 31 December 2007 until 26 September 2008.

Changes in the Management Board in the six months ended 30 June 2008 and until the date of publication of the report

- The Annual General Meeting of Shareholders that took place on 23 June 2008 adopted a resolution appointing Mr. Tomasz Łapiński as managing director A and member of the Board of Managing Directors for a term of four years and granting him the title 'Chief Financial Officer'. His appointment came into force as of the day of the adoption of the resolution.

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 transactions as well as other corporate finance related assignments. He was also responsible for equity capital market (ECM) transactions, including the initial public offering of Ronson Europe N.V. Before joining CA IB Financial Advisers, from 1998 to 2000, Mr. Łapiński worked for the consulting company Central Europe Trust. Mr. Łapiński graduated from Warsaw School of Economics (Finance and Banking Faculty).

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

- Mr. Dror Kerem, subject to acceptance of the General Meeting of Shareholders, will step down as President of the Management Board and Chief Executive Officer of the Company, as of 10 October 2008 (date of the upcoming General Meeting of Shareholders). On 3 September 2008, the Company, its subsidiary Ronson Development Management Sp. o.o. ("Ronson Management"), Mr. Kerem and Elgindat Holdings Ltd., which is a company owned by Mr. Kerem ("Elgindat") concluded a termination agreements whereby parties mutually agreed to terminate the consulting agreement entered into between the Company and Elgindat on 1 January 2008 and the employment agreement entered into between Mr Dror Kerem and Ronson Management on 1 January 2008. The termination of both agreements will be effective as of 31 March 2009. Mr. Kerem has agreed to continue to render agreed-upon services to the Company during the termination period and to cooperate with the new Chief Executive Officer of the Company to ensure a smooth transition. Mr. Kerem shall be entitled to receive his remuneration as specified in the original employment and consulting agreements.
- As per 3 September 2008, Mr. Karim Habra has resigned from his position as Management Board Director (Director B). The resignation by Mr. Karim Habra is connected with his resignation as managing director of GE Real Estate Central and Eastern Europe, which company is an affiliate of GE Real Estate CE Residential B.V., one of the principal shareholders of the Company.

On 18 September 2008, the Supervisory Board has resolved as follows:

- To nominate Mr. Shraga Weisman and Mr. Ariel Bouskila as the candidates for the position President of the Management Board (Managing Director A) and Chief Executive Officer of the Company, replacing Mr. Dror Dory Kerem. And to recommend to the shareholders to appoint Mr. Shraga Weisman as the President of the Management Board (Director A) and Chief Executive Officer of the Company. Mr Weisman served as the 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, Mr. Weisman was the 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.

Directors' Report**Additional information to the report (cont'd)**

- To nominate Mr. Karol Pilniewicz and Mr. Timothy Koster as the candidates for the position of the member of the Board of Managing Directors (Managing Director B) replacing Mr. Karim Habra, and to recommend to the shareholders to appoint Mr. Karol Pilniewicz. Mr. Karol Pilniewicz is employed by GE Real Estate Central Eastern Europe. Before joining GE Real Estate Mr. Pilniewicz was employed by Aareal Bank A.G.
- To nominate Mr. Andrzej Gutowski and Mr. Wilbert Van Twuijver as the candidates for the position of the member of the Board of Managing Directors (Managing Director A) and to recommend to the shareholders to appoint Mr. Andrzej Gutowski and grant him the title Sales and Marketing Director. Mr. Andrzej Gutowski has been employed by Ronson Development Management Sp. z o.o. for 4 years as the Sales and Marketing Manager. Mr. Gutowski is also a member of the management boards of many subsidiaries of the Company.

Appointment of the recommended candidates as the new members of the Management Board (Mr. Shraga Weisman, Mr. Karol Pilniewicz and Mr. Andrzej Gutowski) is subject to the approval of the General Meeting of Shareholders which is scheduled for 10 October 2008.

Changes in the Supervisory Board members in the six months ended 30 June 2008 and until the date of publication of the report

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

Mr. Sharoni's recent positions include Deputy Manager and head of Non Life Arieih 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 Arieih Insurance Company Ltd. Since 2003, Mr. Sharoni has been chairman of Shirbit Insurance Company Ltd. and since 2006 also chairman of Millenium Pension Savings Ltd. The activities of both of these companies are related to the financial sector and are not competitive to Ronson Europe N.V.

Mr. Sharoni graduated from Hebrew University Jerusalem – Middle East Studies, International Affairs. He also accomplished his MBA studies at Sehillier University in Paris.

Other

As of 30 June 2008, the Company has issued guarantees for bank loans granted to subsidiaries amounting to a total of PLN 45,563 thousand.

As of 30 June 2008, the Group has no litigations for 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 six months ended 30 June 2008:

- a decrease in the provision for deferred tax liabilities of PLN 6,599 thousand.

Capital structure, restrictions regarding shareholder rights and issue of new shares in the Company

The share capital of the Company consists of ordinary shares only, whereby one share represents one vote. There are no restrictions in respect of exercising rights attached to the shares by any shareholder. The Management Board is, subject to the approval of the Supervisory Board, authorised to resolve to issue shares for a period of 5 years which period lapses in 2011, for a maximum of 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 authorised share capital. Subject to the above, the Company can only issue shares pursuant to a resolution of the General Meeting of Shareholders for a fixed number of shares and for a fixed period not exceeding 5 years. Such decision can only be taken upon a proposal by the Management Board subject to approval by the Supervisory Board.

Directors' Report**Additional information to the report (cont'd)*****Indemnity for Management Board members and Supervisory Board members***

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

Representation concerning accounting policies

The Management Board confirms to the best of their knowledge that the Consolidated Interim Financial Statements together with comparative figures, have been prepared according to all applicable accounting standards and give a true and fair view of the state of affairs of the Group as at the end of the period and of the profit or loss of the Group for the period then ended.

Management's discussion and analysis in this Semi-annual report show a true and fair view of the state of affairs of the Group, including evaluation of major risks and uncertainties.

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.

Risk factors

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

Risk factors which are specific to the Company:

- The Company may be unable to sell the residential units that it builds at attractive prices. The value of a residential property depends to a large extent on its location, architectural design and standard of construction. If the Company misjudges the desirability of a property's location or its design, it may not be able to sell the property at the budgeted price or at all. If the Company is required to reduce the sales price to attract purchasers, the market value of the property could be significantly reduced and the Company's margins could decrease below profitable levels.
- Risk associated with the acquisition of further land and identifying profitable development projects includes the risk of stronger competition in the real estate market, the risk of a slow process of obtaining permits, the absence of local zoning plans and the limited availability of land with the appropriate infrastructure.
- Risk associated with access to financing for the Company's potential clients.
- The Company faces significant competition from other developers. Competition may lead to, among other things, either to an over-supply of residential properties through over-development or to an increase in land prices.
- Risk associated with the concentration of the Company's activities in Warsaw.
- Risk associated with the lack of diversification outside the residential segment.
- Risk associated with the lack of comparable financial and operating history.
- Risk associated with the Company's inability to effectively manage its expansion and the consequences of its internal and external growth.
- Risk associated with unsuccessful geographical expansion of the Company's business in Poland.

Additional information to the report (cont'd)

- The Company is dependent on senior members of the management, especially the members of the Management Board. The departure of few members of the Management Board and/or other key employees within short period of time could have an adverse effect on the ability of the Company to conduct its activities.
- Risk associated with attracting and retaining sufficiently qualified management personnel.
- Risk associated with restrictive covenants in the Company's credit agreements. Events beyond its control could result in the Company not being able to comply with such covenants and, as a result, constitute an event of default under the credit agreements. If an event of default under a credit agreement were to occur, the Company may be forced to repay the outstanding amount of the loan earlier than planned.

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

- Risk associated with obtaining administrative consents. The Company cannot guarantee that any permits, consents or permissions required from various government entities in connection with existing or new development projects will be obtained by the Company in a timely manner or, what is less likely, will be obtained at all, or that any current or future permits, consents or permissions will not be withdrawn.
- Risk associated with the completion of development projects. This risk includes, in particular, the delay or failure to receive permits required for the sites to be used in accordance with the Company's plans, delays in the completion of construction, costs that exceed those budgeted because of unfavorable weather conditions, the insolvency of contractors or subcontractors, labor disputes at the contractor or subcontractor level, increases of prices and shortages of construction materials or equipment, accidents or unforeseen technical difficulties, the inability to obtain permits needed to bring the building or buildings into use or other required permits, or changes in the regulations relating to land use.
- Risk associated with the Company's dependence on contractors. The Company uses specialist construction companies for most of the construction work on its various projects. The Company cannot guarantee the correct and timely performance of the contracted works by the contractors. This may cause delays in the completion of individual projects and consequently increase the costs of their completion. Moreover, contractors may develop liquidity problems which may affect the quality and timely completion of the works commissioned by the Company.
- Risk associated with the shortage of properly qualified labor workers.
- Risk associated with the cyclicity of the real estate residential development market.
- Risk associated with claims from contractors.
- Risk associated with increases in operating and other costs including, but not limited to the following factors: inflation; increases in taxes and other statutory charges; changes in the law, regulations or government policies (including those relating to health and safety at work and environmental protection) which increase the costs of compliance with such laws, regulations or policies; and increases in the cost of borrowing. In light of the growing competition on the Polish real estate market, the Company could also be faced with increased marketing costs.
- Risk associated with increases in project costs. The Company has entered into, and will enter into, construction agreements with general contractors to build the Company's development projects. The costs of these projects can vary due to: changes in the scope of a given project and in its architectural design; increases in the cost of building materials and of labor costs; the contractors not completing the works within the agreed term and to a standard which is acceptable to the Company.
- Risk associated with additional financing requirements.
- Risk associated with debt gearing.
- Risk associated with liability regarding protection of the environment.
- Risk associated with adverse site or ground conditions.
- Risk associated with infrastructure.
- Risk associated with using improper construction technology.
- Risk associated with material losses in excess of insurance pay-outs.
- Risk associated with the potential liability in connection with post-construction obligations.
- Risks associated with the Company's agreements containing clauses prohibited by law as well as the enactment of the Act on Protecting Purchasers in Real Estate Development Transactions.
- Risk associated with the potential increase of the VAT rate in Poland.
- Risk associated with the Company's inability to detect and prevent fraud or other misconduct committed by its employees or third parties.

Directors' Report

Additional information to the report (cont'd)

Risks related to Poland:

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

Risk factors relating to the Company's Structure:

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

The Management Board

Dror Kerem

Tomasz Łapiński

David Katz

Amos Weltsch

Rotterdam, 26 September 2008

REVIEW REPORT KPMG

Consolidated Interim Financial Statements for the six months ended 30 June 2008

Consolidated Income Statement

<i>In thousands of Polish Zlotys (PLN)</i>	<i>Note</i>	For the six months ended 30 June 2008 (Unaudited)	For the year ended 31 December 2007 (Audited)	For the six months ended 30 June 2007 (Unaudited)
Revenue	6	22,928	129,588	12,667
Cost of sales		(12,095)	(69,851)	(8,817)
Gross profit		10,833	59,737	3,850
Selling and marketing expenses		(476)	* (413)	* (284)
Administrative expenses	7,8	(7,289)	* (9,356)	* (4,137)
Other income, net		183	* 360	* 130
Result from operating activities		3,251	50,328	(441)
Finance income	9	978	1,321	728
Finance expense	9	(578)	(1,156)	(730)
Net finance income/(expense)		400	165	(2)
Profit/(loss) before taxation		3,651	50,493	(443)
Income tax benefit/(expense)	10	(1,164)	(10,217)	251
Profit/(loss) for the period		2,487	40,276	(192)
Attributable to:				
the equity holders of the parent company		2,487	38,903	(226)
minority interests	19	-	1,373	34
Profit/(loss) for the period		2,487	40,276	(192)
Weighted average number of equivalent shares (basic)	20	226,676,611	100,265,099	-
Weighted average number of equivalent shares (diluted)	20	228,866,666	101,078,143	-
Net earnings per share of EUR 0.02 each (basic and diluted)	20	0.01	0.39	-

* reclassified for comparison purposes.

The notes on pages 26 to 68 are an integral part of these consolidated interim financial statements.

Consolidated Interim Financial Statements for the six months ended 30 June 2008

Consolidated Balance Sheet

<i>In thousands of Polish Zlotys (PLN)</i>	<i>Note</i>	As at 30 June 2008 (Unaudited)	As at 31 December 2007 (Audited)	As at 30 June 2007 (Unaudited)
Assets				
Property, equipment and intangible assets	11	1,217	807	796
Investment property	12	-	-	44,300
Long-term finance lease receivable	13	504	590	667
Deferred tax assets	14	2,080	1,348	3,657
Total non-current assets		3,801	2,745	49,420
Inventories of residential units	15	501,088	457,774	247,731
Trade and other receivables	16	44,310	66,176	40,126
Cash and cash equivalents	17	64,698	71,829	14,757
Total current assets		610,096	595,779	302,614
Total assets		613,897	598,524	352,034
Equity				
Shareholders' equity	18			
Share capital		16,953	16,933	172
Share premium reserve		215,105	215,105	91,878
Retained earnings		44,505	39,935	-
Total shareholders' equity		276,563	271,973	92,050
Minority interests	19	-	-	18,745
Total equity		276,563	271,973	110,795
Liabilities				
Loans and borrowings	22	165,836	145,669	106,665
Deferred tax liability	14	3,150	9,749	8,102
Total non-current liabilities		168,986	155,418	114,767
Loans and borrowings	22	90,210	105,175	10,085
Trade and other payables	24	10,968	* 10,233	* 22,838
Income tax payable		1,949	* 317	* 87
Provisions	21	501	501	501
Deferred income	23	64,720	54,907	92,961
Total current liabilities		168,348	171,133	126,472
Total liabilities		337,334	326,551	241,239
Total equity and liabilities		613,897	598,524	352,034

* reclassified for comparison purposes.

The notes on pages 26 to 68 are an integral part of these consolidated interim financial statements

Consolidated Statement of Changes in Shareholders' Equity

For the six months ended 30 June 2008 and for the year ended 31 December 2007:

<i>In thousands of Polish Zlotys (PLN)</i>	<u>Owners' net investment / Equity attributable to equity holders of the parent</u>	<u>Minority interests</u>	<u>Retained earnings</u>	<u>Share capital</u>	<u>Share premium reserve</u>	<u>Total equity (invested)</u>
Balance of combined equity invested in the subsidiaries of Ronson Group at 1 January 2007	106,036	18,711	-	-	-	124,747
Net profit for year ended 31 December 2007	(226)	1,373	39,129	-	-	40,276
Net contribution in kind of assets and liabilities and issue of shares upon establishment of the Company (1)	(105,810)	-	-	172	91,878	(13,760)
Net contribution in kind of assets and issue of new shares (2)	-	(20,084)	-	45	20,084	45
Exclusion of a subsidiary from consolidation (3)	-	-	-	-	(22,360)	(22,360)
Share-based payment (see note 18c)	-	-	806	-	-	806
Capital payment	-	-	-	-	700	700
Issue of new shares in exchange of share premium reserve	-	-	-	14,772	(14,772)	-
Issue of new shares (4)	-	-	-	1,944	139,575	141,519
Balance at 31 December 2007 (Audited)	-	-	39,935	16,933	215,105	271,973
Net profit for the six months ended 30 June 2008	-	-	2,487	-	-	2,487
Issue of new shares (5)	-	-	-	20	-	20
Share-based payment (see note 18c)	-	-	2,083	-	-	2,083
Balance at 30 June 2008 (Unaudited)	-	-	44,505	16,953	215,105	276,563

For the six months ended 30 June 2007:

<i>In thousands of Polish Zlotys (PLN)</i>	<u>Owners' net investment / Equity attributable to equity holders of the parent</u>	<u>Minority interests</u>	<u>Retained earnings</u>	<u>Share capital</u>	<u>Share premium reserve</u>	<u>Total equity (invested)</u>
Balance of combined equity invested in the subsidiaries of Ronson Group at 1 January 2007	106,036	18,711	-	-	-	124,747
Net loss for the six months ended 30 June 2007	(226)	34	-	-	-	(192)
Net contribution in kind of assets and liabilities and issue of shares upon establishment of the Company (1)	(105,810)	-	-	172	91,878	(13,760)
Balance at 30 June 2007 (Unaudited)	-	18,745	-	172	91,878	110,795

The notes on pages 26 to 68 are an integral part of these consolidated interim financial statements

Consolidated Statement of Changes in Shareholders' Equity (cont'd)

(1) On 29 June 2007, the Company issued 45,000 shares (establishment shares) with a par value of EUR 1 per share (PLN 172 thousand) to ITR Dori, that were subsequently split on 29 September 2007 into 2,250,000 shares with a par value of EUR 0.02 per share.

Following the incorporation of the Company, the sole shareholder and founder of the Company, ITR Dori, assigned and contributed to the Company, on 29 June 2007, its shares and rights to shares in 36 Polish companies, which amounted to PLN 105,810 thousand as well as a liability under a loan agreement between ITR Dori and Ronson Development Residential Sp. z o.o., one of the Polish entities in which the shares were transferred to the Company. The principal amount under the loan agreement of which the liability was contributed plus accrued interest as at 29 June 2007, amounted to PLN 13,932 thousand. The net effect of the contribution is a decrease of PLN 13,760 thousand as presented above.

(2) On 27 September 2007, the Company issued 11,890 shares with a par value of EUR 1 per share (PLN 45 thousand) to GE Real Estate, the minority shareholder, that split these shares on 29 September 2007 into 594,500 shares with a par value of EUR 0.02 per share.

As part of the process of combining the Ronson Group activities under Ronson Europe, GE Real Estate made a contribution in kind of its shares held in certain Polish Ronson subsidiaries, which amounted to PLN 20,084 thousand. The net effect of the contribution is an increase of PLN 45 thousand as presented above.

(3) Excluding Brighton Tec from the consolidation:

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

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

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

The notes on pages 26 to 68 are an integral part of these consolidated interim financial statements.

Consolidated Interim Financial Statements for the six months ended 30 June 2008

Consolidated Statement of Cash Flows

<i>In thousands of Polish Zlotys (PLN)</i>	<i>Note</i>	For the six months ended 30 June 2008 (Unaudited)	For the year ended 31 December 2007 (Audited)	For the six months ended 30 June 2007 (Unaudited)
Cash flows from operating activities				
Profit/(loss) for the period		2,487	40,276	(192)
<i>Adjustments to reconcile profit/(loss) for the period to net cash used in operating activities:</i>				
Depreciation	11	257	509	259
Net finance expense		8,341	* 9,333	* 2,494
Loss on sale of property, equipment and intangible assets		7	-	-
Income tax expense/(benefit)	10	1,164	* 10,217	* (251)
		12,256	60,335	2,310
Decrease/(increase) in finished goods		12,093	(25,005)	4
Increase in work in progress		(55,084)	(250,080)	(65,245)
Increase/(decrease) in trade and other receivables		21,989	(44,807)	(18,369)
Increase/(decrease) in trade and other payables		627	* (5,485)	* 6,881
Share-based payment	18	2,083	806	-
Increase in deferred income		9,813	3,917	41,807
		3,777	(260,319)	(32,612)
Interest paid		(7,351)	* (6,854)	* (1,285)
Income tax paid		(6,670)	* (2,098)	* (1,497)
Net cash used in operating activities		(10,244)	(269,271)	(35,394)
Cash flows from investing activities				
Acquisition of property, equipment and intangible assets		(122)	(219)	(141)
Proceeds from sale of property, equipment and intangible assets		33	-	-
Net cash used in investing activities		(89)	(219)	(141)
Cash flows from financing activities				
Proceeds from new shares issued	18	20	154,250	172
Costs directly attributed to the new shares issued	18		(11,814)	-
Proceeds from bank loans		22,967	179,985	15,380
Proceeds from related-party loans		-	36,442	-
Repayment of bank loans		(12,169)	(25,856)	(4,380)
Repayment of related-party loans		(7,616)	(30,557)	-
Net cash from financing activities		3,202	302,450	11,172

* reclassified for comparison purposes.

The notes on pages 26 to 68 are an integral part of these consolidated interim financial statements.

Consolidated Interim Financial Statements for the six months ended 30 June 2008**Consolidated Statement of Cash Flows (cont'd)**

<i>In thousands of Polish Zlotys (PLN)</i>	<i>Note</i>	For the six months ended 30 June 2008 (Unaudited)	For the year ended 31 December 2007 (Audited)	For the six months ended 30 June 2007 (Unaudited)
Net effect of excluding a subsidiary from the consolidation (1)		-	(251)	-
Net change in cash and cash equivalents		(7,131)	32,709	(24,363)
Cash and cash equivalents at beginning of period		71,829	39,120	39,120
Cash and cash equivalents at end of period	<i>17</i>	64,698	71,829	14,757

* reclassified for comparison purposes.

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

<i>In thousands of Polish Zloty (PLN)</i>	<i>As at 1 July 2007</i>
Non-current assets	45,408
Current assets	753
Equity	(22,360)
Non-current liabilities	(16,677)
Current liabilities	(7,375)
Total	(251)

The notes on pages 26 to 68 are an integral part of these consolidated interim financial statements.

Notes to the Consolidated Interim Financial Statements

1. Background and business of the Company

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

The shares of the Company are traded on the Warsaw Stock Exchange since 5 November 2007. As at 30 June 2008, 63.9% of the outstanding shares are held by I.T.R. Dori B.V. (“ITR Dori”), 18.4% of the outstanding shares are held by GE Real Estate CE Residential B.V. (“GE Real Estate”) and the remaining 17.7% of the outstanding shares are held by the public.

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

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

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

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

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

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

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

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

Notes to the Consolidated Interim Financial Statements

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

On 24 October 2007, the Company completed a successful initial public offering of its shares on the Warsaw Stock Exchange, having sold 26.6 million new shares at an offering price of PLN 5.75 per share, whereas ITR Dori sold 13.7 million existing shares at an offering price of PLN 5.75 per share. Following the initial public offering, the Company had a total market capitalisation of over PLN 1,303 million. The Company's shares trade under the symbol "RON".

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

- (b) The Consolidated Interim Financial Statements of the Ronson Group as of and for the six months ended 30 June 2007 are presented for comparative purposes and have been included from 1 January 2007 reflecting the fact that control by the Group and its owners effectively existed throughout the six months ended 30 June 2007 taking into account minority interest in the individual entities of the Group as per these dates. All balances between the entities in the Group as of 30 June 2007 as well as all transactions during the six months ended 30 June 2007 have been eliminated.
- (c) Brighton Tec Sp. z o.o. ("Brighton"), a Polish company and a wholly-owned subsidiary of ITR Dori, which owned the Group's investment property, was included in the Company's Consolidated Interim Financial Statements until 30 June 2007. On 26 September 2007, the transfer of the legal ownership of the investment property from Brighton to Ronson Development Landscape Sp.k., a limited partnership and part of the Group, was completed. After the sale of assets, Brighton does not perform any operating activities and, accordingly, is no longer consolidated in the Consolidated Financial Statements. Once the acquisition of this property was completed, the use of this property has changed – Ronson Development Landscape Sp.k. initiated activities aimed at preparing the acquired property for development in a real-estate project.

Notes to the Consolidated Interim Financial Statements

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

- (d) Detailed below are the Polish companies whose financial statements have been included in these Consolidated Interim Financial Statements, the year of incorporation and the percentage of ownership and voting rights directly held by the Company as at 30 June 2008:

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

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

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

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

Notes to the Consolidated Interim Financial Statements

2. Basis of preparation and measurement

(a) Basis of preparation and statement of compliance

The Consolidated Interim Financial Statements as of 30 June 2008 and 30 June 2007, comprising of the Consolidated Income Statements, the Consolidated Balance Sheets, the Consolidated Statements of Cash Flows and the Consolidated Statements of Changes in Shareholders' Equity for the six months ended 30 June 2008 and 30 June 2007, have been reviewed by independent auditors. The Consolidated Financial Statements as of 31 December 2007 comprising of the Consolidated Income Statement, the Consolidated Balance Sheet, the Consolidated Statement of Cash Flows and the Consolidated Statement of Changes in Shareholders' Equity for the year ended 31 December 2007 have been audited.

These Consolidated Interim Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS"). The Consolidated Interim Financial Statements are presented in thousands of Polish Zloty ("PLN"). The Consolidated Interim Financial Statements were approved by the Board of Directors of Ronson Europe N.V. on 26 September 2008.

The Consolidated Balance Sheet as at 30 June 2007 has been prepared by aggregating the individual balance sheets of the entities in the Group taking into account minority interests in the individual entities of the Group. As at 30 June 2008 and as at 31 December 2007, there were no minority interests. The Consolidated Income Statements for the year ended 31 December 2007 and for the six months ended 30 June 2007 have been prepared by aggregating the individual income statements of the entities in the Group taking into account minority interests in the individual entities of the Group during those periods. All balances and transactions between the entities in the Group have been eliminated.

(b) Basis of measurement

The Consolidated Interim Financial Statements have been prepared on the historical cost basis except for investment property which is measured at fair value. The methods used to measure fair values are discussed further in notes 12 and 25.

(c) Functional and presentation currency

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

The consolidated interim financial statements are presented in thousands of Polish Zloty ("PLN") which is the Group's functional and presentation currency.

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

(d) Use of estimates and judgements

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

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

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:

Notes to the Consolidated Interim Financial Statements

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

- Note 12 – valuation of investment property
- Note 13 – long-term finance lease receivable
- Note 14 – utilization of tax losses
- Note 25 – valuation of financial instruments

3. Significant accounting policies

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

Certain comparative amounts have been reclassified to conform with the current year's presentation.

(a) Basis of preparation of the consolidated interim financial statements

(i) Subsidiaries

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

(ii) Acquisitions from entities under common control

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

(iii) Transactions eliminated on combination

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

(b) Foreign currency

(i) Foreign currency transactions

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

- the purchase or selling rate of the bank whose services are used by the Group – in case of foreign currency sales or purchase transactions, as well as of the debt or liability payment transactions;
- the average rate specified for a given currency by the National Bank of Poland as on the transaction date, unless a customs declaration or other binding document indicates another rate – in case of other transactions.

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

Notes to the Consolidated Interim Financial Statements

3. Significant accounting policies (cont'd)

(c) Financial instruments

(i) Non-derivative financial instruments

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

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

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

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

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

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

- Loans and receivables.
- Other financial liabilities.

Loans and receivables

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

Other financial liabilities

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

Notes to the Consolidated Interim Financial Statements

3. Significant accounting policies (cont'd)

(d) Property and equipment

(i) Recognition and measurement

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

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

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

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

(e) Intangible assets

Intangible assets are stated at cost less accumulated amortization and impairment losses, if any (see accounting policy (k)).

(i) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in the income statement when incurred.

Notes to the Consolidated Interim Financial Statements

3. Significant accounting policies (cont'd)

(e) Intangible assets (cont'd)

(ii) Amortization

Amortization is recognized in the income statement on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful lives for intangible assets (software) are 2 years.

(f) Investment property

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

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

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

(g) Leases

(i) Finance leases – lessee accounting

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

(ii) Finance leases – lessor accounting

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

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

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

Notes to the Consolidated Interim Financial Statements

3. Significant accounting policies (cont'd)

(h) Inventories of residential units

Inventories consist of multi-family residential real estate projects to individual customers.

Inventories are measured at the lower of cost and net realizable value. The cost of inventories includes expenditure incurred relating to the construction of a project. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

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

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

Project construction costs include:

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

(i) Trade and other receivables

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

(j) Equity

(i) Share capital

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

(ii) Share premium reserve

Share premium includes the excess of proceeds received from the issue of shares over the nominal value of shares.

Shares issuance costs are deducted from share premium net of any related income tax benefits.

(k) Impairment

(i) Financial assets

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

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

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

All impairment losses are recognized in the income statement.

Notes to the Consolidated Interim Financial Statements

3. Significant accounting policies (cont'd)

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

(ii) Non-financial assets

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

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

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

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

(l) 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.

(m) Revenue and cost of sales

Revenue from operations includes:

(i) Revenue from the sale of residential units

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

Advances received related to pre-sales of residential units, which represent deferred income, are deferred to the extent that they do not meet the criteria to be recognized as revenue.

Notes to the Consolidated Interim Financial Statements

3. Significant accounting policies (cont'd)

(ii) Revenue on finance leases

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

(iii) Revenue on operating leases

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

(iv) Cost of sales

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

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

(n) Selling and marketing expense

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

(o) Other income, net

Other income comprises insignificant revenues from rental of the lands and properties that are dedicated for development. Other income is recognized in the income statements on an accrual basis.

(p) Finance income and expense

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

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

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

Notes to the Consolidated Interim Financial Statements

3. Significant accounting policies (cont'd)

(q) Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the income statement.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax expense is calculated according to tax regulations in effect in the jurisdiction in which the individual companies are domiciled.

Deferred income tax is provided, using the balance sheet method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, and for tax losses carried forward, except for the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

The principal temporary differences arise primarily on differences in the timing of revenue recognition for accounting and tax purposes, fair value adjustments on investment property, accruals and finance income/expense. In addition, there are tax losses carry-forwards.

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

(r) Segment reporting

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

(s) Earnings per share

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

(t) 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.

(u) Employee benefits - defined contribution plans

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

Notes to the Consolidated Interim Financial Statements

3. Significant accounting policies (cont'd)

(v) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations, are not yet effective for the six months ended 30 June 2008, and have not been applied in preparing these Consolidated Interim Financial Statements:

- IFRS 8 *Operating Segments* (effective for annual periods beginning on or after 1 January 2009). The Standard requires that segment information should be presented in disclosure based on the basis of components that management monitors in making business decisions. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The Group has not yet completed its analysis of the impact of IFRS 8 on the financial statements.
- IAS 23 (*Revised*) *Borrowing Costs* (effective from 1 January 2009). The revised Standard will require the capitalization of borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. Revised IAS 23 will not have an impact on the Group's operations, as the Group capitalizes borrowing costs to inventory.
- IFRIC 13 *Customer Loyalty Programmes* (effective for annual periods beginning on or after 1 July 2008). The Interpretation explains how entities that grant loyalty award credits to customers who buy other goods or services should account for their obligations to provide free or discounted goods or services ('awards') to customers who redeem those award credits. Such entities are required to allocate some of the proceeds of the initial sale to the award credits and recognize these proceeds as revenue only when they have fulfilled their obligations. The Group does not expect the Interpretation to have any impact on its financial statements.
- Revised IAS 1 *Presentation of Financial Statements* (effective from 1 January 2009). The revised Standard requires information in financial statements to be aggregated on the basis of shared characteristics and introduces a statement of comprehensive income. Items of income and expense and components of other comprehensive income may be presented either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of comprehensive income). The Group has not yet completed its analysis of the impact of the revised IAS 1 on the financial statements.
- IFRS 3 (*Revised*) *Business Combinations* (effective for annual periods beginning on or after 1 July 2009). The scope of the revised standard has been broadened (some business combinations excluded from the previous version of the standard have not been excluded from the scope of the revised IFRS 3). A definition of a business has been altered in order to be more precise. The definition of contingent liabilities capable of being recognised in the business combination has been narrowed. Transaction costs are no longer included in the cost of the combination. Rules of recognition of contingent consideration have been modified (to fair value measurement). Non-controlling (minority) interests may be measured at fair value. IFRS 3 is not relevant to the Group's operations, as none of the Group entities has been engaged in business combinations.
- Amendments to IAS 27 *Consolidated and Separate Financial Statements* (effective for annual periods beginning on or after 1 July 2009). In relation with the revised IFRS 3 (above), the changes introduced to IAS 27 include the following: changed definition of non-controlling (minority) interests; regulation of recognition and measurement of transactions with non-controlling interests while retaining control; changed recognition and measurement of loss of control. Amendments to IAS 27 are not expected to have an impact on the consolidated financial statements.

Notes to the Consolidated Interim Financial Statements

3. Significant accounting policies (cont'd)

(v) New standards and interpretations not yet adopted (cont'd)

- Amendments to IFRS 2 *Share based payments* (effective for annual periods beginning on or after 1 January 2009). The amendments introduce guidance on accounting for non-vesting conditions. Amendments to IFRS 2 are not expected to have an impact on the consolidated financial statements.
- Amendments to IAS 32 *Financial Instruments: Presentation* and IAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation* requires puttable instruments, and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. The possible impact of the amendments, which become mandatory for the Group's 2009 consolidated financial statements, with retrospective application required, are not yet examined by the company.

4. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the methods described in the respective note specific to that asset or liability: investment property (see note 12) and non-derivative financial instruments (see note 25).

5. Segment reporting

Segment information is presented in respect of the Group's geographical segments (primary segments) and business segments (secondary segments).

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

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

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

Geographical segments

The Group operates in four geographical segments:

- Warsaw
- Poznań
- Wrocław
- Szczecin

The most developed geographical segment is the Warsaw market, in which the Group has completed several residential projects. In the other geographical segments (cities), the Group has not completed (and has not recognized any profits from) any project.

Business segments

Until 30 June 2007 the Group operates in two business segments within Poland:

- Development and sale of residential units ("Residential").
- Rental of office space ("Rental").

Notes to the Consolidated Interim Financial Statements

5. Segment reporting (cont'd)

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

<i>In thousands of Polish Zlotys (PLN)</i>	For the period ended 30 June 2008 (Unaudited)						Total
	Warsaw	Poznań	Wrocław	Szczecin	Unallocated	Eliminations	
Total external revenues							
Residential	22,928	-	-	-	-	-	22,928
Rental	-	-	-	-	-	-	-
		-					
Inter-segment revenue	-	-	-	-	-	-	-
Total segment revenue	22,928	-	-	-	-	-	22,928
Segment result							
Residential	7,077	(1,321)	2	(232)	-	-	5,526
Rental	-	-	-	-	-	-	-
Unallocated result	-	-	-	-	(2,275)	-	(2,275)
Result from operating activities	7,077	(1,321)	2	(232)	(2,275)	-	3,251
Net finance income							400
Income tax expense							(1,164)
Profit for the period							2,487

<i>In thousands of Polish Zlotys (PLN)</i>	As at 30 June 2008 (Unaudited)						Total
	Warsaw	Poznań	Wrocław	Szczecin	Unallocated	Eliminations	
Segment assets							
Residential	319,350	148,487	73,381	62,008	-	-	603,226
Rental	-	-	-	-	-	-	-
Unallocated assets	-	-	-	-	10,671	-	10,671
Total assets	319,350	148,487	73,381	62,008	10,671	-	613,897
Segment liabilities							
Residential	195,026	98,655	18,258	16,706	-	-	328,645
Rental	-	-	-	-	-	-	-
Unallocated liabilities	-	-	-	-	8,689	-	8,689
Total liabilities	195,026	98,655	18,258	16,706	8,689	-	337,334
Capital expenditure	-	-	-	-	122	-	122
Depreciation	120	-	-	-	137	-	257

Notes to the Consolidated Interim Financial Statements

5. Segment reporting (cont'd)

In thousands of Polish Zlotys (PLN)

	For the year ended 31 December 2007						Total
	Warsaw	Poznań	Wrocław	Szczecin	Unallocated	Eliminations	
Total external revenues							
Residential	129,139	-	-	-	-	-	129,139
Rental	449	-	-	-	-	-	449
		-					
Inter-segment revenue	-	-	-	-	-	-	-
Total segment revenue	129,588	-	-	-	-	-	129,588
Segment result							
Residential	50,290	(1,093)	(319)	(76)	-	-	48,802
Rental	(530)	-	-	-	-	-	(530)
Unallocated result	-	-	-	-	2,056	-	2,056
Result from operating activities	49,760	(1,093)	(319)	(76)	2,056	-	50,328
Net finance income							165
Income tax expense							(10,217)
Profit for the period							40,276

In thousands of Polish Zlotys (PLN)

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

Notes to the Consolidated Interim Financial Statements

5. Segment reporting (cont'd)

<i>In thousands of Polish Zlotys (PLN)</i>	For the period ended 30 June 2007 (Unaudited)						Total
	Warsaw	Poznań	Wrocław	Szczecin	Unallocated	Eliminations	
Total external revenues							
Residential	12,218	-	-	-	-	-	12,218
Rental	449	-	-	-	-	-	449
Inter-segment revenue	-	-	-	-	-	-	-
Total segment revenue	12,667	-	-	-	-	-	12,667
Segment result							
Residential	3,481	-	-	-	-	(33)	3,448
Rental	(530)	-	-	-	-	-	(530)
Unallocated result	-	-	-	-	(3,359)	-	(3,359)
Result from operating activities	2,951	-	-	-	(3,359)	(33)	(441)
Net finance expense							(2)
Income tax benefit							251
Loss for the period							(192)

<i>In thousands of Polish Zlotys (PLN)</i>	As at 30 June 2007 (Unaudited)						Total
	Warsaw	Poznań	Wrocław	Szczecin	Unallocated	Eliminations	
Segment assets							
Residential	218,109	54,710	23,522	7,599	-	(1,720)	302,220
Rental	45,985	-	-	-	-	-	45,985
Unallocated assets	-	-	-	-	3,829	-	3,829
Total assets	264,094	54,710	23,522	7,599	3,829	(1,720)	352,034
Segment liabilities							
Residential	174,319	28,206	7,404	312	-	(2,052)	208,189
Rental	24,026	-	-	-	-	-	24,026
Unallocated liabilities	-	-	-	-	9,024	-	9,024
Total liabilities	198,345	28,206	7,404	312	9,024	(2,052)	241,239
Capital expenditure	-	-	-	-	141	-	141
Depreciation	-	-	-	-	259	-	259

Notes to the Consolidated Interim Financial Statements

6. Revenue

<i>In thousands of Polish Zlotys (PLN)</i>	For the six months ended 30 June 2008 (Unaudited)	For the year ended 31 December 2007	For the six months ended 30 June 2007 (Unaudited)
Sale of residential units	22,928	129,139	12,218
Rental revenue	-	449	449
Total revenues	22,928	129,588	12,667

7. Administrative expenses

<i>In thousands of Polish Zlotys (PLN)</i>	For the six months ended 30 June 2008 (Unaudited)	For the year ended 31 December 2007	For the six months ended 30 June 2007 (Unaudited)
Depreciation	257	509	259
Materials and energy	282	900	469
External services	941	3,181	1,517
Taxes and charges	281	621	471
Personnel expenses (see note 8)	5,012	3,765	1,356
Other	516	380	65
Total administrative expenses	7,289	9,356	4,137

8. Personnel expenses

<i>In thousands of Polish Zlotys (PLN)</i>	For the six months ended 30 June 2008 (Unaudited)	For the year ended 31 December 2007	For the six months ended 30 June 2007 (Unaudited)
Wages and salaries	2,437	2,443	1,108
Social security	492	516	248
Share-based payment transactions (see note 18c)	2,083	806	-
Total personnel expenses	5,012	3,765	1,356
Average number of personnel employed	44	35	31

According to the relevant laws, the Company's subsidiaries in Poland are required to deposit amounts, on a monthly basis, to retirement and pension funds on behalf of their employees, and therefore carry no further pension liabilities on their balance sheets.

Notes to the Consolidated Interim Financial Statements

9. Finance income and expense

<i>In thousands of Polish Zlotys (PLN)</i>	For the six months ended 30 June 2008 (Unaudited)	For the year ended 31 December 2007	For the six months ended 30 June 2007 (Unaudited)
Foreign exchange gain	110	32	-
Interests on granted loans	-	399	399
Interest income on bank deposits	826	890	329
Other finance income	42	-	-
Finance income	978	1,321	728
Interest expense on financial liabilities measured at amortized cost	(434)	(968)	(701)
Foreign exchange loss	(77)	(188)	(29)
Other finance expense	(67)	-	-
Finance expense	(578)	(1,156)	(730)
Net finance income/(expense)	400	165	(2)

10. Income tax expense/(benefit)

<i>In thousands of Polish Zlotys (PLN)</i>	For the six months ended 30 June 2008 (Unaudited)	For the year ended 31 December 2007	For the six months ended 30 June 2007 (Unaudited)
Current tax expense			
Current period	8,515	1,971	1,317
Adjustment for prior period	(20)	-	-
Total current tax expense	8,495	1,971	1,317
Deferred tax expense			
Origination and reversal of temporary differences	(5,826)	11,229	(1,228)
Benefit of tax losses recognized	(1,505)	(2,983)	(340)
Total deferred tax (benefit)/expense	(7,331)	8,246	(1,568)
Total income tax expense/(benefit)	1,164	10,217	(251)

Notes to the Consolidated Interim Financial Statements

10. Income tax expense (cont'd)

Reconciliation of effective tax rate	For the six months ended 30 June 2008 (Unaudited)	For the year ended 31 December 2007	For the six months ended 30 June 2007 (Unaudited)
<i>In thousands of Polish Zlotys (PLN)</i>			
Profit for the period	2,487	40,276	(192)
Total income tax expense	1,164	10,217	(251)
Profit/(loss) before taxation	3,651	50,493	(443)
Expected income tax using the Polish tax rate (19%)	694	9,594	(84)
Tax effect on:			
Effect of Netherlands tax rates	(91)	(73)	-
Change in unrecognized temporary differences over provided in prior periods	(20)	(103)	(103)
Non-deductible expenses	50	102	23
Current year losses for which no deferred tax asset was recognized	357	287	-
Other differences	174	410	(87)
Tax charge/(benefit) for the period	1,164	10,217	(251)
Effective tax rate	31.9%	20.2%	(56.7)%

11. Property, equipment and intangible assets

	For the six months ended 30 June 2008 (Unaudited)	For the year ended 31 December 2007	For the six months ended 30 June 2007 (Unaudited)
<i>In thousands of Polish Zlotys (PLN)</i>			
Cost or deemed cost			
Balance at 1 January	1,458	626	626
Transfer from inventories	290	430	430
Excluding the fixed assets of subsidiary from the consolidation	-	(39)	-
Additions	417	441	141
Disposals	(54)	-	-
Closing balance	2,111	1,458	1,197
Depreciation and impairment losses			
Balance at 1 January	651	142	142
Depreciation for the period	257	509	259
Disposals	(14)	-	-
Closing balance	894	651	401
Carrying amounts			
At 1 January	807	484	484
Closing balance	1,217	807	796

Notes to the Consolidated Interim Financial Statements

11. Property, equipment and intangible assets (cont'd)

Impairment loss and subsequent reversal

In the periods ended 30 June 2008, 31 December 2007 and 30 June 2007, the Group did not recognize any impairment loss with respect to Property, equipment and intangible assets

12. Investment property

<i>In thousands of Polish Zlotys (PLN)</i>	For the six months ended 30 June 2008 (Unaudited)	For the year ended 31 December 2007	For the six months ended 30 June 2007 (Unaudited)
Cost			
Balance at 1 January	-	7,810	7,810
Transfer to inventories	-	(7,810)	-
Closing balance	-	-	7,810
Fair value adjustment			
Balance at 1 January	-	36,490	36,490
Transfer to inventories	-	(36,490)	-
Closing balance	-	-	36,490
Fair value			
At 1 January	-	44,300	44,300
Closing balance	-	-	44,300

As at 30 June 2007, the investment property included properties held for long-term rental yields and capital appreciation, and were not occupied by the Group. At 30 June 2007, the investment property consisted of a plot of land in Warsaw (Klobucka Street) held based on a perpetual usufruct right of land and a number of buildings and warehouses located on this land that in part were leased to third parties under lease agreements with an indefinite term subject to a three-month notice period for termination.

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

As at 30 June 2007, the legal ownership of the investment property was with Brighton Tec Sp. z o.o., a wholly-owned subsidiary of ITR Dori B.V. On 26 September 2007, the legal ownership of the investment property was transferred from Brighton Tec Sp. z o.o. to Ronson Development Landscape Sp.k., a limited partnership, which is part of the Group. As a result of the sale of the property, Brighton Tec Sp. z o.o. does not perform any operating activity and was excluded from the consolidated financial statements since 1 July 2007.

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

Notes to the Consolidated Interim Financial Statements

12. Investment property (cont'd)

Revenue recognized and costs incurred relating to the investment property during the periods ended 30 June 2008, 31 December 2007 and 30 June 2007, are summarized in the table below:

<i>In thousands of Polish Zlotys (PLN)</i>	Rental income			Cost		
	For the six months ended 30 June 2008	For the year ended 31 December 2007	For the six months ended 30 June 2007	For the six months ended 30 June 2008	For the year ended 31 December 2007	For the six months ended 30 June 2007
Klobucka	-	449	449	-	601	601
Total	-	449	449	-	601	601

13. Long-term finance lease receivable

The Group is a lessor under finance lease arrangement under which it leases an office building and the land adjacent to the building in Warsaw to a third party. The arrangement expires on 2 March 2024.

Finance lease receivables as per 30 June 2008, non-current and current, and their ageing are presented in the table below:

<i>In thousands of Polish Zloty (PLN)</i>	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
Finance lease payments receivable	70	279	732	1,081
Unearned interest income	(19)	(99)	(459)	(577)
Total	51	180	273	504

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

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

Finance lease receivables as per 30 June 2007, non-current and current, and their ageing are presented in the table below:

<i>In thousands of Polish Zloty (PLN)</i>	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
Finance lease payments receivable	92	369	1,059	1,520
Unearned interest income	(70)	(250)	(533)	(853)
Total	22	119	526	667

Notes to the Consolidated Interim Financial Statements

14. Deferred tax assets and liabilities

Recognized deferred tax assets and liabilities

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

<i>In thousands of Polish Zlotys (PLN)</i>	Opening balance 01 January 2008	Recognized in the income statement	Closing balance 30 June 2008
Deferred tax assets			
Interest liabilities	514	188	702
Tax loss carry forwards	5,865	1,505	7,370
Other	150	109	259
Total deferred tax assets	6,529	1,802	8,331
Deferred tax liabilities			
Difference in timing of revenue recognition on the sale of residential units for accounting and tax purposes	10,374	(7,522)	2,852
Accrued and capitalized interest	3,409	1,527	4,936
Other	1,147	466	1,613
Total deferred tax liabilities	14,930	(5,529)	9,401
Deferred tax assets	6,529		8,331
Deferred tax liabilities	14,930		9,401
Offset of deferred tax assets and liabilities for individual companies	(5,181)		(6,251)
Deferred tax assets reported in the balance sheet	1,348		2,080
Deferred tax liabilities reported in the balance sheet	9,749		3,150

Notes to the Consolidated Interim Financial Statements

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

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

Notes to the Consolidated Interim Financial Statements

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

<i>In thousands of Polish Zlotys (PLN)</i>	Opening balance 01 January 2007	Recognized in the income statement	Closing balance 30 June 2007
Deferred tax assets			
Foreign exchange rate differences	6	(6)	-
Interest liabilities	89	113	202
Tax loss carry forwards	3,836	340	4,176
Total deferred tax assets	3,931	447	4,378
Deferred tax liabilities			
Difference in timing of revenue recognition on			
the sale of residential units for accounting and tax purposes	2,161	(1,299)	862
Fair value gain on Investment Property	6,933	-	6,933
Foreign exchange differences	194	(194)	-
Accrued and capitalized interest	600	301	901
Other	56	71	127
Total deferred tax liabilities	9,944	(1,121)	8,823
Deferred tax assets	3,931		4,378
Deferred tax liabilities	9,944		8,823
Offset of deferred tax assets and liabilities for individual companies	(1,181)		(721)
Deferred tax assets reported in the balance sheet	2,750		3,657
Deferred tax liabilities reported in the balance sheet	8,763		8,102

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.

Movement in unrecognized deferred tax assets

Unrecognized deferred tax assets in Poland

During 2007, unrecognized deferred tax assets decreased from PLN 1,054 thousand as at 31 December 2006 to nil as at 31 December 2007 as a result of excluding Brighton Tec Sp. z o.o. from the Consolidated Financial Statements as at 31 December 2007 as described in note 1(c).

Notes to the Consolidated Interim Financial Statements

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

Unrecognized deferred tax assets in Netherlands

During the six months ended 30 June 2008, the unrecognized deferred tax assets increased by EUR 122 thousand (PLN 408 thousand) from EUR 862 thousand (PLN 2,892 thousand) to EUR 984 thousand (PLN 3,300 thousand).

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, the Group will need to generate future taxable income of approximately PLN 43,847 thousand. Taxable profit realized by the Group companies amounted to PLN 50,051 thousand for the six months ended 30 June 2008. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not that the Group will realize the benefits of these deductible differences. The amount of the deferred tax asset which is considered realizable, could however be reduced in the near term if estimates of future taxable income during the tax loss carry-forward period are reduced.

Tax losses in Poland are utilizable within the 5 year period 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.

15. Inventories of residential units

<i>In thousands of Polish Zlotys (PLN)</i>	As at 30 June 2008 (Unaudited)	As at 31 December 2007	As at 30 June 2007 (Unaudited)
Expense for land purchases	373,010	360,448	153,137
Construction costs	77,628	47,628	71,743
Borrowing costs	20,092	11,351	7,019
Local payments and legal services	9,399	7,103	8,789
Other	3,875	2,067	2,875
<i>Work in progress</i>	484,004	428,597	243,563
		-	-
<i>Finished goods</i>	17,084	29,177	4,168
Inventories valued at cost	501,088	457,774	247,731
Inventories valued at net realizable value	-	-	-

Notes to the Consolidated Interim Financial Statements

16. Trade and other receivables

<i>In thousands of Polish Zlotys (PLN)</i>	<i>Note</i>	As at 30 June 2008 (Unaudited)	As at 31 December 2007	As at 30 June 2007 (Unaudited)
Trade receivables from related parties	27	45	2,606	27
Advances for inventories of residential units		20,900	29,081	27,763
Value added tax (VAT) receivables		17,049	30,273	5,258
Other trade receivables		985	2,060	6,931
Prepayments for current assets		4,252	404	147
Pledged cash		1,079	1,752	-
Total		44,310	66,176	40,126

As at 30 June 2008, 31 December 2007 and 31 December 2006, the Group had no allowance for doubtful debts.

As at 30 June 2008 and as at 30 June 2007, receivables denominated in foreign currencies were insignificant. As at 31 December 2007, receivables denominated in foreign currencies included Trade receivables from related parties in Euro amounting to EUR 728 thousand (PLN 2,606 thousand)..

17. Cash and cash equivalents

<i>In thousands of Polish Zlotys (PLN)</i>	As at 30 June 2008 (Unaudited)	As at 31 December 2007	As at 30 June 2007 (Unaudited)
Petty cash	20	19	12
Bank balances	64,678	71,810	14,745
Cash and cash equivalents	64,698	71,829	14,757

For information on effective interest rate see note 28.

Notes to the Consolidated Interim Financial Statements

18. Shareholders' equity and liabilities

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 30 June 2008 amounted to 226,966,666 (as at 31 December 2007: 226,666,666 shares).

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

For the incorporation details and further historical background of the Company, reference is made to note 1 (a).

B. Share premium reserve

<i>In thousands of Polish Zlotys (PLN)</i>	For the six months ended 30 June 2008 (Unaudited)	For the year ended 31 December 2007	For the six months ended 30 June 2007 (Unaudited)
Balance at beginning of the period	215,105	-	-
Net contribution in kind of assets and liabilities (1)	-	91,878	91,878
Net contribution in kind of assets (2)	-	20,084	-
Exclusion of a subsidiary from consolidation (3)	-	(22,360)	-
Capital payment	-	700	-
Issue of new shares in exchange of share premium reserve	-	(14,772)	-
Net proceeds of new shares issued in excess of par value (4)	-	139,575	-
Balance at end of the period	215,105	215,105	91,878

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

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

(3) Excluding Brighton Tec from the consolidation:

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

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

Notes to the Consolidated Interim Financial Statements

18. Shareholders' equity and liabilities (cont'd)

C. Share-based payments

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

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

The vesting dates of the options are as follows:

Vesting dates	Number of options		Total
	vest over three years	vest over five years	
5 November 2008	233,333	240,000	473,333
5 November 2009	233,333	240,000	473,333
5 November 2010	233,334	240,000	473,334
5 November 2011	-	240,000	240,000
5 November 2012	-	240,000	240,000
Total	700,000	1,200,000	1,900,000

The weighted average fair value of options granted in 2007 using the Black-Scholes valuation model was approximately PLN 2.75 per option. The significant inputs into the model were a weighted average share price of PLN 5.75 at the grant date, the exercise price mentioned above, volatility of 50%, dividend yield of 0%, an option life of five years and seven years, an annual risk free rate of 6% and estimation that 70% from the employed will implement the options.

The cost impact of the share-based payment on the financial statements of the Company was an expense of PLN 889 thousand for the six months ended 30 June 2008 (year ended 31 December 2007: PLN 275 thousand; six months ended 30 June 2007: nil) recognized in the income statement with a corresponding increase in equity.

In addition, Mr. Dror Kerem, President of the Management Board and Chief Executive Officer of the Company, received the right to obtain 300,000 shares in the capital of the Company with a nominal value of EUR 0.02 each, for nominal value, which right was exercised on 24 June 2008. This right was granted by the Supervisory Board and measured at fair market value at the time of the grant.

The cost impact of the right granted to Mr. Dror Kerem on the financial statements of the Company was an expense of PLN 1,194 thousand for the six months ended 30 June 2008 (year ended 31 December 2007: PLN 531 thousand; six months ended 30 June 2007: nil) recognized in the income statement with a corresponding increase in equity.

Notes to the Consolidated Interim Financial Statements

19. Minority interests

<i>In thousands of Polish Zlotys (PLN)</i>	For the six months ended 30 June 2008 (Unaudited)	For the year ended 31 December 2007	For the six months ended 30 June 2007 (Unaudited)
Balance at beginning of the period	-	18,711	18,711
Minority interests profits of consolidated subsidiaries	-	1,373	34
Net contribution in kind of assets (*)	-	(20,084)	-
Balance at end of the period	-	-	18,745

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

20. Net earnings per share

A. Basic and diluted earnings per share

Weighted average number of ordinary shares (basic):

	For the six months ended 30 June 2008 (Unaudited)	For the year ended 31 December 2007	For the six months ended 30 June 2007 (Unaudited)
Net income (PLN thousands) attributable to the equity holders of the parent company	2,487	38,903	(226)
Balance at beginning of the period	226,666,666	-	-
Effect of new shares issued during the period	9,945	100,265,099	-
Weighted average number of ordinary shares (basic)	226,676,611	100,265,099	-
Basic earnings per share	0.01	0.39	-

Notes to the Consolidated Interim Financial Statements

20. Net earnings per share (cont'd)

A. Basic and diluted earnings per share (cont'd)

Weighted average number of shares (diluted):

	For the six months ended 30 June 2008 (Unaudited)	For the year ended 31 December 2007	For the six months ended 30 June 2007 (Unaudited)
Net income (PLN thousands) attributable to the equity holders of the parent company	2,487	38,903	(226)
Weighted average number of ordinary shares (basic)	226,676,611	100,265,099	-
Effect of right to obtain shares	290,055	110,870	-
Effect of shares options on issue	1,900,000	702,174	-
Weighted average number of ordinary shares (diluted)	228,866,666	101,078,143	-
Diluted earnings per share	0.01	0.39	-

B. Pro forma data

For comparison purposes, the calculation of the basic and diluted earnings per share for the year ended 31 December 2007 and for the six months ended 30 June 2007 as shown below takes into consideration the number of shares issued since the incorporation of the Company on 18 June 2007. For these pro forma data, the issuance of the incorporation shares and of the shares paid out of share premium reserve during 2007 are assumed to have taken place as per 1 January 2007.

	For the six months ended 30 June 2008 (Unaudited)	For the year ended 31 December 2007	For the six months ended 30 June 2007 (Unaudited)
Net income (PLN thousands) attributable to the equity holders of the parent company	2,487	38,903	(226)
Weighted average number shares for calculating basic earnings per share	226,676,611	173,703,927	158,200,000
Basic earnings per share	0.01	0.22	0.00
Weighted average number shares for calculating diluted earnings per share	228,866,666	174,113,790	158,200,000
Diluted earnings per share	0.01	0.22	0.00

Notes to the Consolidated Interim Financial Statements

21. Provisions

<i>In thousands of Polish Zlotys (PLN)</i>	For the six months ended 30 June 2008 (Unaudited)	For the year ended 31 December 2007	For the six months ended 30 June 2007 (Unaudited)
Balance at 1 January	501	501	501
Increase /(decrease)	-	-	-
Closing Balance	501	501	501

22. Loans and borrowings

Information about the contractual terms of the Group's interest-bearing loans and borrowings is presented in the table below. For more information about the Group's exposure to interest rate and foreign currency risk, see note 28.

<i>In thousands of Polish Zlotys (PLN)</i>	As at 30 June 2008 (Unaudited)	As at 31 December 2007	As at 30 June 2007 (Unaudited)
Non-current liabilities			
Loans from related parties	56,471	55,477	72,703
Secured bank loans	109,365	90,192	33,962
Total non-current liabilities	165,836	145,669	106,665
Current liabilities			
Loans from related parties	-	7,792	-
Secured bank loans	90,210	97,383	10,085
Total current liabilities	90,210	105,175	10,085

Terms and debt repayment schedule

Terms and conditions of outstanding loans are as follows:

Loans as at 30 June 2008:

<i>In thousands of Polish Zloty (PLN)</i>	Currency	Nominal interest rate	Year of maturity	Capital	Accrued interest	Bank Charges	Carrying value
Jeruzalem Finance Company B.V.	PLN	6%	2011	42,610	2,822	-	45,432
Gator Investments Sp. z o.o.	PLN	6%	2011	10,338	701	-	11,039
Subtotal (related parties)				52,948	3,523	-	56,471
Bank Loans	PLN	Wibor+1.1%	2008	31,897	-	(22)	31,875
Bank Loans	PLN	Wibor+1.6%	2008	45,636	-	(94)	45,542
Bank Loans	PLN	Wibor+1.1%	2009	85,447	172	(670)	84,949
Bank Loans	PLN	Wibor+1.4%	2009	6,200	-	(80)	6,120
Bank Loans	PLN	Wibor+1.6%	2009	14,400	-	-	14,400
Bank Loans	PLN	Wibor+1.6%	2010	16,800	-	(111)	16,689
Subtotal (Bank)				200,380	172	(977)	199,575
Total				253,328	3,695	(977)	256,046

Notes to the Consolidated Interim Financial Statements

22. Loans and borrowings (cont'd)

Loans as at 31 December 2007:

<i>In thousands of Polish Zlotys (PLN)</i>	Currency	Nominal interest rate	Year of maturity	Capital	Accrued interest	Bank charges	Carrying value
Gator Investments Sp. z o.o.	PLN	6%	2008	7,616	176	-	7,792
Jeruzalem Finance Company B.V.	PLN	6%	2011	42,610	2,014	-	44,624
Gator Investments Sp. z o.o.	PLN	6%	2011	10,339	514	-	10,853
Subtotal (related parties)				60,565	2,704	-	63,269
Bank Loans	PLN	Wibor+1.1%	2008	25,595	-	(44)	25,551
Bank Loans	PLN	Wibor+1.6%	2008	71,788	-	(339)	71,449
Bank Loans	PLN	Wibor+1.1%	2009	85,447	-	(958)	84,489
Bank Loans	PLN	Wibor+1.4%	2009	6,200	-	(114)	6,086
Subtotal (Bank)				189,030	-	(1,455)	187,575
Total				249,595	2,704	(1,455)	250,844

Loans as at 30 June 2007:

<i>In thousands of Polish Zloty (PLN)</i>	Currency	Nominal interest rate	Year of maturity	Capital	Accrued interest	Bank Charges	Carrying value
Jeruzalem Finance Company B.V.	PLN	6%	2011	60,380	1,747	-	62,127
Gator Investments Sp. z o.o.	PLN	6%	2011	10,338	238	-	10,576
Subtotal (related parties)				70,718	1,985	-	72,703
Bank Loans	PLN	Wibor+1.4%	2007	10,085	-	-	10,085
Bank Loans	PLN	Wibor+1.1%	2008	9,265	39	(66)	9,238
Bank Loans	PLN	Wibor+1.4%	2008	4,280	-	-	4,280
Bank Loans	PLN	Wibor+1.1%	2009	14,370	-	(126)	14,244
Bank Loans	PLN	Wibor+1.4%	2009	6,200	-	-	6,200
Subtotal (Bank)				44,200	39	(192)	44,047
Total				114,918	2,024	(192)	116,750

For the bank loans the following collateral was given:

- Ordinary and floating mortgages on land.
- Pledge over bank account in PKO BP up to the amounts/instalments due (PLN 670 thousand at 30 June 2008).
- Pledge over all bank accounts in Fortis Bank S.A. (PLN 668 thousand at 30 June 2008).
- Pledge over all bank accounts in Bank Zachodni WBK S.A. (PLN 8,609 thousand at 30 June 2008).
- Pledge over all bank accounts in ING Bank Śląski S.A. (PLN 338 thousand at 30 June 2008).
- Pledge over all bank accounts in BPH Bank S.A. (PLN 3,699 thousand at 30 June 2008).
- Assignment of receivables arising from insurance agreement and from the agreements concludes with clients.
- Registered pledge on shares.
- Subordination agreement on loans from related parties.
- Deposits guarantee for interests on credits (PLN 1,079 thousands at 30 June 2008).
- Blank promissory note drawn by the Company 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 Interim Financial Statements

23. Deferred income

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

<i>In thousands of Polish Zlotys (PLN)</i>		As at 30 June 2008	As at 31 December 2007	As at 30 June 2007
Subsidiary	Project	(Unaudited)		(Unaudited)
Ronson Development Properties Sp. z o.o.	Imaginarium I	36,852	31,646	11,072
Ronson Development Company Sp. z o.o.	Galileo	19,146	5,848	1,313
Ronson Development Investment Sp. z o.o.	Meridian	4,476	12,314	67,631
Ronson Development Creations Sp. z o.o.	Mistral	2,659	5,079	12,152
Ronson Development Metropol Sp. z o.o.	Konstancin	1,184		
Ronson Development Properties Sp. z o.o.	Imaginarium II	260	-	-
Ronson Development 2000 Sp. z o.o.	Pegaz 1	80	-	-
Ronson Development Management Sp. z o.o.	Sloneczny Skwer	63	-	620
Brighton Tec Sp. z o.o.	Klobucka	-	-	164
Ronson Development Residential Sp. z o.o.	Lazurowa Dolina	-	-	6
Ronson Development Warsaw Sp. z o.o.	Pegaz 2	-	-	3
Others	Others	-	20	-
Total		64,720	54,907	92,961

24. Trade and other payables

<i>In thousands of Polish Zlotys (PLN)</i>		As at 30 June 2008	As at 31 December 2007	As at 30 June 2007
	<i>Note</i>	(Unaudited)		(Unaudited)
Trade payables due to related parties	27	-	-	113
Other trade payables		7,594	7,960	18,734
Non-trade payables and accrued expenses		3,154	1,392	3,156
Tax payable		220	881	835
Total		10,968	10,233	22,838

As at 30 June 2008 and 31 December 2007, payables denominated in foreign currencies were insignificant. As at 30 June 2007 payables denominated in foreign currencies included in Trade payables due to related parties in Euro amounting to EUR 30 thousands (PLN 113 thousands).

Notes to the Consolidated Interim Financial Statements

25. Fair value estimation

Fair values

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

<i>In thousands of Polish Zlotys (PLN)</i>	<i>Note</i>	Six months ended 30 June 2008 (Unaudited)	
		Carrying amount	Fair value
Assets:			
Trade and other receivables	16	44,310	44,310
Cash and cash equivalents	17	64,698	64,698
Liabilities:			
Secured bank loans	22	199,575	199,575
Loan from related parties	22	56,471	52,539
Trade and other payables	24	10,968	10,968
Unrecognized gain			3,932

<i>In thousands of Polish Zlotys (PLN)</i>	<i>Note</i>	Year ended 31 December 2007	
		Carrying amount	Fair value
Assets:			
Trade and other receivables	16	66,176	66,176
Cash and cash equivalents	17	71,829	71,829
Liabilities:			
Secured bank loans	22	187,575	187,575
Loan from related parties	22	63,269	61,414
Trade and other payables	24	10,233	10,233
Unrecognized gain			1,855

<i>In thousands of Polish Zloty (PLN)</i>	<i>Note</i>	Six months ended 30 June 2007 (Unaudited)	
		Carrying amount	Fair value
Assets:			
Trade and other receivables	16	40,126	40,126
Cash and cash equivalents	17	14,757	14,757
Liabilities:			
Secured bank loans	22	44,047	44,047
Loan from related parties	22	72,703	72,360
Trade and other payables	24	22,838	22,838
Unrecognized gain			343

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;
- secured bank loans: carrying amounts approximate fair value as these loans bear variable interest rates which approximate market rates;
- loans from related parties and loans granted: 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.

Notes to the Consolidated Interim Financial Statements

25. Fair value estimation (cont'd)

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 margin as at 30 June 2008, 31 December 2007, 30 June 2007 and are as follows:

	As at 30 June 2008 (Unaudited)	As at 31 December 2007	As at 30 June 2007 (Unaudited)
Loans and borrowings	7.39%	6.78%	6.00%

26. Contingencies and commitments

Contingent commitments relate primarily to contingent consideration for land acquisitions which are considered probable of being paid. As at 30 June 2008, these contingent commitments amount to PLN 62,100 thousand, the payment of which is contingent upon closing the final agreements conveying ownership of the land and clearance of the mortgage register.

In addition, commitments to the general contractor for construction services to be rendered in the future amount to PLN 73,344 thousand as at 30 June 2008.

Contingent commitments relate primarily to contingent consideration for land acquisitions, which are considered probable of being paid by the following companies:

<i>In thousands of Polish Zloty (PLN)</i>		As at 30 June 2008 (Unaudited)	As at 31 December 2007	As at 30 June 2007 (Unaudited)
Subsidiary	Project			
Ronson Development North Sp. z o.o.	Łomianki	12,500	12,500	-
Ronson Development West Sp. z o.o.	Aurora	49,600	49,600	49,600
Ronson Development Properties Sp. z o.o.	Imaginarium II	-	-	14,450
Ronson Development Capital Sp. z o.o.	Eclipse	-	-	31,500
Ronson Development Conception Sp. z o.o.	Goya	-	-	20,848
Ronson Development Continental Sp. z o.o.	Chopin	-	-	18,216
Ronson Development Architecture Sp. z o.o.	Picasso	-	-	16,810
Ronson Development Skyline Sp. z o.o.	Newton	-	-	7,428
Ronson Development Universal Sp. z o.o.	Vivaldi	-	-	2,349
Total		62,100	62,100	161,201

The payment of the above amounts is contingent upon closing the final agreements conveying property ownership of the land and clearance of the mortgage register.

Notes to the Consolidated Interim Financial Statements

26. Contingencies and commitments (cont'd)

The amounts in the table below represent commitments to the general contractors for construction services to be rendered in the future:

<i>In thousands of Polish Zlotys (PLN)</i>		As at 30 June 2008	As at 31 December 2007	As at 30 June 2007
Subsidiary	Project	(Unaudited)		(Unaudited)
Ronson Development Company Sp. z o.o.	Galileo	15,593	32,755	51,203
Ronson Development Metropol Sp. z o.o.	Konstancin	26,867	-	-
Ronson Development Home Sp.k.	Gardenia	9,000	-	-
Ronson Development Properties Sp. z o.o.	Imaginarium II	21,884	-	-
Ronson Development Creations Sp. z o.o.	Mistral	-	-	7,257
Ronson Development Properties Sp. z o.o.	Imaginarium I	-	-	6,960
Ronson Development Investment Sp. z o.o.	Meridian	-	-	3,749
Total		73,344	32,755	69,169

27. Related parties

Parent and ultimate controlling party

The Group enters into various transactions with its subsidiaries and with its directors and executive officers.

The main related parties' transactions arise on:

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

Loans received

During the six months ended 30 June 2008, the Group repaid loans from related parties amounting to PLN 8,447 thousand and did not receive any loans from related parties in this period (see note 22 for details).

Settlements with ITR Dori

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

Notes to the Consolidated Interim Financial Statements

27. Related parties (cont'd)

Transactions with key management personnel

The key management personnel of Company include:

Dror Kerem – President of the Management Board, Chief Executive Officer

Ariel Bouskila – Member of the Management Board, Chief Financial Officer (until 23 June 2008)

Tomasz Łapiński – Member of the Management Board, Chief Financial Officer (as of 23 June 2008)

Karim Habra – Member of the Management Board (until 3 September 2008)

David Katz – Member of the Management Board

Amos Weltsch – Member of the Management Board

Loans to directors

As at 30 June 2008, 31 December 2007 and 30 June 2007, there were no loans granted to directors.

Key management personnel compensation

Apart from the compensation listed below, there were no additional benefits granted to key management personnel in the periods ended 30 June 2008, 31 December 2007 and 30 June 2007.

Key management personnel compensation can be presented as follows:

<i>In thousands of Polish Zloty (PLN)</i>	Employment agreement	Management salary	Other (bonuses)	Total
Management Board – 30 June 2008	139	402	122	663
Management Board – 31 December 2007	71	361	-	432
Management Board – 30 June 2007	130	141	-	271

Residential units purchased by key management

The Group has sold residential units including parking places and storages (“Units”) to Amixam Property Sp. z o.o., a Polish company of which 50% of the shares are held by Mr. Dror Kerem. During the year ended 31 December 2007, the Group sold one unit for a consideration of PLN 497 thousand (during the six months ended 30 June 2008 nil). This transaction has been executed at arm’s length and was in adherence to the Group’s policy in respect of related-party transactions.

Shares and share options

Shares

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

Share options

During the six months ended 30 June 2008 the members of the Management Board did not receive rights to shares or options on shares. During the year ended 31 December 2007 the following members of the Management Board received rights to shares in the Company.

Notes to the Consolidated Interim Financial Statements

27. Related parties (cont'd)

- Mr. Dror Kerem received the right to subscribe for 240,000 shares in the capital of the Company with a nominal value of EUR 0.02 each, per year annually on the anniversary date of the Admission for five successive years, being in total 1,200,000 shares, for an issue price per share equal to PLN 5.75, provided, however, that if the consulting agreement between Mr. Dror Kerem and the Company is terminated (for any reason), Mr. Dror Kerem's entitlement to the vesting of the options on the anniversary date of the year of such termination shall be relative to the proportion of the year (to the anniversary date) he was employed by the Company and, thereafter, any remaining options granted in accordance with the above are automatically cancelled; and
- Mr. Ariel Bouskila received a right to subscribe for 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, 1/3rd per year on the anniversary date of the date of Admission for three successive years. As Mr. Ariel Bouskila stepped down as Management Board member as of 23 June 2008 and left the Company as the end of July the above mentioned rights have expired.

Land purchased from related parties

On 26 July 2007, Ronson Development Landscape Sp.k., a newly formed Polish subsidiary of Ronson, entered into a preliminary purchase agreement to acquire the assets of Brighton Tec Sp. z o.o. from ITR Dori. The primary asset of Brighton Tec was a plot of land located in Mokotów, Warsaw. Brighton Tec has been seeking zoning approval for construction of a residential project on this site, rather than a commercial project as originally contemplated. On 27 September 2007, the asset sale was consummated for an amount of EUR 11,500,000 in cash, which was equal to the appraised fair value of the asset.

28. Financial risk management

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

The Group does not use derivative financial instruments to hedge currency or interest rate risks arising from the Group's operations and its sources of finance. It is, and has been throughout the six months ended 30 June 2008, the Group's policy that no trading in (derivative) financial instruments shall be undertaken.

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

Notes to the Consolidated Interim Financial Statements

28. Financial risk management (cont'd)

Credit risk

Financial instruments that potentially subject the Group to concentrations of credit risk consist principally of advances for inventories of residential units and cash and cash equivalents.

The Group is making significant cash payments as security for preliminary land purchase agreements. At 30 June 2008, payments made under land purchase agreements amounted to PLN 20,900 thousand (see note 16). The Group minimizes its credit risk arising from such payments by registering advance repayment obligations in the mortgage register of the respective property. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The Group does not expect any counter parties to fail in meeting their obligations. The carrying amount of trade and other receivables (see note 16) reflects the maximum exposure to the risk.

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

<i>In thousands of Polish Zloty (PLN)</i>	As at 30 June 2008	As at 31 December 2007	As at 30 June 2007
Rating	(Unaudited)		(Unaudited)
AAA	19	40	12
AA	48,510	66,321	6,913
A	16,169	5,468	7,832
Total cash at banks and short-term bank deposits	64,698	71,829	14,757

Market risk

(i) Foreign currency risk

The Group is exposed to foreign currency risk on receivables and borrowings denominated in a currency other than PLN to a limited extent only. As at 30 June 2008, the Group had no Trade receivables denominated in foreign currencies.

(ii) Price risk

The Group's exposure to marketable and non-marketable securities price risk is not significant because the Group has not invested in securities as at 30 June 2008.

(iii) Interest rate risk

The Group's fixed-rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable-rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short-term receivables and payables are not exposed to interest rate risk.

In respect of income-earning financial assets and interest-bearing financial liabilities, the following tables indicate their average effective interest rates at the reporting date and the periods in which they mature or, if earlier, re-price.

Notes to the Consolidated Interim Financial Statements

28. Financial risk management (cont'd)

Six months ended 30 June 2008 (Unaudited)								
<i>In thousands of Polish Zlotys (PLN)</i>	Note	Average effective interest rate	Total	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Fixed rate instruments								
Loans from related parties	22	6.00%	56,471	-	-	-	56,471	-
Cash and cash equivalents	17	0.05%-0.15%	2,628	2,628	-	-	-	-
Variable rate instruments								
Secured bank loans	22	WIBOR + 1.1%-1.6%	200,552	77,704	13,230	109,618	-	-
Cash and cash equivalents	17	WIBOT - 1%-2%	62,070	62,070	-	-	-	-
Year ended 31 December 2007								
<i>In thousands of Polish Zlotys (PLN)</i>	Note	Average effective interest rate	Total	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Fixed rate instruments								
Loans from related parties	22	6.00%	63,269	7,792	-	-	55,477	-
Cash and cash equivalents	17	0.05%-0.15%	7,273	7,273	-	-	-	-
Variable rate instruments								
Secured bank loans	22	WIBOR + 1.1%-1.6%	189,030	18,680	78,703	91,647	-	-
Cash and cash equivalents	17	WIBOT - 1%-2%	64,556	64,556	-	-	-	-
Six months ended 30 June 2007 (Unaudited)								
<i>In thousands of Polish Zlotys (PLN)</i>	Note	Average effective interest rate	Total	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Fixed rate instruments								
Loans from related parties	22	6.00%	72,703	-	-	-	72,703	-
Variable rate instruments								
Cash and cash equivalents	17	WIBOT - 1%-2%	14,757	14,757	-	-	-	-
Secured bank loans	22	WIBOR + 1.2%	44,239	10,085	-	13,584	20,570	-

In managing interest rate and currency risks, the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer term, however, permanent changes in interest rates will have an impact on profit.

At 30 June 2008, it is estimated that a general increase of one percentage point in interest rates, with all others factors remaining equal, would decrease the Group's profit before income tax for the six months ended 30 June 2008 by approximately PLN 1,001 thousand. Conversely, a general decrease of one percentage point in interest rates would increase the Group's profit before income tax for the six months ended 30 June 2008 by approximately PLN 1,001 thousand.

Notes to the Consolidated Interim Financial Statements

28. Financial risk management (cont'd)

Liquidity risk

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

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

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

Six months ended 30 June 2008 (Unaudited)				
<i>In thousands of Polish Zlotys (PLN)</i>	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Loans and borrowings	90,934	109,618	56,471	-
Trade and other payables	10,968	-	-	-
Total	101,902	109,618	56,471	-

Year ended 31 December 2007				
<i>In thousands of Polish Zlotys (PLN)</i>	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Loans and borrowings	105,175	91,647	55,477	-
Trade and other payables	10,233	-	-	-
Total	115,408	91,647	55,477	-

Six months ended 30 June 2007 (Unaudited)				
<i>In thousands of Polish Zlotys (PLN)</i>	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Loans and borrowings	10,085	13,584	93,273	-
Trade and other payables	22,838	-	-	-
Total	32,923	13,584	93,273	-

Notes to the Consolidated Interim Financial Statements

29. Capital risk management

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

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

The gearing ratios and leverage at 30 June 2008, 31 December 2007 and 30 June 2007 were as follows:

<i>In thousands of Polish Zlotys (PLN)</i>	As at 30 June 2008 (Unaudited)	As at 31 December 2007	As at 30 June 2007 (Unaudited)
Loan and borrowings, including current portion	256,046	250,844	116,750
Less: cash and cash equivalents	(64,698)	(71,829)	(14,757)
Net debt	191,348	179,015	101,993
Total equity	276,563	271,973	92,050
Total capital employed	467,911	450,988	194,043
Gearing ratio	69.2%	65.8%	110.8%
Leverage	40.9%	39.7%	52.6%

30. Subsequent events

Loans from bank

On 30 June 2008, Ronson Development Providence Sp. z o.o signed a loan agreement with Millennium Bank S.A. for a loan amounting to PLN 17,150 thousand. The money was transferred on 5 August 2008.

On 24 April 2008, Ronson Development Metropol Sp. z o.o signed a loan agreement with Bank Zachodni WBK S.A. for a loan in the amount of PLN 6,200 thousand. The money was transferred on 25 July 2008.

Land purchase

On 16 September 2008, Ronson Development North Sp. z o.o. signed the final Notarial Deed agreement following the preliminary agreement concluded on 19 November 2007, comprising the purchase of a plot of land with a size of 31,785 m² located in Warsaw. The total consideration price was PLN 21,000 thousands, of which PLN 8,500 thousand was paid until 30 June 2008 and remainder amount of PLN 12,500 thousand was paid after 30 June 2008.

Unconsolidated Income Statement

<i>In thousands of Polish Zlotys (PLN)</i>	For the six months ended 30 June 2008 (Unaudited)	For the year ended 31 December 2007 (Audited)	For the six months ended 30 June 2007 (Unaudited)
Revenue	21	4	-
General and administrative costs	(2,912)	(1,232)	-
Operating loss	(2,891)	(1,228)	-
Finance income	1,918	524	-
Finance expense	(428)	(423)	-
Net finance income	1,490	101	-
Loss before taxation	(1,401)	(1,127)	-
Income tax	-	-	-
Loss before Result from subsidiaries	(1,401)	(1,127)	-
Result from subsidiaries after taxation	3,888	40,256	-
Net income	2,487	39,129	-

See accompanying notes to the Condensed Unconsolidated Interim Financial statements.

Unconsolidated Balance Sheet

<i>In thousands of Polish Zlotys (PLN)</i>	As at 30 June 2008 (Unaudited)	As at 31 December 2007 (Audited)	As at 30 June 2007 (Unaudited)
Assets			
Investment in subsidiaries	218,428	187,490	105,810
Loans granted to subsidiaries	69,538	55,900	-
Total non-current assets	287,966	243,390	105,810
Trade and other receivables	583	463	-
Receivables from subsidiaries	18	4	-
Cash and cash equivalents	3,269	44,809	172
Total current assets	3,870	45,276	172
Total assets	291,836	288,666	105,982
Equity			
Shareholders' equity			
Share capital	16,953	16,933	172
Share premium reserve	215,105	215,105	91,878
Retained earnings	44,505	39,935	-
Total shareholders' equity	276,563	271,973	92,050
Liabilities			
Long-term liabilities			
Loans from subsidiaries	14,770	14,353	13,932
Total long-term liabilities	14,770	14,353	13,932
Current liabilities			
Trade and other payables	503	1,457	-
Creditors from subsidiaries	-	883	-
Total current liabilities	503	2,340	-
Total shareholders' equity and liabilities	291,836	288,666	105,982

See accompanying notes to the Condensed Unconsolidated Interim Financial statements.

Unconsolidated Statement of Changes in Shareholders' Equity

For the six months ended 30 June 2008 and for the year ended 31 December 2007:

<i>In thousands of PLN</i>	<u>Net profit</u>	<u>Share capital</u>	<u>Share premium reserve</u>	<u>Total</u>
Balance at beginning of the period	-	-	-	-
Net profit for the year 2007	39,129	-	-	39,129
Net contribution in kind of assets and liabilities and issue of shares upon establishment of the Company (1)	-	172	91,878	92,050
Net contribution in kind of assets and issue of new shares (2)	-	45	20,084	20,129
Exclusion of a subsidiary (3)	-	-	(22,360)	(22,360)
Share based payment	806	-	-	806
Capital payment	-	-	700	700
Issue of new shares in exchange of share premium reserve	-	14,772	(14,772)	-
Issue of new shares (4)	-	1,944	139,575	141,519
Balance at 31 December 2007 (Audited)	39,935	16,933	215,105	271,973
Net profit for the six months ended 30 June 2008	2,487	-	-	2,487
Issue of new shares (5)	-	20	-	20
Share-based payment	2,083	-	-	2,083
Balance at 30 June 2008 (Unaudited)	44,505	16,953	215,105	276,563

For the six months ended 30 June 2007:

<i>In thousands of PLN</i>	<u>Net profit</u>	<u>Share capital</u>	<u>Share premium reserve</u>	<u>Total</u>
Balance at beginning of the period	-	-	-	-
Net contribution in kind of assets and liabilities and issue of shares upon establishment of the Company (1)	-	172	91,878	92,050
Balance at 30 June 2008 (Unaudited)	-	172	91,878	92,050

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

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

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

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

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

See accompanying notes to the Condensed Unconsolidated Interim Financial statements.

Unconsolidated Statement of Cash Flows

	For the six months ended 30 June 2008 (Unaudited)	For the year ended 31 December 2007 (Audited)	For the six months ended 30 June 2007 (Unaudited)
<i>In thousands of Polish Zlotys (PLN)</i>			
Cash flows from operating activities			
Profit for the period	2,487	39,129	-
<i>Adjustments to reconcile profit for the period to net cash (used in)/from operating activities:</i>			
Net finance income	(1,490)	(101)	-
Increase in trade and other receivables	(120)	(463)	-
Increase in receivables from subsidiaries	(14)	(4)	-
Net results subsidiaries during the period	(3,888)	(40,256)	-
Increase/(decrease) in trade and other payables	(954)	1,457	-
Increase/(decrease) in creditors from subsidiaries	(883)	883	-
Share-based payment	2,083	806	-
Interest received	469	522	-
Net cash used in operating activities	(2,310)	1,973	-
Cash flows from investing activities			
Loan granted to subsidiaries	(12,200)	(55,900)	-
Investment in subsidiaries	(27,050)	(43,700)	-
Net cash used in investing activities	(39,250)	(99,600)	-
Cash flows from financing activities			
Proceeds from new shares issued	20	154,250	172
Costs directly attributed to the new shares issued	-	(11,814)	-
Net cash from financing activities	20	142,436	172
Net change in cash and cash equivalents	(41,540)	44,809	172
Cash and cash equivalents at the beginning of the period	44,809	-	-
Cash and cash equivalents at the end of the period	3,269	44,809	172

See accompanying notes to the Condensed Unconsolidated Interim Financial statements.

Notes to the Condensed Unconsolidated Interim Financial Statements

Note 1 - Accounting principles

The accounting principles and measurement basis applied by Ronson Europe N.V. (“the Company”) are consistent with those applied in the Consolidated Interim Financial Statements (see Note 2 to the Consolidated Interim Financial Statements).

Note 2 – Other

The Management Board believes that the Company’s Consolidated Interim Financial Statements present all material information required to assess the Company’s financial position and financial results for the six months ended 30 June 2008. The Condensed Unconsolidated Interim Financial Statements are an integral part of the Consolidated Interim Financial Statements of the Group and therefore should be read together with the Consolidated Interim Financial Statements.

The Condensed Unconsolidated Interim Financial Statements as of 30 June 2008 and 30 June 2007, comprising of the Unconsolidated Balance Sheets, the Unconsolidated Income Statements, the Unconsolidated Cash Flows Statements and the Unconsolidated Statements of Changes in Shareholders’ Equity for the six months ended 30 June 2008 and 30 June 2007 have been reviewed by independent auditors. The Condensed Unconsolidated Financial Statements as of 31 December 2007, comprising of the Unconsolidated Balance Sheet, the Unconsolidated Income Statement, the Unconsolidated Cash Flows Statement and the Unconsolidated Statement of Changes in Shareholders’ Equity for the twelve months ended 31 December 2007 have been audited.

**Rotterdam,
26 September 2008** **The Management Board**

Dror Kerem

Tomasz Łapiński

David Katz

Amos Weltsch