Ronson Europe N.V.

Annual Report
for the year ended 31 December 2007

GENERAL INFORMATION

Management Board

Dror Kerem
Ariel Bouskila
Karim Habra
David Katz
Amos Weltsch

Supervisory Board

Uri Dori
Thierry Leleu
Mark Segall
Yair Shilhav

Registered office

Weena 210-212
3012 NJ Rotterdam
The Netherlands

Auditors

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

To our shareholders

The year 2007 should be marked as the year of the debut by Ronson Europe N.V. ('the Company') in the Warsaw Stock Exchange.
Admittedly, 2007 would also be remembered as the year of the "sub prime crisis", an event which had triggered the adverse reaction in many markets around the globe. Putting aside the bear market sentiments, the Company had performed well, and finished with record profit.

The residential Polish market holds a great promise. Over 4 million new units should be built for Poland to reach the EU27 average number of units per 1000 inhabitants. With the current annual production of slightly over 130,000 units, the shortage in the residential market is rather obvious. As such, the Company's confidence in the Polish market remains very strong and it believes that current negative sentiments will be short lasting.

Record year in project commencement is the best way to describe the main goal of the Company for the year 2008. Achieving our ambitious goal for that year will greatly influence overall Company activity, and its growth for years to come.

Geographic diversification remains an important part of the Company's strategy. The Company will keep reviewing opportunities, but not at the expense of margins. The Company has been operating on gross margins in access of 40%, and sustaining high margins is high on the list of management's objectives.

Currently, the Company is well capitalized. The equity raised in the stock market is designated, for the most part, for new land acquisitions. Procurement opportunities, we believe, will become more and more attractive, as more companies lacking local market know-how, are exiting the market.

Establishing a strong and professional team has been the key to the success of the Company. We strongly believe that the Company possesses a competent platform highly capable of expanding the current activity in a manner that will secure a steady growth.

Sincerely,

Dror Dory Kerem
CEO

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Supervisory Board report

We take pleasure in presenting the financial statements of Ronson Europe N.V. for the financial year 2007, accompanied by the report of the management board. KPMG Accountants N.V. have audited the financial statements and issued an unqualified auditor's report. We recommend the shareholders to adopt the financial statements as presented.

We concur with the Management Board's proposal as taken up on page 79 to allocate the net profit for the year 2007 amounting to PLN 39,129 thousand to retained earnings.

Supervision

Towards the end of 2007, in preparation of listing the Company on the Warsaw Stock Exchange, the Company's corporate governance structure was amended in order to comply as much as practically possible with the applicable governance regulations. The Supervisory Board has reviewed the Dutch and Polish corporate governance codes (the "Codes"), and generally agreed to comply with its basic provisions. The Board has approved the implementation of most of the provisions of the best practice Codes. For a more detailed description reference is made to pages 2 to 4 of this Annual Report.

During the year 2007, there have been frequent meetings between the Supervisory Board and the Management Board, during which the following topics were discussed:

- the Company's business strategy;
- the corporate governance structure of the Company and the implementation of the Codes;
- risk management;
- a Management Board remuneration policy including the execution of the long-term incentive plan.

In addition, the Supervisory Board has also met without the presence of the Management Board to discuss, among other things, the functioning of the Management Board. The Board has also met with the external auditors without the presence of the Management Board.

Audit Committee

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

Remuneration and Nominating Committee

It is the primary task of the Remuneration and Nominating Committee to: (i) propose to the Supervisory Board remunerations of the members of the Management Board, including a review and monitoring of the Group's total remuneration policy (ii) advise the Supervisory Board on matters relating to the nominations of both Supervisory and Management Board members. The Remuneration and Nominating Committee regularly reviews the Supervisory Board profile, its effectiveness and composition. The committee also reviews the performance of the members of the Management Board.
During the year 2007, the Audit Committee and the Remuneration and Nominating Committee have met once.

Financial statements

The Management Board has prepared the 2007 financial statements. These financial statements were discussed at a Supervisory Board meeting attended by the auditors, who provided further information on the audit process and audit findings.

Composition of the Supervisory Board

In accordance with the existing appointment schedule, the term of all Supervisory Board members expires in September 2011. In order to avoid the situation in which the terms of a large majority of the Supervisory Directors are expiring at the same time, it is intended to re-appoint one Supervisory Board director annually for a term of 4 years, starting at the occasion of the General meeting of shareholders in June 2009.

14 April 2008
For the Supervisory Board

Uri Dori,
Chairman

Corporate Governance

Governance structure

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

Corporate Governance Code in the Netherlands

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

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

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

The Company supports the Dutch Corporate Governance Code and will apply with the relevant best practice provisions of the Dutch Corporate Governance Code, subject to the exceptions set out below.

Non-Compliance with the Dutch Corporate Governance Code:

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

The current members of the Management Board have been appointed for an unlimited period and the Company does not consider it appropriate to renegotiate the existing agreements, in so far as this would be possible given the mandatory provisions of Dutch labor law. Any future appointments of members of the Management Board will be in compliance with this provision.

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

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

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

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

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

Governance structure (cont'd)

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

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

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

Our Supervisory Board currently consists of four members, of which one is independent within the meaning of the Dutch Corporate Governance Code. There is currently one vacancy on the Supervisory Board and it is expected that such vacancy will be filled during the year 2008 by an independent director. GE (18.4% shareholding) and ITR Dori (63.7% shareholding) have agreed to use their voting rights in such a manner to procure that ITR Dori will be in a position to nominate independent directors to the Company.

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

The Company is in the process of determining the exact profile of the company secretary. As soon as the Company has determined this profile, it shall seek a suitable candidate. The Company expects to appoint a company secretary during the year 2008.

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

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

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

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

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

The Company feels that its financial reporting will be sufficiently monitored by its Audit Committee and will initially not appoint an internal auditor.

Governance structure (cont'd)

Corporate Governance Code in Poland

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

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

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

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

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

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

General meeting of shareholders

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

Supervisory and management boards

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

Supervisory Board

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

Supervisory Board Committees

The Supervisory Board is supported by two committees:

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

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

Composition of the Supervisory Board

Uri Dori (age 65, Israeli citizen)

Uri Dori was appointed the Chairman of the Supervisory Board of the Company on 28 September 2007 (effective as of the date of the Deed of Amendment). He is the Chairman of the Management Board and Chief Executive Officer in U. Dori Engineering Works Corporation Ltd. Mr Dori is a board member of the following companies: U. Dori Engineering Works Corporation Ltd., ACAD Building and Investments Ltd., ACAD Equipment and Assets (1979) Ltd., ROM GEVES Casing and Covering (1997) Ltd., Innovate Ltd., Bay Heart Limited, U. Dori Technologies & Investments Ltd., Maor – Mortgage Bonds Backed Securities (1999) Ltd., Mendor Limited, Bay Heart Assets (1994) Limited, U.N. Dori Ltd, Ziggurat Systems Ltd., U. Dori Construction and Infrastructure Ltd., Mildan Initiating and Investments Ltd, Udor Holdings Ltd. His current term as Supervisory Director expires in September 2011.

Thierry Leleu (age 39, French citizen)

Thierry Hubert Francois Leleu was appointed a member of the Supervisory Board of the Company on 28 September 2007 (effective as of the date of the Deed of Amendment). Since 2006, Mr Leleu has been the General Counsel of GE Real Estate Europe SAS. Prior to 2006, Mr Leleu was an investment director at Orion Capital Management, a European real estate private equity fund and, until 2002, he was a partner at Norton Rose law firm. He has been serving as a member of the board of directors of DxO Labs since 2002 and AZMT Holding B.V. since 2007. He is also a member of the management board of Olympian B.V. (under incorporation). His current term as Supervisory Director expires in September 2011.

Mark Segall (age 45, US citizen)

Mark Segall was appointed a member of the Supervisory Board of the Company on 28 September 2007 (effective as of the date of the Deed of Amendment). Mr Segall is the founder of Kidron Corporate Advisors LLC, a corporate advisory and mergers and acquisitions boutique, and of Kidron Opportunity Fund I, LLC, a small private equity fund. Prior to forming Kidron in 2003, he was the chief executive officer of Investec Inc. Mr Segall serves on the board of directors of Integrated Asset Management plc, and Answers Corporation. His current term as Supervisory Director expires in September 2011.

Composition of the Supervisory Board (cont'd)

Yair Shilhav (age 48, Israeli citizen)

Yair Shilhav was appointed a member of the Supervisory Board in 28 September 2007 (effective as of the date of the Deed of Amendment), and he is the Chairman of the Audit Committee. Since 2004, Mr Shilhav has been the owner of a business consulting office. Between 2000 and 2003, he was a member of the executive directory committee of the audit firm, Somekh Chaikin, a member of KPMG ("Somekh Chaikin"). Between 1995 and 2003, he was the head of the Haifa branch of Somekh Chaikin, of which he was partner from 1990 to 2003. Prior to becoming a partner at Somekh Chaikin, he was head of the professional and finance department of the same firm. He was also the head of the accountancy faculty at Haifa University between 1998 and 2002. His current term as Supervisory Director expires in September 2011.

Management Board

The management of the Company is entrusted to the Management Board under the supervision of the Supervisory Board. The Articles of Association provide that the Management Board shall consist of two or more managing directors. Managing directors are appointed by the General meeting of shareholders. The Management Board shall meet as often as a managing director requests a meeting. All resolutions by the Management Board shall be adopted by an absolute majority of the votes cast.
The Management Board as a whole is responsible for the day-to-day management, including comprehensive risk management control, financing and regulatory compliance. Ronson Europe N.V. and its operating companies are organised along clear functional reporting lines. Throughout the Group, corporate and operating accountabilities, roles and responsibilities are in place.

Composition of the Management Board

Dror Dory Kerem (age 49, Israeli citizen)

Dror Dory Kerem was appointed the President and Chief Executive Officer of the Company on 1 October 2007. Mr Kerem joined the Group in 2000, at which time he was appointed the President of R.D. Management Sp. z o.o. He has also served as a general manager of the Group for the last seven years. Until 2003, he was on the management board of Globcom Sp. z o.o.

Ariel Bouskila (age 33, Israeli citizen)

Ariel Bouskila was appointed as a member of the Management Board and Chief Financial Officer of the Company on 1 October 2007. Mr Bouskila joined the Group in August 2006, at which time he was appointed a member of the management board of R.D. Management z o.o. From 2005 to 2007 he was a member of the management board of Forum Film Poland Sp. z o.o. and from 2005 to 2006 he was a member of the management board of All Job Poland Sp. z o.o.

David Katz (age 64, Israeli citizen)

David Katz was appointed a member of the Management Board of the Company on 1 October 2007. Since 1983, Mr Katz has been the Vice President of U. Dori Engineering Works Corporation Ltd. and is currently the manager of the initiative department outside of Israel in U. Dori Engineering Works Corporation Ltd. From 1969 to 1983 he was a performance engineer at Ashtrom Engineering & Construction Ltd. He is a member of the board of the following companies: U. Dori Engineering Works Corporation Ltd., Jerusalem Finance B.V, I.T.R Dori B.V, D.A.C. Engineering Ltd, ACAD Building and Investments Limited, ACAD Equipment and Assets (1979) Limited, U. Dori Technologies & Investments Ltd, Bay Heart Assets (1994) Limited, U. Dori Construction and Infrastructure Ltd, Mildan Initiating and Investments Ltd, David K. Holdings Ltd.

Composition of the Management Board (cont'd)

Karim Habra (age 32, British citizen)

Karim Habra was appointed a member of the Management Board member on 1 October 2007. Mr Habra has been the Managing Director of GE Real Estate Central and Eastern Europe since 2003. From 2000 to 2003 he was the Business Development Director of GE Real Estate Central and Eastern Europe and from 1998 to 2000 he was an Acquisition Associate Director of GE Real Estate Europe. He serves as a board member of the following companies: GE Real Estate Czech Republic s.r.o., IGY České Budějovice s.r.o., IGY Czech s.r.o., IGY a.s., SV FÁZE II. s.r.o., SLUNEČNÝ VRŠEK III. s.r.o., Košík Development s.r.o., GFR s.r.o., OC Slovakia s.r.o., GE Real Estate Poland Sp. z o.o., GE Debt Management TFI S.A., Karafiat House Sp. z o.o., Gator Investments Sp. z o.o., Gemini Investments Sp. z o.o., GE Debt Closed-End Investment Fund Non-Standardized Securitization Fund, GECGE Kosik Investors S.a.r.l., Nove Czech Investment Company S.a.r.l., Scandia L.L.C., EURO MALL VENTURES S.a.r.l., Central Europe Capital Inc.

Amos Weltsch (age 57, Israeli citizen)

Amos Weltsch was appointed a member of the Management Board member on 1 October 2007. Mr Weltsch has been the chief operating officer of Cinema City N.V. since 1980. He has also held various senior management positions with Israel Theatres Limited and affiliated companies since 1980. From 1974 to 1978, he was a manager at L. Glickman Building Materials, and from 1978 to 1980, a managing director of Eitan Cement Limited.

Remuneration Report

Introduction

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

Remuneration Policy

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

Governance

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

Remuneration of the Management Board

Employment contracts

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

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

Both members of the Management Board are entitled to participate in the Company's Employee Stock Incentive Plan (see below).

Long-term incentive plan

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

On 5 November 2007, the Company issued 1,900,000 options with an exercise price of PLN 5.75 each and right the to obtain 300,000 shares (for more information see Note 20C to the Consolidated financial statements).

Remuneration of the Supervisory Board

Each Supervisory Board member currently receives an annual remuneration of EUR 8,900 and EUR 1,500 per attendance at meetings or EUR 750 if attendance is by telephone. The Supervisory Board members are not entitled to any benefits on termination of their service.

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. The Company (and together with its Polish subsidiaries, "the Ronson Group" or "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 Ronson Group also leases real estate to third parties.

The shares of the Company are traded on the Warsaw Stock Exchange since 5 November 2007. As at 31 December 2007, 63.7% 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 17.9% 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% 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 within 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 the 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 shareholders of the Company resolved to issue 197,155,500 shares with a par value of 0.02 EUR to the existing shareholders in proportion to their individual shareholding. The share capital was paid up through a charge to the available share premium reserve.

General (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 newly issued shares 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.

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 poised to become a leading residential development company throughout Poland.

The Group has completed seven projects, delivering 986 units with a total area of 66,598 m^2. The remaining 65 units, with a total area of 5,148 m^2, are expected to be delivered during 2008. As of the date of this Annual Report, the Group is developing three new projects. The Group has 320 residential units under construction, with a total area of approximately 27873 m^2, of which 292 are expected to be completed in 2008. In addition, the Group is currently preparing 22 projects with approximately 5,732 residential units for future development in Warsaw, Poznań, Wrocław and Szczecin. Moreover, the Group has entered into three preliminary purchase agreements regarding properties in Poznań and Warsaw.

Business highlights during 2007

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 residential unit. Total revenue of the Group in 2007 amounted to PLN 129.6 million, whereas cost of sales amounted to PLN 69.9 million, which resulted in the gross profit amounting to PLN 59.7 million.

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

	Revenue		Cost of sales		Gross profit	
Project	**PLN (thousands)**	**%**	**PLN (thousands)**	**%**	**PLN (thousands)**	**%**
Meridian	86,167	66.5%	42,454	60.7%	43,713	73.2%
Mistral	27,323	21.1%	17,009	24.4%	10,314	17.3%
Pegaz II	11,536	8.9%	8,358	12.0%	3,178	5.3%
Słoneczny Skwer	3,814	2.9%	1,907	2.7%	1,907	3.2%
Other	748	0.6%	123	0.2%	625	1.0%
Total	**129,588**	**100.0%**	**69,851**	**100.0%**	**59,737**	**100.0%**

Meridian

The construction of the Meridian housing estate was completed in October 2007. This project was developed on a land strip of 5,196 m^2 located in the Wola district of Warsaw. The Meridian housing estate comprises three seven and nine-storey buildings with a total of 206 apartments (and 7 commercial units) with an aggregate floor space of 15,000 m^2. The size of the apartments varies from 47 m^2 to 183 m^2.
During the year ended 31 December 2007, the Group recognized revenue from the sale of 157 apartments (including parking places and storages) and 6 commercial units.

Business highlights during 2007 (cont'd)

Mistral

The construction of the Mistral housing estate was completed in December 2007. This project was developed on a land strip of 5,366 m^2 located in the Ursynów district of Warsaw. The Mistral housing estate comprises four two-storey detached houses of 10 to 17 apartments each, with a total of 54 apartments (no commercial units) with an aggregate area of 4,300 m^2. The size of the apartments varies from 51 m^2 to 113 m^2.
During the year ended 31 December 2007, the Group recognized revenue from the sale of 40 apartments (including parking places and storages).

Pegaz II

The construction of the Pegaz II apartment building was completed in January 2006. The project was developed on a land strip of 2,116 m^2 located in the Mokotów district of Warsaw. The Pegaz II apartment building is a thirteen-storey building with a total of 80 apartments (no commercial units) with an aggregate area of 4,786 m^2. The size of the apartments varies from 37 m^2 to 101 m^2.
During the year ended 31 December 2007, the Group recognized revenue from the sale of 33 apartments (including parking places). With the exception of parking spaces which are to be sold, the entire revenue from the sale of the 80 units was recognized during the years ended 31 December 2007 and 2006.

Land Purchase and Advance for land

A. Land purchase

The table below presents information on the 13 strips of land purchased by the Group during the year ended 31 December 2007:

Company	Project name	Location	Land strip m2	Date of the final Notarial Deed	Acquisition price PLN (thousand)
Ronson Development Providence Sp. z o.o.	Falenty	Warsaw	103,676	20/12/2007	24,500
Ronson Development Capital Sp. z o.o.	Eclipse	Poznań	15,449	13/12/2007	36,000
Ronson Development Community Sp.k.	Mozart	Szczecin	30,283	03/12/2007	24,000
Ronson Development South Sp. z o.o.	Matisse II	Wrocław	6,965	30/10/2007	5,920
Ronson Development Architecture Sp. z o.o.	Picasso	Wrocław	8,121	01/10/2007	18,678
Ronson Development Landscape Sp.k.	Kłobucka	Warsaw	21,010	26/09/2007	43,473
Ronson Development Conception Sp. z o.o.	Goya	Wrocław	14,039	20/09/2007	23,164
Ronson Development Continental Sp. z o.o.	Chopin	Szczecin	92,000	06/09/2007	20,240
Ronson Development Retreat Sp. z o.o.	Renaissance	Warsaw	21,629	08/08/2007	14,758
Ronson Development Universal Sp. z o.o.	Vivaldi	Szczecin	39,600	02/08/2007	6,930
Ronson Development Properties Sp. z o.o.	Imaginarium II	Warsaw	12,743	09/07/2007	17,000
Ronson Development Apartments Sp. z o.o.	Tulce	Poznań	39,604	07/05/2007	6,574
Ronson Development Village Sp. z o.o.	Sadków	Wrocław	44,700	15/03/2007	2,235
Total			**449,819**		**243,472**

Land Purchase and Advance for land (cont'd)

B. Advances for land

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

Company	Project name	Location	Land strip m2	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 Skyline Sp. z o.o.	Newton	Poznań	10,908	8,181	8,181
Ronson Development North Sp. z o.o.	Łomianki	Warsaw	33,488	19,696	8,500
Total			**82,748**	**89,877**	**29,081**

Aurora

On 25 June 2007, Ronson Development West Sp. z o.o. concluded a preliminary purchase agreement in connection with the transfer of ownership rights to four plots of land with an aggregate size of 31,933 m^2 and right of perpetual usufruct to a plot of land with a size of 6,419 m^2 in Poznań. The final sale agreement is expected to be executed on or before 30 June 2008 (it may be extended for an additional period of three months if certain conditions are not satisfied) and is 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.

Newton

On 7 March 2007, Ronson Development Skyline Sp. z o.o. concluded a preliminary purchase agreement in connection with the transfer of ownership rights to a plot of land with an area of 10,908 m^2 in Poznań. On 18 January 2008, the Company signed the final notarial deed agreement.

Łomianki

On 19 November 2007, Ronson Development North Sp. z o.o. concluded a preliminary purchase agreement in connection with the transfer of ownership rights to a plot of land with an area of 33,488 m^2 in Warsaw. The final sale agreement is expected to be executed on or before 30 June 2008 and is 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.

Overview of results

The Company's net income for the year ended 31 December 2007 was PLN 38,903 thousand and can be summarized as follows:

	For the year ended 31 December	
	2007	**2006[1]**
	PLN (thousands, except per share data)	
Revenue	129,588	56,176
Cost of sales	(69,851)	(32,609)
Gross profit	**59,737**	**23,567**
Change in fair value of investment property	-	21,754
Administrative expenses	(9,409)	(6,641)
Operating profit	**50,328**	**38,680**
Finance income	1,321	1,424
Finance expense	(1,156)	(1,284)
Net finance income	**165**	**140**
Net income before taxation	**50,493**	**38,820**
Income taxes	(10,217)	(6,902)
Net income before minority interests	**40,276**	**31,918**
Minority interests	(1,373)	(21)
Net income attributable to equity holders of the parent company	**38,903**	**31,897**
Net earnings per share of (EUR 0.02) each (basic and diluted)	**0.39**	**-**

[1] For the presentation of the combined comparative figures – see note 1 to the Consolidated Financial Statements.

Revenue

Total revenue increased by 130.7% from PLN 56.2 million during the year ended 31 December 2006 to PLN 129.6 million during the year ended 31 December 2007. The increase was primarily a result of increased deliveries of residential units.

Cost of sales

Cost of sales increased by 114.2% from PLN 32.7 million during the year ended 31 December 2006 to PLN 69.8 million during the year ended 31 December 2007. The increase was primarily a result of increased deliveries of residential units.

Change in fair value of investment property

Change in fair value of investment property decreased from PLN 21.7 million for the year ended 31 December 2006 to nil for the year ended 31 December 2007. The fair value adjustment in 2006 related to an increase in value of the Kłobucka property located in Mokotów, Warsaw. In September 2007, this investment property was reclassified to inventories due to the change in use. Up until the change of use, management re-assessed the fair value of investment property and found no evidence of change in its fair value.

Overview of results (cont'd)

Administrative expenses

Administrative expenses increased by 41.7% from PLN 6.6 million for the year ended 31 December 2006 to PLN 9.4 million for the year ended 31 December 2007. The increase was primarily a result of personnel expenses, which increased by 117.9% from PLN 1.7 million for the year ended 31 December 2006 to PLN 3.8 million for the year ended 31 December 2007.

Operating profit

As a result of the factors described above, the Company's operating result increased by PLN 11.6 million from an operating profit of PLN 38.7 million for the year ended 31 December 2006 to an operating profit of PLN 50.3 million for the year ended 31 December 2007.

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. Finance income (expense) not capitalized is recognized in the income statment.

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

	For the year ended 31 December 2007		
	PLN (thousands)		
	Total amount	**Amount capitalized**	**Recognized as profit or loss**
Finance income	1,770	449	1,321
Finance expense	(11,103)	(9,947)	(1,156)
	(9,333)	**(9,498)**	**165**

	For the year ended 31 December 2006		
	PLN (thousands)		
	Total amount	**Amount capitalized**	**Recognized as profit or loss**
Finance income	6,892	5,468	1,424
Finance expense	(10,198)	(8,914)	(1,284)
	(3,306)	**(3,446)**	**140**

Minority interest

Minority interests for the period starting 1 January 2007 and ended 27 September 2007 and for the period starting November 2006 and ended 31 December 2006 comprised the share of minority shareholders (20.9%) in profit 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 GE Real Estate with 20.9% of the Company total shares. Since that date there is no minority interests remaining in the Company's subsidiaries.

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 31 December	
	2007	2006
	PLN (thousands)	
Investment property	-	44,300
Loan granted to related party	-	13,533
Inventories of residential units	457,774	182,920
Trade and other receivables	66,176	21,695
Loans and borrowings	250,844	104,142
Deferred income	54,907	51,154

Investment property

The balance of investment property is nil on 31 December 2007 as compared to PLN 44.3 million on 31 December 2006. The decrease is a result of the decision in 2007 to develop the Kłobucka property in Mokotów, Warsaw, as a residential project rather than as a commercial real estate project. As a result, this project has been reclassified from investment property to inventories of residential units.

Loan granted to related party

The balance of the Loan granted to related party is nil on 31 December 2007 as compared to PLN 13.5 million on 31 December 2006. 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 interest 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.

Inventories of residential units

The balance of inventories of residential units is PLN 457.7 million as of 31 December 2007 as compared to PLN 182.9 million as of 31 December 2006. The increase is primarily a result of the Group's investments associated with the purchase of thirteen new plots of land in the following projects: Kłobucka, Chopin, Vivaldi, Renaissance, Tulce, Goya, Sadków, Picasso, Matisse II, Mozart, Eclipse, Falenty and Imaginarium II for a total amount of PLN 243.5 million.

Trade and other receivables

The balance of trade and other receivables is PLN 66.2 million as of 31 December 2007 as compared to PLN 21.7 million as of 31 December 2006. The increase is primarily a result of an increase in advance payments made by the Group for the acquisition of lands from PLN 4.8 million as at 31 December 2006 to PLN 29.1 million as at 31 December 2007, as well as a result of an increase in value added tax (VAT) receivables from PLN 14.9 million as at 31 December 2006 to PLN 30.3 million as at 31 December 2007.

Loans and borrowings

The balance of loans and borrowings is PLN 250.8 million as of 31 December 2007 as compared to PLN 104.1 million on 31 December 2006. The increase is primarily a result of new bank loans taken by the Group for the purpose of financing new projects.

Deferred income

The balance of deferred income is PLN 54.9 million as of 31 December 2007 as compared to PLN 51.2 million on 31 December 2006. The increase is a result of advances received from clients regarding sales of residential units.

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 year ended 31 December	
	2007	2006
	PLN (thousands)	
Cash flows used in operating activities	(269,271)	(81,331)
Cash flows used in investing activities	(219)	(296)
Cash flow from financing activities	302,450	108,990

Cash flows used in operating activities totaled PLN 269.3 million for the year ended 31 December 2007 as compared to PLN 81.3 million used in the year ended 31 December 2006. The increase is principally due to:

- an increase in cash flow used in inventories of residential units from PLN 110.1 million during the year ended 31 December 2006 to PLN 250.1 million during the year ended 31 December 2007 (mainly land purchase);
- an increase in cash flow used in trade and other receivables from PLN 13.5 million during the year ended 31 December 2006 to PLN 44.8 million during the year ended 31 December 2007.

Cash flows used in investing activities totaled PLN 219 thousand and PLN 296 thousand during the year periods ended 31 December 2007 and 31 December 2006, respectively.

Cash flows provided by financing activities totaled PLN 302.5 million during the year ended 31 December 2007, as compared to cash flow provided by financing activities of PLN 108.9 million in the year ended 31 December 2006. The increase is principally due to:

- an increase in the net amount of loans received from banks from PLN 31.9 million during the year ended 31 December 2006 to PLN 154.1 million during the year ended 31 December 2007;
- an increase in proceeds from the issue of new shares and equity contributions from PLN 88.1 million during the year ended 31 December 2006 to PLN 142.4 million during the year ended 31 December 2007.

Selected financial data

PLN/EUR	Exchange rate of Euro versus the Polish Zloty			
	Average exchange rate	Minimum exchange rate	Maximum exchange rate	Year end exchange rate
2007 (12 months)	**3.7845**	**3.9385**	**3.5699**	**3.5820**
2006 (12 months)	3.8959	4.1065	3.7565	3.8312

Source: National Bank of Poland ("NBP")

Selected financial data	EUR		PLN	
	(thousands, except per share data)			
	For the year ended 31 December			
	2007	2006	2007	2006
Revenues	**34,242**	14,419	**129,588**	56,176
Gross profit	**15,785**	6,049	**59,737**	23,567
Net income before taxation	**13,342**	9,964	**50,493**	38,820
Net income attributable to equity holders of the parent company	**10,280**	8,187	**38,903**	31,897
Cash flows used in operating activities	**(71,151)**	(20,876)	**(269,271)**	(81,331)
Cash flows used in investment activities	**(58)**	(76)	**(219)**	(296)
Cash flows provided by financing activities	**79,918**	27,976	**302,450**	108,990
Increase in cash and cash equivalents	**9,131**	7,142	**32,709**	27,363
Inventories of residential units	**127,798**	47,745	**457,774**	182,920
Total assets	**167,092**	79,748	**598,524**	305,531
Deferred income	**15,329**	13,352	**54,907**	51,154
Long-term liabilities	**43,389**	26,838	**155,418**	102,820
Short-term liabilities	**47,776**	20,350	**171,133**	77,964
Shareholders' equity	**75,928**	27,677	**271,973**	106,036
Share capital	**4,533**	-	**16,933**	-
Average number of equivalent shares (basic)	**100,265,099**	-	**100,265,099**	-
Average number of equivalent shares (diluted)	**101,078,143**	-	**101,078,143**	-
Net earnings per share (basic and diluted)	**0.10**	-	**0.39**	-

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

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

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

Outlook for 2008

A. Completed projects

The table below presents information on the total residential units in the two completed projects that the Company expects to sell during the year 2008:

Project name	Location	Total units	Number of residential units sold (*) as at 31 December 2007	Number of residential units delivered (*) as at 31 December 2007	Number of residential units expected to be delivered (*) during the year 2008
Meridian	Warsaw	206	181	157	49
Mistral	Warsaw	54	51	40	14
Total		**260**	**232**	**197**	**63**

(*) 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 three seven and nine-storey buildings with a total of 206 apartments and 7 commercial units. During the year ended 31 December 2007, the Group recognized revenue from the sale of 157 apartments (including parking places and storages) and 6 commercial units. The Company expects to sell and to deliver the remaining 49 apartments (including parking places and storages) and the only remaining commercial unit during the 2008.

Mistral

The Mistral project was completed in December 2007. The Mistral housing estate comprises four two-storey detached houses of 10 to 17 apartments each, with a total of 54 apartments. During the year ended 31 December 2007, the Group recognized revenue from the sale of 40 apartments (including parking places and storages). The Company expects to sell and deliver the remaining 14 apartments (including parking places and storages) during the year 2008.

B. Current projects scheduled to be completed in 2008

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

Project name	Location	Area of plot (m^2)	Total units	Total area of units (m2)	Number of residential units sold as at 31 December 2007
Imaginarium	Warsaw	10,343	58	4,000	50
Galileo	Poznań	8,598	226	16,100	37
Konstancin	Warsaw	36,377	36	10,000	-
Total		**55,318**	**320**	**30,100**	**87**

Imaginarium

The Imaginarium project is being developed on a land strip of 10,343 m^2 located in the Bielany district in Warsaw. The two apartment buildings are both two-storey buildings with a total of 58 apartments (no commercial units) with an aggregate floor space of 4,000 m^2. The size of the apartments varies from 30 m^2 to 110 m^2. The construction of the Imaginarium project commenced in December 2006 and the project is expected to be completed on the end of the first quarter of 2008.

Outlook for 2008 (cont'd)

Galileo

The Galileo project is being developed on a land strip of 8,598 m^2 located in the City Center district of Poznań. The Galileo housing project will comprise five six-storey apartment buildings with a total of 226 apartments with an aggregate floor space of 16,100 m^2. The size of the apartments varies from 52 m^2 to 112 m^2. Construction of the Galileo project commenced in February 2007 and the project is expected to be completed in the fourth quarter of 2008.

Konstancin

The Konstancin project is being developed on a land strip of 36,377 m^2 located in the Konstancin district in Warsaw. The Konstancin housing project will comprise 36 semi-detached units with an aggregate floor space of 10,000 m^2. Construction of the project commenced in February 2008 and the project is expected to be completed in the third quarter of 2009, with completion of a number of units by the end of 2008.

Additional information to the report

Major shareholders

To the best of the Company's knowledge, as of the date of publication of this Annual report for the year ended 31 December 2007 (14 April 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 14 April 2008 Number of shares/ % of shares	Increase/ (decrease) Number of shares	As of 31 December 2007 Number of shares/ % of shares	Increase/ (decrease) Number of shares	As of 30 September 2007 Number of shares/ % of shares
I.T.R. Dori B.V.	144,422,004 / 63.7%	-	144,422,004 / 63.7%	142,172,004	2,250,000 / 79.1%
GE Real Estate CE Residential B.V.	41,800,000 / 18.4%	-	41,800,000 / 18.4%	41,205,500	594,500 / 20.9%

In the register of major holdings maintained by the Dutch Authority for the Financial Markets, the following major holding is disclosed:

I.T.R. Dori B.V.: 63.91% This concerns the initial registration of the holding by I.T.R. Dori B.V. of the outstanding shares in the Company.

Changes in ownership of shares and rights to shares by Management Board members in the year ended 31 December 2007 and until the date of publication of the report

Changes in ownership of shares and rights to shares by the Management Board members are specified below:

Shares

Except as otherwise described below, the members of the Management Board did not own or receive any shares in the Company during the year ended 31 December 2007 and until 14 April 2008.

Rights to shares / Options

The following members of the Management Board received rights to shares in the Company during the year ended 31 December 2007 until 14 April 2008:

Additional information to the report (cont'd)

- Mr Dror Kerem 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, on the date falling six months following 24 October 2007, the date the Company's shares were admitted to listing on the Warsaw Stock Exchange (the "Admission");
- 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, 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 5.75 PLN, provided, however, that if the consulting agreement between Mr Kerem and the Company is terminated (for any reason), Mr Kerem's entitlement to the vesting of the options on the anniversary date of the year of such termination shall be relative to the proportion of the year (to the anniversary date) he was employed by the Company and, thereafter, any remaining options granted in accordance with the above are automatically cancelled; and
- Mr Ariel Bouskila received 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 5.75 PLN, one third per year on the anniversary date of the date of Admission for three successive years.

Changes in ownership of shares and rights to shares by Supervisory Board members in the year ended 31 December 2007 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 year ended 31 December 2007 until 14 April 2008.

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 it's Knowledge that the, consolidated 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 year and of the profit or loss of the Group for the period then ended.
Management's discussion and analysis in this 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 the Company's auditor has been elected according to applicable rules and the audit firm and its chartered accountants engaged in the audit of the financial statement of Ronson Europe N.V. meet the objectives to present an objective and independent report.

Additional information to the report (cont'd)

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.
- The Company is dependent on senior members of the management, especially the members of the Management Board. The departure of any member of the Management Board 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 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 cyclicality of the real estate residential development market.
- Risk associated with claims against contractors.

Additional information to the report (cont'd)

Risk factors (cont'd)

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

Risks related to Poland:

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

Risk factors relating to the Company's Structure:

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

Minority Shareholder contribution in Kind (third Quarter Report restatement)

During the preparation of the Consolidated Quarterly Financial Report for the nine months ended 30 September 2007, and as a part of the completion of combining Ronson Group activities under Ronson Europe, GE Real Estate (minority shareholder) made a contribution in kind of its shares held in certain Ronson Polish subsidiaries. The Company calculated the value of the contribution based on the fair value of the Company as at 26 September 2007 which amounted to PLN 313,500 thousands.

After additional analysis the Company concluded that the value of the contribution should be calculated based upon the book value which amounted to PLN 20,084 thousands.

Additional information to the report (cont'd)

Other

As of 31 December 2007, the Company has issued guarantees for bank loans granted to subsidiaries amounting to a total of PLN 45,563 thousand.

As of 31 December 2007, the Group has no litigations for claims or liabilities for which the claimed amounts in total exceed 10% of the Group's equity.

The following net movements in the Group's main provision took place during the year ended 31 December 2007 (between brackets the net movements during the fourth quarter of 2007 are shown):

- an increase in the provision for deferred tax liabilities of PLN 986 thousand (an increase of PLN 7,504 thousand).

Risk management

The Managing Board is responsible for risk management in the Company and has designed and implemented a risk management system. The aim of the system is to ensure that the extent to which the Company's strategic and operational objectives are being achieved is understood, that the Company's reporting is reliable and that the Company complies with relevant laws and regulations.

On the basis of these, the Managing Board confirms that internal controls over financial reporting provide a reasonable level of assurance that the financial reporting does not contain any material inaccuracies, and confirms that these controls functioned properly in the year under review and that there are no indications that they will not continue to do so. The financial statements fairly represent the Company's financial condition and the results of the Company's operations and provide the required disclosures.

It should be noted that the above does not imply that these systems and procedures provide absolute assurance as to the realization of operational and strategic business objectives, or that they can prevent all misstatements, inaccuracies, errors, fraud and non-compliances with legislation, rules and regulations. In view of all of the above, the Managing Board is of the opinion that it is in compliance with best practice II.1.4. of the Dutch corporate governance code, taking into account the recommendation of the Corporate Governance Code Monitoring Committee on the application thereof.

The Management Board

Dror Kerem	Ariel Bouskila	Karim Habra
David Katz	Amos Weltsch	

Rotterdam, 14 April 2008

Consolidated income statement

For the year ended 31 December *In thousands of Polish Zlotys (PLN)*	*Note*	2007	2006 (1)
Revenue	*6*	129,588	56,176
Cost of sales	*7*	(69,851)	(32,609)
Gross profit		**59,737**	**23,567**
Change in fair value of investment property	*13*	-	21,754
Administrative expenses	*7,8*	(9,409)	(6,641)
Result from operating activities		**50,328**	**38,680**
Finance income		1,321	1,424
Finance expense		(1,156)	(1,284)
Net finance income	*9*	**165**	**140**
Income before taxation		**50,493**	**38,820**
Income tax expense	*10*	(10,217)	(6,902)
Net income before minority interests		**40,276**	**31,918**
Attributable to:			
Owners' net investment		38,903	31,897
Minority interests	*21*	(1,373)	(21)
Net income before minority interests		**40,276**	**31,918**
Weighted average number of equivalent shares (basic)	*22*	100,265,099	-
Weighted average number of equivalent shares (diluted)	*22*	101,078,143	-
Net earnings per share of EUR 0.02 each (basic and diluted)	*22*	**0.39**	**-**

(1) For the presentation of the combined comparative figures – see note 1.

The notes on pages 31 to 70 are an integral part of these consolidated financial statements.

Consolidated balance sheet

As at 31 December		2007	2006 (1)
In thousands of Polish Zlotys (PLN)	***Note***		
Assets			
Property and equipment	*11*	741	315
Intangible assets	*12*	66	169
Investment property	*13*	-	44,300
Long-term finance lease receivable	*14*	590	729
Loan granted to related party	*15*	-	13,533
Deferred tax assets	*16*	1,348	2,750
Total non-current assets		**2,745**	**61,796**
Inventories of residential units	*17*	457,774	182,920
Trade and other receivables	*18*	66,176	21,695
Cash and cash equivalents	*19*	71,829	39,120
Total current assets		**595,779**	**243,735**
Total assets		**598,524**	**305,531**
Equity			
Shareholders' equity and liabilities	*20*		
Owners' net investment / Equity attributable to equity holders of the parent		-	106,036
Share capital		16,933	-
Share premium reserve		215,105	-
Retained earnings		39,935	-
Total shareholders' equity and liabilities		**271,973**	**106,036**
Minority interests	*21*	**-**	**18,711**
Total equity		**271,973**	**124,747**
Liabilities			
Loans and borrowings	*24*	145,669	94,057
Deferred tax liability	*16*	9,749	8,763
Total non-current liabilities		**155,418**	**102,820**
Loans and borrowings	*24*	105,175	10,085
Trade and other payables	*26*	10,550	16,224
Provisions	*23*	501	501
Deferred income	*25*	54,907	51,154
Total current liabilities		**171,133**	**77,964**
Total liabilities		**326,551**	**180,784**
Total equity and liabilities		**598,524**	**305,531**

(1) For the presentation of the combined comparative figures – see note 1.

The notes on pages 31 to 70 are an integral part of these consolidated financial statements

Consolidated statement of changes in shareholders' equity

For the year ended 31 December 2007 and 2006:

In thousands of PLN	Owners' net investment / Equity attributable to equity holders of the parent	Minority interests	Retained earnings	Share capital	Share premium reserve	Total equity (invested)
Balance of combined equity invested in the subsidiaries of Ronson Group at 1 January 2006	4,806	-	-	-	-	4,806
Proceeds from sale of equity in Ronson Group entities and other capital contributions (1)	69,333	18,690	-	-	-	88,023
Net profit for the year 2006	31,897	21	-	-	-	31,918
Balance of combined equity invested in the subsidiaries of Ronson Group as at 31 December 2006	**106,036**	**18,711**	**-**	**-**	**-**	**124,747**
Net profit for the year 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 (2)	(105,810)	-	-	172	91,878	(13,760)
Net contribution in kind of assets and issue of new shares (3)	-	(20,084)	-	45	20,084	45
Exclusion of a subsidiary from consolidation (4)	-	-	-	-	(22,360)	(22,360)
Share-based payment (see note 20C)	-	-	806	-	-	806
Capital payment	-	-	-	-	700	700
Issue of new shares in exchange of share premium reserve	-	-	-	14,772	(14,772)	-
Issue of new shares (5)	-	-	-	1,944	139,575	141,519
Balance as at 31 December 2007	**-**	**-**	**39,935**	**16,933**	**215,105**	**271,973**

(1) In November 2006, the Group and its shareholders entered into a participation agreement with GE Real Estate whereby GE Real Estate became a direct shareholder in 20 of the Group's Polish entities. In connection with the participation agreement, the 20 Polish entities concerned issued new share capital against a cash payment by GE Real Estate of approximately PLN 87,373 thousand.

(2) 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.

(3) 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.

(4) 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).

(5) 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.

The notes on pages 31 to 70 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended 31 December *In thousands of Polish Zlotys (PLN)*	*Note*	2007	2006 (1)
Cash flows from operating activities			
Profit for the period		40,276	31,918
Adjustments to reconcile profit for the period to net cash (used in)/from operating activities:			
Effect of foreign currency exchange differences		-	(4,312)
Depreciation and amortization	*11,12*	509	68
Interest accrued		4,080	5,593
Increase in fair value of investment property	*13*	-	(21,754)
(Increase)/decrease in finished goods		(25,005)	143
Increase in inventories of residential units		(250,080)	(110,176)
Increase in trade and other receivables		(44,807)	(13,482)
Increase in trade and other payables		(5,618)	(810)
Increase in provisions and deferred income		3,917	30,758
Interest paid		(1,601)	(809)
Share-based payment	*20C*	806	-
Changes in net deferred taxes	*16*	8,252	1,532
Net cash used in operating activities		**(269,271)**	**(81,331)**
Cash flows from investing activities			
Acquisition of property, equipment and intangible assets		(219)	(296)
Net cash used in investing activities		**(219)**	**(296)**
Cash flows from financing activities			
Proceeds from new shares issued	*20*	154,250	-
Costs directly attributed to the new shares issued	*20*	(11,814)	-
Proceeds from sale of equity and capital contributions		-	88,020
Proceeds from bank loans		179,985	41,854
Proceeds from related-party loans		36,442	52,825
Repayment of bank borrowings		(25,856)	(9,954)
Repayment of related-party loans		(30,557)	(63,755)
Net cash from financing activities		**302,450**	**108,990**
Net cash effect due to exclusion of a subsidiary from consolidation (*)		(251)	-
Net change in cash and cash equivalents		**32,709**	**27,363**
Cash and cash equivalents at 1 January		39,120	11,757
Cash and cash equivalents at 31 December	*19*	**71,829**	**39,120**

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

In thousands of Polish Zloty (PLN)	***As at 30 June 2007***
Non-current assets	45,408
Current assets	753
Equity	(22,360)
Non-current liabilities	(16,677)
Current liabilities	(7,375)
Total	**(251)**

(1) For the presentation of the combined comparative figures – see note 1.

The notes on pages 31 to 70 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1. Background and business of the Company

Ronson Europe N.V. ("the Company"), is a Netherlands limited liability company with its statutory seat in Rotterdam, the Netherlands, and was incorporated on 18 June 2007. The Company (and 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. As at 31 December 2007, 63.7% 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 17.9% 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.

Notes to the consolidated financial statements

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

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.

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, and ITR Dori sold 13.7 million existing shares at an offering price of PLN 5.75 per share.

The consolidated financial statements of the Ronson Group for the the year ended 31 December 2007 include the accounts of the Company and its subsidiaries taking into account minority interests in the individual entities of the Group until 27 September 2007. The financial statements of subsidiaries have been included from 1 January 2007 reflecting the fact that control by the Group and its owners effectively existed throughout the year ended 31 December 2007. All inter company accounts and transactions are eliminated when preparing the consolidated financial statements. Unrealized gains arising from transactions with associates are eliminated against the investment to the extent of the Group's interest in the subsidiary. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

The combined financial statements of the Ronson Group as of and for the year ended 31 December 2006 are presented for comparative purposes and have been prepared by aggregating the individual financial statements of the entities in the Group taking into account minority interests in the individual entities of the Group. The combined financial statements of Ronson Group have been included from 1 January 2006 reflecting the fact that control by the Group and its owners effectively existed starting from 1 January 2006. All balances and transactions between the entities in the Group as of and for the year ended 31 December 2006 have been eliminated. As discussed above, ITR Dori completed the acquisition of 100% of the Ronson Group on 19 January 2006. The combined balance sheets of the Ronson Group as at 31 December 2006 represent an aggregation of the individual balance sheets of entities in the Group taking into account minority interest in the individual entities of the Group.

Brighton Tec Sp. z.o.o. ("Brighton"), a Polish company and a wholly owned subsidiary of ITR Dori B.V., owned the Group's investment property, was included in the Company's Consolidated Financial Statements until 30 June 2007. On 26 September 2007, the transfer of the legal ownership of the investment property from Brighton to Ronson Development Landscape S.k., a limited partnership and part of the Group, was completed. After the sale of assets, Brighton does not perform any operating activity and accordingly is not consolidated in the Consolidated Financial Statements. 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 financial statements

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

Detailed below are the Polish companies whose financial statements have been included in these consolidated financial statements, the year of incorporation and the percentage of ownership and voting rights directly held by the Company at 31 December 2007:

	Entity name	Year of incorporation	Share of ownership & voting rights (end of year)
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 Residential Sp. z o.o.	2003	100.0%
7	Ronson Development Apartments Sp. z o.o.	2003	100.0%
8	Ronson Development Properties Sp. z o.o.	2002	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 Poznan 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.[1]	2006	100.0%
21	Ronson Development Construction Sp. z o.o.	2006	100.0%
22	Ronson Development City Sp. z o.o. (no activities at 31 December 2007)	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 31 December 2007) (*)	2007	100.0%
33	Ronson Development North Sp. z o.o. (no activities at 31 December 2007) (*)	2007	100.0%
34	Ronson Development Providence Sp. z o.o. (no activities at 31 December 2007) (*)	2007	100.0%
35	Ronson Development Destiny Sp. z o.o. (no activities at 31 December 2007) (*)	2007	100.0%
36	Ronson Development Millenium Sp. z o.o. (no activities at 31 December 2007) (*)	2007	100.0%
b.	**held indirectly by the Company :**		
1	Ronson Development Community Sp.k. (no activities at 30 September 2007) (**)	2007	100.0%
2	Ronson Development Estate Sp.k. (no activities at 30 September 2007) (**)	2007	100.0%
3	Ronson Development Home Sp.k. (no activities at 30 September 2007) (**)	2007	100.0%
4	Ronson Development Horizon Sp.k. (no activities at 30 September 2007) (**)	2007	100.0%
5	Ronson Development Landscape Sp.k. (**)	2007	100.0%
6	Ronson Development Town Sp.k. (no activities at 30 September 2007) (**)	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".

[1] Changed its name in 2007. Formerly known as Ronson Development Venture Sp. z o.o.

Notes to the consolidated financial statements

2. Basis of preparation and measurement

(a) Basis of preparation and statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS"). The consolidated financial statements are presented in thousands of Polish Zloty ("PLN"). The consolidated financial statements were approved by the Board of Directors of Ronson Europe N.V. on 14 April 2008.

The consolidated balance sheet has been prepared by aggregating the individual balance sheets of the entities in the Group as at 31 December 2006 and taking into account minority interests in the individual entities of the Group. As at 31 December 2007 there were no minority interests.

The consolidated income statement have been prepared by aggregating the individual income statements of the entities in the Group for the year ended 31 December 2007 and 31 December 2006 taking into account minority interests in the individual entities of the Group. All balances and transactions between the entities in the Group have been eliminated.

These consolidated financial statements include, in the opinion of management, all adjustments that are considered necessary for a fair presentation of the information in the financial statements in accordance with IFRS as adopted by the EU.

(b) Basis of measurement

The consolidated 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 13 and 27.

(c) Functional and presentation currency

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

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

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 financial statements

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

- Note 13 – valuation of investment property
- Note 14 – leases
- Note 16 – utilization of tax losses
- Note 27 – valuation of financial instruments

3. Significant accounting policies

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

(a) Basis of preparation of the consolidated financial statements

(i) Subsidiaries

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

(ii) Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Ronson Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established. For this purpose comparatives are restated. The assets and liabilities acquired under common control are recognized at the historical carrying amounts. Any 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 extend there is no evidence of impairment) from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign currency

(i) Foreign currency transactions

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

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

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

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

Notes to the consolidated financial statements

3. Significant accounting policies (cont'd)

(c) Financial instruments

(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 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 financial statements

3. Significant accounting policies (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 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 (n)),
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 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 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. Inventory relating to units sold is expensed as cost of sales in the same period as the related sale.

(n) 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.

(o) 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.

Notes to the consolidated financial statements

3. Significant accounting policies (cont'd)

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.

(p) 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.

(q) 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 is 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.

(r) 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.

(s) Employee benefits - defined contribution plans

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

(t) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations, are not yet effective for financial years beginning on or before 1 January 2007, and have not been applied in preparing these consolidated financial statements:

- IFRS 8 *Operating Segments* (effective for annual periods beginning on or after 1 January 2009). The Standard requires that segment information should be presented in disclosure based on the basis of components whose results are reviewed regularly of the entity that management monitors in making business decisions. The Company's management about operating matters. 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.

Notes to the consolidated financial statements

3. Significant accounting policies (cont'd)

- IFRIC 11 IFRS 2 *Group and Treasury Share Transactions* (effective from annual periods beginning on or after 1 March 2007) requires a share-based payment arrangement in which an entity receives goods or services as consideration for its own equity instruments to be accounted for as an equity-settled share-based payment transaction, regardless of how the equity instruments needed are obtained. It also provides guidance on whether share-based payment arrangements, in which suppliers of goods or services of an entity are provided with equity instruments of the entity's parent, should be accounted for as cash-settled or equity-settled in the entity's financial statements. The Group does not expect the Interpretation to have any impact on its financial statements. .

- IFRIC 12 *Service Concession Arrangements* (effective for annual periods beginning on or after 1 January 2008) provides guidance to private sector entities on certain recognition and measurement issues that arise in accounting for public-to-private service concession arrangements. IFRIC 12 is not relevant to the Group's operations, as none of the Group entities has entered into any service concession arrangements.

- 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.

- IFRIC 14 IAS 19 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interactions* (effective for annual periods beginning on or after 1 January 2008). The interpretation addresses: 1) when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of IAS 19; 2) how a MFR might affect the availability of reductions in future contributions; and 3) when a MFR might give rise to a liability. No additional liability needs to be recognized by the employer under IFRIC 14 unless the contributions that are payable under the minimum funding requirement cannot be returned to the Company. The Group does not operate in countries that have a minimum funding requirement where there are restrictions on the employer company's ability to get refunds or reduce contributions.

- 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 is currently evaluating whether to present a single statement of comprehensive income, or two separate statements.

Notes to the consolidated financial statements

3. Significant accounting policies (cont'd)

- 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.

- 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.

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 13) and non-derivative financial instruments (see note 27).

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

Notes to the consolidated financial statements

5. Segment reporting (cont'd)

Business segments

The Group operates in two business segments within Poland:

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

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

	For the year ended 31 December 2007						
In thousands of Polish Zlotys (PLN)	**Warsaw**	**Poznań**	**Wrocław**	**Szczecin**	**Unallocated**	**Eliminations**	**Total**
Total external revenues							
Residential	129,139	-	-	-	-	-	129,139
Rental	449	-	-	-	-	-	449
Inter-segment revenue	-	-	-	-	-	-	-
Total segment revenue	**129,588**	**-**	**-**	**-**	**-**	**-**	**129,588**
Segment result							
Residential	50,455	(1,093)	(319)	(76)	-	-	48,967
Rental	(530)	-	-	-	-	-	(530)
Unallocated expenses	-	-	-	-	2,056	-	2,056
Result from operating activities	**49,925**	**(1,093)**	**(319)**	**(76)**	**2,056**	**-**	**50,493**
Income tax expense							(10,217)
Profit for the period							**40,276**

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

Notes to the consolidated financial statements

5. Segment reporting (cont'd)

	For the year ended 31 December 2006						
In thousands of Polish Zlotys (PLN)	**Warsaw**	**Poznań**	**Wrocław**	**Szczecin**	**Unallocated**	**Eliminations**	**Total**
Total external revenues							
Residential	*54,999	-	-	-	-	*-	54,999
Rental	1,177	-	-	-	-	-	1,177
		-					
Inter-segment revenue	-	-	-	-	-	-	-
Total segment revenue	**56,176**	**-**	**-**	**-**	**-**	**-**	**56,176**
Segment result							
Residential	20,333	-	-	-	-	(33)	20,300
Rental	21,696	-	-	-	-	-	21,696
Unallocated expenses	-	-	-	-	(3,176)	-	(3,176)
Result from operating activities	**42,029**	**-**	**-**	**-**	**(3,176)**	**(33)**	**38,820**
Income tax expense							(6,902)
Profit for the period							**31,918**

	As at 31 December 2006						
In thousands of Polish Zlotys (PLN)	**Warsaw**	**Poznań**	**Wrocław**	**Szczecin**	**Unallocated**	**Eliminations**	**Total**
Segment assets							
Residential	*246,509	*5,661	*4,930	-	-	* (249)	256,851
Rental	45,930	-	-	-	-	-	45,930
Unallocated assets	-	-	-	-	2,750	-	2,750
Total assets	**292,439**	**5,661**	**4,930**	**-**	**2,750**	**(249)**	**305,531**
Segment liabilities							
Residential	145,214	6,593	321	-	-	611	152,739
Rental	16,450	-	-	-	-	-	16,450
Unallocated liabilities	-	-	-	-	11,595	-	11,595
Total liabilities	**161,664**	**6,593**	**321**	**-**	**11,595**	**611**	**180,784**
Capital expenditure	-	-	-	-	*296	-	296
Depreciation and amortization	-	-	-	-	*68	-	68

* reclassified for comparison purposes.

6. Revenue

For the year ended 31 December	**2007**	**2006**
In thousands of Polish Zlotys (PLN)		
Sale of residential units	129,139	54,999
Rental revenue	449	1,177
Total revenues	**129,588**	**56,176**

Notes to the consolidated financial statements

7. Costs by kind

For the year ended 31 December *In thousands of Polish Zlotys (PLN)*	2007	2006
Costs of sales	**69,851**	**32,609**
Depreciation	509	68
Materials and energy	900	767
External services	3,181	2,540
Taxes and charges	621	826
Personnel (see note 8)	3,765	1,728
Other	433	712
Administrative expenses	**9,409**	**6,641**
Total	**79,260**	**39,250**

8. Personnel expenses

For the year ended 31 December *In thousands of Polish Zlotys (PLN)*	2007	2006
Wages and salaries	3,249	1,456
Social security	516	272
Total	**3,765**	**1,728**
Average number of personnel employed	**35**	**24**

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 have no such liabilities towards them.

9. Finance income and expense

For the year ended 31 December *In thousands of Polish Zlotys (PLN)*	2007	2006
Foreign exchange gain	32	1,219
Interest on granted loans	399	2
Interest income on bank deposits	890	203
Finance income	**1,321**	**1,424**
Interest expense on financial liabilities measured at amortized cost	(968)	(1,333)
Foreign exchange gain/(loss)	(188)	49
Finance expense	**(1,156)**	**(1,284)**
Net finance income	**165**	**140**

Notes to the consolidated financial statements

10. Income tax expense

For the year ended 31 December *In thousands of Polish Zlotys (PLN)*	2007	2006
Current tax expense		
Current period	1,971	5,371
Total current tax expense	**1,971**	**5,371**
Deferred tax expense		
Origination and reversal of temporary differences	11,229	3,375
Benefit of tax losses recognized	(2,983)	(1,844)
Total deferred tax expense	**8,246**	**1,531**
Total income tax expense	**10,217**	**6,902**

Reconciliation of effective tax rate

For the year ended 31 December *In thousands of Polish Zlotys (PLN)*	2007	2006
Profit for the year	40,276	31,918
Total income tax expense	10,217	6,902
Profit excluding income tax	**50,493**	**38,820**
Expected income tax expense using the statutory Polish tax rate (19%)	**9,594**	**7,376**
Tax effect on:		
Timing differences arising in prior years, for which a deferred tax asset was recognized in the current year	-	(190)
Other timing differences	623	(284)
Tax charge for the year	**10,217**	**6,902**
Effective tax rate	**20%**	**18%**

Notes to the consolidated financial statements

11. Property and equipment

For the year ended 31 December *In thousands of Polish Zlotys (PLN)*	Property and equipment 2007	2006
Cost or deemed cost		
Balance at 1 January	416	251
Transfer from inventories	430	-
Exclusion of a subsidiary from consolidation	(39)	-
Additions	390	165
Closing balance	**1,197**	**416**
Depreciation and impairment losses		
Balance at 1 January	101	74
Depreciation for the period	355	27
Closing balance	**456**	**101**
Carrying amounts		
At 1 January	315	177
Closing balance	**741**	**315**

Impairment loss and subsequent reversal

In the years ended 31 December 2007 and 31 December 2006, the Group did not recognize any impairment loss with respect to property and equipment.

12. Intangible assets

For the year ended 31 December *In thousands of Polish Zlotys (PLN)*	Software 2007	2006
Cost or deemed cost		
Balance at 1 January	210	79
Additions	51	131
Closing balance	**261**	**210**
Depreciation and impairment losses		
Balance at 1 January	41	-
Amortization for the period	154	41
Closing balance	**195**	**41**
Carrying amounts		
At 1 January	169	79
Closing balance	**66**	**169**

Impairment loss and subsequent reversal

In the years ended 31 December 2007 and 31 December 2006, the Group did not recognize any impairment loss with respect to intangible assets.

Notes to the consolidated financial statements

13. Investment property

For the year ended 31 December *In thousands of Polish Zlotys (PLN)*	2007	2006
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	14,736
Increase in fair value	-	21,754
Transfer to inventories	(36,490)	-
Closing balance	**-**	**36,490**
Fair value		
At 1 January	44,300	22,546
Closing balance	**-**	**44,300**

As at 31 December 2006, the investment property included properties held for long-term rental yields and capital appreciation, and were not occupied by the Group. At 31 December 2006, 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 31 December 2006, 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 for the year ended 31 December 2007.
After the acquisition of this property, the use of this property has changed – Ronson Development Landscape Sp.k. initiated activities aimed at preparing the acquired property for development in a real-estate project.

As at 31 December 2007, the acquired property was assigned to Ronson Development Landscape Sp.k. and has been included in the balance sheet position of 'Inventories of residential units'.

Revenue recognized and costs incurred relating to the investment property during the year ended 31 December 2007 and 2006 are summarized in the table below:

	Rental income		Cost	
For the year ended 31 December *In thousands of Polish Zlotsy (PLN)*	**2007**	**2006**	**2007**	**2006**
Klobucka	449	970	601	1,123
Total	**449**	**970**	**601**	**1,123**

Notes to the consolidated financial statements

14. Long-term finance lease receivable

The Group is a party to a 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 31 December 2007, non-current and current, and their ageing are presented in the table below:

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

Finance lease receivables as per 31 December 2006, non-current and current, and their ageing are presented in the table below:

In thousands of Polish Zlotys (PLN)	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
Finance lease payments receivable	96	383	1,151	1,630
Unearned interest income	(73)	(266)	(562)	(901)
Total	**23**	**117**	**589**	**729**

15. Loan granted to related party

On 31 October 2006, the Group granted an unsecured loan to Jerusalem Finance Company B.V. (“JFC”) amounting to PLN 13,399 thousand. JFC is a company fully owned by ITR Dori B.V. and provides financing to each of the companies within the Group. The balance as at 31 December 2006 includes the principal of PLN 13,399 thousand plus accrued interest of PLN 134 thousand. The loan has a maturity date of 31 October 2011 and an interest rate of 6%. Following the incorporation of the Company in June 2007, the liability under this loan agreement including the accrued interest as at 29 June 2007 amounting to PLN 13,932 thousand was assigned to the Company (see notes 1 and 20). As a result, upon consolidation the amount receivable as at 31 December 2007 has been eliminated against the liability of the Company as at 31 December 2007.
Information regarding the fair value of the loan as at 31 December 2006 is presented in note 27.

Notes to the consolidated financial statements

16. Deferred tax assets and liabilities

Recognized deferred tax assets and liabilities

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

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

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

In thousands of Polish Zlotys (PLN)	Opening balance 01 January 2006	Recognized in the income statement	Closing balance 31 December 2006
Deferred tax assets			
Foreign exchange rate differences	179	(173)	6
Interest liabilities	300	(211)	89
Tax loss carry forwards	1,992	1,844	3,836
Total deferred tax assets	**2,471**	**1,460**	**3,931**
Deferred tax liabilities			
Difference in timing of revenue recognition on the sale of residential units for accounting and tax purposes	3,829	(1,668)	2,161
Fair value gain on investment property	2,800	4,133	6,933
Foreign exchange differences	169	25	194
Accrued and capitalized interest	130	470	600
Other	24	32	56
Total deferred tax liabilities	**6,952**	**2,992**	**9,944**
Deferred tax assets	2,471		3,931
Deferred tax liabilities	6,952		9,944
Offset of deferred tax assets and liabilities for individual companies	(977)		(1,181)
Deferred tax assets reported in the balance sheet	**1,494**		**2,750**
Deferred tax liabilities reported in the balance sheet	**5,975**		**8,763**

Notes to the consolidated financial statements

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

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

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.

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 34,360 thousand. Taxable profit realized by the Group companies amounted to PLN 13,703 thousand for the year ended 31 December 2007. 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 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.

Notes to the consolidated financial statements

17. Inventories of residential units

As at 31 December *In thousands of Polish Zlotys (PLN)*	2007	2006
Work in progress	428,597	178,748
Finished goods	29,177	4,172
Inventories valued at cost	**457,774**	**182,920**
Inventories valued at net realizable value	-	-

Borrowing costs capitalized to inventory as well as capitalization rates are presented in the table below:

As at 31 December *In thousands of Polish Zlotys (PLN)*	2007	2006
Interest expense and bank charges	13,012	11,601
Foreign exchange rate (gains)/losses, net	(1,662)	(3,142)
Total	**11,350**	**8,459**
Capitalization rate	3%	6%

18. Trade and other receivables

As at 31 December *In thousands of Polish Zlotys (PLN)*	*Note*	2007	2006
Trade receivables from related parties	*29*	2,606	79
Advances for inventories of residential units		29,081	4,787
Value added tax (VAT) receivables		30,273	14,875
Other trade receivables		2,060	1,936
Prepayments for current assets		404	18
Deposits for interests on credits		1,752	-
Total		**66,176**	**21,695**

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

Receivables denominated in foreign currencies included trade receivables from related parties denominated in euros, amounting to EUR 728 thousand (PLN 2,606 thousand) as at 31 December 2007 and EUR 21 thousand (PLN 79 thousand) as at 31 December 2006.

Notes to the consolidated financial statements

19. Cash and cash equivalents

As at 31 December *In thousands of Polish Zlotys (PLN)*	2007	2006
Petty cash	19	17
Bank balances	71,810	39,103
Cash and cash equivalents	**71,829**	**39,120**

As at 31 December 2007, the Group held PLN 24,556 thousand on overnight deposits and PLN 40,000 thousand on weekly deposits. The effective interest rate on overnight deposits was 3% - 4.8%. As at 31 December 2006, the Group held no deposits.

20. 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 31 December 2007 was 226,666,666 shares of EUR 0.02 par value each and was issued as follow (see also note 1):

- On 29 June 2007, the date of incorporation of the Company, 45,000 shares with a par value of EUR 1 per share were issued. Subsequently, on 27 September 2007, the Company issued 11,890 new shares with a par value of EUR 1 per share.

- On 29 September 2007, upon approval by the shareholders of the Company, the Company's articles of association were amended whereby the each share with par value of EUR 1 was split into fifty new shares with par value EUR 0.02 each, as a result of which the number of outstanding shares increased from 56,890 to 2,844,500.

- 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 to the existing shareholders in proportion to their individual shareholding. The share capital was paid out of the available share premium reserve.

- On 24 October 2007, the Company completed an initial public offering of its shares on the Warsaw Stock Exchange, having issued and sold 26,666,666 new shares at an offering price of PLN 5.75 per share.

Notes to the consolidated financial statements

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

B. Share premium reserve

For the year ended 31 December *In thousands of Polish Zlotys (PLN)*	2007	2006
Balance at beginning of the year	-	-
Net contribution in kind of assets and liabilities (1)	91,878	-
Net contribution in kind of assets (2)	20,084	-
Exclusion of a subsidiary from consolidation (3)	(22,360)	-
Capital payment	700	-
Issue of new shares in exchange of share premium reserve	(14,772)	-
Net proceeds of new shares issued in excess of par value (4)	139,575	-
Balance at end of the year	**215,105**	**-**

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

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

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

(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.

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 3 year period and the remaining 1,200,000 options will vest over five years, while having an optional term of five and seven years respectively. The latter options were granted to Mr Dror Kerem, the Chairman of the Management Board of the Company.

Notes to the consolidated financial statements

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

The vesting dates of the options are as follows:

	Number of options		
Vesting dates	**vest over three years**	**vest over five years**	**Total**
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 5 years and seven years, an annual risk free rate of 6% and estimation that 70% from the employed will implement the options.
The costs impact of the share-based payment on the financial statements of the Company was an expense of PLN 275,000 recognized in the income statement with a corresponding increase in equity.

In addition, Mr Kerem, the Chairman of the Management Board 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, on the date falling six months following 24 October 2007, the date the Company's shares were admitted to listing on the Warsaw Stock Exchange (the "Admission"). This right was granted by the Supervisory Board and measured at fair market value at the time of the grant.
The costs impact of the above on the financial statements of the Company was an expense of PLN 531,000 recognized in the income statement with a corresponding increase in equity.

21. Minority interests

For the year ended 31 December *In thousands of Polish Zlotys (PLN)*	**2007**	**2006**
Balance at beginning of the year	18,711	-
Minority interests profits of consolidated subsidiaries	1,373	21
Minority interests from proceeds from sale of equity in Ronson Group entities and other capital contributions	-	18,690
Net contribution in kind of assets (*)	(20,084)	-
Balance at end of the year	**-**	**18,711**

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

Notes to the consolidated financial statements

22. Net earnings per share

A. Basic and diluted earnings per share

The calculation of basic and diluted net earnings per share at 31 December 2007 was based on the profit attributable to ordinary shareholders of PLN 39,129 thousand and the weighted average number of ordinary shares outstanding as presented below:

Weighted average number of ordinary shares (basic):

Financial year *In thousands of shares*	**2007**	**2006**
Balance at beginning of the year	-	-
Effect of new shares issued during the period	100,265	-
Weighted average number of ordinary shares (basic)	**100,265**	**-**

Weighted average number of shares (diluted):

Financial year *In thousands of shares*	**2007**	**2006**
Weighted average number of ordinary shares (basic)	100,265	-
Effect of right to obtain shares	111	-
Effect of shares options on issue	702	-
Weighted average number of ordinary shares (diluted)	**101,078**	**-**

B. Pro forma data

The calculation below takes into consideration the number of shares issued from the date the Group achieved common control of the Polish entities (1 January 2006) until 31 December 2007. For these pro forma data, the issuance of the incorporation shares and of the shares paid out of share premium reserve is assumed to have taken place as per the date of gaining control of the contributed equity by ITR Dori (1 January 2006).

For the year ended 31 December	**2007**	**2006**
Net income (PLN thousands) wellborn to owners' net investment	38,903	31,897
Weighted average number shares (thousands) for calculating basic earnings per share	173,704	158,200
Basic net earnings per share	**0.22**	**0.20**
Weighted average number shares (thousands) for calculating diluted earnings per share	174,114	158,200
Basic net earnings per share	**0.22**	**0.20**

Notes to the consolidated financial statements

23. Provisions

As at 31 December *In thousands of Polish Zlotys (PLN)*	2007	2006
Balance as at 1 January	501	501
Increase /(decrease)	-	-
Closing balance	501	501

24. Loans and borrowings

Information about the contractual terms of the Group's interest-bearing loans and borrowings is presented in the table below. For more information about the Group's exposure to interest rate and foreign currency risk, see note 30.

As at 31 December *In thousands of Polish Zlotys (PLN)*	2007	2006
Non-current liabilities		
Loans from related parties	55,477	71,069
Secured bank loans	90,192	22,988
Total non-current liabilities	**145,669**	**94,057**
Current liabilities		
Loans from related parties	7,792	-
Secured bank loans	97,383	10,085
Total current liabilities	**105,175**	**10,085**

Terms and debt repayment schedule

Terms and conditions of outstanding loans as at 31 December 2007 and 31 December 2006 were as follows:

Loans as at 31 December 2007:

In thousands of Polish Zlotys (PLN)	Currency	Nominal interest rate	Year of maturity	Capital	Accrued interest	Bank charges	Carrying value
Gator Investments Sp. z o.o.	PLN	6%	2008	7,616	176	-	7,792
Jerusalem 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**

Notes to the consolidated financial statements

24. Loans and borrowings (cont'd)

Loans as at 31 December 2006:

In thousands of Polish Zlotys (PLN)	Currency	Nominal interest rate	Year of maturity	Capital	Accrued interest	Bank charges	Carrying value
Jerusalem Finance Company B.V.	PLN	6%	2011	60,379	323	-	60,702
Gator Investments Sp. z o.o.	PLN	6%	2011	10,338	29	-	10,367
Subtotal (related parties)				**70,717**	**352**	**-**	**71,069**
Bank Loans	PLN	Wibor+1.1%	2007	10,085	-	-	10,085
Bank Loans	PLN	Wibor+1.1%	2008	4,365	115	(85)	4,395
Bank Loans	PLN	Wibor+1.1%	2009	18,750	-	(157)	18,593
Subtotal (Bank)				**33,200**	**115**	**(242)**	**33,073**
Total				**103,917**	**467**	**(242)**	**104,142**

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 1,537 thousand at 31 December 2007).
- Pledge over all bank accounts in Fortis Bank S.A. (PLN 919 thousand at 31 December 2007).
- Pledge over all bank accounts in Bank Zachodni WBK S.A. (PLN 1,843 thousand at 31 December 2007).
- Pledge over all bank accounts in ING Bank Śląski S.A. (PLN 62 thousand at 31 December 2007).
- Pledge over all bank accounts in BPH Bank S.A. (PLN 2 thousand at 31 December 2007).
- Assignment of receivables arising from insurance agreement and from the agreements concluded with clients (the amounts of the loan at 31 December 2007 PLN 16,214 thousand).
- Registered pledge on shares.
- Subordination agreement on loans from related parties.
- Deposits guarantee for interests on credits (PLN 1,752 thousand at 31 December 2007).
- 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.

25. 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:

As at 31 December		**2007**	**2006**
Company	**Project**		
In thousands of Polish Zlotys (PLN)			
Ronson Development Investment Sp. z o.o.	Meridian	12,314	38,619
Ronson Development Creations Sp. z o.o.	Mistral	5,079	348
Ronson Development Properties Sp. z o.o.	Imaginarium I	31,646	567
Ronson Development Company Sp. z o.o.	Galileo	5,848	1
Ronson Development Management Sp. z o.o.	Słoneczny Skwer	-	619
Brighton Tec Sp. z o.o.	Kłobucka	-	95
Ronson Development Residental Sp. z o.o.	Lazurowa Dolina	-	167
Ronson Development Warsaw Sp. z o.o.	Pegaz II	-	10,733
Others	Others	20	5
Total		**54,907**	**51,154**

Notes to the consolidated financial statements

26. Trade and other payables

As at 31 December *In thousands of Polish Zlotys (PLN)*	*Note*	2007	2006
Trade payables due to related parties	*29*	-	4
Other trade payables		7,960	10,819
Tax payable		1,198	2,832
Non-trade payables and accrued expenses		1,392	2,569
Total		**10,550**	**16,224**

As at 31 December 2007 and 31 December 2006 the Group had no payables denominated in foreign currencies.

27. 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:

In thousands of Polish Zlotys (PLN)	***Note***	**Year ended 31 December 2007**	
		Carrying amount	**Fair value**
Assets:			
Trade and other receivables	*18*	66,176	66,176
Cash and cash equivalents	*19*	71,829	71,829
Liabilities:			
Secured bank loans	*24*	187,575	187,575
Loan from related parties	*24*	63,269	61,414
Trade and other payables	*26*	10,550	10,550
Unrecognized gain			**1,855**

In thousands of Polish Zlotys (PLN)	***Note***	**Year ended 31 December 2006**	
		Carrying amount	**Fair value**
Assets:			
Loans granted	*15*	13,533	13,533
Trade and other receivables	*18*	21,695	21,695
Cash and cash equivalents	*19*	39,120	39,120
Liabilities:			
Secured bank loans	*24*	33,073	33,073
Loan from related parties	*24*	71,069	70,452
Trade and other payables	*26*	16,224	16,224
Unrecognized gain			**617**

Notes to the consolidated financial statements

27. Fair value estimation (cont'd)

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.

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 31 December 2007, 31 December 2006 and are as follows:

As at 31 December	2007	2006
Loans granted	N/A	6.00%
Loans and borrowings	6.78%	6.00%

28. Contingencies and commitments

Contingent commitments relate primarily to contingent consideration for land acquisitions which are considered probable of being paid. As at 31 December 2007, these contingent commitments amount to PLN 60,796 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 32,755 thousand as at 31 December 2007.

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

As at 31 December *In thousands of Polish Zlotys (PLN)*		2007	2006
Company	**Project**		
Ronson Development North Sp. z o.o.	Łomianki	11,196	-
Ronson Development West Sp. z o.o.	Aurora	49,600	-
Ronson Development Properties Sp. z o.o.	Imaginarium II	-	14,450
Ronson Development Retreat Sp. z o.o.	Renaissance	-	12,521
Total		**60,796**	**26,971**

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 financial statements

28. 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:

As at 31 December *In thousands of Polish Zlotys (PLN)*		2007	2006
Company	**Project**		
Ronson Development Company Sp. z o.o.	Galileo	32,755	-
Ronson Development Investment Sp. z o.o.	Meridian	-	15,307
Total		**32,755**	**15,307**

29. Related parties

Parent and ultimate controlling party

For (invested) equity and changes during the years ended 31 December 2007 and 31 December 2006, see note 1.

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

- loans granted (see note 15),
- loans received,
- settlements with ITR Dori,
- transactions with key management personnel,
- rights to shares and options,
- land purchase from related parties.

For more details on these transactions – see below explanations:

Loans received

The Group received loans from related parties, JFC and Gator. During the year ended 31 December 2007, the Group received new loans amounting to PLN 36,442 thousand and repaid loans from related parties amounting to PLN 30,557 thousand (see note 24 for details).

Settlements with ITR Dori

During the years ended 31 December 2007 and 31 December 2006, transactions with ITR Dori comprised consultancy fees in the amount of PLN 1,036 thousand and PLN 1,046 thousand, respectively. The consultancy fees are in respect of management services provided for the benefit of the group companies. Moreover, the Group re-charged ITR Dori for costs incurred locally for preparing for the initial public offering of Ronson Europe N.V. Group.
As at 31 December 2007, the amount owed by ITR Dori to the Group amounted to PLN 2,557 thousand (see note 18), whereas the amount owed to ITR Dori at the same date was nil (see note 26).

Transactions with key management personnel

The key management personnel of Company include:

Dror Kerem – President of the Board, Chief Executive Officer.
Ariel Bouskila – Member of Management Board, Chief Financial Officer.

Loans to directors

As at 31 December 2007 and 31 December 2006, there were no loans granted to directors.

Notes to the consolidated financial statements

29. Related parties (cont'd)

Key management personnel compensation

Apart from the compensation listed below, there were no additional benefits granted to key management in the years ended 31 December 2007 and 31 December 2006.

Key management personnel compensation can be presented as follows:

In thousands of Polish Zloty (PLN)	**Employment agreement**	**Management salary**	**Other (bonuses)**	**Total**
Management Board – 31 December 2007	71	361	-	432
Management Board – 31 December 2006	32	199	161	392

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 Kerem. During the year ended 31 December 2007, the Group sold one Unit for a consideration of PLN 497 thousand (year ended 31 December 2006: five Units for a total consideration of PLN 2,733 thousand). These transactions have been executed at arm's length and were in adherence to Group policy in respect of related party transactions.

Rights to shares and options

The following members of the Management Board received rights to shares in the Company during the year ended 31 December 2007.

- Mr Kerem 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, on the date falling six months from the date the Company's shares are admitted to listing on the Warsaw Stock Exchange (the "Admission");
- Mr 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 5.75 PLN, provided, however, that if the consulting agreement between Mr Kerem and the Company is terminated (for any reason), Mr Kerem's entitlement to the vesting of the options on the anniversary date of the year of such termination shall be relative to the proportion of the year (to the anniversary date) he was employed by the Company and, thereafter, any remaining options granted in accordance with the above are automatically cancelled; and
- Mr 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 5.75 PLN, 1/3rd per year on the anniversary date of the date of Admission for three successive years.

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.

Notes to the consolidated financial statements

30. 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 financial year 2007, 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.

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 31 December 2007, payments made under land purchase agreements amounted to PLN 29,081 thousand (see note 18). 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 18) 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:

As at 31 December *In thousands of Polish Zloty (PLN)* **Rating**	**2007**	**2006**
AAA	40	17
AA	66,321	29,632
A	5,468	9,471
Total cash at banks and short-term bank deposits *	**71,829**	**39,120**

* The rest of the balance sheet item "Cash and cash equivalents" is cash at hand.

Notes to the consolidated financial statements

30. Financial risk management (cont'd)

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 31 December 2007, receivables from related parties denominated in euros amounted to EUR 728 thousand. Until 31 October 2006, the currency giving rise to currency risk was primarily the US dollar (borrowings only).

(ii) Price risk

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

(iii) Interest rate risk

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

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

			Year ended 31 December 2007					
In thousands of Polish Zlotys (PLN)	**Note**	**Average effective interest rate**	**Total**	**6 months or less**	**6-12 months**	**1-2 years**	**2-5 years**	**More than 5 years**
Fixed-rate instruments								
Loans from related parties	*24*	6.00%	63,269	7,792	-	-	55,477	-
Cash and cash equivalents	*19*	0.05%-0.15%	7,254	7,254	-	-	-	-
Variable-rate instruments								
Secured bank loans	*24*	WIBOR + 1.1%-1.6%	189,030	18,680	78,703	91,647	-	-
Cash and cash equivalents	*19*	WIBOT - 1%-2%	64,556	64,556	-	-	-	-

			Year ended 31 December 2006					
In thousands of Polish Zlotys (PLN)	**Note**	**Average effective interest rate**	**Total**	**6 months or less**	**6-12 months**	**1-2 years**	**2-5 years**	**More than 5 years**
Fixed-rate instruments								
Loans granted	*15*	6.0%	13,533	-	-	-	13,533	-
Cash and cash equivalents	*19*	2.0%	39,120	39,120	-	-	-	-
Loans from related parties	*24*	6.0%	71,069	-	-	-	71,069	-
Variable-rate instruments								
Secured bank loans	*24*	WIBOR + 1.0%	33,073	-	10,085	-	22,988	-

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 31 December 2007, 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 year ended 31 December 2007 by approximately PLN 1,642 thousand. Conversely, a general decrease of one percentage point in interest rates would increase the Group's profit before income tax for the year ended 31 December 2007 by approximately PLN 1,642 thousand.

Notes to the consolidated financial statements

30. 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.

	Year ended 31 December 2007			
In thousands of Polish Zlotys (PLN)	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
Loans and borrowings	105,175	90,192	55,477	-
Trade and other payables	10,550	-	-	-
Total	**115,725**	**90,192**	**55,477**	**-**

	Year ended 31 December 2006			
In thousands of Polish Zlotys (PLN)	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
Loans and borrowings	10,085	-	94,057	-
Trade and other payables	16,224	-	-	-
Total	**26,309**	**-**	**94,057**	**-**

Notes to the consolidated financial statements

31. 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 31 December 2007 and 2006 were as follows:

For the year ended 31 December *In thousands of Polish Zlotys (PLN)*	**2007**	**2006**
Loan and borrowings, including current portion	250,844	104,142
Less: cash and cash equivalents	(71,829)	(39,120)
Net debt	**179,015**	**65,022**
Total equity	271,973	106,036
Total capital employed	**450,988**	**171,058**
Gearing ratio	**65.8%**	**61.3%**
Leverage	**39.7%**	**38.0%**

32. Subsequent events

Land purchase
On 18 January 2008, Ronson Development Skyline Sp. z o.o. signed the final notarial deed agreement following the preliminary agreement concluded on 7 March 2007, comprising the purchase of a plot of land with a size of 10,908 m^2 located in Poznań.

Loans from bank
On 4 February 2008, Ronson Development Community Sp.k. signed a loan agreement with Bank Zachodni WBK S.A. for a loan in the amount of PLN 16,800 thousand. The money was transferred to the Group on 21 February 2008.

Notes to the consolidated financial statements

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

Information about the engagements of the Company's auditor, KPMG, and the value from those engagements is disclosed below:

For the year ended 31 December *In thousands of Polish Zlotys (PLN)*	**2007**
Remuneration for audit (1)	630
Remuneration for initial public offering services (2)	2,052
Total	**2,682**

(1) Remuneration for the audit includes the amounts paid and due to KPMG for professional services related to their audit of the 2007 financial statements.

(2) Remuneration for related services includes other amounts paid and due to KPMG. These services relate to services provided in connecting with the initial public offering in October 2007.

Company income statement

For the period ended 31 December		2007
In thousands of Polish Zlotys (PLN)	*Note*	
Revenue		4
General and administrative costs	*8*	(1,232)
Operating loss		**(1,228)**
Finance income		524
Finance expense		(423)
Net finance income	*9*	**101**
Loss before taxation		**(1,127)**
Income tax	*10*	-
Loss before result from subsidiaries		**(1,127)**
Result from subsidiaries after taxation	*3*	**40,256**
Net income		**39,129**

The notes on pages 75 to 77 are an integral part of these Company financial statements.

Company balance sheet

As at 31 December		2007
In thousands of Polish Zlotys (PLN)	***Note***	
Assets		
Investment in subsidiaries	*3*	187,490
Loans granted to subsidiaries	*4*	55,900
Total non-current assets		**243,390**
Trade and other receivables		463
Receivables from subsidiaries		4
Cash and cash equivalents	*5*	44,809
Total current assets		**45,276**
Total assets		**288,666**
Equity		
Shareholders' equity and liabilities	*6*	
Share capital		16,933
Share premium reserve		215,105
Retained earnings		39,935
Total shareholders' equity		**271,973**
Liabilities		
Long-term liabilities		
Loans from subsidiaries	*7*	14,353
Total long-term liabilities		**14,353**
Current liabilities		
Trade and other payable		1,457
Creditors from subsidiaries		883
Total current liabilities		**2,340**
Total shareholders' equity and liabilities		**288,666**

The notes on pages 75 to 77 are an integral part of these Company financial statements.

Company statement of changes in shareholders' equity

For the period ended 31 December 2007:

In thousands of PLN	Retained earnings	Share capital	Share premium reserve	Total
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	**39,935**	**16,933**	**215,105**	**271,973**

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

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

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

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

The notes on pages 75 to 77 are an integral part of these Company financial statements.

Company statement of cash flows

For the period ended 31 December	2007
In thousands of Polish Zlotys (PLN)	
Cash flows from operating activities	
Profit for the period	39,129
Adjustments to reconcile profit for the period to net cash (used in)/from operating activities:	
Interest accrued on loans from subsidiaries	421
Increase in trade and other receivables	(463)
Increase in receivable from subsidiaries	(4)
Net results subsidiaries during the year	(40,256)
Increase in trade and other payables	1,457
Increase in creditors from subsidiaries	883
Share-based payment	806
Net cash from operating activities	**1,973**
Cash flows from investing activities	
Loan granted to subsidiaries	(55,900)
Investment in subsidiaries	(43,700)
Net cash used in investing activities	**(99,600)**
Cash flows from financing activities	
Proceeds from new shares issued	154,250
Costs directly attributed to the new shares issued	(11,814)
Net cash from financing activities	**142,436**
Net change in cash and cash equivalents	**44,809**
Cash and cash equivalents at the beginning of the period	-
Cash and cash equivalents at 31 December	**44,809**

The notes on pages 75 to 77 are an integral part of these Company financial statements.

Notes to the Company financial statements

Note 1 - General

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

The shares of the Company are traded on the Warsaw Stock Exchange. As at 31 December 2007, 63.7% 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 17.9% of the outstanding shares are held by the public.

The Company holds and owns (directly and indirectly) 42 Polish company's. These companies are active in the development and sale of units, primarily apartments, in multi-family residential real-estate projects to individual customers in Poland and lease real estate to third parties.

Note 2 - Accounting principles

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

Note 3 - Investment in subsidiaries

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

The movements in subsidiaries are as follows:

For the period ended 31 December *In thousands of Polish Zlotys (PLN)*	**2007**
Balance at beginning of the period	-
Contribution in kind from the Company share-holders (*)	103,534
Investments in subsidiaries	43,700
Net result subsidiaries during the year	40,256
Balance at end of the year	**187,490**

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

Notes to the Company financial statements

Note 4 - Loan granted to subsidiaries

During the fourth quarter of 2008 the Company granted loans to subsidiaries amounting to PLN 55,900 thousand. The loans are due after five years from the granting date and bear an interest rate of 6% starting three months from the grant date (during the first three months no interest is due). The principal and accrued interest are payable at the date of maturity of the loan. The borrower may prepay the loan at any time starting one year from the loan agreement date.

Note 5 - Cash and cash equivalents

As at 31 December 2007, the Company held PLN 40,000 thousand on weekly deposits and PLN 4,791 thousand on overnight deposits. The effective interest rate on overnight deposits was 3.5% - 4.8%.

Note 6 - Shareholders' equity

As at 31 December 2007, the authorised share capital of the Company consisted of 800,000,000 ordinary shares with a par value of EUR 0.02 each. For details on shares issued during 2007, reference is made to Note 20 of the consolidated financial statements.

Note 7 - Loans from subsidiaries

On 31 October 2006, Ronson Development Residential Sp. z o.o granted an unsecured loan to Jerusalem Finance Company B.V. ("JFC") amounting to PLN 13,399 thousand. JFC is a company fully owned by ITR Dori and provides financing to each of the companies within the Group. The loan has a maturity date of 31 October 2011 and an interest rate of 6%. Following the incorporation of the Company in June 2007, the liability under this loan agreement including the accrued interest as at 29 June 2007 amounting to PLN 13,932 thousand was assigned to the Company (see Company statement of changes in shareholders' equity under item (1)).
The balance as at 31 December 2007 includes the principal of PLN 13,932 thousand and accrued interest of PLN 421 thousand.

Note 8 - General and administrative costs

For the year ended 31 December *In thousands of Polish Zlotys (PLN)*	**2007**
External services	359
Share-based payments	806
Remuneration fee	47
Other	20
Total	**1,232**

Notes to the Company financial statements

Note 9 - Finance income and expense

The financial income comprises interest earned on bank accounts and deposits only.

The financial expense comprises accrued interest on loans received from subsidiaries (PLN 421 thousand) and bank interest expense (PLN 2 thousand).

Note 10 – Income tax

No Dutch income taxes have been recorded, primarily because of the tax loss for the financial period ended 31 December 2007, which will be carried forward. Realisation of this deferred income tax asset is dependent upon generating sufficient taxable income in the period that the deferred income tax asset is realised. Based on all available information, it is not probable that the deferred income tax asset is realisable and therefore the deferred tax asset is valued at nil.
The accumulated tax losses available for carry forward as per 31 December 2007 are estimated to be EUR 3,223 thousand. These losses are caused mainly by costs related to the initial public offering.

Note 11 – Personnel

The Company did not employ any personnel during the financial year ended 31 December 2007.

Note 12 – Directors' remuneration

The Board of Managing Directors of the Company consists of 5 members; the board members are entitled to a total remuneration of PLN 432 thousand during the year 2007. The amount of remuneration also includes fees, salaries and bonuses paid, and have been paid through the Company's subsidiaries.

The Supervisory Board of the Company consists of 4 members; the supervisory directors are entitled to an annual fee of EUR 8,900 plus an amount of EUR 1,500 per board meeting (EUR 750 if attendance is by telephone). The total amount due in respect of supervisory board fees during 2007 is EUR 13 thousand (PLN 47 thousand).

Rotterdam,
14 April 2008

The Management Board

Dror Kerem	Ariel Bouskila	Karim Habra
David Katz	Amos Weltsch	

Supervisory Board

Uri Dori	Thierry Leleu	Mark Segall
Yair Shilhav		

Articles of Association rules regarding profit appropriation

In accordance with Article 30 of the Articles of Association,

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

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

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

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

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

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

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

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

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

Proposed profit appropriation

For the year ended 31 December 2007, Management proposes to allocate the net profit for the year 2007 amounting to PLN 39,129 thousand to retained earnings. This proposal has been reflected in the Company's balance sheet per 31 December 2007.