

Ronson Europe N.V.

Annual Report
for the year ended
31 December 2014

General Information

Management Board

Shraga Weisman
Tomasz Łapiński
Andrzej Gutowski
Peter Dudolenski
Ronen Ashkenazi

Supervisory Board

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

Company Secretary

Rami Geris

Registered office

Weena 210-212
3012 NJ Rotterdam
The Netherlands

Auditors

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

Letter from the CEO

To our shareholders

The year 2014 was characterized by mixed trends in the global economy. With the lingering effects of the 2008 financial crisis still impacting many countries around the world, the Polish economy continued to generate growth and general stability, despite the crisis in Eastern Ukraine, which unfolded during the year and resulted, amongst other matters, in the growing economic isolation of Russia, an important Polish trade partner. In 2014, the Polish economy grew by approximately 3.2%, while unemployment fell to approximately 11.5%, with many of the larger Polish cities maintaining rates around 5%. According to many economists, the Polish economy is expected to grow by another 3.0% to 3.5% in 2015.

During 2014, the residential market in Poland continued to show signs of growth both on the demand and on the supply side. In 2014, construction commenced on 148,000 new residential units in Poland, which is an increase of over 16% compared to 2013. The total number of building permits granted during 2014 amounted to 157,000, which was 13% higher than the year before. However, an increasing supply of residential apartments becoming available in a number of major Polish metropolitan areas beginning in late 2013 resulted in the overall stabilization of real estate prices last year.

Highlights for Ronson Europe N.V. ('the Company') during 2014 include:

- The pre-sale of 711 units which exceeded the Company's plans for 2014 and represented the highest yearly output in the Company's history;
- Delivery of 469 units to our customers, which was a very similar result to the 2013 record,
- Completion of construction works on 3 projects (Espresso I, Młody Grunwald I and Chilli III) resulting in the receipt of permits for occupancy for 396 units;
- Commencement of construction of 6 projects (Sakura IV, Verdis IV, Moko I, Młody Grunwald II, Kamienica Jezyce I and Panoramika II), representing a total of 759 units (another record for the Company);
- A further strengthening of Ronson's brand name resulting from its overall activities.

The foregoing positive results were tempered by the fact that due to a uniquely unfavorable mix of projects delivered to our customers in 2014 (including the low profitability of Młody Grunwald and Chilli), applying IFRS standards, the Company reported – for the first time since its listing on the Warsaw Stock Exchange – negative financial results for the year as a whole. The Company does not see this, however, as a future trend.

During 2014, in an environment of increasing competition, the Company sold 711 units with a total value of PLN 267.8 million while in 2013 the Company sold 572 units with the total value of PLN 221.8 million. Net loss for 2014 amounted to PLN 15.4 million, while in 2013 net profit amounted to PLN 18.6 million.

We continue to believe that in the medium and long term, the residential Polish market holds great promise. Studies continue to suggest that the living standards of Poles is far below the average European standards. According to some estimates, as much as over 4 million new units will need to be built in the coming years in order for Poland to reach the EU27 average number of units per 1,000 inhabitants. In addition, the ongoing migration of Polish citizens from rural to urban areas will create further demand for a new housing stock. With current annual production topping out at approximately 160,000 units the long-term shortage in the residential market will remain pronounced and should continue to create strong residential development opportunities.

We believe the Company is in an advantageous position to benefit from current market conditions. We believe the Company currently enjoys the following advantages:

- a strong capital structure allowing the Company to start and finance new projects;
- a pipeline of projects at attractive locations;
- the ability to increase and decrease the size and timing of specific projects based on perceived market demand;
- a highly professional staff, and
- a known brand in Warsaw and an emerging brand in other Polish cities.

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

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

Sincerely,
Shraga Weisman
CEO

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Supervisory Board report

We are pleased to present the Financial Statements of Ronson Europe N.V. for the financial year 2014, accompanied by the report of the Management Board. Ernst & Young Accountants LLP have audited the Financial Statements and issued an unqualified Auditor's Report. We recommend the shareholders to adopt the Financial Statements as presented.

We concur with the Management Board's proposal as taken up on page 126 to allocate the net loss for the year 2014 amounting to PLN 15,431 thousand to Retained earnings.

Supervision

During 2014, there were frequent Supervisory Board and Management Board meetings and conference calls, during which, among other topics, the following items were discussed:

- the Company's business strategy;
- the dividend policy;
- the Company's financial position;
- potential sources of long term capital, including issuance of long-term bonds;
- a performance review of the Management Board and evaluation of the Company's remuneration policy;
- the corporate governance structure of the Company;
- risk management and processes undertaken during the year;
- the group structure anticipating potential Polish tax regulations;
- an evaluation and re-appointment of the Company's auditors; and
- the financial results and other related issues.

The Supervisory Board (including its committees) met eight times to discuss, among other things, the functioning of the Management Board. The Board (Audit committee) also met with the external auditors without the presence of the Management Board. All Supervisory Board meetings held in 2014 were attended by the majority of the members of the Supervisory 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 has also been involved in the process of assessing the performance and costs of the external auditors, with whom the committee met four times during the year.

Remuneration and Nominating Committee

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

Internal Auditor

The Supervisory Board appointed an internal auditor for the Company, which - upon request - examines relevant control procedures within the Company in specific areas.

Supervisory Board Report

Financial statements

The Management Board has prepared the Financial Statements for the year ended 31 December 2014. These financial statements were discussed at a Supervisory Board meeting attended by the auditors.

Composition of the Supervisory Board

There were no changes in the composition of the Board of Supervisory Directors during 2014. In view of the expiration of their term as members of the Supervisory Board of the Company, it will be proposed to re-appoint Messrs. Mark Segall, Arie Mientkavich, Przemyslaw Kowalczyk and Yair Shilhav during the upcoming General Meeting of Shareholders.

Composition of the Management Board

During the Annual General Meeting of Shareholders held on 30 June 2014, Mr Peter Dudolenski was appointed member of the Management Board and managing director B for a term of four years. On the same date, Mr Israel Greidinger stepped down as a member of the Management Board of the Company.

During the upcoming General Meeting of Shareholders, it will be proposed to appoint Mr Roni Soffer as a new member of the Management Board. On the same day Mr Ronen Ashkenazi will step down as a member of the Management Board.

19 February 2015
For the Supervisory Board

Mark Segall,
Chairman

Corporate Governance

Governance structure

The Company is a Dutch public company with a listing on the Warsaw Stock Exchange ('WSE'). For this reason the Company is subject to both Dutch and Polish rules and regulations regarding corporate governance.

Corporate Governance Code in the Netherlands

On 9 December 2003, the Dutch Corporate Governance Committee released the Dutch Corporate Governance Code. It was updated on 10 December 2008 by the Corporate Governance Code Monitoring Committee ("the Committee") to take effect as of the financial year 2009. The updated Dutch Corporate Governance Code ('the Code') contains principles and best practice provisions for management boards, supervisory boards, shareholders and general meetings of shareholders, financial reporting, auditors, disclosure, compliance and enforcement standards. The Committee has published its most recent monitoring report in October 2014.

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

The Company acknowledges the importance of good corporate governance. The Management and Supervisory Boards have reviewed the Code, and generally agree with its purport. The Boards have taken and will take any further steps they consider required and appropriate to further implement the Code and any Dutch law corporate governance requirements and improve the Company's corporate governance features. This is very much a living process. It is the Company's policy to discuss the topic annually with the shareholders and schedule it for this purpose for the annual general meeting of shareholders each financial year. The topic has been part of the agenda for each general meeting of shareholders since 2007.

The corporate governance policy and the corporate governance framework of the Company were approved for the first time by the shareholders in 2007 at the occasion of the IPO of the Company.

Exceptions to the application of the Dutch Corporate Governance Code:

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

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

In 2014, the Company has granted to selected members of management and key personnel a form of variable remuneration, which are technically not options to acquire shares but the cash value of such variable remuneration is determined by the development of the Company's share price after the date of granting (Phantom Stock). The rationale is to align the interests of management and key personnel with the interests of shareholders. Reference is made to the Remuneration Report on pages 13 and 14. This variable remuneration has been granted unconditionally and independent on the achievement of targets. The Company shall not amend these existing agreements to comply with provision II 2.4 of the Code (to the extent it would be deemed applicable). Considering that the Company's stage of development and its intention to create a simple alignment of interests of management and shareholders, the Company shall not apply this provision (to the extent deemed applicable).

Governance structure (cont'd)

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

Our Supervisory Board currently consists of five members, of which three are independent within the meaning of the Dutch Corporate Governance Code. Two leading shareholders, i.e. Global City Holdings N.V. and U. Dori Group Ltd., each (indirectly) holding a shareholding and voting rights of 39.8%, have agreed to use their voting rights in such a manner to procure that the two leading shareholders will be in a position to nominate independent supervisory directors to the Company. Moreover, the Company's articles of association state that the Supervisory Board shall have at least two independent Supervisory Board directors.

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

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

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

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

Transactions with a conflict of interest

During the financial year 2014, no transactions as referred to in best-practice provisions II.3.4, III.6.3 and III.6.4 took place involving a conflict of interest relating to directors, supervisory board members or natural and/or legal persons holding at least 10% of the shares in the company. Applying best-practice provisions II.3.2, II.3.3, III.6.1 and III.6.2 was therefore not relevant.

Statement referred to in the Decree of 20 March 2009, Stb 154, determining the further requirements concerning the contents of annual reports

Based on Section 391 of Book 2 of the Dutch Civil Code (Act of 9 July 2004, Stb 370, to amend Book 2, CC) and the Royal Decree of 20 March 2009, limited liability companies, whose shares – to put it briefly – are listed on a regulated stock exchange, must include a statement in their annual reports about their compliance with the principles and best practices of the Code.

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

Governance structure (cont'd)*Corporate Governance Code in Poland*

The Code of Best Practice for WSE-Listed Companies (the 'WSE Corporate Governance Rules') applies to companies listed on the WSE, irrespective of whether such companies are incorporated in Poland or outside of Poland. The WSE Corporate Governance Rules consist of general recommendations relating to best practices for listed companies (Part I) and best practice provisions relating to management boards, supervisory board members and shareholders (Parts II to IV).

The WSE Corporate Governance Rules impose upon the companies listed on the WSE an obligation to disclose in their current reports continuous or incidental non-compliance with best practice provisions (with the exception of the rules set forth in Part I). Moreover, every year each WSE-listed company is required to publish a detailed statement on any non-compliance with the WSE Corporate Governance Rules (including the rules set forth in Part I) by way of a statement submitted with the company's annual report (the 'Yearly Compliance Statement').

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

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

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

General Meeting of Shareholders

Per the Articles of Association* of the Company, the annual General Meeting of Shareholders shall be held within six months after the end of the financial year to deal with, among other matters: (i) the annual report' (ii) adoption of the annual accounts, (iii) discussion of (any substantial changes in) corporate governance, (iv) discussion of remuneration policy for the Board of Managing Directors ("Management Board"), (v) granting of discharge to the Management Board for the management over the past financial year, (vi) discussion of remuneration of Supervisory Board members, (vii) granting of discharge to the Supervisory Board for the supervision over the past financial year, (viii) policy on additions to reserves and dividends, (ix) adoption of the profit appropriation, (x) (re)appointment of members of the Management Board and (xi) (re)appointment of members of the Board of Supervisory Directors ("Supervisory Board").

Other General Meetings of Shareholders shall be held as often as the Management Board or the Supervisory Board deems necessary. Shareholders representing in the aggregate of at least one-tenth of the Company's issued capital may request the Management Board or the Supervisory Board to convene a General Meeting of Shareholders, stating specifically the business to be discussed.

* Most recently amended on 30 June 2011

Issue of new shares

The Company shall only issue shares pursuant to a resolution of the General Meeting or of another corporate body designated to do so by a resolution of the General Meeting for a fixed period not exceeding five years. The designation must be accompanied by a stipulation as to the number of shares that may be issued. The designation may each time be extended for a period of up to five years. The designation may not be cancelled, unless the designation provides otherwise. A decision by the General Meeting to issue shares or to designate another body to issue shares can only be taken upon the proposal of the Management Board. The proposal is subject to the approval of the Supervisory Board.

Each shareholder shall have a pre-emptive right with respect to any share issue in proportion to the aggregate amount of his shares, except if shares are issued for a non-cash consideration or if shares are issued to employees of the Group.

Considering the interest in the Company held (indirectly) by two leading shareholders, (1) Global City Holdings N.V. and (2) U. Dori Group Ltd., each holding (indirectly) 39.8% of the Company's share capital and votes, the change of control over the Company is not possible without the consent and involvement of at least one of the two leading shareholders. In addition, the two leading shareholders are represented both in the Supervisory Board and in the Management Board of the Company.

Supervisory and Management Boards

The Company has a two-tier corporate governance structure, consisting of an executive Management Board (the 'Management Board') and a non-executive Supervisory Board (the 'Supervisory Board'). The day-to-day management and policy-making of the Company is vested in the Management Board, under the supervision of the Supervisory Board. There are currently 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.

As of 1 January 2013 the Act on Management and Supervision ('Wet Bestuur en Toezicht') came into effect. With this Act, statutory provisions were introduced to ensure a balanced representation of men and women in management boards and supervisory boards of companies governed by this Act. Balanced representation of men and women is deemed to exist if at least 30% of the seats are filled by men and at least 30% are filled by women.

Ronson Europe N.V. has currently no seats taken by women. Since Ronson Europe N.V. does not comply with the law in this respect, it has looked into the reasons for non-compliance. The Supervisory Board recognizes the benefits of diversity, including gender balance. However, the Supervisory Board feels that gender is only one part of diversity. Supervisory Board and Management Board members will continue to be selected on the basis of wide ranging experience, backgrounds, skills, knowledge and insights. The Supervisory Board continues to strive for more diversity in both the Supervisory Board and Management Board. For more information on the rules of the Supervisory Board please refer to the profile of the Supervisory Board on Ronson Europe N.V.'s website.

Supervisory Board

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

Supervisory Board Committees

The Supervisory Board is supported by two committees:

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

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

Composition of the Supervisory Board

Mark Segall (age 52, US citizen, male), Chairman

Mr Mark Segall was appointed as a member of the Supervisory Board of the Company on 28 September 2007 and re-appointed on 30 June 2011. Mr Segall is the founder of Kidron Corporate Advisors LLC, a corporate advisory and mergers and acquisitions boutique, Kidron Capital Advisors LLC, a US registered broker dealer, and of Kidron Opportunity Fund I, LLC, a small private equity fund. Prior to forming Kidron in 2003, he was the Co-chief executive officer of Investec Inc. Mr Segall serves as chairman of Global City Holdings N.V. (the 39.8% shareholder of the Company) and on the board of directors of Bel Fuse Inc. and Temco Services Industries Inc. His current term as Supervisory Director expires in June 2015. There is no conflict of interest between the Company and other business activities of Mr Segall.

Arie Mientkavich (age 72, Israeli citizen, male), Vice-Chairman

Mr Arie Mientkavich was appointed a member of the Supervisory Board of the Company on 30 June 2011, and is Chairman of the Remuneration Committee. He has been Deputy Chairman of the Board of Gazit Globe Ltd (since 2005). He is also Chairman of the Boards of the following companies: U. Dori Group Ltd. (since 2012) and RDC Rafael Development Corporation Ltd. (since 2007). From 2006 to 2014 Mr Mientkavich served as Chairman of the Board of Gazit Globe Israel (Development) Ltd.; From 2007 to 2014 Mr Mientkavich served as Chairman of the Board of Elron Electronic Industries Ltd. From May 2006 to January 2015 Mr Mientkavich served as Vice-Chairman of IDB Holding Corporation Ltd. and from July 2007 to February 2015, served as director in Given Imaging Ltd. Previously (1997 to 2006), Mr Mientkavich was Chairman of the Board of Israel Discount Bank Ltd. and Chairman of the Board of main subsidiaries of such bank, including Israel Discount Bank of New York and Discount Mercantile Bank. He served as Active Chairman of the Israel Securities Authority, (1987 to 1997). His current term as Supervisory Board Director of the Company expires in June 2015. There is no conflict of interest between Ronson and other business activities of Mr Mientkavich.

Przemyslaw Kowalczyk (age 45, Polish citizen, male)

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

Composition of the Supervisory Board (cont'd)*Reuven Sharoni (age 77, Israeli citizen, male)*

Mr Reuven Sharoni was appointed as a member of the Supervisory Board on 23 June 2008 and re-appointed on 28 June 2012. Mr Sharoni's recent positions include Deputy Manager and head of Non Life Arieh Insurance Company Ltd. from 1980 to 1984. In the years 1984 to 2000, he acted as Deputy General Managing Director and from 2000 until 2002 as the General Managing Director of Arieh Insurance Company Ltd. Since 2003, Mr Sharoni has been an active chairman of Shirbit Insurance Company Ltd.. His current term as Supervisory Director expires in June 2016. There is no conflict of interest between the Company and other business activities of Mr Sharoni.

Yair Shilhav (age 56, Israeli citizen, male)

Mr Yair Shilhav was appointed as a member of the Supervisory Board on 28 September 2007 and re-appointed on 30 June 2011, and he is the Chairman of the Audit Committee. Mr Shilhav is member of the Supervisory Board and Chairman of the Audit Committee of Global City Holdings N.V. (the 39.8% shareholder of the Company). Since 2004, Mr Shilhav has been the owner of a business consulting office. Between 2000 and 2003, he was a member of the executive directory committee of the audit firm, Somekh Chaikin, a member of KPMG. Between 1995 and 2003, he was the head of the Haifa branch of Somekh Chaikin, of which he was partner from 1990 to 2003. Prior to becoming a partner at Somekh Chaikin, he was head of the professional and finance department of the same firm. He was also the head of the accountancy faculty at Haifa University between 1998 and 2002. His current term as Supervisory Director expires in June 2015. There is no conflict of interest between the Company and other business activities of Mr Shilhav.

Management Board

The management of the Company is entrusted to the Management Board under the supervision of the Supervisory Board. The Articles of Association provide that the Management Board shall consist of two or more managing directors. Managing directors are appointed by the General Meeting of Shareholders. The Management Board shall meet as often as a managing director requests a meeting. All resolutions by the Management Board shall be adopted by an absolute majority of the votes cast.

The Management Board as a whole is responsible for the day-to-day management, including comprehensive risk management control, financing and regulatory compliance.

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

Managing directors A and B

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

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

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

Composition of the Management Board*Shraga Weisman (age 63, Israeli citizen, male)*

On 10 October 2008, Mr Shraga Weisman was appointed as managing director A and President of the Management Board, for a term of four years and granted the title 'Chief Executive Officer'. On 28 June 2012, he was re-appointed for another term of four years.

Mr Weisman served as 'Chief Executive Officer' of Ashdar Building Company Ltd. from 1997 until May 2008. Ashdar Building Company Ltd., listed on the Tel-Aviv Stock Exchange since May 2007, is one of the largest real estate development companies in Israel focusing on residential and commercial projects, hotels and protected accommodation projects. From 1990 to 1997, he was 'Chief Executive Officer' of Natanya Tourism Development Company, which developed residential and infrastructure development projects in Israel. Mr Weisman holds a BA title from Tel-Aviv University, an MSC title from Technion, the Israeli Institute of Technology, and is a certified real estate appraiser in Israel. His current term as Managing Director expires in June 2016.

Composition of the Management Board (cont'd)*Tomasz Łapiński (age 38, Polish citizen, male)*

On 23 June 2008, Mr Łapiński was appointed as managing director A and member of the Management Board, for a term of four years and granted the title 'Chief Financial Officer'. On 28 June 2012, he was re-appointed for another term of four years. Mr Łapiński is also a member of the management boards of many subsidiaries of the Company.

Between 2000 and 2008, Mr Łapiński worked in the investment banking division of UniCredit Group in Warsaw (formerly of HVB and of Bank Austria Creditanstalt) – in UniCredit CA IB Poland (formerly CA IB Financial Advisers). His experience in investment banking includes mainly M&A (mergers and acquisitions) transactions as well as other corporate finance related assignments. He was also responsible for equity capital market transactions, including the initial public offering of Ronson Europe N.V. Before joining CA IB Financial Advisers, from 1998 to 2000, Mr Łapiński worked for the consulting company Central Europe Trust. Mr Łapiński graduated from Warsaw School of Economics (Finance and Banking Faculty). His current term as Managing Director expires in June 2016. Mr Łapiński does not perform any activities other than for the Company.

Andrzej Gutowski (age 45, Polish citizen, male)

On 10 October 2008, Mr Gutowski was appointed as managing director A and member of the Management Board, for a term of four years and granted the title 'Sales and Marketing Director'. On 28 June 2012, he was re-appointed for another term of four years. Mr Gutowski is also a member of the management boards of many subsidiaries of the Company.

Mr Gutowski had been employed by Ronson Development Management Sp. z o.o. for five years as the 'Sales and Marketing Manager'. Mr Gutowski is also a member of the management boards of many subsidiaries of the Company. Before joining Ronson Development Group, between 1994-2003 Mr Gutowski worked for Emmerson Sp. z o.o. (leading real estate agency and advisory company in the Polish market) as Director of Primary Markets and member of the management board. From 1988 until 1993, Mr Gutowski studied at Warsaw School of Economics (Foreign Trade). His current term as Managing Director expires in June 2016. Mr Gutowski does not perform any activities other than for the Company.

Peter Dudolenski (age 36, Bulgarian citizen, male)

On 30 June 2014, Mr Peter Dudolenski was appointed as managing director B and member of the Management Board of the Company, for a term of four years. Mr Dudolenski has been the chief executive officer and president of the management board of Global Parks Poland Sp. z o.o. since 2011. From 2006 to 2011, he was the chief executive officer of Real Estate Services Bulgaria EOOD, where he was involved in the development of the Mall of Plovdiv, which opened in 2009, the Mall of Ruse, which opened in 2011 and the Malls of Stara Zagora and Park Tower. Between 2001 and 2006, he held management positions in M.O. Sofia EOOD and was involved in the development of the Mall of Sofia. He has also been a board member of the City Hospitals and Clinics in Bulgaria since 2012. Mr Dudolenski received a degree in Finance and Banking from the University of National and World Economy in Sofia, Bulgaria. His current term as Managing Director expires in June 2018. There is no conflict of interest between the Company and other business activities of Mr Dudolenski.

Ronen Ashkenazi (age 53, Israeli citizen, male)

On 30 June 2011, Mr Ronen Ashkenazi was appointed as managing director B and member of the Management Board of the Company, for a term of four years. Mr Ashkenazi is CEO and co-owner of Gazit Globe Israel (Development) Ltd. From 2011 to November 2014 Mr Ashkenazi served as CEO of U. Dori Group Ltd. and from May 2011 to November 2014 Mr Ashkenazi also served as the Chairman of the board of U. Dori Construction LTD (the termination of his office as a director of said company was on February 2015). Mr. Ashkenazi also serves as Board Deputy Chairman of Citycon Oyj, a property investment company specialized in retail premises in Finland, Sweden and the Baltic countries. His current term as Managing Director of the Company expires in June 2015. There is no conflict of interest between the Company and other business activities of Mr Ashkenazi.

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

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

a. Capital structure of the Company

The capital of the company consists of one class of shares, being ordinary shares with a nominal value of EUR 0.02 each. Information on the Company's shares has been included under Note 25 to the Consolidated Financial Statements.

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

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

c. Duty to report interests in the Company

The Company has been notified regarding shareholders with a substantial holding in accordance with the Act on Financial Supervision (3% or more) in the Company: by I.T.R. 2012 B.V (ultimately controlled by Global City Holdings N.V.), U Dori Group Ltd. (indirectly), MetLife Otworthy Fundusz Emerytalny and ING Otworthy Fundusz Emerytalny.

d. Special controlling rights

The Company has issued no shares with special controlling rights.

e. Employees' shares

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

f. Restriction on voting right and issue of depositary receipts

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

g. Agreements with shareholders

Currently, the Company is unaware of any shareholder agreements, except for agreements among I.T.R. 2012 B.V., Global City Holdings N.V., U. Dori Group Ltd. and I.T.R. Dori B.V., which sets forth certain rights and obligations of the parties with respect to each other in connection with various matters, including the appointment to management board and the supervisory board of the Company.

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

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

By virtue of article 40 of the Articles of Association, the Articles of Association can only be amended at the proposal of the Management Board subject to approval from the Supervisory Board and the shareholders. A resolution to amend the Articles of Association shall be passed by an absolute majority of the votes cast.

i. The powers of the board

By virtue of article 5 of the Articles of Association, the Management Board is, subject to the approval of the Supervisory Board, authorized to resolve to issue shares for a certain period for a maximum per issue of shares of 25% of the issued share capital immediately prior to that issue, with an aggregate maximum of all non-issued shares of the authorized share capital. The period of authorization of the Management Board by the General Meeting of Shareholders was renewed by a decision of the General Meeting of Shareholders which took place on 28 of June 2012 for another period of five years lapsing at 28 June 2017.

j. Important agreements when issuing a public bid

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

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

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

Remuneration Report

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 remuneration for the Supervisory Board was also adopted at the same General Shareholders' Meeting.

Remuneration Policy

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

Governance

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

Remuneration of the Management Board

Shraga Weisman

Mr Shraga Weisman, as a member of the Management Board of Ronson Europe N.V., has entered into an employment contract with a subsidiary of the Company (Ronson Development Management Sp. z o.o.). The terms of his compensation package include a gross monthly fee of the PLN equivalent of EUR 2,500. Mr Weisman is also entitled to reimbursement of housing and office costs amounting up to the PLN equivalent of EUR 3,000 per month, as well as certain other social and medical insurance costs. His compensation also includes a reimbursement of reasonably incurred and documented expenses related to the proper performance of his consulting agreement up to the amount of EUR 5,000 per calendar year as well as reimbursement of the costs related to his and his family's travel to Israel up to the maximum amount of EUR 20,000 per year and a company car.

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

Tomasz Łapiński

Mr Tomasz Łapiński, as a member of the Management Board of Ronson Europe N.V., has entered into an employment contract with a subsidiary of the Company (Ronson Development Management Sp. z o.o.). The conditions of the employment contract include a monthly salary of PLN 42,000, reimbursement of the medical insurance costs and a company car.

Remuneration Report

Remuneration of the Management Board (cont'd)

Andrzej Gutowski

Mr Andrzej Gutowski, as a member of the Management Board of Ronson Europe N.V., has entered into an employment contract with a subsidiary of the Company (Ronson Development Management Sp. z o.o.). The conditions of the employment contract include a monthly salary of PLN 25,000, reimbursement of the medical insurance costs and a company car.

Peter Dudolenski

Mr Peter Dudolenski is not entitled to any remuneration from Ronson Europe nor from any of the Company's subsidiaries.

Ronen Ashkenazi

Mr Ronen Ashkenazi is not entitled to any remuneration from Ronson Europe nor from any of the Company's subsidiaries.

Remuneration of the Management Board in 2014

Total compensation of the Members of the Management Board, not including the company car, amounted to PLN 2,599 thousand. Additionally the benefits from the incentive plan linked to the share price performance allocated to the members of the Management Board (calculated based on Black & Scholes method; not paid) amounted to PLN 419 thousand.

Compensation of the members of the Management Board amounted to:

- Mr Shraga Weisman - PLN 1,504 thousand,
- Mr Tomasz Łapiński - PLN 526 thousand (plus the current value of the potential benefits from the incentive plan linked to the share price performance in the amount of PLN 207 thousand),
- Mr Andrzej Gutowski amounted to PLN 569 thousand (plus the current value of the potential benefits from the incentive plan linked to the share price performance in the amount of PLN 172 thousand).

Long-term incentive plan linked to the share price performance of Ronson Europe N.V.

On 3 February 2014, the Supervisory Board of the Company adopted an incentive plan, addressed to selected key employees, which is based on the price performance of the Company's shares (the "Phantom Stock Plan"). The Phantom Stock Plan, which does not assume any new issue of shares and which will not result in any new shares supply, is based on the following key assumptions and includes the settlement mechanism as described below:

- i. the exercise price of one option under the Phantom Stock Plan is PLN 1.6;
- ii. the total number of options is 2,705,000 (which is the equivalent of approximately 1% of the Company's total number of shares), and the allocation of options to particular employees shall be made by way of a separate decision of the Remuneration Committee;
- iii. benefits will be aggregated among the selected employees (of the Company or of its subsidiaries) who join the Phantom Stock Plan through the end of 2015, of which (a) 50% is awarded as of the date of the decision of the Remuneration Committee approving the Phantom Stock Plan, (b) 25% as of the end of 2014, and (c) 25% by the end of 2015;
- iv. employees participating in the Phantom Stock Plan maintain the right to exercise their options until the end of 2017 (or a maximum of two years from the date they are no longer employed by the Ronson Group);
- v. upon the exercise of the options, the Company will pay the option holder the amount in cash equal to the difference between PLN 1.6 and the current market price of the shares in the Company ("Current Market Price") allocated to a particular employee (option holder);

Remuneration Report

Long-term incentive plan linked to the share price performance of Ronson Europe N.V. (cont'd)

- vi. the Current Market Price will be calculated as the average trading price of the shares during the preceding calendar month, whereby the average trading price shall be determined by calculating the total turnover value in PLN of all of the shares in the Company traded during that period divided by the total number of shares traded during such period (however, if the total value of the overall turnover in any particular month is lower than PLN 100 thousand, then the Current Market Price shall be calculated on the basis of the most recent two-month market average);
- vii. in the event that the free float is less than 10% of all the outstanding shares in the Company, the Current Market Price will be established by a reputable valuation company based on a comparable valuation of Ronson's peer companies listed on the Warsaw Stock Exchange (based on P/E and P/BV multiples);
- viii. an option holder shall be entitled to submit a payment request during the first five working days of each calendar month, provided that all employees must observe any trading restrictions related to the sale/purchase of the Company's shares by Management and Supervisory Board members and key management under applicable regulations, especially with respect to the observance of closed periods.

Based on the Remuneration Committee decision, out of the total 2,705,000 options, 950,000 options were allocated to Tomasz Łapiński, and 675,000 options were allocated to Andrzej Gutowski while the remaining 1,080,000 options were allocated to other key employees of the Company. During the year ended 31 December 2014 no options were exercised.

Long-term incentive plan linked to Ronson Europe N.V. financial results

On 3 February 2014, the Supervisory Board of the Company adopted an incentive plan, addressed to selected key employees, which is based on the financial performance of the Company. Financial performance shall be determined by the Company's Remuneration Committee of the Supervisory Board taking into consideration either (a) current sales results (the new contracts signed with customers) or (b) profits before tax recognized by the Company.

Based on the Remuneration Committee decision, Tomasz Łapiński (in addition to his remuneration) is entitled to an aggregated payment which would be equivalent of 0.75% of the Company's profit before tax in particular financial year. Moreover Andrzej Gutowski is entitled to an aggregated payment which would be equivalent of 0.1% of the net value of the Company's current sales results.

Remuneration of the Supervisory Board

Each Supervisory Board member currently receives an annual remuneration of EUR 8,900 and EUR 1,500 per attendance at meetings or EUR 750 if attendance is by telephone. Moreover Supervisory Board members are entitled to reimbursement of out-of-pocket expenses related to services provided to the Company (mainly comprising travel and accommodation expenses). The Supervisory Board members are not entitled to any benefits on termination of their service. One Supervisory Board member, notably Mr Arie Mientkavich, has waived his remuneration from the Company. The remuneration paid (or accrued) to the Supervisory Board members includes only the remuneration for the other four members: Mr Mark Segall, Mr Yair Shilhav, Mr Przemyslaw Kowalczyk and Mr Reuven Sharoni. The total Supervisory Board remuneration during 2014 amounted to PLN 253 thousand (EUR 60 thousand).

Risk Profile and Risk Management

Risk Profile

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

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

In addition to the above, simultaneously with the new master plans that enter into force in the Polish cities, there are new requirements shifting up the standards of new construction sites (including environmental rules, traffic solutions and infrastructure connections) which may result in both increasing costs of the new projects as well as unplanned delays in the preparation of the new projects.

A very specific risk for the Polish residential market is related to the initiatives of the Polish Government supporting young people wanting to buy their first apartment. The previous government program, which expired at the end of 2012, was called Rodzina na Swoim (Family on its Own) and was subsidizing the costs of mortgage loans. A new program called Mieszkanie dla Młodych (Apartment for the Young) was launched in the beginning of 2014. The Polish government, whilst setting up the parameters of such programs (for instance maximum total area of the apartments qualifying for the program, or maximum allowable price in particular cities), will thus be of influence on the increasing attractiveness of certain type of apartments and the decreasing for other types.

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

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

Simultaneously with increasing demands from developers arranging debt financing of their projects, the banks are more demanding from the customers arranging mortgage loans to finance their purchase of apartments. Starting from January 2015, the banks require each client to finance at least 10% of the apartment price out of his or her own resources.

Risk Profile and Risk Management

Risk Profile (cont'd)

This requirement is going to increase to 15% in 2016 and to 20% in 2017. These increased borrowing requirements may translate into lower demand for new apartments, which may be a source of additional risk to all residential developers.

For addition informational on financial instruments risks see Note 40 of the Consolidated Financial Statements.

Risk Management

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

In order to mitigate the market risks involved with the Company's activities, the Company applies relevant internal procedures. Moreover, in response to market instability over the past several years, the Company decided to scale down the size of individual projects offered for sale, by splitting larger residential projects into relatively smaller phases (usually at on average around 120 units for each stage of completion). The Company's plans for 2015 assume the possibility of commencing the construction of three new projects one of which will be in two phases and seven further stages of projects that are currently under construction comprising some 525 and 881 units respectively, which means that the average scale of each new project, i.e. stage of completion, will be around 128 units. The Company is further mitigating the risks related to the construction process by selecting and hiring experienced construction companies with good reputation and proven track-record in Poland.

Moreover, various other organizational measures and procedures were implemented in order to safeguard the quality of operations and to incorporate adequate checks and balances, including approvals, authorizations, reviewing investment decisions and so on. As part of implementing best-practice provisions of both the Dutch and Polish corporate governance codes, the Company introduced a tailored internal risk management and control system. During 2014, the proper operation of the new internal risk management and control system has again been monitored. The evaluation was discussed with the members of the Audit Committee and the Supervisory Board. Also, the Company has a set of whistleblower rules in place to ensure that employees of the Company and its subsidiaries have the possibility of reporting alleged irregularities of a general, operational or financial nature.

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

Moreover, as a result of ongoing volatility in the financial markets and the continued unstable situation in the banking sector, the Company's Management pays particular attention to cash and liquidity management, basically securing sufficient amounts of cash deposits with a view to a continuation of the Company's operations in these potentially more turbulent times.

For a description of the Company's financial instruments risk management reference is made to Note 40 of the Consolidated Financial Statements.

Directors' Report

General

Introduction

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

The Company (together with its Polish subsidiaries, 'the Group') is active in the development and sale of residential units, primarily apartments, in multi-family residential real-estate projects to individual customers in Poland. For information about companies in the Group from which their financial data included in the Consolidated Financial Statements see Note 1 of the Consolidated Financial Statements.

The shares of the Company are traded on the Warsaw Stock Exchange since 5 November 2007. As at 31 December 2014, 39.78% of the outstanding shares are controlled by I.T.R. 2012 B.V., which is a subsidiary of Global City Holdings N.V. ('ITR 2012') (32.11% through a jointly controlled partnership formed under Dutch law between ITR 2012 and ITR Dori B.V. and 7.67% through a jointly controlled company formed under Dutch law between ITR 2012 and U. Dori Group) and 39.78% of the outstanding shares are controlled by U. Dori Group Ltd. ('U Dori Group') (32.11% through a jointly controlled partnership formed under Dutch law between ITR 2012 and ITR Dori B.V. (of which it holds 50% of the shares) and 7.67% through a jointly controlled company formed under Dutch law between ITR 2012 and U. Dori Group). The remaining 20.44% of the outstanding shares are held by other investors including Metlife Otworthy Fundusz Emerytalny holding between 3% and 5% and ING Otworthy Fundusz Emerytalny holding between 5% and 10% of the outstanding shares as of the date of this report. For major shareholders of the Company reference is made to page 39. On 18 February 2015, the market price was PLN 1.27 per share giving the Company a market capitalization of PLN 345.6 million.

Company overview

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

The Company aims to maximize value for its shareholders by a selective geographical expansion in Poland as well as by creation of a portfolio of real estate development properties. Management believes the Company has positioned itself strongly to navigate the volatile economic environment the Company has found itself in over the past several years. On the one hand, the Polish economy appears to remain stable, which potentially bodes well for the Company's prospects. On the other hand, the tenuous European recovery, exacerbated in the last year by the instability in the Ukraine, may continue to have a negative impact on the Polish economy and the Company's overall prospects. As a result, the Company continues to adhere to a development strategy that allows it to adjust quickly to these uncertain conditions by spreading risks through (i) closely monitoring its projects, (ii) potentially modifying the number of projects and their quality and sizes and (iii) maintaining its conservative financial policy compared to other regional residential developers.

As at 31 December 2014, the Group has 854 units available for sale in thirteen locations, of which 747 units are available for sale in nine projects that are ongoing as at 31 December 2014 and the remaining 107 units are in completed projects. The nine ongoing projects comprise a total of 1,403 units, with a total area of 80,300 m². The construction of 821 units in five of the ongoing projects, with a total area of 47,700 m², is expected to be completed during 2015, while 582 units in four of the ongoing projects, with a total area of 32,600 m², is expected to be completed during 2016. In addition, the Group has a pipeline of 19 projects in different stages of preparation, representing approximately 4,339 residential units with a total area of approximately 305,800 m² for future development in Warsaw, Poznań, Wrocław and Szczecin. The Group is considering commencement of another seven stages of the currently running projects comprising 881 units with a total area of 51,100 m², and three new projects one of which will be in two phases comprising 525 units with a total area of 28,600 m² (in total 1,406 units with a total area of 79,700 m²), during 2015.

Directors' Report

Company overview (cont'd)

During the financial year ended 31 December 2014, the Company realized sales of 711 units with the total value PLN 267.8 million, which compares favorably to sales of 572 units with a total value of PLN 221.8 million during the year ended 31 December 2013. These results appear to reflect a generally more favorable market position of the Company and an ongoing improvement of the Polish residential market as a whole.

During April and May 2014, the Company issued bonds with an aggregate nominal value and issue price of PLN 45 million. The bonds carry an interest rate composed of a base rate equal to 6 months Wibor plus a margin, with interest payable semi-annually and maturing in January 2018 (PLN 12 million), February 2018 (PLN 5 million) and May 2018 (PLN 28 million), with full payment due on the maturity date. The bonds have been issued in order to enable the Company to finance the purchase of land for new projects and the construction costs of new projects. For additional information see Note 28 and 29 of the Consolidated Financial Statements.

Dividend policy

On 8 May 2013, the Company issued current report number 4/2013, announcing that the Company's Management Board would recommend to the General Meeting of Shareholders to change its dividend policy and to start paying dividend in 2013. On 14 May 2013, current report number 5/2013 was issued, stating that the Supervisory Board approved the recommendations of the Management Board.

Prior to 2013, since the incorporation of the Company and the IPO in 2007, the Company has retained its profits and did not distribute dividends, in accordance with the dividend policy as set out in the prospectus. The new dividend policy assumes on-going periodic dividend payouts to the shareholders. The Management Board believes that the expected operating, financial and cash-flow position of the Company may allow for increasing the dividend payout in the future. According to a new policy, the Board of Supervisory Directors will be evaluating the future recommendations of the Board of Managing Directors with respect to the potential dividend payouts taking into account (i) the current and expected balance sheet of the Company, with close observance of the all balance-sheet linked debt covenants, (ii) the financial needs of the Company aiming to be ranked amongst leading residential developers in Poland and (iii) changing market environment.

During 2014 the Company did not pay dividends to its shareholders, while the dividend paid during 2013 amounted to PLN 8.2 million.

Market overview

The Polish economy has proven to be relatively strong even in the recent turbulent times throughout Europe, which in combination with the general paucity of dwellings in Poland (in comparison to all other European countries) creates, what management believes to be, solid long term prospects for further development of the residential real estate market in spite of the volatility that has characterized the market for the past seven years. Management believes the Company is well positioned to adapt to changing market conditions. The Company's sales results during the past six years seem to confirm that the Company has adapted positively to the volatile market environment.

The trend observed in 2010 and in 2011, when increasing activities of developers resulted in an increased offer of apartments available for sale on the market, slowed down in 2012, as many developers faced difficulties in finding customers for their products. In 2012, the construction of 142 thousand new apartments was commenced in Poland (a decrease of 12% compared to 2011) and during 2013 this number decreased by a further 10%. Even as construction continued to decrease through 2013, the overall market appeared to turn around during that year. Notably, demand in 2013 increased in comparison to 2012. As a result, the number of new construction sites increased during 2014 by 16%. It is important to note that the number of new projects built by developers increased during 2014 by 36%, while the activity of individual investors increased by 2%. The market data suggest that leading residential developers (such as the Company) were able to overcome many factors that otherwise tempered rapid growth in the market during 2013, with the main impediment to growth related to new regulations and banking restrictions that came into effect in 2012 that limited the developers' ability to secure financing for new investments.

Market overview (cont'd)

Meanwhile, a number of external factors have contributed to recent market growth. First, a governmental program that subsidized young couples purchasing their first apartments, called "Rodzina na Swoim" ("Family on its own") that expired at the end of 2012 was replaced with a new governmental program called "Mieszkanie dla Młodych" ("Apartment for young") that came into effect in the beginning of 2014 and supports the residential market in those cities where the maximum price of apartment qualifying to subsidies is close to the market price. For instance in Gdańsk, Łódź and Poznań nearly 30% of clients buying their first apartments in 2014 were supported by this program, which was also important to the Company, which is active with 3 projects in Poznań. Second, in the last few quarters, the National Bank of Poland has kept interest rates at record low levels (2.5% from July 2013 through September 2014 and lowered to 2.0% in October 2014). These historically low interest rates in 2013 and in 2014 positively impacted the residential market for two reasons. First, mortgage loans became more affordable to the potential residential purchasers and second, more customers are purchasing apartments for cash, as they consider real estate investment as an attractive alternative to the very low interest earned on banking deposits.

Taking into consideration all these factors, the increase in demand for residential units noted in 2013 and in 2014 has caught up with supply. The improving market environment has encouraged developers to expand their residential development activities. During 2014 developers introduced more new apartments in major Polish metropolitan areas to their offer than they were able to sell in this period (47,500 new apartments in six major Polish metropolitan areas, including Warsaw, were added on offer by developers during 2014 which compares to total sales of 43,000 apartments during 2014). The number of total new apartments sold in Warsaw during 2014 amounted to 17,000 which was 16% higher than in 2013. The number of new apartments sold in the five major Polish metropolitan areas (other than Warsaw) increased in 2013 by 16% over 2012, while during 2014 this increase amounted to 22% compared to 2013. The continuing positive market trends in 2014 translated into ongoing improved sales results and an overall increase in market share for the most established Polish residential developers. Specifically, the overall sales results during 2014 reported by the nine largest residential developers listed on the Warsaw Stock Exchange were 35% higher than during 2013.

Management believes that all the above factors, particularly taking into account the significantly improving sales results reported during the last few quarters both for the Company and for the Polish market as a whole, suggest that there is on-going strength in the Polish residential market for at least the following several quarters.

Directors' Report

Business highlights during the year ended 31 December 2014

A. Projects completed

The table below presents information on the projects that were completed (i.e. completing all construction works and receiving occupancy permit) during the year ended 31 December 2014:

Project name	Location	Number of units	Area of units (m ²)
Espresso I (*)	Warsaw	210	9,500
Młody Grunwald I (*)	Poznań	148	8,500
Chilli III (*)	Poznań	38	2,300
Total		396	20,300

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

B. Results breakdown by project

Revenue from the sale of residential units is recognized upon the transfer to the buyer of significant risks and rewards of the ownership of the residential unit, i.e. upon signing of the protocol of technical acceptance and the transfer of the key to the buyer of the residential unit. Total revenue of the Group recognized during the year ended 31 December 2014 amounted to PLN 153.2 million, whereas cost of sales before write-down adjustment amounted to PLN 128.8 million and after write-down adjustment amounted to PLN 141.2 million, which resulted in a gross profit before write-down adjustment amounting to PLN 24.4 million (and a gross margin of 15.9%) and after write-down adjustment amounting to PLN 11.9 million (and a gross margin of 7.8%).

The following table specifies revenue, cost of sales and gross profit in 2014 on a project by project basis:

Project name	Information on the delivered units		Revenue (*)		Cost of sales (**)		Gross profit	Gross margin
	Number of units	Area of units (m ²)	PLN (thousand)	%	PLN (thousand)	%	PLN (thousand)	%
Espresso I	206	9,143	63,264	41.3%	50,478	39.2%	12,786	20.2%
Młody Grunwald I	124	6,415	35,424	23.1%	32,944	25.6%	2,480	7.0%
Verdis I & II	58	3,661	24,324	15.9%	18,543	14.4%	5,781	23.8%
Sakura I & II	9	772	5,711	3.7%	5,045	3.9%	666	11.7%
Chilli I & II	4	345	1,374	0.9%	1,256	1.0%	118	8.6%
Chilli III	10	585	2,403	1.6%	2,267	1.8%	136	5.7%
Impressio I	3	162	1,252	0.8%	1,304	1.0%	(52)	-4.2%
Constans	3	805	3,241	2.1%	3,135	2.4%	106	3.3%
Naturalis I, II & III	31	1,725	8,960	5.9%	8,188	6.4%	772	8.6%
Panoramika I	20	1,116	4,836	3.2%	4,280	3.3%	556	11.5%
Gemini II	1	81	947	0.6%	670	0.5%	277	29.3%
Other	N.A.	N.A.	1,419	0.9%	644	0.5%	775	54.6%
Total / Average	469	24,810	153,155	100.0%	128,754	100.0%	24,401	15.9%
Write-down adjustment	N.A.	N.A.	N.A.	N.A.	12,471	N.A.	(12,471)	N.A.
Results after write-down adjustment	469	24,810	153,155	100.0%	141,225	100.0%	11,930	7.8%

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

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

Business highlights during the year ended 31 December 2014 (cont'd)

B. Results breakdown by project (cont'd)

Espresso I

The construction of the Espresso I project was completed in February 2014. The Espresso I project was developed on a land strip of 4,200 m² located in Wola district in Warsaw at Jana Kazimierza Street. The Espresso I project comprises 2 seven-eight-nine-and-ten-storey, multi-family residential buildings with a total of 202 apartments and 8 commercial units and an aggregate floor space of 9,500 m².

Młody Grunwald I

The construction of the Młody Grunwald I project was completed in May 2014. The Młody Grunwald I project was developed on a land strip of 5,600 m² located in Grunwald district in Poznań at Jeleniogórska Street. The Młody Grunwald I project comprises 3 six-storey, multi-family residential buildings with a total of 136 apartments and 12 commercial units and an aggregate floor space of 8,500 m².

Verdis I & II

The construction of the Verdis I and Verdis II projects was completed in December 2012 and December 2013, respectively. The Verdis I and Verdis II projects were developed on a land strip of 8,400 m² located in the Wola district in Warsaw at Sowińskiego Street. The Verdis I and Verdis II projects comprise 3 seven, eight and ten-storey, multi-family residential buildings with a total of 128 apartments and 11 commercial units and an aggregate floor space of 9,400 m² and 2 seven-storey, multi-family residential buildings with a total of 72 apartments and 6 commercial units and an aggregate floor space of 4,900 m², respectively.

Chilli I, II & III

The construction of the Chilli I, II and III projects was completed in July 2012, in July 2013 and in November 2014, respectively. The Chilli I, II and III projects were developed on a land strip of 12,360 m² located in Tulce near Poznań. The Chilli I, II and III projects comprise 30 units with an aggregate floor space of 2,100 m², 20 units with an aggregate floor space of 1,600 m² and 38 units with an aggregate floor space of 2,300 m², respectively.

Sakura I & II

The construction of the Sakura I and Sakura II projects was completed in May 2012 and May 2013, respectively. The Sakura I and Sakura II projects were developed on a land strip of 11,100 m² in Warsaw at Kłobucka Street. The Sakura I and Sakura II projects comprise 1 eleven-storey, multi-family residential building with a total of 99 apartments and 21 commercial units and an aggregate floor space of 8,100 m² and 1 seven and eleven-storey, multi-family residential building with a total of 136 apartments and an aggregate floor space of 8,300 m², respectively.

Impressio I

The construction of the Impressio I project was completed in June 2012. The Impressio I project was developed on a part of a land strip of 5,200 m² located in the Grabiszyn district in Wrocław. The Impressio I project comprises 3 four-storey, multi-family residential buildings with a total of 70 apartments and an aggregate floor space of 4,500 m².

Business highlights during the year ended 31 December 2014 (cont'd)

B. Results breakdown by project (cont'd)

Constans

The first, second and the third phases of the Constans housing project were completed in July 2010, November 2010 and June 2011, respectively. This project was developed on part of a land strip of 36,377 m² located in Konstancin near Warsaw. The first, second and the third phases of the Constans housing project comprise 8 semi-detached units (total 16 units) with an aggregate floor space of 4,471 m², 5 semi-detached units (total 10 units) with an aggregate floor space of 2,758 m² and 4 semi-detached units (total 8 units) with an aggregate floor space of 2,176 m², respectively.

Naturalis I, II & III

The construction of the Naturalis I, II and III projects was completed in December 2012, August 2012 and August 2013, respectively. The Naturalis I, II and III projects were developed on a land strip of 11,800 m² located in Łomianki near Warsaw. The Naturalis I, II and III projects comprise 1 four-storey, multi-family residential building with a total of 52 apartments and an aggregate floor space of 2,900 m² and 2 four-storey, multi-family residential buildings, each with a total of 60 apartments and an aggregate floor space of 3,400 m².

Panoramika I

The construction of the Panoramika I project was completed in October 2012. The Panoramika I project was developed on a land strip of 4,300 m² located in Szczecin at Duńska Street. The Panoramika I project comprises 2 four and five-storey, multi-family residential buildings with a total of 90 apartments and an aggregate floor space of 5,300 m².

Gemini II

The construction of the Gemini II project was completed in December 2012. The Gemini II project was developed on a land strip of 4,700 m² located in the Ursynów district in Warsaw (KEN Avenue) situated next to the subway station Imielin. The Gemini II project comprises 2 eight and eleven-storey, multi-family residential buildings with a total of 167 apartments and 15 commercial units and an aggregate floor space of 13,900 m².

Other

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

Write-down adjustment

During the year ended 31 December 2014, as a result of Net Realizable Value (NRV) analyses and reviews, a write-down adjustment for some of the Company's projects was made in the amount of PLN 12,471 thousand.

Directors' Report

Business highlights during the year ended 31 December 2014 (cont'd)

C. Units sold during the year

The table below presents information on the total number of units sold (i.e. total number of units for which the Company signed the preliminary sale agreements with the clients), during the year ended 31 December 2014:

Project name	Location	Units sold until 31 December 2013	Units sold during the year ended 31 December 2014	Units for sale as at 31 December 2014	Total
Constans ^(*)	Warsaw	32	1	1	34
Gemini II ^(*)	Warsaw	180	-	2	182
Verdis I & II ^(*)	Warsaw	203	6	8	217
Verdis III ^(**)	Warsaw	21	114	11	146
Verdis IV ^(**)	Warsaw	-	41	37	78
Sakura I & II ^(*)	Warsaw	245	-	11	256
Sakura III ^(**)	Warsaw	29	72	44	145
Sakura IV ^(**)	Warsaw	-	46	68	114
Naturalis I, II & III ^(*)	Warsaw	106	23	43	172
Impressio I ^(*)	Wrocław	67	2	1	70
Impressio II ^(**)	Wrocław	1	37	98	136
Chilli I & II ^(*)	Poznań	47	2	1	50
Chilli III ^(*)	Poznań	2	23	13	38
Panoramika I ^(*)	Szczecin	80	9	1	90
Panoramika II ^(**)	Szczecin	-	15	92	107
Espresso I ^(*)	Warsaw	187	20	3	210
Espresso II ^(**)	Warsaw	29	45	78	152
Młody Grunwald I ^(*)	Poznań	69	56	23	148
Młody Grunwald II ^(**)	Poznań	-	35	102	137
Tamka ^(**)	Warsaw	10	27	28	65
Moko I ^(**)	Warsaw	-	89	90	179
Kamienica Jeżyce I ^(**)	Poznań	-	45	99	144
Old projects	Warsaw	-	3	-	3
Total		1,308	711	854	2,873

(*) For information on the completed projects see "Business highlights during the year ended 31 December 2014 – B. Results breakdown by project" (pages 20 to 22).

(**) For information on current projects under construction, see "Outlook for 2015 – B. Current projects under construction" (pages 33 to 36).

D. Commencements of new projects

The table below presents information on the projects for which the construction and/or sales process commenced during the year ended 31 December 2014:

Project name	Location	Number of units	Area of units (m ²)
Sakura IV ^(*)	Warsaw	114	6,600
Młody Grunwald II ^(*)	Poznań	137	8,200
Verdis IV ^(*)	Warsaw	78	4,000
Panoramika II ^(*)	Szczecin	107	5,900
Moko I ^(*)	Warsaw	179	11,300
Kamienica Jeżyce I ^(*)	Poznań	144	7,800
Total		759	43,800

(*) For additional information see section "Outlook for 2015 – B. Current projects under construction" (pages 33 to 36).

Business highlights during the year ended 31 December 2014 (cont'd)***E. Land purchase***

In May 2014, the Group signed with private individuals (the "Sellers") a sale-purchase agreement concerning undeveloped land situated in Warsaw, district Mokotów at Jaśminowa Street with a total area of 82 thousand m².

Pursuant to a preliminary purchase agreement entered into with the Sellers in June 2012, the Company had the right to purchase properties with a total area up to 118.4 thousand m² ("Real Properties"), provided that the Sellers fulfil a number of conditions precedent, which included concluding a court dispute between the Sellers and third parties concerning some of the properties covered by the preliminary purchase agreement (the "Disputed Real Properties"). Due to the fact that the above mentioned court dispute has not been concluded, the agreements signed with the Sellers in May 2014 did not include the Disputed Real Properties. Depending on the final outcome of the dispute concerning the Disputed Real Properties, the Company, however, may purchase the Disputed Real Properties in the future, subject to terms and conditions to be agreed with the Sellers.

The total purchase price for the (undisputed) Real Properties was PLN 65.57 million, out of which PLN 20.75 million was paid in advance by the Company in June 2012 and the outstanding balance of the price amounting to PLN 44.82 million was paid in May 2014.

Directors' Report

Overview of results

The net loss attributable to the equity holders of the parent company for the year ended 31 December 2014 was PLN 15,431 thousand and can be summarized as follows:

	For year ended 31 December	
	2014	2013
	PLN (thousands, except per share data) (restated*)	
Revenue	153,155	207,025
Cost of sales**	(141,225)	(164,460)
Gross profit	11,930	42,565
Changes in the value of investment property	-	774
Selling and marketing expenses	(6,881)	(6,821)
Administrative expenses	(18,220)	(15,905)
Share of profit/(loss) from joint ventures	(311)	(680)
Other expense	(3,058)	(2,608)
Other income	726	731
Result from operating activities	(15,814)	18,056
Finance income	1,957	1,872
Finance expense	(4,827)	(2,842)
Net finance income/(expense)	(2,870)	(970)
Profit/(loss) before taxation	(18,684)	17,086
Income tax benefit	3,469	958
Net profit/(loss) for the period before non-controlling interests	(15,215)	18,044
Non-controlling interests	(216)	604
Net profit/(loss) for the period attributable to the equity holders of the parent	(15,431)	18,648
Net earnings per share attributable to the equity holders of the parent (basic and diluted)	(0.057)	0.068

* Certain amounts shown do not correspond to the Consolidated Financial Statements as at 31 December 2013 and reflect adjustments made as detailed in Note 2(f) (see pages 59 and 60).

** Including a Write-down adjustment in the amount of PLN 12,471 thousand during 2014 and nil during 2013.

Revenue

Total revenue decreased by PLN 53.9 million (26.0%) from PLN 207 million for the year ended 31 December 2013 to PLN 153.2 million for the year ended 31 December 2014, which is primarily explained by a decrease in the total surface of units delivered to customers from 33,081 m² during the year ended 31 December 2013 to 24,810 m² during the year ended 31 December 2014, as well as slight decrease in the average selling price per m².

Overview of results (cont'd)

Cost of sales

Cost of sales before Write-down adjustment decreased by PLN 35.7 million (21.7%) from PLN 164.5 million during the year ended 31 December 2013 to PLN 128.8 million during the year ended 31 December 2014, which is primarily explained by a decrease in the total surface of units delivered (in m²).

During the year ended 31 December 2014, as a result of Net Realizable Value (NRV) analyses and reviews, a write-down adjustment for some of the Company's projects was made in the amount of PLN 12.5 million.

Gross margin

The gross margin before Write-down adjustment during the year ended 31 December 2014 was 15.9% compared to the gross margin during the year ended 31 December 2013 of 20.6%. The decrease in gross margin is primarily explained by two factors: first, a slight decrease in the average selling price per m². Second, the main part of revenues and costs of sales (and therefore also gross profit margin) recognized during the year ended 31 December 2014 was related to the Espresso I, Młody Grunwald I projects, both of which were less profitable than the projects delivered to the customers during the year ended 31 December 2013 (mainly Gemini II and Verdis I).

Selling and marketing expenses

Selling and marketing expenses increased by PLN 0.1 million (0.9%) from PLN 6.8 million for the year ended 31 December 2013 to PLN 6.9 million for the year ended 31 December 2014. The increase of expenses reflects the changing market dynamics, which demand that developers undertake a more proactive sales and marketing effort in a more competitive environment. Simultaneously, the number of units sold by the Company in the period increased by 24% (from 572 units during the year ended 31 December 2013 to 711 units during the year ended 31 December 2014).

Administrative expenses

Administrative expenses increased by PLN 2.3 million (14.6%) from PLN 15.9 million for the year ended 31 December 2013 to PLN 18.2 million for the year ended 31 December 2014. The increase is primarily explained by the impact of the new employee incentive plan adopted during February 2014 (for additional information see Note 35), as well as the increase of the sales department bonus due to the increase in realized sales. The increase is offset in part by a decrease in the Management Board bonus which is calculated in proportion to the profit before tax.

Other expenses

Other expenses increased by PLN 0.5 million (17.3%) from PLN 2.6 million for the year ended 31 December 2013 to PLN 3.1 million for the year ended 31 December 2014, which is primarily explained by increased costs for repairs and defects in completed projects.

Result from operating activities

As a result of the factors described above, the Company's operating result decreased by PLN 33.9 million, from an operating profit of PLN 18.1 million for the year ended 31 December 2013 to an operating loss of PLN 15.8 million for the year ended 31 December 2014.

Directors' Report

Overview of results (cont'd)

Net finance income

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

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

	For the year ended 31 December 2014		
	PLN (thousands)		
	<u>Total amount</u>	<u>Amount capitalized</u>	<u>Recognized as profit or loss</u>
Finance income	1,966	(9)	1,957
Finance expense	(14,975)	10,148	(4,827)
Net finance (expense)/income	(13,009)	10,139	(2,870)

	For the year ended 31 December 2013		
	PLN (thousands)		
	(restated*)		
<u>Total amount</u>	<u>Amount capitalized</u>	<u>Recognized as profit or loss</u>	
Finance income	2,008	(136)	1,872
Finance expense	(16,588)	13,746	(2,842)
Net finance (expense)/income	(14,580)	13,610	(970)

* Certain amounts shown do not correspond to the Consolidated Financial Statements as at 31 December 2013 and reflect adjustments made as detailed in Note 2(f) (see pages 59 and 60).

Net finance expenses before capitalization decreased by PLN 1.6 million (10.8%) from PLN 14.6 million during the year ended 31 December 2013 to PLN 13 million during the year ended 31 December 2014, that is primarily explained by a decrease in the interest rates (reference rates i.e. WIBOR).

Income tax benefit/(expense)

During the year ended 31 December 2014 the Group realized a tax benefit of PLN 3.5 million, in comparison to a tax benefit of PLN 1.0 million for the year ended 31 December 2013. The tax benefits are explained by the recognition of tax assets. The recognition of the tax assets took place after an organizational restructuring of the Group, which allowed the Company to utilize certain tax losses that in prior periods were deemed not to be usable.

Non-controlling interests

Non-controlling interests comprise the share of non-controlling interest (minority shareholders) in profit and losses from subsidiaries that are not 100% owned by the Company and amounted to PLN 216 thousand (negative) for the year ended 31 December 2014 as compared to PLN 604 thousand (positive) for the year ended 31 December 2013. The change in the non-controlling interest is explained by revenue recognized from the Espresso I project that was completed in February 2014.

Directors' Report

Selected financial data

PLN/EUR	Exchange rate of Euro versus the Polish Zloty			
	Average exchange rate	Minimum exchange rate	Maximum exchange rate	Year end exchange rate
2014 (12 months)	4.184	4.100	4.314	4.262
2013 (12 months)	4.198	4.067	4.343	4.147

Source: National Bank of Poland ('NBP')

Selected financial data	EUR		PLN	
	(thousands, except per share data and number of shares)			
	For year ended 31 December or as at 31 December			
	2014	2013**	2014	2013**
Revenues	36,605	49,315	153,155	207,025
Gross profit	2,851	10,139	11,930	42,565
Profit/(loss) before taxation	(4,466)	4,070	(18,684)	17,086
Net profit/(loss) for the year attributable to the equity holders of the parent	(3,688)	4,442	(15,431)	18,648
Cash flows from/(used in) operating activities	(11,941)	12,966	(49,962)	54,430
Cash flows from/(used in) investing activities	(319)	225	(1,336)	944
Cash flows from/(used in) financing activities	16,667	(11,379)	69,735	(47,771)
Increase/(decrease) in cash and cash equivalents	4,407	1,811	18,437	7,603
Inventory	165,767	145,838	706,501	604,790
Total assets	197,437	179,657	841,477	745,036
Advances received	23,232	17,016	99,013	70,565
Long term liabilities	57,579	37,367	245,403	154,960
Short term liabilities (including advances received)	33,959	29,785	144,733	123,520
Equity attributable to the equity holders of the parent	105,406	112,050	449,242	464,673
Share capital	5,054	5,054	20,762	20,762
Average number of equivalent shares (basic)	272,360,000	272,360,000	272,360,000	272,360,000
Net earnings per share (basic and diluted)	(0.014)	0.016	(0.057)	0.068

* Information is presented in EUR solely for presentation purposes. Due to the significant fluctuation of the Polish Zloty against the Euro over the past years, the Statement of Financial Position data do not accurately reflect the actual comparative financial position of the Company. The reader should consider changes in the PLN / EUR exchange rate in 2014 comparing to 2013, when reviewing this data.

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

- Statement of financial position data were translated using the period end exchange rate published by the National Bank of Poland for the last day of the period.
- Statement of comprehensive income and cash flows data were translated using the arithmetical average of average exchange rates published by the National Bank of Poland.

** Certain amounts shown do not correspond to the Consolidated Financial Statements as at 31 December 2013 and reflect adjustments made as detailed in Note 2(f) (see pages 59 and 60).

Overview of selected details from the Consolidated Statement of Financial Position

The following table presents selected details from the Consolidated Statement of Financial Position in which material changes had occurred.

	As at 31 December 2014	As at 31 December 2013
	PLN (thousands)	
		(restated*)
Inventory	706,501	604,790
Advances received	99,013	70,565
Loans and borrowings	236,190	164,001

* Certain amounts shown do not correspond to the Consolidated Financial Statements as at 31 December 2013 and reflect adjustments made as detailed in Note 2(f) (see pages 59 and 60).

Inventory

The balance of inventory is PLN 706.5 million as of 31 December 2014 compared to PLN 604.8 million as of 31 December 2013. Inventory increased primarily as a result of the Group's investments associated with direct construction costs for a total amount of PLN 143.1 million and an increase in land and related expense for a total amount of PLN 79.4 million (mainly the Nova Królikarnia project). The increase was partly offset by cost of sales recognized for a total amount of PLN 127.9 million.

Advances received

The balance of advances received is PLN 99.0 million as of 31 December 2014 compared to PLN 70.6 million as of 31 December 2013. The increase is a result of advances received from clients regarding sales of residential units for a total amount PLN 181.6 million and is offset in part by revenues recognized from the sale of residential units for a total amount of PLN 153.2 million.

Loans and borrowings

The total of short-term and long-term loans and borrowings is PLN 236.2 million as of 31 December 2014 compared to PLN 164.0 million as of 31 December 2013. The increase in loans and borrowings is primarily explained by the effect of proceeds from bank loans, net of bank charges, for a total amount of PLN 69.0 million, as well as the effect of issuance of new bond loans, net of issue costs, (Series F, G and H) for a total amount of PLN 44.1 million. The increase is offset in part by repayment of bank loans and bond loans for a total amount of PLN 38.4 million and PLN 5.0 million, respectively. Of the above mentioned PLN 236.2 million, an amount of PLN 0.9 million comprises facilities maturing no later than 31 December 2015.

The maturity structure of the loans and borrowings reflects the Company's recent activities related to bonds issued in June and July 2013 and in April and May 2014. Simultaneously, the bank loans that were obtained by the Company in the past 7 to 8 years to partially refinance some of its land acquisitions with short-term and medium-term bank facilities were gradually converted into construction loans (when the Company commences construction in a particular project) and mostly repaid by the Company after construction was completed and the apartments were sold to the customers. The Company intends to repay its loans and borrowings, both received for land purchases as well as for construction works from the proceeds expected from customers buying apartments in the projects co-financed with the particular loans as well as with the bonds.

Overview of selected details from the Consolidated Statement of Financial Position (cont'd)

Loans and borrowings (cont'd)

The balance of loans and borrowings may be split into four categories: 1) floating rate bond loans, 2) bank loans related to residential projects which are completed or under construction, 3) bank loans granted for the financing of land purchases related to projects where the Company has not entered into loan facilities regarding the financing of construction works and 4) loans from third parties.

Floating rate bond loans as at 31 December 2014 amounted to PLN 159.8 million comprising a loan principal amount of PLN 161.3 million plus accrued interest of PLN 0.9 million minus one-time costs directly attributed to the bond issuances which are capitalized and subsequently amortized based on the effective interest method (PLN 2.4 million).

The bank loans supporting completed projects or projects under construction are tailored to the pace of construction works and of sales. As at 31 December 2014, loans in this category amounted to PLN 62.9 million.

The bank loans granted to finance the land purchases as at 31 December 2014 amounted to PLN 10.8 million in total.

Loans from third parties as at 31 December 2014 amounted to PLN 2.7 million.

Overview of cash flow results

Debt and net debt position

As of 31 December 2014, the Company's total debt to banks, bonds and third parties amounted to PLN 236.2 million (31 December 2013: PLN 164.0 million). Taking into account the Company's available cash position at 31 December 2014 amounting to PLN 70.6 million (31 December 2013: PLN 52.2 million), the net debt position of the Company amounted to PLN 165.6 million as at 31 December 2014 (31 December 2013: PLN 111.8 million).

Liquidity and capital resources

The Company funds its day-to-day operations principally from cash flows provided by its sales activities as well as from borrowings under several loan facilities, including bonds. The net cash inflow from operating activities and from financing activities has enabled the Company to proceed with the development of its residential projects and purchasing new plots of lands whilst at the same time maintaining sufficient liquidity for its day-to-day operations.

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

	For the year ended	
	31 December	
	2014	2013
		<i>(restated*)</i>
	PLN (thousands)	
Cash flow from/(used in) operating activities	<u>(49,962)</u>	<u>54,430</u>
Cash flow from/(used in) investing activities	<u>(1,336)</u>	<u>944</u>
Cash flow from/(used in) financing activities	<u>69,735</u>	<u>(47,771)</u>

* Comparative amounts shown do not correspond to the consolidated financial statements as at 31 December 2013 and reflect adjustments made as detailed in Note 2(f) on pages 59 and 60.

Overview of cash flow results (cont'd)

Cash flow from/(used in) operating activities

The Company's net cash outflow used in operating activities for the year ended 31 December 2014 amounted to PLN 50.0 million which compares to a net cash inflow from operating activities during the year ended 31 December 2013 of PLN 54.4 million. The decrease resulting in a cash outflow is principally explained by:

- a net cash outflow used in inventory amounting to PLN 75.1 million during the year ended 31 December 2014 as compared to a net cash inflow from inventory amounting to PLN 60.4 million during the year ended 31 December 2013. The main reason for increasing cash outflow used in inventory was increasing expenses for purchase of new lands (Nova Królikarnia project; while during 2013 the Company has not purchased any new land) as well as an increase in the number and the volume of projects under construction.

The above mentioned effects were offset in part by:

- a net cash inflow during the year ended 31 December 2014 from advances received from clients regarding sales of residential units in the amount of PLN 181.6 million, which was offset in part by revenue recognized for a total amount of PLN 153.2 million compared to a net cash inflow during the year ended 31 December 2013 from advances received in the amount of PLN 209.1 million, which was offset in part by revenue recognized for a total amount of PLN 207.0 million.

Cash flow from/(used in) financing activities

The Company's net cash inflow from financing activities totaled PLN 69.7 million during the year ended 31 December 2014 compared to a net cash outflow totaling PLN 47.7 million during the year ended 31 December 2013. The increase resulting in a cash inflow is primarily due to:

- a repayment of bond loans amounting to PLN 5.0 million during the year ended 31 December 2014 compared to a repayment of bond loans amounting to PLN 82.5 million during the year ended 31 December 2013;
- a repayment of secured bank loans amounting to PLN 38.4 million during the year ended 31 December 2014 compared to a repayment of secured bank loans amounting to PLN 90.6 million during the year ended 31 December 2013;
- the effects of the proceeds from bank loans net of bank charges amounting to PLN 69.0 million during the year ended 31 December 2014 compared to PLN 26.4 million during the year ended 31 December 2013;
- the dividends paid to equity holders of the parent, for a total amount nil during the year ended 31 December 2014 compared to PLN 8.2 million during the year ended 31 December 2013.

The above mentioned effects were offset in part by:

- the proceeds from issuance of new bond loans, net of issue costs, for a total amount PLN 44.1 million during the year ended 31 December 2014 compared to PLN 113.3 million during the year ended 31 December 2013.

Directors' Report

Employees

The average number of personnel employed by the Company and its subsidiaries – on a fulltime equivalent basis – increased from 66 in 2013 to 73 in 2014. The increase in the number of employees resulted from the Company's expanding activities.

Research and development

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

Environmental protection

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

Quarterly reporting by the Company

As a result of requirements pertaining to U. Dori Group Ltd, one of the Company's larger (indirect) shareholders, whose shares are listed on the Tel Aviv stock exchange, the first quarter reports, semi-annual reports and third quarter reports are subject to a full scope review by the Company's auditors. For the Company itself, being domiciled in the Netherlands and listed on the Warsaw Stock Exchange, only the semi-annual report is subject to an audit review. The Company has agreed with U. Dori Group that the costs for the first and third quarter audit review will be fully reimbursed to the Company. The Company considers having its first and third quarter report provided with an audit report a benefit to all of its shareholders.

Directors' Report

Outlook for 2015

A. Completed projects

The table below presents information on the total residential units in the completed projects/stages that the Company expects to sell and deliver:

Project name	Location	Number of residential units delivered (*)			Number of residential units expected to be delivered (*)			Total project
		Until 31 December 2013	During the period ended 31 December 2014	Total units delivered	Sold until 31 December 2014	Units for sale at 31 December 2014	Total units expected to be delivered	
Młody Grunwald I (**)	Poznań	-	124	124	1	23	24	148
Espresso I (**)	Warsaw	-	206	206	1	3	4	210
Naturalis I,II & III (**)	Warsaw	95	31	126	3	43	46	172
Sakura I & II (**)	Warsaw	235	9	244	1	11	12	256
Verdis I & II (**)	Warsaw	150	58	208	1	8	9	217
Constans (**)	Warsaw	29	3	32	1	1	2	34
Gemini II (**)	Warsaw	179	1	180	-	2	2	182
Impressio I (**)	Wrocław	66	3	69	-	1	1	70
Chilli I & II (**)	Poznań	44	4	48	1	1	2	50
Chilli III (**)	Poznań	-	10	10	15	13	28	38
Panoramika I (**)	Szczecin	69	20	89	-	1	1	90
Total		867	469	1,336	24	107	131	1,467

(*) For the purpose of disclosing information related to the particular projects, the word “sell” (“sold”) is used, that relates to signing the preliminary sale agreement with the client for the sale of the apartment; whereas the word “deliver” (“delivered”) relates to the transferring of significant risks and rewards of the ownership of the residential unit to the client.

(**) For information on the completed projects see “Business highlights during the year ended 31 December 2014 – B. Results breakdown by project” (pages 20 to 22).

B. Current projects under construction and/or on sale

The table below presents information on projects for which completion is scheduled in 2015 and 2016. The Company has obtained construction permits for all projects/stages and has commenced construction.

Project name	Location	Units sold until 31 December 2014	Units for sale as at 31 December 2014	Total units	Total area of units (m ²)	Expected completion of construction
Sakura III	Warsaw	101	44	145	7,300	2015
Sakura IV	Warsaw	46	68	114	6,600	2015
Verdis III	Warsaw	135	11	146	7,700	2015
Verdis IV	Warsaw	41	37	78	4,000	2015
Impressio II	Wrocław	38	98	136	8,400	2015
Młody Grunwald II	Poznań	35	102	137	8,200	2015
Tamka	Warsaw	37	28	65	5,500	2015
Espresso II	Warsaw	74	78	152	7,600	2016
Panoramika II	Szczecin	15	92	107	5,900	2016
Moko I	Warsaw	89	90	179	11,300	2016
Kamienica Jeżyce I	Poznań	45	99	144	7,800	2016
Total		656	747	1,403	80,300	

Outlook for 2015 (cont'd)

B. Current projects under construction and/or on sale (cont'd)

Sakura III and IV

Description of project

The third and the fourth phase (last phases) of the Sakura project are being developed on a land strip of 9,900 m² located in Warsaw at Kłobucka Street and are a continuation of Sakura I and Sakura II, which were completed during 2012 and 2013. The third and the fourth phase of this project will comprise 1 six-and-seven-storey, multi-family residential building with a total of 145 apartments and an aggregate floor space of 7,300 m² and 1 seven-storey, multi-family residential building with a total of 108 apartments and 6 commercial units and an aggregate floor space of 6,600 m², respectively.

Stage of development

The construction of the Sakura III project commenced in October 2013, while the construction completed January 2015. The construction of the Sakura IV project commenced in March 2014, while completion is expected in the third quarter of 2015.

Verdis III and IV

Description of project

The third and fourth phase (last phases) of the Verdis project are being developed on a land strip of 8,000 m² located in the Wola district in Warsaw at Sowińskiego Street and are a continuation of Verdis I and Verdis II, which were completed during 2012 and 2013. The third and the fourth phase of this project will comprise 2 seven-and-eleven-storey, multi-family residential buildings with a total of 140 apartments and 6 commercial units and an aggregate floor space of 7,700 m² and 1 seven -storey, multi-family residential building with a total of 78 apartments with an aggregate floor space of 4,000 m², respectively.

Stage of development

The construction of the Verdis III project commenced in October 2013, while completion is expected in the second quarter of 2015. The construction of the Verdis IV project commenced in June 2014, while completion is expected in the fourth quarter of 2015.

Impressio II

Description of project

The second and the last phase of the Impressio project is being developed on a part of a land strip of 7,800 m² located in the Grabiszyn district in Wrocław at Rymarska Street, and is a continuation of Impressio I, which was completed during 2012. The last phase of this project will comprise 5 four-storey, multi-family residential buildings with a total of 136 units with an aggregate floor space of 8,400 m².

Stage of development

The construction of the Impressio II project commenced in November 2013, while completion is expected in the second quarter of 2015.

Outlook for 2015 (cont'd)

B. Current projects under construction and/or on sale (cont'd)

Młody Grunwald II

Description of project

The second phase of the Młody Grunwald project is being developed on a land strip of 5,000 m² located in Grunwald district in Poznań at Jeleniogórska Street, and is a continuation of Młody Grunwald I which was completed in May 2014. The second phase of this project will comprise 3 six-storey, multi-family residential buildings with a total of 132 apartments and 5 commercial units and an aggregate floor space of 8,200 m².

Stage of development

The construction of the Młody Grunwald II project commenced in April 2014, while completion is expected in the fourth quarter of 2015.

Tamka

Description of project

The Tamka project is being developed on a land strip of 2,500 m² located in the Śródmieście district in Warsaw at Tamka Street (Warsaw city center). The Tamka project will comprise 1 eight-storey, multi-family residential building with a total of 60 apartments and 5 commercial units with an aggregate floor space of 5,500 m².

Stage of development

The construction of the Tamka project commenced in November 2013, while completion is expected in the third quarter of 2015.

Espresso II

Description of project

The second phase of the Espresso project is being developed on a land strip of 4,800 m² located in Wola district in Warsaw at Jana Kazimierza Street, and is a continuation of Espresso I project which was completed in February 2014. The second phase of this project will comprise 2 seven-and-eight-storey, multi-family residential buildings with a total of 142 apartments and 10 commercial units and an aggregate floor space of 7,600 m².

Stage of development

The construction of the Espresso II project commenced in August 2013, while completion is expected in the first quarter of 2016.

Panoramika II

Description of project

The second phase of the Panoramika project is being developed on a land strip of 12,200 m² located in Szczecin at Duńska Street, and is a continuation of Panoramika I, which was completed during 2012. The second phase of this project will comprise 1 nine-storey, multi-family residential building with a total of 107 apartments and an aggregate floor space of 5,900 m².

Stage of development

The sale of units in the Panoramika II project commenced in June 2014 and the construction work is commenced September 2014, while completion is expected in the second quarter of 2016.

Outlook for 2015 (cont'd)

B. Current projects under construction and/or on sale (cont'd)

Moko I

Description of project

The first phase of the Moko project is being developed on a land strip of 12,200 m² located in Mokotów district in Warsaw at Magazynowa Street. The first phase of this project will comprise 2 seven and eight-storey, multi-family residential buildings with a total of 164 apartments and 15 commercial units and an aggregate floor space of 11,300 m².

Stage of development

The construction of the Moko I project commenced in September 2014, while completion is expected in the second quarter of 2016.

Kamienica Jeżyce I (previously named Copernicus)

Description of project

The first phase of the Kamienica Jeżyce project is being developed on a land strip of 5,650 m² located in Jeżyce district in Poznań at Kościelna Street. The first phase of this project will comprise 4 five and six-storey, multi-family residential buildings with a total of 139 apartments and 5 commercial units and an aggregate floor space of 7,800 m².

Stage of development

The construction of the Kamienica Jeżyce I project commenced in September 2014, while completion is expected in the second quarter of 2016.

C. Projects for which construction work is planned to commence during 2015

As the Company is aware of the increasing competition in the market, the Company has been careful to manage the number of new projects and the makeup of such projects in order to best satisfy consumer demand. During 2015, the Company is considering the commencement of development of another seven stages of currently running projects and three new projects one of which will be in two phases, which management believes are well-suited to current customer requirements, including smaller apartments at more economical prices. Furthermore, in order to minimize market risk, the Company's management breaks down the new projects into relatively smaller stages. In the event of any market deterioration or difficulties with securing financing by the banks for the considered projects, management may further delay some of those plans.

a) New Projects

Nova Królikarnia I (previously named Jaśminowa)

The Nova Królikarnia project will be developed on a land strip of 82,000 m² located in the Mokotów district in Warsaw at Jaśminowa Street. The project will comprise 340 units with an aggregate floor space of 32,000 m². The first stage is to comprise 116 units with an aggregate floor space of 10,900 m². The Company is considering commencing construction of the first phase of this project during 2015.

City Link I and II (previously named Skierniewicka)

The City Link project will be developed on a land strip of 8,893 m² located in the Wola district in Warsaw at Skierniewicka Street. The project will comprise 471 units with an aggregate floor space of 24,000 m². The first and the second stage are to comprise 134 units with an aggregate floor space of 6,100 m² and 178 units with an aggregate floor space of 7,900 m², respectively. The Company is considering commencing construction of the first and the second phase of this project during 2015.

Outlook for 2015 (cont'd)

C. Projects for which construction work is planned to commence during 2015

a) New Projects (cont'd)

Picasso I

The Picasso project will be developed on a land strip of 8,121 m² located in Wrocław at Na Grobli Street. The project will comprise 153 units with an aggregate floor space of 6,200 m². The first stage is to comprise 97 units with an aggregate floor space of 3,700 m². The Company is considering commencing construction of the first phase of this project during 2015.

b) New stages of running projects

Espresso III

The Espresso III project is continuation of Espresso I and II projects. The project will comprise 155 units with an aggregate floor space of 8,300 m². The Company commenced the construction of this project in February 2015.

Espresso IV

The Espresso IV project (last stage) is continuation of Espresso I and II projects. The project will comprise 148 units with an aggregate floor space of 7,900 m². The Company is considering commencing construction of this project during 2015.

Moko II

The Moko II project (last stage) is continuation of Moko I project. The project will comprise 169 units with an aggregate floor space of 12,600 m². The Company commenced the construction of this project in February 2015.

Chilli IV

The Chilli IV project is a continuation of Chilli I, II and III projects. The project will comprise 34 units with an aggregate floor space of 2,200 m². The Company is considering commencing construction of this project during 2015.

Młody Grunwald III

The Młody Grunwald III project (last stage) is a continuation of Młody Grunwald I and II projects. The project will comprise 117 units with an aggregate floor space of 6,800 m². The Company is considering commencing construction of this project during 2015.

Panoramika III

The Panoramika III project is a continuation of Panoramika I and II projects. The project will comprise 107 units with an aggregate floor space of 5,900 m². The Company is considering commencing construction of this project during 2015.

Kamienica Jeżyce II

The Kamienica Jeżyce II project (last stage) is a continuation of Kamienica Jeżyce I project. The project will comprise 151 units with an aggregate floor space of 7,400 m². The Company is considering commencing construction of this project during 2015.

Directors' Report

Outlook for 2015 (cont'd)

D. Value of the preliminary sales agreements signed with clients for which revenue has not been recognized in the Consolidated Statement of Comprehensive Income as at 31 December 2014

The current volume and value of the preliminary sales agreements signed with the clients do not impact the Statement of Comprehensive Income account immediately but only after final settlement of the contracts with the customers (for more details see under "A – Projects completed" on page 33). The table below presents the value of the preliminary sales agreements executed with the Company's clients in particular for units that have not been recognized in the Consolidated Statement of Comprehensive Income:

Project name	Location	Value of the preliminary sales agreements signed with clients in thousands of PLN	Completed / expected completion of construction
Gemini II ^(*)	Warsaw	77	Completed
Verdis I & II ^(*)	Warsaw	461	Completed
Sakura I & II ^(*)	Warsaw	1,349	Completed
Naturalis I, III & III ^(*)	Warsaw	1,661	Completed
Panoramika I ^(*)	Szczecin	32	Completed
Constans ^(*)	Warsaw	1,008	Completed
Espresso I ^(*)	Warsaw	811	Completed
Impressio I ^(*)	Wrocław	-	Completed
Młody Grunwald I ^(*)	Poznań	328	Completed
Chilli I & II ^(*)	Poznań	403	Completed
Chilli III ^(*)	Poznań	3,727	Completed
Subtotal completed projects		9,857	
Młody Grunwald II ^(**)	Poznań	8,807	2015
Sakura III ^(**)	Warsaw	33,370	2015
Sakura IV ^(**)	Warsaw	16,957	2015
Verdis III ^(**)	Warsaw	47,226	2015
Verdis IV ^(**)	Warsaw	14,208	2015
Impressio II ^(**)	Wrocław	13,657	2015
Tamka ^(**)	Warsaw	39,805	2015
Espresso II ^(**)	Warsaw	22,427	2016
Panoramika II ^(**)	Szczecin	3,426	2016
Moko I ^(**)	Warsaw	41,524	2016
Kamienica Jeżyce I ^(**)	Poznań	11,723	2016
Subtotal ongoing projects		253,130	
Total		262,987	

^(*) For information on the completed projects see "Business highlights during the year ended 31 December 2014 – B. Results breakdown by project" (pages 20 to 22).

^(**) For information on current projects under construction, see "Outlook for 2015 – B. Current projects under construction" (pages 33 to 36).

E. Main risks and uncertainties during 2015

While the improving market in 2014, potentially bodes well for the Company in 2015, the overall economic situation in Europe and in Poland and the ongoing uncertainties in the housing market make it very difficult to predict results for 2015 precisely. The level of development of the Polish economy, the performance of the banking industry and consumers' interest in new housing projects, as well as increasing competition in the market are considered to be the most significant uncertainties for the financial year ending 31 December 2015.

Directors' Report

Additional information to the report

Major shareholders

To the best of the Company's knowledge, as of the date of publication of this annual report (19 February 2015), the following shareholders are entitled to exercise over 3% of the voting rights at the General Meeting of Shareholders in the Company:

	As of 19 February 2015 Number of shares / % of shares	Change in number of shares	As of 31 December 2014 Number of shares / % of shares	Change in number of shares	As of 31 December 2013 Number of shares / % of shares
Shares issued	272,360,000	-	272,360,000	-	272,360,000
Major shareholders:					
I.T.R. 2013 B.V. (*)	87,449,187 32.1%		87,449,187 32.1%	-	87,449,187 32.1%
I.T.R. Dori B.V. (*)	87,449,187 32.1%		87,449,187 32.1%	-	87,449,187 32.1%
RN Residential B.V. (**)	41,800,000 15.3%		41,800,000 15.3%	-	41,800,000 15.3%
Metlife Otworthy Fundusz Emerytalny (***)	N/A Between 3%-5%.	N/A	N/A Between 3%-5%.	N/A	N/A Between 5%-10%.
ING Otworthy Fundusz Emerytalny	N/A Between 5%-10%.	N/A	N/A Between 5%-10%.	N/A	N/A Between 5%-10%.

(*) In December 2012, I.T.R. 2012 B.V. and I.T.R. Dori B.V. entered into a partnership formed under Dutch law, which holds the voting rights attached to 174,898,374 shares in the Company representing 64.2% of the total number of shares in the Company, which were previously held by I.T.R. Dori B.V.

I.T.R. 2012 B.V. is an indirect subsidiary of Global City Holdings N.V. and I.T.R. Dori B.V. is a subsidiary of U. Dori Group Ltd.

(**) On 14 November 2013, the shares in RN Residential B.V. (previously GE Real Estate CE Residential B.V.) were (indirectly, through the acquisition of the shares of RN Development Holding B.V.) acquired by I.T.R. 2012 B.V. and U. Dori Group Ltd., which due to this transaction increased indirect shareholding in Ronson by 7.67% each. As a result of this transaction Global City Holdings N.V. indirectly controls 39.78% of the Company's shares and U. Dori Group Ltd. indirectly controls 39.78% of the Company's shares.

(***) Formerly Amplico Otworthy Fundusz Emerytalny.

Changes in ownership of shares and rights to shares by Management Board members in the year ended 31 December 2014 and until the date of publication of the report

Shares

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

- Mr Ronen Ashkenazi as at 31 December 2014 and as at the day of publishing this report indirectly held 5.18% interest in the Company.

Additional information to the report (cont'd)

Changes in ownership of shares and rights to shares by Supervisory Board members in the year ended 31 December 2014 and until the date of publication of the report

Shares

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

- Mr Arie Mientkavich as at 31 December 2014 and as at the day of publishing this report indirectly held 0.017% interest in the Company.

Changes in the Management Board in the year ended 31 December 2014 and until the date of publication of the report

During the Annual General Meeting of Shareholders held on 30 June 2014, Mr Peter Dudolenski was appointed member of the Management Board and managing director B for a term of four years. Mr Dudolenski is the sole executive board member of Global City Holdings N.V. and therefore has a related party consideration with one of the major shareholders. His appointment came into force as of 30 June 2014. Mr Dudolenski replaced Mr Israel Greidinger, who stepped down as managing director B effective on the day of Mr Dudolenski's appointment.

Changes in the Supervisory Board in the year ended 31 December 2014 and until the date of publication of the report

None.

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 defense 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 willful misconduct or gross negligence. Resolutions to award the indemnification in a specific case are to be disclosed in the Annual Accounts of the Company. Adoption of the Annual Accounts will be considered to be approval of such resolutions, unless the General Meeting of Shareholders decides otherwise.

Additional information to the report (cont'd)

Overview of the results during the three months ended 31 December 2014

The Company's net loss for the three months ended 31 December 2014 was PLN 15,773 thousand and can be summarized as follows:

For the three months ended 31 December	2014	2013
<i>In thousands of Polish Zlotys (PLN)</i>	(Unaudited)	(Unaudited) (restated*)
Revenue	10,661	39,060
Cost of sales**	(21,732)	(33,005)
Gross profit/(loss)	(11,071)	6,055
Changes in the value of investment property	-	774
Selling and marketing expenses	(1,564)	(1,686)
Administrative expenses	(4,639)	(3,953)
Share of profit/(loss) from joint ventures	(34)	(359)
Other expenses	(658)	(669)
Other income	364	251
Result from operating activities	(17,602)	413
Finance income	464	611
Finance expense	(1,398)	(534)
Net finance income/(expense)	(934)	77
Profit/(loss) before taxation	(18,536)	490
Income tax benefit	2,642	369
Profit/(loss) for the period before non-controlling interests	(15,894)	859
Non-controlling interests	121	250
Net profit/(loss) for the period attributable to the equity holders of the parent	(15,773)	1,109

* Certain amounts shown do not correspond to the Consolidated Financial Statements as at 31 December 2013 and reflect adjustments made as detailed in Note 2(f) (see pages 59 and 60).

** Including a Write-down adjustment in the amount of PLN 12,471 thousand during three months ended 31 December 2014 and nil during three months ended 31 December 2013.

Other

As of 31 December 2014, the Company has issued guarantees for bank loans granted to subsidiaries amounting to a total of PLN 28,000 thousand.

As of 31 December 2014, the Group had no litigation claims or liabilities exceeding in total 10% of the Group's equity.

The following net movements in the Group's main provisions took place during the year ended 31 December 2014:

- a decrease in the provision for deferred tax liabilities of PLN 1,182 thousand (a decrease of PLN 895 thousand during the year ended 31 December 2013).

Additional information to the report (cont'd)

Statement relating to the system of internal control

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

In 2014, the Management Board assessed the effectiveness of the system of internal controls for financial reporting. During the investigation on which this assessment was based, no shortcomings were identified that might possibly have a material impact on the financial reporting. On the basis of the results of the above assessment and the risk analyses that were carried out at the Company within the framework of governance and compliance, the Management Board is of the opinion - after consulting with the Audit Committee and with the approval of the Supervisory Board - that the system of internal controls provides a reasonable degree of certainty that the financial reporting contains no inaccuracies of material importance. An inherent element in how people and organizations work together in a dynamic world is that systems of internal control cannot provide an absolute degree (though they can provide a reasonable degree) of certainty as regards the prevention of material inaccuracies in the financial reporting and the prevention of losses and fraud.

In our view the system of internal controls, focused on the financial reporting, functioned effectively over the past year. There are no indications that the system of internal controls will not function effectively in 2015.

Directors Representation statement

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

- the Annual Financial Statements for the year ended 31 December 2014 give a true and fair view of the assets, liabilities, financial position and profits and loss of the Company and its subsidiaries,
- the additional management information disclosed in the Annual Report gives a true and fair view of the Company and its subsidiaries as at 31 December 2014 and the state affairs during the financial year to which the report relates, and
- the Annual Report describes the principal risk facing the Company. These are described in detail in this Director's Report.

Representation concerning election of the Company's auditor

The Management Board confirms that the Company's auditor has been elected according to applicable rules and the audit firm and its registered accountants engaged in the audit of the financial statements of Ronson Europe N.V. meet the objectives to present an objective and independent report. The agreement with the auditors was signed on 8 July 2014. For information about agreed-upon engagements of the Company's auditor see Note 15 of the Company Financial Statements.

Directors' Report

Additional information to the report (cont'd)

Financial risk management, objectives and policies

For information on the financial risk management, objectives and policies see Note 40 of the Consolidated Financial Statements.

The Management Board

Shraga Weisman
Chief Executive Officer

Tomasz Łapiński
Chief Financial Officer

Andrzej Gutowski
Sales and Marketing Director

Ronen Ashkenazi

Peter Dudolenski

Rotterdam, 19 February 2015

INDEPENDENT AUDITOR'S REPORT

To: The shareholders and Supervisory Board of Ronson Europe N.V.

Report on the audit of the financial statements 2014*Our opinion*

We have audited the accompanying financial statements for the year 2014 of Ronson Europe N.V. (hereafter: "the Company"), based in Rotterdam, The Netherlands. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:

- The consolidated financial statements give a true and fair view of the financial position of Ronson Europe N.V. as at 31 December 2014 and of its result and its cash flows for 2014 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.
- The company financial statements give a true and fair view of the financial position of Ronson Europe N.V. as at 31 December 2014 and of its result for 2014 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The Consolidated Financial Statements comprise:

1. the consolidated statement of financial position as at 31 December 2014;
2. the following statements for 2014: consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended; and
3. notes to the consolidated financial statements, including a summary of the significant accounting policies and other explanatory information.

The Company financial statements comprise:

1. the Company Statement of Financial Position as at 31 December 2014;
2. the following overviews for 2014: Company Statements of Profit or Loss and Other Comprehensive income, Changes in Equity and Cash Flows for the year then ended; and
3. notes comprising a summary of the significant accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing and International Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Ronson Europe N.V. in accordance with the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten" (ViO) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA).

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

Materiality

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

Auditor's Report

Based on our professional judgment we determined the materiality for the financial statements as a whole at PLN 4,207,000. The materiality is based on 0.5% of total assets. We believe that basing our materiality on total assets best reflects what is important for the users of the financial statements, considering the nature of the entity's business and industry as well as the entity's current operations. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons.

We agreed with the Supervisory Board that misstatements in excess of PLN 210,000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

Ronson Europe N.V. is head of a group of entities. The financial information of this group is included in the consolidated financial statements of Ronson Europe N.V.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and / or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

Our group audit mainly concentrated on significant group entities based on the relative size of the group entity on total assets, including the size of the work in progress, finished goods and outstanding finance positions. Significant group entities are also determined based on specific risks of material misstatements. We have performed audit procedures ourselves at group entity Ronson Europe N.V. and in joint operation with our local team in Poland, we performed full audit procedures for the significant group entities in Poland. We performed review procedures or specific audit procedures at the other group entities.

Following our assessment of the risk of material misstatement to the consolidated financial statements, we have performed full audit procedures on group entities representing 95% of the group's total assets. The audit work on the significant group entities were executed at levels of materiality applicable to each individual entity which were much lower than group materiality.

By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Inventory valuation

Inventory consist of multi-family residential real estate projects under development or construction and is the most significant account in the consolidated financial statements of the Company. Inventory is measured at the lower of cost and net realizable value. The cost of inventory includes amongst other land or leasehold rights for land, construction costs, planning and design costs, perpetual usufruct fees and real estate taxes, borrowing costs and professional fees directly attributable to the project and construction overheads and other directly related costs.

The continued instability in the financial markets causes volatility and uncertainty in the world's capital markets and real estate markets. As a result, there is less certainty with regard to valuations and market values can change rapidly due to the current market conditions.

Auditor's Report

The Company assesses internally the net realizable value of the inventory and decreased the value when the net realizable value was lower than the cost. The net realizable value calculation is highly dependent on estimates like amongst other the estimated sales prices per m², the estimated construction costs and the expected timing of sales of the units. Management assessed possible write-down on inventory for each project separately, according to the projection of revenues net from cost of sales. We have determined, that inventory is assessed by management of the Company periodically and that the net realizable value assessment is based on the correct data. We have used our own EY real estate valuation specialists to assist us in obtaining an understanding of management's analyses. We have evaluated the work of management, including the competence, capabilities and objectivity of management with respect to the net realizable value assessment, and have assessed that the Company has sufficient effective internal controls designed and in operation to mitigate the risk of incorrect valuation of inventory.

Additionally, we have performed substantive audit procedures, by amongst others, extensively discussions with management of the Company with respect to the net realizable value method applied, the key assumptions used, including comparing these assumptions to similar projects in the market and the results of the net realizable value calculations on individual projects. For more information about inventory, please refer to note 20.

Revenue Recognition

Revenue arising from the multi-family residential real estate projects under development or construction contracts, represents the majority of the Company's total revenue. As disclosed in note 3(b), revenue is recognized by the Company when the significant risks and rewards of ownership of the residential units have been passed to the buyer and when the revenue can be measured reliable.

The risks and rewards are considered as transferred to the buyer when the residential units have been substantially constructed, the occupancy permit for the property has been issued, apartment has been accepted by the customer (hand-over protocol has been signed between the buyer and the Company) and the full amount resulting from the sale agreement has been paid by the buyer. The remaining risks are considered by the Company's Management as remote. Consequently, the proper cut-off of revenues has been identified as a key audit matter.

We have assessed that the Company has sufficient effective internal controls designed and in operation to mitigate the risk of incorrect and incomplete revenue recognition, including the proper cut-off of revenues. Additionally, we have performed substantive audit procedures, by amongst others, detailed margin analyses, extensive substantive test of details and test of transactions to assess the correctness and completeness of recognition of revenue, including the proper cut-off. For more information about revenue, please refer to note 3(b) and note 6.

Responsibilities of management and the Supervisory Board for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the management board report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the Company's financial reporting process.

Auditor's Report

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all errors and fraud.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, including the International Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company ceasing to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Report on other legal and regulatory requirements

Report on the management board report and the other information

Pursuant to legal requirements of Part 9 of Book 2 of the Dutch Civil Code (concerning our obligation to report about the management board report and other information):

- We have no deficiencies to report as a result of our examination whether the management board report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code, and whether the information as required by Part 9 of Book 2 of the Dutch Civil Code has been annexed.
- We report that the management board report, to the extent we can assess, is consistent with the financial statements.

Engagement

We were engaged as auditor of Ronson Europe N.V. on 8 July 2014, as of the audit for year 2014 and have operated as statutory auditor ever since that date.

Amsterdam, 19 February 2015

Ernst & Young Accountants LLP

signed by J.H. de Prie

Consolidated Financial Statements for the year ended 31 December 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December		2014	2013
<i>In thousands of Polish Zlotys (PLN)</i>	<i>Note</i>		(restated*)
Revenue	6	153,155	207,025
Cost of sales**	7	(141,225)	(164,460)
Gross profit		11,930	42,565
Changes in the value of investment property	16	-	774
Selling and marketing expenses	8	(6,881)	(6,821)
Administrative expenses	9	(18,220)	(15,905)
Share of profit/(loss) in joint ventures	18	(311)	(680)
Other expenses	11	(3,058)	(2,608)
Other income	12	726	731
Result from operating activities		(15,814)	18,056
Finance income	13	1,957	1,872
Finance expense	13	(4,827)	(2,842)
Net finance income		(2,870)	(970)
Profit/(loss) before taxation		(18,684)	17,086
Income tax benefit	14	3,469	958
Profit/(loss) for the year		(15,215)	18,044
Other comprehensive income		-	-
Total comprehensive income for the year, net of tax		(15,215)	18,044
Total profit/(loss) for the year attributable to:			
equity holders of the parent		(15,431)	18,648
non-controlling interests	26	216	(604)
Total profit/(loss) for the year		(15,215)	18,044
Total comprehensive income attributable to:			
equity holders of the parent		(15,431)	18,648
non-controlling interests	26	216	(604)
Total comprehensive income for the year, net of tax		(15,215)	18,044
Weighted average number of ordinary shares (basic and diluted)	27	272,360,000	272,360,000
<i>In Polish Zlotys (PLN)</i>			
Net earnings per share attributable to the equity holders of the parent (basic and diluted)	27	(0.057)	0.068

* Certain amounts shown do not correspond to the Consolidated Financial Statements as at 31 December 2013 and reflect adjustments made as detailed in Note 2(f) (see pages 59 and 60).

** Including a Write-down adjustment in the amount of PLN 12,471 thousand during 2014 and nil during 2013.

The notes on pages 54 to 115 are an integral part of these consolidated financial statements.

Consolidated Financial Statements for the year ended 31 December 2014

Consolidated Statement of Financial Position

As at 31 December		2014	2013	2012
<i>In thousands of Polish Zlotys (PLN)</i>	<i>Note</i>		(restated*)	(restated*)
Assets				
Non-current assets				
Property and equipment	15	9,424	9,270	8,660
Investment property	16	9,217	9,840	8,279
Loans granted to third parties	17	1,623	630	1,043
Investment in joint ventures	18	16,022	15,295	14,969
Deferred tax assets	19	14,213	11,845	11,715
Total non-current assets		50,499	46,880	44,666
Current assets				
Inventory	20	706,501	604,790	653,419
Trade and other receivables and prepayments	21	8,659	38,063	30,604
Income tax receivable		475	524	2,422
Short-term bank deposits – collateralized	22	2,031	1,268	2,944
Loans granted to third parties	17	-	843	-
Other current financial assets	23	2,722	515	-
Cash and cash equivalents	24	70,590	52,153	44,550
Total current assets		790,978	698,156	733,939
Total assets		841,477	745,036	778,605

* Certain amounts shown do not correspond to the Consolidated Financial Statements as at 31 December 2013 and reflect adjustments made as detailed in Note 2(f) (see pages 59 and 60).

The notes on pages 54 to 115 are an integral part of these consolidated financial statements.

Consolidated Financial Statements for the year ended 31 December 2014

Consolidated Statement of Financial Position (cont'd)

As at 31 December		2014	2013	2012
<i>In thousands of Polish Zlotys (PLN)</i>	<i>Note</i>		(restated*)	(restated*)
Equity and liabilities				
Equity				
Shareholders' equity				
Share capital		20,762	20,762	20,762
Share premium		282,873	282,873	282,873
Retained earnings		145,607	161,038	152,088
Equity attributable to equity holders of the parent	25	449,242	464,673	455,723
Non-controlling interests	26	2,099	1,883	3,910
Total equity		451,341	466,556	459,633
Liabilities				
Non-current liabilities				
Floating rate bond loans	28, 29	158,825	113,759	86,756
Secured bank loans	28, 30	73,699	27,528	39,893
Loans from third parties	28, 31	2,737	2,657	6,228
Other payables		-	394	816
Share-based payment liabilities	35	702	-	-
Deferred tax liability	19	9,440	10,622	11,517
Total non-current liabilities		245,403	154,960	145,210
Current liabilities				
Trade and other payables and accrued expenses	32	43,711	32,688	38,028
Floating rate bond loans	28, 29	924	5,607	1,657
Secured bank loans	28, 30	5	14,450	65,319
Advances received	33	99,013	70,565	68,492
Income tax payable		2	9	35
Provisions	34	1,078	201	231
Total current liabilities		144,733	123,520	173,762
Total liabilities		390,136	278,480	318,972
Total equity and liabilities		841,477	745,036	778,605

* Certain amounts shown do not correspond to the Consolidated Financial Statements as at 31 December 2013 and reflect adjustments made as detailed in Note 2(f) (see pages 59 and 60).

The notes on pages 54 to 115 are an integral part of these consolidated financial statements.

Consolidated Financial Statements for the year ended 31 December 2014

Consolidated Statement of Changes in Equity

For the years ended 31 December 2014 and 31 December 2013:

	<u>Attributable to the Equity holders of parent</u>			<u>Total</u>	<u>Non- controlling interests</u>	<u>Total equity</u>
	<u>Share capital</u>	<u>Share premium</u>	<u>Retained earnings</u>			
<i>In thousands of Polish Zlotys (PLN)</i>						
Balance at 1 January 2013	20,762	282,873	152,223	455,858	3,910	459,768
Changes in accounting policies*	-	-	(135)	(135)	-	(135)
Balance at 1 January 2013 (restated*)	20,762	282,873	152,088	455,723	3,910	459,633
<i>Comprehensive income (restated*):</i>						
Profit for the year ended 31 December 2013	-	-	18,648	18,648	(604)	18,044
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	18,648	18,648	(604)	18,044
Dividend paid (see Note 25)	-	-	(8,171)	(8,171)	-	(8,171)
Acquisition of Non-controlling interest (see Note 26)	-	-	(1,527)	(1,527)	(1,423)	(2,950)
Balance at 31 December 2013	20,762	282,873	161,038	464,673	1,883	466,556
<i>Comprehensive income:</i>						
Profit for the year ended 31 December 2014	-	-	(15,431)	(15,431)	216	(15,215)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	(15,431)	(15,431)	216	(15,215)
Balance at 31 December 2014	20,762	282,873	145,607	449,242	2,099	451,341

* Certain amounts shown do not correspond to the Consolidated Financial Statements as at 31 December 2013 and reflect adjustments made as detailed in Note 2(f) (see pages 59 and 60).

Consolidated Financial Statements for the year ended 31 December 2014**Consolidated Statement of Cash Flows**

For the year ended 31 December		2014	2013
<i>In thousands of Polish Zlotys (PLN)</i>	<i>Note</i>		<i>(restated*)</i>
Cash flows from/(used in) operating activities			
Profit for the period		(15,215)	18,044
<i>Adjustments to reconcile profit for the period to net cash used in operating activities:</i>			
Depreciation	9, 15	638	627
Write-down of inventory	20	12,471	-
Decrease/(increase) in the value of investment property	16	-	(774)
Finance expense	13	4,827	2,842
Finance income	13	(1,957)	(1,872)
Profit on sale of property and equipment	12	(71)	(152)
Share of loss/(profit) from joint ventures	18	311	680
Share-based payment	35	702	-
Income tax benefit	14	(3,469)	(958)
Subtotal		(1,763)	18,437
Decrease/(increase) in inventory	42	(75,074)	60,422
Decrease/(increase) in trade and other receivables and prepayments	42	435	(7,459)
Decrease/(increase) in other current financial assets		(2,207)	(515)
Increase/(decrease) in trade and other payables and accrued expenses		10,629	(5,762)
Increase/(decrease) in provisions	34	877	(30)
Increase/(decrease) in advances received		28,448	2,073
Subtotal		(38,655)	67,166
Interest paid		(12,521)	(15,790)
Interest received		1,253	1,249
Income tax received/(paid)		(39)	1,805
Net cash from/(used in) operating activities		(49,962)	54,430
Cash flows from/(used in) investing activities			
Acquisition of property and equipment	15	(792)	(713)
Proceeds from sale of investment property		623	-
Loans granted to third parties	17	-	(327)
Investment in joint ventures	18	(475)	(350)
Short-term bank deposits – collateralized		(763)	1,676
Proceeds from sale of property and equipment		71	658
Net cash from/(used in) investing activities		(1,336)	944
Cash flows from/(used in) financing activities			
Proceeds from bank loans, net of bank charges	30	69,030	26,438
Repayment of bank loans	30	(38,413)	(90,589)
Proceeds from bond loans, net of issue costs	29	44,118	113,322
Repayment of bond loans	29	(5,000)	(82,500)
Acquisition of Non-controlling interest	26	-	(2,950)
Dividends paid to equity holders of the parent	25	-	(8,171)
Loans received from third parties	31	-	943
Repayment of loans received from third parties	31	-	(4,264)
Net cash from/(used in) financing activities		69,735	(47,771)
Net change in cash and cash equivalents		18,437	7,603
Cash and cash equivalents at beginning of the year		52,153	44,550
Cash and cash equivalents at end of the year	24	70,590	52,153

* Certain amounts shown do not correspond to the Consolidated Financial Statements as at 31 December 2013 and reflect adjustments made as detailed in Note 2(f) (see pages 59 and 60).

The notes on pages 54 to 115 are an integral part of these consolidated financial statements

Notes to the Consolidated Financial Statements

1. Background and business of the Company

- (a) Ronson Europe N.V. ('the Company'), a Dutch public company with its statutory seat in Rotterdam, the Netherlands, was incorporated on 18 June 2007. The registered office is located at Weena 210-212, Rotterdam, the Netherlands. The Company (together with its Polish subsidiaries 'the Group'), is active in the development and sale of units, primarily apartments, in multi-family residential real-estate projects to individual customers in Poland.

The shares of the Company are traded on the Warsaw Stock Exchange since 5 November 2007. As at 31 December 2014, 39.78% of the outstanding shares are controlled by I.T.R. 2012 B.V., which is an indirect subsidiary of Global City Holdings N.V. ('ITR 2012') (32.11% through a jointly controlled partnership formed under Dutch law between ITR 2012 and ITR Dori B.V. and 7.67% through a jointly controlled company formed under Dutch law between ITR 2012 and U. Dori Group) and 39.78% of the outstanding shares are controlled by U. Dori Group Ltd ('U Dori Group') (32.11% through a jointly controlled partnership formed under Dutch law between ITR 2012 and ITR Dori B.V. (of which it holds 50% of the shares) and 7.67% through a jointly controlled company formed under Dutch law between ITR 2012 and U. Dori Group). The remaining 20.44% of the outstanding shares are held by other investors including Metlife Otworthy Fundusz Emerytalny holding between 3% and 5% and ING Otworthy Fundusz Emerytalny holding between 5% and 10% of the outstanding shares. The number of shares held by the investors is equal to the number of votes, as there are no privileged shares issued by the Company.

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

- (b) The details of the Polish companies whose financial statements have been included in these Consolidated Financial Statements, the year of incorporation and the percentage of ownership and voting rights directly or indirectly held by the Company as at 31 December 2014, are presented on the following pages.

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.

Notes to the Consolidated Financial Statements

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

Entity name	Year of incorporation	Share of ownership & voting rights at the end of	
		31 December 2014	31 December 2013
a. held directly by the Company :			
1. Ronson Development Management Sp. z o.o.	1999	100.0%	100.0%
2. Ronson Development 2000 Sp. z o.o.	2000	100.0%	100.0%
3. Ronson Development Warsaw Sp. z o.o.	2000	100.0%	100.0%
4. Ronson Development Investment Sp. z o.o.	2002	100.0%	100.0%
5. Ronson Development Metropol Sp. z o.o.	2002	100.0%	100.0%
6. Ronson Development Properties Sp. z o.o.	2002	100.0%	100.0%
7. Ronson Development Apartments Sp. z o.o.	2003	100.0%	100.0%
8. Ronson Development Enterprise Sp. z o.o.	2004	100.0%	100.0%
9. Ronson Development Company Sp. z o.o.	2005	100.0%	100.0%
10. Ronson Development Creations Sp. z o.o.	2005	100.0%	100.0%
11. Ronson Development Buildings Sp. z o.o.	2005	100.0%	100.0%
12. Ronson Development Structure Sp. z o.o.	2005	100.0%	100.0%
13. Ronson Development Poznań Sp. z o.o.	2005	100.0%	100.0%
14. E.E.E. Development Sp. z o.o.	2005	100.0%	100.0%
15. Ronson Development Innovation Sp. z o.o.	2006	100.0%	100.0%
16. Ronson Development Wrocław Sp. z o.o.	2006	100.0%	100.0%
17. Ronson Development Capital Sp. z o.o.	2006	100.0%	100.0%
18. Ronson Development Sp. z o.o.	2006	100.0%	100.0%
19. Ronson Development Construction Sp. z o.o.	2006	100.0%	100.0%
20. Ronson Development City Sp. z o.o.	2006	100.0%	100.0%
21. Ronson Development Village Sp. z o.o. ⁽¹⁾	2007	100.0%	100.0%
22. Ronson Development Conception Sp. z o.o.	2007	100.0%	100.0%
23. Ronson Development Architecture Sp. z o.o.	2007	100.0%	100.0%
24. Ronson Development Skyline Sp. z o.o.	2007	100.0%	100.0%
25. Ronson Development Continental Sp. z o.o.	2007	100.0%	100.0%
26. Ronson Development Universal Sp. z o.o. ⁽¹⁾	2007	100.0%	100.0%
27. Ronson Development Retreat Sp. z o.o.	2007	100.0%	100.0%
28. Ronson Development South Sp. z o.o.	2007	100.0%	100.0%
29. Ronson Development West Sp. z o.o.	2007	100.0%	100.0%
30. Ronson Development East Sp. z o.o.	2007	100.0%	100.0%
31. Ronson Development North Sp. z o.o.	2007	100.0%	100.0%
32. Ronson Development Providence Sp. z o.o.	2007	100.0%	100.0%
33. Ronson Development Finco Sp. z o.o.	2009	100.0%	100.0%
34. Ronson Development Partner 2 sp. z o.o.	2010	100.0%	100.0%
35. Ronson Development Skyline 2010 Sp. z o.o. w likwidacji	2010	100.0%	100.0%
36. Ronson Development Partner 3 Sp. z o.o.	2012	100.0%	100.0%

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

Notes to the Consolidated Financial Statements

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

Entity name	Year of incorporation	Share of ownership & voting rights at the end of	
		31 December 2014	31 December 2013
b. held indirectly by the Company :			
37. AGRT Sp. z o.o.	2007	100.0%	100.0%
38. Ronson Development Partner 2 Sp. z o.o.- Panoramika Sp.k.	2007	100.0%	100.0%
39. Ronson Development Sp z o.o. – Estate Sp.k.	2007	100.0%	100.0%
40. Ronson Development Sp. z o.o. – Home Sp.k.	2007	100.0%	100.0%
41. Ronson Development Sp z o.o – Horizon Sp.k.	2007	100.0%	100.0%
42. Ronson Development Partner 3 Sp. z o.o- Sakura Sp.k.	2007	100.0%	100.0%
43. Ronson Development Sp z o.o –Town Sp.k.	2007	100.0%	100.0%
44. Ronson Development Destiny Sp. z o.o.	2007	100.0%	100.0%
45. Ronson Development Millenium Sp. z o.o.	2007	100.0%	100.0%
46. Ronson Development Sp. z o.o.-EEE 2011 Sp.k.	2009	100.0%	100.0%
47. Ronson Development Sp. z o.o.-Apartments 2011 Sp.k.	2009	100.0%	100.0%
48. Ronson Development Sp. z o.o.-Idea Sp.k	2009	100.0%	100.0%
49. Ronson Development Sp. z o.o.-Destiny 2011 Sp.k.	2009	100.0%	100.0%
50. Ronson Development Partner 2 Sp. z o.o. – Enterprise 2011 Sp.k.	2009	100.0%	100.0%
51. Ronson Development Partner 2 Sp. z o.o. – Retreat 2011 Sp.k.	2009	100.0%	100.0%
52. Ronson Development Sp. z o.o.-Wrocław 2011 Sp.k.	2009	100.0%	100.0%
53. Ronson Development Sp. z o.o. – 2011 Sp.k.	2009	100.0%	100.0%
54. Ronson Development Sp. z o.o. – Gemini 2 Sp.k.	2009	100.0%	100.0%
55. Ronson Development Sp. z o.o.- Verdis Sp.k.	2009	100.0%	100.0%
56. Ronson Espresso Sp. z o.o.	2006	82.0%	82.0%
57. Ronson Development Apartments 2010 Sp. z o.o.	2010	100.0%	100.0%
58. Ronson Development 2010 Sp. z o.o.	2010	100.0%	100.0%
59. Ronson Development Retreat 2010 Sp. z o.o.	2010	100.0%	100.0%
60. Ronson Development Enterprise 2010 Sp. z o.o.	2010	100.0%	100.0%
61. Ronson Development Wrocław 2010 Sp. z o.o.	2010	100.0%	100.0%
62. E.E.E. Development 2010 Sp. z o.o.	2010	100.0%	100.0%
63. Ronson Development Nautica 2010 Sp. z o.o.	2010	100.0%	100.0%
64. Ronson Development Gemini 2010 Sp. z o.o.	2010	100.0%	100.0%
65. Ronson Development Sp. z o.o. - Naturalis Sp.k.	2011	100.0%	100.0%
66. Ronson Development Sp. z o.o. - Impressio Sp.k.	2011	100.0%	100.0%
67. Ronson Development Sp. z o.o. - Continental 2011 Sp.k.	2011	100.0%	100.0%
68. Ronson Development Sp. z o.o. - Providence 2011 Sp.k.	2011	100.0%	100.0%
69. Ronson Development Partner 2 Sp. z o.o. – Capital 2011 Sp. k	2011	100.0%	100.0%
70. Ronson Development Sp. z o.o. - Architecture 2011 Sp.k.	2011	100.0%	100.0%
71. Ronson Development Sp. z o.o. - City 1 Sp.k.	2012	100.0%	100.0%
72. Ronson Development Sp. z o.o. - City 2 Sp.k.	2012	100.0%	100.0%
73. Ronson Development Sp. z o.o. - City 3 Sp.k.	2012	100.0%	100.0%

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'). For the year ended 31 December 2014, in light of the current process of IFRS endorsement in the European Union and the nature of the Group's activities, the IFRSs applied by the Group are different from the IFRSs endorsed by the European Union. The Group used the possibility given by International Financial Reporting Standards as adopted by the EU to adopt standards IFRS 10, IFRS 11 and IFRS 12 from the annual periods beginning on 1 January 2014, IFRIC 21 from the annual periods beginning on 1 January 2015, whereas changes to IFRS 2 and IFRS 3 resulting from the review of IFRS 2010-2012 from the annual periods beginning on 1 January 2016. IFRSs comprise standards and interpretations accepted by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC"). The Company Financial Statements have been prepared in accordance with article 362.8 of the Netherlands Civil Code.

The Consolidated Financial Statements were authorized by the Boards of Directors of Ronson Europe N.V. on 19 February 2015. These Consolidated Financial statements have been prepared on the assumption that the Group is a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the normal course of its operations.

(b) Basis of measurement

The Consolidated Financial Statements have been prepared on the historical cost basis, except for investment property which was measured at fair value. The methods used to measure fair values for the purpose to prepare the Consolidated Financial Statements are discussed further in Note 16.

(c) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency') being Polish Zloty ('PLN'). The Consolidated Financial Statements are presented in thousands of Polish Zloty, except when otherwise indicated, which is the parent company functional and presentation currency. Although the Company is Dutch, it operates mainly in Poland.

(d) Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the reported period. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised. In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements, are described in the following notes:

- Note 16 – investment property
- Note 19 – utilization of tax losses
- Note 20 – inventory
- Note 34 – provisions
- Note 38 – commitments and contingencies

Estimation of net realizable value for inventory

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

Notes to the Consolidated Financial Statements

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

(d) Use of estimates and judgments (cont'd)

Valuation of investment property

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

Deferred tax asset recognition

Deferred tax assets are recognized for unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses and deductible temporary differences can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Further details on taxes are disclosed in Note 14 and Note 19.

(e) Basis of consolidation

These Consolidated Financial Statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2014. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee;
- the ability to use its power over the investee to affect its returns.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

Notes to the Consolidated Financial Statements

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

(e) Basis of consolidation (cont'd)

The financial statements of subsidiaries are prepared for the same period as the financial statement of parent. The Group entities keep books of accounts in accordance with accounting policies specified in the Accounting Act dated 29 September 1994 ('the Accounting Act') with subsequent amendments and the regulations issued based on that Act (all together: 'Polish Accounting Standards'). Ronson Europe N.V. keeps the books of accounts in accordance with accounting policies required by Dutch law. These consolidated financial statements include a number of adjustments not included in the books of account of the Group entities, which were made in order to bring the financial statements of those entities to conformity with IFRSs.

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

(f) Changes in accounting policies and disclosures

The accounting policies adopted for the preparation of the current Consolidated Financial Statements are consistent with those of the previous financial year except for the fact that the Group has adopted the following amendments to IFRS and IFRIC interpretations applicable to annual reporting periods beginning on or after 1 January 2014:

- IFRS 10 *Consolidated Financial Statements*
- IFRS 11 *Joint arrangements*
- IFRS 12 *Disclosure of Interests in Other Entities*
- Amendments to IFRS 10, IFRS 12 and IAS 27 *Investment Entities*
- IAS 27 *Separate Financial Statements - Amendments to IAS 27*
- IAS 28 *Investments in Associates and Joint Ventures - Amendments to IAS 28*
- IAS 32 *Financial Instruments: presentation - Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32*
- IAS 39 *Financial Instruments: recognition and measurement - Novation of Derivatives and Continuation of Hedge Accounting - Amendments to IAS 39*
- IAS 36 *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets - Amendments to IAS 36*

The application of the above mentioned standards do not impact the annual consolidated financial statements of the Group except for IFRS 11 *Joint Arrangements*. In addition, the application of IFRS 12 *Disclosure of Interest in Other Entities* would result in additional disclosures in this Consolidated Financial Statements.

IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly-controlled Entities - Non-monetary Contributions by Venturers*. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture under IFRS 11 must be accounted for using the equity method. The effect of IFRS 11 is described below, which includes quantification of the effect on the financial statements. The application of IFRS 11 has impacted the financial position of the Group by eliminating the proportionate consolidation of the joint ventures in Ronson IS sp. z o.o. and in Ronson IS Sp. z o.o. Sp.k.. With the application of the new standard, these investments are accounted for using the equity method of accounting. The change was applied retrospectively as required by IFRS 11 and the comparative information for the preceding period is restated. This restatement has an impact on the comparative results and on equity, which represents the effect of the fact that it is not allowed to capitalize borrowing costs on an equity-accounted investment in a joint venture, since there is no qualifying asset as defined in IAS 23. Previously, applying the proportionate consolidations method, the assets of the joint ventures (comprising real estate units with associated land under construction) met the definition of a qualifying asset in accordance with IAS 23 and borrowing costs were capitalized to the Company's share of qualifying assets.

Notes to the Consolidated Financial Statements

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

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

The effect of applying IFRS 11 on the Company's consolidated financial statements is as follows:

Impact on statement of comprehensive income (increase/(decrease) in profit):

<i>In thousands of Polish Zlotys (PLN)</i>	For the year ended 31 December 2013		
	Approved	Restated	Impact
Share of profit/(loss) from joint ventures	-	(680)	(680)
Net financial income/(expense)	(1,495)	(970)	525
Profit before taxation	(1,495)	(1,650)	(155)
Income tax benefit/(expense)	1,181	958	(223)
Net impact on profit for the period	(314)	(692)	(378)

Impact on the statement of financial position:

<i>In thousands of Polish Zlotys (PLN)</i>	As at 31 December 2013		
	Approved	Restated	Impact
Investment in joint ventures (non-current)	-	15,295	15,295
Loans granted to related parties (non-current)	8,536	-	(8,536)
Decrease in deferred tax assets (non-current)	12,470	11,845	(625)
Inventory (current)	620,330	604,790	(15,540)
Trade and other receivables and prepayments (current)	38,026	38,063	37
Cash and cash equivalents (current)	52,204	52,153	(51)
Loans from third parties (non-current)	(11,192)	(2,657)	8,535
Deferred tax liability (non-current)	(10,954)	(10,622)	332
Trade and other payables and accrued expenses (current)	(32,728)	(32,688)	40
Net impact on equity attributable to equity holders of the parent			(513)

<i>In thousands of Polish Zlotys (PLN)</i>	As at 31 December 2012		
	Approved	Restated	Impact
Investment in joint ventures (non-current)	-	14,969	14,969
Loans granted to related parties (non-current)	7,704	-	(7,704)
Deferred tax assets (non-current)	11,798	11,715	(83)
Inventory (current)	668,080	653,419	(14,661)
Trade and other receivables and prepayments (current)	30,661	30,604	(57)
Cash and cash equivalents (current)	44,928	44,550	(378)
Loans from third parties (non-current)	(13,932)	(6,228)	7,704
Deferred tax liability (non-current)	(11,530)	(11,517)	13
Trade and other payables and accrued expenses (current)	(38,090)	(38,028)	62
Net impact on equity attributable to equity holders of the parent			(135)

There is no material impact on the consolidated statement of cash flows or the basic and diluted EPS.

Notes to the Consolidated Financial Statements

3. Significant accounting policies

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

(a) Foreign currency

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

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

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

(b) Revenue

Revenue from operations includes:

(i) Revenue from the sale of residential units

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

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

(c) Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments of the Group comprise loans granted, trade and other receivables, cash and cash equivalents, deposits, other current financial assets, loans and borrowings, and trade and other payables. All financial assets are recognized initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

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

Notes to the Consolidated Financial Statements

3. Significant accounting policies (cont'd)

(c) Financial instruments (cont'd)

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

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

Category	Statement of financial position item	Measurement
Held for trading	Cash and cash equivalent	Fair value - through profit and loss
Loans and receivables	Short-term deposits	Amortized costs
	Other current financial assets	Amortized costs
	Loans granted to third parties	Amortized costs
	Trade and other receivables	Amortized costs
Other financial liabilities	Floating rate bonds	Amortized costs
	Loans from others	Amortized costs
	Trade and other payables and accrued expenses	Amortized costs
	Secured bank loans	Amortized costs

Loans and receivables

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

Other financial liabilities

Other financial liabilities are measured at amortized cost using the effective interest method.

(d) Property and equipment

(i) Recognition and measurement

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

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

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

Notes to the Consolidated Financial Statements

3. Significant accounting policies (cont'd)

(d) Property and equipment (cont'd)

(ii) Depreciation

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

The estimated useful life of property and equipment, depending on the class of asset, ranges from 2 to 40 years. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

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

Depreciation methods, useful lives and residual values are reassessed at the reporting date, and adjusted prospectively since the beginning of the following year, if appropriate.

(e) Leases

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.

(f) Investment property

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

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

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

Notes to the Consolidated Financial Statements

3. Significant accounting policies (cont'd)

(g) Inventories of residential units

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

Inventories are measured at the lower of cost and net realizable value. The cost of inventories includes expenditure incurred relating to the construction of a project.

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

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

Project construction costs include:

- a) land or leasehold rights for land,
- b) construction costs paid to the general contractor building the residential project,
- c) planning and design costs,
- d) perpetual usufruct fees and real estate taxes incurred during the period of construction,
- e) borrowing costs to the extent they are directly attributable to the development of the project (see accounting policy (l)),
- f) professional fees attributable to the development of the project,
- g) construction overheads and other directly related costs.

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

(h) Trade and other receivables and prepayment

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

(i) Equity

(i) Share capital

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

(ii) Share premium

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

Shares issuance costs are deducted from share premium.

(j) Impairment

(i) Financial assets

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

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

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

All impairment losses are recognized in the statement of comprehensive income.

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

Notes to the Consolidated Financial Statements

3. Significant accounting policies (cont'd)

(j) Impairment (cont'd)

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

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

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

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

(k) Provisions

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

(l) Borrowing costs

Borrowing costs directly attributable to the inventory of properties which necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of the respective assets.

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

(m) Income tax expense

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

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

Notes to the Consolidated Financial Statements

3. Significant accounting policies (cont'd)

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

(n) Earnings per share

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

(o) Share options granted

Equity-settled transactions

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

Cash-settled transactions

The cost of cash-settled transactions is measured initially at fair value at the grant date. This fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is re-measured to fair value at each reporting date up to, and including the settlement date, with changes in fair value recognized in employee benefits expense.

(p) Cash and cash equivalents

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

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

(q) Investment in joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Under the equity method, the investment in a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is not tested for impairment individually.

Notes to the Consolidated Financial Statements

3. Significant accounting policies (cont'd)

(q) Investment in joint ventures (cont'd)

The statement of profit or loss reflects the Group's share of the results of operations of the joint venture. Any change in OCI of joint ventures are presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the joint venture, the Group recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

The financial statements of the joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group. After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, and then recognizes the loss as 'Share of profit/(loss) of a joint venture' in the statement of profit or loss.

Upon loss of joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

(r) Employee benefits

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

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

(s) Fair Value

The Group measures investment properties at fair value at each balance sheet date. In addition, fair values of financial instruments measured at amortized cost are disclosed in Note 36 and Note 37.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Notes to the Consolidated Financial Statements

3. Significant accounting policies (cont'd)

(s) Fair Value (cont'd)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

4. Standards issued but not yet effective

A number of new standards, amendments to standards and interpretations, insofar endorsed by the European Union, are not yet effective for the year ended 31 December 2014, and have not been applied in preparing these consolidated financial statements:

- IFRS 9 Financial Instruments (issued on 24 July 2014) effective for financial years beginning on or after 1 July 2018 – not yet endorsed by EU till the date of approval of these financial statements,
- IFRIC 21 Levies (issued on 20 May 2013) – effective for financial years beginning on or after 1 January 2014, in EU effective at the latest for financial years beginning on or after 17 June 2014,
- Amendments to IAS 19 Defined Benefit Plans: Employee Contributions (issued on 21 November 2013) – effective for financial years beginning on or after 1 July 2014, in EU effective at the latest for financial years beginning on or after 1 February 2015,
- Annual Improvements to IFRSs 2010-2012 (issued on 12 December 2013)– some amendments effective for financial years beginning on or after 1 July 2014 and some effective prospectively for transactions occurring on or after 1 July 2014, in EU effective at latest for financial years beginning on or after 1 February 2015,
- Annual Improvements to IFRSs 2011-2013 (issued on 12 December 2013) – effective for financial years beginning on or after 1 July 2014, in EU effective latest for financial years beginning on or after 1 January 2015,
- IFRS 14 Regulatory Deferral Accounts (issued on 30 January 2014) – effective for financial years beginning on or after 1 January 2016 – decision about terms of performing particular steps resulting in endorsement of the Standard has not yet been made by EFRAG – not yet endorsed by EU till the date of approval of these financial statements,

Notes to the Consolidated Financial Statements

4. Standards issued but not yet effective (cont'd)

- Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations (issued on 6 May 2014) – effective for financial years beginning on or after 1 January 2016 - not yet endorsed by EU till the date of approval of these financial statements,
- Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortization (issued on 12 May 2014) – effective for financial years beginning on or after 1 January 2016 – not yet endorsed by EU till the date of approval of these financial statements,
- IFRS 15 Revenue from Contracts with Customers (issued on 28 May 2014) – effective for financial years beginning on or after 1 January 2017 – not yet endorsed by EU till the date of approval of these financial statements,
- Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants (issued on 30 June 2014) - effective for financial years beginning on or after 1 January 2016 – not yet endorsed by EU till the date of approval of these financial statements,
- Amendments to IAS 27 Equity Method in Separate Financial Statements (issued on 12 August 2014) – effective for financial years beginning on or after 1 January 2016 – not yet endorsed by EU till the date of approval these financial statements,
- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture (issued on 11 September 2014) - effective for financial years beginning on or after 1 January 2016– not yet endorsed by EU till the date of approval of these financial statements,
- Annual Improvements to IFRSs 2012–2014 (issued on 25 September 2014) - effective for financial years beginning on or after 1 January 2016– not yet endorsed by EU till the date of approval of these financial statements,
- Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception (issued on 18 December 2014) - effective for financial years beginning on or after 1 January 2016 – not yet endorsed by EU till the date of approval of these financial statements,
- Amendments to IAS 1 Disclosure Initiative (issued on 18 December 2014) – effective for financial years beginning on or after 1 January 2016 – not yet endorsed by EU till the date of approval of these financial statements.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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5. Segment reporting

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

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

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated indirectly based on reasonable criteria. Unallocated loss for the year comprises mainly head office expenses, unallocated assets comprise mainly unallocated cash and cash equivalents and income tax assets. Unallocated liabilities comprises mainly income tax liabilities and floating rate bond loans.

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

<i>In thousands of Polish Zlotys (PLN)</i>			As at 31 December 2014								
	Warsaw			Poznań		Wrocław		Szczecin		Unallocated	Total
	Apartments	Houses	Rental	Apartments	Houses	Apartments	Houses	Apartments	Houses		
Segment assets	479,849	33,513	9,217	115,975	-	93,522	2,612	58,293	7,710	-	800,691
Unallocated assets	-	-	-	-	-	-	-	-	-	40,786	40,786
Total assets	479,849	33,513	9,217	115,975	-	93,522	2,612	58,293	7,710	40,786	841,477
Segment liabilities	162,784	1,134	-	23,436	-	25,622	-	4,758	-	-	217,734
Unallocated liabilities	-	-	-	-	-	-	-	-	-	172,402	172,402
Total liabilities	162,784	1,134	-	23,436	-	25,622	-	4,758	-	172,402	390,136

<i>In thousands of Polish Zlotys (PLN)</i>			As at 31 December 2013 (restated*)								
	Warsaw			Poznań		Wrocław		Szczecin		Unallocated	Total
	Apartments	Houses	Rental	Apartments	Houses	Apartments	Houses	Apartments	Houses		
Segment assets	375,542	40,161	9,840	133,607	-	75,327	2,585	60,301	7,688	-	705,051
Unallocated assets	-	-	-	-	-	-	-	-	-	39,985	39,985
Total assets	375,542	40,161	9,840	133,607	-	75,327	2,585	60,301	7,688	39,985	745,036
Segment liabilities	108,466	9,774	-	24,737	-	588	-	1,279	-	-	144,844
Unallocated liabilities	-	-	-	-	-	-	-	-	-	133,636	133,636
Total liabilities	108,466	9,774	-	24,737	-	588	-	1,279	-	133,636	278,480

* Certain amounts shown do not correspond to the Consolidated Financial Statements as at 31 December 2013 and reflect adjustments made as detailed in Note 2(f) (see pages 59 and 60).

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5. Segment reporting (cont'd)

	In thousands of Polish Zlotys (PLN)										For the year ended 31 December 2014	
	Warsaw			Poznań		Wrocław		Szczecin		Unallocated	Total	
	Apartments	Houses	Rental	Apartments	Houses	Apartments	Houses	Apartments	Houses			
Revenue	103,463	3,241	826	39,537	-	1,252	-	4,836	-	-	153,155	
Segment result	14,484	(2,532)	522	136	-	(7,839)	(4)	(2,141)	(4)	-	2,622	
Unallocated result	-	-	-	-	-	-	-	-	-	(18,436)	(18,436)	
Result from operating activities**	14,484	(2,532)	522	136	-	(7,839)	(4)	(2,141)	(4)	(18,436)	(15,814)	
Net finance income	268	(284)	-	(102)	-	65	-	76	-	(2,893)	(2,870)	
Profit/(loss) before tax	14,752	(2,816)	522	34	-	(7,774)	(4)	(2,065)	(4)	(21,329)	(18,684)	
Income tax benefit	-	-	-	-	-	-	-	-	-	-	3,469	
Profit/(loss) for the year											(15,215)	
Capital expenditure	-	-	-	-	-	-	-	-	-	792	792	

	In thousands of Polish Zlotys (PLN)										For the year ended 31 December 2013 (restated*)	
	Warsaw			Poznań		Wrocław		Szczecin		Unallocated	Total	
	Apartments	Houses	Rental	Apartments	Houses	Apartments	Houses	Apartments	Houses			
Revenue	166,153	9,974	772	9,321	-	8,809	-	11,996	-	-	207,025	
Segment result	35,129	(828)	1,203	(900)	-	(575)	(4)	301	(4)	-	34,322	
Unallocated result	-	-	-	-	-	-	-	-	-	(16,266)	(16,266)	
Result from operating activities**	35,129	(828)	1,203	(900)	-	(575)	(4)	301	(4)	(16,266)	18,056	
Net finance income	123	(22)	-	108	-	32	-	12	-	(1,223)	(970)	
Profit/(loss) before tax	35,252	(850)	1,203	(792)	-	(543)	(4)	313	(4)	(17,489)	17,086	
Income tax benefit	-	-	-	-	-	-	-	-	-	-	958	
Profit/(loss) for the year											18,044	
Capital expenditure	-	-	-	-	-	-	-	-	-	713	713	

* Certain amounts shown do not correspond to the Consolidated Financial Statements as at 31 December 2013 and reflect adjustments made as detailed in Note 2(f) (see pages 59 and 60).

** Results from operating activities including share of loss in joint venture, that amounted to PLN 311 thousands (expenses) during the year ended 31 December 2014 and PLN 680 thousands (expenses) during the year ended 31 December 2013.

Notes to the Consolidated Financial Statements

6. Revenue

For the year ended 31 December	2014	2013
<i>In thousands of Polish Zlotys (PLN)</i>		
Espresso I	63,264	-
Młody Grunwald I	35,424	-
Verdis I+II	24,324	40,481
Sakura I+II	5,711	62,410
Impressio I	1,252	8,809
Constans	3,241	9,974
Naturalis I+II+III	8,960	17,759
Panoramika I	4,836	11,996
Chilli I+II	1,374	9,276
Chilli III	2,403	-
Gemini II	947	45,395
Other	1,419	925
Total revenue	153,155	207,025

7. Cost of sales

For the year ended 31 December	2014	2013
<i>In thousands of Polish Zlotys (PLN)</i>		
Espresso I	50,478	-
Młody Grunwald I	32,944	-
Verdis I+II	18,543	28,343
Sakura I+II	5,045	53,006
Impressio I	1,304	9,011
Constans	3,135	10,320
Naturalis I+II+III	8,188	15,555
Panoramika I	4,280	11,354
Chilli I+II	1,256	8,785
Chilli III	2,267	-
Gemini II	670	27,618
Other	644	468
Write-down of inventory	12,471	-
Total cost of sales	141,225	164,460

Consolidated Financial Statements for the year ended 31 December 2014

Notes to the Consolidated Financial Statements

8. Selling and marketing expenses

For the year ended 31 December	2014	2013
<i>In thousands of Polish Zlotys (PLN)</i>		
Advertising	4,347	5,308
Brokerage fees	1,546	1,100
Other	988	413
Total selling and marketing expenses	6,881	6,821

9. Administrative expenses

For the year ended 31 December		2014	2013
<i>In thousands of Polish Zlotys (PLN)</i>			
	<i>Note</i>		
Personnel expenses	10	12,561	11,152
External services		3,362	2,632
Materials and energy		733	674
Depreciation		638	627
Taxes and charges		156	176
Other		770	644
Total administrative expenses		18,220	15,905

10. Personnel expenses

For the year ended 31 December		2014	2013
<i>In thousands of Polish Zlotys (PLN)</i>			
Wages and salaries		10,174	9,590
Share-based payment	35	702	-
Social security and other benefits		1,685	1,562
Total personal expenses		12,561	11,152
Average number of personnel employed^(*)		73	66

(*) All employees are employed in the territory of Poland.

Notes to the Consolidated Financial Statements

11. Other expenses

For the year ended 31 December	2014	2013
<i>In thousands of Polish Zlotys (PLN)</i>		
Maintenance expense of unsold units	1,078	1,621
Cost of repairs and defects	827	314
Expense for contractual penalties and compensation	129	68
Group restructuring expense	137	100
Impairment of trade receivables ⁽¹⁾	380	36
Cost of research and due diligence of new projects	54	56
Other expense	453	413
Total other expense	3,058	2,608

(1) For additional information see Note 21.

12. Other income

For the year ended 31 December	2014	2013
<i>In thousands of Polish Zlotys (PLN)</i>		
Revenues from contractual penalties and compensation	55	159
Rental income from inventory	313	192
Net profit on sale of property and equipment	71	152
Other income	287	228
Total other income	726	731

Consolidated Financial Statements for the year ended 31 December 2014

Notes to the Consolidated Financial Statements

13. Finance income and expense

For the year ended 31 December 2014			Recognized in the statement of comprehensive income
<i>In thousands of Polish Zlotys (PLN)</i>	Total amount	Amount capitalized	
Interest on granted loans	713	-	713
Interest income on bank deposits	1,199	(9)	1,190
Other finance income	54	-	54
Finance income	1,966	(9)	1,957
Interest expense on financial liabilities	(11,936)	8,066	(3,870)
Foreign exchange loss	(25)	-	(25)
Commissions and fees	(2,861)	2,082	(779)
Other finance expense	(153)	-	(153)
Finance expense	(14,975)	10,148	(4,827)
Net finance expense	(13,009)	10,139	(2,870)
For the year ended 31 December 2013			Recognized in the statement of comprehensive income
<i>In thousands of Polish Zlotys (PLN)</i>	Total amount	Amount capitalized	
Interest on granted loans	758	-	758
Interest income on bank deposits	1,244	(136)	1,108
Other finance income	6	-	6
Finance income	2,008	(136)	1,872
Interest expense on financial liabilities	(13,275)	11,698	(1,577)
Foreign exchange loss	(6)	-	(6)
Commissions and fees	(3,262)	2,048	(1,214)
Other finance expense	(45)	-	(45)
Finance expense	(16,588)	13,746	(2,842)
Net finance expense	(14,580)	13,610	(970)

Notes to the Consolidated Financial Statements

14. Income tax

For the year ended 31 December	2014	2013
<i>In thousands of Polish Zlotys (PLN)</i>		
Current tax		
Current period	59	72
Taxation in respect of previous periods	22	(5)
Total current tax expense	81	67
Deferred tax		
Origination and reversal of temporary differences	(2,783)	(7,894)
Tax losses utilized/(recognized)	(767)	6,869
Total deferred tax benefit	(3,550)	(1,025)
Total income tax benefit	(3,469)	(958)

Reconciliation of effective tax rate

For the year ended 31 December	2014	2013
<i>In thousands of Polish Zlotys (PLN)</i>		
Profit/(loss) for the year	(15,215)	18,044
Total income tax benefit	(3,469)	(958)
Profit/(loss) before income tax	(18,684)	17,086
<i>Expected income tax using the Polish tax rate (19%)</i>	<i>(3,550)</i>	<i>3,246</i>
<i>Tax effect of:</i>		
Taxes in respect of previous periods	22	(5)
Non-deductible expenses, net	55	67
Movement in unrecognized deferred tax assets in Poland	(181)	(1,911)
Tax benefit in connection with the organizational restructuring of the Group	(608)	(3,017)
Other differences	793	662
Tax benefit for the period	(3,469)	(958)
Effective tax rate	18.57%	-5.61%

Notes to the Consolidated Financial Statements

15. Property and equipment

For the year ended 31 December 2014				
	Vehicles	Equipment	Building	Total
<i>In thousands of Polish Zlotys (PLN)</i>				
Cost or deemed cost				
Balance at 1 January	1,298	1,614	8,645	11,557
Additions	474	318	-	792
Transferred from inventory	-	-	-	-
Sales and disposals	(263)	-	-	(263)
Closing balance	1,509	1,932	8,645	12,086
Depreciation and impairment losses				
Balance at 1 January	698	889	700	2,287
Depreciation for the period	203	140	295	638
Sales and disposals	(263)	-	-	(263)
Closing balance	638	1,029	995	2,662
Carrying amounts				
At 1 January	600	725	7,945	9,270
Closing balance	871	903	7,650	9,424
For the year ended 31 December 2013				
	Vehicles	Equipment	Building	Total
<i>In thousands of Polish Zlotys (PLN)</i>				
Cost or deemed cost				
Balance at 1 January	1,108	1,703	8,551	11,362
Additions	405	43	265	713
Transferred from inventory	-	-	1,030	1,030
Sales and disposals	(215)	(132)	(1,201)	(1,548)
Closing balance	1,298	1,614	8,645	11,557
Depreciation and impairment losses				
Balance at 1 January	811	735	1,156	2,702
Depreciation for the period	87	228	312	627
Sales and disposals	(200)	(74)	(768)	(1,042)
Closing balance	698	889	700	2,287
Carrying amounts				
At 1 January	297	968	7,395	8,660
Closing balance	600	725	7,945	9,270

Impairment loss

In the years ended 31 December 2014 and 31 December 2013, the Group did not recognize any impairment loss with respect to Property and equipment.

Notes to the Consolidated Financial Statements

16. Investment property

For the year ended 31 December	2014	2013
<i>In thousands of Polish Zlotys (PLN)</i>		
Balance at 1 January	9,840	8,279
Transferred from inventory	-	787
Sales	(623)	-
Change in fair value during the year	-	774
Balance as at 31 December, including:	9,217	9,840
<i>Cost</i>	<i>4,058</i>	<i>4,434</i>
<i>Fair value adjustments</i>	<i>5,159</i>	<i>5,406</i>

As at 31 December 2014, the investment property included property held for long-term rental yields and capital appreciation, and were not occupied by the Group. The investment property consists of two real estate objects located in Warsaw:

- i) a plot of land (71, Gwiaździsta Street) and an office building with an aggregate usable floor space of 1,318 m² located on this plot that is leased to third parties under lease agreements with an indefinite term subject to a three-month notice period for termination (“Bielany IP”),
- ii) one commercial (office) unit located at 57, KEN Avenue (in the Gemini I project), with a total aggregate usable floor space of 89 m² leased to third parties with an indefinite term (“Ursynów IP”).

Investment property is valued at fair value determined as at 31 December 2014 and as at 31 December 2013 by the Management. The investment property has been also valued by an independent appraiser, having an appropriate recognized professional qualification, based on current prices on an active market. Both valuations came up with similar results.

The Bielany IP was valued based on the discounted cash flow approach, including the assumption as to an annual discount rate of 8.0% (during a 6 year forecast period), a capitalization exit yield of 6.0%, a monthly rate of PLN 35/ m² and a long term vacancy rate of 10%. The assumptions as at the end of 2013 were the same as at the end of 2014.

The Ursynów IP was valued on the basis of the most recent comparable transactions, involving sales of similar units in the Gemini I and II projects.

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

If the yields used for the appraisals of investment property on 31 December 2014, had been 100 basis points higher than was the case at that time, the value of the investments would have been 14% lower (31 December 2013: 14% lower). In this situation, the Company’s shareholders’ equity would have been PLN 1.4 million lower (31 December 2013: PLN 1.4 million lower).

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

The investment property is currently occupied.

Notes to the Consolidated Financial Statements

17. Loans granted to third parties

The table below presents the movement in Loans granted to third parties:

For the year ended 31 December	2014	2013
<i>In thousands of Polish Zlotys (PLN)</i>		
Opening balance	1,473	1,043
Loans granted	-	627
Loans repaid	-	(300)
Accrued interest/(interest repayment), net	150	102
Total closing balance	1,623	1,472
Closing balance includes:		
Current assets	-	843
Non-current assets	1,623	630
Total closing balance	1,623	1,473

The loans are granted to one of the shareholders of Ronson Espresso Sp. z o.o. As at 31 December 2014 and 31 December 2013 the loans bear a variable rate of 11.8% and 12.2% (variable interest is charged based on the latest interest rate as charged on the construction credit/loan granted by the banks to the Group and increased by 7%, and updated at the beginning of each quarter), respectively.

For securing the repayment of the loan, the Company holds a pledge on the partner's share in Ronson Espresso Sp. z o.o. as well as on a part of the loans granted by the partner to Ronson Espresso Sp. z o.o.

18. Investment in joint ventures

As at 31 December	2014	2013
<i>In thousands of Polish Zlotys (PLN)</i>		
Loans granted	18,672	17,071
Share of profit/(loss) of joint venture	(2,650)	(1,776)
The Company's carrying amount of the investment	16,022	15,295

Share of profit/(loss) of joint venture

The Investment in joint ventures comprise the Company's 50% interest in the joint venture companies Ronson IS sp. z o.o. and in Ronson IS Sp. z o.o. Sp.k.. Both joint ventures are involved in the development and sale of residential units in Warsaw. The investments in joint ventures are accounted for using the equity method in these Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

18. Investment in joint ventures (cont'd)

Share of profit/(loss) of joint venture (cont'd)

The table below present the movements in the share of profit/(loss) of joint venture.

For the year ended 31 December	2014	2013
<i>In thousands of Polish Zlotys (PLN)</i>		
Opening balance	(903)	(223)
Investments in joint venture	-	-
Net result from joint venture during the period	(874)	(1,337)
Offsetting net results of the joint venture with intercompany interest during the period	563	657
	(1,214)	(903)
Total net results of the joint venture that were offset with intercompany interest as at the end on the period	(1,436)	(873)
Total closing balance	(2,650)	(1,776)

Summarised financial information of the joint ventures (based on IFRS) is presented below.

As at 31 December	2014	2013
<i>In thousands of Polish Zlotys (PLN)</i>		
Assets		
Inventory	31,966	30,702
Cash and cash equivalents	277	43
Other current assets	152	151
Liabilities		
Long-term loans from shareholders	(37,336)	(34,141)
Other current liabilities	(359)	(307)
Equity	(5,300)	(3,552)
Company share	(2,650)	(1,776)

The joint ventures had no contingent liabilities or capital commitments as at 31 December 2014 and as at 31 December 2013. The joint ventures cannot distribute their profits without the consent from the two joint venture partners.

Notes to the Consolidated Financial Statements

18. Investment in joint ventures (cont'd)

Share of profit/(loss) of joint venture (cont'd)

The summarised statement of comprehensive income for the joint ventures in aggregate (based on IFRS) is as follows:

For the year ended 31 December	2014	2013
<i>In thousands of Polish Zlotys (PLN)</i>		
Administrative expenses	(1)	(1)
Selling and marketing expenses	(69)	-
Finance income	-	6
Finance expense	(1,685)	(2,679)
Profit/(loss) before taxation	(1,755)	(2,674)
Income tax benefit/(expense)	8	-
Profit for the year (continuing operations)	(1,747)	(2,674)
Total comprehensive income for the year (continuing operations)	(1,747)	(2,674)
The Company's share of profit/(loss) for the year	(874)	(1,337)

Loans granted to the joint venture

The table below present the movements in the loans granted to the joint venture.

For the year ended 31 December	2014	2013
<i>In thousands of Polish Zlotys (PLN)</i>		
Opening balance	16,198	15,192
Loans granted	475	350
Accrued interest	1,126	1,313
Offsetting accrued interest with net results of the joint venture during the period	(563)	(657)
	17,236	16,198
Total net accrued interest that were offset with net results of the joint venture as at the end on the period	1,436	873
Total closing balance	18,672	17,071

The loans mature in 2017. As at 31 December 2013 and as at 31 December 2014 the loans bear a variable rate of 8.6% and a variable rate of 7.2% (variable interest is charged based on the latest interest rate as charged on the construction credit/loan granted by the banks to the Group and increased by 2%, and updated at beginning of each calendar year), respectively.

Notes to the Consolidated Financial Statements

19. Deferred tax assets and liabilities

Recognized deferred tax assets and liabilities

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

<i>In thousands of Polish Zlotys (PLN)</i>	Opening balance 1 January 2014	Recognized in the statement of comprehensive income	Closing balance 31 December 2014
Deferred tax assets			
Tax loss carry forward	14,735	767	15,502
Accrued interest	4,694	313	5,007
Accrued expense	179	263	442
Write-down on work in progress	-	2,341	2,341
Other	454	34	488
Total deferred tax assets	20,062	3,718	23,780
Deferred tax liabilities			
Difference between tax base and carrying value of inventory	16,318	493	16,811
Accrued interest	883	(254)	629
Fair value gain on investment property	1,027	(47)	980
Other	611	(24)	587
Total deferred tax liabilities	18,839	168	19,007
Total deferred tax benefit (see Note 14)		(3,550)	
Deferred tax assets	20,062		23,780
Deferred tax liabilities	18,839		19,007
Offset of deferred tax assets and liabilities for individual companies	(8,217)		(9,567)
Deferred tax assets reported in the statement of financial position	11,845		14,213
Deferred tax liabilities reported in the statement of financial position	10,622		9,440

Notes to the Consolidated Financial Statements

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

<i>In thousands of Polish Zlotys (PLN)</i>	Opening balance 1 January 2013	Recognized in the statement of comprehensive income (restated*)	Closing balance 31 December 2013
Deferred tax assets			
Tax loss carry forward	21,604	(6,869)	14,735
Accrued interest	2,799	1,895	4,694
Accrued expense	225	(46)	179
Other	454	-	454
Total deferred tax assets	25,082	(5,020)	20,062
Deferred tax liabilities			
Difference between tax base and carrying value of inventory	22,776	(6,458)	16,318
Accrued interest	640	243	883
Fair value gain on investment property	880	147	1,027
Other	588	23	611
Total deferred tax liabilities	24,884	(6,045)	18,839
Total deferred tax benefit (see Note 14)		(1,025)	
Deferred tax assets	25,082		20,062
Deferred tax liabilities	24,884		18,839
Offset of deferred tax assets and liabilities for individual companies	(13,367)		(8,217)
Deferred tax assets reported in the statement of financial position	11,715		11,845
Deferred tax liabilities reported in the statement of financial position	11,517		10,622

* Certain amounts shown do not correspond to the Consolidated Financial Statements as at 31 December 2013 and reflect adjustments made as detailed in Note 2(f) (see pages 59 and 60).

The tax losses carried forward expire in the following years:

<i>In thousands of Polish Zlotys (PLN)</i>	As at 31 December 2014
2015	2,667
2016	3,559
2017	1,709
2018	3,732
2019	3,835
After 2019	-
Total deferred tax asset in respect of tax losses carried forward	15,502

Unrecognized deferred tax liabilities

There are no unrecognized deferred tax liabilities.

Unrecognized deferred tax assets

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

Notes to the Consolidated Financial Statements

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

The Company did not recognize the entire deferred tax asset at consolidation level resulting from contributions as the recoverability of such assets is uncertain. Total unrecognized deferred tax assets as at 31 December 2014 are estimated to be PLN 18,702 thousand (31 December 2013: PLN 20,830 thousand).

Realization of deferred tax assets

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. In order to fully realize the deferred tax asset (before offsetting against deferred tax liability), the Group will need to generate future taxable income of approximately PLN 125,158 thousand. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not that the Group will realize the benefits of these deductible differences. The amount of the deferred tax asset which is considered realizable, could however be reduced in the near term if estimates of future taxable income during the tax loss carry-forward period are reduced.

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

Movement in unrecognized deferred tax assets

Unrecognized deferred tax assets in Poland

<i>In thousands of Polish Zlotys (PLN)</i>	Balance 1 January 2013	Tax losses expired	Additions/ (Realizations)	Balance 31 December 2013	Tax losses expired	Additions/ (Realizations)	Balance 31 December 2014
Tax losses	7,503	(355)	(1,910)	5,238	(1,435)	(181)	3,622
Total	7,503	(355)	(1,910)	5,238	(1,435)	(181)	3,622

Tax losses carry forward

<i>In thousands of Polish Zlotys (PLN)</i>	2014			2013		
	Recognized tax losses	Unrecognized tax losses	Total tax losses	Recognized tax losses	Unrecognized tax losses	Total tax losses
As at 31 December						
Tax loss 2009 carried forward	-	-	-	12,810	5,799	18,609
Tax loss 2010 carried forward	12,213	6,396	18,609	11,712	11,475	23,187
Tax loss 2011 carried forward	16,338	6,849	23,187	6,499	7,746	14,245
Tax loss 2012 carried forward	12,818	1,427	14,245	1,968	2,147	4,115
Tax loss 2013 carried forward	2,755	1,360	4,115	40,090	404	40,494
Tax loss 2014 carried forward	37,466	3,029	40,495	-	-	-
Total tax losses carried forward	81,590	19,061	100,651	73,079	27,571	100,650

Moreover the Company is not recognizing deferred tax assets on tax losses carried forward in the Netherlands. The accumulated Dutch tax losses available for carry forward as per 31 December 2014 are estimated to be PLN 7,177 thousand (2013: PLN 6,921 thousand).

Notes to the Consolidated Financial Statements

20. Inventory

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

For the year ended 31 December 2014:

<i>In thousands of Polish Zlotys (PLN)</i>	Opening balance 1 January 2014	Transferred to finished units	Additions	Closing balance 31 December 2014
Land and related expense	336,695	(22,606)	79,410	393,499
Construction costs	86,733	(74,717)	143,118	155,134
Planning and permits	24,174	(3,244)	6,387	27,317
Borrowing costs ⁽¹⁾	77,502	(5,002)	10,139	82,639
Other	3,772	(1,141)	2,750	5,381
Work in progress	528,876	(106,710)	241,804	663,970

<i>In thousands of Polish Zlotys (PLN)</i>	Opening balance 1 January 2014	Transferred from work in progress	Recognized in the statement of comprehensive income	Closing balance 31 December 2014
Finished goods	76,439	106,710	(127,940)	55,209

<i>In thousands of Polish Zlotys (PLN)</i>	Opening balance 1 January 2014	Revaluation write down recognized in statement of comprehensive income		Closing balance 31 December 2014
		Increase	Utilization	
Write-down	(525)	(12,471)	318	(12,678)
Total inventories at the lower of cost or net realizable value	604,790			706,501

(1) Borrowing costs are capitalized to the value of inventory with 7.24% average effective capitalization interest rate.

Consolidated Financial Statements for the year ended 31 December 2014

Notes to the Consolidated Financial Statements

20. Inventory (cont'd)

For the year ended 31 December 2013:

<i>Restated</i> *	Opening balance 1 January 2013	Transferred to finished goods	Additions	Closing balance 31 December 2013
<i>In thousands of Polish Zlotys (PLN)</i>				
Land and related expense	354,976	(21,377)	3,096	336,695
Construction costs	64,590	(67,883)	90,026	86,733
Planning and permits	20,200	(3,095)	7,069	24,174
Borrowing costs **	69,727	(5,835)	13,610	77,502
Other	2,938	(1,406)	2,240	3,772
Work in progress	512,431	(99,596)	116,041	528,876

<i>In thousands of Polish Zlotys (PLN)</i>	Opening balance 1 January 2013	Transferred to property and equipment	Transferred to investment property	Transferred from work in progress	Recognized in the statement of comprehensive income	Closing balance 31 December 2013
Finished goods	142,557	(1,030)	(787)	99,596	(163,897)	76,439

<i>In thousands of Polish Zlotys (PLN)</i>	Opening balance 1 January 2013	Revaluation write down recognized in statement of comprehensive income		Closing balance 31 December 2013
		Increase	Utilization	
Write-down	(1,569)	-	1,044	(525)
Total inventories at the lower of cost or net realizable value	653,419			604,790

* Certain amounts shown do not correspond to the consolidated financial statements as at 31 December 2013 and reflect adjustments made (reference is made to Note 2(f) - see pages 59 and 60).

** Borrowing costs are capitalized to the value of inventory with 8.6% average effective capitalization interest rate.

Write-down revaluating the inventory:

The company internally assessed the net realizable value of the inventory and decreased the value when the net realizable value was lower than the cost amount. In view of the situation in the property market in which the Group operates, during the year ended 31 December 2014 and 31 December 2013 the Group performed an inventory review with regard to its valuation to net realizable value based on the most reliable evidence available to the Group. As a result, during the years ended 31 December 2014 and 31 December 2013, the Group made a write-down adjustment of PLN 12,471 thousand and a write-down adjustment in the total amount of nil, respectively, which is included as part of cost of sales in the Consolidated Statement of Comprehensive Income. The Company examined a possible write-down on inventory for each project separately, according to the projection of revenues net of cost of sales. For the net realizable value calculation, the Company used the average effective capitalization interest rate.

The valuation of Inventory is as follows:

As at 31 December	2014	2013
<i>In thousands of Polish Zlotys (PLN)</i>		
Valued at cost	582,130	589,478
Valued at net realizable value	124,371	15,312
Total inventory	706,501	604,790

Notes to the Consolidated Financial Statements

20. Inventory (cont'd)

For information about future commitments to the general contractor for construction services related to inventory construction, see Note 38.

For information about the balance sheet value of inventory used to secure banks loans and floating rate bonds series C and F, see Note 28.

21. Trade and other receivables and prepayments

As at 31 December	2014	2013
<i>In thousands of Polish Zlotys (PLN)</i>		
		(restated*)
Value added tax (VAT) receivables	6,059	4,307
Trade and other receivables	1,639	3,489
Prepayments	961	1,328
Advances for land purchase	-	28,939
Total trade and other receivables and prepayments	8,659	38,063

* Certain amounts shown do not correspond to the consolidated financial statements as at 31 December 2013 and reflect adjustments made (reference is made to Note 2(f) - see pages 59 and 60).

As at 31 December 2014 and 31 December 2013, the Group had no allowance for doubtful debts.

During the year ended 31 December 2014 and 31 December 2013, the Group wrote down an amount of PLN 380 thousand and PLN 36 thousand, respectively as irrecoverable debts included in trade and other receivables.

22. Short-term bank deposits – collateralized

As at 31 December	2014	2013
<i>In thousands of Polish Zlotys (PLN)</i>		
Deposits collateralized for securing the repayment of interest related to the credit facilities provided to the Group	1,531	768
Other deposits collateralized	500	500
Total short-term bank deposits – collateralized	2,031	1,268

The interest rates earned on these deposits vary from 1.5% to 2.2% on an annual basis.

For information about the fair value of short-term bank deposits - collateralized see Note 36.

For information about the pledge over deposits collateralized for interests on credit facilities see Note 30.

Notes to the Consolidated Financial Statements

23. Other current financial assets

The new regulations related to the activity of the residential developers, which came into force on 29 April 2012, imposed on all residential developers in Poland an obligation to open an escrow account for all customers purchasing residential units during the construction period. According to these regulations, all amounts paid by the customers have to be paid directly to the escrow account. The developer is entitled to receive the money only once certain conditions – related mainly to progress of the construction process – are met or the upon the transfer of ownership of the apartment to the customer.

As long as the money is kept in the escrow account, the Company is neither entitled to any benefits, nor can it dispose of the cash in any way.

The obligation relates only to the new projects which were offered for sale after 29 April 2012. As at 31 December 2014, the Company operates four projects (Kamienica Jezyce I, Impressio II, Moko I, and Tamka) under the new regulation (as at 31 December 2013 the Company operated three projects (Chilli III, Impressio II and Tamka) under the new regulation).

24. Cash and cash equivalents

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

As at 31 December	2014	2013
<i>In thousands of Polish Zlotys (PLN)</i>		
		(restated*)
Cash at bank and in hand	36,060	24,160
Short-term deposit	34,530	27,993
Total cash and cash equivalents	70,590	52,153

* Certain amounts shown do not correspond to the consolidated financial statements as at 31 December 2013 and reflect adjustments made (reference is made to Note 2(f) - see pages 59 and 60).

Cash at bank earns interest at floating rates based on daily bank deposit rates. As at 31 December 2014 and 31 December 2013 the Group held in saving accounts amounting to PLN 24,906 thousand and PLN 17,990 thousand, respectively. As at 31 December 2014 and 31 December 2013 the saving accounts that earn interest rates varying between 1.75% - 1.95% and 2% - 2.8%, respectively.

Short-term deposits have a duration varying between one day and three months depending on the immediate cash requirements of the Group. As at 31 December 2014 and 31 December 2013, they earn interest at the respective short-term deposit rates varying between 1.9% - 3.2% and 2% - 2.8%, respectively.

For information about the fair value of cash and cash equivalents see Note 36.

For information about the pledge over cash and cash equivalents see Note 30.

25. Shareholders' equity

1) 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 2014 and as at 31 December 2013 amounted to 272,360,000. The number issued shares equals the number of votes, as there are no privileged shares issued by the Company.

There are no restrictions regarding dividend payments, future dividends may be proposed and paid.

Notes to the Consolidated Financial Statements

25. Shareholders' equity (cont'd)

2) Dividend

During the year ended 31 December 2014, no dividend was distributed to the Company's shareholders. During the year ended 31 December 2013, a dividend amounting to PLN 8,171 thousands total or PLN 0.03 per ordinary share, was distributed.

26. Non-controlling interests

Movements in non-controlling interests during the year ended 31 December 2014 and 31 December 2013 are as follows:

As at 31 December	2014	2013
<i>In thousands of Polish Zlotys (PLN)</i>		
Opening balance	1,883	3,910
Acquisition of additional stake in consolidated subsidiary ⁽¹⁾	-	(1,423)
Comprehensive income/(loss) attributable to non-controlling interests	216	(604)
Closing balance	2,099	1,883

⁽¹⁾ On 18 December 2013, the Group acquired an additional 13.6% of the equity of Ronson Espresso Sp. z o.o. (hereinafter "Espresso") for PLN 2,950 thousand in cash, thereby increasing its ownership to 82.0%. As at 17 December 2013, before the transaction, the book value of the non-controlling interest in Espresso amounted to PLN 3,306 thousand. As a result of the transaction, Non-controlling interests decreased by PLN 1,423 thousand. The difference with the acquisition price, amounting to PLN 1,527 thousand was charged to Retained earnings during the year ended 31 December 2013.

Summarised financial information of Ronson Espresso Sp. z o.o. (based on IFRS) is presented below:

As at 31 December	2014	2013
<i>In thousands of Polish Zlotys (PLN)</i>		
Assets		
Property and equipment	290	331
Inventory	36,280	66,248
Cash and cash equivalents	5,653	2,390
Other current assets	2,785	1,397
Liabilities		
Long-term loans from shareholders	(26,963)	(29,285)
Secured bank loans	(6,283)	(65)
Advances received	(6,347)	(42,192)
Other current liabilities	(5,344)	(6,290)
Equity	71	(7,466)

Notes to the Consolidated Financial Statements

26. Non-controlling interests (cont'd)

The summarised statement of comprehensive income for Ronson Espresso Sp. z o.o. in aggregate (based on IFRS) is as follows:

For the year ended 31 December	2014	2013
<i>In thousands of Polish Zlotys (PLN)</i>		
Revenue	63,264	-
Cost of sales	(44,447)	-
Gross profit	18,817	-
Administrative expenses	(7,200)	(917)
Selling and marketing expenses	(841)	(793)
Other income/(expenses)	(85)	203
Finance income	359	14
Finance expense	(1,700)	(1,620)
Profit/(loss) before taxation	9,350	(3,113)
Income tax benefit/(expense)	(1,813)	463
Profit for the year (continuing operations)	7,537	(2,650)
Total comprehensive income for the year (continuing operations)	7,537	(2,650)

27. Net earnings per share

Basic and diluted earnings per share

Basic earnings per share amounts are calculated by dividing net profit/(loss) attributable to equity holders of the parent company for the year by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share amounts are calculated by dividing the net profit/(loss) attributable to equity holders of the parent company for the year by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive instruments into ordinary shares, no such instruments exists as at 31 December 2014 and 2013.

Weighted average number of ordinary shares (basic):

For the year ended 31 December	2014	2013
Net profit/(loss) attributable to equity holders of the parent company <i>(in thousands of Polish Zlotys)</i>	(15,431)	18,648
Balance at beginning of the period	272,360,000	272,360,000
Weighted average number of ordinary shares (basic)	272,360,000	272,360,000
Basic earnings per share <i>(in Polish Zlotys)</i>	(0.057)	0.068

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

Consolidated Financial Statements for the year ended 31 December 2014

Notes to the Consolidated Financial Statements

28. Loans and borrowings

As at 31 December		2014	2013
<i>In thousands of Polish Zlotys (PLN)</i>	<i>Note</i>		
Floating rate bonds	29	159,749	119,366
Secured bank loans	30	73,704	41,978
Loans from third parties	31	2,737	2,657
Total loans and borrowings		236,190	164,001

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, see Note 40.

Loans as at 31 December 2014:

<i>In thousands of Polish Zlotys (PLN)</i>	Currency	Nominal interest rate	Year of maturity	Capital	Accrued interest	Charges and fees	Carrying value
Floating rate bonds series C	PLN	Wibor 6M + 3.75%	2017	83,500	212	(1,381)	82,331
Floating rate bonds series D	PLN	Wibor 6M + 4.55%	2016	23,550	68	(307)	23,311
Floating rate bonds series E	PLN	Wibor 6M + 4.55%	2016	9,250	310	(47)	9,513
Floating rate bonds series F	PLN	Wibor 6M + 3.5%	2018	28,000	174	(479)	27,695
Floating rate bonds series G	PLN	Wibor 6M + 4.25%	2018	12,000	127	(183)	11,944
Floating rate bonds series H	PLN	Wibor 6M + 4.25%	2018	5,000	33	(78)	4,955
Subtotal (floating rate bonds)				161,300	924	(2,475)	159,749
Bank Loans	PLN	Wibor 1M + Bank's margin	2016	34,174	2	(404)	33,772
Bank Loans	PLN	Wibor 3M + Bank's margin	2016	40,136	3	(207)	39,932
Subtotal (Bank)				74,310	5	(611)	73,704
Loans from non-controlling interest granted to consolidated subsidiaries	PLN	6.8% ⁽¹⁾	2016	2,737	-	-	2,737
Subtotal (others)				2,737	-	-	2,737
Total				238,347	929	(3,086)	236,190

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

Consolidated Financial Statements for the year ended 31 December 2014

Notes to the Consolidated Financial Statements

28. Loans and borrowings (cont'd)

Loans as at 31 December 2013:

<i>In thousands of Polish Zlotys (PLN)</i>	Currency	Nominal interest rate	Year of maturity	Capital	Accrued interest	Charges and fees	Carrying value
Floating rate bonds series A	PLN	Wibor 6M + 4.25%	2014	5,000	70	(65)	5,005
Floating rate bonds series C	PLN	Wibor 6M + 3.75%	2017	83,500	221	(1,944)	81,777
Floating rate bonds series D	PLN	Wibor 6M + 4.55%	2016	23,550	70	(519)	23,101
Floating rate bonds series E	PLN	Wibor 6M + 4.55%	2016	9,250	311	(78)	9,483
Subtotal (floating rate bonds)				121,300	672	(2,606)	119,366
Bank Loans	PLN	Wibor 1M + Bank's margin	2014	6,557	-	(37)	6,520
Bank Loans	PLN	Wibor 3M + Bank's margin	2014	7,994	-	(64)	7,930
Bank Loans	PLN	Wibor 3M + Bank's margin	2015	28,352	-	(824)	27,528
Subtotal (Bank)				42,903	-	(925)	41,978
Loans from non-controlling interest granted to consolidated subsidiary	PLN	7.2% ⁽¹⁾	2016	1,924	733	-	2,657
Subtotal (third parties)				1,924	733	-	2,657
Total				166,127	1,405	(3,531)	164,001

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

Balance sheet value of assets used to secure loans received from banks and floating rate bonds series C and F:

As at 31 December	2014	2013
<i>In thousands of Polish Zlotys (PLN)</i>		
Inventory	461,696	350,925
Other	15,497	16,306
Balance sheet value of pledged assets	477,193	367,231
Amount of loans and borrowings	183,730	123,755

Notes to the Consolidated Financial Statements

29. Floating rate bonds

The table below presents the movement in Floating rate bond loans:

For the year ended 31 December	2014	2013
<i>In thousands of Polish Zlotys (PLN)</i>		
Opening balance	119,366	88,413
Repayment of bond loans	(5,000)	(82,500)
Proceeds from bond loans	45,000	116,300
Issue cost	(882)	(2,978)
Issue cost amortization	1,013	1,116
Accrued interest	9,645	8,352
Interest repayment	(9,393)	(9,337)
Total closing balance	159,749	119,366
Closing balance includes:		
Current liabilities	924	5,607
Non-current liabilities	158,825	113,759
Total closing balance	159,749	119,366

As at 31 December 2014 and as at 31 December 2013 all covenants on floating rate bonds are met.

Series A:

On 18 April 2014, the Company repaid all remaining outstanding 500 series A bonds.

Series C and D:

On 14 June 2013, the Company issued 83,500 series C bonds and 23,550 series D bonds, together with an aggregate nominal value of PLN 107,050 thousand. The nominal value of one bond amounts to PLN 1 thousand and is equal to its issue price. The series C bonds shall be redeemed on 14 June 2017, whereas the series D bonds shall be redeemed on 14 June 2016 at nominal value, respectively. The bonds carry an interest rate composed of a base rate equal to 6 months Wibor plus a margin of 3.75% and 4.55%, respectively. Interest is payable semi-annually in June and December until redemption date.

The terms and conditions of the issuance of the bonds include provisions regarding early redemption at a bondholder's request to be made prior to 14 June 2017 (series C bonds) or 14 June 2016 (series D bonds), respectively, in case of the occurrence of certain events covering a number of obligations and restrictions applicable to the Company, including the obligation to maintain its financial ratios at certain levels, restrictions on investments in land having an unregulated status and restrictions on related party transactions.

The series D bonds are not secured, whereas the series C bonds are secured by joint mortgage up to PLN 100,200 thousand established by the Company's Polish subsidiaries. Moreover, the ratio between the value of the pledged properties and the total nominal value of the Bonds issued shall not decrease below 90%.

Notes to the Consolidated Financial Statements

29. Floating rate bonds (cont'd)

Series E:

On 15 July 2013, the Company issued 9,250 series E bonds with a total nominal value of PLN 9,250 thousand. The nominal value of one bond amounts to PLN 1 thousand and is equal to its issue price. The series E bonds shall be redeemed on 15 July 2016. The bonds carry an interest rate composed of a base rate equal to 6 months Wibor plus a margin of 4.55%. Interest is payable semi-annually in January and July until redemption date.

The terms and conditions of the issuance of the bonds include provisions regarding early redemption at a bondholder's request to be made prior to 15 July 2016, in case of the occurrence of certain events covering a number of obligations and restrictions applicable to the Company, including the obligation to maintain its financial ratios at certain levels, restrictions on investments in land having an unregulated status and restrictions on related party transactions.

Series F

On 20 May 2014, the Company issued 280,000 series F bonds with a total nominal value of PLN 28,000 thousand. The nominal value of one bond amounts to PLN 100 and is equal to its issue price. The series F bonds shall be redeemed on 20 May 2018. The bonds carry an interest rate composed of a base rate equal to 6 months Wibor plus a margin. Interest is payable semi-annually in May and November until redemption date.

The terms and conditions of the issuance of the bonds include provisions regarding early redemption at a bondholder's request to be made prior to 20 May 2018, in case of the occurrence of certain events covering a number of obligations and restrictions applicable to the Company, including the obligation to maintain its financial ratios at certain levels and restrictions on related party transactions.

The series F bonds are secured by a mortgage up to PLN 42,000 thousand established by one of the Company's Polish subsidiaries on the plots situated in Warsaw at Jaśminowa Street.

Series G

On 30 April 2014, the Company issued 120,000 series G bonds with a total nominal value of PLN 12,000 thousand. The nominal value of one bond amounts to PLN 100 and is equal to its issue price. The series G bonds shall be redeemed on 30 January 2018. The bonds carry an interest rate composed of a base rate equal to 6 months Wibor plus a margin. Interest is payable semi-annually in April and October until redemption date.

The terms and conditions of the issuance of the bonds include provisions regarding early redemption at a bondholder's request to be made prior to 30 January 2018, in case of the occurrence of certain events covering a number of obligations and restrictions applicable to the Company, including the obligation to maintain its financial ratios at certain levels and restrictions on related party transactions.

Series H

On 23 May 2014, the Company issued 50,000 series H bonds with a total nominal value of PLN 5,000 thousand. The nominal value of one bond amounts to PLN 100 and is equal to its issue price. The series H bonds shall be redeemed on 23 February 2018. The bonds carry an interest rate composed of a base rate equal to 6 months Wibor plus a margin. Interest is payable semi-annually in May and November until redemption date.

The terms and conditions of the issuance of the bonds include provisions regarding early redemption at a bondholder's request to be made prior to 23 February 2018, in case of the occurrence of certain events covering a number of obligations and restrictions applicable to the Company, including the obligation to maintain its financial ratios at certain levels and restrictions on related party transactions.

Notes to the Consolidated Financial Statements

29. Floating rate bonds (cont'd)

Financial ratio covenants:

Series C, D and E:

Based on the bonds conditions, in each reporting period the Company shall test the ratio between Net debt to Equity (hereinafter "Ratio" or "Net Indebtedness Ratio"). The Ratio shall not exceed 60% however if during the Reporting Period the Company paid dividend or performed any buy-out of its treasury shares then the Ratio shall not exceed 50%.

The Net Indebtedness Ratio is a non-GAAP Financial Measure and is calculated according to formulas provided below:

Net debt - shall mean the total consolidated balance sheet value of loans and borrowings less the consolidated value of cash and cash equivalents and short-term bank deposits - collateralized.

Equity - shall mean the consolidated balance sheet value of the equity attributable to equity holders of the parent, less the value of the intangible assets (excluding any financial assets and receivables), including specifically (i) the intangible and legal assets, goodwill and (ii) the assets constituting deferred income tax decreased by the value of the provisions created on account of the deferred income tax, however, assuming that the balance of those two values is positive. If the balance of assets and provisions on account of deferred income tax is negative, the adjustment referred to in item (ii) above shall be zero.

Reporting period - starting from the second quarter of 2013 – means the quarterly reporting period with respect to which the Group Net Indebtedness Ratio will be tested, while a "Reporting period" shall mean a single reporting period, i.e. each calendar quarter.

The table presenting the Net Indebtedness Ratio as at the end of the Reporting period:

As at	31 December 2014
<i>In thousands of Polish Zlotys (PLN)</i>	
Net debt	163,569
Equity	444,469
Net Indebtedness Ratio	36.8%

Series F and H:

Based on the conditions of bonds F and H in each reporting period the Company shall test the ratio of Net debt to Equity (hereinafter "Net Indebtedness Ratio"). The Ratio shall not exceed 80% on the Check Date.

The Net Indebtedness Ratio is Non-GAAP Financial Measure and is calculated according to formulas provided below:

Net debt - shall mean the total consolidated balance sheet value of all interest bearing liabilities less the consolidated value of cash and cash equivalents.

Equity - shall mean the consolidated balance sheet value of the equity attributable to equity holders of the parent.

Check date – last day of each calendar quarter starting from the second quarter of 2014.

The table presenting the Net Indebtedness Ratio as at the end of the Reporting period:

As at	31 December 2014
<i>In thousands of Polish Zlotys (PLN)</i>	
Net debt	165,600
Equity	449,242
Net Indebtedness Ratio	36.9%

Notes to the Consolidated Financial Statements

29. Floating rate bonds (cont'd)

Financial ratio covenants (cont'd):

Series G:

Based on the conditions of bonds G in each reporting period the Company shall test the ratio of Net debt to Equity (hereinafter "Net Indebtedness Ratio"). The Ratio shall not exceed 80% on the Check Date.

The *Net Indebtedness Ratio* is Non-GAAP Financial Measure and is calculated according to formulas provided below:

Net debt - shall mean the total consolidated balance sheet value of all interest bearing liabilities less the consolidated value of cash and cash equivalents and less cash paid by Company's clients blocked temporarily on the escrow accounts servicing ongoing projects that are under construction (presented in the Company's consolidated balance sheet under Other current financial assets).

Equity - shall mean the consolidated balance sheet value of the equity attributable to equity holders of the parent.

Check date – last day of each calendar quarter starting from the second quarter of 2014.

The table presenting the Net Indebtedness Ratio as at the end of the Reporting period:

As at	31 December 2014
<i>In thousands of Polish Zlotys (PLN)</i>	
Net debt	162,878
Equity	449,242
Net Indebtedness Ratio	36.3%

In addition to the above, based on the conditions of bonds G, in each reporting period the Company shall test the Net debt to Inventory Ratio (hereinafter "Net Debt to Inventory Ratio"). The Ratio shall not exceed 50% on the Check Date.

The Net Debt to Inventory Ratio is Non-GAAP Financial Measure and is calculated according to formulas provided below:

Net debt - shall mean the total consolidated balance sheet value of all interest bearing liabilities less the consolidated value of cash and cash paid by Company's clients blocked temporarily on the escrow accounts servicing ongoing projects that are under construction (presented in the Company's consolidated balance sheet under Other current financial assets).

Inventory - shall mean the consolidated balance sheet value of the inventory of the Company less advances received from the customers.

Check date – last day of each calendar quarter starting from the second quarter of 2014.

The table presenting the Net Debt to Inventory Ratio as at the end of the Reporting period:

As at	31 December 2014
<i>In thousands of Polish Zlotys (PLN)</i>	
Net debt	162,878
Inventory	607,488
Net Debt to Inventory Ratio	26.8%

Notes to the Consolidated Financial Statements

30. Secured bank loans

The table below presents the movement in Secured bank loans:

For the year ended 31 December	2014	2013
<i>In thousands of Polish Zlotys (PLN)</i>		
Opening balance	41,978	105,212
New bank loan drawdown	69,819	27,428
Bank loans repayments	(38,413)	(90,589)
Bank charges	(789)	(990)
Bank charges amortization	1,104	1,054
Accrued interest/(interest repayment) on bank loans, net	5	(137)
Total closing balance	73,704	41,978
Closing balance includes:		
Current liabilities	5	14,450
Non-current liabilities	73,699	27,528
Total closing balance	73,704	41,978

For information related to unutilized bank loan facilities see Note 38.

For information related to new bank loans drawn see Note 43.

Covenants on secured bank loans:

As at 31 December 2014 and 2013, the Company has not breached any loan covenant, which would expose the Company for risk of obligatory and immediate repayment of any loan and has been able to extend all expiring loan facilities.

For the bank loans the following collateral was given:

- Ordinary and floating mortgages on Inventory see Note 20.
- Pledge over bank accounts which are presented in the Consolidated Statement of Financial Position as Cash and cash equivalents up to the amounts/installments due amounting to PLN 15,753 thousand and PLN 9,953 thousand as at 31 December 2014 and 31 December 2013, respectively.
- Deposits guarantee for interest on loans, see Note 22.
- Assignment of receivables arising from insurance agreement and from the agreements concluded with clients.
- Subordination agreement on loans from related parties.
- Blank promissory note drawn by particular subsidiary companies with a promissory note declaration up to the amount of the loan plus interest.
- Advance payments of dividends by the borrowers until full repayment of loans are not allowed.

Notes to the Consolidated Financial Statements

31. Loans from third parties

The table below presents the movement in Loans from third parties:

For the year ended 31 December	2014	2013
<i>In thousands of Polish Zlotys (PLN)</i>		
Opening balance	2,657	6,228
Proceeds	-	943
Repayments	-	(4,264)
Interest repayment	(80)	(589)
Accrued interest	160	339
Total closing balance	2,737	2,657
Closing balance includes:		
Current liabilities	-	-
Non-current liabilities	2,737	2,657
Total Closing balance	2,737	2,657

For additional information, see Note 28.

32. Trade and other payables and accrued expenses

As at 31 December	2014	2013
<i>In thousands of Polish Zlotys (PLN)</i>		
Trade payables	27,706	19,200
Guarantees for construction work ⁽¹⁾	4,189	4,694
Accrued expenses	11,002	6,180
Value added tax (VAT) and other tax payables	478	779
Non-trade payables	336	1,835
Total trade and other payables and accrued expenses	43,711	32,688

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

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

Notes to the Consolidated Financial Statements

33. Advances received

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

As at 31 December	2014	2013
<i>In thousands of Polish Zlotys (PLN)</i>		
Chilli I+II	41	85
Chilli III	2,495	-
Espresso I	221	40,477
Espresso II	6,126	1,715
Gemini II	56	112
Verdis I+II	344	10,832
Verdis III	25,181	1,636
Verdis IV	3,461	-
Kamienica Jezyce I	831	-
Sakura I+II	362	1,715
Sakura III	24,265	1,773
Sakura IV	5,947	-
Tamka	13,652	861
Naturalis I+II+III	148	1,016
Panoramika I	29	777
Panoramika II	379	-
Młody Grunwald I	300	7,109
Młody Grunwald II	2,288	-
Moko I	6,684	-
Constans	231	2,138
Impressio II	5,951	67
Other	21	252
Total	99,013	70,565

For information about contingent receivables from signed contracts with clients, see Note 38.

34. Provisions

For the year ended 31 December	2014	2013
<i>In thousands of Polish Zlotys (PLN)</i>		
Balance at the beginning of the year	201	231
Increase/(decrease)	877	(30)
Balance at the end of the year	1,078	201

As at 31 December 2014, the provision included expected necessary costs of guarantees for construction works amounting to PLN 1,078 thousand, whereas as at 31 December 2013, the provision included expected necessary costs of guarantees for construction works amounting to PLN 201 thousand.

Notes to the Consolidated Financial Statements

35. Share-based payments

In February 2014 the Company implemented a long-term incentive plan (the 'Plan'), addressed to selected key employees, which is based on the price performance of the Company's shares (the "Phantom Stock Plan"). The Phantom Stock Plan, which does not assume any new issue of shares and which will not result in any new shares supply is based on the following key assumptions and includes the settlement mechanism as described below:

- i. the exercise price of one option under the Phantom Stock Plan is PLN 1.6;
- ii. the total number of options is 2,705,000 (which is the equivalent of approximately 1% of the Company's total number of shares), and the allocation of options to particular employees shall be made by way of a separate decision of the remuneration committee of the Remuneration Committee;
- iii. benefits will be aggregated among the selected employees (of the Company or of its subsidiaries) who join the Phantom Stock Plan through the end of 2015, of which (a) 50% is awarded as of the date of the decision of the Remuneration Committee approving the Phantom Stock Plan, (b) 25% as of the end of 2014, and (c) 25% by the end of 2015;
- iv. employees participating in the Phantom Stock Plan maintain the right to exercise their options until the end of 2017 (or a maximum of two years from the date they are no longer employed by the Ronson Group);
- v. upon the exercise of the options, the Company will pay the option holder the amount in cash equal to the difference between PLN 1.6 and the current market price of the shares in the Company ("Current Market Price") allocated to a particular employee (option holder);
- vi. the Current Market Price will be calculated as the average trading price of the shares during the preceding calendar month, whereby the average trading price shall be determined by calculating the total turnover value in PLN of all of the shares in the Company traded during that period divided by the total number of shares traded during such period (however, if the total value of the overall turnover in any particular month is lower than PLN 100 thousand, then the Current Market Price shall be calculated on the basis of the most recent two-month market average);
- vii. in the event that the free float is less than 10% of all the outstanding shares in the Company, the Current Market Price will be established by a reputable valuation company based on a comparable valuation of Ronson's peer companies listed on the Warsaw Stock Exchange (based on P/E and P/BV multiples);
- viii. an option holder shall be entitled to submit a payment request during the first five working days of each calendar month, provided that all employees must observe any trading restrictions related to the sale/purchase of the Company's shares by Management and Supervisory Board members and key management under applicable regulations, especially with respect to the observance of closed periods.

Based on the Remuneration Committee decision, out of the total 2,705,000 options, 950,000 options were allocated to Tomasz Łapiński, and 675,000 options were allocated to Andrzej Gutowski while the remaining 1,080,000 options were allocated to other key employees of the Company. Of the total 2,705,000 options 50%, i.e. 1,352,500 options, were granted and vested on 3 February 2014.

As at 31 December 2014, the total number of options granted is 2,705,000, the weighted average fair value of these options using the Black-Scholes valuation model is approximately PLN 0.31 per option. The significant inputs into the model were a weighted average share price of PLN 1.49, the exercise price mentioned above, volatility of 47%, dividend yield of 3%, an option life of 2 years and an annual risk free rate of 6%.

The fair value of these options, as at 31 December 2014, amounting to PLN 702 thousand, has been included in the Company's consolidated balance sheet under Share based payment liabilities. The change in fair value for the year ended 31 December 2014, also amounting to PLN 702 thousand, is recognized in employee benefits expense.

During the year ended 31 December 2014, no options were exercised.

Notes to the Consolidated Financial Statements

36. Fair value estimation of financial assets and liabilities

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

<i>In thousands of Polish Zlotys (PLN)</i>	<i>Category</i>	<i>Note</i>	As at 31 December 2014	
			Carrying amount	Fair value
Assets:				
Trade and other receivables	<i>Loans and receivables</i>	21	1,639	1,639
Short-term bank deposits – collateralized	<i>Loans and receivables</i>	22	2,031	2,020
Loans granted to third parties	<i>Loans and receivables</i>	17	1,623	1,749
Other current financial assets	<i>Loans and receivables</i>	23	2,722	2,722
Cash and cash equivalents	<i>Held for trading</i>	24	70,590	70,590
Liabilities:				
Floating rate bonds	<i>Other financial liabilities</i>	28	159,749	160,348
Secured bank loans	<i>Other financial liabilities</i>	28	73,704	73,754
Loans from third parties	<i>Other financial liabilities</i>	28	2,737	2,783
Trade and other payables and accrued expenses	<i>Other financial liabilities</i>	32	43,233	43,233
Unrecognized loss				(580)

<i>In thousands of Polish Zlotys (PLN)</i>	<i>Category</i>	<i>Note</i>	As at 31 December 2013	
			Carrying amount	Fair value
Assets:				
Trade and other receivables	<i>Loans and receivables</i>	21	32,428	32,428
Short-term bank deposits – collateralized	<i>Loans and receivables</i>	22	1,268	1,261
Loans granted to third parties	<i>Loans and receivables</i>	17	1,473	1,216
Other current financial assets	<i>Loans and receivables</i>	23	515	515
Cash and cash equivalents	<i>Held for trading</i>	24	52,153	52,153
Liabilities:				
Floating rate bonds	<i>Other financial liabilities</i>	28	119,366	119,274
Secured bank loans	<i>Other financial liabilities</i>	28	41,978	42,000
Loans from third parties	<i>Other financial liabilities</i>	28	2,657	2,375
Trade and other payables and accrued expenses	<i>Other financial liabilities</i>	32	31,909	31,909
Unrecognized gain				88

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, other current financial assets and trade and other payables: the carrying amounts approximate fair value because of the short maturity of these instruments;
- short-term bank deposit – collateralized : the fair value is estimated by discounting the future cash flows of each instrument using discount rates offered to the Group for similar instruments of comparable maturities by the Group's bankers;
- loans and borrowings: the fair value is estimated by discounting the future cash flows of each instrument using discount rates offered to the Group for similar instruments of comparable maturities by the Group's bankers. The own non-performance risk as at 31 December 2014 was assessed as insignificant.

Notes to the Consolidated Financial Statements

36. Fair value estimation of financial assets and liabilities (cont'd)

Interest rates used for determining fair value

The interest rates used to discount estimated cash flows (PLN denominated), where applicable, are based on WIBOR plus/minus margin as at 31 December 2014 and 31 December 2013 and are as follows:

As at 31 December	2014	2013
Loans and borrowings	4.56-6.3%	5.6%-7.3%
Short-term bank deposits – collateralized	2.1%	2.7%

37. Fair value measurement hierarchy

The table below provides the fair value measurement hierarchy of the Group's assets and liabilities:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Quantitative disclosures fair value hierarchy for assets as at 31 December 2014:

<i>In thousands of Polish Zlotys (PLN)</i>	<i>Date of valuation</i>	Fair value measurement using:		
		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value:				
Investment property	31-Dec-14	-	-	9,217
Assets for which fair values are disclosed:				
Loans granted to third parties	31-Dec-14	-	1,749	-
Short-term bank deposits – collateralized	31-Dec-14	-	2,020	-
Liabilities for which fair values are disclosed:				
Floating rate bonds	31-Dec-14	-	160,348	-
Secured bank loans	31-Dec-14	-	73,754	-
Loans from third parties	31-Dec-14	-	2,783	-

During 2014, there have been no transfers between Level 1 and Level 2.

For information related additional information about the significant unobservable inputs (level 3) see Note 16.

Notes to the Consolidated Financial Statements

38. Commitments and contingencies

Investment commitments:

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

As at 31 December	2014	2013
<i>In thousands of Polish Zlotys (PLN)</i>		
Moko I	35,301	-
Kamienica Jezyce I	28,109	-
Panoramika II	24,500	-
Tamka	18,354	26,837
Młody Grunwald II	18,183	-
Espresso II	16,972	25,047
Impressio II	17,038	30,708
Sakura IV	12,852	-
Verdis IV	11,646	-
Verdis III	11,361	23,219
Sakura III	4,158	19,515
Chilli III	-	4,471
Młody Grunwald I	-	1,811
Espresso I	-	1,941
Total	198,474	133,549

Contingent liabilities:

As at 31 December 2014 and as at 31 December 2013, the Group did not have any contingents liabilities.

Unutilized construction loans:

The table below presents the list of the construction loan facilities, which the Company arranged for in conjunction with entering into loan agreements with the banks in order to secure financing of the construction and other outstanding costs of the ongoing projects. The amounts presented in the table below include the unutilized part of the construction loans available to the Company:

As at 31 December	2014	2013
<i>In thousands of Polish Zlotys (PLN)</i>		
Espresso I	-	4,491
Espresso II	22,305	35,000
Sakura III	4,415	33,103
Sakura IV	13,012	28,025
Tamka	-	33,186
Impressio II	20,314	34,750
Moko I	42,450	57,450
Młody Grunwald II	15,142	-
Kamienica Jezyce I	28,671	-
Total	146,309	226,005

Notes to the Consolidated Financial Statements

38. Commitments and contingencies (cont'd)

Contingent receivables - contracted sales not yet recognized:

The table below presents amounts to be received from the customers having bought apartments from Ronson subsidiary companies and which are based on the value of the sale and purchase agreements signed with the clients until 31 December 2014 after deduction of payments received at reporting date (such payments being presented in the Consolidated Statement of Financial Position as Advances received):

As at 31 December	2014	2013
<i>In thousands of Polish Zlotys (PLN)</i>		
Tamka	26,153	9,672
Moko I	34,255	-
Verdis III	22,045	6,155
Espresso II	16,271	6,937
Sakura III	9,098	7,546
Sakura IV	11,017	-
Impressio II	7,706	358
Verdis IV	10,747	-
Młody Grunwald II	6,519	-
Kamienica Jeżyce I	10,893	-
Chilli III	1,233	413
Sakura I & II	987	4,902
Panoramika II	3,046	-
Naturalis I, II & III	1,513	2,378
Espresso I	686	13,316
Constans	776	969
Chilli I & II	363	568
Verdis I & II	117	10,844
Młody Grunwald I	28	10,629
Gemini II	50	640
Panoramika I	4	2,058
Impressio I	-	335
Total	163,507	77,720

39. Related parties

Parent company

The Company enters into various transactions with its subsidiaries and with its directors and executive officers. The interest in the Company held (indirectly) by two leading shareholders, (1) Global City Holdings N.V. and (2) U. Dori Group Ltd. each holding (indirectly) 39.8% of the Company's share capital and votes. The Company's immediate shareholders are I.T.R. 2012 B.V., I.T.R. Dori B.V. and RN Residential B.V. (previously GE Real Estate CE Residential B.V.), controlled since November 2013 by U. Dori Group Ltd. and I.T.R. 2012 B.V., with an interest in shares in the Company's capital of 32.1%, 32.1% and 15.3%, respectively, as at 31 December 2014. For a list of subsidiaries reference is made to Note 1(b).

Notes to the Consolidated Financial Statements

39. Related parties (cont'd)

The main related parties' transactions arise on:

- transactions with key management personnel;
- loans granted to related parties;
- other.

Outstanding balances with related parties as at 31 December 2014 and as at 31 December 2013 are unsecured, interest free (except for loans granted to the joint venture (Ronson IS sp. z o.o. Sp.k.) and settlement occurs in cash. The Group did not record any impairment of receivables relating to amounts owed by related parties in either year. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates. All transactions with related parties were performed based on market conditions.

Transactions with key management personnel

As at 31 December 2014, key management personnel of the Company include:

Shraga Weisman	-	President of the Management Board, Chief Executive Officer
Tomasz Łapiński	-	Member of the Management Board, Chief Financial Officer
Andrzej Gutowski	-	Member of the Management Board, Sales and Marketing Director
Peter Dudolenski	-	Member of the Management Board
Ronen Ashkenazi	-	Member of the Management Board

Key Management Board personnel compensation

Apart from the compensation listed below, there were no further benefits, including share based payments granted to key management personnel that were granted during 2014. Key management personnel compensation can be presented as follows:

For the year ended 31 December	2014	2013
<i>In thousands of Polish Zlotys (PLN)</i>		
Salary and other short term employee benefits	1,437	1,534
Management bonus	67	582
<i>Subtotal - Mr Shraga Weisman</i>	1,504	2,116
Salary and other short term employee benefits	510	522
Management bonus	16	131
Incentive plan linked to financial results	-	-
Current value of the potential benefits from the incentive plan linked to the share price performance (not paid)*	247	-
<i>Subtotal - Mr Tomasz Łapiński</i>	773	653
Salary and other short term employee benefits	297	311
Management bonus	15	222
Incentive plan linked to financial results	257	-
Current value of the potential benefits from the incentive plan linked to the share price performance (not paid)*	172	-
<i>Subtotal - Mr Andrzej Gutowski</i>	741	533
Total	3,018	3,302

* For additional information see note 35.

Notes to the Consolidated Financial Statements

39. Related parties (cont'd)

Share based payments to members of the Management Board

During 2014, upon recommendation of the Remuneration Committee and approval by the Supervisory Board, 950,000 options under the existing long-term incentive plan were allocated to Mr Tomasz Łapiński, and 675,000 options were allocated to Andrzej Gutowski. Of these options 50% were granted and vested on 3 February 2014. For a detailed description of the Company's long-term incentive plan, reference is made to Note 35

Loans to directors

As at 31 December 2014 and 31 December 2013, there were no loans granted to directors.

Supervisory Board remuneration

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). During the year ended 31 December 2014, the Supervisory Board consisted of five members. One Supervisory Board member has waived his remuneration and thus did not receive any payment from the Company. The total amount due in respect of Supervisory Board fees during 2014 is PLN 253 thousand (EUR 60 thousand; 2013: PLN 281 thousand (EUR 67 thousand)).

Residential units purchased by key management

During the year ended 31 December 2014, the Group sold one residential unit including two parking place and one storage to Mr Andrzej Gutowski for a total net amount (excluding VAT) of PLN 872 thousand. This transaction was executed at arm's length and was in adherence to the Group's policy in respect of related-party transactions.

During the year ended 31 December 2013, the Group sold residential one unit including one parking place and one storage to Mr Shraga Weisman for a total net amount (excluding VAT) of PLN 890 thousand. These transactions were executed at arm's length and were in adherence to the Group's policy in respect of related-party transactions.

Loans granted to the joint venture

The loans are granted to the joint venture, Ronson IS sp. z o.o. Sp.k.. For additional information see Note 18.

Other

As a result of requirements pertaining to U. Dori Group Ltd., one of the Company's larger (indirect) shareholders, whose shares are listed on the Tel Aviv stock exchange, the first quarter reports, semi-annual reports and third quarter reports are subject to a full scope review by the Company's auditors. For the Company itself, being domiciled in the Netherlands and listed on the Warsaw Stock Exchange, only the semi-annual report is subject to an audit review. The Company has agreed with U. Dori Group that the costs for the first and third quarter audit review will be fully reimbursed to the Company. The reimbursement of audit review costs is disclosed in Note 15 to the Company Financial Statements.

Notes to the Consolidated Financial Statements

40. Financial risk management, objectives and policies

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

The Group does not use derivative financial instruments to hedge currency or interest rate risks arising from the Group's operations and its sources of finance. It is, and has been throughout the year ended 31 December 2014 and 2013, the Group's policy that no trading in (derivative) financial instruments shall be undertaken.

The Group's principal financial instruments comprise cash balances, bank loans, bonds, trade receivables and trade payables. The main purpose of these financial instruments is to manage the Group's liquidity and to raise finance for the Group's operations.

Credit risk

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

The Group is making significant cash payments as security for preliminary land purchase agreements. The Group minimizes its credit risk arising from such payments by registering advance repayment obligations in the mortgage register of the respective property. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The Group does not expect any counter parties to fail in meeting their obligations. The carrying amounts of the financial assets represent the maximum credit risk exposure. The maximum exposure to credit risk at the reporting date was as follows:

<i>In thousands of Polish Zloty (PLN)</i>	As at 31 December 2014	As at 31 December 2013
Trade and other receivables	2,600	4,817
Short-term bank deposits – collateralized	2,031	1,268
Cash and cash equivalents	70,590	52,153
Total	75,221	58,238

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

<i>In thousands of Polish Zloty (PLN)</i>	As at 31 December 2014	As at 31 December 2013
Rating		
AAA	13	16
A	27,352	40,210
BB	28,986	-
BBB	14,239	11,927
Total cash at banks and short-term bank deposits	70,590	52,153

Notes to the Consolidated Financial Statements

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

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments, such as bank loans, floating rate bond loans, cash and cash equivalents and short-term bank deposits. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing return.

(i) Foreign currency risk

The Group is exposed to foreign currency risk on receivables and payables denominated in a currency other than PLN to a limited extent only. As at 31 December 2014 and 2013, trade receivables and payables denominated in foreign currencies were insignificant.

(ii) Price risk

The Group's exposure to marketable and non-marketable securities price risk does not exist because the Group has not invested in securities as at 31 December 2014 and 2013.

(iii) Interest rate risk

The Group didn't enter into any fixed-rate borrowings transaction. 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.

Liquidity risk

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

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

Consolidated Financial Statements for the year ended 31 December 2014

Notes to the Consolidated Financial Statements

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

Interest rate risk and liquidity risk analyzed

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

As at 31 December 2014								
<i>In thousands of Polish Zlotys (PLN)</i>	Note	Average effective interest rate	Total	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Fixed rate instruments								
Cash and cash equivalents	24	0.05%-0.2%	9,951	9,951	-	-	-	-
Short-term bank deposits - collateralized	22	1.5%-2.2%	2,031	2,031	-	-	-	-
Variable rate instruments								
Loans granted to third parties	17	11.8% ⁽¹⁾	1,623	-	-	918	705	-
Cash and cash equivalents	24	Wibor + 0.1%-1% WIBOR + Bank's margin	60,639	60,639	-	-	-	-
Secured bank loans	28	6.8% ⁽²⁾	73,704	5	73,699	-	-	-
Loans from others	28	Wibor 6M + 3.75%-4.55%	2,737	-	-	2,737	-	-
Floating rate bonds	28		159,749	924	-	32,446	126,379	-

⁽¹⁾ The interest rate is calculated based on the latest interest rate calculated on the construction credit/loan granted by bank to the Group increased by 7%, and updated at the beginning of every quarter.

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

As at 31 December 2013								
<i>In thousands of Polish Zlotys (PLN)</i>	Note	Average effective interest rate	Total	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Fixed rate instruments								
Cash and cash equivalents	24	0.05%-0.2%	5,185	5,185	-	-	-	-
Short-term bank deposits - collateralized	22	1.5%-2.5%	1,268	1,268	-	-	-	-
Variable rate instruments								
Loans granted to third parties	17	12.2% ⁽¹⁾	1,473	843	-	-	630	-
Cash and cash equivalents	24	Wibor + 0.1%- 0.5% Wibor + Bank's margin	46,968	46,968	-	-	-	-
Secured bank loans	28	7.2%-8.6% ⁽²⁾	41,978	157	14,293	27,528	-	-
Loans from others	28	Wibor 6M + 3.75%-4.95%	2,657	-	-	-	2,657	-
Floating rate bonds	28		119,366	5,005	-	-	114,361	-

⁽¹⁾ The interest rate is calculated based on the latest interest rate calculated on the construction credit/loan granted by bank to the Group increased by 7%, and updated at the beginning of every quarter.

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

Notes to the Consolidated Financial Statements

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

Interest rate risk and liquidity risk analyzed (cont'd)

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

<i>In thousands of Polish Zlotys (PLN)</i>	As at 31 December 2014		As at 31 December 2013	
	Increase by 1%	Decrease by 1%	Increase by 1%	Decrease by 1%
Statement of comprehensive income				
Variable interest rate assets	208	(208)	190	(190)
Variable interest rate liabilities *	(787)	787	(575)	575
Total	(579)	579	(385)	385
Net assets				
Variable interest rate assets	208	(208)	190	(190)
Variable interest rate liabilities *	(787)	787	(575)	575
Total	(579)	579	(385)	385

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

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

<i>In thousands of Polish Zlotys (PLN)</i>	As at 31 December 2014			
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Loans and borrowings	13,998	120,676	133,942	-
Trade and other payables	43,233	-	-	-
Total	57,231	120,676	133,942	-
<i>In thousands of Polish Zlotys (PLN)</i>	As at 31 December 2013			
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Loans and borrowings	30,044	36,148	138,839	-
Trade and other payables	31,909	-	-	-
Total	61,953	36,148	138,839	-

Notes to the Consolidated Financial Statements

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

Real-estate risk

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

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

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

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

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

Notes to the Consolidated Financial Statements

41. Capital management

When managing capital, it is the Group's objective to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the profit appropriation, return capital to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio and leverage. The Group's policy is to keep the gearing ratio of the Group lower than 60%, and a leverage of the Group lower than 50%.

Banking covenants vary according to each loan agreement, but typically are not related directly to the gearing ratio of the Company but to the proportion of loan to value of the mortgage collateral which usually is required not to cross the limit of 50% or 60%. Moreover the Company is obliged to monitor its indebtedness according to the conditions of the bond issuance, which require, amongst others, that in each reporting period the Company shall test the ratio between Net debt to Equity. The Ratio shall not exceed 60% however if during the Reporting Period the Company paid dividend or performed any buy-out of its treasury shares then the Ratio shall not exceed 50% (for additional information see Note 29).

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

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

The gearing ratios and leverage at 31 December 2014 and 31 December 2013 were as follows:

As at 31 December	2014	2013
<i>In thousands of Polish Zlotys (PLN)</i>		
Loan and borrowings, including current portion	236,190	164,001
Less: cash and cash equivalents	(70,590)	(52,153)
Net debt	165,600	111,848
Total equity	451,341	466,556
Total capital employed	616,941	578,404
Gearing ratio	36.7%	24.0%
Leverage	26.8%	19.3%

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

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

Notes to the Consolidated Financial Statements

42. Cash flow reconciliation

Inventory

For the year ended 31 December	2014	2013
<i>In thousands of Polish Zlotys (PLN)</i>		
Balance sheet change in inventory	(101,711)	48,629
Finance expense, net capitalized into inventory	10,139	13,610
Transferred from advance for land	28,969	-
Write-down of inventory	(12,471)	-
Inventory transferred into investment property	-	(787)
Inventory transferred into fixed assets	-	(1,030)
Change in inventory in the consolidated statement of cash flows	(75,074)	60,422

Trade and other receivables and prepayments

For the year ended 31 December	2014	2013
<i>In thousands of Polish Zlotys (PLN)</i>		
Balance sheet change in trade and other receivables and prepayments	29,404	(7,459)
Transferred to inventory	(28,969)	-
Change in Trade and other receivables and prepayments in the consolidated statement of cash flows	435	(7,459)

43. Events during the financial year

Land purchase

In May 2014, the Group signed with private individuals (the "Sellers") the final sale-purchase agreement concerning undeveloped land situated in Warsaw, district Mokotów at Jaśminowa Street with a total size of 82 thousand m².

The total purchase price for the land purchase was PLN 65.57 million, of which PLN 20.75 million was paid in advance by the Company in June 2012 while the remaining purchase amount (PLN 44.82 million) was paid in May 2014.

Incentive plan

On 3 February 2014, the Supervisory Board of the Company adopted an incentive plan addressed to selected key employees, which is linked to the price performance of the Company's shares (the "Phantom Stock Plan"). The Phantom Stock Plan does not assume any new issue of shares and will not result in any new shares supply. For a detailed description of the Plan, reference is made to Note 35.

Bank loans

In September 2014, the Company entered into an annex to the loan facility with Bank Zachodni WBK S.A. with an aggregate value of PLN 18.4 million. Based on the signed annex, the repayment date of a part of the loan equal to PLN 7.6 million has been agreed for October 2014, while the repayment date of the remaining loan amount (PLN 10.8 million) has been extended until January 2016.

In November 2014, the Company executed loan agreement with Bank Zachodni WBK S.A. related to the second stage of housing development project Młody Grunwald in Poznań. Under these loan agreement Bank Zachodni WBK S.A. is to provide financing to cover the costs of construction up to the total amount of PLN 24.0 million. Under the loan agreement the final repayment date of the loan facility is established for December 2016.

Notes to the Consolidated Financial Statements

43. Events during the financial year (cont'd)

Bank loans (cont'd)

In November 2014, the Company executed loan agreement with Bank Zachodni WBK S.A. related to the first stage of housing development project Kamienica Jeżyce in Poznań. Under these loan agreement Bank Zachodni WBK S.A. is to provide financing to cover the costs of construction up to the total amount of PLN 28.6 million. Under the loan agreement the final repayment date of the loan facility is established for December 2016.

Bond loans

On 20 May 2014, the Company issued 280,000 series F bonds with a total nominal value of PLN 28,000 thousand. The nominal value of one bond amounts to PLN 100 and is equal to its issue price. The series F bonds shall be redeemed on 20 May 2018. The bonds carry an interest rate composed of a base rate equal to 6 months Wibor plus a margin. Interest is payable semi-annually in May and November until redemption date (for additional information see Note 29).

On 30 April 2014, the Company issued 120,000 series G bonds with a total nominal value of PLN 12,000 thousand. The nominal value of one bond amounts to PLN 100 and is equal to its issue price. The series G bonds shall be redeemed on 30 January 2018. The bonds carry an interest rate composed of a base rate equal to 6 months Wibor plus a margin. Interest is payable semi-annually in April and October until redemption date (for additional information see Note 29).

On 23 May 2014, the Company issued 50,000 series H bonds with a total nominal value of PLN 5,000 thousand. The nominal value of one bond amounts to PLN 100 and is equal to its issue price. The series H bonds shall be redeemed on 23 February 2018. The bonds carry an interest rate composed of a base rate equal to 6 months Wibor plus a margin. Interest is payable semi-annually in May and November until redemption date (for additional information see Note 29).

Completions of projects

In February 2014, the Company completed the construction of the Espresso I project comprising 210 units with a total area of 9,500 m².

In May 2014, the Company completed the construction of the Młody Grunwald I project comprising 148 units with a total area of 8,500 m².

In November 2014, the Company completed the construction of the Chili III project comprising 38 units with a total area of 2,300 m².

Commencements of new projects

In March 2014, the Company commenced the construction work of the Sakura IV project, which will comprise 114 units with an aggregate floor space of 6,600 m².

In March 2014, the Company commenced the sales of units of the Młody Grunwald II project, with the construction works commenced in April 2014. The Młody Grunwald II project will comprise 137 units with an aggregate floor space of 8,200 m².

In June 2014, the Company commenced the construction work of the Verdis IV project, which will comprise 78 units with an aggregate floor space of 4,000 m².

In June 2014, the Company commenced the sales of units of the Panoramika II project, the construction work is commenced in September 2014. The Panoramika II project will comprise 107 units with an aggregate floor space of 5,900 m².

In September 2014, the Company commenced the construction work of the Moko I project, which will comprise 179 units with an aggregate floor space of 11,300 m².

In September 2014, the Company commenced the construction work of the Kamienica Jeżyce I project, which will comprise 144 units with an aggregate floor space of 7,800 m².

Notes to the Consolidated Financial Statements

44. Subsequent events

Bank loans

None.

Commencements of new projects

In February 2015, the Company commenced the construction work of the Espresso III project, which will comprise 155 units with an aggregate floor space of 8,300 m².

In February 2015, the Company commenced the construction work of the Moko II project, which will comprise 169 units with an aggregate floor space of 12,600 m².

Completions of projects

In January 2015, the Company completed the construction of the Sakura III project comprising 145 units with a total area of 7,300 m².

Bonds

On 23 January 2015, the Company issued 10,000 series I bonds with a total nominal value of PLN 10,000 thousand. The nominal value of one bond amounts to PLN 100 and is equal to its issue price. The series I bonds shall be redeemed on 25 January 2019. The bonds carry an interest rate composed of a base rate equal to 6 months Wibor plus a margin. Interest is payable semi-annually in January and July until redemption date.

Land purchase

In February 2015, the Group entered into a preliminary purchase agreement in respect of plot of land located at Wolska Street in Warsaw with the total area of 7.2 thousand m². According to the valid zoning conditions, the plot is dedicated for development of residential multifamily project. The purchase price was agreed at PLN 21.1 million, of which 15% has been already pre-paid in February 2015 and the remaining part of the price will be settled on a day of transfer of the ownership of the plot to the buyer. The parties agreed that the transaction shall be settled by the end of 2015.

Company Financial Statements for the year ended 31 December 2014

Company Statement of Profit or Loss

For the year ended 31 December		2014	2013
<i>In thousands of Polish Zlotys (PLN)</i>	<i>Note</i>		<i>(restated*)</i>
Revenues from consulting services		4,472	5,402
General and administrative expense	3	(4,437)	(3,395)
Operating profit/(loss)		35	2,007
Finance income	5	10,410	9,656
Finance expense	5	(11,404)	(10,226)
Net finance income/(expense)		(994)	(570)
Profit/(loss) before taxation		(959)	1,437
Income tax	6	-	-
Profit/(loss) before result from subsidiaries		(959)	1,437
Result from subsidiaries after taxation	8	(14,472)	17,211
Profit/(loss) for the year		(15,431)	18,648

* Certain amounts shown do not correspond to the Company Financial Statements as at 31 December 2013 and reflect adjustments made as detailed in Note 2(f) to the Consolidated Financial Statements (see pages 59 and 60).

The notes on pages 120 to 125 are an integral part of these Company financial statements.

Company Financial Statements for the year ended 31 December 2014

Company Statement of Financial Position

After profit appropriation

As at 31 December		2014	2013
<i>In thousands of Polish Zlotys (PLN)</i>	<i>Note</i>		(restated*)
Assets			
Investment in subsidiaries	8	441,523	454,745
Loan granted to subsidiaries	9	158,747	105,054
Total non-current assets		600,270	559,799
Trade and other receivables and prepayments		719	475
Receivable from subsidiaries		497	4,558
Loan granted to subsidiaries	9	-	21,574
Cash and cash equivalents		12,314	1,403
Total current assets		13,530	28,010
Total assets		613,800	587,809
Equity			
Shareholders' equity	10		
Share capital		20,762	20,762
Share premium reserve		282,873	282,873
Revaluation reserve		3,912	4,096
Retained earnings		141,695	156,942
Total shareholders' equity		449,242	464,673
Liabilities			
Long-term liabilities			
Floating rate bond loans	11	158,825	113,759
Total long-term liabilities		158,825	113,759
Current liabilities			
Floating rate bond loans	11	924	5,607
Payable to subsidiaries		228	-
Accrued interest on loans from subsidiaries		3,310	3,310
Share based payment liabilities		702	-
Trade and other payables and accrued expenses		569	460
Total current liabilities		5,733	9,377
Total liabilities		164,558	123,136
Total shareholders' equity and liabilities		613,800	587,809

* Certain amounts shown do not correspond to the Company Financial Statements as at 31 December 2013 and reflect adjustments made as detailed in Note 2(f) to the Consolidated Financial Statements (see pages 59 and 60).

The notes on pages 120 to 125 are an integral part of these Company financial statements.

Company Financial Statements for the year ended 31 December 2014

Company Statement of Changes in Equity

For the years ended 31 December 2014 and 31 December 2013:

<i>In thousands of Polish Zlotys (PLN)</i>	<u>Share capital</u>	<u>Share premium</u>	<u>Revaluation reserve</u>	<u>Retained earnings</u>	<u>Total equity</u>
Balance at 1 January 2013 (restated*)	20,762	282,873	3,474	148,614	455,723
Payment of dividends (see Note 10)	-	-	-	(8,171)	(8,171)
Net profit for the year ended 31 December 2013	-	-	622	18,026	18,648
Acquisition of non-controlling interest (see Note 26 to the Consolidated Financial Statements)	-	-	-	(1,527)	(1,527)
Balance at 31 December 2013	20,762	282,873	4,096	156,942	464,673
Net profit for the year ended 31 December 2014			(184)	(15,247)	(15,431)
Balance at 31 December 2014	20,762	282,873	3,912	141,695	449,242

* Certain amounts shown do not correspond to the Company Financial Statements as at 31 December 2013 and reflect adjustments made as detailed in Note 2(f) to the Consolidated Financial Statements (see pages 59 and 60).

The notes on pages 120 to 125 are an integral part of these Company financial statements.

Company Financial Statements for the year ended 31 December 2014

Company Statement of Cash Flows

For the year ended 31 December	2014	2013
<i>In thousands of Polish Zlotys (PLN)</i>	<i>Note</i>	(restated*)
Cash flows from/(used in) operating activities		
Profit for the year	(15,431)	18,648
<i>Adjustments to reconcile profit for the period to net cash from/(used in) operating activities:</i>		
Net finance income/(expense), net	5 994	570
Share based payment	702	-
Net results subsidiaries during the year	8 14,472	(17,211)
Subtotal	737	2,007
Decrease/(increase) in trade and other receivables and prepayments	(244)	(19)
Decrease/(increase) in receivable from subsidiaries	4,061	(3,431)
Increase/(decrease) in payable to subsidiaries	228	
Increase/(decrease) in trade and other payable and accrued expense	109	(1,063)
Subtotal	4,891	(2,506)
Interest paid, net	6,242	(3,747)
Net cash from/(used in) operating activities	11,133	(6,253)
Cash flows from/(used in) investing activities		
Loans granted to subsidiaries, net of issue cost	(41,160)	(18,788)
Repayment of loans granted to subsidiaries	3,070	2,500
Dividend from subsidiary	8 17,200	-
Investment in subsidiaries	8 (18,450)	-
Net cash from/(used) in investing activities	(39,340)	(16,288)
Cash flows from/(used) financing activities		
Dividend payment	-	(8,171)
Proceeds from bond loans, net of issue costs	44,118	113,322
Repayment of bond loans	(5,000)	(82,500)
Net cash from/(used) financing activities	39,118	22,651
Net change in cash and cash equivalents	10,911	110
Cash and cash equivalents at 1 January	1,403	1,293
Cash and cash equivalents at 31 December	12,314	1,403

* Certain amounts shown do not correspond to the Company Financial Statements as at 31 December 2013 and reflect adjustments made as detailed in Note 2(f) to the Consolidated Financial Statements (see pages 59 and 60).

The notes on pages 120 to 125 are an integral part of these Company financial statements.

Notes to the Company Financial Statements

1. General

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

The shares of the Company are traded on the Warsaw Stock Exchange since 5 November 2007. As at 31 December 2014, 39.78% of the outstanding shares are controlled by I.T.R. 2012 B.V., which is an indirect subsidiary of Global City Holdings N.V. ('ITR 2012') (32.11% through a jointly controlled partnership formed under Dutch law between ITR 2012 and ITR Dori B.V. and 7.67% through a jointly controlled company formed under Dutch law between ITR 2012 and U. Dori Group) and 39.78% of the outstanding shares are controlled by U. Dori Group Ltd ('U Dori Group') (32.11% through a jointly controlled partnership formed under Dutch law between ITR 2012 and ITR Dori B.V. (of which it holds 50% of the shares) and 7.67% through a jointly controlled company formed under Dutch law between ITR 2012 and U. Dori Group). The remaining 20.44% of the outstanding shares are held by the public.

The Company holds and owns (directly and indirectly) 73 Polish companies. These companies are active in the development and sale of units, primarily apartments, in multi-family residential real-estate projects to individual customers in Poland and lease real estate to third parties. For additional information see Note 1.b to the Consolidated Financial Statements.

2. Accounting principles

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

Revenue from consulting services represents fees charged by the Company to its subsidiaries; this income is eliminated upon consolidation.

Notes to the Company Financial Statements

3. General and administrative expense

For the year ended 31 December	2014	2013
<i>In thousands of Polish Zlotys (PLN)</i>		
External services	1,377	793
Remuneration fees	2,860	2,499
Other	200	103
Total	4,437	3,395

4. Directors' remuneration

Key Management Board personnel compensation

Apart from the compensation listed below, there were no further benefits, in the periods ended 31 December 2014 and 31 December 2013. Key Management Board personnel compensation, payable by the Group, can be presented as follows:

As at 31 December	2014	2013
<i>In thousands of Polish Zlotys (PLN)</i>		
Salary and other short term employee benefits	1,437	1,534
Management bonus	67	582
Subtotal - Mr Shraga Weisman	1,504	2,116
Salary and other short term employee benefits	510	522
Management bonus	16	131
ed to financial results	-	-
Current value of the potential benefits from the incentive plan linked to the share price performance (not paid)*	247	-
Subtotal - Mr Tomasz Łapiński	773	653
Salary and other short term employee benefits	297	311
Management bonus	15	222
Incentive plan linked to financial results	257	-
Current value of the potential benefits from the incentive plan linked to the share price performance (not paid)*	172	-
Subtotal - Mr Andrzej Gutowski	741	533
Total	3,018	3,302

* For additional information see note 35.

Mr Peter Dudolenski and Mr Ronen Ashkenazi are not entitled to any remuneration from the Company and nor from any of the Company's subsidiaries.

According to the conditions of the termination agreement concluded in 2008 with Mr Kerem, former President of the Management Board and former Chief Executive Officer of the Company, the consulting agreement between him and the Company and its subsidiary expired as of end of March 2009 ('Expiration Date'). Mr Kerem is entitled to a bonus equal to 0.5% of the pre-tax profits generated by projects that were owned by the Company as at the Expiration Date. This concerns however only those projects which are based on the plots of land with validated zoning conditions or with the valid master plans. Moreover, Mr Kerem is entitled to an additional bonus equal to 2.5% of the pre-tax profit generated by the projects that were in construction or were completed as at the Expiration Date.

Notes to the Company Financial Statements

4. Directors' remuneration (cont'd)

Supervisory Board remuneration

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). During the year ended 31 December 2014, the Supervisory Board consisted of five members. One Supervisory Board member (Mr Arie Mientkavich) has waived his remuneration and thus did not receive any payment from the Company. The total amount due in respect of Supervisory Board fees during 2014 is PLN 253 thousand (EUR 60 thousand; 2013: PLN 281 thousand (EUR 67 thousand)) and can be presented as follows:

As at 31 December	2014	2013
<i>In thousands of Polish Zlotys (PLN)</i>		
<i>Mr Mark Segall</i>	69	72
<i>Mr Yair Shilhav</i>	69	81
<i>Mr Reuven Sharoni</i>	69	78
<i>Mr Przemyslaw Kowalczyk</i>	46	50
Total	253	281

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

For additional information about transactions with Management Board and Supervisory Board see Note 39 to the Consolidated Financial Statements.

5. Net finance income and expense

For the year ended 31 December	2014	2013
<i>In thousands of Polish Zlotys (PLN)</i>		
Interests and fees on granted loans to subsidiaries	10,337	9,402
Interest income on bank deposits	73	254
Finance income	10,410	9,656
Interest expense on bonds measured at amortized cost	(9,645)	(8,352)
Foreign exchange loss	(15)	-
Commissions and fees	(1,035)	(1,874)
Other	(709)	-
Finance expense	(11,404)	(10,226)
Net finance income/(expense)	(994)	(570)

6. Income tax

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

The Company is not recognizing deferred tax assets on tax losses carried forward in the Netherlands. The accumulated Dutch tax losses available for carry forward as per 31 December 2014 are estimated to be PLN 7,177 thousand (2013: PLN 6,921 thousand).

Company Financial Statements for the year ended 31 December 2014

Notes to the Company Financial Statements

7. Personnel

The Company did not employ any personnel during the financial years ended 31 December 2014 and 31 December 2013.

8. Investment in subsidiaries

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

The movements in subsidiaries are as follows:

For the year ended 31 December	2014	2013
<i>In thousands of Polish Zlotys (PLN)</i>		
		(restated*)
Balance at beginning of the year	454,745	439,196
Investments in subsidiaries	18,450	-
Net result subsidiaries during the year	(14,472)	17,211
Dividends received during the year	(17,200)	-
Acquisition of non-controlling interest	-	(1,527)
Balance at end of the year	441,523	454,745

* Certain amounts shown do not correspond to the Company Financial Statements as at 31 December 2013 and reflect adjustments made as detailed in Note 2(f) to the Consolidated Financial Statements (see pages 59 and 60).

The Company holds and owns (directly and indirectly) 73 Polish companies. These companies are active in the development and sale of units, primarily apartments, in multi-family residential real-estate projects to individual customers in Poland and lease real estate to third parties. For additional information see Note 1.b to the Consolidated Financial Statements.

9. Loan granted to subsidiaries

Loans as at 31 December 2014:

<i>In thousands of Polish Zlotys (PLN)</i>	Currency	Nominal interest rate	Year of maturity	Capital	Accrued interest	Charges and fees	Carrying value
Ronson Development Finco	PLN	6%	2016	10	293	-	303
Ronson Development Skyline	PLN	6%	2018	7,350	3,092	-	10,442
Ronson Development Finco	PLN	Wibor 6M + 4.25%	2017	79,235	2,770	(1,004)	81,001
Ronson Development Finco	PLN	Wibor 6M + 5.05%	2016	23,550	913	(228)	24,235
Ronson Development Finco	PLN	Wibor 6M + 4.0%	2018	28,000	929	(419)	28,510
Ronson Development Finco	PLN	Wibor 6M + 4.75%	2018	5,000	184	(73)	5,111
Ronson Development Finco	PLN	Wibor 6M + 4.75%	2018	9,000	279	(134)	9,145
Total loans granted to Subsidiaries				152,145	8,460	(1,858)	158,747

Notes to the Company Financial Statements

9. Loan granted to subsidiaries (cont'd)

Loans as at 31 December 2013:

<i>In thousands of Polish Zlotys (PLN)</i>	Currency	Nominal interest rate	Year of maturity	Capital	Accrued interest	Charges and fees	Carrying value
Ronson Development Finco	PLN	6%	2016	10	293	-	303
Ronson Development Skyline	PLN	6%	2014	7,350	2,651	-	10,001
Ronson Development Finco	PLN	Wibor 6M + 4.75%	2014	2,500	4,814	-	7,314
Ronson Development Finco	PLN	Wibor 6M + 5.45%	2014	-	3,956	-	3,956
Ronson Development Finco	PLN	Wibor 6M + 4.25%	2017	79,805	2,502	(1,413)	80,894
Ronson Development Finco	PLN	Wibor 6M + 5.05%	2016	23,550	995	(385)	24,160
Total loans granted to subsidiaries				113,215	15,211	(1,798)	126,628

The loans are not secured.

10. Shareholders' equity

The authorized share capital of the Company consists of 800,000,000 shares of EUR 0.02 par value each. The number of issued and outstanding ordinary shares as at 31 December 2014 amounted to 272,360,000 (as at 31 December 2013: 272,360,000 shares).

During the year ended 31 December 2014, no dividend was distributed to the Company's shareholders. During the year ended 31 December 2013, a dividend amounting to PLN 8,170,800 in total or PLN 0.03 per ordinary share, was distributed.

According to Dutch Law, the Company has an amount (net of tax) of PLN 3,912 thousand (2013: PLN 4,096 thousand) as legal reserve relating to unrealized results of changes in fair value of an investment property owned by one of the Company's subsidiaries. This legal reserve is not available for dividend distribution.

11. Floating rate bond loans

As at 31 December 2014, the floating rate bonds loan comprise a loan principal amount of PLN 161,300 thousand plus accrued interest of PLN 924 thousand minus costs directly attributed to the bond issuance (which are amortized based on the effective interest method) amounting to PLN 2,475 thousand. As 31 December 2014 all covenants were met.

For additional information see Notes 28 and 29 to the Consolidated Financial Statements.

12. Commitments and contingencies

As at 31 December 2014, the Company had no commitments and contingencies.

13. Related party transactions

During the financial years ended 31 December 2014 and 31 December 2013, respectively, there were no transactions between the Company on the one hand, and its shareholders, their affiliates and other related parties which would qualify as not being at arm's length.

Notes to the Company Financial Statements

14. Financial risk management, objectives and policies

For a description of the Company's financial risk management, objectives and policies reference is made to Note 40 to the Consolidated Financial Statements.

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

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

For the year ended 31 December	2014	2013
<i>In thousands of Polish Zlotys (PLN)</i>		
Audit remuneration ⁽¹⁾	635	630
Reimbursed audit review costs ⁽²⁾	(189)	(192)
Other services	43	-
Total audit remuneration for the expense of the Company	489	438

⁽¹⁾ Audit remuneration includes amounts paid and due to the Company's auditors worldwide for professional services related to the audit and review of unconsolidated and consolidated financial statements of the Company and its subsidiaries for the relevant year (excluding fees for tax advisory services). The part of the audit fee related to the Dutch auditor amounted to PLN 203 thousand (EUR 49 thousand) for 2014 and PLN 195 thousand (EUR 47 thousand) for 2013.

⁽²⁾ Costs in respect of the audit review of the Company's first and third quarter reports have been reimbursed by one of the Company's shareholders. For an explanation reference is made to Note 39 to the Consolidated Financial Statements (under 'Other').

16. Subsequent events

For a description of the Company's subsequent events, reference is made to Note 44 to the Consolidated Financial Statements.

**Rotterdam,
19 February 2015**

The Management Board

Shraga Weisman
Chief Executive Officer

Tomasz Łapiński
Chief Financial Officer

Andrzej Gutowski
Sales and Marketing Director

Ronen Ashkenazi

Peter Dudolenski

The Supervisory Board

Mark Segall

Arie Mientkavich

Przemysław Kowalczyk

Reuven Sharoni

Yair Shilhav

Other information**Articles of Association rules regarding profit appropriation**

In accordance with Article 30 of the Articles of Association,

- 1) the Management Board, with prior approval of the Supervisory Board, shall determine which portion of the profits – the positive balance of the income statement – shall be reserved. The profit remaining shall be at the disposal of the general meeting;
- 2) profit distributions may only be made to the extent the equity exceeds the paid and called up part of the capital increased with the reserves which must be maintained pursuant to the law;
- 3) Dividends shall be paid after the adoption of the Annual Accounts evidencing that the payment of dividends is lawful. The General Meeting shall, upon a proposal of the Management Board, which proposal must be approved by the Supervisory Board, at least determine (i) the method of payment in case payments are made in cash (ii) the date and (iii) the address or addresses on which the dividends shall be payable;
- 4) the Management Board, with prior approval of the Supervisory Board, may resolve to pay an interim dividend provided the requirement of the second paragraph has been complied with as shown by interim accounts drawn up in accordance with the provision of the law;
- 5) the General meeting may, subject to due observance of the provision of paragraph 2 and upon a proposal by the Management Board, which proposal has been approved by the Supervisory Board, resolve to make distributions out of a reserve which need not to be maintained by virtue of the law;
- 6) cash payments in relation to shares if and in as far as the distributions are payable outside the Netherlands, shall be made in the currency of the country where the shares are listed and in accordance with the applicable rules of the country in which the shares of the Company have been admitted to an official listing on a regulated stock exchange. If such currency is not the same as the legal tender in the Netherlands the amount shall be calculated against the exchange rate determined by the Management Board at the end of the day prior to the day on which the General meeting shall resolve to make the distributions in accordance with paragraph.1 above. If and in as far as the Company on the first day on which the distribution is payable, pursuant to governmental measures or other extraordinary circumstances beyond its control, is not able to pay on the place outside the Netherlands or in the relevant foreign currency, the Management Board is authorized 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 2014, as at the date of this report, Management proposes to allocate the net loss for the year 2014 amounting to PLN 15,431 thousand to Retained earnings. This proposal has been reflected in the Company's Statement of Financial Position per 31 December 2014. However, in line with the prevailing dividend policy, management and the Board of Supervisory Directors will be evaluating the possibility of declaring a dividend during 2015 in light of the Company's financial position, taking into account (i) the current and expected balance sheet of the Company, with close observance of the all balance-sheet linked debt covenants, (ii) the financial needs of the Company aiming to be ranked amongst leading residential developers in Poland and (iii) changing market environment.

Subsequent events – other information

Refer to Note 44 of the Consolidated Financial Statements (page 115).

Auditor's report

The auditor's report is taken up on pages 44 through 48.