Ronson Europe N.V.

Annual Report
for the year ended
31 December 2015

General Information

Management Board

Shraga Weisman
Tomasz Łapiński
Andrzej Gutowski
Yosef Shaked
Erez Yoskovitz

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

To our shareholders

The year 2015 was another year characterized by mixed trends in the global economy. The Polish economy continued to generate growth and general stability, despite the crisis in Eastern Ukraine, which unfolded during 2014 and resulted, amongst other matters, in the growing economic isolation of Russia, an important Polish trade partner. In 2015, the Polish economy grew by approximately 3.6% while unemployment fell to approximately 9.8% with many of the larger Polish cities maintaining rates around 4.0%. According to many economists, the Polish economy is expected to grow by another 3.5% in 2016.

During 2015, the residential market in Poland continued to demonstrate growth both on the demand and on the supply side. In 2015, construction commenced on 168,400 new residential units in Poland, which is an increase of nearly 14% compared to 2014. The total number of building permits granted during 2015 amounted to 189,000, which was 20% 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 2014 resulted in the overall stabilization of real estate prices last year.

Highlights for Ronson Europe N.V. ('the Company') during 2015 include:

- The pre-sale of 906 units which exceeded the Company's plans for 2015 and represented the highest yearly output in the Company's history;
- Delivery of 696 units to our customers, which result is nearly 50% better than the previous record levels of 2013 and 2014;
- Completion of construction works on 7 projects resulting in the receipt of permits for occupancy for 821 units (by over 100% more than during 2014);
- Commencement of construction of 5 projects (Moko II, Espresso III, Kamienica Jeżyce II, City Link I and Vitalia I), representing a total of 925 units (another record for the Company);
- A further strengthening of Ronson's brand name (as affordable quality) resulting from its overall activities.

During 2015, in an environment of increasing competition, the Company sold 906 units with a total value of PLN 338.6 million while in 2014 the Company sold 711 units with the total value of PLN 267.8 million. Net income for 2015 amounted to PLN 19.4 million, while for 2014 the Company reported a net loss amounting to PLN 15.4 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 170,000 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

Contents

Supervisory Board report

We are pleased to present the Financial Statements of Ronson Europe N.V. for the financial year 2015, 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 profit for the year 2015 amounting to PLN 19,350 thousand to Retained earnings.

Supervision

During 2015, 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 seven 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 2015 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 maintains an internal auditor for the Company, who - upon request – examines relevant control procedures within the Company in specific areas.

Financial statements

The Management Board has prepared the Financial Statements for the year ended 31 December 2015. 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 2015. In view of the expiration of his term as member of the Supervisory Board of the Company, it will be proposed to re-appoint Mr Reuven Sharoni during the upcoming General Meeting of Shareholders.

Composition of the Management Board

During the Annual General Meeting of Shareholders held on 24 June 2015, Mr Aharon Soffer was appointed member of the Management Board and managing director B for a term of four years. On the same date, Mr Ronen Ashkenazi stepped down as a member of the Management Board of the Company.

During the Extraordinary General Meeting of Shareholders held on 10 September 2015, Mr Yosef Shaked was appointed member of the Management Board and managing director B for a term of four years. On the same date, Mr Aharon Soffer stepped down as a member of the Management Board of the Company.

During the Extraordinary General Meeting of Shareholders held on 21 December 2015, Mr Erez Yoskovitz was appointed member of the Management Board and managing director B for a term of four years. On the same date, Mr Peter Dudolenski stepped down as a member of the Management Board of the Company.

In view of the expiration of their term as members of the Management Board of the Company, it will be proposed to re-appoint Messrs Shraga Weisman, Tomasz Łapiński and Andrzej Gutowski during the upcoming General Meeting of Shareholders.

2 March 2016
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. A further update of the Dutch Corporate Governance Code was announced on 10 February 2016 to take effect in 2017. The 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 February 2016.

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 (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) in the current financial year.

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 2015, 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 principles of corporate governance applicable to the companies listed on the WSE have been set forth in the document called 'Code of Best Practice for WSE Listed Companies' (the 'WSE Corporate Governance Rules'). In 2015 the governing version of the 'Code of Best Practice for WSE Listed Companies' was the one that entered into force on 1 January 2013, including the changes incorporated under the 19/1307/2012 resolution of the Supervisory Board dated 21 November 2012 (the 'WSE Corporate Governance Rules 2013'). It should be noted that on 13 October 2015, the Supervisory Board of the WSE adopted a new set of corporate governance principles entitled 'Best Practices for WSE Listed Companies 2016', which came into force on 1 January 2016 (the 'WSE Corporate Governance Rules 2016'). Accordingly, the Company as being listed on the WSE in 2015 was subject to the principles of corporate governance set forth in the WSE Corporate Governance Rules 2013 to the extent permitted under the Dutch law as stated below.

The WSE Corporate Governance Rules apply to companies listed on the WSE, irrespective of whether such companies are incorporated in Poland or outside of Poland. The WSE Corporate Governance Rules 2013 consisted of general recommendations relating to best practices for listed companies (Part I) and best practices provisions relating to management boards, supervisory board members and shareholders (Parts II to IV). In connection with the WSE Corporate Governance Rules 2013 in 2015 the companies listed on the WSE were required to disclose in their current reports continuous or incidental non-compliance with the best practices provisions (with the exception of the rules set forth in Part I) and to publish a detailed statement on any non-compliance with the WSE Corporate Governance Rules 2013 (including the rules set forth in Part I) by way of a statement submitted with the company's annual report (the 'Yearly Compliance Statement').

The Company intends, to the extent practicable, to comply with all principles of the WSE Corporate Governance Rules. However, certain principles 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 2013 due to incompatibilities with Dutch law, are included in the reports published on an annual basis, which are also available on the Company's website (www.ronson.pl) and are being issued 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.

As stated above, the 'new' corporate governance principles set forth in the WSE Corporate Governance Rules 2016 came into force on 1 January 2016. The Company intends to further comply with its reporting obligations under Polish law in accordance with its previous practice and disclose, as done previously, continuous or incidental non-compliance with the corporate governance principles under the WSE Corporate Governance Rules 2016 by means of current reports (also published on its website (www.ronson.pl)).

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 53, 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 24 June 2015. 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. His current term as Supervisory Director expires in June 2020. There is no conflict of interest between the Company and other business activities of Mr Segall.

Arie Mientkavich (age 73, Israeli citizen, male), Vice-Chairman

Mr Arie Mientkavich was appointed a member of the Supervisory Board of the Company on 30 June 2011 and re-appointed on 24 June 2015, 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 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 Imagining 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 2020. There is no conflict of interest between Ronson and other business activities of Mr Mientkavich.

Przemyslaw Kowalczyk (age 46, Polish citizen, male)

Mr Przemyslaw Kowalczyk was appointed as a member of the Supervisory Board on 30 June 2011 and re-appointed on 24 June 2015. 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 2020. 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 78, 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 57, Israeli citizen, male)

Mr Yair Shilhav was appointed as a member of the Supervisory Board on 28 September 2007 and re-appointed on 24 June 2015, 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 2020. 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 64, 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. He will be nominated for reappointment at the upcoming General Meeting of Shareholders. Mr Weisman does not perform any activities other than for the Company.

Composition of the Management Board (cont'd)

Tomasz Łapiński (age 39, 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. He will be nominated for reappointment at the upcoming General Meeting of Shareholders. Mr Łapiński does not perform any activities other than for the Company.

Andrzej Gutowski (age 46, 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. He will be nominated for reappointment at the upcoming General Meeting of Shareholders. Mr Gutowski does not perform any activities other than for the Company.

Yosef Shaked (age 40, Israeli citizen, male)

On 10 September 2015, Mr Yosef Shaked was appointed as managing director B and member of the Management Board of the Company, for a term of four years. Mr. Shaked served as VP Business Development of U. Dori Group Ltd. ("Dori Group"). Mr. Shaked also served as a consultant to U. Dori Construction Ltd., a subsidiary of Dori group ("Dori Construction"), and served as Budget Control Manager of Dori Construction during 2008-2012. In Addition, Mr. Shaked has an Independent activity of real estate development in Europe, since 2006. Mr. Shaked holds a BA title in Economics and Management from the Open University, in Israel. His current term as Managing Director expires in September 2019. There is no conflict of interest between the Company and other business activities of Mr Shaked.

Erez Yoskovitz (age 41, Israeli citizen, male)

On 21 December 2015, Mr Erez Yoskovitz was appointed as managing director B and member of the Management Board of the Company, for a term of four years. Mr Yoskovitz serves as CFO of Global City Holdings. From 2009 until 2012, Mr Yoskovitz was CFO of Group in the Electricity and Air conditioning industry. Between 2003 and 2009, he served as CFO in Cinema City in Hungary and Romania (2003-2009), while he worked as senior auditor with KPMG Israel from 2000 until 2003. Mr Yoskovitz holds a MBA title (specialization in finance) at Central European University, Budapest, a CPA (Israel) and BA in economics, business management and accounting, Haifa University. His current term as Managing Director of the Company expires in December 2019. There is no conflict of interest between the Company and other business activities of Mr Yoskovitz.

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 Otwarty Fundusz Emerytalny and Nationale Nederlanden Otwarty Fundusz Emerytalny.

d. Special controlling rights

The Company has issued no shares with special controlling rights.

e. Employees' shares

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

f. Restriction on voting right and issue of depositary receipts

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

g. Agreements with shareholders

Currently, the Company is unaware of any shareholder agreements, except for 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

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 27,500. 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 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.

Yosef Shaked

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

Erez Yoskovitz

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

Remuneration of the Management Board in 2015

Total compensation of the Members of the Management Board, including bonuses and incentive plan linked to Company's financial performance but not including the company car, amounted to PLN 3,869 thousand. Additionally the benefits from the incentive plan linked to the Company's share price performance allocated to the members of the Management Board (calculated based on Black & Scholes method; not paid) amounted to PLN 43 (negative) thousand.

Compensation of the members of the Management Board (including bonuses and incentive plan linked to Company's financial performance) amounted to:

- Mr Shraga Weisman - PLN 2,515 thousand,
- Mr Tomasz Łapiński - PLN 697 thousand (minus results from the potential benefits from the incentive plan linked to the share price performance in the amount of PLN 25 thousand),
- Mr Andrzej Gutowski amounted to PLN 657 thousand (minus results from the potential benefits from the incentive plan linked to the share price performance in the amount of PLN 18 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 were aggregated among the selected employees (of the Company or of its subsidiaries) who joined the Phantom Stock Plan through the end of 2015, of which (a) 50% was 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;

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);

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 2015 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 Group.

Based on the Remuneration Committee decision, Tomasz Łapiński (in addition to his remuneration) is entitled to an aggregated payment which would be equivalent of 0.85% 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 2015 amounted to PLN 243 thousand (EUR 58 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. As of January 2015, the banks required each client to finance at least 10% of the apartment price out of his or her own resources. This requirement increased to 15% in 2016 and will increase 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 Appetite and 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 the Company's business partners.

As a general basic rule, the Companies risk appetite is that they are not interested in acquisition of lands that are not included in the area with valid master development plans or do not have the valid zoning conditions. Land acquisition is always preceded by a very detailed due diligence process (run by the Company's professional employees as well as by external specialists hired by the Company), focusing mainly on zoning conditions and all other issues related to the ability of obtaining the building permit for the particular land/project. Moreover, the Company secures its interests in land purchase contracts demanding mechanisms assuming payments spread over time as well as assuming payment/price corrections.

The Company may be unable to sell the residential units that it builds at attractive prices. The value of a residential property depends to a large extent on its location, architectural design and standard of construction. If the Company misjudges the desirability of a project's location or its design, it may not be able to sell the property at the budgeted price or at all. If the Company is required to reduce the sales price to attract purchasers, the market value of the property could be significantly reduced and the Company's margins could decrease below profitable levels. The failure to sell the residential units at attractive prices may have a material adverse effect on the Company's business, cash flows, financial condition, results of operations or prospects of the Company. The Company's risk appetite is to reduce the above described risk as much as possible. 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 150 units for each stage of completion). The Company's plans for 2016 assume the possibility of commencing the construction of three new projects and seven further stages of projects that are currently under construction comprising some 491 and 688 units respectively, which means that the average scale of each new project, i.e. stage of completion, will be around 120 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.

Although the Company believes that with the proceeds from recent bonds issuances, the Company will have sufficient working capital to finance the current activities, a need may arise in the future for the Company to raise further funds. There can be no guarantee that such further fundraising or any type of fundraising would be successful. The developments and growth of the business of the Company may be constrained if fundraising is not successful or if funds are raised on unfavorable terms, which could have a material adverse effect on the business, cash flows, financial condition, result of operations or prospects of the Company. Since 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, as well as liquidity on capital markets. The Company is pursuing a low risk profile for the capital structure. The Company has a strong capital structure as at 31 December 2015. As a result, The Company is able to start and finance new projects. This strong liquidity position is also associated with our low net indebtedness ratio, which is currently 32.3% (please refer to note 29 of the Consolidated Financial Statement).

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 2015, 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 2015, 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 Otwarty Fundusz Emerytalny holding between 3% and 5% and Nationale Nederlanden Otwarty 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 2 March 2016, the market price was PLN 1.37 per share giving the Company a market capitalization of PLN 373.1 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 ongoing tepid European growth, exacerbated in the last year by the instability in the Ukraine and Middle East refugee crisis, 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 2015, the Group has 872 units available for sale in thirteen locations, of which 716 units are available for sale in six projects that are ongoing as at 31 December 2015 and the remaining 156 units are in completed projects. The six ongoing projects comprise a total of 1,506 units, with a total area of 82,200 m^2. The construction of 1,054 units with a total area of 60,900 m^2 is expected to be completed during 2016, while 452 units, with a total area of 21,300 m^2 are expected to be completed during 2017.

In addition, the Group has a pipeline of 18 projects in different stages of preparation, representing approximately 3,895 residential units with a total area of approximately 281,300 m^2 for future development in Warsaw, Poznań, Wrocław and Szczecin. The Group is considering commencement of another seven stages of the currently running projects comprising 688 units with a total area of 38,600 m^2, and three new projects (including one project where the Company is not an owner of the land yet) comprising 491 units with a total area of 28,900 m^2 (in total 1,179 units with a total area of 67,500 m^2), during 2015.

Company overview (cont'd)

During the financial year ended 31 December 2015, the Company realized sales of 906 units with the total value PLN 338.6 million, which compares favorably to sales of 711 units with a total value of PLN 267.8 million during the year ended 31 December 2014.

During January, April, June and December 2015, 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 December 2018 (PLN 15 million), January 2019 (PLN 10 million), April 2019 (PLN 15.5 million) and June 2019 (PLN 4.5 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

In May 2013, upon approval of the Supervisory Board and the General Meeting of Shareholders, the Company changed its dividend policy and started paying dividends in 2013. 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. As per the current dividend policy, the Board of Supervisory Directors will be evaluating future recommendations by 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.

Upon the proposal by the Management Board and as approval by the Supervisory Board, the Extraordinary General Meeting of Shareholders held on 21 December 2015 approved a dividend payment of PLN 10.9 million equal to PLN 0.04 per share. The dividend payment was made on 30 December 2015. 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 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 nine years. Management believes the Company is well positioned to adapt to changing market conditions. The Company's sales results during the past seven years seem to confirm that the Company has consistently 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. The number of commenced construction sites decreased during 2012 (by 12%) and also during 2013 (by a further 10%) reaching less than 128 thousand units commenced that year. The market conditions improved during 2013 and since 2014 the scale of residential activities has been constantly increasing. The number of units commenced during 2015 reached 168 thousand, which was 14% higher than 2014 (and 31% higher than 2013). It is important to note that the number of new projects built by developers increased during 2015 by 24% after a 36% increase during 2014, while the activity of individual investors increased by 6% and 2%, respectively. 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 since 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 (including for instance cities such as Gdańsk, Łódź or Poznań). Second, in the last few years, the National Bank of Poland has kept interest rates at record low levels (2.5% from July 2013 through September 2014 and 2.0% from October 2014 until March 2015, when the rate was further decreased to 1.5%). These historically low interest rates since 2013 positively impacted the residential market for two reasons. First, mortgage loans became more affordable to 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, 2014 and 2015 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). Despite the number of new apartments introduced to these markets increased to nearly 52,000 during 2015, the total offer of developers as end of year nearly has not changed as similar number of apartments were sold during that period. The total number of new apartments sold in Warsaw during 2015 amounted to 19,300 which was 14% higher than during 2014. Also, the number of new apartments sold in the five major Polish metropolitan areas (other than Warsaw) significantly increased in 2015 compared to 2014, i.e. by 25% (from 26,100 to 32,500). Despite sales results having reached relatively high levels compared with previous years, such robust sales have not translated into any increase in the overall price of apartments as the concomitant increase in development activity has resulted in supply balancing with demand. Moreover, the price limits imposed by the governmental program MdM plays a role as an incentive to many developers to shape their development activity to offer apartments at relatively low prices to allow purchasers to qualify for the government subsidies.

The year 2015 confirmed a continuation of the trends observed for 2014, and that is in spite of more stringent borrowing requirements imposed by the banks offering mortgage loans to private individuals whereby the obligatory equity input by mortgage applicants has been raised to 10% of the purchased flat value. It is interesting to note, however that despite record low interest rates, the number and value of mortgage loans increase during 2015 (by 4% and 7% respectively, compared to 2014) was much slower than the dynamics of sales of apartments, which suggests that the most recent growth of the residential market is driven mainly by buyers not using mortgage loans.

The market environment remains favorable to market leaders expanding their activities and increasing their market share. The continuing positive market trends in 2014 and in 2015 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 2015 reported by the ten largest residential developers listed on the Warsaw Stock Exchange were 27% higher than during 2014. Simultaneously, according to REAS (real estate agency analyzing the Polish residential market), the total number of units offered for sale in the six largest Polish cities remained stable, i.e. it amounted to 48,700 at end of 2015 compared to 47,000 at the end of December 2014. This confirms that developers are adjusting their activities to market dynamics and are expanding their supply on a reasonable basis.

Management believes that all of the above factors, particularly taking into account the significantly improving sales results reported during 2014 and 2015 both for the Company and for the Polish market as a whole, suggest that there is ongoing strength in the Polish residential market for at least the following several quarters.

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Business highlights during the year ended 31 December 2015

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 2015:

Project name	Location	Number of units	Net saleable area (m^2)
Verdis III (*)	Warsaw	146	7,700
Verdis IV (*)	Warsaw	78	4,000
Sakura III (*)	Warsaw	145	7,300
Sakura IV (*)	Warsaw	114	6,600
Impressio II (*)	Wrocław	136	8,400
Tamka (*)	Warsaw	65	5,500
Młody Grunwald II (*)	Poznań	137	8,200
Total		**821**	**47,700**

(*) 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 2015 amounted to PLN 281.4 million, whereas cost of sales before write-down adjustment amounted to PLN 229.9 million and after write-down adjustment amounted to PLN 230.1 million, which resulted in a gross profit before write-down adjustment amounting to PLN 51.5 million (and a gross margin of 18.3%) and after write-down adjustment amounting to PLN 51.3 million (and a gross margin of 18.2%).

The following table specifies revenue, cost of sales and gross profit in 2015 on a project by project basis:

	Information on the delivered units		Revenue (*)		Cost of sales (**)		Gross profit	Gross margin
Project name	**Number of units**	**Area of units (m^2)**	**PLN (thousand)**	**%**	**PLN (thousand)**	**%**	**PLN (thousand)**	**%**
Sakura I & II	4	386	3,658	1.3%	3,181	1.4%	477	13.0%
Sakura III	132	6,514	45,708	16.3%	40,019	17.3%	5,689	12.4%
Sakura IV	99	5,499	39,806	14.1%	34,687	15.1%	5,119	12.9%
Verdis I & II	2	121	1,076	0.4%	864	0.4%	212	19.7%
Verdis III	139	7,326	49,433	17.6%	35,912	15.5%	13,521	27.4%
Verdis IV	74	3,758	26,123	9.3%	19,644	8.5%	6,479	24.8%
Tamka	42	3,389	48,041	17.1%	31,635	13.8%	16,406	34.1%
Impressio II	103	5,796	34,702	12.3%	34,847	15.2%	(145)	-0.4%
Młody Grunwald I	7	548	2,896	1.0%	2,795	1.2%	101	3.5%
Młody Grunwald II	35	1,670	9,579	3.4%	9,400	4.1%	179	1.9%
Chilli I, II & III	29	1,841	7,426	2.6%	7,122	3.1%	304	4.1%
Naturalis I, II & III	26	1,556	7,879	2.8%	7,038	3.1%	841	10.7%
Espresso I	2	173	1,367	0.5%	1,066	0.5%	301	22.0%
Gemini II	2	281	1,965	0.7%	1,307	0.6%	658	33.5%
Other	N.A	N.A	1,713	0.6%	381	0.2%	1,332	77.8%
Total / Average	**696**	**38,858**	**281,372**	**100.0%**	**229,898**	**100.0%**	**51,474**	**18.3%**
Write-down adjustment	N.A	N.A	N.A	N.A	226	N.A	(226)	N.A
Results after write-down adjustment	**696**	**38,858**	**281,372**	**100.0%**	**230,124**	**100.0%**	**51,248**	**18.2%**

(*) 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 2015 (cont'd)

B. Results breakdown by project (cont'd)

Sakura I, II, III & IV

The construction of the Sakura I, Sakura II, Sakura III and Sakura IV projects was completed in May 2012, May 2013, January 2015 and July 2015, respectively. The Sakura I, Sakura II, Sakura III and Sakura IV projects were developed on a land strip of 21,000 m^2 located in Warsaw at Kłobucka Street. The Sakura I project comprises an eleven-storey, multi-family residential building with a total of 99 apartments and 21 commercial units and an aggregate floor space of 8,100 m^2. The Sakura II project comprises a seven and eleven-storey, multi-family residential building with a total of 136 apartments and an aggregate floor space of 8,300 m^2. The Sakura III project comprises a six-and-seven-storey, multi-family residential building with a total of 145 apartments and an aggregate floor space of 7,300 m^2. The Sakura IV project comprises a seven-storey, multi-family residential building with a total of 108 apartments and 6 commercial units and an aggregate floor space of 6,600 m^2.

Verdis I, II, III & IV

The construction of the Verdis I, Verdis II, Verdis III and Verdis IV projects was completed in December 2012, December 2013, March 2015 and October 2015, respectively. The Verdis I, Verdis II, Verdis III and Verdis IV projects were developed on a land strip of 16,400 m^2 located in the Wola district in Warsaw at Sowińskiego Street. The Verdis I project comprises 3 seven, eight and ten-storey, multi-family residential buildings with a total of 128 apartments and 11 commercial units and an aggregate floor space of 9,400 m^2. The Verdis II project comprises 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 m^2. The Verdis III project comprises 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 m^2. The Verdis IV project comprises a seven-storey, multi-family residential building with a total of 78 apartments with an aggregate floor space of 4,000 m^2.

Tamka

The construction of the Tamka project was completed in September 2015. The Tamka project was developed on a land strip of 2,500 m^2 located in the Śródmieście district in Warsaw at Tamka Street (Warsaw city center). The Tamka project comprises 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 m^2.

Impressio II

The construction of the Impressio II project was completed in July 2015. The Impressio II project was developed on a land strip of 7,800 m^2 located in the Grabiszyn district in Wrocław at Rymarska Street, and is a continuation of Impressio I, which was completed during 2012. The Impressio II project comprises 5 four-storey, multi-family residential buildings with a total of 132 apartments and 4 commercial units with an aggregate floor space of 8,400 m^2.

Młody Grunwald I & II

The construction of the Młody Grunwald I project and the Młody Grunwald II project were completed in May 2014 and November 2015, respectively. The Młody Grunwald I and II projects were developed on a land strip of 10,600 m^2 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 m^2. The Młody Grunwald II project comprises 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 m^2.

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 12,400 m^2 located in Tulce near Poznań. The Chilli I, II and III projects comprise 30 units with an aggregate floor space of 2,100 m^2, 20 units with an aggregate floor space of 1,600 m^2 and 38 units with an aggregate floor space of 2,300 m^2, respectively.

Business highlights during the year ended 31 December 2015 (cont'd)

B. Results breakdown by project (cont'd)

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 m^2 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 m^2 and 2 four-storey, multi-family residential buildings, each with a total of 60 apartments and an aggregate floor space of 3,400 m^2.

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 m^2 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 m^2.

Other

Other revenues are mainly associated with rental revenues and fee income for management services provided to joint ventures, as well as sales of the parking places and storages in other projects that were completed in previous years.

Write-down adjustment

During the year ended 31 December 2015, as a result of the Net Realizable Value (NRV) analysis and review, a write-down adjustment for some of the Company's projects was made in the amount of PLN 226 thousand.

Business highlights during the year ended 31 December 2015 (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 2015:

Project name	Location	Units sold until 31 December 2014	Units sold during the year ended 31 December 2015	Units for sale as at 31 December 2015	Total
Verdis I & II (*)	Warsaw	209	1	7	217
Verdis III (*)	Warsaw	135	5	6	146
Verdis IV (*)	Warsaw	41	36	1	78
Sakura I & II (*)	Warsaw	245	3	8	256
Sakura III (*)	Warsaw	101	34	10	145
Sakura IV (*)	Warsaw	46	57	11	114
Naturalis I, II & III (*)	Warsaw	129	29	14	172
Impressio II (*)	Wrocław	38	78	20	136
Chilli I, II & III (*)	Poznań	74	13	1	88
Panoramika II (**)	Szczecin	15	45	47	107
Espresso I (*)	Warsaw	207	1	2	210
Espresso II (**)	Warsaw	74	66	12	152
Espresso III (**)	Warsaw	-	65	90	155
Młody Grunwald I (*)	Poznań	125	9	14	148
Młody Grunwald II (*)	Poznań	35	58	44	137
Tamka (*)	Warsaw	37	12	16	65
Moko I (**)	Warsaw	89	35	54	178
Moko II (**)	Warsaw	-	89	78	167
Kamienica Jeżyce I (**)	Poznań	45	77	22	144
Kamienica Jeżyce II (**)	Poznań	-	68	83	151
City Link I (**)/(***)	Warsaw	-	122	191	313
Vitalia I (**)	Wrocław	-	-	139	139
Gemini II (*)	Warsaw	180	2	-	182
Other (old) projects		-	1	2	3
Total		**1,825**	**906**	**872**	**3,603**

(*) For information on the completed projects see "Business highlights during the year ended 31 December 2015 – B. Results breakdown by project" (pages 20 to 22).

(**) For information on current projects under construction, see "Outlook for 2016– B. Current projects under construction" (pages 34 to 36).

(***) The project presented in the Consolidated Financial Statements under investment in joint ventures; the Company's share is 50%.

Business highlights during the year ended 31 December 2015 (cont'd)

C. Units sold during the period (cont'd)

The table below presents further information on the units sold (i.e. total number of units for which the Company signed the preliminary sale agreements with the clients), including net saleable area (in m^2) of the units sold and net value (exclusive of VAT) of the preliminary sales agreements (including also parking places and storages) executed by the Company, during the year ended 31 December 2015:

		Sold during the year ended 31 December 2015		
Project name	**Location**	**Number of units**	**Net saleable area (m^2)**	**Value of the preliminary sales agreements in PLN thousands**
Verdis I & II (*)	Warsaw	1	58	748
Verdis III (*)	Warsaw	5	228	2,548
Verdis IV (*)	Warsaw	36	1,923	13,736
Sakura I & II (*)	Warsaw	3	295	2,479
Sakura III (*)	Warsaw	34	1,943	13,599
Sakura IV (*)	Warsaw	57	3,389	24,785
Naturalis I, II & III (*)	Warsaw	29	1,796	9,024
Impressio II (*)	Wrocław	78	4,403	26,730
Chilli I, II & III (*)	Poznań	13	841	3,295
Panoramika II (**)	Szczecin	45	2,106	9,278
Espresso I (*)	Warsaw	1	72	607
Espresso II (**)	Warsaw	66	3,596	25,403
Espresso III (**)	Warsaw	65	3,520	24,931
Młody Grunwald I (*)	Poznań	9	807	4,127
Młody Grunwald II (*)	Poznań	58	3,213	18,158
Tamka (*)	Warsaw	12	1,051	13,874
Moko I (**)	Warsaw	35	2,008	16,450
Moko II (**)	Warsaw	89	4,560	37,817
Kamienica Jeżyce I (**)	Poznań	77	4,213	24,348
Kamienica Jeżyce II (**)	Poznań	68	2,728	16,307
City Link I (**)/(***)	Warsaw	122	5,360	47,045
Vitalia I (**)	Wrocław	-	-	-
Gemini II (*)	Warsaw	2	281	1,849
Other (old) projects		1	260	1,426
Total		**906**	**48,651**	**338,564**

(*) For information on the completed projects see "Business highlights during the year ended 31 December 2015 – B. Results breakdown by project" (pages 20 to 22).

(**) For information on current projects under construction, see "Outlook for 2016– B. Current projects under construction" (pages 34 to 36).

(***) The project presented in the Consolidated Financial Statements under investment in joint ventures; the Company's share is 50%.

Business highlights during the year ended 31 December 2015 (cont'd)

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 2015:

Project name	Location	Number of units	Net saleable area (m^2)
Espresso III (*)	Warsaw	155	8,500
Moko II (*)	Warsaw	167	12,500
Kamienica Jeżyce II (*)	Poznań	151	7,400
City Link I (*)/(**)	Warsaw	313	14,100
Vitalia I (*)	Wrocław	139	7,200
Total		**925**	**49,700**

(*) For information on the completed projects see "Business highlights during the year ended 31 December 2015 – B. Results breakdown by project" (pages 20 to 22).

(**) The project presented in the Consolidated Financial Statements under investment in joint ventures; the Company's share is 50%.

E. Land purchase

In June 2015, the Group entered into a sale-purchase agreement in respect of plot of land located at Wolska Street in Warsaw with the total area of 7.2 thousand m^2. According to the valid zoning conditions, the plot is designated for development of residential multifamily project. The purchase price was agreed at PLN 21.3 million.

During fourth quarter of 2015, the Group entered into preliminary purchase agreements for plots of land with an area of 76,300 m^2 located in Warsaw, district Białołęka at Marywilska Street. The closure of the transaction and the transfer of the ownership of the properties is expected to occur during the first half of 2016. It is assumed that the project planned on this plot shall comprise nearly 1,500 units with a total aggregate floor space of 75,000 m^2.

Business highlights during the year ended 31 December 2015 (cont'd)

Overview of results

The net profit attributable to the equity holders of the parent company for the year ended 31 December 2015 was PLN 19,350 thousand and can be summarized as follows:

	For year ended 31 December	
	2015	**2014**
	PLN (thousands, except per share data)	
Revenue	281,372	153,155
Cost of sales*	(230,124)	(141,225)
Gross profit	**51,248**	**11,930**
Changes in the value of investment property	(474)	-
Selling and marketing expenses	(6,459)	(6,881)
Administrative expenses	(18,834)	(18,220)
Share of profit/(loss) from joint ventures	(678)	(311)
Other expense	(1,710)	(3,058)
Other income	3,329	726
Result from operating activities	**26,422**	**(15,814)**
Finance income	1,811	1,957
Finance expense	(7,903)	(4,827)
Net finance income/(expense)	**(6,092)**	**(2,870)**
Profit/(loss) before taxation	**20,330**	**(18,684)**
Income tax benefit /(expense)	(1,356)	3,469
Net profit/(loss) for the period before non-controlling interests	**18,974**	**(15,215)**
Non-controlling interests	376	(216)
Net profit/(loss) for the period attributable to the equity holders of the parent	**19,350**	**(15,431)**
Net earnings per share attributable to the equity holders of the parent (basic and diluted)	**0.071**	**(0.057)**

* *Including a write-down adjustment in the amount of PLN 226 thousand during 2015 and PLN 12,471 thousand during 2014.*

Revenue

Total revenue increased by PLN 128.2 million (83.7%) from PLN 153.2 million for the year ended 31 December 2014 to PLN 281.4 million for the year ended 31 December 2015, which is primarily explained by an increase in apartments delivered to the customers in terms of area size (in m^2), as well as a slight increase in the average selling price per m^2.

Overview of results (cont'd)

Cost of sales

Cost of sales before write-down adjustment increased by PLN 101.1 million (78.6%) from PLN 128.8 million during the year ended 31 December 2014 to PLN 229.9 million during the year ended 31 December 2015, which is primarily explained by a increase in apartments delivered to the customers in terms of area size (in m^2), as well as a slight increase in the average cost of sale per m^2.

During the year ended 31 December 2015, as a result of Net Realizable Value (NRV) analyses and reviews, a write-down adjustment for some of the Company's inventory was made in the amount of PLN 0.2 million, which compares favorably to a write-down adjustment of PLN 12.5 million during the year ended 31 December 2014.

Gross margin

Gross margin before write-down adjustment during the year ended 31 December 2015 was 18.3% compared to a gross margin during the year ended 31 December 2014 of 15.9%. The change in gross margin relates to a different mix of projects delivered to the customers characterized by a different profitability during 2015 compared to the mix of projects delivered to customers in 2014. The most profitable project, which significantly impacted revenues and profitability of the Company was project Tamka in Warsaw (gross profit margin of 34%), while the least profitable was project Impressio II in Wrocław (developed at a margin equal to nil).

Selling and marketing expenses

Selling and marketing expenses decreased by PLN 0.4 million (6.1%) from PLN 6.9 million for the year ended 31 December 2014 to PLN 6.5 million for the year ended 31 December 2015.

Administrative expenses

Administrative expenses increased by PLN 0.6 million (3.4%) from PLN 18.2 million for the year ended 31 December 2014 to PLN 18.8 million for the year ended 31 December 2015. The increase is primarily explained by the in the Management Board bonus and incentive plan linked to Company's financial performance which are calculated in proportion to the profit before tax and sales results of the Company, as well as the increase of the sales department bonus due to the increase in realized sales. The increase is offset in part by the impact of the employee incentive plan adopted during February 2014 (for additional information see Note 35 of the Consolidated Financial Statements).

Other expenses

Other expenses decreased by PLN 1.4 million (44.1%) from PLN 3.1 million for the year ended 31 December 2014 to PLN 1.7 million for the year ended 31 December 2015, which is primarily explained by decreased costs for repairs and defects in completed projects as well as a decrease in impairment of trade receivables.

Other income

Other income increased by PLN 2.6 million from PLN 0.7 million during the year ended 31 December 2014 to PLN 3.3 million during the year ended 31 December 2015, which is primarily explained by reversing costs expensed in previous periods with respect to reparation of defects in one of the Company's completed projects. Based on recent settlements with the contractors, the management of the Company believes that all reparation costs will be covered by the Company's contractors (jointly with their insurers) responsible for the identified defects.

Result from operating activities

As a result of the factors described above, the Company's operating result increased by PLN 42.2 million, from an operating loss of PLN 15.8 million for the year ended 31 December 2014 to an operating profit of PLN 26.4 million for the year ended 31 December 2015.

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 2015		
	PLN (thousands)		
	Total amount	**Amount capitalized**	**Recognized as profit or loss**
Finance income	1,811	-	1,811
Finance expense	(17,314)	9,411	(7,903)
Net finance (expense)/income	**(15,503)**	**9,411**	**(6,092)**

	For the year ended 31 December 2014		
	PLN (thousands)		
	Total amount	**Amount capitalized**	**Recognized as profit or loss**
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)**

Net finance expenses before capitalization increased by PLN 2.5 million (19.2%) from PLN 13.0 million during the year ended 31 December 2014 to PLN 15.5 million during the year ended 31 December 2015, which was a result of increase in the average net debt position during the period from PLN 132.6 million during the year ended 31 December 2014 to PLN 176.8 million during the year ended 31 December 2015, which was related to an increased construction activity of the Company (and increased balances of construction loans) as well as to the issuance of new bonds. The increase is offset in part by a decrease in reference rates (WIBOR).

Income tax benefit/(expense)

During the year ended 31 December 2015, the income tax expense amounted to PLN 1,356 thousand, in comparison to a tax benefit of PLN 3,469 thousand for the year ended 31 December 2014. The low effective tax rate and the tax benefit 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 minority shareholders in profit and losses from subsidiary that is not 100% owned by the Company. During the year ended 31 December 2015, the minority shareholders share in the loss amounted to PLN 376 thousand (positively impacting equity attributable to the holders of the parent), as compared to share in profit amounting to PLN 216 thousand (negative impact) during the year ended 31 December 2014. The change in the non-controlling interest is explained by the decrease in the profit recognized from the Espresso project which is due to a decrease in apartments delivered to customers.

Selected financial data

PLN/EUR	Average exchange rate	Minimum exchange rate	Maximum exchange rate	Year end exchange rate
	Exchange rate of Polish Zloty versus the Euro			
2015 (12 months)	**4.184**	**3.982**	**4.358**	**4.262**
2014 (12 months)	4.184	4.100	4.314	4.262

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			
	2015	2014	2015	2014
Revenues	**67,250**	36,605	**281,372**	153,155
Gross profit	**12,249**	2,851	**51,248**	11,930
Profit/(loss) before taxation	**4,859**	(4,466)	**20,330**	(18,684)
Net profit/(loss) for the year attributable to the equity holders of the parent	**4,625**	(3,688)	**19,350**	(15,431)
Cash flows from/(used in) operating activities	**7,402**	(11,941)	**30,968**	(49,962)
Cash flows from/(used in) investing activities	**(646)**	(319)	**(2,704)**	(1,336)
Cash flows from/(used in) financing activities	**162**	16,667	**677**	69,735
Increase/(decrease) in cash and cash equivalents	**6,917**	4,407	**28,941**	18,437
Inventory	**164,544**	165,767	**701,287**	706,501
Total assets	**205,266**	197,437	**874,844**	841,477
Advances received	**27,424**	23,232	**116,881**	99,013
Long term liabilities	**52,312**	57,579	**222,953**	245,403
Short term liabilities (including advances received)	**45,160**	33,959	**192,470**	144,733
Equity attributable to the equity holders of the parent	**107,390**	105,406	**457,698**	449,242
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)	**0.017**	(0.014)	**0.071**	(0.057)

* *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 2015 comparing to 2014, when reviewing this data.*
Selected financial data were translated from PLN into EUR in the following way:
(i) Statement of financial position data were translated using the period end exchange rate published by the National Bank of Poland for the last day of the period.
(ii) Statement of comprehensive income and cash flows data were translated using the arithmetical average of average exchange rates published by the National Bank of Poland.

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 2015	As at 31 December 2014
	PLN (thousands)	
Inventory	701,287	706,501
Advances received	116,881	99,013
Loans and borrowings	250,110	236,190

Inventory

The balance of inventory is PLN 701.3 million as of 31 December 2015 compared to PLN 706.5 million as of 31 December 2014. The decrease in inventory is primarily explained by cost of sales recognized for a total amount of PLN 230.3 million. The decrease is offset in part by the Group's expenditures in connection with direct construction costs for a total amount of PLN 180.1 million and an increase in land and related expense for a total amount of PLN 25.2 million.

Advances received

The balance of advances received is PLN 116.9 million as of 31 December 2015 compared to PLN 99.0 million as of 31 December 2014. The increase is a result of advances received from clients regarding sales of residential units for a total amount PLN 299.3 million and is offset in part by revenues recognized from the sale of residential units for a total amount of PLN 281.4 million.

Loans and borrowings

The total of short-term and long-term loans and borrowings is PLN 250.1 million as of 31 December 2015 compared to PLN 236.2 million as of 31 December 2014. 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 132.5 million and proceeds from bond loans net of issue costs for a total amount of PLN 44.2 million. The increase is offset in part by repayment of bank loans for the total amount PLN 150.1 million and repayment of bond loans for the total amount PLN 15.0 million. Of the mentioned PLN 250.1 million, an amount of PLN 35.5 million comprises facilities maturing no later than 31 December 2016.

The maturity structure of the loans and borrowings reflects the Company's recent activities related to bonds issued in 2013-2015 as well as the maturity of the banking loans that were obtained by the Company to finance construction costs of the projects developed by the Company.

The balance of loans and borrowings may be split into four categories: 1) floating rate bond loans, 2) banking loans related to residential projects which are completed or under construction, 3) banking 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.

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

Loans and borrowings (cont'd)

Floating rate bond loans as at 31 December 2015 amounted to PLN 190.3 million (as at 31 December 2014: PLN 159.8 million) comprising a loan principal amount of PLN 191.3 million plus accrued interest of PLN 1.1 million minus one-time costs directly attributed to the bond issuances which are amortized based on the effective interest method (PLN 2.1 million). For additional information see Note 28 of the Consolidated Financial Statements.

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 2015, loans in this category amounted to PLN 46.3 million (as at 31 December 2014: PLN 62.9 million).

The bank loans granted to finance the land purchases as at 31 December 2015 amounted to PLN 10.6 million in total (as at 31 December 2014: PLN 10.8 million).

Loans from third parties as at 31 December 2015 amounted to PLN 2.9 million (as at 31 December 2014: PLN 2.7 million).

Overview of cash flow results

Debt and net debt position

As of 31 December 2015, the Company's total debt to banks, bonds and third parties amounted to PLN 250.1 million (31 December 2014: PLN 236.2 million). Taking into account the Company's available cash position at 31 December 2015 amounting to PLN 99.5 million (31 December 2014: PLN 70.6 million), the net debt position of the Company amounted to PLN 150.6 million as at 31 December 2015 (31 December 2014: PLN 165.6 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	
	2015	**2014**
	PLN (thousands)	
Cash flow from/(used in) operating activities	30,968	(49,962)
Cash flow from/(used in) investing activities	(2,704)	(1,336)
Cash flow from/(used in) financing activities	677	69,735

Overview of cash flow results (cont'd)

Cash flow from/(used in) operating activities

The Company's net cash inflow from operating activities for the year ended 31 December 2015 amounted to PLN 31.0 million which compares to a net cash outflow used in operating activities during the year ended 31 December 2014 of PLN 50.0 million. The increase in cash inflow is principally explained by:

- a net cash inflow from inventory amounting to PLN 14.4 million during the year ended 31 December 2015 as compared to a net cash outflow used in inventory amounting to PLN 75.1 million during the year ended 31 December 2014.

This effect was offset in part by:

- a net cash outflow used in trade and other receivables and prepayments amounting to PLN 9.8 million during the year ended 31 December 2015 compared to a net cash inflow from trade and other receivables and prepayments amounting to PLN 0.4 million during the year ended 31 December 2014, and
- a net cash inflow during the year ended 31 December 2015 from advances received from clients regarding sales of residential units in the amount of PLN 299.2 million, which was offset in part by revenue recognized for a total amount of PLN 281.3 million compared to a net cash inflow during the year ended 31 December 2014 from advances received 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.

Cash flow from/(used in) investing activities

The Company's net cash outflow used in investing activities amounting to PLN 2.7 million during the year ended 31 December 2015 compared to a net cash outflow used in investing activities amounting to PLN 1.3 million during the year ended 31 December 2014. The increase in cash outflow is primarily explained by:

- a net cash outflow used in collateralized short-term bank deposits amounting to PLN 2.1 million during the year ended 31 December 2015 compared to a net cash outflow used in collateralized short-term bank deposits of PLN 0.8 million during the year ended 31 December 2014.

Cash flow from/(used in) financing activities

The Company's net cash inflow from financing activities totaled PLN 0.7 million during the year ended 31 December 2015 compared to a net cash inflow totaling PLN 69.7 million during the year ended 31 December 2014. The decrease in cash inflow is primarily due to:

- a repayment of secured bank loans amounting to PLN 150.1 million during the year ended 31 December 2015 compared to a repayment of secured bank loans amounting to PLN 38.4 million during the year ended 31 December 2014;
- a repayment of bond loans amounting to PLN 15.0 million during the year ended 31 December 2015 compared to a repayment of bond loans amounting to PLN 5.0 million during the year ended 31 December 2014;
- a payment of dividend amounting to PLN 10.9 million during the year ended 31 December 2015 compared to PLN nil during the year ended 31 December 2014.

The above mentioned effects were offset in part by:

- the effect of proceeds from bank loans, net of bank charges, amounting to PLN 132.4 million during the year ended 31 December 2015 compared to PLN 69.0 million during the year ended 31 December 2014.

Employees

The average number of personnel employed by the Company and its subsidiaries – on a fulltime equivalent basis – increased from 73 in 2014 to 76 in 2015. 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 a review by the auditor. The Company has agreed with U. Dori Group that the costs for the first and third quarter auditors' reviews 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.

As at 31 December 2015, the Groups' market capitalization was below the value of net assets. Although, the Company strongly believes that this is a temporary situation due to many different factors, including low liquidity of the Company's shares listed on WSE, Management took appropriate steps to review the Company's accounts to determine if there is any additional write-down required and found no basis for it. Management verified that the forecast margin potential in respect of the inventory is positive. Therefore, no indicators for potential additional impairment have been identified.

Outlook for 2016

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:

		Number of units delivered (*)			Number of residential units expected to be delivered (*)			
Project name	**Location**	**Until 31 Dec.2014**	**During the year ended 31 Dec.2015**	**Total units delivered**	**Sold until 31 Dec.2015**	**Units for sale at 31 Dec.2015**	**Total units expected to be delivered**	**Total project**
Młody Grunwald I (**)	Poznań	124	7	131	3	14	17	148
Młody Grunwald II (**)	Poznań	-	35	35	58	44	102	137
Espresso I (**)	Warsaw	206	2	208	-	2	2	210
Naturalis I,II & III (**)	Warsaw	124	26	150	8	14	22	172
Sakura I & II (**)	Warsaw	244	4	248	-	8	8	256
Sakura III (**)	Warsaw	-	132	132	3	10	13	145
Sakura IV (**)	Warsaw	-	99	99	4	11	15	114
Verdis I & II (**)	Warsaw	208	2	210	-	7	7	217
Verdis III (**)	Warsaw	-	139	139	1	6	7	146
Verdis IV (**)	Warsaw	-	74	74	3	1	4	78
Tamka (**)	Warsaw	-	42	42	7	16	23	65
Impressio II (**)	Wrocław	-	103	103	13	20	33	136
Chilli I, II & III (**)	Poznań	58	29	87	-	1	1	88
Gemini II (**)	Warsaw	180	2	182	-	-	-	182
Other (old) projects		-	-	-	2	2	4	4
Total		**1,144**	**696**	**1,840**	**102**	**156**	**258**	**2,098**

(*) 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 2015 – B. Results breakdown by project" (pages 20-22).

B. Current projects under construction and/or on sale

The table below presents information on projects for which completion is scheduled in 2016 and 2017. The Company has obtained construction permits for all projects/stages and has commenced construction.

Project name	**Location**	**Units sold until 31 Dec. 2015**	**Units for sale as at 31 Dec. 2015**	**Total units**	**Net saleable area (m^2)**	**Expected completion of construction**
Espresso II	Warsaw	140	12	152	7,600	2016
Espresso III	Warsaw	65	90	155	8,500	2016
Panoramika II	Szczecin	60	47	107	5,900	2016
Moko I	Warsaw	124	54	178	11,200	2016
Moko II	Warsaw	89	78	167	12,500	2016
Kamienica Jeżyce I	Poznań	122	22	144	7,800	2016
Kamienica Jeżyce II	Poznań	68	83	151	7,400	2016
City Link I (*)	Warsaw	122	191	313	14,100	2017
Vitalia I	Wrocław	-	139	139	7,200	2017
Total		**790**	**716**	**1,506**	**82,200**	

(*) The project is presented in the Consolidated Financial Statements under Investment in joint ventures, the Company's share in the project is 50%.

Outlook for 2016 (cont'd)

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

Espresso II and III

Description of project

The second phase and the third phase of the Espresso project are being developed on a land strip of 8,400 m^2 located in Wola district in Warsaw at Jana Kazimierza Street, and are a continuation of Espresso I project which was completed in 2014. The second and the third 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 m^2 and 1 six-seven-and-eight-storey, multi-family residential building with a total of 147 apartments and 8 commercial units and an aggregate floor space of 8,500 m^2, respectively.

Stage of development

The construction of the Espresso II project commenced in August 2013, while completion is expected in the second quarter of 2016. The construction of the Espresso III project commenced in February 2015, while completion is expected in the fourth quarter of 2016.

Panoramika II

Description of project

The second phase of the Panoramika project is being developed on a part of land strip of 12,200 m^2 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 m^2.

Stage of development

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

Moko I and II

Description of project

The first phase and the second (and last) phase of the Moko project are being developed on a land strip of 12,200 m^2 located in Mokotów district in Warsaw at Magazynowa Street. The first and the second phase of this project will comprise 2 seven and eight-storey, multi-family residential buildings with a total of 166 apartments and 12 commercial units and an aggregate floor space of 11,200 m^2 and 2 seven and eight-storey, multi-family residential buildings with a total of 160 apartments and 7 commercial units and an aggregate floor space of 12,500 m^2, respectively.

Stage of development

The construction of the Moko I project commenced in September 2014, while completion is expected in the second quarter of 2016. The construction of the Moko II project commenced in February 2015, while completion is expected in the fourth quarter of 2016.

Outlook for 2016 (cont'd)

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

Kamienica Jeżyce I and II

Description of project

The first phase and the second (and last) phase of the Kamienica Jeżyce project are being developed on a land strip of 9,700 m^2 located in Jeżyce district in Poznań at Kościelna Street. The first and second 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 with an aggregate floor space of 7,800 m^2, and 5 five and six-storey, multi-family residential buildings with a total of 151 apartments with an aggregate floor space of 7,400 m^2, respectively.

Stage of development

The construction of the Kamienica Jeżyce I project commenced in September 2014, while completion is expected in the third quarter of 2016. The construction of the Kamienica Jeżyce II project commenced in May 2015, while completion is expected in the fourth quarter of 2016.

City Link I

Description of project

The first phase of this project is being developed on a land strip of 8,900 m^2 located in the Wola district in Warsaw at Skierniewicka street. The first phase of this project will comprise 1 six to ten-storey, multi-family residential building with a total of 301 apartments and 12 commercial units with an aggregate floor space of 14,100 m^2.

Stage of development

The construction of the City Link I project commenced in April 2015, while completion is expected in the second quarter of 2017.

Vitalia I (previously named Van Gogh)

Description of project

The first phase of this project will be developed in phases on a part of land strip of 18,500 m^2 located in Krzyki district in Wrocław at Jutrzenki Street. The first phase of this project will comprise 2 three to four-storey, multi-family residential buildings with a total of 139 apartments with an aggregate floor space of 7,200 m^2.

Stage of development

The construction of the Vitalia I project commenced in December 2015, while completion is expected in the second quarter of 2017.

C. Projects for which construction work is planned to commence during 2016

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 2016, the Company is considering the commencement of development of the seven phases of three new projects, which management believes are well-suited to current customer requirements, including smaller apartments at more economical prices. Furthermore, in order to minimize market risk, the Company's management breaks down the new projects into relatively smaller stages. In the event of any market deterioration or difficulties with securing financing by the banks for the considered projects, management may further delay some of those plans.

Outlook for 2016 (cont'd)

C. Projects for which construction work is planned to commence during 2016 (cont'd)

a) New Projects

Nova Królikarnia I

The Nova Królikarnia project will be developed on a land strip of 82,000 m^2 located in the Mokotów district in Warsaw at Jaśminowa Street. The project will comprise 320 units with an aggregate floor space of 32,000 m^2. The first stage is to comprise 106 units with an aggregate floor space of 10,600 m^2. The Company is considering commencing construction of the first phase of this project during 2016.

Marina Miasto (previously named Picasso)

The Marina Miasto project will be developed on a land strip of 8,100 m^2 located in Wrocław at Na Grobli Street. The project will comprise 152 units with an aggregate floor space of 6,100 m^2. The Company is considering commencing construction of this project during 2016.

Marywilska I

The Marywilska project will be developed on a land strip of 76,300 m^2 located in the Białołęka district in Warsaw at Marywilska Street. The project will comprise 1,490 units with an aggregate floor space of 75,000 m^2. The first stage is to comprise 233 units with an aggregate floor space of 12,200 m^2. The Company is considering commencing construction of the first phase of this project during 2016. The Company has not yet acquired all rights to the land allowing for a development of the project. The preliminary agreement that was signed in November 2015 assumes final settlement of the price and transfer of ownership of the plot during the first half of 2016. However, the Company is entitled to proceed with all necessary preparation works, including architectural planning of the project.

b) New stages of running projects

Espresso IV

The Espresso IV project (last stage) is a continuation of the Espresso I, II and III projects. The project will comprise 146 units with an aggregate floor space of 8,100 m^2. The Company commenced the construction of this project during 2016.

Chilli IV

The Chilli IV project is a continuation of the Chilli I, II and III projects. The project will comprise 45 units with an aggregate floor space of 3,000 m^2. The Company is considering commencing construction of this project during 2016.

Młody Grunwald III

The Młody Grunwald III project (last stage) is a continuation of the Młody Grunwald I and II projects. The project will comprise 108 units with an aggregate floor space of 7,000 m^2. The Company is considering commencing construction of this project during 2016.

Panoramika III

The Panoramika III project is a continuation of the Panoramika I and II projects. The project will comprise 107 units with an aggregate floor space of 5,900 m^2. The Company is considering commencing construction of this project during 2016.

Vitalia II

The Vitalia II project is a continuation of the Vitalia I project. The project will comprise 36 units with an aggregate floor space of 2,500 m^2. The Company is considering commencing construction of this project during 2016.

Naturalis IV

The Naturalis IV project is a continuation of the Naturalis I, II and III projects. The project will comprise 57 units with an aggregate floor space of 3,200 m^2. The Company is considering commencing construction of this project during 2016.

Outlook for 2016 (cont'd)

C. Projects for which construction work is planned to commence during 2016 (cont'd)

b) New stages of running projects (cont'd)

City Link II

The City Link II project is a continuation of the City Link I project. The project will comprise 189 units with an aggregate floor space of 8,900 m^2. The Company is considering commencing construction of this project during 2016.

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

The current volume and value of the preliminary sales agreements signed with the clients do not impact the Consolidated Statement of Comprehensive Income immediately but only after final settlement of the contracts with the customers (for more details see under "A – Completed projects" above on page 34). 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
Tamka (*)	Warsaw	5,599	Completed
Impressio II (*)	Wrocław	5,724	Completed
Verdis I & II (*)	Warsaw	118	Completed
Verdis III (*)	Warsaw	340	Completed
Verdis IV (**)	Warsaw	1,789	Completed
Sakura I & II (*)	Warsaw	169	Completed
Sakura III (*)	Warsaw	1,262	Completed
Sakura IV (*)	Warsaw	1,937	Completed
Młody Grunwald I (*)	Poznań	1,560	Completed
Młody Grunwald II (**)	Poznań	17,385	Completed
Naturalis I, III & III (*)	Warsaw	2,805	Completed
Espresso I (*)	Warsaw	51	Completed
Other (old) projects		2,039	Completed
Subtotal completed projects		***40,778***	
Espresso II (**)	Warsaw	47,838	2016
Espresso III (**)	Warsaw	24,932	2016
Panoramika II (*)	Szczecin	12,704	2016
Moko I (**)	Warsaw	57,975	2016
Moko II (**)	Warsaw	37,818	2016
Kamienica Jeżyce I (**)	Poznań	36,082	2016
Kamienica Jeżyce II (**)	Poznań	16,308	2016
Subtotal ongoing projects		***233,657***	
City Link I (**)/(***)	Warsaw	47,044	2017
Subtotal project held by joint ventures		***47,044***	
Total		**321,479**	

(*) *For information on the completed projects see "Business highlights during the year ended 31 December 2015 – B. Results breakdown by project" (pages 20-22).*

(**) *For information on current projects under construction and/or on sale, see under "B" above (pages 34-36).*

(***) *This project is presented in the Consolidated Financial Statements under Investment in joint ventures, the Company's share in this project is 50%.*

Outlook for 2016 (cont'd)

E. Main risks and uncertainties during 2016

While the improving market in 2014 and 2015 potentially bodes well for the Company in 2016, the overall economic situation and geopolitical situation in Europe and in Poland and the ongoing uncertainties in the housing market make it very difficult to predict with precision results for 2016. 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 2016.

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 (2 March 2016), the following shareholders are entitled to exercise over 3% of the voting rights at the General Meeting of Shareholders in the Company:

Shares	As of 2 March 2016 Number of shares / % of shares	Change in number of shares	As of 31 December 2015 Number of shares / % of shares	Change in number of shares	As of 31 December 2014 Number of shares / % of shares
Shares issued	***272,360,000***	-	***272,360,000***	-	***272,360,000***
Major shareholders:					
I.T.R. 2012 B.V. (1)	87,449,187 32.1%	-	87,449,187 32.1%	-	87,449,187 32.1%
I.T.R. Dori B.V. (1)	87,449,187 32.1%	-	87,449,187 32.1%	-	87,449,187 32.1%
RN Residential B.V. (2)	41,800,000 15.3%	-	41,800,000 15.3%	-	41,800,000 15.3%
Metlife Otwarty Fundusz Emerytalny (3)	N/A Between 3%-5%.	N/A	N/A Between 3%-5%.	N/A	N/A Between 3%-5%.
Nationale Nederlanden Otwarty Fundusz Emerytalny (4)	N/A Between 5%-10%.	N/A	N/A Between 5%-10%.	N/A	N/A Between 5%-10%.

(1) 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.

(2) 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.

(3) Formerly Amplico Otwarty Fundusz Emerytalny.

(4) Formerly ING Otwarty Fundusz Emerytalny.

Changes in ownership of shares and rights to shares by Supervisory Board members in the year ended 31 December 2015 and until the date of publication of the report

None.

Changes in the Supervisory Board in the year ended 31 December 2015 and until the date of publication of the report

None.

Additional information to the report (cont'd)

Changes in the Management Board in the year ended 31 December 2015 and until the date of publication of the report

The Annual General Meeting of Shareholders held on 24 June 2015 approved the appointment of Mr Aharon Soffer as member of the Management Board and managing director B for a term of four years. His appointment came into force as of the day of the adoption of the resolution. Mr Soffer replaced Mr Ronen Ashkenazi, who stepped down as managing director B effective on the day of the Annual General Meeting of Shareholders (24 June 2015).

During the Extraordinary General Meeting of Shareholders held on 10 September 2015, the shareholders approved the appointment of Mr Yosef Shaked as member of the Management Board and managing director B for a term of four years. His appointment came into force as of the day of the adoption of the resolution. Mr Shaked replaced Mr Aharon Soffer, who stepped down as managing director B effective on the day of the Extraordinary Annual General Meeting of Shareholders (10 September 2015).

During the Extraordinary General Meeting of Shareholders held on 21 December 2015, the shareholders approved the appointment of Mr Erez Yoskovitz as member of the Management Board and managing director B for a term of four years. His appointment came into force as of the day of the adoption of the resolution. Mr Yoskovitz replaced Mr Peter Dudolenski, who stepped down as managing director B effective on the day of the Extraordinary Annual General Meeting of Shareholders (21 December 2015).

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 2015

The Company's net profit for the three months ended 31 December 2015 was PLN 17,285 thousand and can be summarized as follows:

For the three months ended 31 December *In thousands of Polish Zlotys (PLN)*	**2015 (Unaudited)**	**2014 (Unaudited)**
Revenue	118,775	10,661
Cost of sales*	(91,560)	(21,732)
Gross profit/(loss)	**27,215**	**(11,071)**
Changes in the value of investment property	(474)	-
Selling and marketing expenses	(1,435)	(1,564)
Administrative expenses	(5,527)	(4,639)
Share of profit/(loss) from joint ventures	(351)	(34)
Other expenses	(367)	(658)
Other income	945	364
Result from operating activities	**20,006**	**(17,602)**
Finance income	530	464
Finance expense	(2,402)	(1,398)
Net finance income/(expense)	**(1,872)**	**(934)**
Profit/(loss) before taxation	**18,134**	**(18,536)**
Income tax benefit/(expresses)	(970)	2,642
Profit/(loss) for the period before non-controlling interests	**17,164**	**(15,894)**
Non-controlling interests	121	121
Net profit/(loss) for the period attributable to the equity holders of the parent	**17,285**	**(15,773)**

* *Including a write-down adjustment in the amount of PLN nil during three months ended 31 December 2015 and 12,471 thousand during three months ended 31 December 2014.*

Other

As of 31 December 2015, the Company has issued guarantees for bank loans granted to subsidiaries amounting to a total of PLN 16,898 thousand.

As of 31 December 2015, 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 2015:

– a decrease in the provision for deferred tax liabilities of PLN 1,660 thousand (a decrease of PLN 1,182 thousand during the year ended 31 December 2014).

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 2015, 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 2016.

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 2015 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 2015 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.

Additional information to the report (cont'd)

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 17 July 2015. For information about agreed-upon engagements of the Company's auditor see Note 15 of the Company Financial Statements.

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
Erez Yoskovitz	**Yosef Shaked**	

Rotterdam, 2 March 2016

INDEPENDENT AUDITOR'S REPORT

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

Report on the audit of the financial statements 2015

Our opinion

We have audited the accompanying financial statements for the year 2015 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 2015 and of its result and its cash flows for 2015 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 2015 and of its results and cash flows for 2015 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 2015 ;
2. the following statements for 2015: consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows; and
3. notes to the 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 2015;
2. the follow statements for 2015: company statements of profit or loss, changes in equity and cash flows ; 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

Materiality	PLN 4,374,220
Benchmark used	0,5% of total assets
Additional explanation	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. Profit before tax is not an appropriate benchmark due to the volatility which is caused by the accounting policy applied by the Company based on which revenues and, as a result, margins are recognized once residential units are delivered.

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Supervisory Board that misstatements in excess of PLN 218,711, which are identified during the audit, would be reported to them, as would smaller misstatements we believe must be reported on qualitative grounds.

Scope of the group audit

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

Our group audit mainly concentrated on significant group entities based on the relative size of the group entity on the 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. We performed review procedures or specific audit procedures at the other group entities. All significant group entities are located in Poland.

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.

Risk	Our audit response
Inventory valuation, refer to note 20	
Inventory consists 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 others, 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	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 others, the estimated sales prices per m², the estimated construction costs and the expected timing of sales of the units. Management assessed possible write-downs 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

values can change rapidly due to the current market conditions.	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 actual results of the net realizable value calculations on individual projects.

Revenue Recognition, refer to note 3(b) and note 6	
Revenue arising from the multi-family residential real estate projects under development or construction contracts, represents the majority of the Company's total revenue. Revenue is recognized by the Company when the significant risks and rewards of ownership of the residential units have been transferred to the buyer and when the revenue can be measured reliably. 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, the 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 tests of details and tests of transactions to assess the correctness and completeness of recognition of revenue, including the proper cut-off.

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.

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.

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.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch 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.

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.

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. as of the audit for the year 2009 and we have operated as statutory auditor since that date.

Amsterdam, 2 March 2016

Ernst & Young Accountants LLP

Signed by J.H. de Prie

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December		**2015**	**2014**
In thousands of Polish Zlotys (PLN)	***Note***		
Revenue	*6*	281,372	153,155
Cost of sales*	*7*	(230,124)	(141,225)
Gross profit		**51,248**	**11,930**
Changes in the value of investment property	*16*	(474)	-
Selling and marketing expenses	*8*	(6,459)	(6,881)
Administrative expenses	*9*	(18,834)	(18,220)
Share of profit/(loss) in joint ventures	*18*	(678)	(311)
Other expenses	*11*	(1,710)	(3,058)
Other income	*12*	3,329	726
Result from operating activities		**26,422**	**(15,814)**
Finance income	*13*	1,811	1,957
Finance expense	*13*	(7,903)	(4,827)
Net finance expenses		**(6,092)**	**(2,870)**
Profit/(loss) before taxation		**20,330**	**(18,684)**
Income tax benefit/(expense)	*14*	(1,356)	3,469
Profit/(loss) for the year		**18,974**	**(15,215)**
Other comprehensive income		-	-
Total comprehensive income for the year, net of tax		**18,974**	**(15,215)**
Total profit/(loss) for the year attributable to:			
equity holders of the parent		19,350	(15,431)
non-controlling interests	*26*	(376)	216
Total profit/(loss) for the year		**18,974**	**(15,215)**
Total comprehensive income attributable to:			
equity holders of the parent		19,350	(15,431)
non-controlling interests	*26*	(376)	216
Total comprehensive income for the year, net of tax		**18,974**	**(15,215)**
Weighted average number of ordinary shares (basic and diluted)	*27*	272,360,000	272,360,000
In Polish Zlotys (PLN)			
Net earnings per share attributable to the equity holders of the parent (basic and diluted)	*27*	**0.071**	**(0.057)**

* *Including a write-down adjustment in the amount of PLN 226 thousand during 2015 and PLN 12,471 thousand during 2014.*

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

Consolidated Statement of Financial Position

As at 31 December		2015	2014
In thousands of Polish Zlotys (PLN)	***Note***		
Assets			
Non-current assets			
Property and equipment	*15*	8,872	9,424
Investment property	*16*	8,743	9,217
Loans granted to third parties	*17*	-	1,623
Investment in joint ventures	*18*	17,438	16,022
Deferred tax assets	*19*	11,303	14,213
Total non-current assets		**46,356**	**50,499**
Current assets			
Inventory	*20*	701,287	706,501
Trade and other receivables and prepayments	*21*	18,493	8,659
Income tax receivable		428	475
Short-term bank deposits – collateralized	*22*	4,093	2,031
Loans granted to third parties	*17*	458	-
Other current financial assets	*23*	4,198	2,722
Cash and cash equivalents	*24*	99,531	70,590
Total current assets		**828,488**	**790,978**
Total assets		**874,844**	**841,477**

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

Consolidated Statement of Financial Position (cont'd)

As at 31 December *In thousands of Polish Zlotys (PLN)*	*Note*	2015	2014
Equity and liabilities			
Equity			
Shareholders' equity			
Share capital		20,762	20,762
Share premium		282,873	282,873
Retained earnings		154,063	145,607
Equity attributable to equity holders of the parent	*25*	**457,698**	**449,242**
Non-controlling interests	*26*	1,723	2,099
Total equity		**459,421**	**451,341**
Liabilities			
Non-current liabilities			
Floating rate bond loans	*28, 29*	171,538	158,825
Secured bank loans	*28, 30*	42,099	73,699
Loans from third parties	*28, 31*	906	2,737
Share-based payment liabilities	*35*	630	702
Deferred tax liability	*19*	7,780	9,440
Total non-current liabilities		**222,953**	**245,403**
Current liabilities			
Trade and other payables and accrued expenses	*32*	38,574	43,711
Floating rate bond loans	*28, 29*	18,759	924
Secured bank loans	*28, 30*	14,803	5
Loans from third parties	*28, 31*	2,005	-
Advances received	*33*	116,881	99,013
Income tax payable		7	2
Provisions	*34*	1,441	1,078
Total current liabilities		**192,470**	**144,733**
Total liabilities		**415,423**	**390,136**
Total equity and liabilities		**874,844**	**841,477**

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

Consolidated Statement of Changes in Equity

For the years ended 31 December 2015 and 31 December 2014:

In thousands of Polish Zlotys (PLN)	Attributable to the Equity holders of parent					
	Share capital	**Share premium**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
Balance at 1 January 2014	**20,762**	**282,873**	**161,038**	**464,673**	**1,883**	**466,556**
Comprehensive income:						
Profit/(loss) 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**
Comprehensive income:						
Profit/(loss) for the year ended 31 December 2015	-	-	19,350	19,350	(376)	18,974
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	19,350	19,350	(376)	18,974
Dividend paid (see Note 25)	-	-	(10,894)	(10,894)	-	(10,894)
Balance at 31 December 2015	**20,762**	**282,873**	**154,063**	**457,698**	**1,723**	**459,421**

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

Consolidated Statement of Cash Flows

For the year ended 31 December *In thousands of Polish Zlotys (PLN)*	*Note*	2015	2014
Cash flows from/(used in) operating activities			
Profit/(loss) for the period		18,974	(15,215)
Adjustments to reconcile profit for the period to net cash used in operating activities:			
Depreciation	*9, 15*	706	638
Write-down of inventory	*20*	226	12,471
Decrease/(increase) in the value of investment property	*16*	474	-
Finance expense	*13*	7,903	4,827
Finance income	*13*	(1,811)	(1,957)
Profit on sale of property and equipment	*12*	(32)	(71)
Share of loss/(profit) from joint ventures	*18*	678	311
Share-based payment	*35*	(72)	702
Income tax benefit / (expense)	*14*	1,356	(3,469)
Subtotal		***28,402***	***(1,763)***
Decrease/(increase) in inventory	*42*	14,399	(75,074)
Decrease/(increase) in trade and other receivables and prepayments	*42*	(9,834)	435
Decrease/(increase) in other current financial assets		(1,476)	(2,207)
Increase/(decrease) in trade and other payables and accrued expenses		(5,137)	10,629
Increase/(decrease) in provisions	*34*	363	877
Increase/(decrease) in advances received		17,868	28,448
Subtotal		***44,585***	***(38,655)***
Interest paid		(14,965)	(12,521)
Interest received		1,402	1,253
Income tax received/(paid)		(54)	(39)
Net cash from/(used in) operating activities		**30,968**	**(49,962)**
Cash flows from/(used in) investing activities			
Acquisition of property and equipment	*15*	(155)	(792)
Proceeds from sale of investment property		-	623
Proceeds from loans granted to third parties	*17*	1,039	-
Investment in joint ventures	*18*	(1,559)	(475)
Short-term bank deposits – collateralized		(2,062)	(763)
Proceeds from sale of property and equipment		33	71
Net cash from/(used in) investing activities		**(2,704)**	**(1,336)**
Cash flows from/(used in) financing activities			
Proceeds from bank loans, net of bank charges	*30*	132,453	69,030
Repayment of bank loans	*30*	(150,125)	(38,413)
Proceeds from bond loans, net of issue costs	*29*	44,243	44,118
Repayment of bond loans	*29*	(15,000)	(5,000)
Dividends paid to equity holders of the parent	*25*	(10,894)	-
Net cash from/(used in) financing activities		**677**	**69,735**
Net change in cash and cash equivalents		**28,941**	**18,437**
Cash and cash equivalents at beginning of the year		70,590	52,153
Cash and cash equivalents at end of the year	*24*	**99,531**	**70,590**

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 2015, 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 Otwarty Fundusz Emerytalny holding between 3% and 5% and Nationale Nederlanden Otwarty 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 2015, 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 2015	31 December 2014
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.	City 2015 Sp. z o.o. (previously named Ronson Development City Sp. z o.o.)	2006	100.0%	100.0%
21.	Ronson Development Village Sp. z o.o. (*)	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. (*)	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 Partner 4 Sp. z o.o. (previously named 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%
b.	**held indirectly by the Company:**			
37.	AGRT Sp. z o.o.	2007	100.0%	100.0%
38.	Ronson Development Partner 4 Sp. z o.o. (previously named 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.	Destiny Sp. z o.o. (previously named 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%

(*) 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 2015	31 December 2014
b. held indirectly by the Company (cont'd):			
48. Ronson Development Sp. z o.o. - Idea Sp.k.	2009	100.0%	100.0%
49. Ronson Development Partner 2 Sp. z o.o. – Destiny 2011 Sp.k. (previously named 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. RD 2010 Sp. z o.o. (previously named Ronson Development 2010 Sp. z o.o.)	2010	100.0%	100.0%
59. Retreat Sp. z o.o. (previously named 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. Gemini 2010 Sp. z o.o. (previously named 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%
74. District 20 Sp. z o.o.	2015	100.0%	n.a.
75. Królikarnia 2015 Sp. z o.o.	2015	100.0%	n.a.
76. Pod Skocznią Projekt Sp. z o.o.	2015	100.0%	n.a.
77. Tras Sp. z o.o.	2015	100.0%	n.a.
78. Arkadia Development Sp. z o.o.	2015	100.0%	n.a.

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 2015, in light of the nature of the Group's activities, the IFRSs applied by the Group are not different from the IFRSs endorsed by the European Union. 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 2 March 2016. 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 and Note 3(S).

(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 2015. 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 the 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 2015:

- IAS 19 –Defined Benefits Plan – Employee Contributions – Amendments to IAS 19
- IFRIC 21 – Levies
- Annual Improvements to IFRSs 2010-2012 (issued on 12 December 2013)
- Annual Improvements to IFRSs 2011-2013 (issued on 12 December 2013)
- Annual Improvements to IFRSs 2012-2014 (issued on 25 September 2014)
- Disclosure initiative: Amendments to IAS 1.

The application of the above mentioned amendments did not have any impact on the annual consolidated financial statements of the Group.

Notes to the Consolidated Financial Statements

3. Significant accounting policies

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

(a) Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of the 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

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
Loans and receivables	Short-term deposits	Amortized cost method
	Other current financial assets	Amortized cost method
	Loans granted to third parties	Amortized cost method
	Cash and cash equivalent	Amortized cost method
	Trade and other receivables	Amortized cost method
Other financial liabilities	Floating rate bonds	Amortized cost method
	Loans from others	Amortized cost method
	Trade and other payables and accrued expenses	Amortized cost method
	Secured bank loans	Amortized cost method

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

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 the 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 or a cash generating unit's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset or a cash generating unit exceeds its recoverable amount.

The recoverable amount of an asset or a cash generating unit 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 2015, and have not been applied in preparing these consolidated financial statements:

- IFRS 9 *Financial Instruments* (issued on 24 July 2014) – not yet endorsed by EU at the date of approval of these financial statements - effective for financial years beginning on or after 1 January 2018;
- 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 the latest for financial years beginning on or after 1 February 2015;
- IFRS 14 *Regulatory Deferral Accounts* (issued on 30 January 2014) – The European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard– not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2016;
- 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;
- 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;

Notes to the Consolidated Financial Statements

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

- IFRS 15 *Revenue from Contracts with Customers* (issued on 28 May 2014), including amendments to IFRS 15 *Effective date of IFRS 15* (issued on 11 September 2015) — not yet endorsed by EU at the date of approval of these financial statements - effective for financial years beginning on or after 1 January 2018;
- 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;
- 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;
- 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) - decision about terms of performing particular steps resulting in endorsement of the Amendments has not yet been made by EFRAG – not yet endorsed by EU at the date of approval of these financial statements - the effective date was deferred indefinitely by IASB
- *Annual Improvements to IFRSs 2012–2014* (issued on 25 September 2014) - effective for financial years beginning on or after 1 January 2016;
- Amendments to IFRS 10, IFRS 12 and IAS 28 *Investment Entities*: Applying the Consolidation Exception (issued on 18 December 2014) – not yet endorsed by EU at the date of approval of these financial statements - effective for financial years beginning on or after 1 January 2016;
- Amendments to IAS 1 *Disclosure Initiative* (issued on 18 December 2014) – effective for financial years beginning on or after 1 January 2016,
- IFRS 16 *Leases* (issued on 13 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 at the date of approval of these financial statements - effective for financial years beginning on or after 1 January 2019,
- Amendments to IAS 12 *Recognition of Deferred Tax Assets for Unrealised Losses* (issued on 19 January 2016) - not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2017,
- Amendments to IAS 7 *Disclosure Initiative* (issued on 29 January 2016) - not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2017.

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

Notes to the Consolidated Financial Statements

5. Segment reporting

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

In thousands of Polish Zlotys (PLN) — **As at 31 December 2015**

	Warsaw			**Poznań**		**Wrocław**		**Szczecin**		**Unallocated**	**Total**
	Apartments	**Houses**	**Rental**	**Apartments**	**Houses**	**Apartments**	**Houses**	**Apartments**	**Houses**		
Segment assets	456,454	33,357	8,743	136,475	-	73,065	2,607	71,173	7,736	-	789,610
Unallocated assets	-	-	-	-	-	-	-	-	-	85,234	85,234
Total assets	**456,454**	**33,357**	**8,743**	**136,475**	**-**	**73,065**	**2,607**	**71,173**	**7,736**	**85,234**	**874,844**
Segment liabilities	152,459	1,014	-	44,660	-	4,064	-	10,262	-	-	212,459
Unallocated liabilities	-	-	-	-	-	-	-	-	-	202,964	202,964
Total liabilities	**152,459**	**1,014**	**-**	**44,660**	**-**	**4,064**	**-**	**10,262**	**-**	**202,964**	**415,423**

In thousands of Polish Zlotys (PLN) — **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**

Notes to the Consolidated Financial Statements

5. Segment reporting (cont'd)

In thousands of Polish Zlotys (PLN) — **For the year ended 31 December 2015**

	Warsaw			**Poznań**		**Wrocław**		**Szczecin**		**Unallocated**	**Total**
	Apartments	**Houses**	**Rental**	**Apartments**	**Houses**	**Apartments**	**Houses**	**Apartments**	**Houses**		
Revenue	225,942	-	795	19,901	-	34,702	-	32	-	-	281,372
Segment result	44,072	(274)	482	1,699	-	(664)	(9)	(167)	(10)	-	45,129
Unallocated result		-	-	-	-	-	-	-	-	(18,707)	(18,707)
Result from operating activities *	**44,072**	**(274)**	**482**	**1,699**	**-**	**(664)**	**(9)**	**(167)**	**(10)**	**(18,707)**	**26,422**
Net finance expenses	(315)	(5)	-	34	-	(305)	-	(10)	-	(5,491)	(6,092)
Profit/(loss) before tax	**43,757**	**(279)**	**482**	**1,733**	**-**	**(969)**	**(9)**	**(177)**	**(10)**	**- (24,198)**	**20,330**
Income tax expenses											(1,356)
Profit/(loss) for the year											**18,974**
Capital expenditure	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**155**	**155**

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 expenses	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**

* *Results from operating activities including share of loss in joint ventures (that running apartments project in Warsaw), that amounted to PLN 678 thousands (expenses) during the year ended 31 December 2015 and PLN 311 thousands (expenses) during the year ended 31 December 2014.*

Notes to the Consolidated Financial Statements

6. Revenue

For the year ended 31 December *In thousands of Polish Zlotys (PLN)*	2015	2014
Sakura I & II	3,658	5,711
Sakura III	45,708	-
Sakura IV	39,806	-
Verdis I & II	1,076	24,324
Verdis III	49,433	-
Verdis IV	26,123	-
Tamka	48,041	-
Impressio II	34,702	1,252
Młody Grunwald I	2,896	35,424
Młody Grunwald II	9,579	-
Chilli I, II & III	7,426	3,777
Naturalis I, II & III	7,879	8,960
Espresso I	1,367	63,264
Gemini II	1,965	947
Other	1,713	9,496
Total revenue	**281,372**	**153,155**

7. Cost of sales

For the year ended 31 December *In thousands of Polish Zlotys (PLN)*	2015	2014
Sakura I & II	3,181	5,045
Sakura III	40,019	-
Sakura IV	34,687	-
Verdis I & II	864	18,543
Verdis III	35,912	-
Verdis IV	19,644	-
Tamka	31,635	-
Impressio II	34,847	1,304
Młody Grunwald I	2,795	32,944
Młody Grunwald II	9,400	-
Chilli I, II & III	7,122	3,523
Naturalis I, II & III	7,038	8,188
Espresso I	1,066	50,478
Gemini II	1,307	670
Other	381	8,059
Write-down of inventory	226	12,471
Total cost of sales	**230,124**	**141,225**

Notes to the Consolidated Financial Statements

8. Selling and marketing expenses

For the year ended 31 December *In thousands of Polish Zlotys (PLN)*	2015	2014
Advertising	4,177	4,347
Brokerage fees	1,312	1,546
Other	970	988
Total selling and marketing expenses	**6,459**	**6,881**

9. Administrative expenses

For the year ended 31 December *In thousands of Polish Zlotys (PLN)*	*Note*	2015	2014
Personnel expenses	*10*	13,912	12,561
External services		2,833	3,362
Materials and energy		612	733
Depreciation		706	638
Taxes and charges		77	156
Other		694	770
Total administrative expenses		**18,834**	**18,220**

10. Personnel expenses

For the year ended 31 December *In thousands of Polish Zlotys (PLN)*		2015	2014
Wages and salaries		11,711	9,902
Incentive plan linked to financial results		512	272
Share-based payment	*35*	(72)	702
Social security and other benefits		1,761	1,685
Total personal expenses		**13,912**	**12,561**
Average number of personnel employed (*)		**76**	**73**

(*) All employees are employed in Poland.

Notes to the Consolidated Financial Statements

11. Other expenses

For the year ended 31 December *In thousands of Polish Zlotys (PLN)*	2015	2014
Maintenance expense of unsold units	921	1,078
Cost of repairs and defects	474	827
Expense for contractual penalties and compensation	84	129
Group restructuring expense	-	137
Write-down of trade receivables (*)	26	380
Cost of research and due diligence of new projects	36	54
Other expense	169	453
Total other expense	**1,710**	**3,058**

(*) For additional information see Note 21.

12. Other income

For the year ended 31 December *In thousands of Polish Zlotys (PLN)*	2015	2014
Revenues from contractual penalties and compensation	2,663	55
Rental income from inventory	522	313
Net profit on sale of property and equipment	32	71
Other income	112	287
Total other income	**3,329**	**726**

Notes to the Consolidated Financial Statements

13. Finance income and expense

For the year ended 31 December 2015 *In thousands of Polish Zlotys (PLN)*	**Total amount**	**Amount capitalized**	**Recognized in the statement of comprehensive income**
Interest on granted loans	714	-	714
Interest income on bank deposits	1,068	-	1,068
Other finance income	29	-	29
Finance income	**1,811**	**-**	**1,811**
Interest expense on financial liabilities	(14,062)	7,464	(6,598)
Commissions and fees	(3,121)	1,947	(1,174)
Other finance expense	(131)	-	(131)
Finance expense	**(17,314)**	**9,411**	**(7,903)**
Net finance expense	**(15,503)**	**9,411**	**(6,092)**

For the year ended 31 December 2014 *In thousands of Polish Zlotys (PLN)*	**Total amount**	**Amount capitalized**	**Recognized in the statement of comprehensive income**
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)**

Notes to the Consolidated Financial Statements

14. Income tax

For the year ended 31 December *In thousands of Polish Zlotys (PLN)*	2015	2014
Current tax		
Current period	72	59
Taxation in respect of previous periods	34	22
Total current tax expense/(benefit)	**106**	**81**
Deferred tax		
Origination and reversal of temporary differences	(3,896)	(2,783)
Tax losses utilized/(recognized)	5,146	(767)
Total deferred tax expense/(benefit)	**1,250**	**(3,550)**
Total income tax expense/(benefit)	**1,356**	**(3,469)**

Reconciliation of effective tax rate

For the year ended 31 December *In thousands of Polish Zlotys (PLN)*	2015	2014
Profit/(loss) for the year	18,974	(15,215)
Total income tax expense/(benefit)	1,356	(3,469)
Profit/(loss) before income tax	**20,330**	**(18,684)**
Expected income tax using the Polish tax rate (19%)	**3,863**	**(3,550)**
***Tax effect of*:**		
Taxes in respect of previous periods	34	22
Non-deductible expenses, net	61	55
Movement in unrecognized deferred tax assets on loss carry forward in Poland	437	(181)
Tax benefit in connection with the organizational restructuring of the Group in prior years	(3,115)	(608)
Other differences	76	793
Tax benefit for the period	**1,356**	**(3,469)**
Effective tax rate	**6.67%**	**18.57%**

Notes to the Consolidated Financial Statements

15. Property and equipment

For the year ended 31 December 2015 *In thousands of Polish Zlotys (PLN)*	Vehicles	Equipment	Building	Total
Cost or deemed cost				
Balance at 1 January	1,509	1,932	8,645	12,086
Additions	111	44	-	155
Sales and disposals	(248)	-	-	(248)
Closing balance	**1,372**	**1,976**	**8,645**	**11,993**
Depreciation and impairment losses				
Balance at 1 January	638	1,029	995	2,662
Depreciation for the period	251	160	295	706
Sales and disposals	(247)	-	-	(247)
Closing balance	**642**	**1,189**	**1,290**	**3,121**
Carrying amounts				
At 1 January	871	903	7,650	9,424
Closing balance	**730**	**787**	**7,355**	**8,872**

For the year ended 31 December 2014 *In thousands of Polish Zlotys (PLN)*	Vehicles	Equipment	Building	Total
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**

Impairment loss

In the years ended 31 December 2015 and 31 December 2014, 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 *In thousands of Polish Zlotys (PLN)*	2015	2014
Balance at 1 January	9,217	9,840
Sales	-	(623)
Change in fair value during the year	(474)	-
Balance as at 31 December, including:	**8,743**	**9,217**
Cost	***4,058***	***4,058***
Fair value adjustments	***4,685***	***5,159***

As at 31 December 2015, 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 m^2 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 m^2 leased to third parties with an indefinite term (“Ursynów IP”).

Investment property is valued at fair value determined as at 31 December 2015 and as at 31 December 2014 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 7.5% (during a 6 year forecast period), a capitalization exit yield of 7.5%, a monthly rate of PLN 39 per m^2 and a long term vacancy rate of 5%. The assumptions as at the end of 2014 were very similar as at the end of 2015.

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.

If the yields used for the appraisals of investment property on 31 December 2015, had been 100 basis points higher than was the case at that time, the value of the investments would have been 12% lower (31 December 2014: 14% lower). In this situation, the Company’s shareholders’ equity would have been PLN 1 million lower (31 December 2014: 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.

During the year ended 31 December 2015 and 2014 the rental income from investment property amounted to PLN 795 thousand and PLN 826 thousand, respectively.

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 *In thousands of Polish Zlotys (PLN)*	**2015**	**2014**
Opening balance	**1,623**	**1,473**
Loans repaid	(1,039)	-
Interest repaid	(248)	-
Accrued interest	122	150
Total closing balance	**458**	**1,623**
Closing balance includes:		
Current assets	458	-
Non-current assets	-	1,623
Total closing balance	**458**	**1,623**

The loans are granted to one of the shareholders of Ronson Espresso Sp. z o.o. as at 31 December 2015 and 31 December 2014 the loans bear a variable rate of 10.7% and 11.8% (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 *In thousands of Polish Zlotys (PLN)*	**2015**	**2014**
Loans granted	21,359	18,672
Share in net equity value of joint ventures	(3,921)	(2,650)
The Company's carrying amount of the investment	**17,438**	**16,022**

Share of profit/(loss) of joint ventures

The Investment in joint ventures comprise the Company's 50% interest in the joint ventures 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.

Pursuant to the Project Support Agreement, the Company agreed to provide financial support to Ronson IS in its performance of the project to the amount equal to value of secured receivables (i.e. the Bank's receivables with respect to Ronson IS under the Loan Facility Agreement between Ronson IS sp. z o.o. sp.k. and Bank Polska Kasa Opieki S.A. assuming a loan facility in total amount of no more than PLN 86,150 thousand).

Notes to the Consolidated Financial Statements

18. Investment in joint ventures (cont'd)

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

The table below present the movements in the share in net equity value of joint ventures.

For the year ended 31 December *In thousands of Polish Zlotys (PLN)*	**2015**	**2014**
Opening balance	**(1,214)**	**(903)**
Share of profit/(loss) in joint ventures		
Net result from joint ventures during the period	(1,271)	(874)
Offsetting net results of the joint ventures with intercompany interest during the period	593	563
Total share of profit/(loss) in joint ventures	**(678)**	**(311)**
Total net results of the joint ventures that were offset with intercompany interest as at the end on the period	(2,029)	(1,436)
Total closing balance	**(3,921)**	**(2,650)**

Summarised financial information of the joint ventures is presented below.

As at 31 December *In thousands of Polish Zlotys (PLN)*	**2015**	**2014**
Assets		
Inventory	48,635	31,966
Cash and cash equivalents	2,343	277
Other current assets	2,458	152
Liabilities		
Long-term loans from shareholders	(47,819)	(37,336)
Other current liabilities	(13,458)	(359)
Equity	**(7,841)**	**(5,300)**
Company share	**(3,921)**	**(2,650)**

Notes to the Consolidated Financial Statements

18. Investment in joint ventures (cont'd)

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

The summarised statement of comprehensive income for the joint ventures in aggregate is as follows:

For the year ended 31 December *In thousands of Polish Zlotys (PLN)*	**2015**	**2014**
Administrative expenses	(615)	(1)
Selling and marketing expenses	(732)	(69)
Finance income	6	-
Finance expense	(1,200)	(1,685)
Profit/(loss) before taxation	**(2,541)**	**(1,755)**
Income tax benefit/(expense)	-	8
Profit for the year (continuing operations)	**(2,541)**	**(1,747)**
Total comprehensive income for the year (continuing operations)	**(2,541)**	**(1,747)**
The Company's share of profit/(loss) for the year	**(1,271)**	**(874)**

Loans granted to the joint ventures

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

For the year ended 31 December *In thousands of Polish Zlotys (PLN)*	**2015**	**2014**
Opening balance	**17,236**	**16,198**
Loans granted	5,000	475
Loans repaid	(3,441)	-
Accrued interest	1,185	1,126
Interest paid	(57)	-
Offsetting accrued interest with net results of the joint ventures during the period	(593)	(563)
	19,330	**17,236**
Total net accrued interest that were offset with net results of the joint ventures as at the end on the period	2,029	1,436
Total closing balance	**21,359**	**18,672**

The loans mature in 2017. As at 31 December 2014 and as at 31 December 2015 the loans bear a variable rate of 6.9% and a variable rate of 8.6% (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:

In thousands of Polish Zlotys (PLN)	Opening balance 1 January 2015	Recognized in the statement of comprehensive income	Closing balance 31 December 2015
Deferred tax assets			
Tax loss carry forward	15,502	(5,146)	10,356
Accrued interest	5,007	2,500	7,507
Accrued expense	442	122	564
Write-down of work in progress	2,341	(413)	1,928
Other	488	(345)	143
Total deferred tax assets	**23,780**	**(3,282)**	**20,498**
Deferred tax liabilities			
Difference between tax base and carrying value of inventory	16,811	(2,437)	14,374
Accrued interest	629	475	1,104
Fair value gain on investment property	980	(90)	890
Other	587	20	607
Total deferred tax liabilities	**19,007**	**(2,032)**	**16,975**
Total deferred tax benefit (see Note 14)		**1,250**	
Deferred tax assets	23,780		20,498
Deferred tax liabilities	19,007		16,975
Offset of deferred tax assets and liabilities for individual companies	(9,567)		(9,195)
Deferred tax assets reported in the statement of financial position	**14,213**		**11,303**
Deferred tax liabilities reported in the statement of financial position	**9,440**		**7,780**

Notes to the Consolidated Financial Statements

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

In thousands of Polish Zlotys (PLN)	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 of 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**

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 107,884 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.

Notes to the Consolidated Financial Statements

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

Tax losses carry forward

As at 31 December	2015			2014		
In thousands of Polish Zlotys (PLN)	Recognized tax losses	Unrecognized tax losses	Total tax losses	Recognized tax losses	Unrecognized tax losses	Total tax losses
Tax loss 2010 carried forward	-	-	-	12,213	6,396	18,609
Tax loss 2011 carried forward	7,188	3,032	10,220	16,338	6,849	23,187
Tax loss 2012 carried forward	5,880	1,276	7,156	12,818	1,427	14,245
Tax loss 2013 carried forward	1,978	1,199	3,177	2,755	1,360	4,115
Tax loss 2014 carried forward	31,175	8,261	39,436	37,466	3,029	40,495
Tax loss 2015 carried forward	8,282	3,797	12,079	-	-	-
Total tax losses carried forward	**54,503**	**17,565**	**72,068**	**81,590**	**19,061**	**100,651**

The deferred tax assets on tax losses carried forward expire in the following years:

In thousands of Polish Zlotys (PLN)	**As at 31 December 2015**
2016	1,370
2017	1,174
2018	2,347
2019	4,326
2020	1,139
After 2020	-
Total deferred tax asset in respect of tax losses carried forward	**10,356**

Movement in unrecognized deferred tax assets on tax losses carried forward

Unrecognized deferred tax assets on tax losses carried forward in Poland are presented in the table below:

In thousands of Polish Zlotys (PLN)	Balance 1 January 2014	Tax losses expired	Additions/ (Realizations)	Balance 31 December 2014	Tax losses expired	Additions/ (Realizations)	Balance 31 December 2015
Tax losses	5,238	(1,435)	(181)	3,622	(722)	437	3,337
Total	**5,238**	**(1,435)**	**(181)**	**3,622**	**(722)**	**437**	**3,337**

In addition, 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 2015 are estimated to be PLN 7,420 thousand (2014: PLN 7,177 thousand).

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.

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 2015 are estimated to be PLN 15,587 thousand (31 December 2014: PLN 18,702 thousand).

Unrecognized deferred tax liabilities

There are no unrecognized deferred tax liabilities.

Notes to the Consolidated Financial Statements

20. Inventory

For the year ended 31 December 2015:

In thousands of Polish Zlotys (PLN)	Opening balance 1 January 2015	Transferred to finished units	Additions	Closing balance 31 December 2015
Land and related expense	393,499	(75,985)	25,185	342,699
Construction costs	155,134	(181,220)	180,153	154,067
Planning and permits	27,317	(10,195)	5,507	22,629
Borrowing costs (*)	82,639	(26,517)	9,411	65,533
Other	5,381	(3,695)	3,575	5,261
Work in progress	**663,970**	**(297,612)**	**223,831**	**590,189**

In thousands of Polish Zlotys (PLN)	Opening balance 1 January 2015	Transferred from work in progress	Recognized in the statement of comprehensive income	Closing balance 31 December 2015
Finished goods	**55,209**	**297,612**	**(230,310)**	**122,511**

In thousands of Polish Zlotys (PLN)	Opening balance 1 January 2015	Revaluation write-down recognized in statement of comprehensive income		Closing balance 31 December 2015
		Increase	Utilization	
Write-down	**(12,678)**	**(226)**	**1,491**	**(11,413)**
Total inventories at the lower of cost or net realizable value	**706,501**			**701,287**

(*) Borrowing costs are capitalized to the value of inventory with 6.38% average effective capitalization interest rate.

Notes to the Consolidated Financial Statements

20. Inventory (cont'd)

For the year ended 31 December 2014:

In thousands of Polish Zlotys (PLN)	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 (*)	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**

In thousands of Polish Zlotys (PLN)	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**

In thousands of Polish Zlotys (PLN)	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**

(*) Borrowing costs are capitalized to the value of inventory with 7.24% 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 2015 and 31 December 2014 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 2015 and 31 December 2014, the Group made a write-down adjustment of PLN 226 thousand and a write-down adjustment in the total amount of PLN 12,471 thousand, respectively, which is included as part of cost of sales in the Consolidated Statement of Comprehensive Income. The Group examined a possible write-down on inventory for each project separately, according to the projection of revenues net of cost of sales.

The valuation of Inventory is as follows:

As at 31 December *In thousands of Polish Zlotys (PLN)*	**2015**	**2014**
Valued at cost	587,911	582,130
Valued at net realizable value	113,376	124,371
Total inventory	**701,287**	**706,501**

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 *In thousands of Polish Zlotys (PLN)*	**2015**	**2014**
Value added tax (VAT) receivables	11,427	6,059
Trade and other receivables	2,384	1,639
Prepayments	984	961
Advances for land purchase (*)	3,698	-
Total trade and other receivables and prepayments	**18,493**	**8,659**

(*) For additional information see note 38.

As at 31 December 2015 and 31 December 2014, the Group had no allowance for doubtful debts.
During the year ended 31 December 2015 and 31 December 2014, the Group wrote down an amount of PLN 26 thousand and PLN 380 thousand, respectively as irrecoverable debts included in trade and other receivables.

22. Short-term bank deposits – collateralized

As at 31 December *In thousands of Polish Zlotys (PLN)*	**2015**	**2014**
Deposits collateralized for securing the repayment of interest related to the credit facilities provided to the Group	34	1,531
Deposits for guaranteeing payments to the local authorities	4,059	-
Other deposits collateralized	-	500
Total short-term bank deposits – collateralized	**4,093**	**2,031**

The interest rates earned on these deposits vary from 1.4% 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

Other current financial assets comprise escrow accounts only. The 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.

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 *In thousands of Polish Zlotys (PLN)*	**2015**	**2014**
Cash at bank and in hand	85,180	36,060
Short-term deposit	14,351	34,530
Total cash and cash equivalents	**99,531**	**70,590**

Cash at bank earns interest at floating rates based on daily bank deposit rates. As at 31 December 2015 and 31 December 2014 the Group held in saving accounts amounting to PLN 75,955 thousand and PLN 24,906 thousand, respectively. As at 31 December 2015 and 31 December 2014 the saving accounts that earn interest rates varying between 1.75% - 1.95% and 1.75% - 1.95%, 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 2015 and 31 December 2014, they earn interest at the respective short-term deposit rates varying between 1.9% - 3.2% and 1.9% - 3.2%, 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 2015 and as at 31 December 2014 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 2015, a dividend amounting to PLN 10,894 thousands total or PLN 0.04 per ordinary share, was distributed. During the year ended 31 December 2014, no dividend was distributed to the Company's shareholders.

26. Non-controlling interests

Movements in non-controlling interests during the year ended 31 December 2015 and 31 December 2014 are as follows:

As at 31 December *In thousands of Polish Zlotys (PLN)*	**2015**	**2014**
Opening balance	2,099	1,883
Comprehensive income/(loss) attributable to non-controlling interests	(376)	216
Closing balance	**1,723**	**2,099**

Summarised financial information of Ronson Espresso Sp. z o.o. is presented below:

As at 31 December *In thousands of Polish Zlotys (PLN)*	**2015**	**2014**
Assets		
Property and equipment	249	290
Inventory	63,724	34,497
Cash and cash equivalents	1,082	5,653
Other current assets	3,074	2,785
Liabilities		
Long-term loans from shareholders	(24,840)	(26,963)
Secured bank loans	(16,593)	(6,283)
Advances received	(25,029)	(6,347)
Other current liabilities	(6,056)	(5,344)
Equity	**(4,389)**	**(1,712)**

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 is as follows:

For the year ended 31 December *In thousands of Polish Zlotys (PLN)*	**2015**	**2014**
Revenue	1,367	63,264
Cost of sales	(1,066)	(46,140)
Gross profit	**301**	**17,124**
Administrative expenses	(885)	(7,200)
Selling and marketing expenses	(986)	(841)
Other income/(expenses)	173	(85)
Finance income	69	359
Finance expense	(1,807)	(1,790)
Profit/(loss) before taxation	**(3,135)**	**7,567**
Income tax benefit/(expense)	275	(1,813)
Profit/(loss) for the year (continuing operations)	**(2,860)**	**5,754**
Total comprehensive income for the year (continuing operations)	**(2,860)**	**5,754**

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 2015 and 2014.

Weighted average number of ordinary shares (basic):

For the year ended 31 December	**2015**	**2014**
Net profit/(loss) attributable to equity holders of the parent company *(in thousands of Polish Zlotys)*	19,350	(15,431)
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 *(in Polish Zlotys)*	**0.071**	**(0.057)**

There have been no other transactions involving ordinary shares between the reporting date and the date of completion of these Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

28. Loans and borrowings

As at 31 December *In thousands of Polish Zlotys (PLN)*	*Note*	2015	2014
Floating rate bonds	*29*	190,297	159,749
Secured bank loans	*30*	56,902	73,704
Loans from third parties	*31*	2,911	2,737
Total loans and borrowings		**250,110**	**236,190**

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 2015:

In thousands of Polish Zlotys (PLN)	Currency	Nominal interest rate	Year of maturity	Capital	Accrued interest	Charges and fees	Carrying value
Floating rate bonds series C	PLN	Wibor + 3.75%	2017	83,500	215	(817)	82,898
Floating rate bonds series D	PLN	Wibor + 4.55%	2016	15,550	43	(97)	15,496
Floating rate bonds series E	PLN	Wibor + 4.55%	2016	2,250	64	(17)	2,297
Floating rate bonds series F	PLN	Wibor + 3.5%	2018	28,000	167	(338)	27,829
Floating rate bonds series G	PLN	Wibor + 4.25%	2018	12,000	124	(124)	12,000
Floating rate bonds series H	PLN	Wibor + 4.25%	2018	5,000	31	(53)	4,978
Floating rate bonds series I	PLN	Wibor + 4%	2019	10,000	251	(138)	10,113
Floating rate bonds series J	PLN	Wibor + 3.6%	2019	15,500	165	(256)	15,409
Floating rate bonds series K	PLN	Wibor + 3.6%	2019	4,500	9	(76)	4,433
Floating rate bonds series L	PLN	Wibor + 3.5%	2018	15,000	4	(160)	14,844
Subtotal (floating rate bonds)				**191,300**	**1,073**	**(2,076)**	**190,297**
Bank Loans	PLN	Wibor + 2.5%-2.8%	2016	15,039	-	(241)	14,798
Bank Loans	PLN	Wibor + 2.5%-2.9%	2017	38,940	-	(279)	38,661
Bank Loans	PLN	Wibor + 2.9%	2018	3,589	5	(151)	3,443
Subtotal (Bank)				**57,568**	**5**	**(671)**	**56,902**
Loans from non-controlling interest granted to consolidated subsidiaries	PLN	6.1%(*)	2016	1,885	120	-	2,005
Loans from non-controlling interest granted to consolidated subsidiaries	PLN	6.1%(*)	2017	852	54	-	906
Subtotal (others)				**2,737**	**174**	**-**	**2,911**
Total				**251,605**	**1,252**	**(2,747)**	**250,110**

(*) 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.

Notes to the Consolidated Financial Statements

28. Loans and borrowings (cont'd)

Loans as at 31 December 2014:

In thousands of Polish Zlotys (PLN)	Currency	Nominal interest rate	Year of maturity	Capital	Accrued interest	Charges and fees	Carrying value
Floating rate bonds series C	PLN	Wibor + 3.75%	2017	83,500	212	(1,381)	82,331
Floating rate bonds series D	PLN	Wibor + 4.55%	2016	23,550	68	(307)	23,311
Floating rate bonds series E	PLN	Wibor + 4.55%	2016	9,250	310	(47)	9,513
Floating rate bonds series F	PLN	Wibor + 3.5%	2018	28,000	174	(479)	27,695
Floating rate bonds series G	PLN	Wibor + 4.25%	2018	12,000	127	(183)	11,944
Floating rate bonds series H	PLN	Wibor + 4.25%	2018	5,000	33	(78)	4,955
Subtotal (floating rate bonds)				**161,300**	**924**	**(2,475)**	**159,749**
Bank Loans	PLN	Wibor + 2.1%-3%	2016	74,310	5	(611)	73,704
Subtotal (Bank)				**74,310**	**5**	**(611)**	**73,704**
Loans from non-controlling interest granted to consolidated subsidiaries	PLN	6.8%(*)	2016	2,737	-	-	2,737
Subtotal (others)				**2,737**	**-**	**-**	**2,737**
Total				**238,347**	**929**	**(3,086)**	**236,190**

(*) 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 *In thousands of Polish Zlotys (PLN)*	**2015**	**2014**
Inventory	495,940	461,696
Other	14,839	15,497
Balance sheet value of pledged assets	**510,779**	**477,193**
Amount of loans and borrowings	**167,532**	**183,730**

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 *In thousands of Polish Zlotys (PLN)*	**2015**	**2014**
Opening balance	**159,749**	**119,366**
Repayment of bond loans	(15,000)	(5,000)
Proceeds from bond loans	45,000	45,000
Issue cost	(757)	(882)
Issue cost amortization	1,157	1,013
Accrued interest	10,611	9,645
Interest repayment	(10,463)	(9,393)
Total closing balance	**190,297**	**159,749**
Closing balance includes:		
Current liabilities	18,759	924
Non-current liabilities	171,538	158,825
Total closing balance	**190,297**	**159,749**

During the year ended 31 December 2015, the Company issued 100,000 series I bonds (total nominal value of PLN 10,000 thousand), 15,500 series J bonds (total nominal value of PLN 15,500 thousand), 45,000 series K bonds (total nominal value of PLN 4,500 thousand) and 15,000 series L bonds (total nominal value of PLN 15,000 thousand).

As at 31 December 2015 and as at 31 December 2014 all covenants on floating rate bonds are met.

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. In December 2015, the Company repurchased (in order of redemption) 8,000 series D bonds. As a result, the total number of outstanding bonds series D as at 31 December 2015 amounted to 15,550. The nominal value of one bond (series C and D) amounts to PLN 1 thousand and is equal to its issue price. The series C bonds shall be redeemed on 14 June 2017 at nominal value, whereas the series D bonds shall be redeemed on 14 June 2016 at nominal value. 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. In December 2015, the Company repurchased (in order of redemption) 7,000 series E bonds. As a result, the total number of outstanding bonds series E as at 31 December 2015 amounted to 2,250. 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.
The series E bonds are not secured.

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 of 3.5%. 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 of 4.25%. 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.
The series G bonds are not secured.

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 of 4.25%. 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.
The series H bonds are not secured.

Notes to the Consolidated Financial Statements

29. Floating rate bonds (cont'd)

Series I:

On 23 January 2015, the Company issued 100,000 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 4% margin. Interest is payable semi-annually in January and July until redemption date.
The terms and conditions of the issuance of the I bonds include provisions regarding early redemption at a bondholder's request to be made prior to 25 January 2019 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 I bonds are not secured.

Series J:

On 21 April 2015, the Company issued 15,500 series J bonds with a total nominal value of PLN 15,500 thousand. The nominal value of one bond amounts to PLN 1,000 and is equal to its issue price. The series J bonds shall be redeemed on 19 April 2019. The bonds carry an interest rate composed of a base rate equal to 6 months Wibor plus 3.6% margin. Interest is payable semi-annually in April and October until redemption date.
The terms and conditions of the issuance of the J bonds include provisions regarding early redemption at a bondholder's request to be made prior to 19 April 2019 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 J bonds are not secured.

Series K:

On 18 June 2015, the Company issued 45,000 series K bonds with a total nominal value of PLN 4,500 thousand. The nominal value of one bond amounts to PLN 100 and is equal to its issue price. The series K bonds shall be redeemed on 18 June 2019. The bonds carry an interest rate composed of a base rate equal to 6 months Wibor plus 3.6% margin. Interest is payable semi-annually in June and December until redemption date.
The terms and conditions of the issuance of the K bonds include provisions regarding early redemption at a bondholder's request to be made prior to 18 June 2019 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 K bonds are not secured.

Series L:

On 29 December 2015, the Company issued 15,000 series L bonds with a total nominal value of PLN 15,000 thousand. The nominal value of one bond amounts to PLN 1,000 and is equal to its issue price. The series L bonds shall be redeemed on 28 December 2018. The bonds carry an interest rate composed of a base rate equal to 6 months Wibor plus 3.5% margin. Interest is payable semi-annually in June and December until redemption date.
The terms and conditions of the issuance of the L bonds include provisions regarding early redemption at a bondholder's request to be made prior to 28 December 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 L bonds are not secured.

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 *In thousands of Polish Zlotys (PLN)*	**31 December 2015**
Net debt	146,486
Equity	454,175
Net Indebtedness Ratio	**32.3%**

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 a 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.
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 *In thousands of Polish Zlotys (PLN)*	**31 December 2015**
Net debt	150,579
Equity	459,421
Net Indebtedness Ratio	**32.8%**

Notes to the Consolidated Financial Statements

29. Floating rate bonds (cont'd)

Financial ratio covenants (cont'd):

Series G, I, J, K and L:

Based on the conditions of bonds G, I, J, K and L 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 a 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.
Check date – last day of each calendar quarter.

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

As at *In thousands of Polish Zlotys (PLN)*	**31 December 2015**
Net debt	146,381
Equity	459,421
Net Indebtedness Ratio	**31.9%**

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 *In thousands of Polish Zlotys (PLN)*	**31 December 2015**
Net debt	146,381
Inventory	584,406
Net Debt to Inventory Ratio	**25.0%**

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 *In thousands of Polish Zlotys (PLN)*	**2015**	**2014**
Opening balance	**73,704**	**41,978**
New bank loan drawdown	133,383	69,819
Bank loans repayments	(150,125)	(38,413)
Bank charges	(930)	(789)
Bank charges amortization	870	1,104
Accrued interest/(interest repayment) on bank loans, net	-	5
Total closing balance	**56,902**	**73,704**
Closing balance includes:		
Current liabilities	14,803	5
Non-current liabilities	42,099	73,699
Total closing balance	**56,902**	**73,704**

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 2015 and 2014, 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 5,246 thousand and PLN 15,753 thousand as at 31 December 2015 and 31 December 2014, 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 *In thousands of Polish Zlotys (PLN)*	2015	2014
Opening balance	**2,737**	**2,657**
Interest repayment	-	(80)
Accrued interest	174	160
Total closing balance	**2,911**	**2,737**
Closing balance includes:		
Current liabilities	2,005	-
Non-current liabilities	906	2,737
Total Closing balance	**2,911**	**2,737**

For additional information, see Note 28.

32. Trade and other payables and accrued expenses

As at 31 December *In thousands of Polish Zlotys (PLN)*	2015	2014
Trade payables	17,468	27,706
Guarantees for construction work	4,601	4,189
Accrued expenses	8,220	11,002
Value added tax (VAT) and other tax payables	7,656	478
Non-trade payables	629	336
Total trade and other payables and accrued expenses	**38,574**	**43,711**

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

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	**2015**	**2014**
In thousands of Polish Zlotys (PLN)		
Moko I	33,616	6,684
Moko II	12,948	-
Kamienica Jeżyce I	17,866	831
Kamienica Jeżyce II	4,643	-
Espresso I	32	221
Espresso II	19,175	6,126
Espresso III	5,822	-
Verdis I+II	51	344
Verdis III	149	25,181
Verdis IV	1,117	3,461
Sakura I+II	115	362
Sakura III	187	24,265
Sakura IV	629	5,947
Tamka	1,348	13,652
Naturalis I+II+III	302	148
Młody Grunwald I	111	300
Młody Grunwald II	11,405	2,288
Panoramika I	-	29
Panoramika II	4,540	379
Impressio II	2,493	5,951
Chilli I, II & III	-	2,536
Other	332	308
Total	**116,881**	**99,013**

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

34. Provisions

For the year ended 31 December	**2015**	**2014**
In thousands of Polish Zlotys (PLN)		
Balance at the beginning of the year	**1,078**	**201**
Increase/(decrease)	363	877
Balance at the end of the year	**1,441**	**1,078**

As at 31 December 2015, the provision included expected necessary costs of guarantees for construction works amounting to PLN 1,441 thousand, whereas as at 31 December 2014, the provision included expected necessary costs of guarantees for construction works amounting to PLN 1,078 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 was made by way of a separate decision of the remuneration committee of the Remuneration Committee;

iii. benefits were aggregated among the selected employees (of the Company or of its subsidiaries) who joined the Phantom Stock Plan through the end of 2015, of which (a) 50% was 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;

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 2015, 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 0.23 per option. The significant inputs into the model were a weighted average share price of PLN 1.37, the exercise price mentioned above, volatility of 43%, dividend yield of 3%, an option life of 1.75 years and an annual risk free rate of 6%.

The value of these options, as at 31 December 2015 and 31 December 2014, amounting to PLN 630 thousand and PLN 702 thousands, respectively, has been included in the Company's consolidated balance sheet under Share based payment liabilities. The change in the value of the options for the year ended 31 December 2015 and 31 December 2014, resulting from vesting of the subsequent tranches as well as changes in the inputs into the Black-Scholes valuation model, amounting to PLN 72 thousand (negative) and PLN 702 thousand (positive), respectively is recognized in employee benefits expense (see Note 10).

During the year ended 31 December 2015, 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:

In thousands of Polish Zlotys (PLN)	***Category***	***Note***	**As at 31 December 2015**	
			Carrying amount	**Fair value**
Assets:				
Trade and other receivables	*Loans and receivables*	*21*	6,082	6,082
Short-term bank deposits – collateralized	*Loans and receivables*	*22*	4,093	4,092
Loans granted to third parties	*Loans and receivables*	*17*	458	471
Other current financial assets	*Loans and receivables*	*23*	4,198	4,198
Cash and cash equivalents	*Loans and receivables*	*24*	99,531	99,531
Liabilities:				
Floating rate bonds	*Other financial liabilities*	*28*	190,297	186,447
Secured bank loans	*Other financial liabilities*	*28*	56,902	57,062
Loans from third parties	*Other financial liabilities*	*28*	2,911	2,943
Trade and other payables and accrued expenses	*Other financial liabilities*	*32*	30,918	30,918
Unrecognized profit/(loss)				**3,670**

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

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 2015 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 2015 and 31 December 2014 and are as follows:

As at 31 December	2015	2014
Loans and borrowings	4.1-5.3%	4.5-6.3%
Short-term bank deposits – collateralized	1.5%	2.1%

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 2015:

		Fair value measurement using:		
In thousands of Polish Zlotys (PLN)	***Date of valuation***	**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-15	-	-	8,743
Assets for which fair values are disclosed:				
Loans granted to third parties	31-Dec-15	-	471	-
Short-term bank deposits – collateralized	31-Dec-15	-	4,092	-
Liabilities for which fair values are disclosed:				
Floating rate bonds	31-Dec-15	-	186,447	-
Secured bank loans	31-Dec-15	-	57,062	-
Loans from third parties	31-Dec-15	-	2,943	-

During 2015, 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 *In thousands of Polish Zlotys (PLN)*	2015	2014
Moko I	8,115	35,301
Moko II	16,293	-
Kamienica Jeżyce I	15,461	28,109
Kamienica Jeżyce II	20,004	-
Panoramika II	9,466	20,280
Vitalia I	25,350	-
Espresso II	3,409	18,472
Espresso III	22,890	-
Młody Grunwald II	-	14,796
Verdis IV	-	9,325
Impressio II	-	9,677
Tamka	-	13,684
Sakura IV	-	7,608
Verdis III	-	3,312
Sakura III	-	937
Total	**120,988**	**161,501**

Contingent liabilities:

As at 31 December 2015 and as at 31 December 2014, 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 *In thousands of Polish Zlotys (PLN)*	2015	2014
Espresso II	9,615	22,305
Espresso III	20,374	-
Sakura III	-	4,415
Sakura IV	-	13,012
Impressio II	-	20,314
Moko I-II	6,391	42,450
Młody Grunwald II	7,450	15,142
Kamienica Jeżyce I	22,026	28,671
Kamienica Jeżyce II	24,938	-
Panoramika II	12,703	-
Total	**103,497**	**146,309**

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 2015 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	**2015**	**2014**
In thousands of Polish Zlotys (PLN)		
Moko I	24,404	34,255
Tamka	4,251	26,153
Kamienica Jeżyce I	18,270	10,893
Kamienica Jeżyce II	11,665	-
Espresso II	28,847	16,271
Sakura IV	1,308	11,017
Verdis III	191	22,045
Verdis IV	673	10,747
Moko II	24,869	-
Impressio II	3,271	7,706
Młody Grunwald II	5,981	6,519
Panoramika II	8,176	3,046
Espresso III	19,110	-
Sakura III	1,074	9,098
Sakura I & II	54	987
Młody Grunwald I	1,448	28
Chilli I, II & III	-	1,596
Espresso I	20	686
Naturalis I, II & III	2,502	1,513
Verdis I & II	84	117
Other (old) projects	1,708	830
Total	**157,906**	**163,507**

Investment commitments -land purchase:

During fourth quarter of 2015, the Group entered into preliminary purchase agreements for plots of land with an area of 76,300 m^2 located in Warsaw, district Białołęka at Marywilska Street. The closure of the transaction and the transfer of the ownership of the properties are expected to occur during the first half of 2016. The final payment will amount to PLN 32 million.

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 2014 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 2015. 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 2015 and as at 31 December 2014 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 2015, 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
Yosef Shaked - Member of the Management Board
Erez Yoskovitz - 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 2015. Key management personnel compensation can be presented as follows:

As at 31 December	**2015**	**2014**
In thousands of Polish Zlotys (PLN)		
Salary and other short time benefit	1,844	1,437
Management bonus	671	67
Subtotal - Mr Shraga Weisman	**2,515**	**1,504**
Salary and other short time benefit	524	526
Incentive plan linked to financial results	173	-
Incentive plan linked to share price performance (not paid)*	(25)	247
Subtotal - Mr Tomasz Łapiński	**672**	**773**
Salary and other short time benefit	318	297
Incentive plan linked to financial results	339	272
Incentive plan linked to share price performance (not paid)*	(18)	172
Subtotal - Mr Andrzej Gutowski	**639**	**741**
Total	**3,826**	**3,018**

* *For additional information see note 35.*

Mr Yosef Shaked and Mr Erez Yoskovitz and are not entitled to any remuneration from the Company and nor from any of the Company's subsidiaries.

Previous Management Board members Mr Peter Dudolenski and Mr Aharon Soffer were not entitled to any remuneration from the Company and nor from any of the Company's subsidiaries.

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. 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 2015 and 31 December 2014, 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 2015, 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 2015 is PLN 243 thousand (EUR 58 thousand; 2014: PLN 253 thousand (EUR 60 thousand)).

Residential units purchased or leased by key management

During the year ended 31 December 2014, the Group sold one residential unit including two parking places and one storage to Mr Andrzej Gutowski for a total net amount (excluding VAT) of PLN 872 thousand.

During the year ended 31 December 2014, the Group leased one commercial unit including three parking places to a person related to Mr Tomasz Łapiński. The agreement assumes a monthly rent amounting to PLN 5.7 thousand (excluding VAT). The lease agreement includes also an option of purchasing the leased apartment for the price amounting to PLN 777 thousand (excluding VAT).

These transactions were executed at arm's length and were in adherence to the Group's policy in respect of related-party transactions. During the year ended 31 December 2015, similar transactions did not occur.

Loans granted to the joint ventures

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 a review by the auditor. The Company has agreed with U. Dori Group that the costs for the first and third quarter auditors' reviews 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 2015 and 2014, 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 expose the Group to concentrations of credit risk consist principally of cash and cash equivalents and receivables.
The Group is making significant cash payments as security for preliminary land purchase agreements. The Group minimizes its credit risk arising from such payments by registering advance repayment obligations in the mortgage register of the respective property. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The Group does not expect any counter parties to fail in meeting their obligations. The carrying amounts of the financial assets represent the maximum credit risk exposure. The maximum exposure to credit risk at the reporting date was as follows:

In thousands of Polish Zloty (PLN)	**As at 31 December 2015**	**As at 31 December 2014**
Trade and other receivables	3,368	2,600
Short-term bank deposits – collateralized	4,093	2,031
Cash and cash equivalents	99,531	70,590
Total	**106,992**	**75,221**

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

In thousands of Polish Zloty (PLN) **Rating**	**As at 31 December 2015**	**As at 31 December 2014**
AAA	12	13
A	83,761	27,352
BBB	12,452	14,239
BB	3,306	28,986
Total cash at banks and short-term bank deposits	**99,531**	**70,590**

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 2015 and 2014, 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 exists because the Group has not invested in securities as at 31 December 2015 and 2014.

(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.

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 2015					
In thousands of Polish Zlotys (PLN)	**Note**	**Average effective interest rate**	**Total**	**6 months or less**	**6-12 months**	**1-2 years**	**2-5 years**	**More than 5 years**
Fixed rate instruments								
Cash and cash equivalents	*24*	0.05%-0.1%	**3,503**	3,503	-	-	-	-
Variable rate instruments								
Short-term bank deposits - collateralized	*22*	1.4%-1.5%	**4,093**	4,093	-	-	-	-
Loans granted to third parties	*17*	10.7%(1)	**458**	-	458	-	-	-
Cash and cash equivalents	*24*	0.75%-1.95%	**96,028**	96,028	-	-	-	-
Secured bank loans	*28*	WIBOR + 2.5%-2.9%	**(56,902)**	(8,969)	(5,834)	(38,661)	(3,438)	-
Loans from others	*28*	6.1%(2)	**(2,911)**	-	(2,005)	(906)	-	-
Floating rate bonds	*28*	Wibor 6M + 3.5%-4.55%	**(190,297)**	(16,526)	(2,233)	(82,682)	(88,856)	-

(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 2014					
In thousands of Polish Zlotys (PLN)	**Note**	**Average effective interest rate**	**Total**	**6 months or less**	**6-12 months**	**1-2 years**	**2-5 years**	**More than 5 years**
Fixed rate instruments								
Cash and cash equivalents	*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%	**60,639**	60,639	-	-	-	-
Secured bank loans	*28*	WIBOR + Bank's magin	**(73,704)**	(5)	(73,699)	-	-	-
Loans from others	*28*	6.8%(2)	**(2,737)**	-	-	(2,737)	-	-
Floating rate bonds	*28*	Wibor 6M + 3.5%-4.55%	**(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.*

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 prepared for 12-month periods assumes that all other variables remain unchanged.

	As at 31 December 2015		As at 31 December 2014	
In thousands of Polish Zlotys (PLN)	**Increase by 1%**	**Decrease by 1%**	**Increase by 1%**	**Decrease by 1%**
Statement of comprehensive income				
Variable interest rate assets	335	(335)	208	(208)
Variable interest rate liabilities *	(834)	834	(787)	787
Total	**(499)**	**499**	**(579)**	**579**
Net assets				
Variable interest rate assets	335	(335)	208	(208)
Variable interest rate liabilities *	(834)	834	(787)	787
Total	**(499)**	**499**	**(579)**	**579**

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

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

	As at 31 December 2015			
In thousands of Polish Zlotys (PLN)	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
Floating rate bonds	29,862	91,103	93,613	-
Secured bank loans	17,268	39,751	3,616	-
Loans from third parties	2,119	963	-	-
Trade and other payables	30,918	-	-	-
Total	**80,167**	**131,817**	**97,229**	**-**

	As at 31 December 2014			
In thousands of Polish Zlotys (PLN)	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
Floating rate bonds	10,557	41,325	133,942	-
Secured bank loans	3,442	76,258	-	-
Loans from third parties	-	3,093	-	-
Trade and other payables	43,233	-	-	-
Total	**57,232**	**120,676**	**133,942**	**-**

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 70% or 80%. 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 2015 and 31 December 2014 were as follows:

As at 31 December *In thousands of Polish Zlotys (PLN)*	**2015**	**2014**
Loan and borrowings, including current portion	250,110	236,190
Less: cash and cash equivalents	(99,531)	(70,590)
Net debt	**150,579**	**165,600**
Total equity	459,421	451,341
Total capital employed	**610,000**	**616,941**
Gearing ratio	**32.8%**	**36.7%**
Leverage	**24.7%**	**26.8%**

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 *In thousands of Polish Zlotys (PLN)*	2015	2014
Balance sheet change in inventory	5,214	(101,711)
Finance expense, net capitalized into inventory	9,411	10,139
Transferred from advance for land	-	28,969
Write-down of inventory	(226)	(12,471)
Change in inventory in the consolidated statement of cash flows	**14,399**	**(75,074)**

Trade and other receivables and prepayments

For the year ended 31 December *In thousands of Polish Zlotys (PLN)*	2015	2014
Balance sheet change in trade and other receivables and prepayments	(9,834)	29,404
Transferred to inventory	-	(28,969)
Change in Trade and other receivables and prepayments in the consolidated statement of cash flows	**(9,834)**	**435**

43. Events during the financial year

Land purchase

In June 2015, the Group entered into a sale-purchase agreement in respect of plot of land located at Wolska Street in Warsaw with the total area of 7.2 thousand m^2. According to the valid zoning conditions, the plot is dedicated for development of residential multifamily project. The purchase price was agreed at PLN 21.3 million.

Bond loans

On 23 January 2015, the Company issued 100,000 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 4% margin. Interest is payable semi-annually in January and July until redemption date (for additional information see Note 29).

On 21 April 2015, the Company issued 15,500 series J bonds with a total nominal value of PLN 15,500 thousand. The nominal value of one bond amounts to PLN 1,000 and is equal to its issue price. The series J bonds shall be redeemed on 19 April 2019. The bonds carry an interest rate composed of a base rate equal to 6 months Wibor plus 3.6% margin. Interest is payable semi-annually in April and October until redemption date (for additional information see Note 29).

On 18 June 2015, the Company issued 45,000 series K bonds with a total nominal value of PLN 4,500 thousand. The nominal value of one bond amounts to PLN 100 and is equal to its issue price. The series K bonds shall be redeemed on 18 June 2019. The bonds carry an interest rate composed of a base rate equal to 6 months Wibor plus 3.6% margin. Interest is payable semi-annually in June and December until redemption date (for additional information see Note 29).

Notes to the Consolidated Financial Statements

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

Bond loans (cont'd)

On 29 December 2015, the Company issued 15,000 series L bonds with a total nominal value of PLN 15,000 thousand. The nominal value of one bond amounts to PLN 1,000 and is equal to its issue price. The series L bonds shall be redeemed on 28 December 2018. The bonds carry an interest rate composed of a base rate equal to 6 months Wibor plus 3.5% margin. Interest is payable semi-annually in June and December until redemption date (for additional information see Note 29).

On 29 December 2015, the Company repurchased (in order of redemption) 8,000 series D bonds and 7,000 series E bonds. As a result, as at 31 December 2015 the total number of outstanding bonds series D amounted to 15,550 and series E amounted to 2,250, respectively (for additional information see Note 29).

Bank loans

In March 2015, the Company executed a loan agreement with mBank Hipoteczny S.A. related to the second stage of the Panoramika project in Szczecin. Under this loan agreement mBank Hipoteczny S.A. is to provide financing to cover the costs of construction up to a total amount of PLN 20.7 million. Under the loan agreement, the final repayment date of the loan facility is February 2018.

In June 2015, the Company executed an annex to the loan agreement with Alior Bank S.A. related to the second stage of the Espresso project in Warsaw. Under this annex the total amount of the loan has been increased from PLN 35.0 million to PLN 36.3 million and repayment date has been postponed until October 2016.

In June 2015, the Company executed a loan agreement with Alior Bank S.A. related to the third stage of the Espresso project in Warsaw. Under this loan agreement Alior Bank S.A. is to provide financing to cover the Company's funding needs related to development costs of the project up to a total amount of PLN 28.2 million. Under the loan agreement, the final repayment date of the loan facility is July 2017.

In June 2015, the Company executed a loan agreement with Alior Bank S.A. related to financing development costs of the Moko project in Warsaw (both, first and second stage of this project). The loan was also dedicated to refinancing of all previous loan facilities of the Company related to Moko project. Under this loan agreement Alior Bank S.A. is to provide financing to cover the Company's funding needs related to development of the Moko project up to a total amount of PLN 25.0 million. Under the loan agreement, the final repayment date of the loan facility is July 2017.

In October 2015, the Company executed a loan agreement with Bank BZWBK S.A. related to the second stage of the Kamienica Jeżyce project in Poznań. Under this loan agreement Bank BZWBK S.A. is to provide financing to cover the Company's funding needs related to development costs of the project up to a total amount of PLN 24.9 million. Under the loan agreement, the final repayment date of the loan facility is December 2018.

Commencements of new projects

In February 2015, the Company commenced the construction work and the sales of the Espresso III project, which will comprise 155 units with an aggregate floor space of 8,500 m^2.

In February 2015, the Company commenced the construction work and the sales of the Moko II project, which will comprise 167 units with an aggregate floor space of 12,500 m^2.

In April 2015, the Company commenced the construction work and the sales of the City Link I projects which will comprise 313 units with an aggregate floor space of 14,100 m^2.

In May 2015, the Company commenced the construction work and the sales of the Kamienica Jeżyce II project, which will comprise 151 units with an aggregate floor space of 7,400 m^2.

In December 2015, the Company commenced the construction work and the sales of the Vitalia I project, which will comprise 139 units with an aggregate floor space of 7,200 m^2.

Notes to the Consolidated Financial Statements

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

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 m^2.

In March 2015, the Company completed the construction of the Verdis III project comprising 146 units with a total area of 7,700 m^2.

In July 2015, the Company completed the construction of the Impressio II project comprising 136 units with a total area of 8,400 m^2.

In July 2015, the Company completed the construction of the Sakura IV project comprising 114 units with a total area of 6,600 m^2.

In September 2015, the Company completed the construction of the Tamka project comprising 65 units with a total area of 5,500 m^2.

In October 2015, the Company completed the construction of the Verdis IV project comprising 78 units with a total area of 4,000 m^2.

In November 2015, the Company completed the construction of the Mlody Grunwald II project comprising 137 units with a total area of 8,200 m^2.

Other income

Other income amounted to PLN 3.3 million during the year ended 31 December 2015, which is primarily explained by reversing costs expensed in previous periods with respect to reparation of defects in one of the Company's completed projects. Based on recent settlements with the contractors, the management of the Company believes that all reparation costs will be covered by the Company's contractors (jointly with their insurers) responsible for the identified defects.

44. Subsequent events

Bank loans

In February 2016 the Company repaid (before maturity time) a loan facility granted by Bank BZWBK S.A. in the amount of PLN 10.6 million which was secured by mortgage on the plot at Polska/Gąsocińska streets in Warsaw (Renaissance project in Siekierki in Warsaw).

Commencements of new projects

None.

Completions of projects

None.

Bonds

On 25 February 2016, the Company issued 10,000 series M bonds with a total nominal value of PLN 10,000 thousand. The nominal value of one bond amounts to PLN 1,000 and is equal to its issue price. The series M bonds shall be redeemed on 25 February 2020. The bonds carry an interest rate composed of a base rate equal to 6 months Wibor plus 3.65% margin. Interest is payable semi-annually in February and August until redemption date.

Land purchase

None.

Company Statement of Profit or Loss

For the year ended 31 December		**2015**	**2014**
In thousands of Polish Zlotys (PLN)	***Note***		
Revenues from consulting services		5,075	4,472
General and administrative expense	*3*	(4,283)	(4,437)
Operating profit		**792**	**35**
Finance income	*5*	11,597	10,410
Finance expense	*5*	(12,406)	(11,404)
Net finance income/(expense)		**(809)**	**(994)**
Profit/(loss) before taxation		**(17)**	**(959)**
Income tax	*6*	-	-
Profit/(loss) before result from subsidiaries		**(17)**	**(959)**
Result from subsidiaries after taxation	*8*	19,367	(14,472)
Profit/(loss) for the year		**19,350**	**(15,431)**

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

Company Statement of Financial Position

After profit appropriation

As at 31 December *In thousands of Polish Zlotys (PLN)*	*Note*	**2015**	**2014**
Assets			
Investment in subsidiaries	*8*	460,890	441,523
Loan granted to subsidiaries	*9*	151,688	158,747
Total non-current assets		**612,578**	**600,270**
Trade and other receivables and prepayments		1,100	719
Receivable from subsidiaries		1,082	497
Loan granted to subsidiaries	*9*	1,682	-
Cash and cash equivalents		37,798	12,314
Total current assets		**41,662**	**13,530**
Total assets		**654,240**	**613,800**
Equity			
Shareholders' equity	*10*		
Share capital		20,762	20,762
Share premium reserve		282,873	282,873
Revaluation reserve		3,556	3,912
Retained earnings		150,507	141,695
Total shareholders' equity		**457,698**	**449,242**
Liabilities			
Long-term liabilities			
Floating rate bond loans	*11*	171,425	158,825
Total long-term liabilities		**171,425**	**158,825**
Current liabilities			
Floating rate bond loans	*11*	18,872	924
Payable to subsidiaries		167	228
Accrued interest on already repaid loans from subsidiaries		3,310	3,310
Share based payment liabilities		630	702
Trade and other payables and accrued expenses		2,138	569
Total current liabilities		**25,117**	**5,733**
Total liabilities		**196,542**	**164,558**
Total shareholders' equity and liabilities		**654,240**	**613,800**

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

Company Statement of Changes in Equity

For the years ended 31 December 2015 and 31 December 2014:

In thousands of Polish Zlotys (PLN)	Share capital	Share premium	Revaluation reserve	Retained earnings	Total equity
Balance at 1 January 2014	**20,762**	**282,873**	**4,096**	**156,942**	**464,673**
Net loss 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**
Net profit for the year ended 31 December 2015	-	-	(356)	19,706	19,350
Payment of dividends (see Note 10)	-	-	-	(10,894)	(10,894)
Balance at 31 December 2015	**20,762**	**282,873**	**3,556**	**150,507**	**457,698**

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

Company Statement of Cash Flows

For the year ended 31 December		2015	2014
In thousands of Polish Zlotys (PLN)	*Note*		
Cash flows from/(used in) operating activities			
Profit/(loss) for the year		19,350	(15,431)
Adjustments to reconcile profit for the period to net cash from/(used in) operating activities:			
Net finance expense /(income), net	5	809	994
Share based payment		(72)	702
Net results subsidiaries during the year	8	(19,367)	14,472
Subtotal		720	737
Decrease/(increase) in trade and other receivables and prepayments		(381)	(244)
Decrease/(increase) in receivable from subsidiaries		(585)	4,061
Increase/(decrease) in payable to subsidiaries		(61)	228
Increase/(decrease) in trade and other payable and accrued expense		1,569	109
Subtotal		1,262	4,891
Interest paid, net		4,139	6,242
Net cash from/(used in) operating activities		**5,401**	**11,133**
Cash flows from/(used in) investing activities			
Loans granted to subsidiaries, net of issue cost		(31,066)	(41,160)
Repayment of loans granted to subsidiaries		32,800	3,070
Dividend from subsidiary	8	-	17,200
Investment in subsidiaries	8	-	(18,450)
Net cash from/(used) in investing activities		**1,734**	**(39,340)**
Cash flows from/(used) financing activities			
Dividend payment		(10,894)	-
Proceeds from bond loans, net of issue costs		44,243	44,118
Repayment of bond loans		(15,000)	(5,000)
Net cash from/(used) financing activities		**18,349**	**39,118**
Net change in cash and cash equivalents		**25,484**	**10,911**
Cash and cash equivalents at 1 January		12,314	1,403
Cash and cash equivalents at 31 December		**37,798**	**12,314**

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 2015, 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) 78 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 *In thousands of Polish Zlotys (PLN)*	2015	2014
External services	975	1,377
Remuneration fees	3,175	2,860
Other	133	200
Total	**4,283**	**4,437**

4. Directors' remuneration

Key Management Board personnel compensation

Apart from the compensation listed below, there were no further benefits, in the years ended 31 December 2015 and 31 December 2014. Key Management Board personnel compensation, payable by the Group, can be presented as follows:

As at 31 December *In thousands of Polish Zlotys (PLN)*	2015	2014
Salary and other short term employee benefits	1,844	1,437
Management bonus	671	67
Subtotal - Mr Shraga Weisman	**2,515**	**1,504**
Salary and other short term employee benefits	524	510
Incentive plan linked to financial results	173	16
Incentive plan linked to share price performance (not paid)*	(25)	247
Subtotal - Mr Tomasz Łapiński	**672**	**773**
Salary and other short term employee benefits	318	297
Incentive plan linked to financial results	339	272
Incentive plan linked to share price performance (not paid)*	(18)	172
Subtotal - Mr Andrzej Gutowski	**639**	**741**
Total	**3,826**	**3,018**

** For additional information see note 35 to the Consolidated Financial Statements.*

Mr Yosef Shaked and Mr Erez Yoskovitz and are not entitled to any remuneration from the Company and nor from any of the Company's subsidiaries.

Previous Management Board members Mr Peter Dudolenski and Mr Aharon Soffer were 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. During the year ended 31 December 2015, the Company didn't pay any remuneration to Mr Kerem

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 2015, 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 2015 is PLN 243 thousand (EUR 58 thousand; 2014: PLN 253 thousand (EUR 60 thousand)) and can be presented as follows:

As at 31 December *In thousands of Polish Zlotys (PLN)*	**2015**	**2014**
Mr Mark Segall	62	69
Mr Yair Shilhav	69	69
Mr Reuven Sharoni	69	69
Mr Przemyslaw Kowalczyk	43	46
Total	**243**	**253**

(*) 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 *In thousands of Polish Zlotys (PLN)*	**2015**	**2014**
Interests and fees on granted loans to subsidiaries	11,353	10,337
Interest income on bank deposits	244	73
Finance income	**11,597**	**10,410**
Interest expense on bonds measured at amortized cost	(10,611)	(9,645)
Foreign exchange loss	-	(15)
Commissions and fees	(1,354)	(1,035)
Other	(441)	(709)
Finance expense	**(12,406)**	**(11,404)**
Net finance income/(expense)	**(809)**	**(994)**

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 2015 are estimated to be PLN 7,420 thousand (2014: PLN 7,177 thousand).

Notes to the Company Financial Statements

7. Personnel

The Company did not employ any personnel during the financial years ended 31 December 2015 and 31 December 2014.

8. Investment in subsidiaries

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

The movements in subsidiaries are as follows:

For the year ended 31 December *In thousands of Polish Zlotys (PLN)*	**2015**	**2014**
Balance at beginning of the year	441,523	454,745
Investments in subsidiaries	-	18,450
Net result subsidiaries during the year	19,367	(14,472)
Dividends received during the year	-	(17,200)
Balance at end of the year	**460,890**	**441,523**

The Company holds and owns (directly and indirectly) 78 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 2015:

In thousands of Polish Zlotys (PLN)	**Currency**	**Nominal interest rate**	**Year of maturity**	**Capital**	**Accrued interest**	**Charges and fees**	**Carrying value**
Ronson Development Finco	PLN	Wibor 6M + 5.05%	2016	1,700	-	(18)	1,682
Ronson Development Skyline	PLN	Wibor 6M + 4.25%	2017	69,985	-	(593)	69,392
Ronson Development Finco	PLN	Wibor 6M + 4.0%	2018	28,000	-	(336)	27,664
Ronson Development Finco	PLN	Wibor 6M + 4.75%	2018	9,000	-	(115)	8,885
Ronson Development Finco	PLN	Wibor 6M + 4.75%	2018	5,000	-	(57)	4,943
Ronson Development Finco	PLN	Wibor 6M + 4.5%	2019	10,000	-	(165)	9,835
Ronson Development Finco	PLN	Wibor 6M + 4.1%	2019	15,500	125	(271)	15,354
Ronson Development Finco	PLN	Wibor 6M + 4.1%	2019	4,500	7	(79)	4,428
Ronson Development Finco	PLN	6%	2020	10	294	-	304
Ronson Development Skyline	PLN	6%	2020	7,350	3,533	-	10,883
Total loans granted to Subsidiaries				**151,045**	**3,959**	**(1,634)**	**153,370**

Notes to the Company Financial Statements

9. Loan granted to subsidiaries (cont'd)

Loans as at 31 December 2014:

In thousands of Polish Zlotys (PLN)	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**

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 2015 amounted to 272,360,000 (as at 31 December 2014: 272,360,000 shares).
During the year ended 31 December 2015, a dividend amounting to PLN 10,894,400 in total or PLN 0.04 per ordinary share, was distributed. During the year ended 31 December 2014, no dividend was distributed to the Company's shareholders.
According to Dutch Law, the Company has an amount (net of tax) of PLN 3,556 thousand (2014: PLN 3,912 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 2015, the floating rate bonds loan comprise a loan principal amount of PLN 191,300 thousand plus accrued interest of PLN 1,073 thousand minus costs directly attributed to the bond issuance (which are amortized based on the effective interest method) amounting to PLN 2,076 thousand.
As 31 December 2015 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 2015, the Company had no commitments and contingencies.

As of 31 December 2015, the Company has issued guarantees for bank loans granted to subsidiaries amounting to a total of PLN 16,898 thousand (as at 31 December 2014 PLN 28,000 thousand).

13. Related party transactions

During the financial years ended 31 December 2015 and 31 December 2014, 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	**2015**	**2014**
In thousands of Polish Zlotys (PLN)		
Audit remuneration [(1)]	590	635
Reimbursed audit review costs [(2)]	(179)	(189)
Other services	65	43
Total audit remuneration for the expense of the Company	**476**	**489**

(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 177 thousand (EUR 42 thousand) for 2015 and PLN 203 thousand (EUR 49 thousand) for 2014.

(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,
2 March 2016

The Management Board

Shraga Weisman
Chief Executive Officer

Tomasz Łapiński
Chief Financial Officer

Andrzej Gutowski
Sales and Marketing Director

Erez Yoskovitz

Yosef Shaked

The Supervisory Board

Mark Segall

Arie Mientkavich

Przemyslaw Kowalczyk

Reuven Sharoni

Yair Shilhav

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 2015, as at the date of this report, Management proposes to allocate the net profit for the year 2015 amounting to PLN 19,350 thousand to Retained earnings. This proposal has been reflected in the Company's Statement of Financial Position per 31 December 2015. 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 2016 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.