RSM Scot
Auditors • Accountants • Tax Advisors

RSM Scot s.r.l
16 Frumoasa St, Bucharest 010987, Romania
T: +40 21 318 9150 F: +40 21 318 9151 E: office@rsmscot.ro
www.rsmscot.ro

# Report on review of IMPACT DEVELOPER & CONTRACTOR SA interim financial statements, for the 6 months period ended June 30, 2012

To:

**The Shareholders and Administrative Board of IMPACT DEVELOPER & CONTRACTOR SA**

1. We have reviewed the attached interim financial statements of **Impact Developer & Contractor SA** ("Company"), which comprise: balance sheet as of June 30, 2012, income statement, statement of cash flows and statement of changes in equity for the period of 6 months ended to this date, as well as a synthetis of significant accounting policies and other explanatory notes drawn up in accordance with OMFP no 3055/2009 ("OMF 3055').

   The above-mentioned interim financial statements refer to:

| | - Lei - |
|---|---|
| | **30 June 2012** |
| Total shareholder's equity | 287,416,457 |
| Net turnover | 8,392,559 |
| Net result - loss | (9,411,653) |

2. The Company's Management is responsible for the preparation and fair presentation of these interim financial statements so that these offer a true and fair view of the position and financial performance of the Company at the closing date of the interim reporting period and for that period, in accordance with OMF 3055. Our responsibility is to express an opinion on these interim financial statements based on our review.

3. We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of interim financial statements performed by the independent auditor of the entity". A limited review of the interim financial statements consist of making inquiries of company's relevant personnel, primarily of the persons responsible for financial and accounting matters, as well as applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

RSM Scot s.r.l
16 Frumoasa St, Bucharest 010987, Romania
T: +40 21 318 9150 F: +40 21 318 9151 E: office@rsmscot.ro
www.rsmscot.ro

***Conclusion***

4. Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements does not offer a true and fair view of the financial position of IMPACT DEVELOPER & CONTRACTOR SA as of June 30, 2012, and of its financial performance for the 6 months period ended to this date, in accordance with OMF 3055/2009.

***Noteworthy matters:***

5. Without qualifying our opinion, we draw attention to the following matters:

5.1. As a result of the financial crisis and of the global economic downturn, the Romanian real-estate market was subject to a fall also in 2012, with regard to the individual value of transactions as well as their volume. This trend has also become manifest in the case of Impact Developer & Contractor SA. The information available at the date of the present report does not allow us to estimate the future effects of these changes.

Our audit report on the company's financial statement for the year ended December 31, 2011, has also highlighted this matter.

5.2.In its balance-sheet prepared as of 30 June 2012, Impact Developer and Contractor S.A. presented work in progress in connection to the Lomb Hill project in an amount of 4,008,222 lei. This is mainly represented by the drawing up of urban zoning documentation and of road access for the Lomb Hill estate, works that were contracted through the frame contract no. 55423/4 July 2007 concluded between Impact Developer and Contractor S.A. and the Cluj Local Council as a condition prior to incorporation of the Clearline Development SRL (formerly Lomb S.A.). In 2011 Impact took Cluj Municipal Local Council to court (case no. 79/1285/2012) demanding compensation for damages and interest with a provisory total value of 4,008,222 lei and 500,000 Euro respectively. According to the estimates of an independent law office, there are significant chances for Impact to recover these amounts from Cluj Local Council (see Note 10 to the financial statements).

Our audit report on the company's financial statements for the year ended December 31, 2011, has also highlighted this matter.

5.3. Our audit report on the company's financial statements for the year ended December 31, 2011 included a disclaimer of opinion regarding the investment in Clearline Development SRL with respect to a value of 26,900,000 lei (100% of the sharecapital). As presented in Note 6 „Accounting principles, policies and methods", the company will analise at the 2012 year-end, when the asssets's fisycal stock counting and valuation will be performed according to the accounting standards in force, all possible imperments.

5.4. As presented in Note 11 ("Contingencies"), in March 2012, at the request of the Public Ministry, a Bucharest Tribunal's Legal Court decided that goods belonging to Impact Developer and Contractor S.A. up to the sum of 16,823,946 lei to be sequestered at the A.N.A.F (internal Revenue Agency) disposal. The company has appealed against this decision. The court rejected the appeal but the company succeeded in mortgaging in favour of A.N.A.F. only 2 plots of land located in Bucharest, District 1, with a total surface of 52,234 sq. meters.

RSM Scot s.r.l
16 Frumoasa St, Bucharest 010987, Romania
T: +40 21 318 9150 F: +40 21 318 9151 E: office@rsmscot.ro
www.rsmscot.ro

5.5. As presented in Note 6 to the Company's interim financial statements, the Company will establish the net realizable value of finished goods – buildings presented in the financial statements -- at the 2012 year-end in accordance with RO GAAP. Due to the fact that the company did not determined the net realizable value for the inventories mentioned above as of December 31, 2011, our audit opinion on the Company's financial statements for the year ended December 31, 2011 was qualified – limitation of scope.

**Report related to other legal and regulation requirements**

6. Considering the OMF 3055/2009 stipulations, we have also reviewed the Administrative Board's report issued at the same date as the accompanying financial statements. Following this review, nothing has come to our attention that causes us to believe that significant inconsistencies appeared between the Administrative Board's report and the Company's financial statements prepared under the company's management responsibility.

7. The present auditor's report was prepared with a view to its use by the company and its shareholders gathered in General Meeting of Shareholders, according to the provisions of Law 31/1990 republished. To the fullest extent permitted by law, RSM SCOT does not accept or assume liability to anyone other than the company or the company's members as a body, for our audit work, for this report or for the opinions we have formed.

**Bucharest,**

AUDITORS · ACCOUNTANTS · TAX ADVISORS · RSM SCOT S.R.L. 2

**August 14, 2012**

**RSM SCOT SRL**