

IMPACT DEVELOPER & CONTRACTOR SA

Non-audited Individual Financial Statement
on the date and for the financial exercise ended on
31st of March 2014

Prepared in compliance with the
**requirements of Order no. 1286/2012 of the Minister of Public Finance for approval of
accounting standards pursuant to International Financial Reporting Standards,
applicable to companies of which shares are traded on a regulated market, with its
further amendments**

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Individual Statement as of 31st of March 2014

	31.Mar.14	31.Dec.13
ASSETS		
Tangible assets	7,057,157	7,148,126
Intangible assets	43,687	17,840
Investment property	229,965,207	230,662,919
Financial assets	12,095,456	14,377,226
Intangible receivables	19,386,599	21,556,894
Total Non-current assets	268,548,106	273,763,005
Inventories	86,740,184	86,415,696
Trade and other receivables	9,263,598	6,836,386
Prepayments	63,158	101,630
Cash and cash equivalents	2,882,533	4,543,781
Total Current Assets	98,949,473	97,897,493
Total Assets	367,497,579	371,660,498
Share capital	197,866,574	197,866,574
Adjustment for hyperinflation (pursuant to IAS 29)	7,463,584	7,463,584
Share premiums	84,041,878	84,041,878
Revaluation reserves	5,674,211	1,541,643
Other reserves	1,226,851	5,359,419
Reported result	(17,374,843)	(14,842,587)
Total Equity	278,898,256	281,430,511
Loans	41,401,773	45,025,049
Trade and other payables	1,816,176	1,772,993
Deferred taxes	12,865,095	12,865,095
Total Long Term Liabilities	56,083,044	59,663,137
Trade and other payables	12,290,851	13,317,995
Loans	15,431,554	14,607,758
Provisions for risk and charges	4,793,874	2,641,097
Total Current Liabilities	32,516,279	30,566,850
Total Liabilities	88,599,323	90,229,987
Total Equity and Liabilities	367,497,579	371,660,498

Lucian Mateescu
Chief Executive Officer

Bogdan Geanta
Chief Financial Officer

Notes contained in pages 7 - 36 are integrant part of these individual financial statements

Individual Statement on Profit or Loss and other elements of the comprehensive result for the financial exercise concluded on 31st of March 2014

	31.Mar.14	31.Mar.13
Revenue from sale of residential inventories	1,953,981	4,797,349
The accounting value of sold residential inventories	(2,460,913)	(5,855,199)
Profit / (loss) from sale of real estate properties	(506,932)	(1,057,850)
Operating incomes recharged to tenants	417,869	726,605
Operating expenses recharged to tenants	826,668	607,929
Operating expenses related to rented properties	(796,494)	(954,609)
Net rental income	448,043	379,925
Income from sale of investment properties	1,488,841	1,613,998
Book value of sold investment properties	(1,511,096)	(1,739,246)
Profit/loss from sale of investment properties	(22,255)	(125,248)
Revenues from services rendered	38,473	(82,704)
Raw materials and consumables used	(85,401)	(458,176)
Third party services	(921,914)	(2,497,963)
Employee benefits expense	(936,759)	(553,074)
Other operating income	115,091	952,154
Other operating expense	(696,697)	(1,461,534)
Other operating income / (expenses), net	(2,487,207)	(4,101,297)
Earnings before interest, taxation, depreciation and amortization (EBITDA)	(2,568,351)	(4,904,470)
Depreciation and amortization expenses	(128,011)	(172,387)
Impairment of assets, other than investment properties	571,683	-
Depreciation and related impairment charges / reversals, other than investment properties	443,672	(172,387)
Earnings before interest and taxation (EBIT)	(2,124,679)	(5,076,857)
Financing costs	(859,099)	(778,159)
Financing incomes	120,609	192,992
Foreign exchange result	330,323	191,508
Other financial result, net	589	879
Financial result	(407,578)	(392,780)
Gross profit (EBT)	(2,532,257)	(5,469,637)
Current income tax	-	-
Deffered income tax	-	-
Income tax	-	-
Net profit / (loss) for the period	(2,532,257)	(5,469,637)

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Individual Statement on Equity changes for the financial exercise ended on 31st of March 2014

	Adjusted share capital	Capital premiums	Reserve from revaluation	Other reserves	Reported result	Total
Balance on 1st of January 2013	205,330,158	84,041,878	6,006,073	3,128,245	27,615,033	326,121,387
Total period comprehensive result						
Period loss	-	-	-	-	(42,457,620)	(42,457,620)
Other comprehensive result elements						
Gains from revaluation of tangible assets	-	-	19,063	-	-	19,063
Realization of revaluation reserve related to assets sold	-	-	(2,231,174)	2,231,174	-	-
Canceling the revaluation reserve related to impaired assets	-	-	(2,428,092)	-	-	(2,428,092)
Liability related to revaluation reserve deferred tax	-	-	175,773	-	-	175,773
Total other comprehensive result elements	-	-	(4,464,430)	2,231,174	-	(2,233,256)
Total period comprehensive result	-	-	(4,464,430)	2,231,174	(42,457,620)	(44,690,876)
Balance on 31st of December 2013	205,330,158	84,041,878	1,541,643	5,359,419	(14,842,587)	281,430,511
Balance on 1st of January 2014	205,330,158	84,041,878	1,541,643	5,359,419	(14,842,587)	281,430,511
Total period comprehensive result						
Period loss	-	-	-	-	(2,532,257)	(2,532,257)
Other comprehensive result elements						
Gains from revaluation of tangible assets	-	-	-	-	-	-
Realization of revaluation reserve related to assets sold	-	-	4,132,568	(4,132,568)	-	-
Canceling the revaluation reserve related to impaired assets	-	-	-	-	-	-
Asset related to revaluation reserve deferred tax	-	-	-	-	-	-
Total other comprehensive result elements	-	-	4,132,568	(4,132,568)	0	0
Total period comprehensive result	-	-	4,132,568	(4,132,568)	(2,532,257)	(2,532,257)
Balance on 31st of March 2014	205,330,158	84,041,878	5,674,211	1,226,851	(17,374,844)	278,898,254

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Individual Statement on Cash Flow for the financial exercise ended on 31st of March 2014

	31.Mar.14
Cash flows from operating activities	
Profit before income tax	(2,532,257)
Amortization	128,011
Increase / (decrease) in provisions for risks and charges	(571,683)
Interest expenses	737,901
Other financial incomes (expenses), net	(330,323)
<hr/>	
Cash flows before changes in working capital	(2,568,350)
Decrease / (increase) in trade receivables and other receivables	(126,887)
Decrease / (increase) in inventory	247,195
Decrease / (increase) in trade payables and other payables	1,860,192
Net cash used from operating activities	1,980,501
Cash flows from investment activities	
Proceeds /Payments of other financial assets	2,281,770
Tangible assets acquisition	(31,704)
Investment property increase/decrease	697,712
Net receipts from sale of tangible assets	(31,185)
Net cash used in investment activities	2,916,593
Cash flows from financing activities	
Proceeds /(Payments) from long term loans	(3,582,413)
Other financial incomes (expenses), net	330,323
Interest paid / (received), net	(737,901)
Net cash used in financing activities	(3,989,991)
Net increase / (decrease) in cash and in cash equivalents	(1,661,248)
Cash and cash equivalents at the beginning of the period	4,543,781
Cash and cash equivalents at the end of the period	2,882,533

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Note 1. Reporting entity

The stock company Impact Developer & Contractor S.A. (the “Company”) is a company registered in Romania whose basic activity is the development of real estate projects.

The Company’s seat address is “Construdava” Business Centre, 4C Pipera-Tunari Street, Voluntari, Ilfov County, Romania.

The shareholding structure as at 31 martie 2014 and 31 December 2013 is disclosed in Note 16.

The Company controls several other entities and prepares consolidated financial statements. According to the provisions of Law no. 297/2004, such entities have to prepare individual financial statements also.

The Company is one of the first companies active in real estate development sector in Romania, being constituted in 1991 through public subscription. Initially, its first activities were renting and maintenance of deluxe villas in Bucharest area. In 1995, the Company introduced the residential concept on the Romanian market and, consequently, it changed into a pure real estate developer. Starting 1996, the Company’s securities are publicly traded in Bucharest Stock Exchange (BVB). In 2006, Company’s shares were promoted to 1st category of the Stock Exchange, becoming the first real estate company to do this.

During the past 20 years, Impact Developer & Contractor finalized 16 small and medium projects, which comprised over 2,500 residences and over 25,000 square meters of office and commercial spaces. As at 31 December 2013, the Company is involved in four residential projects, each of them having different dimensions and having different stages of completion. The Company’s activity is dominated by one major Project: the Greenfield residential Project in Bucharest.

Note 2. Basis of preparation

These individual financial statements have been prepared in accordance with the requirements of Order of the Minister of Public Finance no. 1286/2012 for the approval of accounting regulations conforming to International Financial Reporting Standards (hereinafter “IFRS”), applicable to companies whose securities are traded on a regulated market and related amendments.

The Company’s accounting policies, including changes from current year, are presented in Notes 6 and 7.

Basic Assumptions

These individual financial statements have been prepared based on going concern assumption and accrual basis of accounting.

a) Going concern

These individual financial statements have been prepared under going concern assumption, stating that the Company shall continue its activity in the foreseeable future. For the first quarter of year 2014 ended 31 March 2014 the Company obtained a loss of 2.532.257 lei. Company’s current assets ywt exceed its current short term liabilities by RON 66,433,194.

In order to evaluate the applicability of the going concern assumption, the Company’s management analyses the estimated future cash flows. Based on these analysis, the management considers that the Company is able to continue its activity in the foreseeable future, thus the application of the going concern assumption in the preparation of these individual financial statements is justified.

The Company’s plans for the future are based on the strategy prepared for the period 2014 – 2018. Thus, the Company shall base its activity on the following directions:

- Sale of houses and apartments already finalized;
- Sale of land held for capital appreciation, if appropriate sale opportunities are identified;
- Development of the second phase of the Greenfield project in Bucharest and identification of new clients for the apartments and houses developed;
- Development of new residential project in Bucharest and surrounding areas.

Following the implementation of the strategy initiated in 2014, the Company's management expects the first significant results in 2015 when it is expected an increase of approximately 3 times the operational revenues, compared to 2013, following that by the end of 2018 the Company to achieve operational revenues of 50 EUR million.

Regarding EBITDA, the Company's management estimates an encouraging evolution, which shall allow the recovery of the losses from prior years. This way, the Company's management estimates a continuous and annually sustainable increase, following, by the end of 2018, the Company shall obtain EBITDA of EUR 22,5 million.

The Company's management considers it will be able to overcome the losses from prior financial years and create the prerequisites necessary for distribution of significant dividends.

b) Accrual basis of accounting

The Company prepares its financial statements using the principles of the accrual basis of accounting, except for the information related to the cash flows. When the accrual basis of accounting is used, the elements are recognized as assets, liabilities, equity, revenues and expenses when these meet the definitions and recognition criteria.

Fundamental qualitative properties of financial information

The information presented in the individual financial statements for the year ended 31 March 2014 have the following basic quality standards:

a) Relevance

The relevant financial information are those capable to generate different decisions taken by the users.

The principle of materiality

Items that have significant value are presented separately in the financial statements. Information is material if its omission or inaccurate presentation could influence decisions that users make on the basis of financial information about a certain reporting entity.

b) Accurate representation

Accurate representation assumes that the financial information disclosed are complete, neutral and do not contain errors.

The principle of prudence

During the preparation of these Individual Financial Statements, the following were taken into account:

- All adjustments due to depreciation in valuing assets;
- all foreseeable obligations and potential losses that arose during the ended financial exercise.

Substance over form prevalence principle

The information presented in the individual financial statements reflect the economic reality of events and transactions not only their legal form.

Non-balancing principle

The values of the assets were not compensated by values of the liabilities or income against expenses, unless compensation is provided or permitted by IFRS.

Note 3. Functional and presentation currency

The Individual Financial Statements are presented in Romanian Lei ("Lei" or "RON"), this also being the functional currency of the Company. All financial information presented in Lei have been rounded to the nearest Leu, except when otherwise stated.

Note 4. Use of estimates and judgments

In preparing these Individual Financial Statements in accordance with IFRS, the management has made judgments, estimates and assumptions that affect the application of the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively, during the period of the revision and in the future periods affected.

Measurement at fair value

A number of the Company's accounting policies and disclosures require measurement of fair values, for both financial and non-financial assets and liabilities. The Company has an established control framework with respect to the measurement of fair values. The Chief Financial Officer is responsible for overseeing the measurement of significant fair values, including Level 3 fair values. The Chief Financial Officer regularly reviews significant unobservable inputs and valuation adjustments. If third party information (for example: broker quotations or pricing services), the Chief Financial Officer assesses the evidence obtained if they meet the IFRS requirements, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of assets and liabilities, the Company uses market observable as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities, which are easily accessible at valuation date;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3: unobservable inputs for the assets and liabilities,

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

Note 9 – Tangible assets

Note 11 – Investment property

Note 5. Basis of measurement

The Individual Financial Statements have been prepared on the historical cost basis except for the following significant items, presented in the Statement of Financial Position:

- land and buildings are valued through revaluation;
- investment property is measured at fair value.

Note 6. Changes in accounting policies

Except for the changes describe below, The Company has consistently applied the accounting policies set out in Note 7 to all periods presented in these Individual Financial Statements.

Starting 1 January 2013 the Company adopted the following new standards and amendments:

- a. Presentation - Offsetting financial assets and liabilities (Amendments to IFRS 7)
- b. Offsetting financial assets and liabilities (Amendments to IAS 32)
- c. Valuation at fair value (IFRS 13)
- d. Presentation of other comprehensive income elements (Amendments to IAS 1)

- e. Presentation of the recoverable amount for non-financial assets (Amendments to IAS 36, 2013)
- f. Employee Benefits (2011) (IAS 19, 2011)

Nature and effects of changes are explained in the following.

(a) Presentation - Offsetting financial assets and liabilities (Amendments to IFRS 7)

As a result of the Amendments to IFRS 7, extending presentations on offsetting financial assets and liabilities. The Company does not expect these amendments to significantly impact the individual financial statements, since offsets are not made contingent on the occurrence of a future event.

(b) Offsetting financial assets and liabilities (Amendments to IAS 32)

The Company adopted earlier the amendments to IAS 32, with retrospective application. The amendments do not introduce new rules for offsetting financial assets and liabilities, but they introduce clarifications on offsetting criteria to eliminate inconsistencies in their application. The amendments state that an entity has a legally enforceable right if that right:

- is not contingent on the occurrence of a future event; and
- is exercised both in the ordinary course of business, and in case of breach of obligations, insolvency or bankruptcy.

The Company does not expect these amendments to significantly impact the individual financial statements, since offsets are not made contingent on the occurrence of a future event.

(c) Valuation at fair value (IFRS 13)

IFRS 13 provides a single source of guidance on how fair value is evaluated and presented when such assessments are required or permitted by IFRS. This standard unifies the definition of fair value as the price that would be charged to sell an asset or paid to transfer a liability in a transaction regulated between market participants upon the measurement date. It replaces and expands disclosure requirements about fair value measurements in other IFRSs, including IFRS 7.

In accordance with the transitional provisions of IFRS 13, the Company applied the new fair value measurement guide prospectively and did not provide comparative information for new presentations. However, the change has not had a significant impact on the valuation of Company's assets and liabilities.

(d) Presentation of other comprehensive income elements (Amendments to IAS 1)

Following amendments to IAS 1, the Company changed the presentation of items of comprehensive income in the individual situations of profit or loss and other comprehensive income, to present separately the items that would be reclassified to profit or loss from those that will never be reclassified. Comparative information have been properly presented.

(e) Presentation of the recoverable amount for non-financial assets (Amendments to IAS 36, 2013)

The Company adopted earlier the amendments to IAS 36 (2013). Non-financial assets that are subject to these amendments are the tangible assets. These amendments provide additional information about the presentation of recoverable amounts when they are based on fair value less costs of disposal and impairment loss is recognized. In 2013, amendments are not relevant to the individual financial statements of the Company, as impairment losses were recognized on the basis of the value in us.

(f) Employee Benefits (2011) (IAS 19, 2011)

Amendments to IAS 19 (2011) require actuarial gains and losses to be recognized directly in the comprehensive income. They eliminate the corridor method previously applicable to recognizing actuarial gains and losses, and the ability of entities to recognize all changes in benefit obligations and any changes in current individual plans in case of profit or loss and other comprehensive income. The amendments also require that the expected return on plan assets of defined benefit be calculated based on the rate used for updating benefit obligations. The amendments are not relevant to the individual financial statements of the Company, since the Company has no defined benefits plan for these amendments to be relevant.

Note 7. Significant accounting policies

The accounting policies described below have been constantly applied by the Company for all periods presented in these Individual Financial Statements.

Below is presented the summary of the significant accounting policies, whose details are available in the following pages.

(a)	Foreign currency	13
(b)	Financial instruments	13
(c)	Tangible assets	14
(d)	Intangible assets	15
(e)	Investment property	16
(f)	Inventories	16
(g)	Impairment	16
(h)	Employee benefits	18
(i)	Provisions for risks and charges	18
(j)	Leasing	18
(k)	Revenues	19
(l)	Gains from sale of investment property	19
(m)	Financial income and expenses	20
(n)	Taxation	20

(a) Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency using the exchange rates prevailing at the date of transaction. Monetary assets and liabilities that are denominated in foreign currency at the date of reporting are translated to the functional currency at the exchange rate prevailing at that date. The gains and losses from exchange rate differences related to monetary items are computed as the difference between the amortized cost in functional currency at the beginning of the year, adjusted by the effective interest, payments and collections during the year, on one side and the amortized cost in foreign currency translated using the exchange rate prevailing at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency using the exchange rate prevailing at the date of the determination of fair value. The non-monetary elements denominated in a foreign currency that are carried at historical cost are converted using the exchange rate prevailing at the date of transaction.

The exchange rate differences resulted from translation are recognized in the Individual Statement of Profit or Loss and Other Comprehensive Income.

(b) Financial instruments

(i) Non-derivative financial instruments

The Company initially recognises trade and other receivables on the date when they are originated. All other financial assets (including assets measured at fair value through Individual Statement of Profit or Loss and Other Comprehensive Income) are initially recognised on the trade date, when the Company becomes a part of the contractual conditions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred. Any interest in such derecognised financial assets that is created or retained by the Company is recognised as a separate asset or liability.

Financial assets and financial liabilities are offset and the net amount presented in the Individual Statement of Financial Position when, and only when, the Company has the legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously. Any such offset is made according to legal requirements and the acceptance of the third parties involved.

The Company owns the following non-derivative financial assets: loans granted, trade and other receivables, interests in affiliates, cash and cash equivalents and available for sale financial assets respectively.

Loans granted, trade and other receivables

Loans granted and receivables are financial assets with fixed or determinable payments which do not have quoted price on active markets. Such assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, the loans granted and receivables are measured at amortised cost using the effective interest rate method less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise petty cash and reimbursable deposits with maturities up to three months from creation date, which are subject to non-significant risk for changes in fair value, that are used by the Company in its short term commitments' management.

For the purpose of presentation in the Individual Statement of Cash Flows, cash and cash equivalents includes bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

Available for sale financial assets

Available for sale financial assets are non-derivative financial assets which are available for sale or that are not classified in any of the above categories. Available for sale financial assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these are measured at cost.

Available for sale financial assets are tested for impairment at the end of each financial period (see 7(g)(i)). Available for sale financial assets comprise capital instruments.

(ii) Non-derivative financial liabilities

The Company initially recognises instruments of issued liabilities and subordinated debts at the date they are initiated. All other liabilities are initially recognised at transaction date, when the Company becomes part of the contractual conditions of that instrument.

The Company derecognises a financial liability when the contractual obligations are paid, cancelled or expired.

The Company classifies the non-derivative financial liabilities as financial debt. These liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using effective interest rate method.

Other financial liabilities comprise loans and borrowings and trade and other payables.

Repayable on demand overdrafts that are an integral part of the Company's cash management are included as a component of cash and cash equivalents for Individual Statement of Cash Flows purposes.

(iii) *Share capital*

Ordinary shares

Ordinary shares are classified as part of equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity at its value net of any fiscal effects.

Repurchase and reissue of ordinary shares (treasury shares)

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the treasury share reserves. When treasury shares are sold or subsequently reissued, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is presented within share premium.

Dividends

Dividends are recognised in the period when their allocation is approved.

(c) **Tangible assets**

(i) *Recognition and measurement*

After recognition as an asset, the elements of property, plant and equipment (except land and buildings) are measured at cost less accumulated depreciation and impairment losses. Land and buildings are measured at a revalued amount, this being its fair value at revaluation date, less any subsequently accumulated depreciation and any impairment losses.

The cost includes directly attributable acquisition costs. The cost of the assets built by the Company includes the following:

- the cost of materials and direct personnel costs;
- other directly attributable costs related to bringing the asset in the necessary state for the agreed utilisation;
- when the Company has the obligation to move the asset and restore the location, an estimation of the demolition costs and moving the elements and restoration of the related space; and
- capitalised borrowing costs.

The cost also includes any transfers from other comprehensive income of gains or losses resulted from cash flow hedges related to the acquisition of property, plant and equipment in foreign currency which classifies for application of hedge accounting.

When certain components of an item of property, plant and equipment have different useful lives, these are accounted for as distinct elements (major components) of tangible assets.

Any gain or loss from disposal of an item of property, plant and equipment (computed as a difference between the net collections from sale and the net carrying value) is recognised in the Individual Statement of Profit or Loss and Other Comprehensive Income.

Reclassification as investment property

When the use of a property is changed from owner-occupied to investment property, the property is remeasured at fair value and reclassified accordingly. Any gain arising on this remeasurement is recognised in the Individual Statement of Profit or Loss and

Other Comprehensive Income to the extent that this reverses a previous impairment loss on the specific property, with any remaining gain recognised in other comprehensive income and presented in the revaluation reserve. Any loss is recognised in the Individual Statement of Profit or Loss and Other Comprehensive Income.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the entity. Repairs and maintenance are recognised in the Individual Statement of Profit or Loss and Other Comprehensive Income when they occur.

(iii) Depreciation

The elements of tangible assets are depreciated starting the date they are available for use or are functional, while the assets built by the Company are depreciated from the date the asset is finalised and ready to use.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight line method over their estimated useful lives. The depreciation is generally recognized in the Individual Statement of Profit or Loss and Other Comprehensive Income, except when the amount is included in the carrying value of a different asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonable certain that the Company will obtain ownership by the end of the lease term. Lands are not depreciated.

The estimated useful lives of property, plant and equipment are as follows:

- buildings 40 years
- plant, equipment and vehicles 3–5 years
- fixtures and fittings 3–12 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. Residual values of property, plant and equipment are estimated at nil.

(i) Revaluation

Land and buildings are revalued periodically to ensure that the net carrying value is not significantly different from what would have been determined if the fair value method would be used, at the end of the reporting period.

At revaluation, any accumulated depreciation as of the date of the revaluation is offset against the gross book value of the asset and the net carrying value is restated to the revalued one.

If the net carrying value of an asset is increased as a result of the revaluation, then the increase is recognised in other comprehensive income and cumulated in equity as revaluation reserve. Notwithstanding, the increase is recognised in the result for the period to the extent it compensates a decrease from the revaluation of the same asset, previously recognised in the Individual Statement of Profit or Loss and Other Comprehensive Income.

If the net carrying value of an asset is decreased as a result of the revaluation, this decrease is recognised in the Individual Statement of Profit or Loss and Other Comprehensive Income. Notwithstanding, the decrease is recognised in other comprehensive income to the extent the revaluation surplus shows a credit balance for that asset. The decrease recognised in other comprehensive income decreases the amount accumulated in equity as revaluation reserve.

The revaluation reserve included in equity, related to an item of property, plant and equipment, is transferred directly into retained earnings when the asset is derecognised. This may involve transferring the whole of the surplus when the asset is removed from service or disposed of. Transfers from revaluation surplus to retained earnings is not made through the the Individual Statement of Profit or Loss and Other Comprehensive Income.

(d) Intangible assets

Intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

(i) Subsequent expenditure

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

Individual Statement of Profit or Loss and Other Comprehensive Income as incurred.

(ii) *Amortisation imobilizarilor necorporale*

Except goodwill, the intangible assets are amortised in the Individual Statement of Profit or Loss and Other Comprehensive Income using the straight-line method over their estimated useful lives.

The estimated useful lives for the current and prior periods are between 3 and 6 years. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(e) Investment property

Investment properties are properties held for lease, for capital appreciation, or for both, but not for the sale in the ordinary course of business, use in production or supply of goods and services or for administrative purposes. Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in the Individual Statement of Profit or Loss and Other Comprehensive Income. The fair value is determined based on a valuation report from an independent valuer.

The cost includes directly attributable acquisition costs. The cost of the investment property built by the Company includes the cost of materials and direct personnel costs, plus other directly attributable costs related to bringing the asset in the necessary state for the agreed utilisation and capitalised borrowing costs.

Residential property is transferred to investment property from inventories if, and only if, there is a change in use, namely start of any improvement works for future sale. When the Company decides to sell an investment property without additional improvements, the asset continues to be carried as investment property up to its sale. Similarly, if the Company starts the improvement works for an existing investment property with the purpose of future use as an investment property, then the property remains classified as investment property and is not reclassified as property under improvement used by the owner.

When the use of a property is changed, such that it is reclassified to property, plant and equipment or inventories, its fair value as of the date of reclassification becomes the cost of the property for the purpose of subsequent accounting.

(f) Inventories

Cost of inventories includes the expenses made for acquisition of inventories, production or processing costs and other costs incurred to bring the inventories in their current composition and location. In case of inventories produced by the Company and the inventories in progress, the cost also includes a share of administrative expenses related to the production based on the normal operational capacity. The cost may also include the transfers from other comprehensive income of gains or losses from acquisition of inventories in foreign currencies when hedge accounting is applied.

For the valuation of the different categories of inventories, the following techniques are used:

Residential properties	specific identification
Land	weighted average cost
Other inventories	first in, first out (FIFO)

Inventories are measured at the lower of cost and net realisable value.

The net realisable value of inventories is the estimated sale price during the ordinary course of business, less estimated costs to finalise and costs to sell.

When inventories are sold, their carrying value is recognised as an expense during the period when the corresponding revenue is recognised, including in the case of contracts for sale in installments. The value of any reduction in the net carrying value of inventories up to their net realisable value and all inventories losses are recognised as an expense during the period the decrease in value or loss is incurred. The value of any cancellation of impairment as a follow up of an increase in the net realisable value is recognised as an increase of the value of inventories as income during the period the cancellation occurs.

(g) Impairment

(i) *Non-derivative financial assets*

A financial asset not classified as at fair value through the Individual Statement of Profit or Loss and Other Comprehensive Income is assessed at each reporting date to determine whether there is evidence of impairment.

A financial asset is considered impaired if there is objective evidence of impairment following one or more events occurring after initial recognition of the asset, and that event negatively affected the future cash flows estimated to flow and the impairment may be reliably observed.

Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers (delays of more than 360 days).

Financial assets measured at amortised cost

The Company considers evidence of impairment for financial assets measured at amortised cost (loans granted and trade and other receivables) at an individual asset level.

An impairment loss related to a financial asset measured at amortised cost is the difference between its net carrying value and the present value of future estimated cash flows discounted using the effective interest rate of the asset. The impairment losses are recognised in the Individual Statement of Profit or Loss and Other Comprehensive Income and are reflected into an allowance account for receivables and loans granted.

If the fair value of an asset subsequently increases and the increase can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

Available-for-sale financial assets

Available-for-sale financial assets, including the interests in affiliates, are analysed for impairment losses at the end of each reporting period. The cost of investments is decreased to their recoverable value, which is considered by the management of the Company to be the value of the net assets of the affiliate, weighted by the holding percentage. If the affiliate in which the investment was made has negative net assets, its recoverable value is deemed nil. The impairment losses are recognised in the Individual Statement of Profit or Loss and Other Comprehensive Income. The value of any cancellation of any impairment of the interests, following an increase in the net assets, is recognised as a reduction of impairment in the period when the cancellation occurs, up to the initial acquisition value.

(ii) Non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets, other than investment property, inventories, property and deferred tax assets, to determine whether there is any indication of impairment. Impairment indicators are considered at a minimum from:

External sources de informatii

- there are observable indications that the market value of the asset significantly decreased over the period more than expected through elapse of time or use.
- during the period there were significant changes, negatively affecting the Company, or such changes shall take effect in the near future over the technological, commercial, economical or judicial environment in which the Company carries out its activity or in the market for which the asset is designed for.
- the market interest rates or other market returns on investments have increased during the period, becoming possible for these increases to affect the discounting rate used in the computation of the value in use of an asset and to lead to the significant decrease in the recoverable value of the asset.
- the value of the net assets of the Company is higher than its market capitalisation.

Internal sources de informatii

- there is evidence of physical or moral use of an asset.
- during the period, significant changes have occurred, negatively affecting the Company, or it is estimated that such changes will occur in the near future, depending on the degree or mode in which the asset is used or estimated to be used. Such changes include the instances when an asset becomes unproductive, restructuring plans, plans for discontinuing operations of the activity in which the asset is used, plans for sale of the assets prior to the previously estimated date, as well as revaluation of the useful life of an asset as determined, and not undetermined.
- internal reports provide information regarding the decrease of the economic performance of an asset, below the estimated one.

If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and intangible assets with undetermined useful lives are tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset or cash generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their 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 or cash generating unit. For impairment testing, the assets that cannot be individually tested, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets ("cash generating units"). For impairment testing of goodwill, the cash generating units to which the goodwill has been allocated are aggregated in such a way that the level for impairment testing to reflect the lowest level of the internally monitored goodwill. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in the Individual Statement of Profit or Loss and Other Comprehensive Income. The impairment losses are allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit, and then to reduce the carrying amounts of the other assets in the cash generating unit on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, 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 amortisation, if no impairment loss had been recognised.

(h) Employee benefits

(i) Short term benefits

Short term employee benefits are not discounted and are expensed as the related services are provided. A liability is recognised for the amount expected to be paid within short term plans for granting bonuses in cash or share based payments in the Company has the legal or constructive obligation to pay this amount as a result of past service provided by the employees and the obligation can be estimated reliably.

(ii) Contributions

In the normal course of business, the Company makes payments to the State's funds for health, pensions and unemployment funds in the name of its employees, using the statutory rates. All Company's employees are members of the Romanian State pension plans. These costs are recognised in the profit or loss together with the salaries. The employees paid based on contract are responsible for the payment of their contributions, as in their case the withholding at source is not required.

The Company does not account for any other defined benefit plans after retirement.

(i) Provisions for risks and charges

Provisions are recognised if, following a past event, the Company has a present legal or implied obligation, that may be reliably measured and is probable that an outflow of resources to be necessary to settle the obligation. The provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflect current market assessments of the time value of money and the risks specific to the liability.

(j) Leasing

(i) Determining whether an arrangement contains a lease

At the inception of an arrangement, the Company determines whether or contains a lease. An asset is or contains a lease if:

- fulfilling the terms of the arrangement depends on the use of a specific asset; and
- the arrangement transfers the right to use the asset.

On inception or on reassessment of an arrangement that contains a lease, the Company separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes for a finance lease that is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Company's incremental borrowing rate.

(ii) Leasing payments

Payments made under operating leases are recognised in the Individual Statement of Profit or Loss and Other Comprehensive Income on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the leasing.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(k) Revenues

(i) Revenue from sale of residential properties

Revenue from sale of residential properties during the ordinary course of business are valued at fair value of the amount collected or to be collected, less any returns and rebates. The revenues are recognised when the significant risks and rewards of ownership have been transferred to the customer, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. If it is probable for certain rebates to be granted, and their value can be measured reliably, then these are recognised as a reduction of the revenues when the sale revenues are recognised.

Revenue from contracts for sale in installments

The Company realises sales of residential properties with the payment in installments. The contracts for sale in installments are cancellable in certain conditions, by any of the parties. When a contract is cancelled through the buyer's contractual rights, the Company may lose, in certain conditions, a part of the amounts collected up to the cancellation date.

contracts entirely if, and only if, the non-cancellable amounts collected in case of cancellation exceed the fair value of the asset by 30% at the date of the analysis. The main factor taken into account by the management in formulating this judgement was the market risk the Company is exposed to. Thus, the management based its professional judgement on market studies prepared by prestigious companies activating in real estate market analysis, according to which the maximum impact of a market downfall, which may have an effect over the buyers' behaviour, is estimated at maximum 10% for new residential properties in Romania.

The analysis of contracts for sale in installments is prepared on an individual basis, starting with the moment of their entry into force and at the end of each reporting period.

(ii) Rental income

Rental income from investment property is recognised as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from other property is recognised as other income, as they are leased temporarily, being held for sale.

(iii) Revenues from rendering of services

The revenues from rendering of services are recognised in the Individual Statement of Profit or Loss and Other Comprehensive Income in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed based on surveys of work performed.

The Company performs maintenance of residential properties / investment properties sold.

(iv) Revenues from re-charging utilities

The revenues from recharge of utilities are recognised when they are realised, together with the utilities expenses invoiced by the suppliers. The Company recharges the utilities by adding a markup, under the form of administrative costs. These revenues refer to the rented properties, to the properties sold without the transfer of ownership (sales in installments) and to the sales of properties fully paid, up to the moment when the buyer concludes contracts with the utilities suppliers in their own name.

(l) Gains from sale of investment property

The net revenue from sale of investment property and the net carrying value of the item sold are presented in profit or loss on a gross basis.

The net carrying value of the item sold represents the fair value of that item as at the date of last reporting prior to the sale.

The revenues are recognised when the significant risks and rewards of ownership have been transferred to the customer, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.

(m) Financial income and expenses

Financial income comprises interest income. Interest income is recognised in the profit or loss using accrual basis of accounting, based on the effective interest rate.

Financial expenses comprise interest expenses related to loans and borrowings and banking commissions.

All borrowing costs that are not directly attributable to the acquisition, construction or production of an asset with a long production cycle are recognised in the Individual Statement of Profit or Loss and Other Comprehensive Income using the effective interest rate.

Gains and losses from exchange rate differences related to the financial assets and liabilities are reported on a net basis either as financial income or financial expenses, depending on the variations in exchange rates: net gain or net loss.

(n) Taxation

Income tax expense / relief comprises current tax and deferred tax. Current tax and deferred tax are recognised in the Individual Statement of Profit or Loss and Other Comprehensive Income, except when they are related to business combinations or to other elements recognised directly in equity or other comprehensive income.

(i) Current tax

Current tax is the tax that is expected to be paid or deducted for taxable income or deductible losses carried in the current year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment regarding the payment obligations on tax related to previous years.

(ii) Deferred tax

Deferred tax is recognized for temporary differences arising between the carrying amount of assets and liabilities used for financial reporting purposes and the tax base used for tax calculation. Deferred tax is not recognized for the following temporary differences:

- the initial recognition of assets and liabilities arising from transactions that are not business combination and that affects accounting or tax profit or loss;
- differences resulting from investments in subsidiaries, associates and jointly controlled entities to the extent that the Company can control the timing of reversal of temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising from the initial recognition of goodwill

Evaluation of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of assets and liabilities. The Company evaluates deferred tax arising from investment property using the assumption that the carrying value of the property will be recovered entirely through sale.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset only if there is a legal right to compensate deferred tax assets and liabilities and if these are related to taxes charged by the same fiscal authority, for the same taxed entity or for different fiscal entity that have the intention to compensate tax assets and liabilities or whose assets and liabilities will be realised together.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences only to the extent that it is probable that future profits that can be used to cover the tax loss. Deferred tax receivables are reviewed at each reporting date and are reduced to the extent that it is no longer probable to achieve the related tax benefit.

(iii) Tax exposure

For the determination of current and deferred taxes, the Company takes into consideration the impact of the doubtful fiscal positions and the possibility of additional taxes and related interest occurring. This valuation is based on estimates and assumptions and may involve a series of rationnels regarding future events. New information may become available, thus determining the Company to modify its judgement related to the accuracy of the estimations of existing fiscal obligations, such changes of fiscal obligations having a direct effect over the tax expense over the period such a judgement is performed.

Note 8. New standards and interpretations not yet adopted by the Company ¹

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1st of January 2014, and have not been applied in preparing these Individual Financial Statement. The management of the Company does not estimate that these ammendments and interpretations may be relevant to the Individual Financial Statements of the Company. The Company does not plan to adopt these standards earlier.

(a) *IFRS 10 Individual financial statements, IFRS 11 Joint Ventures, IFRS 12 Information to submit on interests in other entities (2011)*

IFRS 10 introduces a single control model for determining whether an entity in which it invested should be strengthened. Therefore, the Company could be forced to change the conclusion regarding consolidation of entities in which it invested, which could cause actual change of mode of accounting for such investments.

Pursuant to IFRS 11, joint ventures structure, although an important point, is no longer the main factor in determining the type of joint venture and therefore the subsequent counting mode.

The Company's interest in a joint venture, which is a commitment in wglich the parties have rights to the assets and obligations related debt will be counted based on the Company's interest in those assets and liabilities.

The Company's interest in a joint venture that is a commitment the in which the parties have rights to the net assets will be accounted for by the equity method.

The company may be forced to classify Joint ventures, which could cause actual change of the method of accounting for these interests.

IFRS 12 brings together in one standard all the requirements of presenting information about an entity's interests in subsidiaries, joint ventures, associates and non-individual structured entities. The Company is currently evaluating the disclosure requirements in connection with interests in subsidiaries, joint ventures and associates and non-individual structured entities, compared to the information already submitted. IFRS 12 requires disclosure of the nature, risks and financial impact of these interests.

This standard is effective for annual periods beginning on 1st of January 2014, early application being permitted, provided their simultaneous application of both, along with IAS 27 (2011) and IAS 28 (2011).

(b) *Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment entities*

Amendments to IFRS 10, IFRS 12 and IAS 27 provide for exceptions to the requirements for consolidation in accordance with IFRS 10 and require that entities qualified as investment entity to evaluates its investments in controlled entities, as well as investments in associates and joint ventures individual situation at fair value through profit or loss and other comprehensive income, rather than to strengthen them. Except consolidation is mandatory, the only exception being when an investment entity has a subsidiary that provides services related to investment activities of the investment entity, in which case it must strengthen that branch. In accordance with these essential elements the investment entity:

- obtains funds from one or more investors, in order to provide those investors investment management services;
- commits against its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- quantifies and evaluates the performance of the majority of its investments on a fair value basis.

1. New standards and interpretations as adopted by the European Union

The amendments also stipulate additional requirements for investment entities presentation.

These amendments are effective for annual periods beginning on 1st of January 2014, early application being permitted.

(c) IAS 27 (2011) Individual financial statements

IAS 27 (2011) continues accounting and disclosure requirements existent in IAS 27 (2008) for separate financial statements with some minor clarifications. Also, existing provisions in IAS 28 (2008) and IAS 31 for individual financial statements have been incorporated in IAS 27 (2011). Standard no longer addresses the principle of control and requirements concerning the preparation of consolidated financial statements, which have been incorporated into IFRS 10 - Individual Financial Statements. The Company does not expect IAS 27 (2011) to materiality impact its separate financial statements, as it does not result in a change in accounting policy.

This amendment is effective for annual periods beginning on 1st of January 2014, early application being permitted, provided the simultaneous application with IFRS 10, IFRS 11, IFRS 12 and IAS 28 (2011).

(d) IAS 28 (2011) Investments in affiliates and joint ventures

IAS 28 (2011) suffered a limited number of changes. Accordingly, an entity shall apply IFRS 5 Non-current Assets Held for Sale and Discontinued Operations for investment or part of the investment in an associate or a joint venture that meets the criteria to be classified as held for sale. Any part kept out of an investment in an associate or a joint venture that has not been classified as held for sale shall be accounted for using the equity method until it has the concession of the party that is classified as held for sale. After failure occurs, an entity must account for any interest kept in an associate or a joint venture by the equity method.

Previously, IAS 28 (2008) and IAS 31 specified that the cessation of significant influence or joint control required revaluation of any interest kept in the investment, even if significant influence was followed by control. IAS 28 (2011) requires that in such scenarios the interest remained investment not to be reassessed.

These amendments are effective for annual periods beginning on 1st of January 2014, early application being permitted, provided the simultaneous application with IFRS 10, IFRS 11, IFRS 12 and IAS 27 (2011).

Note 9. Tangible assets

Reconciliation of carrying amount of tangible assets

	Lands and buildings	Machines, equipments and vehicles	Furniture and installations	Total
Cost				
Balance at 1 January 2014	15,629,136	2,147,389	773,174	18,549,699
Purchase	-	28,652	-	28,652
Sales/ casari	-	(31,185)	-	(31,185)
Increase/ (decrease) from revaluation	-	-	-	-
Balance at 31 March 2014	15,629,136	2,144,856	773,174	18,547,166
Cumulated amortization and cumulated impairment losses				
Balance at 1 January 2014	9,400,106	1,516,125	485,342	11,401,573
Depreciation for the year	65,840	20,173	33,609	119,622
Impairment losses	-	-	-	-
Sold/ scrapped assets accumulated amortization	-	(31,185)	-	(31,185)
Balance at 31 March 2014	9,465,946	1,505,113	518,951	11,490,010
Carrying amounts				
on 1 January 2014	6,229,030	631,264	287,832	7,148,126
on 31 March 2014	6,163,190	639,743	254,223	7,057,156

Revaluation of land and buildings

The last revaluation took place on 31 December 2013, the buildings and land of the company were reviewed by the following external evaluators, independent, certified by the National Union of Appraisers Body in Romania ("ANEVAR"), with recent experience in terms the location and category of property being valued: Parker Lewis Management SRL, BNP Paribas Real Estate Advisory SA, Piraeus Real Estate Consultants SRL (31 December 2012: The same evaluators).

Valuation techniques

The following table presents the valuation techniques used in the determination of the fair value of land and buildings categorised as a Level 2 fair value.

Valuation approach	Key input data
The fair values are determined through the application of the market comparison technique. The valuation model is based on a price per square meter for both land and buildings, derived from data observable in the market, in and active and transparent market.	<ul style="list-style-type: none"> ● Prices per square meter for buildings (Bucharest: 870 euro / sqm other regions: from 345 euro / sqm to 500euro/ sqm). ● Prices per square meter for lands (Bucharest: from 47 euro/ sqm to 134 euro/ sqm other regions: from 25 euro/ sqm to 75 euro/ sqm).

The prices per square meter have been computed based on the prices observable in transactions with similar properties, adjusted for location (from 5% to 30%) and condition (from 5% to 20%).

Note 10. Intangible assets

Reconciliation of book value

	Electronic programs	Other intangible assets	Total
Cost			
Balance at 1 January 2014	1,425,907	3,883	1,429,790
Purchase	34,237		34,237
Balance at 31 March 2014	1,460,144	3,883	1,464,027
Cumulated amortization and cumulated impairment losses			
Balance at 1 January 2014	1,408,391	3,559	1,411,950
Amortization during the year	8,067	323	8,390
Balance at 31 March 2014	1,416,458	3,883	1,420,340
Book values			
on 1 January 2014	17,516	323	17,840
Balance at 31 March 2014	43,687	0	43,687

Note 11. Investment properties

Reconciliation of investment property book value

	31.Mar.2014	31.Dec.2013
Balance at the beginning of the period	230,662,919	230,508,536
Transfer from/ to inventories, net	-	-
Sales	(1,511,096)	(9,576,654)
Changes in fair value	813,384	9,731,037
Balance at the end of the period	229,965,207	230,662,919

Investment property comprises land and residential properties held with the purpose of capital appreciation. Also, the residential properties included in investment property comprise estates leased to third parties. All contracts related to the leased properties provide a starting period of 1 year, while the annual lease payments are not indexed to consumer prices. Subsequent extensions of the period are negotiated with the occupants, these being, on average, of 1 year. No contingent leased payments are charged.

The land held for capital appreciation, amounting to 214.973.314 lei la 31 Martie 2014, has a total surface of 734.487 mp (neschimbata in cursul anului curent) si reprezinta 93% din investitiile imobiliare in sold. This land is located in Bucharest (658.925 mp) and in other regions (Constanta, Oradea).

Classification criteria a proprietatilor rezidentiale

Because of the continuous decrease in prices of residential properties starting 2008, the management of the Company decided to exclude part of the available apartments from the list of residential properties for sale in the normal course of business, in order to sell them when the prices in the real estate market shall increase. These apartments have been classified as investment properties, while the rest of residential properties are classified as inventories. Once this decision was taken, these properties are for lease up to when the Company considers that the market prices are realisable in a sale transaction.

Valuation at fair value

On 31 December 2013, the real estate investments of the Company were evaluated by the following external evaluators, independent, certified by the National Union of Appraisers Body in Romania ("ANEVAR"), with recent experience in terms of location and category of property being valued: Parker Lewis Management SRL, BNP Paribas Real Estate Advisory SA, Piraeus Real Estate Consultants SRL (31 December 2012: The same evaluators).

Fair value hierarchy

Based on the inputs to the valuation technique, the fair value measurement for investment property has been categorised as a Level 2 fair value, the valuation being made based on the data directly observable on the active market of land and residential new buildings, non-significantly adjusted.

Valuation techniques

The following table presents the valuation techniques used in the determination of the fair value of investment properties categorised as a Level 2 fair value.

Valuation technique	Key inputs
<p>The fair values are determined through the application of the market comparison technique. The valuation model is based on a price per square meter for both land and buildings, derived from data observable in the market, in an active and transparent market.</p>	<ul style="list-style-type: none"> • Prices per square meter for residential buildings (Bucharest: 870 euro/ sqm, other regions: from 345 euro/ sqm to 500 euro/ sqm). • Prices per square meter for lands (Bucharest: from 47 euro/ sqm to 134 euro/ mp, other regions: from 25 euro/ sqm to 75 euro/ sqm).

The prices per square meter have been computed based on the prices observable in transactions with similar properties, adjusted for location (from 5% to 30%) and condition (from 5% to 20%).

Note 12. Financial assets

	31.Mar.2014	31.Dec. 2013
Financial assets held for sale		
Interests in affiliates	23,780,950	26,062,720
Impairment of interests in affiliates	(11,685,494)	(11,685,494)
Other financial assets	-	-
	12,095,456	14,377,226

IMPACT DEVELOPER & CONTRACTOR SA

Note la situatiile financiare individuale intocmite la 31 decembrie 2013

(Toate sumele sunt exprimate in LEI, daca nu este indicat altfel)

The Company holds interests in the following affiliates:

31.Mar.2014		
Ownership title	Ownership title	Gross value
Clearline Development and Management SRL	100,00%	22,400,000
Millenium Consult Invest 2002 SRL	5,02%	47,250
Actual Invest House SRL	6,23%	504,950
Destiny Wheel SRL	99,99%	828,750
		23,780,950

Registration country	Registration country	Nature of activity
Clearline Development and Management SRL	Romania	Real estate development
Millenium Consult Invest 2002 SRL	Romania	Business Management and consultancy
Actual Invest House SRL	Romania	Real estate development
Destiny Wheel SRL	Romania	Construction works on residential and non-residential buildings

Note 13. Inventories

	31.Mar.2014	31.Dec.2013
Land	33,241,256	31,238,323
Impairment of land	(4,430,598)	(4,430,598)
Utilities networks and residential properties under development	33,749,515	39,677,662
Impairment of utilities networks and residential properties under development	(4,687,836)	(10,615,983)
Completed residential properties	36,670,464	44,459,662
Impairment of completed residential properties	(7,817,894)	(14,002,768)
Advance payments for acquisition of inventories	15,276	89,398
	86,740,184	86,415,696

Lands with a recoverable value of 28,810,658 lei on 31 March 2014 (2013: 26,807,725 lei) include land on which the Company intends to develop new real estate projects.

Networks of utilities and real estate under construction with a recoverable value of 29,061,679 lei on 31 March 2014 refer to the equivalent capitalized works and services rendered by the Company or to the Company by suppliers on properties connection to utilities.

Real estate properties completed with a recoverable value of 28,852,570 lei on 31 March 2014 (2013: 30,456,894 lei) refers entirely to the apartments owned by the Company for further sale.

Net realizable value of inventories is based on market value thereof as at 31 December 2013 determined by evaluation of the following external evaluators, independent, certified by the National Union of Appraisers Body in Romania ("ANEVAR"), with recent experience in regarding the location and category of property being valued: Parker Lewis Management SRL, BNP Paribas Real Estate Advisory SA, Piraeus Real Estate Consultants SRL (31 December 2012: The same evaluators).

Note 14. Trade receivables and other receivables

Dividing the short and long-term receivables is as follows:

	31.Mar.2014		
	Long term	current	Total
Trade receivables	19,575,557	6,738,174	26,313,732
Trade receivables impairment adjustment	(1,479,493)	(1,384,245)	(2,863,738)
Affiliates related receivables	-	1,484,479	1,484,479
Affiliates related receivables impairment adjustment	-	(1,494,390)	(1,494,390)
Other debtors related receivables	2,047,783	877,763	2,925,547
Other debtors related receivables impairment adjustment	(757,248)	-	(757,248)
Budget receivables	-	2,446,233	2,446,233
Interests receivables	-	0	0
Advances to suppliers	-	595,582	595,582
	19,386,599	9,263,598	28,650,197

Trade receivables above mainly include receivables from contracts for sale in installments and receivables from penalties invoiced to a construction supplier (Floreasca Construction) following faulty services rendered in amount of 8,205,266 Lei as at 31 March 2014 and 31 December 2013. This amount is involved in litigation.

Note 15. Cash and cash equivalents

	31.Mart.2014	31.Dec.2013
Current accounts	2,798,776	4,474,785
Cash	83,757	68,996
	2,882,533	4,543,781

Current accounts are held with Romanian commercial banks. As at 31 December 2013 and 31 March 2014, the Company has not contracted any credit lines or overdraft facilities, and had not concluded any deposit conventions.

The Company pledged part of its current accounts for bank loans.

Note 16. Share capital

The shareholding structure at the end of each reported period was as follows:

	31.Mar.2014		31.Dec.2013	
	Number of shares	Interest rights	Number of shares	Interest rights
Gheorghe Iaciu	93.451.342	47,23%	87.543.842	44,24%
Andrici Adrian	31.963.035	16,15%	31.963.035	16,15%
Salinik Limited loc. Nicosia CYP	19.994.265	10,10%	19.994.265	10,10%
alti actionari	52.457.932	26,52%	58.365.432	29,51%
	197.866.574	100,00%	197.866.574	100,00%

All shares are ordinary and have equal ranking related to the Company's residual assets. The nominal value of one share is 1 Leu.

The holders of ordinary shares have the right to receive dividends, as these are declared at certain moments in time, and have the right to one vote per 10 shares during the meetings of the Company.

Note 17. Loans

This note discloses information related to the contractual terms of the interest bearing loans and borrowings of the Company, valued at amortised cost.

	31.Mar.2014	31.Dec.2013
Long term debts		
Secured bank loans	41,401,773	45,025,049
	41,401,773	45,025,049
Short term debts		
Current portion of secured bank loans	11,281,442	10,453,299
Borrowings from shareholders	4,009,770	4,036,230
Related interest	140,342	118,229
	15,431,554	14,607,758
	56,833,327	59,632,807

31.Mar.2014

31.Dec.2013

IMPACT DEVELOPER & CONTRACTOR SA
Notes to individual financial statements prepared on 31st of March 2014
(All amounts are expressed in LEI, unless otherwise stated)

	Book value	out of which:		Book value	out of which:	
		long term	short term		long term	short term
Secured bank loans						
Piraeus Bank	29,310,089	22,849,904	6,460,185	31,073,148	24,794,568	6,278,580
Banca Romaneasca (ctr 50070065)	5,881,992	4,651,333	1,230,659	6,140,266	5,072,195	1,068,071
Banca Romaneasca (ctr 50070066)	17,491,134	13,900,536	3,590,598	18,264,934	15,158,286	3,106,648
	52,683,215	41,401,773	11,281,442	55,478,348	45,025,049	10,453,299
Loans from shareholders						
Iaciu Gheorghe	4,009,770	0	4,009,770	4,036,230	0	4,036,230
	4,009,770	0	4,009,770	4,036,230	0	4,036,230
	56,692,985	41,401,773	15,291,212	59,514,578	45,025,049	14,489,529

The nominal value of loans and borrowings are equal to their carrying values.

Terms and repayment schedules

The terms and conditions of outstanding loans are as follows:

Creditor	Currency	Nominal interest	Due date	Amount of the facility, in original currency
Secured bank loans				
Piraeus Bank	EUR	EURIBOR 3M + 6,00%	21 October 2017	7.078.701
Banca Romaneasca (ctr. 50070065)	EUR	EURIBOR 1M + 6,00%	29 December 2017	7.993.204
Banca Romaneasca (ctr. 50070066)	EUR	EURIBOR 1M + 6,00%	29 December 2017	18.306.796
Short term loans from shareholders				
Iaciu Gheorghe	EUR	6%	2 septembrie 2014	1.125.000

In the month of April 2014 the Company renegotiated the contract with Piraeus Bank in order to reduce the interest margin from 6.00% to 5.5%.

Note 18. Trade payables and other liabilities

	<u>31.Mar.2014</u>	<u>31.Dec.2013</u>
Long term debts		
Guarantees	1,816,175	1,772,993
	<u>1,816,175</u>	<u>1,772,993</u>
Short term debts		
Trade debts	7,882,592	8,173,979
Advances received from clients	1,532,810	1,168,877
Budget debts	484,125	635,627
Personnel debts	200,023	62,236
Differed incomes	1,848,138	2,202,726
Guarantees	324,057	316,352
Other debts	19,107	758,198
	<u>12,290,852</u>	<u>13,317,995</u>
	<u><u>14,107,027</u></u>	<u><u>15,090,988</u></u>

Deferred income comprises financial income related to the contracts of sale of properties in installments. These are recognised as income through the Individual Statement of Profit or Loss and Other Comprehensive Income on a straight line basis, over the duration of the contracts.

Note 19. Provisions for risks and charges

	<u>Provisions for litigations</u>	<u>Other provisions</u>	<u>Total</u>
Balance la 1.Ian. 2013	234.119	21.097	255.216
Provisions made during the year	2.620.000	-	2.620.000
Provisions used during the year	(234.119)	-	(234.119)
Balance at 31.Dec. 2013	<u>2.620.000</u>	<u>21.097</u>	<u>2.641.097</u>
Balance at 1.Ian.2014	2,620,000	21,097	2,641,097
Provisions made during the year	-	-	0
Provisions used during the year	2,152,777	-	2,152,777
Balance at 31.Mar. 2014	<u><u>4,772,777</u></u>	<u><u>21,097</u></u>	<u><u>4,793,874</u></u>

During the financial year 2013, the Company established a provision in the amount of 1.92 million lei for the dispute filed by the National Agency for Fiscal Administration against the Company, as successor in title of the civilly responsible parties, SC Fondamento Forte SRL and SC Patagonia Invest SRL. The rest of the provisions for litigations as at 31 December 2014 refers to other individually non-significant litigations, regarding which the Company's management considers there is a risk these will not be settled in the Company's favour.

Note 20. Operational revenues

The main sources of income are: income from the sale of homes built in order to be sold, revenues from services performed and revenue from land selling. The structure of operational revenues is shown following:

	31.Mar.14	31.Mar.13
Income from sale of residential property inventories	1,953,981	4,797,349
Income from operating costs charged to tenants	417,869	726,605
Operating costs charged to tenants	826,668	607,929
Income from sale of real estate investments	1,488,841	1,613,998
Total	4,687,359	7,745,881

21. Other operational revenues

	31.Mar.14	31.Mar.13
Revenue from rendering services	38,473	(82,704)
Revenue from the sale of residual products	-	24,630
Income from damages, fines and penalties	17,821	41,509
Other operating revenues	97,270	886,014
Total	153,564	869,450

Note 22. Operational expenses

	31.Mar.14	31.Mar.13
The carrying amount of inventories of residential properties sold	2,460,913	5,855,199
Operating costs related to leased properties	796,494	954,609
The carrying value of real estate investments	1,511,096	1,739,246
Total	4,768,503	8,549,054

Note 23. Employee benefit expenditure

	31.Mar.14	31.Mar.13
Expenditure on wages and other wage benefits	738,148	434,539
Expenditure on social security	198,611	118,535
Total	936,759	553,074

Note 24. Other operating expenses

	31.Mar.14	31.Mar.13
Expenditure on services provided by third parties	783,130	2,210,458
Rent expenses	365,540	441,656
Other taxes and fees	196,955	696,240
Other operating expenses	136,898	194,283
Banking fees	52,161	75,549
Expenditure on auxiliary materials	45,497	13,846
Post and telecommunications expenses	31,375	35,836
Promotion expenses	29,174	110,590
Expenditure on fuel	21,756	21,366
Maintenance and repair expenses	16,007	185,962
Expenditure on insurance premiums	14,315	48,200
Expenditure on transport of goods and personnel	10,521	16,025
Expenditure on goods	-	367,663
Total	1,703,328	4,417,673

Note 25. Contingent assets and liabilities

Litigations

As of the date of these Individual Financial Statements, the Company was involved in 90 ongoing litigations. In 49 of these, the Company is plaintiff or contesting party, while in 41 of these the Company is defendant.

The management of the Company analyses regularly the status of all ongoing litigations, and, following a consultation with its legal representatives, decides upon the necessity of recognizing provisions related to the amounts involved or their disclosure in the Individual Financial Statements.

Taking into account the information available, the management of the Company considers that there are no significant ongoing litigations, except the ones detailed below.

a) Cluj City Local Council – Cluj Municipality (hereinafter „CLC”)

The Company and one of its subsidiaries (Clearline Development and Management SRL) are parties in 2 cases in which CLC is counterparty. The Company and its subsidiary request amounts arising from investments made by the Company and its subsidiary for the finalization of Lomb project to which CLC has not contributed with the land, thus the Company being unable to finalize the project and being unable to obtain any revenues from it.

The case number 79/1285/2012 has been registered to the Cluj Commercial Court, based on which the Company has requested the dissolution of the framework-contract no. 55423/04.07.2007 concluded between CLC and the Company. In addition, the Company requested compensation provisionally valued at 4,008,222 Lei plus related interest, computed from the date of the damage up to the date of collection of the amounts.

The case number 1032/1259/2012 has been registered to the Arges Commercial Court, based on which the Company's subsidiary, Clearline Development and Management SRL, has requested to CLC payment of compensation provisionally estimated to 17,053,000 Lei plus related interest, computed from the date of the damage up to the date of the registration of the claim, provisionally estimated to 500,000 Lei.

The Company and its subsidiary have recognized the works performed under *Inventories*. Up to the date of these Individual Financial Statements, the courts have ordered preparation of technical expertise of urbanism that established the value of the investments made by the Company and its subsidiary. Based on the first expertise prepared, both the Company and its subsidiary have recognized impairment losses to the respective inventories down to the values determined by the expertise already performed, without recognizing any contingent liabilities.

Upon the hearing on 19 March 2014 the Commercial Court in Cluj ordered restoration of technical expertise in specialty urbanism to clarify divergences in the previous expert opinion.

Upon the hearing on 11 February 2014, the Commercial Court in Arges found that the technical expert responded only partially to the objections raised by the CLC, which is why it ordered the adjournment of the case till the technical expertise meets all requirements.

The following appearances are set for June 11, 2014, before Cluj Commercial Court respectively on September 9, 2014 before Arges Commercial Court. Management of the Company / Group does not expect significant changes in the results of a counter expertise that could have a significant impact on the recoverable value of inventories.

SC Summa SA (later renamed in SC Floreasca Construction SA, which in turn is radiated at the reporting date, the assets of the Company being transferred from Brooklyn Property Management Company SRL.) (hereinafter referred to as "Manufacturer")

On trial before Bucharest Court, Section IV - Civil and Section VI - Commercial, four cases were recorded (no. 23 619/3/2009 *, 45886/3/2009, 32874/3/2010 and 63835/3/2011 respectively) in which the company and manufacturer are parts.

Case no. 45886/3/2009 covers the refund from the Company to the Supplier of the value of a letter of guarantee in amount of 317,422.39 EUR, because the Company executed this letter improperly. This case has been suspended starting with 2010 until the case no. 23619/3/2009* shall be concluded. The Company did not consider necessary to recognize any provision in these Individual Financial Statements in respect of this litigation because, following consultation with the Company's legal representatives, there is judicial precedent in a similar situation, whose application would be favorable to the Company.

Case 23 619/3/2009 * is an action in finding the inexistence of the Contractor right to receive from the Company late penalties for Contractor rights arising from service contracts previously concluded between the two sides. The penalties amount requested by the builder and disputed by the Company is 7,602,447 lei. This case represents Company contesting Contractor rights to these penalties. Contested amounts are included in the amounts claimed by the manufacturer in case 3274/3/2010. On 4/16/2014, the Court of Appeals upheld the objection of lack of utilization capacity of S.C. Floreasca Construction S.A. and lack of procedural passive quality of the Contractor (SC Brooklyn Property Management SRL), and therefore dismissed the appeal of the Company. Decision is given with right to appeal within 15 days of communication.

Case 32874/3/2010 covers the Contractor's claims from the Company for recovery of an amount of 9.13814 million lei representing unpaid executed works (3.48396 million lei) and delay penalties, calculated until the date of the request (5.65418 million lei). This case is suspended until the resolution of Case 23 619/3/2009 *. The company has not considered necessary provisioning this amount in the individual financial statements as this amount may be opposed by way of compensation amounts with which the Company is registered in the final table's consolidated receivables, as shown below.

Case 63835/3/2011 has as subject to open insolvency proceedings for Floreasca Construction SA, formerly Summa Romania. Following the settlement of such matters, the Company is registered in the final table with the full consolidated debt receivables in the amount requested by 13,442,674 lei, representing penalty calculated following the completion of contractual obligations with delay and / or defective. This debt will be opposed by way of compensation to Property Management in Brooklyn assignee in the cases described above.

Thus, in the contractual relationship between the Company and the Supplier, the following is relevant:

- the amounts to be paid by the Company in case the above litigations shall be settled unfavorably: 10,561,682 lei, out of which the amounts recognized and disclosed in these Individual Financial Statements: 5,153,623 Lei;
- the amounts to be collected by the Company or compensated against the amounts payable where the final consolidated table of creditors remains unchanged: 13,442,674 Lei, out of which the amounts recognized and disclosed in these Individual Financial Statements: 8,205,266 Lei (please see Note 14).

Because of the complexity of the above described cases, the lawyers involved in these litigations could not evaluate the Company's chances to win. However, the management of the Company considers that the amounts recognized and disclosed in these Individual Financial Statements follow the requirements of the standards in force, Company's exposure to the penalties requested for payment being minimized following the final acceptance of the Company's receivables in the final consolidated table of creditors.

b) National Agency for Fiscal Administration (hereinafter „ANAF”)

Before the Bucharest Court, Division I – Criminal, was brought the case file no. 60772/3/2011, based on which ANAF sued the Company as successor in rights of the civilly liable parties, SC Fondamento Forte SRL and SC Patagonia Invest SRL, where Stegaru Ruxandra Maria is defendant. The object of the case is the offense of tax evasion, committed through:

- the sale by SC SQRW Development (RO) SRL (managed at the time of the offense by the defendant Stegaru Ruxandra Maria and removed from Registry at the reporting date) to SC Fondamento Forte SRL and SC Patagonia Invest SRL, as the first operation made to conceal the taxable source;
- transfer of the shares of SC Fondamento Forte SRL and SC Patagonia Invest SRL to the Company, as accessory operation to conceal the taxable source.

The estimated amount of damage is 16,500,000 lei. Criminal nature of the case, and that the Company participate in this event as successor in title of the parties responsible civilly, do not allow lawyers involved in settling the case to Evaluate your chances of winning, or to estimate the amount of damage that would return to pay company. However, the Company created a provision in the amount of 1,920,000 lei, VAT accounting for the estimated value of the assets sold by SC SQRW Development (US) LLC, according to the latest technical expertise to the file submitted as evidence. Upon the hearing scheduled for March 14, 2014, the case was postponed to allow technical experts to respond to the questions raised by the parties, such technical expertise not yet homologated.

The next hearing was scheduled for 7th of April 2014.

c) Oradea City Local Council – Oradea Municipality (hereinafter „CLO”)

Before the Oradea Court, Division II – Civil, administrative and fiscal, was brought the case file no. 9297/111/2010 relating to the action promoted by CLO against the Company, requesting to the Company the payment of an amount of 1,487,002 EUR, representing penalties under the joint venture agreement concluded between the parties.

Through the joint venture agreement mentioned above, the parties have assumed reciprocal contractual obligations, including the Company's obligation to deliver the residences built within 1,200 days. It has not been proven, nor exists any ascertainment that shows that the obligation to build the residences has not been completed by due date. In addition, CLO undertakes, at the completion of works, to make their reception and to sell the related land to the residences' beneficiaries.

On 1 August 2008, the Company completed the works, while CLO refused to sell the land to the beneficiaries, although it acknowledged the works' reception through the signing of the related minutes.

In the Case Impact requested by counterclaim the rejection of summons filed by the CLO as ungrounded and ordering it to pay damages, consisting of legal interest related to the price that the Company had should have collected from customers for homes that the company was obliged to alienate based on the contracts they signed with construction execution.

In the file sample was taken with the expertise to determine how they have been executed by the parties obligations (teaching and execution of the construction site). Examination determined that the Company has fulfilled the obligations deriving from the joint venture agreement.

At the request of the applicant, the court nodded a counter with three experts, which is still unfinished at the date of approval of these financial statements.

The Company's management as a result of discussions with its lawyers, decided not recording any provision thereof due to the file because first accepted her expertise was favorable Society. In addition, if a counter will conclude that the company has fulfilled its obligations derived from the joint venture agreement, the sentence will be appealed.

The next hearing was scheduled for May 16th, 2014.

Letters of guarantee

On 31 March 2014 the Company has issued letters of guarantee amounting to 1,123,039 lei to suppliers (31 December 2013: 1,123,039 lei).