IMPACT DEVELOPER & CONTRACTOR SA

Consolidated Financial Statements
as of and for the year ended
31 December 2013

prepared in accordance with
International Financial Reporting Standards
as endorsed by the European Union

Contents

	Note	31 December 2013	31 December 2012
ASSETS			
Non-current assets			
Property, plant and equipment	9	8,537,605	21,410,498
Intangible assets	10	18,660	49,163
Investment property	11	231,003,755	231,093,124
Financial assets	12	-	2,329,050
Long term trade and other receivables	14	19,823,286	25,550,859
Total non-current assets		**259,383,306**	**280,432,694**
Current assets			
Inventories	13	99,687,317	129,256,768
Trade and other receivables	14	7,603,004	13,517,366
Prepayments		148,312	200,555
Cash and cash equivalents	15	4,910,121	1,685,076
Total current assets		**112,348,754**	**144,659,765**
Total assets		**371,732,060**	**425,092,459**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	16	205,330,158	205,330,158
Share premium		84,041,878	84,041,878
Revaluation reserve	9	1,541,643	6,006,073
Other reserves		7,677,607	5,339,938
Retained earnings / (Accumulated losses)		(17,309,347)	23,699,682
Total shareholders’ equity attributable to the owners of the Company		**281,281,939**	**324,417,729**
Non-controlling interests		270	(58)
Total equity		**281,282,209**	**324,417,671**
Non-current liabilities			
Loans and borrowings	17	45,025,049	33,502,849
Trade and other payables	18	1,773,025	1,598,960
Deferred tax liability	26	13,696,778	15,248,152
Total non-current liabilities		**60,494,852**	**50,349,961**
Current liabilities			
Loans and borrowings	17	14,607,758	33,089,483
Trade and other payables	18	12,706,144	16,980,128
Provisions for risks and charges	19	2,641,097	255,216
Total current liabilities		**29,954,999**	**50,324,827**
Total liabilities		**90,449,851**	**100,674,788**
Total shareholders' equity and liabilities		**371,732,060**	**425,092,459**

The consolidated financial statements from pages 1 to 54 have been authorized for issue by the management on 2 April 2014 and signed on its behalf by:

Lucian Mateescu	**Bogdan Geanta**
Chief Executive Officer	*Chief Financial Officer*

The accompanying notes on pages 10 - 54 are an integral part of these consolidated financial statements.

TRANSLATOR’S explanatory note: The above translation of the financial statements is provided as a free translation from Romanian which is the official version.

	Note	2013	2012
Income from sale of real estate inventories		23,695,626	22,152,413
Book value of sold real estate inventories	13	(23,565,701)	(31,710,538)
Profit / (loss) from sale of real estate inventories		**129,925**	**(9,558,125)**
Rental income	**30**	**1,607,827**	**2,666,531**
Operating costs charged to tenants	30	3,448,306	3,503,442
Operating expenses directly related to properties rented	30	(3,271,091)	(3,454,816)
Net result from re-charges		**177,215**	**48,626**
Income from sale of investment properties		8,698,124	4,688,707
Book value of sold investment properties	11	(9,806,592)	(4,277,863)
Result from sale of investment properties		**(1,108,468)**	**410,844**
Revenues from services rendered		274,343	408,395
Expenses related to consumables	20	(1,692,534)	(1,511,577)
Third party services	21	(9,021,998)	(7,240,220)
Work performed by the entity and capitalized		-	6,459,515
Employee benefits expense	22	(2,927,417)	(1,874,918)
Other operating income	23	1,021,028	1,465,322
Other operating expense	24	(20,067,906)	(7,055,032)
Other operating income / (loss), net		**(32,414,484)**	**(9,348,515)**
Profit/ (loss) before interest, tax, depreciation and amortization (EBITDA)		**(31,607,985)**	**(15,780,639)**
Expenses related to depreciation and amortization		(661,171)	(957,459)
Impairment of assets	25	(18,097,804)	(21,309,363)
Impairment recognized/reversed, other than those related to investment properties		**(18,758,975)**	**(22,266,822)**
Gains / (losses) in fair value of investment properties, net	11	9,726,024	(37,508,341)
Profit/ (loss) before interest and tax (EBIT)		**(40,640,936)**	**(75,555,802)**

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	Note	2013	2012
Interest expense		(3,618,319)	(4,043,774)
Interest income		632,202	730,311
Foreign exchange differences, net		(817,579)	(2,659,199)
Other financial elements, net		39,111	33,291
Financial result		**(3,764,585)**	**(5,939,371)**
Share of other comprehensive income from equity-accounted investees (after tax)	12	(47,257)	88,871
Gross profit / (gross loss) (EBT)		**(44,452,778)**	**(81,406,302)**
Deferred tax income	26	1,375,600	5,746,319
Tax on profit		**1,375,600**	**5,746,319**
Loss for the period		**(43,077,178)**	**(75,659,983)**
Other comprehensive income			
Items that will not be subsequently reclassified to profit or loss			
Revaluation reserves recognized during the period	9	19,063	2,037,915
Cancellation of revaluation reserve for impaired assets	9	(2,428,092)	(1,299,500)
Deferred tax liability related to revaluation reserve	9, 26	175,773	(206,115)
		(2,233,256)	**532,300**
Other comprehensive income, after tax		**(2,233,256)**	**532,300**
Total comprehensive income for the period		**(45,310,434)**	**(75,557,813)**
Loss attributable to:			
Owners of the parent		(5)	(5)
Non-controlling interests		(43,077,173)	(75,659,808)
Loss for the period		**(43,077,178)**	**(75,659,983)**
Total comprehensive income attributable to:			
Owners of the parent		(5)	(5)
Non-controlling interests		(45,310,429)	(75,557,808)
Total comprehensive income for the period		**(45,310,434)**	**(75,557,813)**
Result per share			
Basic result per share (Lei/share)	34	(0.22)	(0.38)

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Bogdan Geanta
Chief Financial Officer

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	Share Capital	Share premium	Revaluation reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance as at 1 January 2012	**205,330,158**	**84,041,878**	**5,903,903**	**7,682,062**	**96,527,652**	**399,485,653**	**(8,426)**	**399,477,227**
Total comprehensive income for the period								
Loss for the period	-	-	-	-	(75,659,978)	**(75,659,978)**	(5)	**(75,659,983)**
Other comprehensive income								
Revaluation reserves recognized during the period	-	-	2,037,915	-	-	**2,037,915**	-	**2,037,915**
Realized revaluation reserves	-	-	(430,130)	430,130	-	-	-	-
Cancellation of revaluation reserve related to impaired assets	-	-	(1,299,500)	-	-	-	-	(1,299,500)
Deferred tax related to revaluation reserve	-	-	(206,115)	-	-	**(206,115)**	-	**(206,115)**
Total other comprehensive income	**-**	**-**	**102,170**	**430,130**	**-**	**532,300**	**-**	**532,300**
Total comprehensive income for the period	**-**	**-**	**102,170**	**430,130**	**(75,659,978)**	**(75,127,678)**	**(5)**	**(75,127,683)**
Transactions with owners, recognized directly in equity								
Disposals of equity-accounted investees	-	-	-	-	59,754	**59,754**	8,373	**68,127**
Transfers from reserves to cover accumulated losses	-	-	-	(2,772,254)	2,772,254	**-**	-	**-**
Total transactions with owners	**-**	**-**	**-**	**(2,772,254)**	**2,832,008**	**59,754**	**8,373**	**68,127**
Balance as at 31 December 2012	**205,330,158**	**84,041,878**	**6,006,073**	**5,339,938**	**23,699,682**	**324,417,729**	**(58)**	**324,417,671**

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	Share Capital	Share premium	Revaluation reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance as at 1 January 2013	**205,330,158**	**84,041,878**	**6,006,073**	**5,339,938**	**23,699,682**	**324,417,729**	**(58)**	**324,417,671**
Total comprehensive income for the period								
Loss for the period	-	-	-	-	(43,077,173)	**(43,077,173)**	(5)	**(43,077,178)**
Other comprehensive income								
Revaluation reserves recognized during the period	-	-	19,063	-	-	**19,063**	-	**19,063**
Realized revaluation reserves	-	-	(2,231,174)	2,231,174	-	**-**	-	**-**
Cancellation of revaluation reserve related to impaired assets			(2,428,092)			**(2,428,092)**		**(2,428,092)**
Deferred tax related to revaluation reserve	-	-	175,773	-	-	**175,773**	-	**175,773**
Total other comprehensive income	**-**	**-**	**(4,464,430)**	**2,231,174**	**-**	**(2,233,256)**	**-**	**(2,233,256)**
Total comprehensive income for the period	**-**	**-**	**(4,464,430)**	**2,231,174**	**(43,077,173)**	**(45,310,429)**	**(5)**	**(45,310,434)**
Transactions with owners, recognized directly in equity								
Acquisition of subsidiaries, without non-controlling interests	-	-	-	109,335	55,104	**164,439**	225	**164,664**
Movements through merger*	-	-	-	(2,840)	2,013,040	**2,010,200**	108	**2,010,308**
Total changes in ownership interests	**-**	**-**	**-**	**106,495**	**2,068,144**	**2,174,639**	**333**	**2,174,972**
Total transactions with owners	**-**	**-**	**-**	**106,495**	**2,068,144**	**2,174,639**	**333**	**2,174,972**
Balance as at 31 December 2012	**205,330,158**	**84,041,878**	**1,541,643**	**7,677,607**	**(17,309,347)**	**281,281,939**	**270**	**281,282,209**

** in accordance with the merger agreement, the share capital, the reserves and the retained earnings of the subsidiary Intop Construction SRL were transferred to accumulated losses of the absorbent subsidiary, Clearline Development and Management SRL*

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	Note	2013	2012
Cash flows from operating activities			
Loss for the period		(43,077,178)	(75,659,983)
Adjustments for:			
Depreciation of tangible non-current assets	9	614,153	891,738
Amortization of intangible non-current assets	10	47,018	65,721
Impairment of tangible non-current assets, net	9, 25	7,252,562	10,311
Net changes in provisions for risks and charges	24	2,385,881	(1,663)
Losses from disposal of interests in equity-accounted investees and other related parties	24	2,018,270	95,130
Result from disposal of assets, net	24	392,397	169,027
(Gains) / Losses from disposal of investment property	11	1,108,468	(410,844)
Impairment of inventories, net	25	11,882,738	19,580,490
Impairment of trade and other receivables, net	25	(1,037,496)	419,062
Changes in fair value of investment property	11	(9,726,024)	37,508,341
Deferred tax income	26	(1,375,600)	(5,746,319)
Share of profit from equity-accounted investees (after tax)		47,257	(88,871)
Interest expenses		3,618,319	4,043,774
Interest income		(632,202)	(730,311)
Foreign exchange differences, net		817,579	2,659,199
		(25,663,858)	**(17,195,198)**
Changes in:			
Inventories		17,695,514	27,492,079
Trade and other receivables		12,221,110	9,450,114
Trade and other payables		(4,138,177)	(3,613,334)
Cash generated from operations		**114,589**	**16,133,859**
Interest paid		(3,703,428)	(3,884,150)
Net cash from / (used in) operating activities		**(3,588,839)**	**12,249,511**
Cash flows from investing activities			
Purchases of property, plant and equipment	9	(317,414)	(410,193)
Purchases of intangible assets	10	(15,625)	-
Proceeds from sale of financial assets		310,780	(94,677)
Proceeds from sale of investment properties		8,698,124	4,688,707
Interest received		630,593	859,365
Proceeds from sale of property, plant and equipment		5,133,955	619,766
Net cash from investing activities		**14,440,413**	**5,662,968**
Cash flows from financing activities			
Repayments of borrowings		(11,593,997)	(25,271,030)
Proceeds from borrowings		4,036,230	-
Net cash used in financing activities		**(7,557,767)**	**(25,271,030)**
Net Increase / (Decrease) of cash and equivalents		**3,293,807**	**(7,358,551)**
Cash and equivalents at 1 January	15	1,685,076	9,160,688
Effect of movements in exchange rates on cash held		(68,762)	(117,061)
Cash and equivalents as at 31 December	**15**	**4,910,121**	**1,685,076**

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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 December 2013 and 31 December 2012 is disclosed in Note 17.

The Consolidated Financial Statements of the Company for the year ended 31 December 2013 include the Company and its subsidiaries (together referred to as the „Group") and the Group's interests in affiliated parties and joint arrangements.

Company's subsidiaries ("Subsidiaries") and the nature of their activity are as follows:

	Country of registration	**Nature of activity**	**31 December 2013**	**31 December 2012**
Clearline Development and Management SRL	Romania	Real estate development	√	√
Actual Invest House SRL	Romania	Real estate development	√	√
Intop Construction SRL	Romania	Real estate development	- *	√
Destiny Wheel SRL	Romania	Real estate development	√	-
Millenium Consult Invest 2002 SRL**	Romania	Management consulting	√	-

* *during 2013, Intop Construction SRL merged with Clearline Development and Management SRL*

** *during 2013, Millenium Consult Invest 2002 SRL was restructured from joint stock company (SA) in limited liability company (SRL)*

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 last 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 Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards as endorsed by the European Union ("EU IFRS").

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

Basic Assumptions

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

a) Going concern

These consolidated financial statements have been prepared under going concern assumption, stating that the Group shall continue its activity in the foreseeable future. For the year ended 31 December 2013, the Group obtained a net loss of 43,077,178 Lei (2012: 75,659,983 Lei). However, the Group's assets exceed its current liabilities by 82,393,754 Lei (2012: by 94,334,938 Lei).

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 Group is able to continue its activity in the foreseeable future, thus the application of the going concern assumption in the preparation of these consolidated financial statements is justified.

b) Accrual basis of accounting

The Group 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.

The information presented in these Consolidated Financial Statements for the year ended 31 December 2013 have the following qualitative properties:

a) Relevance

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

b) Materiality

Any item that has a significant value are presented distinctly in the financial statements. The information is significant if its omission or wrongful presentation might influence the users' decisions taken based on the financial information related to a certain reporting entity.

c) Accurate representation

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

Prudence

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

- all impairment charges;
- all contingencies arising from transactions that occurred during the reporting period.

Substance over form

Information presented in these Consolidated Financial Statements reflects the economic reality of events and transactions, not merely their legal aspects.

Offsetting

Assets were not be offset against liabilities, and income were not be offset against expenses, except for the offsetting of elements provided in and accepted by EU IFRS.

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Note 3. Functional and presentation currency

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

Note 4. Use of estimates and judgments

In preparing these Consolidated 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.

Information about significant judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the Consolidated Financial Statements is included in the following notes:

Note 7(l) – the moment of the recognition of revenue arising from contracts for sale in installments

Note 11 – classification of residential properties between investment properties and inventories

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments in the future financial periods are included in the following notes:

Note 26 –recognition of deferred tax assets: availability of future taxable profit against which carry forward tax losses can be used

Note 9 – property, plant and equipment impairment testing: key assumptions underlying recoverable amounts

Note 7 (h), (i) *Available for sale financial assets* – impairment testing of available for sale financial assets - key assumptions underlying recoverable amounts of financial assets available for sale

Notes 19 and 32 – recognition and measurement of provisions and contingencies: key assumptions related to the likelihood and magnitude of an outflow of resources

Measurement of fair values

A number of the Group's accounting policies and disclosures require measurement of fair values, for both financial and non-financial assets and liabilities.

The Group 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 EU 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 Group 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.

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The Group 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 – Property, plant and equipment

Note 11 – Investment property

Note 27(a) – Financial instruments

Note 5. Basis of measurement

The Consolidated 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.

Share capital is adjusted according to the requirements of the International Accounting Standard ("IAS") 29 *Financial Reporting in Hyperinflationary Economies*, for the effects of the effects of the hyperinflationary economy in Romania, ended at 31 December 2003.

Note 6. Changes in accounting policies

Except the changes below, all of the entities of the Group have consistently applied the accounting policies set out in Note 7 to all periods presented in these Consolidated Financial Statements.

Starting 1 January 2013, the Group has adopted the following new standards and amendments to standards:

a. *Disclosure – Offsetting financial assets and financial liabilities* (Amendments to IFRS 7)
b. *Offsetting financial assets and liabilities* (Amendments to IAS 32)
c. *Fair value measurement* (IFRS 13)
d. *Presentation of items of Other Comprehensive Income* (Amendments to IAS 1)
e. *Recoverable amount disclosures for non-financial assets* (Amendments to IAS 36, 2013)
f. *Employee benefits (2011)* (IAS 19, 2011)

The nature and effects of the changes are explained below.

(a) Disclosure – Offsetting financial assets and financial liabilities (Amendments to IFRS 7)

As a result of the amendments to IFRS 7, the Group has expanded its disclosures about the offsetting of financial assets and financial liabilities. The Group does not expect a significant impact over the Consolidated Financial Statements arising from these amendments, as the offsetting are not contingent to the appearance of a future event.

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

The Group adopted earlier the amendments to IAS 32, applied retrospectively. The amendments do not assume any new rules for offsetting financial assets and liabilities, but they clarify the compensation criteria, to eliminate the inconsistencies appearing with its application. The amendments state that an entity has a legally enforceable right if that right:

- Is not contingent to the occurrence of a future event; and
- Is enforceable during the normal course of business, even when the obligations are not met, in case of insolvency or bankruptcy.

The Group does not expect a significant impact over the Individual Financial Statements arising from this amendment, as the offsetting are not contingent to the appearance of a future event.

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(c) Fair value measurement (IFRS 13)

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other EU IFRS. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other EU IFRS, including IFRS 7. As a result, the Group has included additional disclosures in this regard (see Notes 9, 11 and 27).

In accordance with the transitional provisions of IFRS 13, the Group has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurement of the Group’s assets and liabilities

(d) Presentation of items of Other Comprehensive Income (Amendments to IAS 1)

As a result of the amendments to IAS 1, the Group has modified the presentation of items of other comprehensive income in its statement of profit or loss and other comprehensive income, to present separately items that would be reclassified to profit or loss from those that would never be. Comparative information has been re-presented accordingly.

(e) Recoverable amount disclosures for non-financial assets (Amendments to IAS 36, 2013)

The Company has early adopted the amendments to IAS 36 (2013). Non-financial assets subject to these amendments are property, plant and equipment. These amendments provide disclosure of additional information regarding the amounts recoverable when these were computed as fair value less cost to sell and an impairment is recognized. In 2013, the amendments are not relevant for the Consolidated Financial Statements of the Group, because the impairment losses were recognized based on their value in use (see Note 9).

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

Amendments to IAS 19 (2011) require actuarial gains and losses to be recognized directly in other comprehensive income. They remove the previously applied corridor method to recognize actuarial gains and losses, and the ability of entities to recognize all changes in benefit obligations and plan assets of any changes in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. The amendments also require that the expected return on plan assets of defined benefit will be calculated based on the rate used for updating benefit obligations. The amendments are not relevant to the Consolidated Financial Statements of the Group, as the Group’s entities have no defined benefits to plan for these amendments to be relevant.

Reclassifications

Certain comparative amounts have been reclassified in the Consolidated Statement of Financial Position with the purpose of being compliant with current period presentation, as disclosed in Note 14, Note 17, Note 18 and Note 19 respectively.

Certain comparative amounts have been reclassified in the Consolidated Statement of Profit or Loss and Other Comprehensive Income, in the Consolidated Statement of Cash Flows and in the Consolidated Statement of Changes in Equity respectively, with the purpose of being compliant to the current year presentation.

Thus, in the Consolidated Statement of Profit or Loss and Other Comprehensive Income, the variation of inventories of finished goods and inventories in progress is presented as the carrying value of residential properties sold, adjusted with the effects of the raw materials consumption, where these were in relation to the sold properties.

Thus, in the Consolidated Statement of Cash Flows and in the Consolidated Statement of Changes in Equity respectively, the amounts representing the effect of the IFRS transition were presented on the caption the adjustments related to.

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Note 7. Significant accounting policies

The accounting policies described below have been constantly applied by all of the Group's entities, for all periods presented in these Consolidated Financial Statements.

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

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(a) Basis of consolidation

(i) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. Control represents the power to manage the financial and operational policies of an entity, to obtain benefits from its activities. When evaluating control, the Group takes into account the potential voting rights currently exercisable.

The Group measures goodwill at acquisition date as:

- fair value of consideration transferred; plus
- recognized non-controlling interest in the acquiree; plus
- if the business combination is realized in stages, the fair value of the pre-existing equity instruments in the acquiree; less
- the net value recognized (usually fair value) of the net identifiable assets acquired and liabilities assumed.

If the excess in negative, a gain on a bargain purchase is recognized in the Consolidated Statement of Profit or Loss and Other Comprehensive Income immediately.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Group's transaction costs, other than those associated with issue of debts or equity instruments, related to a business combination are recognized in the Consolidated Statement of Profit or Loss and Other Comprehensive Income when incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

(ii) Non-controlling interests

For each business combination, the Group chooses to measure the non-controlling interest of the acquiree either:

- at fair value, or
- at their proportionate share of the acquiree's identifiable net assets and are measured, usually, at fair value.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners, directly in equity. The adjustments to non-controlling interests are based on their proportionate share of the acquiree's identifiable net assets. No adjustments to goodwill are prepared and no gain or loss is recognized in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

(iii) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the Consolidated Financial Statements from the date on which control commences until the date on which control ceases.

(iv) Loss of control

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity resulting from the subsidiary. Any resulting gain or loss is recognized in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. Any interest retained in the former subsidiary is

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measured at fair value when control is lost. Subsequently, the interest retained is accounted as an equity accounted investee (see Note 7(a)(v)) or as an available-for-sale financial asset (see Note 7(c)(i)), depending on the influence retained.

(v) Interests in associates and entities under common control (equity-accounted investees)

The Group's interests in equity-accounted investees comprise interests in associates and joint arrangements.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Significant influence involves voting rights of 20 – 50% in another entity. The entities under common control are those entities over whose' activities the Group has common control through a contractual arrangement and requiring unanimously agreement for taking decisions related to financial and operational strategies.

Interests in associates and the joint venture are accounted for using the equity method and are recognized initially at cost. Transaction costs are included in investment costs.

The Consolidated Financial Statements include the proportional share of the profit or loss and other comprehensive income of the equity-accounted investees, after the adjustments made to align the acquiree's accounting policies to the Group's, from the date the significant influence or common control commences until it ceases.

When the share of losses exceeds the Group's proportionate share in the investee accounted for using the equity method, the carrying amount of the investment, including any long-term stake, is reduced to nil and recognition of further losses is *discontinued except where the Group has an obligation or has made payments on behalf of the investee.*

(vi) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gams, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

Transactions in foreign currencies are translated to the Group'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 Consolidated Statement of Profit or Loss and Other Comprehensive Income.

(c) Financial instruments

(i) Non-derivative financial instruments

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

The Group 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 Group is recognised as a separate asset or liability.

Financial assets and financial liabilities are offset and the net amount presented in the Consolidated Statement of Financial Position when, and only when, the Group 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 Group owns the following non-derivative financial assets: loans granted, trade and other receivables, cash and cash equivalents and available for sale financial assets respectively.

Loans granted, trade and other receivables

Loans granted and receivables are financial assets 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 efective interest rate method less any impairment losses (see Note 7(h)(i)).

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 Group 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 Group'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(h)(i)).

(ii) Non-derivative financial liabilities

The Group 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 Group becomes part of the contractual conditions of that instrument.

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

The Group classifies the non-derivative financial liabilities as financial debt. These liabilities are recognised initially at fair value less ay 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 Group's cash management are included as a component of cash and cash equivalents for Consolidated Statement of Cash Flows purposes, and its accounting policy is presented in Note 7 (c)(i).

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(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 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.

(d) Property, plant and equipment

(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 Group 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 Group 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 property, plant and equipment.

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 Consolidated Statement of Profit or Loss and Other Comprehensive Income.

(ii) 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 Consolidated 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 Consolidated Statement of Profit or Loss and Other Comprehensive Income.

(iii) Subsequent expenditure

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

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(iv) Depreciation

The elements of property, plant and equipment are depreciated starting the date they are available for use or are functionnal, while the assets built by the Group 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 Consolidated 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 Group will obtain ownership by the end of the lease term. Land is 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 determinted 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 revlauation, then the increase is recognised in other comprehensive income and cummulated 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 Consolidated 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 Consolidated 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 Consolidated Statement of Profit or Loss and Other Comprehensive Income.

(e) Intangible assets and goodwill

(i) Goodwill

Goodwill arising from acquisition of subsidiaries is included in intangible assets. For measurement of goodwill at initial recognition, see Note 7(a)(i).

Subsequent measurement

Goodwill is measured at cost less any impairment losses. In regards to the equity-accounted investees, the net carrying value of goodwill is included in the value of the investment, while each impairment loss related to such investees is allocated to the net carrying value of the investee accounted using the equity method.

(ii) Other intangible assets

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

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(iii) 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 Consolidated Statement of Profit or Loss and Other Comprehensive Income as incurred.

(iv) Amortisation

Except goodwill, the intangible assets are amortised in the Consolidated 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.

(f) 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 Consolidated 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 Group decides to sell an investment property without additional improvements, the asset continues to be carryied as investment property up to its sale. Similarly, if the Group 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.

(g) Inventories

Cost of inventories includes the expenses made for acquisition o finventories, 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 Group 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.

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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.

(h) Impairment

(i) Non-derivative financial assets

A financial asset not classified as at fair value through the Consolidated Statement of Profit or Loss and Other Comprehensive Income, including equity-accounted investees, 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 occuring 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 Group considers evidence of impairment for financial assets measured at amortised cost (loans granted and 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 efective interest rate of the asset. The impriment losses are recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income are 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 Consolidated 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.

Investments in associates (equity-accounted investees)

An impairment loss in respect of an equity-accounted investee i measured by comparing the recoverable amolunt of the investment with its carrying amount. An impairment loss is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. An impairment loss is reversed when the estimates used to determine the recoverable value have suffered favourable changes.

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(ii) Non-financial assets

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

External sources

- 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 Group, or such changes shall take effect in the near future over the technological, commerical, economical or judicial environment in which the entity 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 Group is higher than its market capitalisation.

Internal sources

- there is evidence of physical or moral use of an asset.
- during the period, significant changes have occurred, negatively affecting the Group, 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 discountinuing 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 win 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 impirment 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 intenally 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 Consolidated 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.

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(i) 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 Group 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 Group makes payments to the State's funds for health, pensions and unemployment funds in the name of its employees, using the statutory rates. All Group's employees are members of the Romanian State pension plans. These costs are recgnised 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 Group does not account for any other defined benefit plans.

(j) 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.

(k) Leasing

(i) Determining whether an arrangement contains a lease

At the inception of an arrangement, the Group 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 transferres the right to use the asset.

On inception or on reassessment of an arrangement that contains a lease, the Group 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 Group 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 Group's incremental borrowing rate.

(ii) Lease payments

Payments made under operating leases are recognised in the Consolidated 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 lease.

Minimum lease payments made under finance leases are apportionned 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.

(l) Revenue

(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 Group 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 Group may lose, in certain conditions, a part of the amounts collected up to the cancellation date.

Taking into account this risk, the management decided to recognise the revenues generated by such 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 Group is exposed to. Thus, the management based its professional judgement on market studiesprepared 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' behavoiur, 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.

(iii) Revenues from rendering of services

The revenues from rendering of services are recognised in the Consolidated 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 Group performs maintanance 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 Group 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.

(m) 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.

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(n) 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 commisions.

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

Gasin 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.

(o) Taxation

Income tax expense / relief comprises current tax and deferred tax. Current tax and deferred tax are recognised in the Consolidated 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 comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivables in respect of previous years, using the enacted or substantively enacted income tax rate.

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future, and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Group has not rebutted this presumption.

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 within the Group or for different fiscal entity that have the intention to compensate tax assets and liabilities or whose assets and liabilities will be realised together.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(iii) Tax exposure

For the determination of current and deferred taxes, the Group takes into consideration the impact of the dobtful fiscal positions and the possibility of additional taxes and related interest occuring. 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 Group 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.

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Note 8. New standards and interpretations not yet adopted by the Group[1]

A number of new standards, amendments to standards and interpretations are effective for annual periods begginning after 1 January 2013, and have not been applied in preparing these Individual Financial Statements. Those which may be relevant for the Company are set out below. The Company does not plan to adopt these standards earlier.

(a) IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities (2011)

IFRS 10 provides a single model to be applied in the control analysis for all investees to determine if an entity needs to be consolidated. Thus, the Company might be required to modify its conclusion related to the consolidation of the investees, which would determine the modification of the accounting method for those entities.

According to IFRS 11, the structure of joint arrangements, although an important aspect, it's no longer the main factor when determining the type of joint arrangement and, as a consequence, when determining how would these be accounted for.

The Company's interest in a joint arrangement, which is an arrangement where the parties have rights over assets and obligations related to the liabilities, shall be accounted for based on the Company's holding in those assets and liabilities.

The Company's interest in a joint arrangement, which is an arrangement where the parties have rights over the residual net assets, shall be accounted for using the equity method.

The Company might be required to reclassify the joint arrangements, whioch might determine the modification of the current accounting policy applied for these interests.

IFRS 12 establishes a single framework for all requirements related to the interests of an entity is subsidiaries, joint arrangements, associates and single structured entities. The Company currently evaluates the disclosure requirements related to the insterests in ubsidiaries, joint arrangements, associates and single structured entities, by comparing them to the information already disclosed. IFRS 12 requires disclosure of information related to the nature, risks and financial impact of these interests.

These standards are effective for annual periods beginning after 1 January 2014, early adoption being permitted, under the condition of simultaneous application of them, together with IAS 27 (2011) and IAS 28 (2011).

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

The Amendments to IFRS 10, IFRS 12 and IAS 27 provide an exception to the consolidation requirements in IFRS 10 and requires qualifying investment entities to measure their investments in controlled entities, as well as investments in associates and joint ventures, at fair value through the Individual Statement of Profit or Loss and Other Comprehensive Income, rather than consolidating them. The consolidation exemption is mandatory, with the only exception being that subsidiaries that are considered as an extension of the investment entity's investing activities, must still be consolidated.

An entity qualifies as an investment entity if it meets all of the following essential elements:

- obtains funds from investors to provide those investors with investment management services;
- commits to its investors that its business purpose is to invest for returns solely from appreciation and/or investment income; and
- measures and evaluates the performance of substantially all of its investments on a fair value basis.

The amendments also set out disclosure requirements for investment entities.

These amendments are effective for annual periods beginning after 1 January 2014, early adoption being permitted.

[1] TRANSLATOR'S explanatory note: The above translation of the financial statements is provided as a free translation from Romanian which is the official version.

(c) IAS 27 (2011) Separate financial statements

IAS 27 (2011) carries forward the existing accounting and disclosure requirements of IAS 27 (2008) for separate financial statements, with some minor clarifications. As well, the existing requirements of IAS 28 (2008) and IAS 31 for separate financial statements have been incorporated into IAS 27 (2011). The Standard no longer addresses the principle of control and requirements relating to the preparation of consolidated financial statements, which have been incorporated into IFRS 10 - *Consolidated Financial Statements*. The Company does not expect that IAS 27 (2011) to materially alter its Individual Financial Statements as it does not materialize into a change in accounting policies.

These amendments are effective for annual periods beginning after 1 January 2014, early adoption being permitted, under the condition of simultaneous application of them, together with IFRS 10, IFRS 11, IFRS 12 and IAS 28 (2011).

(d) IAS 28 (2011) Investments in Associates and Joint Ventures

There are limited amendments made to IAS 28 (2008). According to these, an entity has to apply IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale. For any retained portion of the investment that has not been classified as held for sale, the equity method is applied until disposal of the portion held for sale. After disposal, any retained interest is accounted for using the equity method if the retained interest continues to be an associate or a joint venture.

Previously, IAS 28 (2008) and IAS 31 specified that the cessation of significant influence or joint control triggered remeasurement of any retained stake in all cases, even if significant influence was succeeded by joint control. IAS 28 (2011) now requires that in such scenarios the retained interest in the investment is not remeasured.

These amendments are effective for annual periods beginning after 1 January 2014, early adoption being permitted, under the condition of simultaneous application of them, together with IFRS 10, IFRS 11, IFRS 12 and IAS 27 (2011).

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Note 9. Property, plant and equipment

Reconciliation of carrying amount

	Note	Land and buildings	Plant and equipment	Fixtures and fittings	Total
Cost					
Balance at 1 January 2012		21,856,277	7,336,519	866,100	30,058,896
Additions		410,193	-	-	410,193
Revaluation differences		781,550	-	-	781,550
Disposals		(912,851)	(3,429,598)	(277,916)	(4,620,365)
Balance at 31 December 2012		**22,135,169**	**3,906,921**	**588,184**	**26,630,274**
Accumulated depreciation and impairment losses					
Balance at 1 January 2012		1,713,146	5,733,873	705,758	8,152,777
Depreciation for the year		607,326	228,457	55,955	891,738
Impairment losses		-	6,833	-	6,833
Accumulated depreciation of disposals		(265,754)	(3,299,197)	(266,621)	(3,831,572)
Balance at 31 December 2012		**2,054,718**	**2,669,966**	**495,092**	**5,219,776**
Carrying amounts					
at 1 January 2012		**20,143,131**	**1,602,646**	**160,342**	**21,906,119**
at 31 December 2012		**20,080,451**	**1,236,955**	**93,092**	**21,410,498**
Cost					
Balance at 1 January 2013		22,135,169	3,906,921	588,184	26,630,274
Additions		-	59,102	258,312	317,414
Additions through business combinations	29	2,611,618	2,000	-	2,613,618
Revaluation differences		19,063	-	-	19,063
Disposals		(6,674,450)	(1,410,622)	(15,095)	(8,100,167)
Balance at 31 December 2012		**18,091,400**	**2,557,401**	**831,401**	**21,480,202**
Accumulated depreciation and impairment losses					
Balance at 1 January 2013		2,054,718	2,669,966	495,092	5,219,776
Depreciation for the year		508,570	67,980	37,603	614,153
Impairment losses / (reversals)		9,726,805	(46,322)	-	9,680,483
Accumulated depreciation of disposals		(1,410,392)	(1,151,726)	(11,697)	(2,573,815)
Accumulated depreciation and impairment of assets acquired through business combinations	29	-	2,000	-	2,000
Balance at 31 December 2012		**10,879,701**	**1,541,898**	**520,998**	**12,942,597**
Carrying amounts					
at 1 January 2013		**20,080,451**	**1,236,955**	**93,092**	**21,410,498**
at 31 December 2013		**7,211,699**	**1,015,503**	**310,403**	**8,537,605**

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Revaluation of land and buildings

As at 31 December 2013, the Group's land and buildings were revalued by the following external independent valuers, authorised by the National Association of Authorised Valuators from Romania ("ANEVAR"), having recent experience regarding the location and the category of the properties evaluated: Parker Lewis Management SRL, BNP Paribas Real Estate Advisory SA, Piraeus Real Estate Consultants SRL (31 December 2012: same valuers).

Fair value hierarchy

Based on the inputs to the valuation technique, the fair value measurement for land and buildings amounting to 7,211,699 Lei 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 land and buildings categorised as a Level 2 fair value.

Valuation technique	Key inputs
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.	• Prices per square meter for buildings (Bucharest: 870 euro/ sqm, other: starting from 345 euro/ sqm up to 500 euro/ sqm). • Prices per square meter for land (Bucharest: starting from 47 euro/ sqm up to 134 euro/ sqm, other: starting from 25 euro/ sqm up 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%).

As at 31 December 2012, the valuation was prepared using the same technique.

Changes in revaluation reserve

The changes in revaluation reserve and other reserves, comprising the realised revaluation reserves, during the financial year were as follows:

	Nota	2013	2012
Revaluation reserve at 1 January		**6,006,073**	**5,903,903**
Revaluation surplus		19,063	2,037,915
Realized revaluation reserve		(2,231,174)	(430,130)
Cancellation of revaluation reserve related to impaired assets		(2,428,092)	(1,299,500)
Deferred tax related to revaluation reserve	26	175,773	(206,115)
Revaluation reserve at 31 December		**1,541,643**	**6,006,073**

Revaluation reserves are not distributable up to their realisation through sale or disposal of the assets they relate to.

Impairment losses

During 2013, following the identification of impairment indicators for land and buildings, the management performed the impairment testing and recognised an impairment loss of 9,680,483 Lei (out of which 2,428,092 Lei have been recognised as cancellation of revaluation reserves and 7,252,562 Lei have been expensed during the year).

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Part of the land classified as property, plant and equipment include land related to the residential property with installed utilities networks attached. Up to 2013, the Group obtained benefits from the use of these assets as mark-up applied to the utilities expenses of the occupants. In 2013, the Group decided to discard this activity because of its low return. Thus, the management of the Group considers that these land and buildings will not be able to bring direct and measurable benefits, their value in use being reduced to their recoverable value by selling them to the utilities suppliers. However, the related assets are not classified as assets held for sale, because the management of the Group did not launch a sale program for active search of a buyer, thus, at 31 December 2013, the sale of these assets being unlikely.

The Group recorded an impairment loss computed as the difference between the net book value and their value in use.

Note 10. Intangible assets

Reconciliation of carrying amount

	Note	Software	Other intangible assets	Total
Cost				
Balance at 1 January 2012		1,442,795	3,883	1,446,678
Balance at 31 December 2012		**1,442,795**	**3,883**	**1,446,678**
Accumulated depreciation and impairment losses				
Balance at 1 January 2012		1,330,823	971	1,331,794
Amortization for the year		64,427	1,294	65,721
Balance at 31 December 2012		**1,395,250**	**2,265**	**1,397,515**
Carrying amounts				
at 1 January 2012		**111,972**	**2,912**	**114,884**
at 31 December 2012		**47,545**	**1,618**	**49,163**
Cost				
Balance at 1 January 2013		1,442,795	3,883	1,446,678
Additions		15,625	-	15,625
Additions through business combinations	29	1,215	-	1,215
Balance at 31 December 2013		**1,459,635**	**3,883**	**1,463,518**
Accumulated depreciation and impairment losses				
Balance at 1 January 2013		1,395,250	2,265	1,397,515
Amortization for the year		45,724	1,294	47,018
Accumulated amortization of assets acquired through business combinations		256	-	256
Amortization for the year – assets of equity accounted investees that became subsidiaries	29	69	-	69
Balance at 31 December 2013		**1,441,299**	**3,559**	**1,444,858**
Carrying amounts				
at 1 January 2013		**47,545**	**1,618**	**49,163**
at 31 December 2013		**18,336**	**324**	**18,660**

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Note 11. Investment property

Reconciliation of carrying amount

	2013	2012
Balance at 1 January	231,093,124	263,489,126
Transfers from/to inventories, net	(8,801)	9,390,202
Sales	(9,806,592)	(4,277,863)
Changes in fair value	9,726,024	(37,508,341)
Balance at 31 December	**231,003,755**	**231,093,124**

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 extentions of the period are negotiated with the occupants, these being, on average, of 1 year. No contingent leased payments are charged.

Details related to the revenues generated from operational leasing and operational direct expenses are disclosed in Note 30.

Classification criteria

Because of the continuos decrease in prices of residential properties starting 2008, the management of the Group 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 calssified as inventories. Once this decision was taken, these properties are for lease up to when the Group considers that the market prices are realisable in a sale transaction.

Fair value

As at 31 December 2013, Group's investment properties were valued by the following external independent valuers, authorised by the National Association of Authorised Valuators from Romania ("ANEVAR"), having recent experience regarding the location and the category of the properties evaluated: Parker Lewis Management SRL, BNP Paribas Real Estate Advisory SA, Piraeus Real Estate Consultants SRL (31 December 2012: same valuers).

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
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.	• Prices per square meter for buildings (Bucharest: 870 euro/ sqm, other: starting from 345 euro/ sqm up to 500 euro/ sqm). • Prices per square meter for land (Bucharest: starting from 47 euro/ sqm up to 134 euro/ sqm, other: starting from 25 euro/ sqm up to 75 euro/ sqm).

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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%).

As at 31 December 2012, the valuation was prepared using the same technique.

Pledged investment property

As at 31 December 2013, investment property having a fair value of 131,782,786 Lei (31 December 2012: 128,065,184 lei) were pledged and mortgaged as guarantees for bank loans (see Note 17).

Note 12. Financial assets

	31 December 2013	31 December 2012
Equity-accounted investees	-	2,329,020
Financial assets held for sale		
Interests in affiliates	2,966,000	2,966,000
Impairment of interests in affiliates	(2,966,000)	(2,966,000)
Other financial assets	-	30
	-	**30**
	-	**2,329,050**

Equity-accounted investees

The Group's portion of the losses of equity-accounted investees for financial year 2013 amounted to 47,257 Lei (2012: profit 88,871 Lei).

As at 30 June 2013, the Group's interests in Millenium Consult Invest 2002 SRL increased from 45% to 99.98%, Millenium Consult Invest 2002 SRL becoming a subsidiary starting that date (see Note 29). Accordingly, the information related to Millenium Consult Invest 2002 SRL presented in the table below refer only to the period from 1 January 2013 to 30 June 2013.

During the financial years ended 31 December 2013 and 31 December 2012, the Group did not receive any dividends from the equity-accounted investees.

Interests in related parties

As at 31 December 2013, the Group holds interests in the following affiliates:

	Country of origin	Nature of business	Interests	Nominal value	Impairment	Carrying value
Fotbal Cluj Universitatea Cluj SA	Romania	Sports club	0.5501%	2,966,000	(2,966,000)	-
				2,966,000	**(2,966,000)**	**-**

Information related to the Group's exposure to credit and market risks, and fair value measurement, is included in Note 27.

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Note 13. Inventories

	31 December 2013	31 December 2012
Land	31,238,323	29,044,306
Impairment of land	(4,430,598)	(2,821,013)
Utilities networks and residential properties under development	54,992,588	67,344,247
Impairment of utilities networks and residential properties under development	(14,756,660)	(7,030,961)
Completed residential properties	46,011,844	53,491,616
Impairment of completed residential properties	(13,457,578)	(10,900,003)
Advance payments for acquisition of inventories	89,398	128,576
	99,687,317	**129,256,768**

Land with a carrying amount of 26,807,725 Lei as at 31 December 2013 (2012: 26,223,293 lei) consists of land held by the Company for development of new residential properties.

Utilities networks and residential properties under development with a carrying value of 40,235,928 Lei as at 31 December 2013 relate to the equivalent of the capitalized works and services, rendered by the Company or to the Company by third parties, related to the connection of the properties to utilities. As at 31 December 2012, utilities networks and residential properties under development with a carrying value of 60,313,286 Lei also include the carrying value of houses and apartments transferred during 2012 from investment property with the purpose of performing capital works and repairs, prior to their sale. Subsequent to the finalization of the works, before their sale, these apartments and houses are transferred to completed residential properties.

Completed reisidential properties with a carrying value of 32,554,266 Lei as at 31 December 2013 (2012: 42,591,613 Lei) refer entirely to apartments held for sale by the Company.

During 2013, inventories recognised in cost of sales amounted to 23,565,701 Lei (2012: 31,710,538 Lei). During 2013, the net impairment losses recognised to bring the carrying value of inventories to their net realisable value amounted to 11,882,738 Lei (2012: 19,580,490 Lei) and are presented on a net basis under "Impairment of assets" in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

As at 31 December 2013, the net realisable value of inventories is based on their market value, determined through valuation by the following external independent valuers, authorised by the National Association of Authorised Valuators from Romania ("ANEVAR"), having recent experience regarding the location and the category of the properties evaluated: Parker Lewis Management SRL, BNP Paribas Real Estate Advisory SA, Piraeus Real Estate Consultants SRL (31 December 2012: same valuers).

Note 14. Trade and other receivables

The trade and other receivables' split between current and non-current are as follows:

	31 December 2013		
	Non-current	**Current**	**Total**
Trade receivables	20,305,960	7,139,413	27,445,373
Allowance for trade receivables	(1,733,608)	(1,697,894)	(3,431,502)
Receivables from affiliates	-	150,741	150,741
Allowance for receivables in affiliates	-	(100,000)	(100,000)
Other receivables	2,043,562	1,046,066	3,089,628
Allowance of other receivables	(792,628)	(119,439)	(912,067)
Receivables from State's budget	-	500,852	500,852
Interest receivable	-	2,302	2,302
Advance payments to suppliers	-	680,963	680,963
	19,823,286	**7,603,004**	**27,426,290**

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	31 December 2012		
	Non-current	**Current**	**Total**
Trade receivables	26,182,339	10,754,243	36,936,582
Allowance for trade receivables	(2,235,300)	(944,210)	(3,179,510)
Receivables from affiliates	-	581,192	581,192
Allowance for receivables in affiliates	-	(127,000)	(127,000)
Other receivables	3,023,553	1,565,139	4,588,692
Allowance of other receivables	(1,419,733)	(754,822)	(2,174,555)
Receivables from State's budget	-	603,058	603,058
Interest receivable	-	693	693
Advance payments to suppliers	-	1,838,600	1,838,600
Other receivables	-	473	473
	25,550,859	**13,517,366**	**39,068,225**

Details related to receivables from affiliates are disclosed in Note 33.

As at 31 December 2013, trade and other receivables amounting to 27,295,549 Lei (31 December 2012: 36,803,677 Lei) were pledged as guarantees for bank loans (Note 17).

Information related to the Company's exposure to credit and market risks and information related to the fair value of investments is included in Note 27.

As disclosed in Note 6, during 2013, the Group modified the classification of non-current trade and other receivables presented above from "Trade and other receivables" presented under current assets in "Trade and other receivables" presented under non-current assets in the Consolidated Statement of Financial Position, to appropriately reflect the classification of these assets. The comparative amounts from the Individual Statement of Financial Position were reclassified to ensure consistency of the presentation, resulting in the reclassification of an amount of 25,550,859 Lei from current assets to non-current assets, as at 31 December 2012.

Likewise, the Company modified in the Consolidated Statement of Financial Position the classification of the allowance related to receivables from State's budget from "Provisions for risks and charges" to "Trade and other receivables" to appropriately reflect the recoverable amount of these receivables. The comparative amounts from the Consolidated Statement of Financial Position were reclassified to ensure consistency of the presentation, resulting in the reclassification of an amount of 2,152,777 Lei from current liabilities to current assets, as at 31 December 2012.

Note 15. Cash and cash equivalents

	31 December 2013	**31 December 2012**
Current accounts	4,624,593	1,609,520
Petty cash	285,528	75,556
	4,910,121	**1,685,076**

Current accounts are held with Romanian commercial banks. As at 31 December 2013 and 31 December 2012, the Group has not contracted any credit lines or overdraft facilities, and had not concluded any deposit conventions.

The Group pledged part of its current accounts for bank loans (see Note 17).

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Note 16. Share capital

	31 December 2013	31 December 2012
Share capital	197,866,574	197,866,574
Hyperinflation adjustment (according to IAS 29)	7,463,584	7,463,584
	205,330,158	**205,330,158**

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

	31 December 2013		31 December 2012	
	Number of shares	Interest rights	Number of shares	Interest rights
Gheorghe Iaciu	87,543,842	44.24%	-	-
Popp Ioan Dan	-	-	32,683,764	16.52%
Andrici Adrian	31,963,035	16.15%	21,163,403	10.70%
Salinik Limited loc. Nicosia CYP	19,994,265	10.10%	19,994,265	10.10%
ING Groep NV	-	-	10,366,788	5.24%
Fondul de Pensii Administrat Privat ING/ING Pensii	-	-	11,433,732	5.78%
TEMPLETON G.I.T-T.EM.MKTS SMALL CAP	-	-	12,171,000	6.15%
Others	58,365,432	29.51%	90,053,622	45.51%
	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.

Dividends

During the financial years ended 31 December 2013 and 31 December 2012, the Company did not decleare and did not paid any dividends to its shareholders.

Note 17. Loans and borrowings

This note discloses information related to the contractual terms of the interest bearing loans and borrowings of the Group, valued at amortised cost. Information related to the Group's exposure to interest rate risk, foreign currency risk and liquidity risk is included in Note 27.

	31 December 2013	31 December 2012
Non-current liabilities		
Secured bank loans	45,025,049	33,502,849
	45,025,049	**33,502,849**
Current liabilities		
Current portion of secured bank loans	10,453,299	32,883,125
Borrowings from shareholders	4,036,230	-
Related interest	118,229	206,358
	14,607,758	**33,089,483**
	59,632,807	**66,592,332**

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	31 December 2013			31 December 2012		
		out of which:			out of which:	
	Carrying value	non-current	current	Carrying value	non-current	current
Secured bank loans						
Piraeus Bank	31,073,148	24,794,568	6,278,580	33,716,072	19,134,529	14,581,543
Banca Romaneasca (ctr. 50070065)	6,140,266	5,072,195	1,068,071	8,849,875	3,793,278	5,056,597
Banca Romaneasca (ctr. 50070066)	18,264,934	15,158,286	3,106,648	22,981,379	10,575,042	12,406,337
Banca Transilvania	-	-	-	838,648	-	838,648
	55,478,348	**45,025,049**	**10,453,299**	**66,385,974**	**33,502,849**	**32,883,125**
Borrowings from shareholders						
Iaciu Gheorghe	4,036,230	-	4,036,230	-	-	-
	4,036,230	**-**	**4,036,230**	**-**	**-**	**-**
	59,514,578	**45,025,049**	**14,489,529**	**66,385,974**	**33,502,849**	**32,883,125**

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

Terms and repayment schedules

Terms and repayment schedules of loans and borrowings in balance are as follows:

Creditor	Currency	Nominal interest	Repayment	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
Banca Transilvania	RON	ROBOR 6M + 5.49%	26 June 2013	12.800.000
Borrowings from shareholders				
Iaciu Gheorghe	EUR	6%	2 September 2014	1.125.000

During the financial year ended 31 December 2013, the Group encountered dificulties in repaying the loans to banks in accordance with the repayment schedules agreed upon through contracts. In order to prevent future similar difficulties, the Group requested renegotiation of the contractual clauses and rescheduling of the debts on longer periods of time, in order to be able to effeciently monitor the future cash flows.

During the financial year ended 31 December 2013, the secured bank loans have received from Piraeus Bank and Banca Romaneasca have been restructured, the maturity date being delayed for 2017. In addition, the frequency and the size of the installements have been renegotiated to quarterly payments in fixed amounts.

The loan received from Banca Transilvania was entirely reimbursed during 2013.

As at 31 December 2013 and 31 December 2012, the Company was not in breach of covenants.

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Pledge
The bank loans and secured thrugh the following assets (fair values):

	31 December 2013	31 December 2012
Investment property	131,782,786	128,065,184
Trade and other receivables	27,295,549	36,803,677
Cash and cash equivalents	3,879,773	1,303,816

As disclosed in Note 6, during 2013, the Group modified the classification of guarantees issued to customers from "Loans and borrowings" in "Trade and other payables" in the Consolidated Statement of Financial Position, to appropriately reflect the classification of these liabilities. Also, the Group modified the classification of interest related to loans and borrowings from "Trade and other payables" in "Loans and borrowings" in the Consolidated Statement of Financial Position, to appropriately reflect the classification of these liabilities. The comparative amounts from the Consolidated Statement of Financial Position were reclassified to ensure consistency of the presentation, resulting in the reclassification of an amount of 1,392,613 Lei from loans and borrowings to trade and other payables to non-current assets, as at 31 December 2012.

Note 18. Trade and other payables

	31 December 2013	31 December 2012
Non-current liabilities		
Guarantees	1,598,960	1,773,025
	1,598,960	**1,773,025**
Current liabilities	8,185,272	9,407,867
Trade payables	1,210,808	590,216
Advances received from customers	657,840	550,711
Liabilities to State's budget	70,010	820,876
Payables to employees	2,202,726	3,563,964
Deferred income	317,276	1,585,240
Guarantees	20,617	224,880
Payables to affiliates	-	46,367
Dividends payables	41,595	190,007
	12,706,144	**16,980,128**
	14,479,169	**18,579,088**

Details related to payables to affiliates are disclosed in Note 33.

Information related to the Group's exposure to exchange rate risk and liquidity risk related to trade and other liabilities is included in Note 27.

Deferred income comprises financial income related to the contracts of sale of properties in installements. These are recognised in profit or loss on a straight line basis, over the duration of the contracts.

Liabilities related to dividends were written-off as income.

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Note 19. Provisions for risks and charges

	Provisions for litigations	Other provisions	Total
Balance at 1 January 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 December 2013	**2,620,000**	**21,097**	**2,641,097**

During 2013, the Group constituted a provision in amount of 1,920,000 Lei related to the litigation of the National Fiscal Administration Agency against 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. A detailed description of this cause is disclosed in Note 32. The rest of the provision for litigations in balance as at 31 December 2013 relates to other litigations, individually insignificant, where the management of the Group cosiders there is a risk of unfavourable solutions.

As disclosed in Note 14, during 2013, the Group modified in the Consolidated Statement of Financial Position the classification of the allowance related to receivables from State's budget from "Provisions for risks and charges" to "Trade and other receivables" to appropriately reflect the recoverable amount of these receivables. The comparative amounts from the Consolidated Statement of Financial Position were reclassified to ensure consistency of the presentation, resulting in the reclassification of an amount of 2,152,777 Lei from current liabilities to current assets, as at 31 December 2012.

Note 20. Expenses with consumables

	2013	2012
Consumables	541,700	880,903
Low value items	1,065,230	630,674
Fuel	85,604	-
	1,692,534	**1,511,577**

Note 21. Third party services

	2013	2012
Construction and related consultancy fees	2,554,442	870,485
Advisory services	2,197,301	1,206,011
Protocol, marketing and advertising	1,080,818	568,297
Banking commissions	530,386	487,123
Transport of goods and personnel	283,273	191,234
Safeguarding expenses	182,697	203,534
IT maintenance expenses	158,998	217,744
Insurance fees	154,360	302,878
Postal and telecommunication expenses	144,387	218,118
Other third party services	1,735,336	2,974,796
	9,021,998	**7,240,220**

Advisory services include professional services for audit, legal advisory, notary fees and valuation services. Audit services were rendered by KPMG Audit SRL, fees being confidential and based on contract.

Construction and related consultancy fees are in connection to the project to be started in the near future by the Group.

Other third party services mainly include services for connection to utilities, car rental services and others.

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Note 22. Employee benefits

	2013	2012
Salaries	1,690,318	998,389
Mandatory contributions to social security	628,829	404,250
Contractual based salaries	608,270	472,279
	2,927,417	**1,874,918**

Contractual based salaries refer exclusively to directors remmuneration.

Note 23. Other operating revenues

	2013	2012
Penalties	694,422	602,380
Gain from sale of financial assets	-	41,638
Revenues from sale of by-products	34,524	278,813
Other operating revenues	292,082	542,491
	1,021,028	**1,465,322**

Note 24. Other operating expenses

	Note	2013	2012
Fines and penalties		9,457,531	2,158,828
Local taxes		2,531,924	2,085,985
Provisions for risks and charges, net		2,385,881	(1,663)
Rent expenses	30	2,086,427	2,253,832
Losses from disposal of financial assets, net		2,018,270	95,130
Maintenance and repairs		406,557	316,877
Losses from sale of property, plant and equipment		392,397	145,592
(Revenues) / Expenses from receivables and payables write-off, net	27	360,881	(5,506)
Losses from disposal of financial assets		428,038	5,957
		20,067,906	**7,055,032**

Fines and penalties in amount of 9,457,531 Lei as at 31 December 2013 mainly include the expenses generated by the settlement of certain litigations the Company was involved in as at 31 December 2012 (Romconstruct and Aurel Bodogan).

Note 25. Impairment of assets, other than investment property

	Note	2013	2012
(Gain) / Loss from impairment of trade and other receivables, net	27	(1,037,496)	419,062
Impairment of property, plant and equipment, net	9	7,252,562	1,309,811
Impairment of inventories, net		11,882,738	19,580,490
		18,097,804	**21,309,363**

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Note 26. Taxation

Amounts recognised in profit or loss

	2013	2012
Deferred tax income	1,375,600	5,746,319
Tax on profit	**1,375,600**	**5,746,319**

Reconciliation of effective tax rate

	2013		2012	
Loss before taxation		**(44,452,778)**		**(81,406,302)**
Tax using the Company's domestic tax rate	16%	7,112,444	16%	13,025,008
Non-deductible expenses and adjustments	-15%	(6,884,755)	-13%	(10,758,971)
Tax-exempt income	3%	1,375,600	7%	5,746,319
Current year losses for which no deferred tax asset is recognized	0%	1,753	2%	1,532,099
Recognition of tax effect of previously unrecognized tax losses	-1%	(403,006)	-6%	(4,982,301)
Effect of other elements	0%	26,154	0%	-
Loss before taxation	0%	147,412	1%	1,184,165
	-3%	**1,375,600**	**-7%**	**5,746,319**

Unrecognised deferred tax assets

Deferred tax assets were not recognised in regard to the following elements:

	31 December 2013	31 December 2012
Fiscal losses	63,699,603	69,402,603
	63,699,603	**69,402,603**

Deferred tax assets were not recognised in relation to these elements because it is not probable for future taxable profits to be available to the Group in order to benefit from the related benefits. According to the local legislation, the fiscal losses are available for utilisation for 7 years from the date of occurrence.

Cummulative temporary differences generating deferred tax

	31 December 2013		31 December 2012	
	Cumulative temporary differences	**Deferred tax liabilities / (assets)**	**Cumulative temporary differences**	**Deferred tax liabilities / (assets)**
Property, plant and equipment	(1,269,200)	(203,072)	2,123,481	339,757
Investment property	97,468,544	15,594,967	91,312,700	14,610,032
Inventories	(6,437,781)	(1,030,045)	1,864,769	298,363
Trade and other receivables	(4,156,700)	(665,072)	-	-
	85,604,863	**13,696,778**	**95,300,950**	**15,248,152**

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Movements in deferred tax balances

				Balance at 31 December		
	Net balance at 1 January	**Recognised in profit or loss**	**Recognised in other comprehensive income**	**Net**	**Assets**	**Liabilities**
2013						
Property, plant and equipment	339,757	(367,055)	(175,774)	(203,072)	203,072	-
Investment property	14,610,032	984,935	-	15,594,967	-	15,594,967
Trade and other receivables	-	(665,072)	-	(665,072)	665,072	-
Inventories	298,363	(1,328,408)	-	(1,030,045)	1,030,045	-
Fiscal (assets) / liabilities, net	**15,248,152**	**(1,375,600)**	**(175,774)**	**13,696,778**	**1,898,189**	**15,594,967**
2012						
Property, plant and equipment	(481,751)	615,394	206,114	339,757	-	339,757
Investment property	20,971,745	(6,361,713)	-	14,610,032	-	14,610,032
Inventories	298,363	-	-	298,363	-	298,363
Fiscal (assets) / liabilities, net	**20,788,357**	**(5,746,319)**	**206,114**	**15,248,152**	**-**	**15,248,152**

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Note 27. Financial instruments – Fair values and risk management

(a) Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels and fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

		31 December 2013		31 December 2012	
	Note	**Carrying value**	**Fair value**	**Carrying value**	**Fair value**
			Level 2		**Level 2**
Financial assets not measured at fair value					
Trade and other receivables	14	27,426,290	27,426,290	39,068,225	39,068,225
Cash and cash equivalents	15	4,910,121		1,685,076	
		32,336,411		**40,753,301**	
Financial liabilities not measured at fair value					
Loans and borrowings	17	59,632,807	60,909,786	66,592,332	65,406,524
Trade and other payables	18	14,479,169		18,579,088	
		74,111,976		**85,171,420**	

The fair value of loans and borrowings was computed using the discounted future cash flows method.

The interest rates used to discounting the estimated cash flows are based on average market interest rates for new loans issued to non-financial insititutions with a value exceeding 1 million EUR, having a floating rate or with an initial fixed rate for a period less than or equal to 1 year, at the reporting date (source: www.bnro.ro):

	31 December 2013	**31 December 2012**
Loans and borrowings	5.85%	8.79%

(b) Financial risk management

The Group is exposed to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk

Risk management framework

The Group does not have any formal commitments to overcome the financial risks. Despite the inexistence of formal commitments, the financial risks are monitored by the Group's top management, emphasizing its needs to efficiently compensate opportunities and threats.

The Group's policies regarding the risk management are defined so as to ensure identification and analysis of the risks the Group is dealing with, seting limits and adequated controls, as well as risk monitoring and compliance with the set limits. The policies and system meant to manage risks are regularly reviewed to reflect the changes occurred in the market conditions and Group's operations. The Group, through its standards and procedures for coaching and managing, aims to develop an orderly and constructive control environment, where all and each employee understand his/her role and duties.

The Group plans to manage risks within an integrated risk management system, meeting the requirements of Bucharest Stock Exchange (The Code of Corporate Governance).

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Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises mainly from the Group's trade receivables and financial assets.

The net carrying value of the financial assets represent the maximum exposure to credit risk. The maximum exposure to the credit risk at reporting date was:

	Nota	31 December 2013	31 December 2012
Trade and other receivables	14	27,426,290	39,068,225
Cash and cash equivalents	15	4,910,121	1,685,076
		32,336,411	**40,753,301**

Trade and other receivables

The Company's exposure to credit risk is mainly influenced by the individual characteristics of each customer. All these considered, the management takes into account the demographic characteristics of the customer database, including the collection risk specific to the sector and to the country in which the customer activates, bearing in mind that all these factors influence the credit risk.

The Company established a credit policy according to which every new client is analyzed for creditworthiness before offering the standard payment terms of the Company. The analysis performed by the Company includes external evaluations, if available, and, in some cases, references from banks.

In order to monitor customer credit risk, the Company monitors monthly payment delays and takes the steps deemed necessary on a case by case basis.

The Company establishes an impairment adjustment that represents its estimate of losses from trade receivables, other receivables and investments (see Note 7 (g)).

The maximum exposure to credit risk related to trade and other receivables as at reporting date based on geographical region was:

	31 December 2013	31 December 2012
Romania	27,426,290	39,068,225
	27,426,290	**39,068,225**

Impairment losses

The receivables' ageing at reporting date was:

	31 December 2013			31 December 2012		
	Gross	Impairment	Net	Gross	Impairment	Net
Not yet due	19,938,340	(2,333,477)	17,604,863	29,502,248	(2,966,075)	26,536,173
Past due 1-30 days	251,172	(9,798)	241,374	371,653	(12,454)	359,199
Past due 31–90 days	218,922	(8,540)	210,382	323,933	(10,855)	313,078
Past due 91–120 days	222,409	(8,676)	213,733	329,093	(11,028)	318,065
Past due 121–365 days	38,109	(14,983)	369,126	568,356	(19,045)	549,311
Past due more than 1 year	10,628,197	(1,841,385)	8,786,812	13,227,297	(2,234,898)	10,992,399
	31,643,149	**(4,216,859)**	**27,426,290**	**44,322,580**	**(5,254,355)**	**39,068,225**

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Movement in impairment allowance for trade and other receivables during the year was as follows:

Balance at 1 January 2012	4,835,293
Impairment cancelled	(794,688)
Impairment recognised	1,213,750
Balance at 31 December 2012	**5,254,355**
Balance at 1 January 2013	5,254,355
Impairment cancelled	(5,273,953)
Impairment recognised	4,236,457
Balance at 31 December 2013	**4,216,859**

Impairment losses at 31 December 2013 are related to a number of customers who provided indications that it is not expected that they will be able to pay amounts owed, mainly due to economic conditions.

The Group considers that the amounts for which no impairment losses were recognized, despite they are past due more than 30 days shall be collected, based on the prior payment behavior and following an analysis of the credit rating of those customers.

Cash and cash equivalents

At 31 December 2013, the Group held cash and cash equivalents in amount of 4,910,121 Lei (31 December 2012: 1,685,076 Lei), representing the maximum exposure to credit risk arising from these assets. The cash and cash equivalents are held at banks and financial institutions in Romania.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to manage liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's obligations.

The following table illustrates the remaining contractual maturities of financial liabilities at the end of the reporting period, including estimated interest payments and excluding any impact of netting agreements:

		Contractual cash flows					
	Carrying value	**Total**	**less than one month**	**between 1 and 6 months**	**between 6 and 12 months**	**between 1 and 2 years**	**between 2 and 5 years**
31 December 2013							
Loans and borrowings	59,632,807	63,492,910	2,506,594	3,523,145	7,871,046	15,948,186	33,643,939
Trade and other payables	14,479,169	15,090,988	15,090,988	-	-	-	-
	74,111,976	**78,583,898**	**17,597,582**	**3,523,145**	**7,871,046**	**15,948,186**	**33,643,939**
31 December 2012							
Loans and borrowings	66,592,332	70,009,161	9,443,670	8,485,621	16,573,575	26,850,236	8,656,059
Trade and other payables	18,579,088	18,579,088	18,579,088	-	-	-	-
	85,171,420	**88,588,249**	**28,022,758**	**8,485,621**	**16,573,575**	**26,850,236**	**8,656,059**

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Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Group is exposed to currency risk to the extent that sales, purchases and borrowings are denominated in different currencies than the Group's functional currency (Romanian Leu), foremost euro.

The summary quantitative data about the Group's exposure to the currency risk reported to the management if the Group based on the policy for managing the risk is as follows:

	EUR	USD	GBP	RON	Total
31 December 2013					
Monetary assets					
Trade and other receivables	-	-	-	27,426,290	27,426,290
Cash and cash equivalents	1,218,188	294	-	3,691,639	4,910,121
	1,218,188	**294**	**-**	**31,117,929**	**32,336,411**
Monetary liabilities					
Loans and borrowings	59,632,807	-	-	-	59,632,807
Trade and other payables	37,456	-	-	14,441,713	14,479,169
	59,670,263	**-**	**-**	**14,441,713**	**74,111,976**
Net exposure	**(58,452,075)**	**294**	**-**	**16,676,216**	**(41,775,565)**
31 December 2012					
Monetary assets					
Trade and other receivables	-	-	-	39,068,225	39,068,225
Cash and cash equivalents	9,727	15,136	1,138	1,659,075	1,685,076
	9,727	**15,136**	**1,138**	**40,727,300**	**40,753,301**
Monetary liabilities					
Loans and borrowings	66,592,332	-	-	-	66,592,332
Trade and other payables	96,278	-	-	18,482,810	18,579,088
	66,688,610	**-**	**-**	**18,482,810**	**85,171,420**
Net exposure	**(66,678,883)**	**15,136**	**1,138**	**22,244,490**	**(44,418,119)**

The Group did not conclude any hedging engagements related to the obligations denominated in foreign currencies or to the exposure to the interest rate risk.

The main exchange rates used during the year were:

	31 December 2013	Average for 2013	31 December 2012	Average for 2012
EUR1	3.2551	3.3277	3.3575	3.4704
USD 1	4.4847	4.4189	4.4287	4.4573
GBP 1	5.3812	5.2056	5.4297	5.4994

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Senzitivity analysis

A strengtheting / (weakening) of Leu by 10% against the following foreign currencies as at 31 December 2013 and 31 December 2012 would have increased the profits by the amounts indicated below. This analysis was realised based on the variations of the exchange rates considered reasonably possible by the Group at the end of the period. This analysis assumes that all other variables, in particulat interest rates, remain constant and ignores any impact of forecasted sales and purchases. The analysis was prepared in the same manner for 2012, except that at that date other possible variations were reasonably used for the exchange rates, as indicated below.

	31 December 2013			31 December 2012		
	Carrying value	**Weakening**	**Strengthening**	**Carrying value**	**Weakening**	**Strengthening**
Monetary assets and liabilities						
USD	294	29	(29)	15,136	1,514	(1,514)
EUR	(58,452,075)	(5,845,208)	5,845,208	(66,678,883)	(6,667,888)	6,667,888
GBP	-	-	-	1,138	114	(114)
Impact	**(58,451,781)**	**(5,845,178)**	**5,845,178**	**(66,662,609)**	**(6,666,261)**	**6,666,261**

Riscul de rata a dobanzii

	31 December 2013				31 December 2012			
	Carrying value	**Variable interest**	**Fixed interest**	**Non-interest bearing**	**Carrying value**	**Variable interest**	**Fixed interest**	**Non-interest bearing**
Monetary assets								
Trade and other receivables	27,426,290	-	-	27,426,290	39,068,225	-	-	39,068,225
Cash and cash equivalents	4,910,121	-	2,856,219	2,053,902	1,685,076	-	1,274,063	411,013
	32,336,411	**-**	**2,856,219**	**29,480,192**	**40,753,301**	**-**	**1,274,063**	**39,479,238**
Monetary liabilities								
Loans and borrowings	59,632,807	55,515,853	4,116,954	-	66,592,332	66,592,332	-	-
Trade and other payables	14,479,169	-	-	14,479,169	18,579,088	-	-	18,579,088
	74,111,976	**55,515,853**	**4,116,954**	**14,479,169**	**85,171,420**	**66,592,332**	**-**	**18,579,088**

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As at reporting date, the interest rate profile of the Group's interest-bearing financial instruments, reported to the Company's management was as follows:

	Carrying value	
	31 December 2013	**31 December 2012**
Fixed rate instruments		
Financial assets	2,856,219	1,274,063
Financial liabilities	4,116,954	-
	(1,260,735)	**1,274,063**
Variable rate instruments		
Financial liabilities	55,515,853	66,592,332
	(55,515,853)	**(66,592,332)**

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets or financial liabilities at fair value through profit or loss, and the Company does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A reasonable possible change of 100 basis points at the reporting date would have increased or decreased equity and profit or loss by 555,159 Lei (2012: 665,923 Lei). This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

Note 28. List of subsidiaries

Material subsidiaries of the Group

		Interest	
	Note	**31 December 2013**	**31 December 2012**
Clearline Development and Management SRL		100.00%	100.00%
Actual Invest House		100.00%	100.00%
Intop Construction SRL		not applicable*	100.00%
Destiny Wheel SRL	29	99.98%	-
Millenium Consult Invest 2002 SRL	29	99.99%	45.00%**

** during 2013, Intop Construction SRL merged through absorbtion with Clearline Development and Management SRL*

*** during the financial year ended 31 December 2013, accounted for using equity method*

Note 29. Acquisition of subsidiaries

a) *Acquision of Destiny Wheel SRL*

On 30 June 2013, the Group obtained control over Destiny Wheel SRL, through the acquisition of 99.98% of its share capital and voting rights.

During the 6 month period ended 31 December 2013, the subsidiary contributed revenue of 58,996 Lei and loss of 19,914 Lei. If the acquisition had occured on 1 January 2013, management estimates that consolidated revenue would have been 40,927,796 Lei, and consolidated loss for the year would have been 42,974,723 Lei. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the acquision date would have been the same if the acquisition had occurred on 1 January 2013.

The fair values obtained in the determination of the result from business combinations were computed using the market comparison method for property, plant and equipment and inventories and the recoverable values for trade and other receivables.

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Below there are presented the major components of the transferred consideration and the amounts recognised for assets acquired and liabilities assumed at acquisition date.

Consideration transferred

For the acquisition of Destiny Wheel SRL the Group transferred cash in amount of 837,000 Lei.

Identifiable assets acquired and liabilities assumed

	Note	
Intangible assets	10	69
Investment in subsidiaries (Millenium Consult Invest 2002 SRL)		894,498
Trade receivables		61,123
Cash and cash equivalents		117,381
Trade and other payables		(73,932)
		999,138

Result from business combination

The result from business combination was recognised as follows:

Total consideration transferred	837,000
Non-controlling interests, determined based on their share of recognised values of assets and liabilities of Destiny Wheel SRL	242
Value of the net identifyable assets	(999,138)
Fair value adjustments of net identifyable assets	161,897
	-

b) *Acquisition of Millenium Consult Invest 2002 SRL*

On 30 June 2013, the Group obtained control over Millenium Consult Invest 2002 SRL, through the acquisition of 99.98% of Destiny Wheel SRL's voting rights, which owned 55% of the company up to the acquision date. Therefore, the Group's participation in Millenium Consult Invest 2002 SRL increased from 45.000% to 99.99%.

During the 6 month period ended 31 December 2013, the subsidiary contributed loss of 2,226,744 Lei, without generating revenues. If the acquisition had occured on 1 January 2013, management estimates that consolidated revenue would have been 40,753,068 Lei, and consolidated loss for the year would have been 43,124,435 Lei. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the acquision date would have been the same if the acquisition had occurred on 1 January 2013.

Up to 30 June 2013, the investment if Millenium Consult Invest 2002 SRL was accounted using the equity method.

Below there are presented the major components of the transferred consideration and the amounts recognised for assets acquired and liabilities assumed at acquisition date.

Consideration transferred

The Company did not transfer any consideration, except the cash consideration paid for the acquisition of Destiny Wheel SRL, in amount of 837,000 Lei, which represented indirect consideration for the acquisition of Millenium Consult Invest 2002 SRL.

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Identifiable assets acquired and liabilities assumed

	Note	
Property, plant and equipment	9	1,303,335
Intangible assets	10	821
Trade and other receivables		235,982
Receivables from related parties		1,597,949
Cash and cash equivalents		37,388
Trade and other liabilities		(59,120)
		3,116,355*)

*) the amount above includes the fair value adjustment at the acquisition date in amount of 1,952,412 Lei representing subscribed and unpaid share capital by Destiny Wheel SRL in Millenium in the legal period.

Result from business combination

The result from business combination was recognised as follows:

Total consideration transferred (indirectly)	894,282
Non-controlling interests, determined based on their share of recognised values of assets and liabilities of Millenium Consult Invest 2002 SRL	694
Fair value of pre-existing interests in Millenium Consult Invest 2002 SRL	2,329,020
Value of the net identifyable assets	(3,116,355)
Fair value adjustments of net identifyable assets	(107,642)
	-

Note 30. Operating Leases

Leasing as a lessee

The Group has leased its headquarters. The leasing contract is signed until 31 December 2018, with the option of renewal thereafter. Lease rates are increased annually to reflect market rents.

The lease was initiated several years ago. The Group concluded that the contract is an operating lease, taking into account the duration is relatively short compared to the economic life of the building and the present value of the minimum lease payments is insignificant to the value of the leased asset.

During the financial year ended 31 December 2013, an amount of 2,086,427 Lei was recognised as expense in the Individual Statement of Profit or Loss and Other Comprehensive Income for the leasing contracts (2012: 2,253,832 Lei).

At the end of the reporting period, the minimum future uncancellable lease payments due are as follows:

	31 December 2013	**31 December 2012**
Less than one year	1,832,045	2,047,864
Between one and five years	7,701,990	7,550,970
More than five years	-	1,983,064
	9,534,035	**11,581,899**

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Leasing as a lessor

The Group leases part of its investment property. The leasing agreements are not non-cancellable.

During the financial year ended 31 December 2013, an amount of 1,607,827 Lei was recognised as lease income (2012: 2,666,531 Lei). The utilities expenses related to the leased properties are included in the total expenses with utilities related to all occupied properties, in total aount of 3,271,091 Lei in 2013 (2012: 3,454,816 Lei). These costs were fully charged to leasees and owners with a mark-up, the Group obtaining a revenue from recharges in amount of 3,448,306 Lei in 2013 (2012: 3,503,442 Lei). All these elements are separetely prezented in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Note 31. Capital commitments

As at 31 December 2013, the Group does not have any capital commitments.

Note 32. Contingent assets and contingent liabilities

Litigations

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

The management of the Group 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 Consolidated Financial Statements.

Taking into account the information available, the management of the Group considers that there are no significant ongoing litigations in which the Group is defendant, except the ones detailed below.

a) Cluj City Council – Cluj Municipality (hereinafter „CCC”)

The Company and one of its subsidiaries (Clearline Development and Management SRL) are parties in 2 cases in which CCC 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 CCC 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 CCC 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 CCC 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 Consolidated 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.

At the hearing from 19 March 2014, the Cluj Commercial Court ordered the remake of the technical expertise in urbanism with the purpose of clarifying the discrepancies occurred between the opinions of the prior experts.

At the hearing from 11 February 2014, the Arges Commercial Court has determined that the technical expert replied only partially to the CCC's objections, thus ordering rescheduling of the hearing until the technical expertise shall cover all requests.

Next hearings are scheduled for 30 April 2014 at Cluj Commercial Court and 15 April 2014 at Arges Commercial Court respectively. The management of the Company does not expect material changes in the results of the counter-expertise that may have a significant impact over the inventories' recoverable values.

b) *SC Summa SA (later renamed SC Floreasca Construction SA, which is removed from Registry at reporting date, whose assets from the Company have been transferred to Brooklyn Property Management SRL) (hereinafter referred to as the „Supplier")*

Before the Bucharest Court, Division IV – Civil and Division VI – Commercial, were brought four cases (no. 23619/3/2009*, 45886/3/2009, 32874/3/2010 and respectively 63835/3/2011) in which the Company and the Supplier are parties.

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 until the case no. 23619/3/2009* shall be concluded. The Company did not consider necessary to recognize any provision in these Consolidated 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 no. 23619/3/2009* represents the Company's request to the Court to acknowledge that the Supplier does not have the right to receive from the Company late payment penalties from non-payment to the Supplier of its rights arising from contracts for rendering services previously concluded between parties. The amount of penalties requested by the Supplier and challenged by the Company is 7,602,447 Lei. This case relates to the Company's challenge over the Supplier's rights to these penalties. The amounts challenged are included in the amounts requested by the Supplier in case file no. 3274/3/2010.

Case no. 32874/3/2010 relates to the Supplier's claims to the Company for the recovery of an amount of 9,138,140 Lei representing services rendered and unpaid (3,483,960 Lei) and related late-payment penalties, computed from the date of the request in court (5,654,180 Lei). This case has been suspended until the case no. 23619/3/2009* shall be concluded. The Company did not consider necessary to recognize any provision in these Consolidated Financial Statements in respect of this litigation because this amount may be opposed as compensation to the amounts receivable by the Company and recognized in the final consolidated table of creditors, as detailed below.

Case no. 63835/3/2011 relates to the opening of the insolvency proceedings for Floreasca Construction SA, former Summa Romania. Following the settlement of this request, the Company has been registered in the final consolidated table of creditors with the entire amount requested amounting to 13,442,674 Lei, representing penalties computed following fulfillment of contractual obligations late and/or faulty. This receivable shall be opposed as compensation to Brooklyn Property Management as assignee in the case files 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 Consolidated 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 Consolidated 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 Consolidated 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.

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c) 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 prejudice is 16,500,000 lei. The criminal nature of the case, plus that the Company is a participant in its quality as successor in rights of the civilly liable parties, do not allow the lawyers of the Company involved in the settlement of this case to evaluate the chances to win or to estimate the amount of prejudice that may be imposed to the Company. However, the Company constituted a provision in amount of 1,920,000 lei, representing the estimated VAT related to the value of the assets sold by SC SQRW Development (RO) SRL, according to the latest available technical expertise admitted as exhibit by the court. At the hearing from 14 March 2014, the case was delayed in order to allow the technical expert to reply to the questions from all parties, the expertise not being yet approved.

Next hearing is scheduled for 7 April 2014.

d) Oradea City Council – Oradea Municipality (hereinafter „OCC")

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 OCC 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, OCC 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 OCC refused to sell the land to the beneficiaries, although it acknowledged the works' reception through the signing of the related minutes.

In this case, the Company requested, by way of counterclaim, the rejection of summons from OCC as unreasonable and ordering OCC to pay damages, in the form of legal interest related to the price that should have been collected by the Company from the customers for the residences that the Company has obliged to alienate based on the execution contracts signed with them.

In this case, the expertise has been administered to determine how the contractual obligations have been accomplished by the parties (delivery and execution of the construction site). The expertise concluded that the Company has accomplished the obligations derived from the joint venture agreement.

At the request of the plaintiff, the court allowed counter-expertise, using three experts, this being pending at the date of the approval of these Consolidated Financial Statements.

The management of the Company, following discussions held with its lawyers, decided not to recognize any provision in respect to this case because the first technical expertise accepted by the court was favorable to the Company. In addition, in case the counter-expertise shall not conclude that the Company accomplished its obligations arising from the joint venture agreement, the sentence may be appealed.

Next hearing is scheduled for 3 June 2014.

Letter of guarantees

As at 31 December 2013, the Group has issued letters of guarantees amounting to 1,123,039 Lei to its suppliers (31 December 2012: 1,109,016 Lei).

Note 33. Related parties

Shareholders

The shareholding structure as at 31 December 2013 and 31 December 2012 is disclosed in Note 16.

Related party transactions

	Transactions for the year ended 31 December		Balance as at 31 December	
	2013	**2012**	**2013**	**2012**
Sales of goods and services				
Associates	-	19,349	-	357,205
Other related parties	2,701	34,714	50,741	96,987
	2,701	**54,063**	**50,741**	**454,192**
Acquisition of goods and services				
Associates	-	502	-	163,564
Other related parties	7,425	131,575	20,617	61,316
	7,425	**132,077**	**20,617**	**224,880**
Loans granted				
Other related parties, gross	-	-	100,000	127,000
Other related parties, impairment	-	-	(100,000)	(127,000)
	-	**-**	**-**	**-**
Loans received				
Shareholders				
Iaciu Gheorghe	-	-	4,036,230	-
Related interest	-	-	80,725	-
	-	**-**	**4,116,955**	**-**

Transactions with key management personnel

Key management personnel remmuneration comprises salaries and related contributions (social and medical contributions, unemployment contributions and other similar contributions). Group's management is employed contractual based, as disclosed in Note 22.

Note 34. Earnings per share

	2013	**2012**
Loss for the period	(43,077,178)	(75,659,983)
Number of ordinary shares at the beginning and at the end of the period	197,866,574	197,866,574
Basic earnings per share (Lei/share)	(0.22)	(0.38)

Note 35. Subsequent events

Group's management does not consider that any events occurring subsequent to 31 December 2013 up to the date of the approval of these financial statements would require disclosure or adjustments.

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