

**IMPACT DEVELOPER & CONTRACTOR S.A.**

**INDIVIDUAL FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2019**

**PREPARED IN ACCORDANCE WITH  
INTERNATIONAL FINANCIAL REPORTING STANDARDS  
AS ENDORSED BY THE EUROPEAN UNION**

**TOGETHER WITH INDEPENDENT AUDITOR'S REPORT**

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## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of,  
IMPACT DEVELOPER & CONTRACTOR S.A.

### Report on the Audit of the Individual Financial Statements

#### Opinion

1. We have audited the individual financial statements of IMPACT DEVELOPER & CONTRACTOR S.A. (the "Company"), with registered office in Bucharest, identified by unique tax registration code 1553483, which comprise the statement of financial position as at December 31, 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, including a summary of significant accounting policies and notes to the financial statements.
2. The financial statements as at December 31, 2019 are identified as follows:

• Net assets/Equity	kRON 585,681
• Net profit for the financial year	kRON 154,139
3. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with Ministry of Public Finance Order no. 2844/2016, with subsequent amendments for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by the EU.

#### Basis for Opinion

4. We conducted our audit in accordance with International Standards on Auditing (ISAs), Regulation (EU) No. 537/2014 of the European Parliament and the Council (forth named The "Regulation") and Law 162/2017 ("the Law"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), in accordance with ethical requirements relevant for the audit of the financial statements in Romania including the Regulation and the Law and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

5. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the matter
<p><b>Valuation of Investment Property</b></p> <p>As disclosed in Note 9 to the individual financial statements, investment property held by the Company is recorded at RON 383,285 thousand as of December 31, 2019. Investment properties primarily represent land plots.</p> <p>The Company applies the fair value model after initial measurement. Fair value of investment property is determined on the basis of a valuation performed by an independent appraiser, with experience in this industry. Any changes in fair value are recognized in profit or loss account. The valuation method used by the independent appraiser includes inputs and data from various sources, based on the type of the asset and involves judgements and a high degree of estimates.</p> <p>Because of the significance of estimates and judgements involved in assessing this area and considering the significant value of Investment Property, we consider that the Valuation of Investment Property is a key audit matter.</p>	<p>Our procedures in relation to management’s valuation of investment properties include:</p> <ul style="list-style-type: none"> <li>- Evaluation of the independent external valuers’ competence, capabilities and objectivity;</li> <li>- Assessing the methodologies used and the appropriateness of the key assumptions based on our knowledge of the property industry and using our in-house valuation experts;</li> <li>- Performing sensitivity analysis by comparing the recorded values to market prices of similar assets in the same area; and</li> <li>- Checking the appropriate recognition in the financial statements of the fair value adjustments and the proper disclosures in the financial statements in according with the relevant IFRS framework.</li> </ul>
<p><b>Transfers in and out of Investment Property</b></p> <p>As disclosed in Note 9 to the individual financial statements, during the year the company transferred assets of RON 94,381 thousand from inventory to investment property and assets of RON 85,130 thousand from investment property to inventory.</p> <p>Under IAS 40: Investment Property, an entity should transfer a property to, or from, investment property when, and only when, there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. Judgement is required to determine whether a property qualifies as an investment property based on criteria that are consistently applied. Because of the significance of the transfers to and from investment property, and the judgement required in determining the criteria for transfer, we consider these transfers to be a key audit matter.</p>	<p>Our procedures to assess the appropriateness of transfers include:</p> <ul style="list-style-type: none"> <li>- Assessment of the judgements applied regarding the changes in use and status of assets. Key to this is the assumption that the legal status of certain assets is a “triggering event” with resulting long term uncertainty over the future development plans.</li> <li>- Assessment of the appropriateness of the classification of investment properties by understanding the business models and management’s judgements, corroborated with understanding of the legal status of each asset subject to transfers.</li> <li>- Assessment of whether the disclosures reflect the requirements of the relevant accounting standards.</li> </ul>

Key Audit Matter	How our audit addressed the matter
<p><b>Litigations</b></p> <p>Please refer to Note 26 'Contingencies' to the individual financial statements. As disclosed in this note, the Company is involved in various litigation both as plaintiff and defendant.</p> <p>The management of the Company performs regular analysis of the status of pending litigations and, based on the consultations with its legal representatives, decides upon the necessity of recognizing provisions or their disclosure in the Financial Statements.</p> <p>Because of the significant judgements required and the significance of current litigations, we consider this a key audit matter.</p>	<p>Our audit procedures related to management assessment of litigations included the following:</p> <ul style="list-style-type: none"> <li>- Sending confirmation letters to all the external lawyers which represent the Company in the Court trials, in order to confirm the status of each litigation and the chance of success.</li> <li>- For each significant litigation, we had discussions with the in-house lawyer and external lawyers in charge with the litigations and assessed the impact on the financial statements and corroborated it with the client's assessment in this respect;</li> <li>- Discussions with the management regarding their involvement in the periodical assessment of the pending litigations and whether they have performed regular consultation meetings with the legal counsels;</li> </ul>

## Other information – Administrators' Report

6. Management is responsible for the preparation and presentation of the other information. The other information is included in a separate report.

Our opinion on the financial statements does not cover the other information and, unless explicitly provided in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements for the year ended December 31, 2019, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

With respect to the Administrators' report, we read and report if this has been prepared, in all material respects, in accordance with the provisions of Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU.

On the sole basis of the procedures performed within the audit of the financial statements, in our opinion:

- a) the information included in the administrators' report for the financial year for which the financial statements have been prepared are consistent, in all material respects, with these financial statements.
- b) the administrators' report has been prepared, in all material respects, in accordance with the provisions of Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU.

Moreover, based on our knowledge and understanding concerning the Company and its environment gained during the audit on the financial statements prepared as at December 31, 2019, we are required to report if we have identified a material misstatement of this Administrators' report. We have nothing to report in this regard.

## **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

7. Management is responsible for the preparation and fair presentation of the financial statements in accordance with Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
8. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.
9. Those charged with governance are responsible for overseeing the Company's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

10. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
11. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:
  - Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
  - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
  - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
  - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
  - Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
  - Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the company audit. We remain solely responsible for our audit opinion.

12. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
13. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
14. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on Other Legal and Regulatory Requirements

15. We have been appointed by the General Assembly of Shareholders on April 25, 2019 to audit the financial statements of IMPACT DEVELOPER & CONTRACTOR S.A. for the financial year ended December 31, 2019. The uninterrupted total duration of our commitment is 1 year, covering the financial year ended December 31, 2019.

We confirm that:

- Our audit opinion is consistent with the additional report submitted to the Audit Committee of the Company that we issued the same date we issued and this report. Also, in conducting our audit, we have retained our independence from the audited entity.
- We have not provided for the Company the **non-audit services** referred to in Article 5 (1) of EU Regulation No. 537/2014.

The engagement partner on the audit resulting in this independent auditor's report is Alina Mirea.

Alina Mirea, Audit Partner

*For signature, please refer to the original signed Romanian version.*

*Registered in the Electronic Public Register of Financial Auditors and Audit Firms under no. AF 1504*

On behalf of:

## **DELOITTE AUDIT SRL**

*Registered in the Electronic Public Register of Financial Auditors and Audit Firms under no. FA 25*

The Mark Building, 84-98 and 100-102 Calea Grivitei,  
8<sup>th</sup> Floor and 9<sup>th</sup> Floor, District 1  
Bucharest, Romania  
March 27, 2019

**IMPACT DEVELOPER & CONTRACTOR S.A.**  
**STATEMENT OF FINANCIAL POSITION**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**  
(All amounts are expressed in thousand RON, unless stated otherwise)

	<u>Note</u>	<u>31 December 2019</u>	<u>31 December 2018</u>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Tangible assets	<b>8</b>	6,309	5,629
Intangible assets		128	67
Investment property	<b>9</b>	383,285	217,113
Financial assets	<b>11</b>	56,191	56,190
Long term trade and other receivables	<b>12</b>	-	19,043
<b>Total non-current assets</b>		<b>445,914</b>	<b>298,042</b>
<b>Current assets</b>			
Inventories	<b>10</b>	201,787	264,627
Trade and other receivables	<b>12</b>	91,938	41,244
Cash and cash equivalents	<b>13</b>	35,357	26,676
<b>Total current assets</b>		<b>329,081</b>	<b>332,547</b>
<b>Total assets</b>		<b>774,995</b>	<b>630,590</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
Share capital	<b>14</b>	281,907	285,330
Share premium		68,760	68,760
Revaluation reserve		3,001	3,064
Other reserves		8,787	730
Own shares	<b>15</b>	(7,771)	(3,038)
Retained earnings		230,996	94,021
<b>Total equity</b>		<b>585,681</b>	<b>444,866</b>
<b>Non-current liabilities</b>			
Loans and borrowings	<b>16</b>	115,723	114,100
Trade and other payables	<b>17</b>	330	1,151
Deferred tax liability	<b>23</b>	46,051	25,009
<b>Total non-current liabilities</b>		<b>162,105</b>	<b>140,261</b>

The notes attached are part of these financial statements.  
This is a free translation from the original Romanian version.

**IMPACT DEVELOPER & CONTRACTOR S.A.**  
**STATEMENT OF FINANCIAL POSITION**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**  
**(All amounts are expressed in thousand RON, unless stated otherwise)**

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	<u>Note</u>	<u>31 December 2019</u>	<u>31 December 2018</u>
<b>Current liabilities</b>			
Loans and borrowings	<b>16</b>	1,765	28,786
Trade and other payables	<b>17</b>	24,537	12,075
Provisions for risks and charges	<b>18</b>	907	601
<b>Total current liabilities</b>		<b>27,209</b>	<b>41,462</b>
<b>Total liabilities</b>		<b>189,314</b>	<b>181,723</b>
<b>Total equities and liabilities</b>		<b>774,995</b>	<b>630,590</b>

The financial statements have been authorized for issue by the management on March 27, 2020 and signed on its behalf by:

  
\_\_\_\_\_  
**Sorin Apostol,**  
CEO

  
\_\_\_\_\_  
**Giani Kacic,**  
CFO

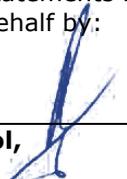
  
\_\_\_\_\_  
**Iuliana Mihaela Urda,**  
BoD President

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**IMPACT DEVELOPER & CONTRACTOR S.A.**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR YEAR ENDED 31 DECEMBER 2019**  
**(All amounts are expressed in thousand RON, unless stated otherwise)**

	<u>Note</u>	<u>31 December 2019</u>	<u>31 December 2018</u>
Revenue from real estate inventories	<b>19</b>	156,695	101,469
Costs of real estate inventories		(83,266)	(60,207)
<b>Gross profit</b>		<b>73,429</b>	<b>41,261</b>
Net rental income	<b>19</b>	72	1,978
General and administrative expenses	<b>20</b>	(19,929)	(20,300)
Marketing expenses		(3,871)	(1,819)
Depreciation and amortization		(745)	(796)
Other operating income/expenses	<b>21</b>	(3,509)	(3,302)
<b>Total other income / expenses</b>		<b>(27,983)</b>	<b>(24,240)</b>
Gains on transfer from inventory to investment property		80,922	-
Other gains from investment property		63,637	23,394
<b>Total gains from investment property</b>	<b>9</b>	<b>144,559</b>	<b>23,394</b>
<b>Adjusted operating profit before exceptional items and impairment of long-term assets</b>		<b>190,006</b>	<b>40,415</b>
Impairment of other long-term assets		253	(2,208)
Other income expense (exceptional)		-	(3,676)
<b>Annual operating profit</b>		<b>190,259</b>	<b>34,532</b>
Finance costs, net	<b>22</b>	(7,150)	(7,258)
<b>Profit before tax</b>		<b>183,109</b>	<b>27,274</b>
Income tax expense	<b>23</b>	(28,970)	(7,287)
<b>Profit of the period</b>		<b>154,139</b>	<b>19,987</b>
<b>Total comprehensive income attributable to:</b>			
Company shareholders		154,139	19,987
<b>Total comprehensive income for the period</b>		<b>154,139</b>	<b>19,987</b>

The financial statements have been authorized for issue by the management on March 27, 2020 and signed on its behalf by:

  
**Sorin Apostol,**  
 CEO

  
**Giani Kacic,**  
 CFO

  
**Iuliana Mihaela Urda,**  
 BoD President

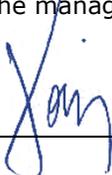
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**IMPACT DEVELOPER & CONTRACTOR S.A.**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**  
(All amounts are expressed in thousand RON, unless stated otherwise)

	Note	Share capital	Share premium	Revaluation reserve	Other reserves	Own shares	Retained earnings	Total equity
<b>Balance on January 1st 2019</b>		<b>285,330</b>	<b>68,760</b>	<b>3,064</b>	<b>730</b>	<b>(3,038)</b>	<b>94,020</b>	<b>448,866</b>
<b>Comprehensive income</b>								
Profit for the year		-	-	-	-	-	154,139	154,139
Other comprehensive income		-	-	-	-	-	26	26
<b>Total other comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>154,165</b>	<b>154,165</b>
<b>Transactions with owners of the Company</b>								
Own shares acquired during the year	15	-	-	-	-	(8,156)	-	(8,156)
Paid dividends		-	-	-	-	-	(9,195)	(9,195)
Share capital reduction by cancelling shares	14	(3,423)	-	-	-	3,423	-	-
<b>Other changes in equity</b>								
Set up of legal reserves		-	-	-	8,058	-	(8,058)	-
Transfer of reserves		-	-	(63)	-	-	63	-
revaluation reserves		-	-	-	-	-	-	-
<b>Balance on December 31st 2019</b>		<b>281,907</b>	<b>68,760</b>	<b>3,001</b>	<b>8,788</b>	<b>(7,771)</b>	<b>230,996</b>	<b>585,681</b>

The financial statements have been authorized for issue by the management on March 27, 2020 and signed on its behalf by:

  
**Sorin Apostol,**  
CEO

  
**Giani Kacic,**  
CFO

  
**Iuliana Mihaela Urda,**  
BoD President

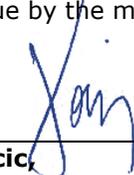
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**IMPACT DEVELOPER & CONTRACTOR S.A.**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**  
(All amounts are expressed in thousand RON, unless stated otherwise)

	Note	Share capital	Share premium	Revaluation reserve	Other reserves	Own shares	Retained earnings	Total equity
<b>Balance on January 1st 2018</b>		<b>285,330</b>	<b>68,760</b>	<b>3,025</b>	<b>8,430</b>	-	<b>66,309</b>	<b>431,854</b>
<b>Comprehensive income</b>								
Profit for the year		-	-	-	-	-	19,987	19,987
Other comprehensive income		-	-	-	-	-	-	-
<b>Total other comprehensive income</b>		-	-	-	-	-	<b>19,987</b>	<b>19,987</b>
<b>Transactions with the Company owners</b>								
Own shares acquired during the year	15	-	-	-	-	(3,353)	-	(3,353)
Acquisition of own shares		-	-	-	-	315	-	315
<b>Other changes in equity</b>								
Set up of legal reserves		-	-	-	1,015	-	(1,015)	-
Transfer of reserves		-	-	(24)	(8,715)	-	8,739	-
Revaluation reserves		-	-	63	-	-	-	63
<b>Balance on December 31st 2018</b>		<b>285,330</b>	<b>68,760</b>	<b>3,064</b>	<b>730</b>	<b>(3,038)</b>	<b>94,020</b>	<b>448,866</b>

The financial statements have been authorized for issue by the management on March 27, 2020 and signed on its behalf by:

  
**Sorin Apostol,**  
CEO

  
**Giani Kacic,**  
CFO

  
**Iuliana Mihaela Urda,**  
BoD President

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**IMPACT DEVELOPER & CONTRACTOR S.A.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**  
(All amounts are expressed in thousand RON, unless stated otherwise)

	<u>Note</u>	<u>2019</u>	<u>2018</u>
<b>Cash flows from operating activities:</b>			
<b>Profit for the period</b>		<b>154,139</b>	<b>19,987</b>
<b>Adjustments for:</b>			
Depreciation of tangible non-current assets		629	702
Amortization of intangible non-current assets		73	94
Impairment of tangible non-current assets, net		(86)	1,226
Result from disposal of assets, net	<b>21</b>	(122)	1,017
Impairment of inventories, net		4,596	1,028
Impairment of trade and other receivables, net		(167)	(47)
Legal settlements		612	3,676
Changes in fair value of investment property	<b>9</b>	(144,559)	(23,394)
Corporate tax	<b>23</b>	28,970	7,287
Net changes in provisions for risks and charges	<b>18</b>	306	7
Interest expenses	<b>22</b>	9,095	8,654
Interest income	<b>22</b>	(4,450)	(1,822)
Foreign exchange differences, net	<b>22</b>	2,505	185
Other		(63)	157
Profit/loss from selling real estate investments		(638)	-
		<b>(103,300)</b>	<b>18,757</b>
<b>Changes in:</b>			
Inventories		62,840	31,384
Long term trade and other receivables		11,014	533
Trade and other payables		(11,557)	(5,455)
<b>Cash generated from operations</b>		<b>113,136</b>	<b>50,016</b>
Income tax paid		(6,384)	(2,795)
Interest paid		(8,483)	(8,893)
<b>Net cash generated from operations</b>		<b>98,269</b>	<b>38,328</b>
<b>Cash flows from investing activities:</b>			
Acquisitions of tangible assets and investment property		(15,882)	(1,016)
Acquisitions of intangible assets		(134)	(17)
Cash in from selling tangible assets		-	400
<b>Net cash used for investing activities</b>		<b>(16,016)</b>	<b>(632)</b>

The notes attached are part of these financial statements.  
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**IMPACT DEVELOPER & CONTRACTOR S.A.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**  
**(All amounts are expressed in thousand RON, unless stated otherwise)**

	<u>Note</u>	<u>2019</u>	<u>2018</u>
<b>Cash flows from financing activities:</b>			
Paid dividends	<b>14</b>	(9,094)	(20)
Repayment of borrowings		(69,816)	(25,939)
Cashing from loans		41,030	8,314
Loans granted to affiliates		(41,654)	(34,537)
Repayment of loans granted to affiliates		14,117	-
Acquisitions of new shares		(8,156)	(3,353)
<b>Net cash from (used for) investing activities</b>		<b>(73,573)</b>	<b>(55,535)</b>
<b>Net increasing/ (decreasing) of cash and cash equivalents</b>		<b>8,681</b>	<b>(17,840)</b>
<b>Cash and cash equivalents on January 1st</b>		<b>26,676</b>	<b>44,516</b>
<b>Cash and cash equivalents on December 31st</b>	<b>13</b>	<b>35,357</b>	<b>26,676</b>

The financial statements have been authorized for issue by the management on March 27, 2020 and signed on its behalf by:

  
**Sorin Apostol,**  
 CEO

  
**Giani Kacic,**  
 CFO

  
**Iuliana Mihaela Urda.**  
 BoD President

The notes attached are part of these financial statements.  
 This is a free translation from the original Romanian version.

**IMPACT DEVELOPER & CONTRACTOR S.A.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**  
**(All amounts are expressed in thousand RON, unless stated otherwise)**

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## **1. REPORTING ENTITY**

Impact Developer & Contractor S.A ("the Company") is a Company registered in Romania whose activity is the development of real estate.

The registered office of the Company is Willbrook Platinum Business & Convention center 172 -176 Bucuresti Ploiesti Building A 1st floor Bucharest, 1<sup>st</sup> district.

The shareholding structure on December 31<sup>st</sup>, 2019 and December 31<sup>st</sup>, 2018 is presented in Note 14.

The Company controls several other entities and prepares consolidated financial statements. According to the provisions of Law no. 24/2017, such entities shall also prepare individual financial statements.

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, step by step, it changed into a pure real estate developer. Starting 1996, the Company's securities are publicly traded in Bucharest Stock Exchange (BVB).

In 2019 the business of Impact revolved around the GREENFIELD residential complex in Bucharest and Boreal Plus in Constanta.

In 2019, the business of Bergamot Development S.R.L., a subsidiary of the Company, revolved mainly in developing the residential project Luxuria.

## **2. THE BOARD OF ADMINISTRATION**

The Board of Administration represents the decision-making body on all significant aspects for the Company as a whole due to its strategic, financial or reputational implications. The Board delegates the management powers of the Company, under the conditions and limits provided by the law and by the Articles of Incorporation.

The Board of Administration consists of 5 members:

- Iuliana Mihaela Urda, chairperson of the Board of Administration
- Intrepid Gem SRL (starting with 24.04.2019)
- Ruxandra-Alina Scarlat, Administrator
- Daniel Pandele, Administrator
- Laviniu Dumitru Beze, Administrator

In the Ordinary General Assembly of the Shareholders from April 24, 2019, a new member of the Impact's Board of Administration has been elected, namely INTERPID GEM SLRL, by means of the natural entity, permanent representative of the legal entity, Mr. Vaduva Petru Ion. His mandate has started on April 24, 2019 and is valid until April 27, 2021. He replaced Mr. Gabriel Vasile, who resigned on January 2019, his recall being approved by the Ordinary General Assembly of the Shareholders on April 24, 2019.

### **Executive Management of the Company**

On 19.01.2018, the Impact Board of Administration decided to designate Mr. Bogdan Oslobeanu as General Manager of the Company, on a four-year term, starting with 01.03.2018 until 28.02.2022. He replaced Mr. Bartosz Puzdrowski. who request the Company to terminate the mandate for personal reasons with the date of March 1, 2018.

On 29.01.2020 the Board of Administration of Impact decided to appoint Mr. Apostol Sorin as General Manager of the Company for 6 (six) months, starting with 01.02.2020, with the option to change it to a permanent designation. He will replace Mr. Bogdan Ionut Oslobeanu, who requested his mandated to be terminated in order to follow other carrier opportunities, starting with de 31.01.2020.

Mr. Apostol Sorin shall continue his strategy to develop the Company to the level of the existing projects and shall initiate new projects to consolidate the company's current top position on the residential market.

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### **3. BASIS OF PREPARATION**

These Individual Financial Statements have been prepared in accordance with the International Financial Reporting Standards as endorsed by the European Union ("EU IFRS"). The Consolidated Financial Statements are available on the company and Bucharest Stock Exchange website once they are approved by the Board of Directors and General Shareholders Meeting.

The financial statements have been prepared on an ongoing concern basis and under the historical cost basis, except for the revaluation of certain properties and financial instruments that are measured at revalued amounts or fair values. Historical cost is generally based on the fair value of the consideration given in exchange for goods and service.

#### **The principal of going concern**

The Company has prepared forecasts, including certain sensitivities taking into account the principal business risks, at the Company's and Impact Group level. Having considered these forecasts, the Directors remain of the view that the Company's financing arrangements and capital structure provide both the necessary facilities and covenant headroom to enable the Company to conduct its business for at least the next 12 months. Accordingly, the financial statements have been prepared on a going concern basis. Please refer to note 29 for additional disclosures.

### **4. FUNCTIONAL AND PRESENTATION CURRENCY**

The Financial Statements are presented in RON, this being also the functional currency of the Company. All financial information is presented in thousand RON.

### **5. SIGNIFICANT ACCOUNTING POLICIES**

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

Below is presented the summary of the significant accounting policies.

#### **(a) Foreign currency**

Transactions in foreign currencies are translated to the Company's functional currency using the exchange rates prevailing at the date of transaction. Monetary assets and liabilities that are denominated in foreign currency at the date of reporting are translated to the functional currency at the exchange rate prevailing at that date.

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 at the date of transaction

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

#### **(b) Tangible assets**

Land and buildings held for use in production, or for administrative purposes, are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any accumulated depreciation and accumulated impairment losses.

Any revaluation increase arising on the revaluation of such land and buildings is credited to the properties revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognized as an expense, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in carrying amount arising on the revaluation of such land and buildings is charged as an expense to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

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**5. SIGNIFICANT ACCOUNTING POLICIES (continued)**

Depreciation on revalued buildings is recognized in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

Freehold land is not depreciated.

Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment. Depreciation is recognized so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method, on the following bases:

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

- |                                 |            |
|---------------------------------|------------|
| • building                      | 40 years   |
| • plant, equipment and vehicles | 3–5 years  |
| • fixtures and fittings         | 3–12 years |

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting.

**(c) Intangible assets acquired separately**

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

**(d) Investment property**

Investment property, which is property held to earn rentals and/or for capital appreciation (including Property under construction for such purposes), is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value.

All of the Company's property interests held to earn rentals or for capital appreciation purposes are accounted for as investment properties and are measured using the fair value model.

Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

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.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

**(e) Inventories**

Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

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**5. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(f) Trade and other receivables**

Trade receivables on normal terms excluding derivative financial instruments do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated unrecoverable amounts. The carrying amount of trade and other receivables that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period.

• **Derecognition of financial assets**

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

**(g) Cash and cash equivalents**

Cash and cash equivalents comprise cash held by the Company and short-term bank deposits with an original maturity of three months or less from inception and are subject to an insignificant risk of changes in value.

**(h) Share capital**

• **Ordinary shares**

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

• **Repurchase and reissue of ordinary shares (treasury shares)**

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

**(i) Dividends**

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

**(j) Own shares**

Own shares consist of treasury shares and shares held within an employee benefit trust. The Company has an employee benefit trust to satisfy the exercise of share options that have vested under the Company's share option schemes.

Own shares are recognized at cost as a deduction from shareholders' equity. Subsequent consideration received for the sale of such shares is also recognized in equity, with any difference between the sale proceeds from the original cost being taken to retained earnings. No gain or loss is recognized in the performance statements on transactions in own shares.

## **5 SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **(n) Revenue (continued)**

#### ***(ii) Revenues from re-charging utilities***

The revenues from recharge of utilities are recognised when they are realized, together with the utilities expenses invoiced by the suppliers. The Company recharges the utilities under the form of administrative costs. These revenues refer to the rented properties, to the properties sold without the transfer of ownership (sales in instalments) 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.

### **(k) Taxation**

The tax charge represents the sum of the tax currently payable and deferred tax.

- **Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

- **Deferred tax**

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are also recognized for taxable temporary differences arising on investments in subsidiaries and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is measured on a non-discounted basis using the tax rates and laws that have then been enacted or substantively enacted by the balance sheet date.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also dealt with in other comprehensive income or equity.

### **(l) Share-based payments**

The Company has applied the requirements of IFRS 2 'Share-based payment'. The Company issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date they are granted. The fair value is expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest after adjusting for the effect of non-market vesting conditions.

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**5 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(m) Financial instruments – fair values and risk management**

The risk management function within the Company is carried out in respect of financial risks. Financial risks are risks arising from financial instruments to which the Company is exposed during or at the end of the reporting period. Financial risk comprises market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits.

**(n) Operating leasing agreements**

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease. Benefits received and recoverable (and costs paid and payable) as an incentive to enter into an operating lease are also registered on a straight-line basis over the lease term.

**(o) Contingent liabilities**

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or
- (b) a present obligation that arises from past events that is not recognized because:
  - i. it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
  - ii. the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognized in the Company's financial statements but disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or on-occurrence of one or more uncertain future events not wholly within the control of the Company.

A contingent asset is not recognized in the Company's financial statements but disclosed when an inflow of economic benefits is probable.

**(p) Subsequent events**

Events occurring after the reporting date December 31, 2019, which provide additional information about conditions prevailing at the reporting date (adjusting events) are reflected in the financial statements. Events occurring after the reporting date that provide information on events that occurred after the reporting date (non-adjusting events), when material, are disclosed in the notes to the financial statements. When the going concern assumption is no longer appropriate at or after the reporting period, the financial statements are not prepared on a going concern basis.

**(q) Segment reporting**

The Group operates only in Romania. The single operating segment is considered to be the development of real estate.

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## **6. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Company's accounting policies, which are described in note 5, the directors are required to make judgments (other than those involving estimations) that have a significant impact on the amounts recognized and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant.

Actual results may differ from these forecasts. Estimates and hypothesis on which these are based on are under ongoing review. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods

### **(i) Fair value measurements and valuation processes**

Valuation and recoverable amounts of the property developed for sale, investment property and property, plant and equipment.

The Company has obtained a report from an international valuation company, Colliers Valuation and Advisory SRL, setting out the estimated market values for the Company's investment property, property developed for sale and property, plant and equipment in their current state. The most recent real estate investment assessment took place on December 31st. 2019. Colliers is an independent professionally qualified valuation specialist who holds a recognized relevant professional qualification and has recent experience in the locations and categories of the valued properties. The valuation was based on the assumption as to the best use of each property by a third-party developer.

For inventory the development projects' recoverable amount was determined based on the best estimates of future cash flows, supported by the terms of any existing contracts and by external evidence such as current market prices for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

For investment property assets are mainly valued using the sales comparison approach. The key assumptions underlying the market value of the groups land assets are:

- the selection of comparable land plots resulting in order to determine the "offer price" which is taken as the basis to form an indicative price
- the quantum of adjustments to apply against the offer price to reflect deal prices, and differences in location and condition.

The key inputs are summarized in note 8. The valuation is highly sensitive to these variables and adjustments to these inputs would have a direct impact on the resulting valuation.

The management considers that the valuation of its property developed for sale and investment property is currently subject to an increased degree of judgment and an increased likelihood that actual proceeds on a sale may differ from the carrying value.

### **(ii) Transfers of assets both from and to investment property**

IAS 40 (investment property) requires that transfers from and to investment property are evidenced by a change in use. Conditions which are indications of a change in use are judgemental and the treatment can have a significant impact on the financial statements since investment property is recorded at fair value and inventory is recorded at cost.

- For the Ghencea and Barbu Vacarescu projects, management has taken the view that legal restrictions on the use of assets are an indication of change in use and Consequently these assets are reclassified to investment property and recorded at fair value as at the balance sheet date.

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**6. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)**

For the Greenfield project, management consider that activities with a view to sale have not yet commenced on phases which are projected to be developed more than two years from the balance sheet date. Consequently, these assets continue to be accounted for at fair value within investment property. Had different judgements been applied in determining a change in use, then the financial statements may have been significantly different as a result of the differing measurement approach of inventories and investment properties.

**(iii) Legal issues**

The management of the Company analyses regularly the status of all ongoing litigations, and, following a consultation with the Board of Administration decides upon the necessity of recognizing provisions related to the amounts involved or their disclosure in the individual financial statements. Key legal matters are summarized in note 26.

On December 31st. 2019, a subsidiary company is engaged in a dispute with Cluj City Council. The company is seeking reimbursement of costs amounting to RON 17 million plus expenses. Based on advice from the Groups lawyers, management believes that the outcome of the case will not result in an adverse outcome in these financial statements. However, the matter is judgmental and in the event that recoveries are less than the carrying value of the asset then a financial loss will result.

**(iv) Cost allocation**

In order to determine the profit that the Group should recognize on its developments in a specific period, the Company has to allocate site-wide development costs between units sold in the current year and to be sold in future years. Industry practice does vary in the methods used and in making these assessments there is a degree of inherent uncertainty. In the event that there is a change in future development plans from those currently anticipated then the result would be fluctuations in cost and profit recognition over different project phases.

**7. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS**

In the current year, the Company has adopted and applied the following accounting standards issued by the International Accounting Standards Board that are mandatory for financial years beginning on or after 1 January 2019.

- **IFRS 16:** Leases
- **IFRS 9:** Prepayment features with negative compensation (Amendment)
- **IAS 28:** Long-term Interests in Associates and Joint Ventures (Amendments)
- **IAS 19:** Plan Amendment, Curtailment or Settlement (Amendments)

The impact of the adoption of these new standards on the Group's financial statements is explained below. None of these standards had a material impact on the financial statements of the Company.

• **IFRS 16: Leases**

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor').

The new standard requires lessees to recognize most leases on their financial statements. Lessees have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged.

The adoption of IFRS 16 did not have a material impact on the Company's financial statements.

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**7 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)**

• **IFRS 9: Prepayment features with negative compensation (Amendment)**

The Amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the asset there may be 'negative compensation'), to be measured at amortized cost or at fair value through other comprehensive income.

The adoption of IFRS 9 did not have a material impact on the Company's financial statements.

• **IAS 28: Long-term Interests in Associates and Joint Ventures (Amendments)**

The Amendments relate to whether the measurement, in particular impairment requirements, of long-term interests in associates and joint ventures that, in substance, form part of the 'net investment' in the associate or joint venture should be governed by IFRS 9, IAS 28 or a combination of both. The Amendments clarify that an entity applies IFRS 9 Financial Instruments, before it applies IAS 28, to such long-term interests for which the equity method is not applied. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying IAS 28.

The adoption of IAS 28 amendments did not have a material impact on the Company's financial statements.

• **IFRIC INTERPETATION 23: Uncertainty over Income Tax Treatments**

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances.

The adoption of IFRIC INTERPETATION 23 did not have a material impact on the Company's financial statements.

• **IAS 19: Plan Amendment, Curtailment or Settlement (Amendments)**

The Amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement has occurred. The Amendments also clarify how the accounting for a plan amendment, curtailment or settlement affects applying the asset ceiling requirements.

• **The IASB has issued the Annual Improvements to IFRSs 2015 – 2017 Cycle, which is a collection of amendments to IFRSs.**

- **IFRS 3 Business Combinations and IFRS 11 Joint Arrangements:** The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- **IAS 12 Income Taxes:** The amendments clarify that the income tax consequences of payments on financial instruments classified as equity should be recognized according to where the past transactions or events that generated distributable profits has been recognized.
- **IAS 23 Borrowing Costs:** The amendments clarify paragraph 14 of the standard that, when a qualifying asset is ready for its intended use or sale, and some of the specific borrowing related to that qualifying asset remains outstanding at that point, that borrowing is to be included in the funds that an entity borrows generally.

The Company assesses that none of these amendments have a significant impact on the financial statements.

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**8. PROPERTY, PLANT AND EQUIPMENT**

**Reconciliation of carrying amount**

<b>Cost / valuation</b>	<b>Land and buildings</b>	<b>Machinery, equipment and vehicles</b>	<b>Fixtures and fittings</b>	<b>Assets under construction</b>	<b>Total</b>
<b>Balance at January 1,2019</b>	<b>13,013</b>	<b>2,927</b>	<b>1,118</b>	<b>1,034</b>	<b>18,101</b>
Additions	4,490	76	36	108	4,710
Transfers	-	-	-	-	-
Disposals	1,374	23	-	863	2,260
Change in fair value due to reevaluation	-	-	-	-	-
<b>Balance at 31 December 2019</b>	<b>16,129</b>	<b>2,989</b>	<b>1,154</b>	<b>278</b>	<b>20,550</b>
<b>Accumulated depreciation and impairment losses</b>					
<b>Balance at January 1,2019</b>	<b>10,633</b>	<b>2,120</b>	<b>945</b>	<b>-</b>	<b>12,902</b>
Charge for the period	304	304	65	-	674
(Reversal of)/Impairment loss	9860	-	-	-	(86)
Accumulated depreciation of disposals	27	18	-	-	45
<b>Balance at 31 December 2019</b>	<b>10,825</b>	<b>2,406</b>	<b>1010</b>	<b>-</b>	<b>14,241</b>
<b>Carrying amounts</b>					
<b>at 1 January 2019</b>	<b>4,001</b>	<b>806</b>	<b>173</b>	<b>1,034</b>	<b>5,629</b>
<b>at 31 December 2019</b>	<b>5,305</b>	<b>882</b>	<b>144</b>	<b>278</b>	<b>6,309</b>

This is a free translation from the original Romanian version.

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**8. PROPERTY, PLANT AND EQUIPMENT (continued)**

<b>Cost / valuation</b>	<b>Land and buildings</b>	<b>Machinery, equipment and vehicles</b>	<b>Fixtures and fittings</b>	<b>Assets under construction</b>	<b>Total</b>
<b>Balance at January 1,2018</b>	<b>14,780</b>	<b>2,659</b>	<b>1,045</b>	<b>641</b>	<b>19,125</b>
Additions	197	281	72	393	943
Transfers	-	-	-	-	-
Disposals	1,471	3	-	-	1,475
Change in fair value due to reevaluation	63	-	-	-	63
<b>Balance at 31 December 2018</b>	<b>13,433</b>	<b>2,937</b>	<b>1,118</b>	<b>1,034</b>	<b>18,531</b>
<b>Accumulated depreciation and impairment losses</b>					
<b>Balance at January 1,2018</b>	<b>7,786</b>	<b>1,772</b>	<b>884</b>	<b>-</b>	<b>10,441</b>
Charge for the period	289	352	61	-	702
(Reversal of)/Impairment loss	1,226	-	-	-	1,226
Accumulated depreciation of disposals	131	-	-	-	131
<b>Balance at 31 December 2018</b>	<b>9,432</b>	<b>2,124</b>	<b>945</b>	<b>-</b>	<b>12,902</b>
<b>Carrying amounts</b>					
<b>at 1 January 2018</b>	<b>6,994</b>	<b>888</b>	<b>161</b>	<b>641</b>	<b>8,684</b>
<b>at 31 December 2018</b>	<b>4,001</b>	<b>813</b>	<b>173</b>	<b>1,034</b>	<b>5,629</b>

This is a free translation from the original Romanian version.

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**9. INVESTMENT PROPERTY**

**Reconciliation of carrying amount of property investments**

	<u>2019</u>	<u>2018</u>
<b>Balance on January 1st.</b>	<b>217,113</b>	<b>193,343</b>
Additions	12,300	661
Entries by transfer		
Entries by transfer	95,381	-
Disbursements by transfer	(85,130)	-
Disposals	(939)	(285)
Changes in fair value on projects transferred from inventory	144,559	23,394
<b>Balance on December 31st.</b>	<b>383,285</b>	<b>217,113</b>

Investment property comprises land and properties held with the purpose of capital appreciation or to be rented to third parties.

In 2019, the Company decided to reclassify the land located in Barbu Vacarescu (2.63 ha) and Prelungirea Ghencea-Timisoara Blvd. (15.55 ha) from inventory to investment property. The decision was made based on the analysis of the legal cases involving the land (more details below) which showed that a definitive and irrevocable Court decision would be expected in the distant future. As such, the Company would have to analyse the market conditions at those points in time to decide the best use of the land, namely if it will be used to construct to sell or to construct to rent.

Considering the above, the Company considers that at the end of 2019 there is sufficient evidence that the future use of the land is uncertain and thus the land should be classified as investments and not as inventory, in accordance with IAS 40 provision regarding "land held for a currently undetermined future use".

**Land located in Barbu Vacarescu**

In 2014, the Company acquired 1/3 from the ownership title over 5 plots of land with a total surface of 78,970 sqm located in Barbu Vacarescu, Bucharest. The other 2/3 from the ownership title over the plots of land was acquired by other parties. At that point in time, the Company was following a construct and sale strategy, in line with the market needs prevalent in that period, and as the land was acquired and accounted for that purpose and booked as inventory in the IFRS Financial Statements in 2014.

In 2017, the Company initiated a legal action in order to obtain a separate ownership title for its 1/3 part of the land, resulting from a strong disagreement with the other parties involved. The position of the Company's share in the 78.970 sqm will be key in the future scope of use of the land as location and access to surrounding streets will be a key factor of assessment of future development.

In September 2019, as the litigation kept of being prolonged due to various opinions and evaluations required by the Court, the status of the land became uncertain and the Company started to analyze the classification of the land as inventory. This requiring of the Court about a geotechnical expert report as well as topographic and cadastral expert reports, put the project development on a prolonged time frame.

**Land located in Prelungire Ghencea-Timisoara Blvd.**

In 2006, the Company acquired a plot of land with a total surface of 25.89 ha located in Prelungirea Ghencea-Timisoara Blvd., Bucharest. In 2015, the Company was following a construct and sale strategy, in line with the market needs prevalent in that period, for part of the land that was booked as inventory in the IFRS Financial Statements in 2015.

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**9. INVESTMENT PROPERTY (continued)**

In 2017, the Company decided to initiate a lawsuit, as plaintiff, in order to obtain a court decision to confirm and consolidate its ownership title over the land. Such lawsuit forms the object of File No. 5737/3/2018 registered with the Bucharest Tribunal. The legal action was initiated against the Romanian State and Bucharest Municipality.

In November 2019, the Bucharest Tribunal issued the decision in File No. 5737/3/2018. The decision admitted the application for legal action filed by the Company and confirmed the ownership tile. The decision is subject to appeal.

Taking into consideration the foregoing, the status of land is uncertain, and the Company reassessed the classification of the land. The decision of the type of the project to be developed on this land may be implemented after the finalization of all legal aspects mentioned above that put the project development

**Valuation processes**

The Company's investment properties were valued at December 31, 2019 by independent professionally Colliers Valuation and Advisory SRL, external, independent evaluators, authorized by ANEVAR, having recent experience regarding the location and nature of the properties evaluated.

For all investment properties, their current use equates to the highest and best use. Below there is description of the valuation technique used in determination of the fair value of investment property.

The land held for capital appreciation, amounting 384,343 thousand RON as at December 31, 2019 (2018: 214,438 thousand RON), with a total surface of 544,354 sqm (2018: 429,185 sqm). As at December 31, 2019, 482,332 sqm of this land is located in Bucharest and 62,022 sqm in other regions (Constanta, Oradea).

**Fair value hierarchy**

Based on the inputs to the valuation technique, the fair value measurement for investment property has been categorized as Level 3 fair value at December 31st, 2019. This assessment is deemed appropriate considering the adjustments of the date for comparable lands and of the construction assessments. These adjustments are based on location and condition and are not directly observable. There were no transfers from levels 1 and 2 to level 3 during the year.

**Valuation techniques**

The following table presents the valuation techniques used in the determination of the fair value of investment properties categorized as a Level 3 fair value

<b>Approach</b>	<b>Key inputs</b>
<p>The fair values are determined through the application of the market comparison technique. The valuation model is based on a price per square meter for both land and buildings, derived from data observable in the market, in an active and transparent market. The valuation derived by the external expert were adjusted downwards by management to take into account the legal status of certain assets.</p>	<ul style="list-style-type: none"> <li>• Offer price per square meter for land in Bucharest (98 Euro /square meter up to 200 Euro per square meter) (2018: 93 Euro /square meter up to 149 Euro per square meter)</li> <li>• Adjustments to observable offer prices to reflect deal prices, location and condition (-25% discount +30% premium) (2018: -22% discount to -5%% premium).</li> <li>• An overall reduction in value of with a range of 1% up to 13%% was applied to Ghencea and Barbu Vacarescu as an estimate of the impact of legal matters on the asset value.</li> </ul>

The carrying value on December 31, 2019 of the land plots pledged is of 164,245 thousand RON.

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**10. INVENTORIES**

	<b>31 December 2019</b>	<b>31 December 2018</b>
Finished goods and goods for resale	64,685	106,251
<i>Residential developments:</i>		
- Land	121,925	118,790
- Development and construction costs	15,177	39,586
	<b>201,787</b>	<b>264,627</b>

Inventories are represented by:

	<b>31 December 2019</b>	<b>31 December 2018</b>
Residential project Greenfield	174,615	140,521
Ghencea land	-	43,018
Barbu Vacarescu land	-	48,338
Land and development expenses Constanta	21,877	21,469
Other inventories	5,295	11,281
	<b>201,787</b>	<b>264,627</b>

Land with a carrying amount of 121,925 thousand RON as at 31 December 2018 (2019: 118,790 thousand RON) consists of land held by the Company for development of new residential properties and infrastructure, mainly in Bucharest, as well as land which the Company intends to realize value through direct sale.

Completed residential properties with a carrying value of 64,685 RON as at December 31, 2019 (2018: 104,243 RON) refer entirely to apartments held for sale by the Company

The carrying value as at December 31, 2019 of the finished goods inventories pledged is of 14,425 thousand RON.

**11. FINANCIAL ASSETS**

	<b>31 December 2019</b>	<b>31 December 2018</b>
Interests in affiliates	64,324	64,323
Impairment of interest in affiliates	(8,133)	(8,133)
	<b>56,191</b>	<b>56,190</b>

The Company holds interests in the following affiliates:

	<b>31 December 2019</b>		
	<b>Percentage</b>	<b>Gross value</b>	<b>Impairment</b>
Actual Invest House	6.23%	110	(110)
Clearline Development and Management	100%	22,420	(8,023)
Bergamot Developments	99%	41,791	-
Bergamot Developments Phase II	99%	1	-
Impact Finance	99%	1	-
Greenfield Rent	99%	1	-
		<b>64,324</b>	<b>(8,133)</b>
			<b>56,191</b>

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**11. FINANCIAL ASSETS (continued)**

	<b>31 December 2018</b>			
	<b>Percentage</b>	<b>Gross value</b>	<b>Impairment</b>	
Actual Invest House	6.23%	110	(110)	-
Clearline Development and Management	100%	22,420	(8,023)	14,397
Bergamot Developments	99%	41,791	-	41,791
Bergamot Developments Phase II	99%	1	-	1
Impact Finance	99%	1	-	1
		<b>64,323</b>	<b>(8,133)</b>	<b>56,190</b>

Clearline Development and Management SRL hold the rest of 93.77% in Actual Invest House S.R.L.

- a) Actual Invest House S.R.L, a company that provides management services for new residential developments.
- b) Clearline Development and Management S.R.L. Clearline Development and Management S.R.L. (former Lomb SA) is the project company through which IMPACT was to develop a residential project in Cluj-Napoca, in partnership with the local authority. For investments made by Clearline Development & Management SRL in the realization of the Lomb project in Cluj, the project company has a litigation amounting to 17,053 thousand RON, plus legal interest, a file that is currently pending at the Court in Arges and is currently carrying out the expertise (Urban and Construction) in the file. On September 11, 2017 through the decision of the Board of Directors of Impact, the share capital of Clearline has been increased by new cash contributions of 20 thousand RON.
- c) Bergamot Developments S.R.L., company within the group with main object of activity real estate development, which starting with 2018 will develop a residential ensemble of approx. 51.382 square meters, 500 apartments, on a land of approximately 17,213 sqm, respectively the first phase of the residential complex Luxuria Domenii Residence, which totals approx. 65,000 sqm built on a plot of approximately 22,982 sqm in Bucharest, in the Expozitiei-Domenii area.
- d) Bergamot Developments Phase II S.R.L., a company within the group having as main object of activity the real estate development, which is to develop the Phase II (130 apartments) of the residential complex Luxuria Domenii Residence, consisting of 13,618 square meters built on a plot of 5,769 sqm.
- e) Impact Finance & Developments S.R.L. has a role in diversifying the range of services related to home sales. Impact Finance & Developments collaborates with financial institutions in Romania in order to offer advantageous lending solutions for clients who purchase dwellings.
- f) Greenfield Rent S.R.L., a company within the group having as main object of activity the lease and sublease of its own or of rented property has been incorporated in December 2019.

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**12. TRADE AND OTHER RECEIVABLES**

	<u>Short term</u>		<u>Long term</u>	
	<u>31-Dec-19</u>	<u>31-Dec-18</u>	<u>31-Dec-19</u>	<u>31-Dec-18</u>
Trade receivables	9,256	5,572	-	1,729
Receivables from affiliates	83,093	32,162	-	17,263
Sundry debtors	(737)	968	-	51
Receivables from State	(82)	247	-	-
Advance payments to suppliers (for services)	408	2,295	-	-
	<b><u>91,938</u></b>	<b><u>41,244</u></b>	<b><u>-</u></b>	<b><u>19,043</u></b>

An allowance has been made for estimated irrecoverable amounts from trade receivables of 3,692 thousand RON (2018: 3,850 thousand RON).

As of December 31, 2019, the Company did not have any trade receivables and other pledged receivables.

The trade receivables include the amount of 3,719 thousand RON (2018: 4,155) in relation with sale contracts for residential properties.

**13. CASH AND CASH EQUIVALENTS**

	<u>31 December 2019</u>	<u>31 December 2018</u>
Current accounts	35,346	26,662
Petty Cash	4	10
Cash advances	7	4
	<b><u>35,357</u></b>	<b><u>26,676</u></b>

Current accounts are held with Romanian commercial banks. Out of the total balance of cash, 311 thousand RON is restricted cash. In addition, the carrying value of the cash and cash equivalents pledged with banks, as of December 31, 2019 in of 125 thousand RON and 28 thousand EUR.

**14. SHARE CAPITAL**

	<u>31 December 2019</u>	<u>31 December 2018</u>
Share capital paid in	274,444	277,867
Adjustments of the share capital (hyperinflation)	7,463	7,463
	<b><u>281,907</u></b>	<b><u>285,330</u></b>

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

	<u>31 December 2019</u>	<u>31 December 2018</u>
	%	%
Gheorghe Iaciu	56.82%	56.05%
Andrici Adrian	15.43%	15.24%
SWISS CAPITAL	12.22%	12.28%
Other shareholders	15.53%	16.43%
	<b><u>100%</u></b>	<b><u>100%</u></b>

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**14. SHARE CAPITAL (continued)**

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

As per the articles of association of the company, the Shareholders General Meeting decided to reduce the share capital from 277,866,574 RON, with 3,423,042 RON, by reducing the number of shares, from 277,866,574 to 274,443,532 shares, upon cancelling a number of 3,423,042 own shares, purchased by the company.

**Dividends**

During the financial year ended on December 31, 2019, the Company did declare and paid dividends to its shareholders in total amount of 9,195 thousand RON related to the financial year 2018 and paid dividends to its shareholder amounting 9,094 thousand RON.

**15. OWN SHARES**

In accordance with the company's articles of association, authority was sought at the AGM dated 15.06.2017 to purchase up to 2.56% of the company's shares in issue as at the date of the decision. (Maximum 7,000,000 shares). The authority, that has been exercised, was approved and remains exercisable for 24 months from the approval date.

At the AGM dated 24.04.2019, the buy back of a maximum number of 10,000,000 (ten millions) shares, for a maximum period of 18 months from the date the resolution is published the Romanian Official Gazette, representing a maximum of 3.60 % of the subscribed and paid in share capital, representing a maximum of 3.60 % of the paid in share capital on the date of the resolution.

The own shares reserve represents the cost of shares in IMPACT purchased in the market, to satisfy options and conditional share awards under the Company's share option plans.

On December 31, 2019 the Company's balance shows 6,457 thousand own shares at an average price of 0.9941 RON/share with a book value of 7,771 thousand RON (2018: 3,038 thousand RON). In 2019, the Company has not granted any shares to the employees.

**16. LOANS AND BORROWINGS**

This note discloses information related to the contractual terms of the interest-bearing loans and borrowings of the Company, valued at amortized cost. Information related to the Company's exposure to interest rate risk, foreign currency risk and liquidity risk is included in Note 24.

	<b>31 December 2019</b>	<b>31 December 2018</b>
<b>Non-current liabilities</b>		
Secured bank loans	-	-
Debenture loans	115,723	114,100
	<b>115,723</b>	<b>114,100</b>
<b>Current liabilities</b>		
Current portion of secured bank loans	-	26,788
Short-term borrowings	1,765	1,998
	<b>1,765</b>	<b>28,786</b>

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**16. LOANS AND BORROWINGS (continued)**

**Terms and repayment schedules**

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

<b>Lender</b>	<b>Currency</b>	<b>Maturity</b>	<b>Amount of the facility, in original currency</b>	<b>Balance at 31 December 2019</b>	<b>Balance at 31 December 2018</b>
<b>Secured bank loans</b>					
Credit Value Investments	EUR	11.07.2021	12,000	58,586	56,972
Bucharest Stock Exchange S.A	EUR	12.12.2022	12,525	58,902	57,128
Piraeus Bank	RON	28.07.2020	32,730	-	16,103
Banca Transilvania	RON	28.02.2020	24,183	-	12,683
Libra Internet Bank	RON	17.06.2020	19,700	-	-

The interest rates at which the Company borrowed the loans in RON are between 5.3% - 7.05%.

On July 10th, 2017, the Company offered 120 A series-bearer bonds for subscription, each with a face value of EUR 100 thousand and a total face value of EUR 12,000 thousand issued in physical form, to two funds of investments managed by Credit Value Investments Sp. z o, (CVI). The bonds were issued on 11th of July 2017 and are due on the date on which they are 54 months from the date of the issue, provided that 42 months after the issue date, the Company will repurchase 50% of the nominal value of the Bonds. Bonds are interest-bearing at a fixed rate of 6.00% per annum, payable twice a year. The bonds bear an fixed interest rate of 6.00% per year, payable twice a year.

The bonds will be mainly secured by a first-rate mortgage covering the obligations arising from the Bonds up to the guaranteed maximum amount of EUR 18,000 thousand (eighteen million) on nine plots of land with a total area of 196,407 sqm located in Bucharest, 1st District, Romania, which are the exclusive property of the Company, as well as their accessories. The Company has an early redemption option for the Bonds, which can be exercised from the second interest payment date, provided that the minimum redeemed amount is at least EUR 1,000 thousand.

Bucharest Stock Exchange S.A. approved the application for admission to trading on the regulated market administered by the Bucharest Stock Exchange S.A. of the bonds issued by the Company, unsecured at a fixed annual interest rate of 5,75% denominated in EUR, with a maturity of 5 years and a total nominal value of EUR 12,525 thousand.

The bonds were issued following the offer addressed to Eligible Investors, as defined in the prospectus of 28th of November 2017 approved by ASF through the approval decision no. 1710 of November 28th, 2017, amended by the amendment of 8th of December 2017 approved by the ASF by the approval decision no. 1766 of 8th of December 2017 and by the amendment of 13th of December approved by the ASF by the approval decision no. 1816 of 13th of December 2017.

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**17. TRADE AND OTHER PAYABLES**

	<b>31 December 2019</b>	<b>31 December 2018</b>
<b>Non-current liabilities</b>		
Guarantees	330	1,151
	<b>330</b>	<b>1,151</b>
<b>Current liabilities</b>		
Trade payables	3,225	5,161
Customer deposits	1,721	2,289
Divides payable	199	98
Payable to affiliates	275	1,838
Other payables	19,117	2,689
	<b>24,537</b>	<b>12,075</b>
	<b>24,867</b>	<b>13,226</b>

Information related to the Company's exposure to exchange rate risk and liquidity risk related to trade and other liabilities is included in Note 23.

Revenue recognized in the current year that was included in the customer deposit balance carried forward at the beginning of the period was 6,136 thousand RON (2018: 1,245 thousand RON). In the current reporting period, there have been no recognized incomes related to performance obligations that were satisfied in a prior financial year.

**18. PROVISIONS FOR RISKS AND CHARGES**

	<b>Provisions for litigations</b>	<b>Other provisions</b>	<b>Total</b>
<b>Balance on January 1st 2019</b>	<b>271</b>	<b>330</b>	<b>601</b>
Provisions established during the period	48	259	307
Provisions written back during the period	-	1	1
<b>Balance on December 31st 2019</b>	<b>319</b>	<b>588</b>	<b>907</b>

**19. REVENUE**

Revenues of the Company:

	<b>2019</b>	<b>2018</b>
Revenue from sale of residential properties	156,568	101,232
Other revenues	127	237
	<b>156,695</b>	<b>101,469</b>
<b>Net rental income</b>	<b>2019</b>	<b>2018</b>
Revenues from rentals	396	1,542
Revenue from re-charging utilities	3,984	3,795
Operating expenses directly related to properties rented	(4,308)	(3,359)
	<b>72</b>	<b>1,978</b>

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**20. GENERAL AND ADMINISTRATIVE EXPENSES**

	<u>2019</u>	<u>2018</u>
Consumables	452	978
Services provided to third parties	7,437	7,385
Staff costs	<u>12,040</u>	<u>11,937</u>
	<b><u>19,929</u></b>	<b><u>20,300</u></b>

The fees charged by Deloitte Romania for services provided in 2019 comprise TEUR 41 for the audit of the individual and consolidated financial statements, TEUR 6.5 for other assurance services and TEUR 19.8 for other services.

**21. OTHER OPERATING EXPENSES/INCOME**

	<u>2019</u>	<u>2018</u>
Other operating income	(3,727)	(3,089)
Rent expenses	541	2,448
(Profit) / Loss on disposal of property, plant and equipment	(122)	1,017
Fines and penalties (income)/expenses	187	381
Other operating expenses	<u>6,630</u>	<u>2,545</u>
	<b><u>3,509</u></b>	<b><u>3,302</u></b>

**22. FINANCE COST/INCOME**

	<u>2019</u>	<u>2018</u>
Interest expense	9,095	8,654
Interest income	(4,450)	(1,581)
Foreign exchange result	<u>2,505</u>	<u>185</u>
	<b><u>7,150</u></b>	<b><u>7,258</u></b>

**23. INCOME TAX**

*Taxes recognized in the profit and loss account*

	<u>2019</u>	<u>2018</u>
Income/(Expense) from-with the deferred profit, net	21,042	3,488
Income tax	<u>7,928</u>	<u>3,799</u>
<b>Other tax expenses</b>	<b><u>28,970</u></b>	<b><u>7,287</u></b>

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**23. INCOME TAX (continued)**

**(i) Reconciliation of effective tax rate**

	<u>2019</u>		<u>2018</u>	
<b>Profit before taxation</b>		<b>183,109</b>		<b>27,274</b>
Tax using the Company's domestic tax rate	-16%	(29,297)	-16%	(4,364)
Non-deductible expenses and adjustments	15%	2,019	13%	3,904
Tax-exempt income	15%	(1,692)	30%	(6,827)
Recognition of tax effect of previous year tax losses				-
	<b>16%</b>	<b>(28,970)</b>	<b>9%</b>	<b>(7,287)</b>

**(ii) Cumulative temporary differences generating deferred tax**

	<u>31 December 2019</u>		<u>31 December 2018</u>	
	<u>Cumulative temporary differences</u>	<u>Deferred tax liabilities / (assets)</u>	<u>Cumulative temporary differences</u>	<u>Deferred tax liabilities / (assets)</u>
Property, plant and equipment	(1,393)	(223)	(1,481)	(237)
Investment property	312,855	50,048	177,067	28,331
Inventories	(14,706)	(2,343)	(10,175)	(1,628)
Trade and other receivables	(4,838)	(774)	(5,505)	(801)
	<b>291,918</b>	<b>46,707</b>	<b>160,281</b>	<b>25,665</b>
Fiscal losses which generated deferred tax	(4,101)	(656)	(4,101)	(656)
	<b>287,817</b>	<b>46,051</b>	<b>156,180</b>	<b>25,009</b>

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**23. INCOME TAX (continued)**

**(iii) Deferred tax balance movements**

	Net balance as at 1 January	Recognised in profit or loss	Recognised in other comprehensive income	Balance at 31 December		
				Net	Assets	Liabilities
<b>2019</b>						
Property, plant and equipment	(237)	14	-	(223)	(223)	-
Investment property	28,311	21,737	-	50,048	-	50,048
Trade and other receivables	(801)	27	-	(774)	(774)	-
Inventories	(1,608)	(735)	-	(2,343)	(2,343)	-
Effect of fiscal losses which generated deferred tax	(656)	-	-	(656)	(656)	-
<b>Fiscal (assets) / liabilities, net</b>	<b>25,009</b>	<b>21,042</b>	<b>-</b>	<b>46,051</b>	<b>(3,997)</b>	<b>50,048</b>
				Balance at 31 December		
	Net balance as at 1 January	Recognised in profit or loss	Recognised in other comprehensive income	Net	Assets	Liabilities
<b>2018</b>						
Property, plant and equipment	(191)	(46)	-	(237)	(237)	-
Investment property	24,577	3,734	-	28,311	-	28,311
Trade and other receivables	(1,067)	266	-	(801)	(801)	-
Inventories	(1,453)	(164)	-	(1,608)	(1,608)	-
Effect of fiscal losses which generated deferred tax	(656)	-	-	(656)	(656)	-
<b>Fiscal (assets) / liabilities, net</b>	<b>21,210</b>	<b>3,799</b>	<b>-</b>	<b>25,009</b>	<b>(3,302)</b>	<b>28,311</b>

This is a free translation from the original Romanian version.

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**24. FINANCIAL INSTRUMENTS - RISK MANAGEMENT**

Financial risk management

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

- credit risk
- liquidity risk
- market risk

**General risk management framework**

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

The Company's policies regarding the risk management are defined so as to ensure identification and analysis of the risks the Company is dealing with, setting limits and adequate 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 Company's operations. The Company, 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.

**(a) Credit Risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises mainly from the Company'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:

	<b>Nota</b>	<b>31 December 2019</b>	<b>31 December 2018</b>
Trade and other receivables	11	91,938	60,287
Cash and cash equivalents	13	35,357	26,676
		<b>127,295</b>	<b>86,963</b>

**Trade receivables 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.

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

	<b>31 December 2019</b>	<b>31 December 2018</b>
Romania	<b>91,938</b>	60,287
	<b>91,938</b>	<b>60,287</b>

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**24. FINANCIAL INSTRUMENTS - RISK MANAGEMENT (continued)**

**(a) Credit Risk (continued)**

***Impairment losses***

The receivables' ageing at reporting date was:

	<b>31 December 2019</b>			<b>31 December 2018</b>		
	<b>Gross</b>	<b>Impairment</b>	<b>Net</b>	<b>Gross</b>	<b>Impairment</b>	<b>Net</b>
Not yet due	91,998	-	91,998	53,641	-	53,641
Past due 1-30 days	710	-	710	2,378	-	2,378
Past due 31-90 days	278	-	278	1,611	-	1,611
Past due 91-120 days	(125)	-	(125)	38	-	38
Past due 121-365 days	25	-	25	563	(382)	180
Past due more than 1 year	2,744	(3,692)	(948)	4,356	(3,467)	88
	<b>95,629</b>	<b>(3,850)</b>	<b>91,938</b>	<b>62,586</b>	<b>(3,850)</b>	<b>58,737</b>

Impairment losses at 31 December 2019 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 Company 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 2019, the Company held cash and cash equivalents in amount of 35,357 thousand RON (31 December 2018: 26,676 thousand RON), 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.

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**24. FINANCIAL INSTRUMENTS - RISK MANAGEMENT (continued)**

**(b) 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 Company'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 Company'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:

	<u>Carrying value</u>	<u>Total</u>	<u>Less than 1 year</u>	<u>between 1 and 2 years</u>	<u>between 2 and 5 years</u>	<u>More than 5 years</u>
<b>31 December 2018</b>						
Loans and borrowings	117,488	117,488	1,765	115,723	-	-
Trade and other payables	24,867	24,867	24,536	331	-	-
	<b>142,355</b>	<b>142,355</b>	<b>26,301</b>	<b>116,054</b>	-	-
	<u>Carrying value</u>	<u>Total</u>	<u>Less than 1 year</u>	<u>between 1 and 2 years</u>	<u>between 2 and 5 years</u>	<u>More than 5 years</u>
<b>31 December 2018</b>						
Loans and borrowings	142,886	142,886	28,786	114,100	-	-
Trade and other payables	13,226	13,226	12,075	1,151	-	-
	<b>156,112</b>	<b>156,112</b>	<b>40,861</b>	<b>115,252</b>	-	-

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**24. FINANCIAL INSTRUMENTS - RISK MANAGEMENT (continued)**

**(c) Market risk**

The Company's activities expose it to the financial risks of changes in both foreign currency exchange rates and interest rates. The Company aims to manage the exposure to these risks using fixed or variable rate borrowings, foreign currency borrowings and derivative financial instruments.

*Currency risk*

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

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

<i><b>In thousands of RON</b></i>	<b>EUR</b>
<b>31 December 2018</b>	
<b>Monetary assets</b>	
Cash and cash equivalents	1,436
	<b>1,436</b>
<b>31 December 2018</b>	
<b>Monetary liabilities</b>	
Loans and borrowings	117,488
	<b>(116,052)</b>
<b>Net exposure</b>	
	<b>EUR</b>
<b>31 December 2018</b>	
<b>Monetary assets</b>	
Cash and cash equivalents	14,707
	<b>14,707</b>
<b>Monetary liabilities</b>	
Loans and borrowings	114,100
	<b>(99,393)</b>
<b>Net exposure</b>	

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

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**24. FINANCIAL INSTRUMENTS - RISK MANAGEMENT (continued)**

**(c) Market risk (continued)**

*Currency risk (continued)*

The main exchange rates used during the year were:

	<u>31 December 2019</u>	<u>Average for 2019</u>	<u>31 December 2018</u>	<u>Average for 2018</u>
EUR 1	4,7793	4.7452	4,6639	4,6530

**Sensitivity analysis**

A strengthening / (weakening) of Leu by 10% against the following foreign currencies as at 31 December 2019 and 31 December 2018 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 Company at the end of the period, This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases.

	<u>31 December 2019</u>		
	<u>Carrying value</u>	<u>Weakening</u>	<u>Strengthening</u>
Monetary assets and liabilities			
EUR	(116,052)	11,605	(11,605)
<b>Impact</b>	<b>(11,605)</b>	<b>(11,605)</b>	<b>11,605</b>
	<u>31 December 2018</u>		
	<u>Carrying value</u>	<u>Weakening</u>	<u>Strengthening</u>
Monetary assets and liabilities			
EUR	(99,393)	9,939	(9,939)
<b>Impact</b>	<b>(9,893)</b>	<b>(9,893)</b>	<b>9,893</b>

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**24. FINANCIAL INSTRUMENTS - RISK MANAGEMENT (continued)**

**(c) Market risk (continued)**

**Interest risk**

	<b>31 December 2018</b>				<b>31 December 2018</b>			
	<b>Carrying value</b>	<b>Variable interest</b>	<b>Fixed interest</b>	<b>Non-interest bearing</b>	<b>Carrying value</b>	<b>Variable interest</b>	<b>Fixed interest</b>	<b>Non-interest bearing</b>
<b>Monetary assets</b>								
Trade and other receivables	91,938	-	-	91,938	60,287	-	-	60,287
Cash and cash equivalents	35,357	-	29,903	5,454	26,676	-	15,002	11,674
	<b>127,295</b>	<b>-</b>	<b>29,903</b>	<b>97,392</b>	<b>86,963</b>	<b>-</b>	<b>15,002</b>	<b>70,657</b>
<b>Monetary liabilities</b>								
Loans and borrowings	117,488	-	117,488	-	142,332	28,786	114,100	-
Trade and other payables	24,867	-	-	24,867	13,226	-	-	13,226
	<b>148,913</b>	<b>-</b>	<b>117,488</b>	<b>24,867</b>	<b>156,112</b>	<b>28,786</b>	<b>114,100</b>	<b>13,226</b>

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**24. FINANCIAL INSTRUMENTS - RISK MANAGEMENT (continued)**

**(c) Market risk (continued)**

**Interest risk (continued)**

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

	<b>Carrying value</b>	
	<b>31 December 2019</b>	<b>31 December 2018</b>
<b>Fixed rate instruments</b>		
Financial assets	29,903	15,002
Financial liabilities	(117,488)	(114,100)
	<b>(87,585)</b>	<b>(99,098)</b>
<b>Variable rate instruments</b>		
Financial liabilities	-	(28,786)
	-	<b>(28,786)</b>

**Fair value sensitivity analysis for fixed rate instruments**

The Company 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.

**25. CAPITAL COMMITMENTS**

As at 31 December 2019, the Company has no capital commitments contracted.

**26. CONTINGENCIES**

***Litigations***

As of the date of these Financial Statements, the Company was involved in various ongoing lawsuits both as plaintiff and defendant.

The management of the Company analyses regularly the status of all ongoing litigations, and, following a consultation with the Board of Administration decides upon the necessity of recognizing provisions related to the amounts involved or their disclosure in the individual financial statements.

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

**a) Cluj City Council – Cluj Municipality (hereinafter "CCC")**

The Company and one of its subsidiaries (Clearline Development and Management SRL) are parties in two cases in which CCC is counterparty. In 2007 the company entered into an investment contract with CCC whereby CCC the Company would develop a residential project and CCC would contribute land ("Lomb project)". The Company and its subsidiary request reimbursement of amounts arising from investments made by the Company and its subsidiary in respect of the 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.

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**26. CONTINGENCIES (continued)**

The case number 79/1285/2012 is pending at the Cluj Commercial Court, based on which the Company has requested the dissolution of the framework-contract no. 55423/04.07.2007 concluded between CLC and the Company. In addition, the Company requested compensation provisionally valued at 4,008 thousand RON 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 is pending at 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 thousand RON plus related interest, computed from the date of the damage up to the date of the registration of the claim, provisionally estimated to 500 thousand RON.

The subsidiary company has recognized the works performed under Inventories. Up to the date of these

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

In the course 2019, in both cases, procedural documents on the administration of evidence with technical expertise, followed by objections and / or requests for rehabilitation of these specialized works, were made, which postponed the completion of the administration of the evidence until the date of this report. At this point in both cases the administration of evidence using accounting expertise.

The last hearings are set for February 26th, 2020 at the specialized Court Cluj and March 19, 2020 at the Commercial Court Arges. The Company's management does not expect any essential changes in the expertise result impacting these financial statements.

**b) Barbu Vacarescu**

In 2014, the Company acquired 1/3 of the title of ownership on 5 plots of land with a total area of 78,970 sqm, located in Barbu Vacarescu, Bucharest. The other 2/3 of the title on the lots were acquired by Cefin Real Estate Development BV ("Cefin").

Impact has filed a lawsuit against Cefin Real Estate Development BV ("Cefin") for the separation and identification of Land Impact in Barbu Vacarescu (2.6 ha) in the Land Book. Impact and Cefin own a land of c. 10.5 ha, of which 2,6 ha of Impact and the rest of Cefin owned. In the file, the sample was certified with expertise in the topography specialty, requested by Cefin.

In the year 2107 Impact decided to formulate a legal action regarding the separation and identification the land of Impact in Barbu Vacarescu (approximately 2.6 ha) in the Land Book and to individualize an exclusive property right of this land area. The legal action is the subject of file no.5642/300/2017, registered on the role of District Court 2, Bucharest. The court is in the background phase, and the probation of the evidences to be administered is very complex.

Up to this date, topographic and geotechnical expertise have been carried out. By means of the topographic expertise, the main aim was to make proposals for lottery in nature, the shares of co-ownership and the urban servitudes and the existing neighborhoods. As cadastral overlaps were identified between the lots that were the object of the topographic expertise, the land books were updated.

The length of the trial can be considerably prolonged in case the court approves the trial with the evaluation expertise. When pronouncing the court decision, the court will have to proceed with the sharing of the lots taking into account the property shares held by each party, but also aspects related to the location, identification and evaluation of the lots.

The next hearing is April 16, 2020.

No significant changes in the carrying value of assets are expected to result from the outcome of this case. Refer to Note 9 for details of the investment.

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**26. CONTINGENCIES (continued)**

**c) Ghencea**

During 2018 the company filed an action with the Bucharest Court against the Romanian State and Bucharest City Hall in order to reconfirm its ownership rights over the land located in the Municipality of Bucharest Prelungirea Ghencea no. 402-412, sector 6.

The file no. 5737/3/2018 has as object an action in finding, in contradiction with the Romanian State and the City Hall of Bucharest Municipality, in order to establish the existence of the property right having as object the land with an area of 258,925 sqm located in the Municipality of Bucharest, Prelungirea Ghencea no. 402-412, sector 6.

The Bucharest Court ruled on 22.11.2019 and admitted the action brought by the plaintiff IMPACT DEVELOPER & CONTRACTOR SA in contradiction with the Romanian State through the Ministry of Public Finance and the Municipality of Bucharest. The Bucharest Court found that the plaintiff has ownership of the land with an area of 258,925 sqm (from documents), respectively 258,895 sqm (from measurements), located in Bucharest, Ghencea Prelungirea no. 402-412, sector 6. The appeal of the Bucharest Tribunal can be appealed with appeal within 30 days from the communication, which is submitted to the Bucharest Court - Section IV of the Civil.

On 10.02.2020 the Bucharest Court communicated to the involved parties the decision with motivated of the sentence. The decision of the Bucharest Tribunal can be appealed against within 30 days of the communication, which is submitted to the Bucharest Tribunal - IV Civil Division.

On 28.02.2020, the Romanian State through the Ministry of Public Finance and the City Hall of Bucharest appealed the sentenced sentence.

No significant changes in the carrying value of assets are expected to result from the outcome of this case. Refer to Note 9 for details of the investment.

**27. RELATED PARTIES**

**Subsidiaries**

The Company's subsidiaries and the nature of their activity are as follows:

	<b>Registration country</b>	<b>Scope of activity</b>
Clearline Development and Management S.R.L.	Romania	Real estate development
Actual Invest House S.R.L.	Romania	Property management
Bergamot Developments	Romania	Real estate development
Bergamot Developments Phase II	Romania	Real estate development
Impact Finance	Romania	Ancillary activities to financial intermediations

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**27. RELATED PARTIES (continued)**

**Company subsidiaries (continued)**

Transactions and balances with related parties during and for the year ended December 31, 2019, December 31, 2018 respectively.

	<b>Transactions for the year ended 31 December</b>		<b>Balance at 31 December</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<b>Acquisition of goods and services</b>				
<b>Subsidiaries</b>				
Actual Invest House	1,602	25	7	20
Clearline Development and Management	12	7	61	53
Bergamot Developments	1,429	1,315	708	1,878
Bergamot Developments Phase II	6	6	-	-
Impact Finance	52	43	8	-
GreenField Rent	-	-	1	-
	<b>3,102</b>	<b>1,396</b>	<b>786</b>	<b>1,951</b>

	<b>Value of the transaction in the past year 31 December</b>		<b>Balance at 31 December</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<b>Acquisition of goods and services</b>				
<b>Subsidiaries</b>				
Actual Invest House	1,283	1,622	327	1,837
Impact Finance	18	2	3	-
	<b>1,301</b>	<b>1,624</b>	<b>330</b>	<b>1,837</b>

	<b>Balance on 31 December</b>	
	<b>2019</b>	<b>2018</b>
<b>Granted loans</b>		
<b>Subsidiaries</b>		
Clearline Development and Management	65	15
Bergamot Developments	56,758	30,550
Bergamot Developments Phase II	17,392	16,163
Impact Finance	85	35
	<b>74,300</b>	<b>46,763</b>

	<b>Balance on 31 December</b>	
	<b>2019</b>	<b>2018</b>
<b>Interest rate</b>		
<b>Subsidiaries</b>		
Clearline Development and Management	3	-
Bergamot Developments	5,212	2,014
Bergamot Developments Phase II	1,690	615
	<b>6,905</b>	<b>2,629</b>

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## **27. RELATED PARTIES (continued)**

### **Transactions with key management personnel**

Remuneration of key management personnel comprises salaries and related contributions (social and medical contributions, unemployment contributions and other similar contributions). The Company's management is employed on a contractual basis. The remuneration of the directors and board of directors, who are the key management personnel of the Company, for the year ended 31 December 2019 is 2,145 thousand RON.

Starting with December 2019, the company has implemented a share-based incentives scheme for the management and other employees including a total number of 1.2 million shares to be granted over a period of 1 year.

## **28. EARNINGS PER SHARE**

	<u>2019</u>	<u>2018</u>
Profit for the period	154,139	19,987
Number of ordinary shares at the beginning and at the end of the period	274,444	277,867
Basic earnings per share (RON/share)	0.56	0.07

## **29. SUBSEQUENT EVENTS**

Company's management does not consider that any events occurring subsequent to 31 December 2019 up to the date of the approval of these financial statements would require adjustments.

The Group closely monitors the effects of the Coronavirus pandemic and its effects on the real estate market and the economic environment in the country and will take all necessary measures to minimize the impact and respect its commitments towards customers, financiers and shareholders.

The rapid development of the Covid-19 virus and its social and economic impact in Romania and globally may result in assumptions and estimates requiring revisions which may lead to material adjustments to the carrying value of assets and liabilities within the next financial year. In particular management expects the assumptions and estimates used in determining to be affected. At this stage management is not able to reliably estimate the impact as events are unfolding day-by-day.

The Group has made an initial assessment of risks and uncertainties. Therefore, the management envisaged different scenarios taking into consideration the following:

- Sales and pre-sales
- Prices
- Developments
- Cash and external financing

At the date when these financial statements were issued, the Company recorded sales for 47 apartments in Greenfield Baneasa (i.e. for the related period in 2020) and had a pipeline of 342 pre-sold apartments, of which 78 for finalized apartments in Greenfield Baneasa and 265 for Luxuria Domenii Residence ("Luxuria"), the project currently developed by the Company through two SPVs in three phases with different completion terms.

Most of the aforementioned pre-sales are expected to be converted into sales in 2020, providing cash in the Company to support its activity and to continue the projects started within the Impact Group (Greenfield Plaza, Greenfield 3, Constanta Boreal Plus and Luxuria phase B) together with the non-restricted cash at the Impact Group level of 9.1 million EUR at 27 March 2020. In addition, the Company has a revolving financing line of 19.7 million RON whose validity is expected to be extended until May 2021 and an addendum to be signed with the bank in this respect by the end of March.

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**29. SUBSEQUENT EVENTS (continued)**

In terms of pre-sales, the Company expects a significant reduction in volume that may run through to the summer months. Also, pre-sales are expected for the new developments for which the construction may start in the second half of 2020, namely Greenfield 3 and Constanta Boreal Plus. The Company is in the process of obtaining the building permits for Greenfield 3 (including Greenfield Plaza) and Constanta Boreal Plus, and in different stages of negotiation with the constructors and financing banks for these projects.

In terms of sale prices, the Company considers that a downward price adjustment may be offset to a certain extent by a decrease in the cost of construction even if not at the same pace.

With respect to the financing of the Luxuria project, the first two phases have secured bank financing from UniCredit Bank and the related equity was already contributed by Impact Group. The drawdowns made from the loans provided by UniCredit Bank are covered 113% and 99% by related pre-sales for the first phase and the second phase of Luxuria, respectively. Also, Impact Group is in an advanced stage for securing the bank financing for the third phase of Luxuria.

The longer-term impact may also affect trading volumes, cash flows, and profitability. Nevertheless, at the date of these financial statements the Impact Developer & Contractor continues to meet its obligations as they fall due and therefore continues to apply the going concern basis of preparation.

The financial statements have been authorized for issue by the management on March 27, 2020 and signed on its behalf by:

  
\_\_\_\_\_  
**Sorin Apostol,**  
CEO

  
\_\_\_\_\_  
**Giani Kacic,**  
CFO

  
\_\_\_\_\_  
**Iuliana Mihaela Urda,**  
BoD President