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Scot & Company Consulting S.R.L.
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Independent Annual Report

To,
Shareholders and the Board of Administration of IMPACT DEVELOPER&CONTRACTOR SA

Report regarding the financial situation

1. The undersigned, have audited the attached individual financial statements of **IMPACT DEVELOPER&CONTRACTOR SA** company (“Company”) including: the balance sheet as of 31st of December 2010, the results account, the statement of changes of equity and the statement of the treasury flow for the year concluded on such date, as well as a synthesis of the significant accounting policies and other explanatory notes. The said financial statement refers to:

	- RON - <u>31st of December 2010</u>
Total equity	315,930,582
Net turnover	34,288,806
Net profit result	(17,546,665)

Responsibility of the management for the financial statements

2. The management is responsible for accurate drafting and presentation of such financial statements according to OMF 3055/2009 for the approval of the accounting regulations compliant with the European directives. Such responsibility includes: preparation, implementation and maintenance of a relevant internal control for accurate drafting and presentation of the financial statements not including significant alterations either due to fraud or errors; selection and application of adequate accounting policies; elaboration of reasonable accounting estimates for the given circumstances.

Responsibility of the auditor

3. Our responsibility consists in expressing an opinion regarding such financial statements based on the carried out audit. Except for the aspects presented in paragraphs 5 and 6 we carried out the audit according to the International Standards of Audit, as adopted by the Chamber of Financial Auditors in Romania. These standards require us to comply with the ethical requirements and to plan and carry out the audit in order to obtain a reasonable insurance of the fact that the financial statements have no significant alterations.

4. An audit involves the performance of the procedures necessary to obtain the audit evidence regarding amounts and other information published in the financial statements. The procedures selected depend on the auditor's reasoning, including the evaluation of risks for the financial statements to present significant alterations due to fraud, or errors. In such risks evaluation, the auditor analyzes the relevant internal control system for the accurate preparation and presentation of the financial statements of the entity for the purpose of planning the adequate audit procedures under given circumstances, but not for the purpose of expressing an opinion regarding the efficiency of the company's internal control system. Within such an audit there are also evaluated the level of adequacy of the accounting policies used and the extent to which the accounting estimates elaborated by the management are reasonable, as well as the global presentation of the financial statements. Except for the aspects presented in paragraphs 5 and 6, we consider that the audit evidence we have obtained are sufficient and adequate to constitute a ground for our audit opinion.

Scope limitation:

5. During the year of 2010 the company was subject to controls regarding the method of set up and payment of the local taxes owed for the buildings and lands held under property, without such controls being concluded on the date of the present report. Also, until the date of our report, the fiscal and accounting evidences of the company regarding such local taxes were not confirmed by all the control bodies (in this regard see address no 1328482/23.03.2011 issued by the General Division of Local Taxes 1st District). Given the fact that local taxes represent significant values in the financial statements drafted by the company, and, to the extent that, local taxes are differently set forth by each local authority to the extent provided by the Fiscal Code, we consider that, in lack of the final control reports, we may not ensure of the correctness of set up of the debt toward the local budgets regarding the buildings tax (buildings and lands), and we are not expressing any opinion regarding its impact on the profit and loss account. Also, we may not express any opinion on the value of debts afferent to the local taxes recorded into accountancy on 31.12.2010.
6. As the company did not proceed with the establishment of the net realizable value of all housing stock by evaluation reports, we may not express an opinion on the registration value of such stocks of houses into the financial statements drafted on 31.12.2010 (Finished products account balance) not on the potential impact of the results of such estimations on the profit and loss account.

Opinion

7. In our opinion, except for the effects on certain adjustments that might have been observed as being necessary if we would have been convinced of the aspects mentioned in paragraphs 5 and 6, the financial statements of the company IMPACT DEVELOPER & CONTRACTOR SA offer an accurate image of the financial position and of the financial performance on 31st of December 2010 in compliance with OMF 3055/2009 with the accounting policies described in the unconsolidated financial statements' notes.

Evidencing certain aspects

8. Without classifying our opinion, we bring the attention on the following aspects:
 - a) As result of the financial crisis and economic recession, the Romanian real estate market registered a significant decrease in 2010 compared to the previous years regarding both the individual value of the transactions and their volume. This tendency also manifested in case of Impact Developer&Contractor SA company. Information available on the date of the present report does not allow us to estimate the future effect of such changes.
 - b) In January 2010 Romconstruct SA (subcontractor Impact) submitted with Bucharest Court Section VII a petition by which it shows that Impact Developer&Contractor SA has certain unpaid debits to Romconstruct, and consequently it requested the opening of the insolvency procedure according to the

provisions of Law. The Bucharest Court decided the opening of the insolvency procedure, through the commercial decision nr. 5061/2010. Impact Developer&Contractor SA considered that the decision of such instance was illegal and, on one hand, it pleaded for appeal with the Court of Appeal, and on the other hand, it submitted a petition for the suspension of the execution of the decision of Bucharest Court. According to the litigations confirmation letter received from Bostina & Associates law firm, the Court of Appeal admitted the petition for the suspension of the execution of the Commercial Decision no 5061/07.07.2010 pronounced by Bucharest Court until settlement of appeal, appeal that has its first term on the date of 28.04.2011.

- c) On 31.12.2010 the company shows in the financial statements outstanding debts amounting to RON 5,228,800 over Pasteur Institute and the stamp tax amounting to RON 1,685,503 (see note 4 to the financial statements). Although the amounts originate from 2007, the estimations of Ghe. Florea law firm, independent attorney at law are optimistic regarding both the recovery of the down payment and of the paid up stamp taxes, and regarding the receipt of damage-interests provided by the sale-purchase pre-agreement. In regards to this on 24.03.2011 the Bucharest Court by its Commercial Decision no 3354/24.03.2011, admitted with right to an appeal the action of Impact Developer & Contractor SA and it ordered the return of the parties in the previous situation and courses Pasteur Institute, and reimbursement of the down payment amounting to EUR 1,250,000 and to pay the court expenses representing the judiciary stamp tax and the judiciary stamp.
- d) As presented in Note 12 to the Financial statements drafted on 31.12.2010, the company holds outstanding debts in total amount of RON 20,874,619 originating from house sale within the residential complex Europa Oradea. According to the management's statements, respective houses are built in compliance with the provisions of the association agreement FN/06.07.2004.
- e) For some of the litigations presented in appendix 1 to the Note 11 of the financial statements "Contingency Liabilities" no confirmations were received from the company's attorneys, such as: Traian Briciu, Silvan Gavenea, Domocos Golea, Diana Moldoval and Dobre Iuliana. In lack of such confirmations we can not appreciate the risks that the company could face and their potential impact on the company's financial performance and position.
- f) As shown in Note 1 to the financial statements, during the year of 2010, Impact Developer & Contractor SA sold its participation held in Intop Construction SRL company in amount of RON 2,010,000 to Lomb SA (company within the group), trading of the shares being made at nominal value.
- g) As shown in Note 1 to the financial statements, during the year of 2010, the participation held by Impact Developer & Contractor SA in Actual Invest House SRL decreased from 99% to 4.588% following the increase of the share capital made by Lomb SA – affiliated part in Actual Invest House. The increase of the share capital of Actual Invest House from RON 5,000 to RON 11,005,000 was made by contribution in cash amounting to RON 10,500,000 brought by Lomb SA and by transformation of a credit granted by Impact amounting to RON 500,000 into share capital.
- h) As shown in Note 1 to the financial statements drafted on 31.12.2010, Impact Developer & Contractor SA holds participations in Lomb SA in amount of RON 45,445,028. According to the management's statements, although by Decision of GAS no 3 as of 20.09.2010, the decrease of the share capital of Lomb SA was decided from RON 45,445,028 to RON 125,000 by reimbursement of payments to associates, the board of administration shall request GAS that the share capital decrease to be made to the extent of the liquidities existing into the bank accounts of Lomb SA.
- i) On the date of 31.12.2010 Impact Developer & Contractor SA submits products and services currently in execution afferent to Dealul Lomb project in amount of RON 4,008,222. These investments mainly represented by the elaboration of PUZ documentation and the roads network afferent to Dealul Lomb – Cluj neighbourhood were set forth by the framework agreement no 55423/04.07.2007 concluded between Impact Developer & Contractor SA and Cluj-Napoca Local Council as a precondition for the set up of Lomb SA company. According to the management's and company's lawyer Vladescu Lucian Dan there are significant chances that such costs be further recovered by Cluj Local Council.
- j) As it is mentioned in the notes to the financial statements, independent of the individual financial statements audited of Impact Developer & Contractor SA prepared by the company's management according to OMFP 3055/2009, the auditor SCOT & Company Consulting SRL was appointed also to audit the consolidated financial statements of Impact Developer & Contractor SA group, prepared

under the management's responsibility according to the International Financial Reporting Standards (IFRS).

Report on other legal and regulating claims

9. According to OMFP 3055/2009, we have also reviewed the report of the administrator issued on the same date with the attached financial statements. As a result of the review, we didn't identify any aspect that could indicate significant inconsistency between the board of administration's report and the attached financial statements prepared under the management's responsibility.
10. The present Auditor's Report was drafted for further utilization by: the management and its shareholders united by GMS according to the law 31/90 republished. To the extent of the law, SCOT doesn't accept and doesn't assume any responsibility to a third party, other than the company or its General Meeting regarding of its audit, the audit report and any opinion it formed.

Dan Schwartz, Managing Partner
Member of CAFR (no 404/09.12.2000)

On behalf of the company

Scot & Company Consulting S.R.L.
Member of CAFR (no 322/31.05.2001)

11th of April 2011
Bucharest