IMPACT DEVELOPER & CONTRACTOR S.A.

CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2017

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

TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

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CONTENTS: **PAGINA:**

Deloitte.

Deloitte Audit S.R.L.
Şos Nicolae Titulescu nr. 4-8
Intrarea de est,
Etajul 2 zona Deloitte şi etajul 3
Sector 1, 011141, Bucureşti
România

Tel.: +40 21 222 16 61
Fax: +40 21 222 16 60
www.deloitte.ro

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Consolidated Financial Statements

Opinion

1. We have audited the consolidated financial statements of S.C. IMPACT DEVELOPER & CONTRACTOR S.A. and its subsidiaries (the "Group"), with registered office in Bucharest, identified by unique tax registration code 1553483, which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, including a summary of significant accounting policies and notes to the consolidated financial statements.

2. The financial statements as at December 31, 2017 are identified as follows:

• Net assets/Equity	RON 418,340,019
• Net profit for the financial year	RON 51,097,600

3. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017, and its consolidated financial performance and its consolidated 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 European Union.

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 Group 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key Audit Matter	How our audit addressed the matter
Valuation of Investment Property As disclosed in Note 11 to the consolidated financial statements, investment property held by the Group is recorded at RON 193,342,626 as of December 31, 2017. Investment properties primarily represent land plots. The Group 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. 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.	Our procedures in relation to management's valuation of investment properties include: - Evaluation of the independent external valuers' competence, capabilities and objectivity; - 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; - Performing sensitivity analysis of market prices of similar assets in the same area; and - 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. The land values are determined based on the comparables approach. Our discussions with management have focussed upon the choice of comparable assets and adjustments applied. The valuation is highly sensitive to the choice of comparables as well as the application of adjustments. The key assumptions and changes in the year are disclosed in note 11 and we are satisfied that the valuation of investment properties is supported.
Litigations Please refer to Note 30 'Contingent assets and contingent liabilities' to the consolidated financial statements. As disclosed in this note, the Group is involved in various litigation both as plaintiff and defendant. The management of the Group 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. We consider that the treatment of legal cases is a key audit matter.	Our audit procedures related to management assessment of litigations included the following: - Sending confirmation letters to all the external lawyers which represent the Group in the Court trials, in order to confirm the status of each litigation and the chance of success; - 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; - 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; We are satisfied that the uncertainties with regard to these case are sufficiently disclosed.

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Other information – Administrators' Report

6. The administrators are 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 consolidated financial statements for the year ended December 31, 2017, 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 Group and its environment gained during the audit on the financial statements prepared as at December 31, 2017, 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

8. In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

9. Those charged with governance are responsible for overseeing the Group's financial reporting process.

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Auditor's Responsibilities for the Audit of the Consolidated 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 consolidated 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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 Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group 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.

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Report on Other Legal and Regulatory Requirements

15. We have been appointed by the General Assembly of Shareholders on 28.04.2017 to audit the financial statements of S.C. IMPACT DEVELOPER & CONTRACTOR S.A. for the financial year ended December 31, 2017. The uninterrupted total duration of our commitment is 1 year, covering the financial year ended December 31, 2017.

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 Grup 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 Steve Openshaw.

Steve Openshaw, Audit Partner

For signature, please refer to the original Romanian version.

Registered with the Romanian Chamber of Financial Auditors
under no. 5469/ 22.03.2018

On behalf of:

DELOITTE AUDIT S.R.L.

Registered with the Romanian Chamber of Financial auditors
under no. 25/25/06/01

Sos. Nicolae Titulescu nr. 4- 8, America House, Intrarea de Est,
Etajul 2 - zona Deloitte şi Etajul 3, sector 1,
Bucharest, Romania
March 26, 2018

	Note	31 December 2017	31 December 2016
ASSETS			
Non-current assets			
Property, plant and equipment	9	8,916,883	6,038,745
Intangible assets	10	193,238	245,075
Investment property	11	193,342,626	136,736,403
Financial assets	12	-	-
Long term trade and other receivables	14	6,183,956	11,215,815
Total non-current assets		**208,636,703**	**154,236,038**
Current assets			
Inventories	13	363,622,778	295,687,776
Trade and other receivables	14	7,095,796	14,874,354
Prepayments		145,223	179,397
Cash and cash equivalents	15	47,476,223	17,632,043
Total current assets		**418,340,019**	**328,373,570**
Total assets		**626,976,721**	**482,609,608**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	16	285,330,158	285,330,158
Share premium		68,760,070	84,175,480
Revaluation reserve	9	3,031,970	3,137,863
Other reserves		10,632,006	7,627,695
Accumulated profit		59,655,388	7,311,593
Total shareholders' equity attributable to the owners of the Company		**427,449,455**	**387,582,789**
Non-controlling interests		-	-
Total equity		**427,449,455**	**387,582,789**
Non-current liabilities			
Loans and borrowings	17	133,401,233	28,519,089
Trade and other payables	18	1,032,684	2,863,944
Deferred tax liability	26	22,024,185	13,814,127
Total non-current liabilities		**156,458,102**	**45,197,160**

	Note	31 December 2017	31 December 2016
Current liabilities			
Loans and borrowings	17	12,592,951	21,107,550
Trade and other payables	18	30,152,062	28,715,491
Provisions for risks and charges	19	324,152	6,618
Total current liabilities		**43,069,165**	**49,829,659**
Total liabilities		**199,527,266**	**95,026,819**
Total shareholders' equity and liabilities		**626,976,721**	**482,609,608**

These consolidated financial statements were approved by management on March 26, 2018 and signed on behalf of the company by:

Bogdan Oslobeanu **Chief Executive Officer**	**Iuliana Mihaela Urda** **Chairman of Board of Administrators**	**Elisabeta Ion** **Chief Financial Officer**

	Note	2017	2016
Income from sale of real estate inventories		111,708,001	144,906,803
book value of sold real estate inventories	13	(66,109,305)	(92,333,577)
Profit / (loss) from sale of real estate inventories		**45,598,696**	**52,573,226**
Rental income	30	1,060,053	1,310,376
Operating costs charged to tenants	30	3,475,705	2,715,413
Operating expenses directly related to properties rented	30	(3,265,987)	(2,883,824)
Net result from re-charges		**209,717**	**(168,411)**
Income from sale of investment properties		-	2,189,510
Book value of sold investment properties	11	(151,072)	(1,917,666)
Result from sale of investment properties		**(151,072)**	**271,844**
Revenues from services rendered		(563,519)	763,596
Expenses related to consumables	20	(4,456,271)	(2,641,460)
Other expenses related to properties under development		-	-
Third party services	21	(8,520,325)	(8,263,165)
Work performed by the entity and capitalized		762,180	-
Employee benefits expense	22	(11,682,365)	(9,721,718)
Other operating income	23	1,522,254	1,228,185
Other operating expense	24	(8,013,078)	(3,942,150)
Expenses with provisions and similar charges	29	(563,519)	5,600,147
Other operating income / (loss), net		**(30,951,123)**	**(16,976,565)**
Profit/ (loss) before interest, tax, depreciation and amortization (EBITDA)		**15,766,271**	**37,010,470**
Expenses related to depreciation and amortization		(800,842)	(670,308)
Impairment of assets	25	(5,403,924)	(5,678,347)
Impairment recognized/reversed, other than those related to investment properties		**(6,204,766)**	**(6,348,655)**
Gains / (losses) in fair value of investment properties, net	11	56,762,767	492,053
Profit/ (loss) before interest and tax (EBIT)		**66,324,273**	**31,153,868**

IMPACT DEVELOPER & CONTRACTOR S.A.
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017
(all amounts are expressed in LEI, unless stated otherwise)

	Note	2017	2016
Interest expense		(3,636,911)	(1,452,346)
Interest income		(110,433)	31,856
Foreign exchange differences, net		(1,224,973)	63,572
Other financial elements, net		(447,034)	(185,135)
Financial result		**(5,419,352)**	**(1,542,053)**
Share of other comprehensive income from equity-accounted investees (after tax)	12		-
Gross profit / (gross loss) (EBT)		**60,904,921**	**29,611,815**
Deferred tax income	26	(8,210,058)	-
Tax on profit		**(1,597,264)**	**-**
Profit/(Loss) for the period		**51,097,599**	**29,611,815**
Other comprehensive income			
Items that will not be subsequently reclassified to profit or loss			
Revaluation reserves recognized during the period	9	-	25,907
Cancellation of revaluation reserve for impaired assets	9	-	-
Deferred tax liability related to revaluation reserve	9, 26	-	-
		-	**25,907**
Other comprehensive income, after tax		**-**	**25,907**
Total comprehensive income for the period		**51,097,599**	**29,637,722**
Loss attributable to:			
Owners of the parent		51,097,599	29,611,815
Non-controlling interests		-	-
Profit/ (Loss) for the period		**51,097,599**	**29,637,722**
Total comprehensive income attributable to:			
Owners of the parent		51,097,599	29,637,722
Non-controlling interests		-	-
Total comprehensive income for the period		**51,097,599**	**29,637,722**
Result per share			
Basic result per share (RON/share)	34	0.18	0.10

These consolidated financial statements were approved by management on March 26, 2018 and signed on behalf of the company by:

Bogdan Oslobeanu **Chief Executive Officer**	**Iuliana Mihaela Urda** **Chairman of Board of Administrators**	**Elisabeta Ion** **Chief Financial Officer**

This is a free translation from the original Romanian version.
Notes attached form an integral part of these consolidated financial statements.

IMPACT DEVELOPER & CONTRACTOR S.A.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017
(all amounts are expressed in RON, unless stated otherwise)

	Share capital	Capital premium	Revaluation reserves	Other reserves	Reported earning	Total	Miniority intrest	Total
Balance as at 1 January 2017	**285.330.158**	**84.175.480**	**3.137.863**	**7.627.695**	**7.311.593**	**387.582.789**	**-**	**387.582.789**
Total comprehensive income for the period								
Loss for the period	-	-	-	-	51,097,600	51,097,600	-	51,097,600
Other comprehensive income								
Revaluation reserves recognized during the period	-	-	-	-	15,415,410	15,415,410	-	15,415,410
Adjustments from previous year					-			
Reclassifications	-	(15,415,410)	(113,315)	110,133	-	(15,418,592)	-	(15,418,592)
Legal reserves constituted	-	-	-	2,941,008	(2,941,008)	-	-	-
Deferred tax related to revaluation reserve	-	-	-	-	-	-	-	-
Total other comprehensive income			**(113,315)**	**3,051,141**	**12,474,402**	**(3,182)**	**-**	**(3,182)**
Total comprehensive income for the period		**(15,415,410)**	**(113,315)**	**3,051,141**	**63,572,001**	**51,094,418**	**-**	**51,094,418**
Transactions with owners, recognized directly in equity								
Increase in share capital	-	-	-	-	-	-	-	-
Disposals of subsidiaries	-	-	-	-	-	-	-	-
Acquisition of subsidiaries, without non-controlling interests	-	-	-	-	-	-	-	
Movements through merger	-	-	-	-	-	-	-	-
Dividends distributed	-	-	-	-	(11,225,810)	(11,225,810)	-	(11,225,810)
Total changes in ownership interests			-	-	-	-	-	-
Total transactions with owners	-	-	-	-	**(11,225,810)**	**(11,225,810)**		**(11,225,810)**
Balance as at 31 December 2017	**285,330,158**	**68,760,070**	**3,031,969**	**10,671,870**	**59,655,388**	**427,449,455**		**427,449,455**

These consolidated financial statements were approved by management on March 26, 2018 and signed on behalf of the company by:

Bogdan Oslobeanu
Chief Executive Officer

Iuliana Mihaela Urda
Chairman of Board of Administrators

Elisabeta Ion
Chief Financial Officer

This is a free translation from the original Romanian version.
Notes attached form an integral part of these consolidated financial statements.

(all amounts are expressed in RON, unless stated otherwise)

	Share capital	Capital premium	Revaluation reserves	Other reserves	Retained earning	Total	Miniority intrest	Total
Balance as at 1 January 2016	285,330,158	84,175,480	3,190,469	6,068,675	(20,829,920)	357,934,920	-	357,934,862
Total comprehensive income for the period								
Loss for the period	-	-	-	-	29,611,815	29,611,815	-	27,459,038
Other comprehensive income								
Revaluation reserves recognized during the period	-	-	25,907	-	10,204	36,111	-	36,111
Adjustments from previous year	-	-	-	-	-	-		-
Realized revaluation reserves	-	-	(78,513)	78,513	-	-		-
Reclassifications	-	-	-	-	-	-		-
Deferred tax related to revaluation reserve			-	-	-	-		-
Legal reserves constituted	-	-	-	1,480,507	(1,480,507)	-		-
Total other comprehensive income	-	-	(52,606)	1,559,020	(1,470,303)	36,111	-	36,111
Total comprehensive income for the period	-	-	(52,606)	1,559,020	28,141,512	29,647,926	-	29,647,926
Transactions with owners, recognized directly in equity	-	-	-	-	-	-	-	-
Increase in share capital	-	-	-	-	-	-	-	-
Decrease in share capital	-	-	-	-	-	-	-	-
Acquisition of subsidiaries, without non-controlling interests	-	-	-	-	-	-	-	-
Disposals of subsidiaries	-	-	-	-	-	-	-	-
Movements through merger	-	-	-	-	-	-	-	-
Losses from redeemed shares	-	-	-	-	-	-	-	-
Dividends distributed								
Total changes in ownership interests	-	-	-	-	-	-	-	-
Total transactions with owners	-	-	-	-	-	-	-	-
Balance as at 31 December 2016	285,330,158	84,175,480	3,137,863	7,627,695	7,311,593	387,582,789	-	387,582,789

(all amounts are expressed in RON, unless stated otherwise)

	Note	2017	2016
Cash flows from operating activities:			
Loss for the period		**51,097,599**	**29,611,815**
Adjustments for:			
Depreciation of tangible non-current assets	9	663,842	578,375
Amortization of intangible non-current assets	10	137,949	106,081
Impairment of tangible non-current assets, net	9, 25	-	(78,537)
Net changes in provisions for risks and charges	24	-	-
Losses from disposal of interests in equity-accounted investees and other related parties	24	-	-
Result from disposal of assets, net	24	30,754	4,766
(Gains) / Losses from disposal of investment property	11	-	-
Impairment of inventories, net	25	6,246,952	2,965,096
Impairment of trade and other receivables, net	25	350,947	2,803,565
Changes in fair value of investment property	11	(56,606,223)	(492,053)
Income tax	26	9,807,322	-
Provisions for litigations and similar charges	29	317,534	(19,821,021)
Share of profit from equity-accounted investees (after tax)		-	-
Interest expenses		4,085,180	1,452,346
Interest income		(110,433)	(31,856)
Foreign exchange differences, net		1,224,973	(53,735)
		17,246,396	**17,044,842**
Changes in:			
Inventories		(74,181,953)	(30,768,405)
Trade and other receivables		12,488,521	8,024,136
Trade and other payables		(13,124,706)	(4,529,007)
Cash generated from operations		**(74,818,138)**	**(27,273,276)**
Income tax paid		(598,081)	-
Interest paid		(2,195,084)	(1,386,404)
Net cash from / (used in) operating activities		**(60,364,907)**	**(11,614,838)**
Cash flows from investing activities:			
Purchases of property, plant and equipment	9	(4,413,229)	(816,173)
Purchases of intangible assets	10	(86,112)	(219,600)
Proceeds from sale of financial assets		-	-
Purchases of investment property		-	(388,933)
Proceeds from sale of investment properties		-	1,917,666
Interest received		-	31,856
Proceeds from sale of property, plant and equipment		840,495	9,735
Net cash from investing activities		**(3,658,846)**	**534,550**

IMPACT DEVELOPER & CONTRACTOR S.A.
CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2017
(all amounts are expressed in RON, unless stated otherwise)

	Note	2017	2016
Cash flows from financing activities:			
Proceeds from increase in share capital and share premiums		(11,225,810)	-
Repayments of borrowings		(59,638,470)	-
Proceeds from borrowings		164,732,213	11,445,577
Net cash used in financing activities		**93,867,933**	**11,445,577**
Net Increase / (Decrease) of cash and equivalents		**29,844,180**	**365,289**
Cash and equivalents at 1 January	**15**	**17,632,043**	**17,266,754**
Effect of movements in exchange rates on cash held		-	-
Cash and equivalents as at 31 December	**15**	**47,476,223**	**17,632,043**

These consolidated financial statements were approved by management on March 26, 2018 and signed on behalf of the company by:

Bogdan Oslobeanu **Chief Executive Officer**	**Iuliana Mihaela Urda** **Chairman of Board of Administrators**	**Elisabeta Ion** **Chief Financial Officer**

(all amounts are expressed in RON, unless stated otherwise)

1. REPORTING ENTITY

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

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

The shareholding structure as at 31 December 2017 and 31 December 2016 is disclosed in Note 17.

The Consolidated Financial Statements of the Company for the year ended 31 December 2017 include the Company and its subsidiaries (together referred to as the „Group") and the Group's interests in affiliated parties and joint arrangements.

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

	Country of registration	Nature of activity	2017	2016
Clearline Development and Management SRL	Romania	Real estate development	√	√
Actual Invest House SRL	Romania	Real estate development	√	√
Bergampt Phase SRL	Romania	Real estate development	√	
Bergamot Development SRL	Romania	Real estate development	√	
Impact Finance SRL	Romania	Administration	√	

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

In 2016 and 2017 the business of Impact revolves around a major project: GREENFIELD residential complex in Bucharest.

2. BASIS OF PREPARATION

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

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

Basic Assumptions

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

a) Going concern

These consolidated financial statements have been prepared under going concern assumption, stating that the Group shall continue its activity in the foreseeable future.

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

2. BASIS OF PREPARATION (continued)

b) Accrual basis of accounting

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

Fundamental qualitative characteristics of financial information

The information presented in these Consolidated Financial Statements for the year ended 31 December 2017 have the following qualitative properties:

a) Relevance

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

b) Materiality

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

c) Accurate representation

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

Prudence

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

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

Substance over form

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

Offsetting

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

3. FUNCTIONAL AND PRESENTATION CURRENCY

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

4. USE OF ESTIMATES AND JUDGMENTS

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

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

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

- Note 7(l) – the moment of the recognition of revenue arising from contracts for sale in installments
- Note 26 – recognition of deferred tax assets: availability of future taxable profit against which carry forward tax losses can be used
- Notes 19 and 32 – recognition and measurement of provisions and contingencies: key assumptions related to the likelihood and magnitude of an outflow of resources.
- Note 11 – investment property: summary of the valuation assumptions applied.

Measurement of fair values

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

The Group has an established control framework with respect to the measurement of fair values. The Chief Financial Officer is responsible for overseeing the measurement of significant fair values, including Level 3 fair values. The Chief Financial Officer regularly reviews significant unobservable inputs and valuation adjustments. If third party information (for example: broker quotations or pricing services), the Chief Financial Officer assesses the evidence obtained if they meet the EU IFRS requirements, including the level in the fair value hierarchy in which such valuations should be classified.

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

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

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

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

5. BASIS OF MEASUREMENT

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

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

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

6. CHANGES IN ACCOUNTING POLICIES

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

7. SIGNIFICANT ACCOUNTING POLICIES

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

Below is presented the summary of the significant accounting policies.

(a) Basis of consolidation

(i) Business combinations

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

The Group measures goodwill at acquisition date as:

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

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

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

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

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

7. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of consolidation (continued)

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

(ii) Non-controlling interests

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

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

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

(iii) Subsidiaries

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

(iv) Loss of control

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity resulting from the subsidiary. Any resulting gain or loss is recognized in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. Any interest retained in the former subsidiary is measured at fair value when control is lost. Subsequently, the interest retained is accounted as an equity accounted investee (see Note 7(a)(v)) or as an available-for-sale financial asset (see Note 7(c)(i)), depending on the influence retained.

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

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

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

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

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

7. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of consolidation (continued)

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

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

(vi) Transactions eliminated on consolidation

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

(b) Foreign currency

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

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

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

(c) Financial instruments

(i) Non-derivative financial instruments

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

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

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

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

7. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Financial instruments (continued)

(i) Non-derivative financial instruments (continued)

Loans granted, trade and other receivables

Loans granted and receivables are financial assets are financial assets with fixed or determinable payments which do not have quoted price on active markets. Such assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, the loans granted and receivables are measured at amortised cost using the efective interest rate method less any impairment losses (see Note 7(h)(i)).

Cash and cash equivalents

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

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

Available for sale financial assets

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

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

(ii) Non-derivative financial liabilities

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

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

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

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

Repayable on demand overdrafts that are an integral part of the Group's cash management are included as a component of cash and cash equivalents for Consolidated Statement of Cash Flows purposes, and its accounting policy is presented in Note 7 (c)(i).

(iii) Share capital

Ordinary shares

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

7. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Financial instruments (continued)

Repurchase and reissue of ordinary shares (treasury shares)

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

Dividends

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

(d) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

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

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

(ii) Reclassification as investment property

When the use of a property is changed from owner-occupied to investment property, the property is remeasured at fair value and reclassified accordingly. Any gain arising on this remeasurement is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income to the extent that this reverses a previous impairment loss on the specific property, with any remaining gain recognised in other comprehensive income and presented in the revaluation reserve. Any loss is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

(iii) Subsequent expenditure

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

7. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Property, plant and equipment (continued)

(iv) Depreciation

The elements of property, plant and equipment are depreciated starting the date they are available for use or are functionnal, while the assets built by the Group are depreciated from the date the asset is finalised and ready to use.

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

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

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

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

(v) Revaluation

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

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

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

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

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

7. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Intangible assets and goodwill

(i) Goodwill

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

Subsequent measurement

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

(ii) Other intangible assets

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

(iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income as incurred.

(iv) Amortisation

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

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

(f) Investment property

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

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

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

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

7. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Inventories

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

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

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

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

(h) Impairment

(i) Non-derivative financial assets

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

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

Objective evidence that financial assets are impaired includes:

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

Financial assets measured at amortised cost

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

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

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

7. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Impairment (continued)

Available-for-sale financial assets

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

Investments in associates (equity-accounted investees)

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

(ii) Non-financial assets

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

External sources

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

Internal sources

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

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

7. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Impairment (continued)

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

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

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(i) Employee benefits

(i) Short term benefits

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

(ii) Contributions

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

The Group does not account for any other defined benefit plans.

(j) Provisions for risks and charges

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

(k) Leasing

(i) Determining whether an arrangement contains a lease

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

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

7. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Leasing (continued)

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

(ii) Lease payments

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

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

(l) Revenue

(i) Revenue from sale of residential properties

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

Revenue from contracts for sale in installments

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

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

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

(ii) Rental income

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

7. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Revenue (continued)

(iii) Revenues from rendering of services

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

The Group performs maintanance of residential properties / investment properties sold.

(iv) Revenues from re-charging utilities

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

(m) Gains from sale of investment property

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

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

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

(n) Financial income and expenses

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

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

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

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

(o) Taxation

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

(i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivables in respect of previous years, using the enacted or substantively enacted income tax rate.

7. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Taxation (continued)

(ii) Deferred tax

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

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

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

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

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

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

(iii) Tax exposure

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

8. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

Initial application of new amendments to the existing standards effective for the current reporting period

The following amendments to the existing standards and new interpretation issued by the International Accounting Stdards Board (IASB) and adopted by the EU are effective for the current reporting period:

- **Amendments to IAS 7 "Statement of Cash Flows"** - Disclosure Initiative – adopted by EU on 6 November 2017 (effective for annual periods beginning on or after 1 January 2017),

- **Amendments to IAS 12 "Income Taxes"** - Recognition of Deferred Tax Assets for Unrealised Losses – adopted by EU on 6 November 2017 (effective for annual periods beginning on or after 1 January 2017).

The following amendments to the existing standards and new interpretation issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

Standards and amendments to the existing standards issued by IASB and adopted by the EU but not yet effective

At the date of authorisation of these financial statements, the following new standards issued by IASB and adopted by the EU are not yet effective:

- **IFRS 9 "Financial Instruments"** - adopted by the EU on 22 November 2016 (effective for annual periods beginning on or after 1 January 2018),

- **IFRS 15 "Revenue from Contracts with Customers"** and amendments to IFRS 15 "Effective date of IFRS 15" - adopted by the EU on 22 September 2016 (effective for annual periods beginning on or after 1 January 2018),

- **IFRS 16 "Leases"** – adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2019),

- **Amendments to IFRS 4 "Insurance Contracts"** - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – adopted by the EU on 3 November 2017 (effective for annual periods beginning on or after 1 January 2018 or when IFRS 9 "Financial Instruments" is applied first time),

- **Amendments to IFRS 15 "Revenue from Contracts with Customers"** - Clarifications to IFRS 15 Revenue from Contracts with Customers – adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2018).

New standards and amendments to the existing standards issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards, amendments to the existing standards and new interpretation, which were not endorsed for use in EU as at December 31, 2017:

- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,

- **IFRS 17 "Insurance Contracts"** (effective for annual periods beginning on or after 1 January 2021),

- **Amendments to IFRS 2 "Share-based Payment"** - Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2018),

- **Amendments to IFRS 9 "Financial Instruments"** - Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019),

8. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded),

- **Amendments to IAS 28 "Investments in Associates and Joint Ventures"** - Long-term Interests in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2019),

- **Amendments to IAS 40 "Investment Property"** - Transfers of Investment Property (effective for annual periods beginning on or after 1 January 2018),

- **Amendments to various standards "Improvements to IFRSs (cycle 2014-2016)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording (amendments to IFRS 12 are to be applied for annual periods beginning on or after 1 January 2017 and amendments to IFRS 1 and IAS 28 are to be applied for annual periods beginning on or after 1 January 2018),

- **Amendments to various standards due to "Improvements to IFRSs (cycle 2015-2017)"** resulting from the annual improvement project of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view to removing inconsistencies and clarifying wording (effective for annual periods beginning on or after 1 January 2019),

- **IFRIC 22 "Foreign Currency Transactions and Advance Consideration"** (effective for annual periods beginning on or after 1 January 2018),

- **IFRIC 23 "Uncertainty over Income Tax Treatments"** (effective for annual periods beginning on or after 1 January 2019).

The Company expects that the adoption of these new standards and amendments to existing standards will have no material impact on the Company's financial statements during the initial period of application

More details about individual standards, amendments to existing standards and interpretations that can be used as appropriate:

- **IFRS 9 "Financial Instruments"** issued on 24 July 2014 is the IASB's replacement of IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting.

  Classification and Measurement - IFRS 9 introduces new approach for the classification of financial assets, which is driven by cash flow characteristics and the business model in which an asset is held. This single, principle-based approach replaces existing rule-based requirements under IAS 39. The new model also results in a single impairment model being applied to all financial instruments.

  Impairment - IFRS 9 has introduced a new, expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.

  Hedge accounting - IFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities.

  Own credit - IFRS 9 removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognised in profit or loss.

8. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

- **IFRS 14 "Regulatory Deferral Accounts"** issued by IASB on 30 January 2014. This standard is intended to allow entities that are first-time adopters of IFRS, and that currently recognise regulatory deferral accounts in accordance with their previous GAAP, to continue to do so upon transition to IFRS.

- **IFRS 15 "Revenue from Contracts with Customers"** issued by IASB on 28 May 2014 (on 11 September 2015 IASB deferred effective date of IFRS 15 to 1 January 2018 and on 12 April 2016 IASB made clarifications to this standard). IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations. Application of the standard is mandatory for all IFRS reporters and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. The core principle of the new standard is for companies to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.

- **IFRS 16 "Leases"** issued by IASB on 13 January 2016. Under IFRS 16 a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee shall use their incremental borrowing rate. As with IFRS 16's predecessor, IAS 17, lessors classify leases as operating or finance in nature. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise a lease is classified as an operating lease. For finance leases a lessor recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the net investment. A lessor recognises operating lease payments as income on a straight-line basis or, if more representative of the pattern in which benefit from use of the underlying asset is diminished, another systematic basis.

- **IFRS 17 "Insurance Contracts"** issued by IASB on 18 May 2017. The new standard requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 "Insurance Contracts" and related interpretations while applied.

- **Amendments to IFRS 2 "Share-based Payment" - Classification and Measurement of Share-based Payment Transactions** issued by IASB on 20 June 2016. The amendments provide requirements on the accounting for: (a) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; (b) share-based payment transactions with a net settlement feature for withholding tax obligations; and (c) a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

- **Amendments to IFRS 4 "Insurance Contracts" - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts** issued by IASB on 12 September 2016. The amendments address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing the replacement standard that the Board is developing for IFRS 4.

8. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

- **Amendments to IFRS 9 "Financial Instruments" - Prepayment Features with Negative Compensation** issued by IASB on 12 October 2017. The amendments modifies the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments. Under the amendments, the sign of the prepayment amount is not relevant, i. e. depending on the interest rate prevailing at the time of termination, a payment may also be made in favour of the contracting party effecting the early repayment. The calculation of this compensation payment must be the same for both the case of an early repayment penalty and the case of a early repayment gain.

- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture** issued by IASB on 11 September 2014 (on 17 December 2015 IASB deferred indefinitely effective date). The amendments address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business.

- **Amendments to IAS 7 "Statement of Cash Flows"** - Disclosure Initiative issued by IASB on 29 January 2016. The amendments are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

- **Amendments to IAS 12 "Income Taxes" - Recognition of Deferred Tax Assets for Unrealised Losses** issued by IASB on 19 January 2016. The amendments to IAS 12 clarify how to account for deferred tax assets related to debt instruments measured at fair value.

- **Amendments to IAS 28 "Investments in Associates and Joint Ventures" - Long-term Interests in Associates and Joint Ventures** issued by IASB on 12 October 2017. Amendments were introduced to clarify that an entity applies IFRS 9 including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. Amendments also delete paragraph 41 because the Board felt that it merely reiterated requirements in IFRS 9 and had created confusion about the accounting for long-term interests.

- **Amendments to IAS 40 "Investment Property"** - Transfers of Investment Property issued by IASB on 8 December 2016. The amendments state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. Amendments also state that the list of evidence in paragraph 57 was designated as non-exhaustive list of examples instead of the previous exhaustive list.

- **Amendments to various standards "Improvements to IFRSs (cycle 2014-2016)"** issued by IASB on 8 December 2016. Amendments to various standards resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording. Changes include: (i) deletion of the short-term exemptions in paragraphs E3–E7 of IFRS 1, because they have now served their intended purpose, (ii) clarification of the scope of the IFRS 12 by specifying that the disclosure requirements in IFRS 12, except for those in paragraphs B10–B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", (iii) clarification of the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

8. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

- **Amendments to various standards due to "Improvements to IFRSs (cycle 2015-2017)"** issued by IASB on 12 December 2017. Amendments to various standards resulting from the annual improvement project of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view to removing inconsistencies and clarifying wording. The amendments clarify that: a company remeasures its previously held interest in a joint operation when it obtains control of the business (IFRS 3); a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business (IFRS 11); a company accounts for all income tax consequences of dividend payments in the same way (IAS 12); and a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale (IAS 23).

- **IFRIC 22 "Foreign Currency Transactions and Advance Consideration"** issued by IASB on 8 December 2016. Interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.

- **IFRIC 23 "Uncertainty over Income Tax Treatments"** issued by IASB on 7 June 2017. It may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept a company's tax treatment. IAS 12 Income Taxes specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. IFRIC 23 provides requirements that add to the requirements in IAS 12 by specifying how to reflect the effects of uncertainty in accounting for income taxes.

(all amounts are expressed in RON, unless stated otherwise)

9. PROPERTY, PLANT AND EQUIPMENT

Reconciliation of carrying amount

	Note	Land and buildings	Plant and equipment	Fixtures and fittings	Assets under construction	Total
Cost						
Balance at 1 January 2017		**14,244,259**	**3,157,918**	**1,070,997**	**-**	**18,473,174**
Additions		3,397,170	100,496	274,917	1,769,826	5,542,409
Additions through business combinations	29				1,129,181	1,129,181
Revaluation differences						
Offset of depreciation at the reevaluation date						
Disposals		2,823,378	601,457	5,165		3,430,001
Balance at 31 December 2017		**14,818,051**	**2,656,957**	**1,340,748**	**640,646**	**19,456,402**
Accumulated depreciation and impairment losses						
Balance at 1 January 2017		**9,568,159**	**1,997,628**	**868,641**	**-**	**12,434,429**
Depreciation for the year		226,987	355,251	81,604	-	663,842
Impairment losses / (reversals)		-	-	-	-	
Accumulated depreciation of disposals		2,004,025	551,377	3,349	-	2,558,751
Accumulated depreciation and impairment of assets acquired through business combinations		-	-	-	-	-
Offset of depreciation at the reevaluation date	29	-	-	-	-	-
Balance at 31 December 2017		**7,791,120**	**1,801,503**	**946,896**	**-**	**10,539,519**
Carrying amounts						
at 1 January 2017		**4,676,099**	**1,160,290**	**202,355**	**-**	**6,038,745**
at 31 December 2017		**7,026,930**	**855,454**	**393,853**	**640,646**	**8,916,883**

(all amounts are expressed in RON, unless stated otherwise)

9. PROPERTY, PLANT AND EQUIPMENT (continued)

	Note	Land and buildings	Plant and equipment	Fixtures and fittings	Assets under construction	Total
Cost						
Balance at 1 January 2016		**14,156,826**	**2,572,740**	**932,200**	**-**	**17,661,767**
Additions		92,198	585,178	138,797	-	816,173
Additions through business combinations	29	-	-	-	-	-
Revaluation differences		-	-	-	-	-
Offset of depreciation at the reevaluation date		-	-	-	-	-
Disposals		(4,766)	-	-	-	(4,766)
Balance at 31 December 2016		**14,244,259**	**3,157,918**	**1,070,997**	**-**	**18,473,174**
Accumulated depreciation and impairment losses						
Balance at 1 January 2016		**9,408,161**	**1,718,492**	**807,938**	**-**	**11,934,591**
Depreciation for the year		238,535	279,137	60,703	-	578,375
Impairment losses / (reversals)		(78,537)	-	-	-	(78,537)
Accumulated depreciation of disposals		-	-	-	-	-
Accumulated depreciation and impairment of assets acquired through business combinations		-	-	-	-	-
Offset of depreciation at the reevaluation date	29	-	-	-	-	-
Balance at 31 December 2016		**9,568,159**	**1,997,628**	**868,641**	**-**	**12,434,429**
Carrying amounts						
at 1 January 2016		**4,748,666**	**854,249**	**124,261**	**-**	**5,727,176**
at 31 December 2016		**4,676,099**	**1,160,290**	**202,355**	**-**	**6,038,745**

(all amounts are expressed in RON, unless stated otherwise)

9. PROPERTY, PLANT AND EQUIPMENT (continued)

Revaluation of land and buildings

As at 31 December 2017, and as at December 31, 2016 the Company's land and buildings were revalued by the Colliers Valuation and Advisory SRL, external, independent and authorised by the National Association of Authorised Valuators from Romania ("ANEVAR"), having recent experience related to the location and nature of the properties under valuation.

Changes in revaluation reserve

The changes in revaluation reserve during the financial year were as follows:

	Nota	2017	2016
Revaluation reserve at 1 January		**3.137.863**	**3,190,469**
Revaluation surplus		-	25,907
Realized revaluation reserve		(105,893)	(78,513)
Cancellation of revaluation reserve related to impaired assets		-	-
Other transfers		-	-
Deferred tax related to revaluation reserve	26	-	-
Revaluation reserve at 31 December		**3,031,970**	**3,137,863**

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

10. INTANGIBLE ASSETS

Reconciliation of carrying amount

	Note	Software	Other intangible assets	Total
Cost				
Balance at 1 January 2017		**1.877.894**	**41.974**	**1.919.868**
Additions		-	86,116	86,116
Additions through business combinations	29	-	-	-
Balance at 31 December 2017		**1,877,894**	**128,090**	**2,005,984**
Accumulated depreciation and impairment losses				
Balance at 1 January 2017		**1.643.918**	**30.879**	**1.674.794**
Charge for the period		128,513	9,436	137,949
Amortization for the year		-	-	-
Accumulated amortization of assets acquired through business combinations		-	-	-
Balance at 31 December 2017		**1,772,432**	**40,315**	**1,812,747**
Carrying amounts				
at 1 January 2017		**233.976**	**11.095**	**245.075**
at 1 December 2017		**105,462**	**87,775**	**193,237**

(all amounts are expressed in RON, unless stated otherwise)

10. INTANGIBLE ASSETS (continued)

	Note	Software	Other intangible assets	Total
Cost				
Balance at 1 January 2016		**1,661,084**	**39,184**	**1,700,268**
Additions		216,810	2,790	219,600
Additions through business combinations	29	-	-	-
Balance at 31 December 2016		**1,877,894**	**41,974**	**1,919,868**
Accumulated depreciation and impairment losses				
Balance at 1 January 2016		**1,543,597**	**25,120**	**1,568,713**
Charge for the period		100,321	5,759	106,081
Amortization for the year		-	-	-
Accumulated amortization of assets acquired through business combinations		-	-	-
Balance at 31 December 2016		**1,643,918**	**30,879**	**1,674,794**
Carrying amounts				
at 1 January 2016		**117,487**	**14,064**	**131,555**
at 31 December 2016		**233,976**	**11,095**	**245,075**

11. INVESTMENT PROPERTY

Reconciliation of carrying amount

	2017	2016
Balance at 1 January	**136,736,403**	**214,898,889**
Acquisitions	-	388,933
Transfers from/to inventories, net	-	(77,125,806)
Sales	(156,545)	(1,917,666)
Changes in fair value	56,762,767	492,053
Balance at 31 December	**193,342,626**	**136,736,403**

Investment property comprises land and properties held with the purpose of capital appreciation or rented to third parties. Details related to the revenues generated from operational leasing and operational direct expenses are disclosed in Note 30.

The land held for capital appreciation, amounting to 191,005,025 RON as at 31 December 2017 (2016: 134,657,210 RON), has a total surface of 429.185 sqm (2016: 429.185 sqm) and represents 98% of investment properties in balance (2016: 98%). This land is located in Bucharest (367.163 mp) and in other regions (Constanta, Oradea).

(all amounts are expressed in RON, unless stated otherwise)

11. INVESTMENT PROPERTY (continued)

Fair value

As at 31 December 2017 and 31 December 2016, the Company's investment properties have been revalued by Colliers Valuation and Advisory SRL, external, independent evaluators, authorized by ANEVAR, having recent experience regarding the location and nature of the properties evaluated.

Fair value hierarchy

Based on the inputs to the valuation technique, the fair value measurement for investment property has been categorised as Level 3 fair value at 31 December 2017. This is an updated assesment of asset categorisation from the prior year. The classification was reassesed given the extent of adjustments which are applied to observed data for comparable land and building valuations. These adjustments are based on location and condition and are not directly observable. The reclassification from level 2 to level 3 has no impact on the finacial statements.

Valuation techniques

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

Valuation technique	Key inputs
The fair values are determined through the application of the market comparison technique. The valuation model is based on a price per square meter for both land and buildings, derived from data observable in the market, in and active and transparent market.	• Offer price per square meter for land in Bucharest (80 Euro /square meter up to 100 Euro per square meter) (2016: 80 Euro per square meter to 89 Euro per square meter) • Adjustments to observable offer prices to reflect deal prices, location and condition (-11% discount to +22% premium) (2016: -42% discount to +10% premium).

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

Pledged investment property

As at 31 December 2017, investment property having a fair value of 175.613.180 RON (31 December 2016: 24,408,760 RON) were pledged and mortgaged as guarantees for bank loans (see Note 17).

12. FINANCIAL ASSETS

	31 December 2017	31 December 2016
Financial assets held for sale		
Interests in affiliates	2,966,000	2,966,000
Impairment of interests in affiliates	(2,966,000)	(2,966,000)
	-	-

(all amounts are expressed in RON, unless stated otherwise)

12. FINANCIAL ASSETS (continued)

Interests in related parties

As at 31 December 2017 and 31 December 2016, the Group holds interests in the following affiliates:

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

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

13. INVENTORIES

	31 December 2017	31 December 2016
Land	193,021,077	154,557,317
Impairment of land	(2,395,642)	(2,395,642)
Residential properties under development	101,564,726	116,051,215
Impairment of residential properties under development	(20,642,561)	(20,129,291)
Completed residential properties	92,908,168	54,291,367
Impairment of completed residential properties	(892,284)	(6,693,638)
Other	59,293	6,448
	193,021,077	**295,687,776**

Land with a carrying amount of 190,625,435 RON as at 31 December 2017 (2016: 152,161,675 RON) consists of land held by the Company for development of new residential properties, mainly in Bucharest, as well as land which the Group intends to realise value through direct sale. During the financial year ended 31 December 2017, the Group acquired a plot of land in Bucharest with an intention to develop luxury real estate projects.

As at December 31, 2017, included within residential properties under development are inventories of 12.896.924 RON (31 December 2016: 12,896,924 RON) related to project Dealul Lomb, which is under litigation as at the date of the financial statements. More details can be found in Note 32 a).

Completed reisidential properties with a carrying value of 92.015.884 RON as at 31 December 2017 (2016: 47.597.729 RON) refer entirely to apartments held for sale by the Group.

During 2017, inventories recognised in cost of sales amounted to 66,109,305 RON (2016: 92,333,577 RON).

(all amounts are expressed in RON, unless stated otherwise)

14. TRADE AND OTHER RECEIVABLES

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

	31 December 2017		
	Non-current	Current	Total
Trade receivables	8,661,146	4,023,109	12,684,255
Allowance for trade receivables	(4,053,257)	(1,365,925)	(5,419,182)
Receivables from affiliates	-	2,670,693	2,670,693
Allowance for receivables in affiliates	-	-	-
Sudry debtors	1,614,512	(260,537)	1,353,975
Allowance of other receivables	(38,435)	(1,799,460)	(1,837,895)
Receivables from State's budget	-	1,999,921	1,999,921
Interest receivable	-	1,145,471	1,145,471
Advance payments to suppliers	-	682,526	682,526
Other receivables	-	-	-
	6,183,966	**7,095,798**	**13,279,765**

	31 December 2016		
	Non-current	Current	Total
Trade receivables	15,084,634	5,830,542	20,915,177
Allowance for trade receivables	(4,665,559)	(443,353)	(5,108,912)
Receivables from affiliates	-	241,861	241,861
Allowance for receivables in affiliates	-	(100,000)	(100,000)
Sudry debtors	796,740	1,292,111	2,316,429
Allowance of other receivables	-	(1,750,968)	(1,750,968)
Receivables from State's budget	-	5,726,423	5,726,423
Interest receivable	-	-	-
Advance payments to suppliers	-	4,075,858	4,075,858
Other receivabeles	-	1,880	1,880
	11,215,815	**14,874,354**	**26,090,169**

The above receivables mainly consist of receivables from contractors in installments and receivables from penalties from a construction services supplier (Floreasca Construction) as a result of defective work in amount of 8,205,266 at 31 December 2017 and 31 December 2016. This amount is involved in litigation as presented in Note 30. In 2016, the Group registered an impairment allowance for the amounts owed by Floreasca Construction, in amount of RON 3,051,643, representing the difference between the receivable registered by the Group and the Company's debt to Floreasca Construction.

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

As at 31 December 2017, trade and other receivables amounting to 26.186.121 RON (31 December 2016: 20.583.249 RON) were pledged as guarantees for bank loans (Note 17).

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

(all amounts are expressed in RON, unless stated otherwise)

15. CASH AND CASH EQUIVALENTS

	31 December 2017	31 December 2016
Current accounts	47,468,717	17,599,564
Petty cash	7,506	32,479
Other cash equivalents	-	-
	47,476,223	**17,632,043**

Current accounts are held with Romanian commercial banks.

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

16. SHARE CAPITAL

	31 December 2017	31 December 2016
Share capital	277,866,574	277,866,574
Hyperinflation adjustment (according to IAS 29)	7,463,584	7,463,584
	285,330,158	**285,330,158**

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

	31 decembrie 2017		31 decembrie 2016	
	Nr. de actiuni	Drept de proprietate	Nr. de actiuni	Drept de proprietate
Gheorghe Iaciu	137.500.000	49.48%	137.500.000	49.48%
Andrici Adrian	42.543.472	15.31%	42.350.335	15.24%
SWISS CAPITAL	32.753.573	11.79%	30.452.404	10.96%
Alti actionari	65.069.529	23.42%	67.563.835	24.32%
	277.866.574	**100%**	**277.866.574**	**100%**

All shares are ordinary and have equal ranking related to the Company's residual assets. The nominal value of one share is 1 Leu. The holders of ordinary shares have the right to receive dividends, as these are declared at certain moments in time, and have the right to one vote per 10 shares during the meetings of the Company.

Dividends

During the financial year ended 31 December 2017, the Group did declare and paid dividends to its shareholders in total amount of 11,225,810 RON.

During the financial year ended 31 December 2016, the Group did not declare and did not paid any dividends to its shareholders.

(all amounts are expressed in RON, unless stated otherwise)

17. LOANS AND BORROWINGS

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

	31 December 2017	31 December 2016
Non-current liabilities		
Secured bank loans	21,039,815	28,519,089
	21,039,815	**28,519,089**
Current liabilities		
Current portion of secured bank loans	25,469,644	19,294,395
Borrowings from shareholders	-	-
Short-term borrowings	1,003,817	9,338,987
Related interest	-	82,109
	26,473,461	**28,715,491**
	47,513,276	**57,234,580**

(all amounts are expressed in RON, unless stated otherwise)

17. LOANS AND BORROWINGS (continued)

	31 December 2017			31 December 2016		
	Carrying Value	out of which: non-current	current	Carrying value	out of which: non-current	current
Secured bank loans						
Piraeus Bank	15,367,870	9,007,171	6,360,699	6,487,877	-	6,487,877
Banca Romaneasca (ctr. 50070065)	2,902,754	1,898,937	1,003,817	-	-	-
Banca Romaneasca (ctr. 50070066)	15,490,588	10,133,706	5,356,882	-	-	-
Piraeus Bank (301/30.08.2006)	-	-	-	-	-	-
Libra Bank	-	-	-	11,489,644	6,437,008	5,052,636
Libra Internet Bank (1562/23.09.2016)	13,752,063	-	13,752,063	22,082,081	22,082,081	-
Banca Transilvania-Lipscani (422/26.07.2016)	-	-	-	2,851,110	-	2,851,110
Banca Transilvania-Lipscani (423/26.07.2016)	-	-	-	14,241,759	-	14,241,759
	47,513,276	**21,039,815**	**26,473,461**	**57,152,471**	**28,519,089**	**28,633,382**
Short-Terms borrowings						
Banca Transilvania	-	-	-	-	-	-
Interest	-	-	-	**82,109**	-	**82,109**
	47,513,276	**21,039,815**	**26,473,461**	**57,234,580**	**28,519,089**	**28,715,491**

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

17. LOANS AND BORROWINGS (continued)

Terms and repayment schedules

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

Creditor	Currency	Repayment	Amount of the facility, in original currency
Secured bank loans			
Piraeus Bank (2093)	RON	28.07.2020	32.730.000
Banca Transilvania (ctr 175)	RON	28.02.2019	3.861.180
Banca Transilvania (ctr 176)	RON	28.02.2019	20.322.000
Libra Internet Bank (ctr. 1562)	RON	23.09.2020	35.000.000

The interest rates at which the Group borrowed the loans in RON are between 5.3% - 7,05%.

In 2017, the Group contracted two loans from Banca Transilvania (due on February 28, 2019 and February 28, 2019) and a loan from Pireus Bank (due on July 28, 2020) to fund Stages VII of Greenfield project.

On July 10th, 2017, the Company offered 120 A series-bearer bonds for subscription, each with a face value of EUR 100,000 and a total face value of EUR 12,000,000, issued in physical form, to two funds of investments managed by Credit Value Investments Sp. z o. (CVI), who accepted the Offer on the same date. The bonds were initially offered at a price of € 98,400 per Bond (or € 11,808,000 per Bond total). 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.

Income from the Bond Issuance was used to fund land acquisition through Bergamot Developments to develop and build residential projects. 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 18,000,000 (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 1,000,000.

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 12,525,000.

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.

The loan from Piraeus Bank, the contract with no. 301, was fully paid on October 9th, 2017.

Loans from Banca Transilvania, contract no. 422 and 423 (F6), were fully paid in December 2017, 7 months before due date.

(all amounts are expressed in RON, unless stated otherwise)

17. LOANS AND BORROWINGS (continued)

Pledge

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

	31 December 2017	31 December 2016
Investment property	175,613,180	24,408,760
Trade and other receivables	26,186,121	20,583,249
Cash and cash equivalents	44.515.734	17,432,180

In addition, the contracts concluded with banks pledge all the collections made through the bank and Salcamilor Complex which is under construction.

18. TRADE AND OTHER PAYABLES

	31 December 2017	31 December 2016
Non-current liabilities		
Guarantees	1,032,684	2,863,944
	13,625,634	**21,107,550**
Current liabilities		
Trade payables	7,814,294	13,313,509
Advances received from customers	1,347,320	5,403,003
Liabilities to State's budget	411,090	699,350
Payables to employees	473,364	534,803
Deferred income	26,732	101,388
Short-term Guarantees	1,032,684	113,575
Payables to affiliates	958,421	138,024
Dividends paiables	118,539	
Other payables	1,443,191	803,898
	13,625,634	**21,107,550**
	13,625,634	**23,971,494**

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

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

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

(all amounts are expressed in RON, unless stated otherwise)

19. PROVISIONS FOR RISKS AND CHARGES

	Provisions for litigations	Other provisions	Total
Balance at 1 January 2017	**-**	**6,618**	**6,618**
Provisions made during the year	-	1,583,914	1,583,914
Provisions used during the year	-	1,266,380	1,266,380
Balance at 31 December 2017	**-**	**324,152**	**324,152**

20. EXPENSES WITH CONSUMABLES

	2017	2016
Consumables	1,764,678	1,311,499
Low value items	2,567,466	1,228,136
Fuel	124,127	101,825
	4,456,271	**2,641,460**

21. THIRD PARTY SERVICES

	2017	2016
Construction and related consultancy fees	5,664,624	4,632,100
Advisory services	-	-
Protocol, marketing and advertising	1,861,247	2,300,171
Banking commissions	95,304	78,246
Transport of goods and personnel	509,678	361,001
Safeguarding expenses	1,021	3,420
IT maintenance expenses	-	-
Insurance fees	236,211	139,821
Postal and telecommunication expenses	152,241	156,221
Other third party services	-	592,185
	8,520,325	**8,263,165**

22. EMPLOYEE BENEFITS

	2017	2016
Salaries	8,342,091	7,868,746
Mandatory contributions to social security	2,294,417	1,847,644
Contractual based salaries	1,045,857	5,328
	11,682,365	**9,721,718**

Contractual based salaries refer exclusively to directors remmuneration.

(all amounts are expressed in RON, unless stated otherwise)

23. OTHER OPERATING REVENUES

	2017	2016
Penalties	734,505	479,445
Revenues from sale of by-products	-	-
Other operating revenues	787,749	748,740
	1,522,254	**1,228,185**

24. OTHER OPERATING EXPENSES

	Note	2017	2016
Rent expenses	30	2,523,848	2,275,098
Losses from disposal of financial assets, net		-	
Local taxes		1,692,510	2,721,737
(Revenues) / Expenses from receivables and payables write-off, net	27	-	-
Provisions for risks and charges, net		-	(21,950,131)
Losses from sale of property, plant and equipment		1,737,731	(4,969)
Fines and penalties		250,986	14,647,467
Maintenance and repairs		402,718	247,212
Losses from disposal of financial assets		1,405,833	415,589
		8,013,625	**(1,657,997)**

25. IMPAIRMENT OF ASSETS, OTHER THAN INVESTMENT PROPERTY

	Note	2017	2016
(Gain) / Loss from impairment of trade and other receivables, net	27	(3,019,388)	(2,803,565)
Impairment of financial assets, net		(198,815)	(1,500)
Impairment of property, plant and equipment, net	9	(601,806)	91,814
Other rovisions, net		(1,583,367)	(2,965,096)
		(5,403,377)	**(5,678,347)**

26. TAXATION

Amounts recognised in profit or loss

	2017	2016
Deferred tax income / (expense)	8,210,058	-
Tax on profit	1,597,264	-
Total tax	**9,807,322**	**-**

(all amounts are expressed in RON, unless stated otherwise)

26. TAXATION (continued)

Reconciliation of effective tax rate

	2017		2016	
Loss before taxation		**60,904,921**		**29,611,815**
Tax using the Company's domestic tax rate	-16%	(10.068.447)	-16%	(4,737,890)
Non-deductible expenses and adjustments	- 6%	(3,908,685)	-10%	(2,927,098)
Tax-exempt income	-13%	(8,210,058)	-	-
Current year losses for which no deferred tax asset is recognized			13%	3,992,682
Recognition of tax effect of previous years tax losses	4%	9,865,433	12%	3,672,306
	-16%	**(9,807,312)**	**0%**	**-**

Unrecognised deferred tax assets

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

	31 December 2017	31 December 2016
Fiscal losses	11,613,411	15,714,348
- Out of which used in the year of the income tax	(11,613,411)	-
- Out of which, recognized during the year in the calculation of the deferred tax – asset	-	(4,100,937)
	-	**11,613,411**

Cumulative temporary differences generating deferred tax

	31 December 2017		31 December 2016	
	Cumulative temporary differences	**Deferred tax liabilities / (assets)**	**Cumulative temporary differences**	**Deferred tax liabilities / (assets)**
Property, plant and equipment	(1,190,923)	(190,548)	(1,382,750)	(220,885)
Investment property	163,780,328	26,204,853	97,468,544	17,168,184
Inventories	(14,168,169)	(2,266,907)	(6,116,950)	(1,453,127)
Trade and other receivables	(6,669,144)	(1,067,063)	(3,489,156)	(1,001,262)
	141,752,092	**22,680,335**	**86,479,688**	**14,492,910**
Fiscal losses which generated deferred tax	(4,100,938)	**(656,150)**	(4,100,937)	(656,160)
	137,651,154	**22,024,185**	**86,479,688**	**13,836,750**

(all amounts are expressed in RON, unless stated otherwise)

26. TAXATION (continued)

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
2017						
Property, plant and equipment	(208,678)	18,130	-	(190,548)	(190,548)	-
Investment property	17,155,967	9,048,886	-	26,204,853	-	26,204,853
Financial Assets	-	(813,780)	-	(813,780)	(813,780)	-
Trade and other receivables	(1,001,262)	(65,801)	-	(1,067,063)	(1,067,063)	-
Inventories	(1,453,127)	-	-	(1,453,127)	(1,453,127)	-
Effect of fiscal losses which generated deferred tax	(656,150)	-	-	(656,150)	(656,150)	-
Fiscal (assets) / liabilities, net	**13,836,750**	**8,210,058**	**-**	**22,024,185**	**(4,180,668)**	**26,204,853**

	Net balance as at 1 January	Recognised in profit or loss	Recognised in other comprehensive income	Balance at 31 December Net	Assets	Liabilities
2016						
Property, plant and equipment	(221,240)	12,562	-	(208,678)	208,678	-
Investment property	15,594,967	1,561,000	-	17,155,967	-	17,155,967
Financial Assets	(813,780)	-	-	-	-	-
Trade and other receivables	(558,265)	(442,997)	-	(1,001,262)	(1,001,262)	-
Inventories	(978,712)	(474,415)	-	(1,453,127)	(1,453,127)	-
Effect of fiscal losses which generated deferred tax	-	(656,150)	-	(656,150)	(656,150)	-
Fiscal (assets) / liabilities, net	**13,836,750**	**-**	**-**	**13,836,750**	**(3,319,217)**	**17,155,967**

(all amounts are expressed in RON, unless stated otherwise)

27. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT

(a) Financial risk management

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

- credit risk
- liquidity risk
- market risk

Risk management framework

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

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

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

Credit Risk

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

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

	Nota	31 December 2017	31 December 2016
Trade and other receivables	14	13,279,752	26,090,168
Cash and cash equivalents	15	47,476,223	17,632,043
		60,755,975	**43,722,211**

27. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (continued)

Trade and other receivables

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

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

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

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

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

	31 December 2017	31 December 2016
Romania	13,279,752	26,090,168
	13,279,752	**26,090,168**

(all amounts are expressed in RON, unless stated otherwise)

27. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (continued)

Impairment losses

The receivables' ageing at reporting date was:

	31 December 2017			31 December 2016		
	Gross	Impairment	Net	Gross	Impairment	Net
Not yet due	291,283	-	291,283	18,426,291	(4,869,216)	14,877,187
Past due 1-30 days	1,073,817	-	1,073,817	303,987	(15,934)	304,684
Past due 31-90 days	242,823	-	242,823	211,535	(13,888)	212,142
Past due 91-120 days	491,628	-	491,628	214,904	(14,109)	215,521
Past due 121-365 days	7,556,245	-	7,556,245	371,146	(24,366)	372,212
Past due more than 1 year	10,842,598	(7,218,642)	3,623,956	11,369,408	(2,022,368)	10,108,423
	20,498,394	**(7,218,642)**	**13,279,752**	**30,897,270**	**(6,959,880)**	**26,090,168**

(all amounts are expressed in RON, unless stated otherwise)

27. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (continued)

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

Balance at 1 January 2017	**6,959,880**
Impairment cancelled	(750,280)
Impairment recognised	1,009,043
Balance at 31 December 2017	**7,218,642**

Impairment losses at 31 December 2017 are related to a number of customers who provided indications that it is not expected that they will be able to pay amounts owed, mainly due to economic conditions.

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

Cash and cash equivalents

At 31 December 2017, the Group held cash and cash equivalents in amount of 47,476,223 RON (31 December 2016: 17,632,043 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.

(all amounts are expressed in RON, unless stated otherwise)

27. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to manage liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's obligations. The following table illustrates the remaining contractual maturities of financial liabilities at the end of the reporting period, including estimated interest payments and excluding any impact of netting agreements:

		Contractual cash flows						
	Carrying value	Total	less than one month	between 1 and 6 months	between 6 and 12 months	between 1 and 2 years	between 2 and 5 years	More than 5 years
31 December 2017								
Loans and borrowings	163,553,295	163,553,295	-	17,370,097	12,667,853	19,254,990	114,260,355	-
Trade and other payables	13,625,634	13,625,634	13,625,634	-	-	-	-	-
	177,178,930	**177,178,930**	**13,625,634**	**17,370,097**	**12,667,853**	**19,254,990**	**114,260,355**	**-**

		Contractual cash flows						
	Carrying value	Total	less than one month	between 1 and 6 months	between 6 and 12 months	between 1 and 2 years	between 2 and 5 years	More than 5 years
31 December 2016								
Loans and borrowings	57,123,118	76,864,435	2,874,617	9,454,261	3,465,895	26,569,879	34,499,783	-
Trade and other payables	23,971,463	23,971,463	23,971,463	-	-	-	-	-
	81,094,581	**100,835,898**	**26,492,023**	**9,454,261**	**3,465,895**	**26,569,879**	**34,499,783**	**-**

(all amounts are expressed in RON, unless stated otherwise)

27. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (continued)

Market risk

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

Currency risk

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

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

	EUR	USD	RON	Total
31 December 2017				
Monetary assets				
Trade and other receivables	-	-	13,279,752	13,279,752
Cash and cash equivalents	41,042,933	-	6,425,744	47,476,223
	41,042,933	**-**	**19,705,496**	**60,755,975**
Monetary liabilities				
Loans and borrowings	116,040,019	-	47,513,276	163,553,295
Trade and other payables	-	-	13,625,634	13,625,634
	116,040,019	**-**	**61,138,911**	**177,178,930**
Net exposure	**(74,997,086)**	**-**	**(41,433,415)**	**(116,422,955)**

	EUR	USD	RON	Total
31 December 2016				
Monetary assets				
Trade and other receivables	-	-	26,090,168	26,090,168
Cash and cash equivalents	1,522,881	-	16,109,162	17,632,043
	1,522,881	**-**	**42,199,330**	**43,722,211**
Monetary liabilities				
Loans and borrowings	6,487,877	-	50,635,242	57,234,580
Trade and other payables	-	-	23,971,463	23,971,463
	6,487,877	**-**	**74,606,705**	**81,206,043**
Net exposure	**(4,964,996)**	**-**	**(32,407,374)**	**(37,483,832)**

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

(all amounts are expressed in RON, unless stated otherwise)

27. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (continued)

Market risk (continued)

Currency risk (continuare)

The main exchange rates used during the year were:

	31 December 2017	Average for 2017	31 December 2016	Average for 2016
EUR 1	3.8915	4.0524	4,5411	4,4900
USD 1	4.6597	4.5682	4,3033	4,0569

Sensitivity analysis

A strengtheting / (weakening) of Leu by 10% against the following foreign currencies as at 31 December 2017 and 31 December 2016 would have increased the profits by the amounts indicated below. This analysis was realised based on the variations of the exchange rates considered reasonably possible by the Group at the end of the period. This analysis assumes that all other variables, in particulat interest rates, remain constant and ignores any impact of forecasted sales and purchases.

(all amounts are expressed in RON, unless stated otherwise)

27. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (continued)

Sensitivity analysis (continued)

	31 December 2017			31 December 2016		
	Carrying value	Weakening	Strengthening	Carrying value	Weakening	Strengthening
Monetary assets and liabilities						
USD	-	-	-	-	-	-
EUR	(74,997,086)	(7,499,709)	7,499,709	(4,964,996)	(496,500)	496,500
Impact	**(74,997,086)**	**(7,499,709)**	**7,499,709**	**(4,964,996)**	**(496,500)**	**496,500**

Interest risk

	31 December 2017				31 December 2016			
	Carrying value	Variable interest	Fixed interest	Non-interest bearing	Carrying value	Variable interest	Fixed interest	Non-interest bearing
Monetary assets								
Trade and other receivables	13,279,752	-	-	13,279,752	26,090,168	-	-	26,090,168
Cash and cash equivalents	47,476,223	-	-	47,476,223	17,632,043	-	-	17,632,043
	60,755,975	**-**	**-**	**60,755,975**	**43,722,211**	**-**	**-**	**43,722,211**
Monetary liabilities								
Loans and borrowings	163,553,295	163,553,295	-	-	57,234,580	57,234,580	-	-
Trade and other payables	13,625,634	-	-	13,625,634	23,971,463	-	-	23,971,463
	177,178,930	**163,553,295**	**-**	**13,625,634**	**81,206,043**	**57,234,580**	**-**	**23,971,463**

(all amounts are expressed in RON, unless stated otherwise)

27. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (continued)

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

	Carrying value	
	31 December 2017	31 December 2016
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	-	-
	-	-
Variable rate instruments		
Financial liabilities	163,553,295	57,234,580
	163,553,295	**(57,234,580)**

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A reasonable possible change of 100 basis points at the reporting date would have increased or decreased equity and profit or loss by 1,635,533 RON (2016: 571,231 RON). This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

28. LIST OF SUBSIDIARIES

Material subsidiaries of the Group

		Interest	
	Note	31 December 2017	31 December 2016
Clearline Development and Management SRL		100%	100%
Actual Invest House		100%	100%
Bergamot Development SRL		100%	-

29. OPERATING LEASES

Leasing as a lessee

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

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

During the financial year ended 31 December 2017, an amount of 2.443.530 RON was recognised as expense in the Consolidated Statement of Profit or Loss and Other Comprehensive Income for the leasing contracts (2016: 2,905,460 RON).

(all amounts are expressed in RON, unless stated otherwise)

29. OPERATING LEASES (continued)

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

	31 December 2017	31 December 2016
Less than 1 year	2,989,934	2,913,833
Between one and 5 years	947,392	2,875,363
More than 5 years		-
	3,937,325	**5,789,196**

Leasing as a lessor

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

During the financial year ended 31 December 2017, an amount of 1,123,429 RON was recognised as lease income (2016: 1,468,822 RON). The utilities expenses related to the leased properties are included in the total expenses with utilities related to all occupied properties, in total aount of 3,264,092 RON in 2017 (2016: 2,878,913 RON). These costs were fully charged to leasees and owners with a mark-up, the Group obtaining a revenue from recharges in amount of 6,781,232 RON in 2017 (2016: : 2,707,080 RON). All these elements are separately prezented in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

30. CAPITAL COMMITMENTS

As at 31 December 2016, the Group has no capital commitments contracted.

31. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Litigations

As of the date of these Consolidated Financial Statements, the Group was involved in 42 ongoing lawsuits. In 19 of them, the Group is plaintiff or contesting party, while in 23 of them the Group is defendant.

The management of the Group analyses regularly the status of all ongoing litigation, 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 Consolidated Financial Statements.

Taking into account the information available, the management of the Group 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 2 cases in which CLC is counterparty. The Company and its subsidiary request amounts arising from investments made by the Company and its subsidiary for the finalization of Lomb project to which CLC has not contributed with the land, thus the Company being unable to finalize the project and being unable to obtain any revenues from it.

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

31. CONTINGENT ASSETS AND CONTINGENT LIABILITIES (continued)

The case number 1032/1259/2012 has been registered to the Arges Commercial Court, based on which the Company's subsidiary, Clearline Development and Management SRL, has requested to CCC payment of compensation provisionally estimated to 17,053,000 RON plus related interest, computed from the date of the damage up to the date of the registration of the claim, provisionally estimated to 500,000 RON. The Company and its subsidiary have recognized the works performed under *Inventories*. Up to the date of these Individual Financial Statements, the courts have ordered preparation of technical expertise of urbanism that established the value of the investments made by the Company and its subsidiary. Based on the first expertise prepared, both the Company and its subsidiary have recognized impairment losses to the respective inventories down to the values determined by the expertise already performed, without recognizing any contingent liabilities.

In the course of the year 2016, 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.

The following are set for April 24, 2017 at the Cluj Commercial Court and 16 May 2017 at the Arges Commercial Court. The Company's management does not expect significant changes in the results of the expert's experience that could have a significant impact on the recoverable amount of inventories.

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

On trial before Bucharest Court, Section VI – Civil and Bucharest Court of Appeal Section VII – Civil, there are also three cases recorded (no. 45886/3/2009, 32874/3/2010 and respectively 23619/3/2009**) in which the Company and the Constructor are parties.

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

The file 23619/3/2009 ** represents an action for establishing the lack of the right of the Constructor to receive from the Company the value of some stages of works executed as a result of the intervention of the legal compensation with the equivalent of a part of the delayed penalties owed by the Company builder for the non-delivery of the works deriving from the foreclosure agreements previously concluded between the two parties. The amount of execution requested by the Constructor and refused to pay by the Company is 7,602,447 RON. Part of the amounts for the alleged works are included in the amounts requested by the Constructor in file 32874/3/2010. File no. 23619/3/2009 ** was terminated and sent from the supreme court to the appeal court (twice), the second time for the continuation of the appeal in the contradictory appeal with the Brooklyn Property Management, as a result of the transmission of the passive procedural quality , which is the transferee of a party to the litigation claim for which he / she opposes compensation. Currently, the SUMMA (FLOREASCA) Brooklyn Property Management LLC is the subject of the deal, but it can not be opposed to claiming compensation under IMPACT derived from Contract no. 42/2007, which has been definitively and irrevocably established as not legally effective. The next term in this file is April 13, 2017.

Case 32874/3/2010 covers the Contractor's claims from the Company for recovery of an amount of 9.13814 million RON representing unpaid executed works (3.48396 million RON) and delay penalties, calculated until the date of the request (5.65418 million RON). This case is suspended until the resolution of Case 23 619/3/2009 **.

(all amounts are expressed in RON, unless stated otherwise)

31. CONTINGENT ASSETS AND CONTINGENT LIABILITIES (continued)

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

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

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

Letter of guarantees

As at December 31, 2017 the Entity has letters of guarantee issued to suppliers in amount of 718.084 RON (December 31, 2016: 1,275,588 RON).

32. RELATED PARTIES

Shareholders
The shareholding structure as at 31 December 2017 and 31 December 2016 is disclosed in Note 16.

Transactions with key management personnel

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

Related party transactions

The Group didn't have any other transactions and balances with related parties during and for the year ended 31 December 2017, 31 December 2016 respectively.

33. EARNINGS PER SHARE

	2017	2016
Loss for the period	51,097,599	29,611,815
Number of ordinary shares at the beginning and at the end of the period	277,866,574	277,866,574
Basic earnings per share (RON/share)	0.18	0.10

(all amounts are expressed in RON, unless stated otherwise)

34. SUBSEQUENT EVENTS

Group's management does not consider that any events occurring subsequent to 31 December 2017 up to the date of the approval of these financial statements would require disclosure or adjustments.

On 19.01.2018 the Administrators has decided to appoint Mr. Bogdan Oslobeanu as General Manager of the Company. On a four-year term, starting with 01.03.2018 until 28.02.2022. It replaces Mr. Bartosz Puzdrowski which requires the Company to terminate the mandate for personal reasons, with data from 01.03.2018.

Mister Bogdan Oşlobeanu is a 19 years experience in the financial field (industrial project management and development projects), working for Ernst & Young and KazMunayGas befor. He is a graduate of the Polytechnic University of Bucharest.

Mister Bogdan Oslobeanu will continue the Company's development strategy at the level of existing projects, as well as the initiation of new projects to strengthen the top position Impact currently holds in the residential market.

These consolidated financial statements were approved by management on March 26, 2018 and signed on behalf of the company by:

Bogdan Oslobeanu **Chief Executive Officer**	**Iuliana Mihaela Urda** **Chairman of Board of Administrators**	**Elisabeta Ion** **Chief Financial Officer**