

IMPACT

Developer & Contractor



REPORT

Board of Directors

2019

Content

03	2019 Highlights
04	Impact Group, overview
05	Projects portfolio
10	Activity of Impact Group in 2019
14	Residential real estate market
16	Strategy highlights
17	Financial results
19	Board of Directors and Executive Management
21	Main risks and uncertainties
22	Corporate Governance
24	Impact Developer & Contractor on the capital market
26	Reconciliation of IFRS Net Assets vs. EPRA
27	Annexes
	27 Implementation of the Corporate Governance Code
	34 Other information
	35 Impact Group

2019 HIGHLIGHTS



Operational

- 352 dwellings sold (30,185 sqm)
- 263 pre-sale agreements and reservations on 31 Dec 2019 estimated as sales in 2020
- Delivery of 192 apartments (14,500 sqm) for Greenfield Baneasa Residence (“Greenfield”)
- Further development of 500 apartments built in the Luxuria Domenii Residence project (“Luxuria”), to be delivered during 2020
- Starting works for the third phase of the Luxuria project, 130 apartments that will be delivered in the first half of 2021
- Obtaining the new Zonal Urban Plan (PUZ) new developments in Greenfield Baneasa (Greenfield IV and Greenfield V), which includes Greenfield Plaza (a commercial and leisure centre)
- Obtaining the Zonal Urban Plan (PUZ) for the residential project Boreal Plus to be developed in Constanta
- Identifying locations/plots of land in Bucharest and other cities throughout the country for future developments
- Active and sustained involvement in sport events and Corporate Social Responsibility (“CSR”) actions

Financial

IFRS NAV

584 mLEI

+ 137.2 mLEI (2018: 446.8 mLEI)

EPRA NAV

839 mLEI

+ 119 mLEI (2018: 720 mLEI)

Sales

157 mLEI

+ 56 mLEI (2018: 101 mLEI)

Pre-sales and reservations for apartments as at 31 Dec 2019

146 mLEI

+ 49.9 mLEI (2018: 96.1 mLEI)

IMPACT GROUP, OVERVIEW

- 29 years of leadership, innovation and excellence in real estate
- Since its establishment in 1991, Impact Developer & Contractor ranked on the Romanian real estate market as an innovative company
- Impact Developer & Contractor is the first real estate developer after the communist era, established with 100% Romanian capital
- In 1996 Impact Developer & Contractor was listed on the Bucharest Stock Exchange (“BSE”), whereby Impact Developer & Contractor has become the first representative of the real estate development and construction sector listed on the Stock Exchange
- In 2006 the shares of Impact Developer & Contractor were promoted to Category I of the Stock Exchange and in 2015 to the Premium category



Expansion
at national
level



16
residential
compound



+ 4,000
dwellings
built



+10,000
inhabitants



500,000
sqm built



400 mEUR
Investments
exceeding

PROJECTS PORTFOLIO

Ongoing projects

RESIDENTIAL COMPOUND GREENFIELD BANEASA



Unique location

District 1, framed on two sides by 900 ha of woodland: Baneasa Forest and Tunari Forest



Easy access

The National Road DN1 and the Ring Road are just a few minutes away. The underground stations Washington and Paris on Line 6 that will connect the current network to the Otopeni Airport shall be located near GREENFIELD



Facilities

Current: public transport, private school, parks and playgrounds, restaurant, medical centre and supermarket

Future: State school, kindergarten, buses, Greenfield Plaza commercial and leisure center including SPA, pool, sports courts, restaurant, supermarket, bank.



Development in stages

3 Completed: Greenfield I, Greenfield II (Salcamilor Assembly), Greenfield III (Platanilor Assembly)

2 Future: Greenfield IV, Greenfield V

PROJECTS PORTFOLIO

Ongoing projects

Greenfield I

Development	2007 - 2010
No. of apartments & houses	680
No. of parking spots	680
Gross area (sqm)	59,602
% Sold	99.3%

Greenfield II (Salcamilor Assembly)

Development	2014 - 2016
No. of apartments	924
No. of parking spots	1,044
Gross area (sqm)	85,076
% Sold	99.9%

Greenfield III (Platanilor Assembly)

Development	2016 - 2019
No. of apartments*	944
No. of parking spots	1,162
Gross area (sqm)	89,950
% Sold**	77.5%

Greenfield IV & Greenfield V

Development	2020 - 2026
No. of apartments	4,399
No. of parking spots	5,272
Gross area (sqm)	401,146
Project value (mEUR)	460.5

* Last 192 apartments were completed in August 2019

** Including 42 pre-sale agreements and reservations as at 31 Dec 2019

2,548

Completed dwellings

Including the 192 apartments that were completed in August 2019

GREENFIELD
first 3 phases completed

2,330

Sold dwellings

Including the 42 pre-sale agreements and reservations as at 31 Dec 2019

PROJECTS PORTFOLIO

Ongoing projects

RESIDENTIAL COMPOUND LUXURIA DOMENII



Top-rated location

District 1, the Northern area of Bucharest

Macro-layout - between Kiseleff Boulevard and Ion Mihalache Boulevard

Direct layout - between Expozitiei Boulevard and Aviator Popisteanu Street



Area reputation

The future pole of office buildings, after the Floreasca area.

Already operating buildings in the area – UniCredit, OCPI, Ubisoft, Tiriac Holding, World Trade Center, City Gate, CNC. Under development – Portland, GTC offices, the new headquarters of ING Bank, SAB Romania, Skanska Romania



Easy access

5 minutes away from 1 Mai underground station

2 minutes to multiple public transport options

Direct access to DN1 Ploiesti DN3/ Piata Victoriei/ Pod Grand - DN2/ Ring Road – Mogosoaia



Technological solutions

Since 2018, Impact Group is more and more focused on State-of-the-Art technological solutions designed to add value to the built residences. Thus, Impact Group has initiated endeavours to implement solutions such as Smart Home and Smart City in Luxuria Domenii Residence.



Development in phases

Luxuria Domenii Residence is a new development concept of Impact Group and is addressed to the premium segment of the residential market.

The Luxuria Domenii Residence project was started in 2018, shall be developed on an area of approximately 2.25 ha and shall bring on the market 630 apartments, estimated to be delivered as follows: 232 apartments during the first half of 2020, 268 apartments during the second half of 2020 and 130 apartments during the first half of 2021.



Luxuria Domenii Residence (3 phases)

Development	2018 – 2021
No. of apartments	630
No. of parking spots	720
Gross area (sqm)	66,499
Apartments pre-sold in the first phase (232 ap.) at 31 Dec 2019	138
Apartments pre-sold in the 2nd phase (268 ap.) at 31 Dec 2019	83

PROJECTS PORTFOLIO

Ongoing projects

RESIDENTIAL COMPLUND BOREAL PLUS



Excellent location

Constanța, northern area

The location is extremely attractive for residential development targeting the middle segment.



Easy access

Access is easy, with public transportation, 15 minutes from the center, the A4 motorway or the beach



Area reputation

Commercial units - large shopping centers such as Tom and Vivo, hypermarkets and supermarkets such as Carrefour, Mega Image, Kaufland, Penny Market and Auchan

Convenience stores, educational and medical units



Development in phases

The development of Boreal Plus is planned in 3 phases. The project is in the last authorization phase and the start of the construction works is prepared

The project will be developed on 4 ha of land and will bring on the market 676 apartments estimated to be delivered as follows: 210 apartments in 2021, 133 apartments in 2022 and 333 apartments in 2023



Development in harmony with nature

Boreal Plus aims to become the new standard in housing in Constanța, using carefully selected materials and efficient technical solutions (selective waste collection and management system, efficient lighting, water recovery and management)

A statement location for tranquility and relaxation, in a harmonious natural setting, with a contemporary architecture

- Well-dimensioned and compartmentalized housing
- Very good quality finishes (premium)
- Contemporary architecture and design
- Basic facilities such as parking, boxes and secure access
- Additional facilities such as the kindergarten, playground, a small park for residents
- Panoramic view of the lake and the sea

Boreal Plus (3 phases, apartments)

Development	2020 – 2023
No. of apartments	676
No. of parking spots	810
Gross area (sqm)	62,674
Project value (mEUR)	59

PROJECTS PORTFOLIO

Ongoing projects

GREENFIELD BANEASA PLAZA MALL

New urban facilities and experiences

Greenfield Plaza is a commercial and leisure centre, a complementary project of the residential complex Greenfield Residence Baneasa, which is addressed to both residents and the general public

Greenfield Plaza will benefit from a separate access road so as not to hinder the traffic

Smart living

Having close to home all the necessary facilities, residents will reduce the time spent in traffic to different destinations, as it supports pollution reduction solutions and the Greenfield direction of environmental responsibility

Visitors from outside will be attracted by Greenfield Plaza due to its strategic positioning

Wellbeing

Greenfield Plaza will host an expanded space for wellness and sports, with an area of 2,700 square meters. The pools and the spa will become the new relaxation and care destination. The gym is complementary to the sports practiced in Baneasa Forest, offering the possibility of physical activity regardless of the seasonal weather

Facilities

A complete mall experience, with varied services to answer as many needs as possible

- Mega Image supermarket
- Restaurant, pub, bakery
- Playground
- Pharmacy
- Bank, currency exchange
- Travel agency, parcel delivery center
- Beauty salon, hairdressing salon
- Cleaning
- SPA area
- Tennis court
- Swimming pools



Greenfield Plaza

Development	2020 – 2021
Rentable area (sqm), of which	5,560
<i>Wellness area (sqm)</i>	<i>2,700</i>
No. of parking spaces	200
Land area (ha)	2.5

ACTIVITY OF IMPACT GROUP IN 2019

Sales of dwellings

In 2019, sales have reached a number of 352 residences (apartments and houses) plus ancillary parking places (323 parking) and court yards for the apartments located on the ground floor (56 court yards in Greenfield Baneasa).

Additionally, in 2019, were sold 53 parking places, of which 27 in Greenfield Baneasa and the remaining in projects developed before 2010.

The residences sold in 2019 totaled an area of 30,185 sq. m., 37% higher than the area of the residences sold in 2018 (232 residences, 21,988 sq. m.).

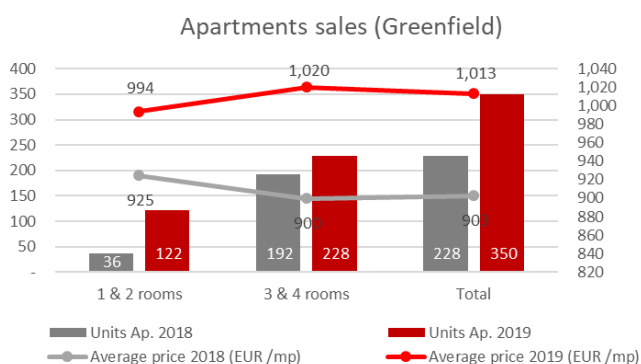
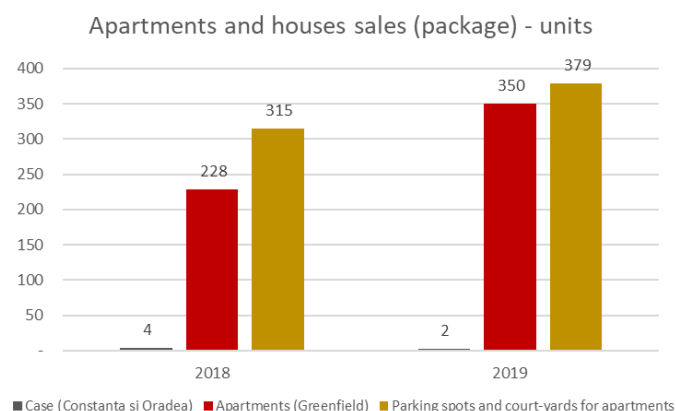
From the total number of residences sold in 2019, 6 apartments (714 sq. m.) were sold in Salcamilor Assembly and 344 apartments (28,956 sq. m.) in Platanilor Assembly. In 2018, from the total number of residences sold, 46 apartments (4,843 sq. m.) were sold in Salcamilor Assembly and 181 apartments (16,259 sq. m.) were sold in Platanilor Assembly.

The evolution of sales in 2019 compared to 2018 was influenced by the mix of property inventories available for sale (completed), specifically increasing sales for 1 and 2 room apartments once the last phase of Platanilor Assembly was finalised in August 2019. This is also reflected in the sales structure, with 1 and 2 room apartments representing 35% of the total number of units sold in 2019 (16% in 2018).

The average value of a transaction has been relatively flat being 93,255 EUR in 2019 and 93,609 EUR in 2018, while the sales volume has grown by approximately 52%, from 232 units in 2018 to 352 units in 2019.

Vadul Moldovei access road to the compound was reopened in November 2019. In order to reopen the road, Impact Developer & Contractor has donated a plot of land of 6,000 sq. m. to the Bucharest Municipality to be granted as compensation to Romsilva S.A.

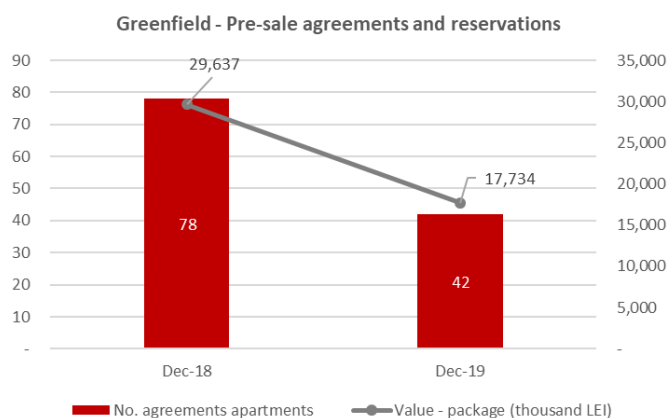
Revenues recorded in 2019 include the sale of 70 apartments located in Greenfield Baneasa to the Bucharest City Hall, following the public tender initiated by the City Hall for acquiring some residences for medical personnel from the institutions subordinated to the Bucharest Administration of Hospitals and Medical Services.



Note: The average selling price was calculated based on the built area for the apartments sold

ACTIVITY OF IMPACT GROUP IN 2019

Sales of dwellings



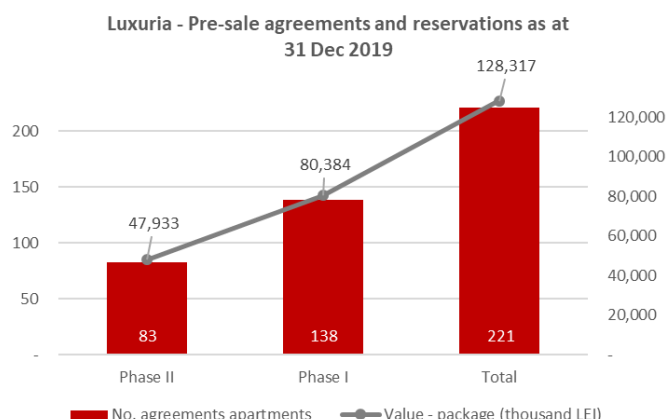
In addition to the 353 sale agreements, whose value is reflected in revenues, on 31 Dec 2019 pre-sale agreements and reservations for 263 apartments in Greenfield and Luxuria were signed, with a value of 146 mLEI, estimated as revenue 2020.

Dwellings rental and sale of lands

Impact Group will complete the build for sale model with a build for rent model starting in 2020, for both Greenfield Baneasa and Luxuria.

Impact Group offers for sale plots of land to natural persons and legal entities for the development of houses or small trading premises.

In December 2019, Impact Developer & Contractor signed a sale contract for a plot of land of 1.68 ha located in Constanta (approximately 15.3 mLEI) with certain conditions that Impact Developer & Contractor must fulfill until the fourth quarter of the year 2020. Thus, the transaction is not reflected in the revenues of the year 2019.



Land bank as at 31 Dec 2019

Location	City	Surface (ha)	IFRS book value (mRON)	IFRS book value (mEUR)	EPRA value (mRON)	EPRA value (mEUR)
Greenfield Baneasa	Bucharest	33.3	259.5	54.3	301.1	63.0
Luxuria Domenii	Bucharest (Expozitiei Blvd.)	0.6	12.4	2.6	36.3	7.6
Bd. Timisoarei - Bd. Ghencea	Bucharest	25.9	94.2	19.7	94.2	19.7
Barbu Vacarescu	Bucharest	2.6	116.1	24.3	116.1	24.3
Zenit, Neptun, Boreal	Constanta	10.2	17.2	3.6	41.1	8.6
Other	Bucharest, Oradea	3.8	2.4	0.5	2.4	0.5
Total		76.4	501.8	105.0	591.2	123.7

The EPRA value considers the fair market value based on the market value according to the revaluations performed by Colliers Valuation and Advisory as at 31 Dec 2019, except for land located in Greenfield Baneasa and Luxuria Domenii for which the investment value was used.

The investment value for Greenfield Baneasa of 190 EUR / sqm (market value – 176 EUR / sqm) was determined by Colliers as at 31 Dec 2019 by using the income approach (residual value) for the 6 new phases of the Greenfield Baneasa neighborhood that will start in 2020.

ACTIVITY OF IMPACT GROUP IN 2019

Apartments delivery

Impact Group activity in 2019 was driven by the development of two residential projects in Bucharest, specifically Greenfield Residence Baneasa and Luxuria Domenii Residence.

Greenfield Baneasa: In 2019, the works for the last 6 buildings of the Platanilor Assembly were completed, specifically 192 apartments (approximately 14,500 sq. m. built).

Luxuria Domenii: In 2019 the construction for the first two stages of the project was continued, estimating the delivery of the apartments as follows: 232 apartments in the first half of 2020, 268 apartments in the second half of 2020.

Also, the third phase of the project was started, with 130 apartments to be delivered in the first half of 2021.

Other development-related aspects

Obtaining the Zonal Urban Planning (PUZ) for future developments in Greenfield Baneasa (Greenfield IV and Greenfield V), including for the Greenfield Plaza commercial and leisure centre. Greenfield IV and Greenfield V will bring to the market 4,399 apartments and will be developed between 2020 - 2026. For the first 6 phases (including Greenfield Plaza) the construction will begin in 2020.

Obtaining the Zonal Urban Planning (PUZ) for the Boreal Plus residential project to be developed in Constanta, which will bring to the market 676 apartments. The Boreal Plus project will be developed in three phases between 2020 and 2023.

Financing sources

- Self-financing from the sale and pre-sale of residences;
- Bank financing and from bonds issues;
- In 2019, Impact Group has obtained, by its branch Bergamot Development, crediting of approximately 20.7 mEUR from UniCredit Bank for financing the second phase of the Luxuria Domenii Residence project (268 apartments).

New technologies

Since 2018, Impact Group is more and more focused with State-of-the-Art technological solutions adding value to the built residences. Thus, Impact Group has initiated actions for the implementation of solutions such as Smart Home and Smart City in Luxuria Domenii Residence.

CSR and sport events

In 2019 Impact Group, acting as partner, sponsor or organizer, was actively and constantly involved in sports events and CSR actions. Thus, we have attended, supported or organized:

- Greenfield was the main sponsor of Baneasa Forest Run, which reached its fourth edition and enjoyed the presence of 1,500 people, supported Baneasa Race and launched a duathlon sports competition, along with the Road Grand Tour;
- Maintenance and environmental actions in Baneasa Forest area, planting together with the Greenfield community 1,000 oaks. We organized Birdwatching clubs for small residents to help them discover and learn how to protect the forest;
- In October 2019, Greenfield launched an event - plogging manifesto: Clean and Run, the largest Baneasa Forest Run and Clean initiative.



ACTIVITY OF IMPACT GROUP IN 2019

Legal matters

Impact Group was and still is involved in several lawsuits, main being presented below.

Litigation with the Local Council of Cluj (“LCC”)

Impact Developer & Contractor and Clearline Development & Management (one of its branches) have filed a lawsuit, as plaintiffs, against the Local Council of Cluj.

Impact Developer & Contractor and the Local Council of Cluj were supposed to develop a residential neighbourhood in Cluj (by the project company Clearline Development & Management, where Impact Developer & Contractor had to bear the development costs and the Local Council of Cluj had to bring a contribution in kind, specifically the land on which the residential project was to be developed.

While Impact Developer & Contractor has fulfilled its contractual obligations, the Local Council of Cluj has failed to fulfil its project-related obligation, namely to bring the contribution in kind, specifically the land on which the residential project was to be developed. Therefore, Impact Developer & Contractor and Clearline Development & Management have requested the courts to terminate the agreement concluded with the Local Council of Cluj and a material indemnity for the investments made in the project development.

Thus, on 31 Dec 2019, two lawsuits vs. Cluj Local Council were pending as follows:

- At the Cluj Commercial Court case 79/1285/2012 was filed, whereby Impact Developer & Contractor requests the termination of the master agreement No. 55423/04.07.2007 concluded between LCC and Impact Developer & Contractor. Moreover, Impact Developer & Contractor requests an indemnity, temporarily evaluated at 4,008 thousand LEI plus related interest, calculated since the occurrence of the damages, until the actual payment of the due amounts.
- At the Arges Commercial Court case 1032/1259/2012 was filed, whereby Impact Developer & Contractor branch, Clearline Development and Management SRL, requests LCC the payment of an indemnity, temporarily estimated at 17,053 thousand LEI plus related interest, calculated since the occurrence of the damages, until filing the lawsuit, with an estimated amount of 500 thousand LEI.

Litigation related to the land located in Barbu Vacarescu

Impact Developer & Contractor has filed a lawsuit against Cefin Real Estate Dezvoltare BV (“Cefin”) for the joint possession termination for the land owned by Impact Developer & Contractor in Barbu Vacarescu (2.6 ha). Impact Developer & Contractor and Cefin are the co-owners of a land of approximately 10.5 ha, whereof 2.6 ha are owned by Impact Developer & Contractor and the rest by Cefin. In the file, the Court has approved topographic and geotechnical expertise at the request of Cefin. The next hearing is set for 16 April 2020.

Impact Developer & Contractor estimates that the process for identifying in the land book the land it owns will be extended and expects a definitive and irrevocable solution to be given in the distant future. Thus, when knowing the exact location of the land and taking into account the conditions of the market at that time, Impact Developer & Contractor will analyze and decide the project that will be developed on the land located in Barbu Vacarescu Blvd. (e.g. office, commercial, hotel, residential, mixed).

Litigation related to the land located in Prelungirea Ghencea – Timisoara Blvd.

The object of Case No. 5737/3/2018 filed with the Bucharest Court is a declaratory judgment, against the Romanian State and the Bucharest Council, in order to declare the existence of the ownership right over the land with an area of approximately 25.9 ha located in Bucharest, 402-412 Prelungirea Ghencea, district 6. The Bucharest Court ruled on 22.11.2019 and found that Impact Developer & Contractor has ownership rights over the land. On 10.02.2020 the Bucharest Court communicated to the involved parties the decision motivating the sentence. The decision of the Bucharest Tribunal can be appealed against within 30 days of the communication, which is submitted to the Bucharest Tribunal - IV Civil Division. On 28.02.2020, the Romanian State through the Ministry of Public Finance and the City Hall of Bucharest appealed the sentence.

Considering the legal actions targeting the land in Prelungirea Ghencea – Timisoara Blvd., Impact Developer & Contractor cannot estimate whether they will be resolved in the near or distant future. Thus, at the moment of a definitive and irrevocable court decision, Impact Developer & Contractor will analyze the market conditions and decide the type of the project that will be developed on the land.

RESIDENTIAL REAL ESTATE MARKET

2019 the best year in the history of the market, with a record of deliveries post – Revolution

At the national level, in 2019, the developers delivered for the first time more new homes than in 2008, the year that held the record.

According to INS, 2019 was the ninth consecutive year in Bucharest with increase in supply of new homes, while at the national level it was the sixth year in a row when developers built more and more houses and apartments. The increase in the number of developers, the growing appetite for new housing and the wage advance have brought the local real estate market for the first time over the threshold of 67,255 units.

THE RESIDENTIAL MARKET IN GENERAL

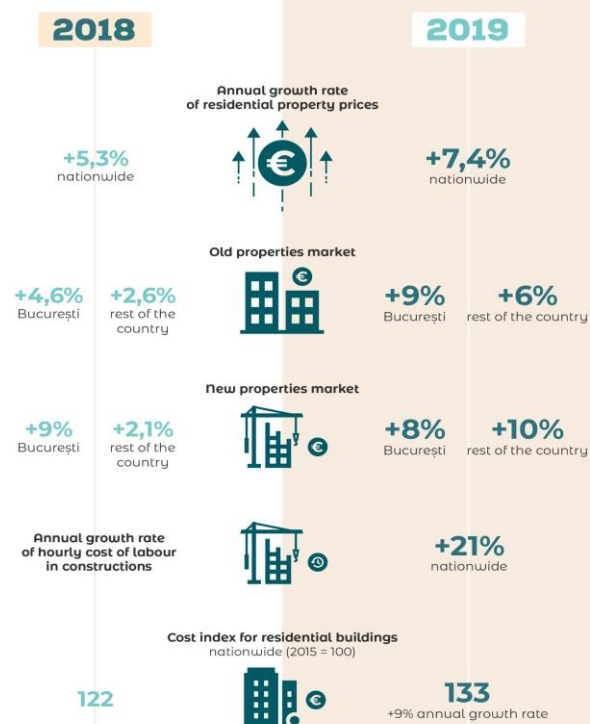
According to the report "Residential real estate market - Quarter IV 2019" realized by analizeimobiliare.ro the requested prices increased by 7.4% in 2019 compared to 5.3% in 2018. After a moderate evolution at the beginning of the year, the annual growth rate of the prices requested for the residential properties accelerated in the second part of the year, reaching 7.4% in the last quarter. The annual advance in 2019 was higher than the one registered in 2018, when residential properties appreciated by 5.3%.

Regarding the prices of housing at national level, the latest data published by the National Institute of Statistics (INS) shows, for the third quarter of 2019, an annual increase of 3.9%, while the European average was 4.1%.

The high demand for housing, related to the deficient supply and the increase of the construction costs (materials, labor force, etc.) were the main factors for the price increase in 2019.

Thus, according to the data provided by analizeimobiliare.ro, on the market of old houses, the offer in the last quarter of 2019 decreased by 18% compared to the previous year, and by 58% from 2014. In the last quarter of last year there were 157,000 registered active buyers in the six big cities, an annual increase of 25%, a doubling in the last 5 years.

PRICES AND COSTS



Source: Residential Market Report Q4 2019 –
 Analize Imobiliare, Imobiliare.ro

REAL ESTATE MARKET

According to the data provided by analizeimobiliare.ro, although the demand for housing is still high, in 2019 the period of sale increased in big cities for apartments to 93 days, from 67 in 2018, and for houses, the period increased to 193 from 147 days.

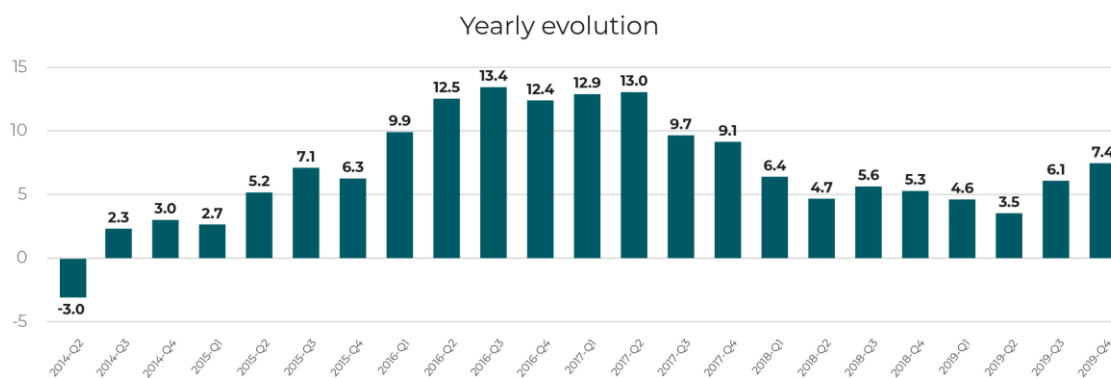
Even though 2019 was the best year in terms of housing deliveries since the beginning of the crisis, the supply of new homes remains insufficient and fails to cover the decline recorded on the old market. The transactions depend on the flow of residential properties put up for sale, which is why last year 540,000 properties were sold nationally, 4.1% less than in 2018.

Then most of the transactions are concentrated in several counties, so that in 2019 over 50% of the transactions registered at national level were done in only 6 counties: Bucharest, Ilfov, Cluj, Timis, Brasov, Constanta. And from the point of view of price developments, they differ from one county to another. Thus there were significant increases in Bucharest + 21%, Ilfov + 17% and significant decreases in Constanta - 28% and Iasi - 29%.

RESIDENTIAL REAL ESTATE MARKET

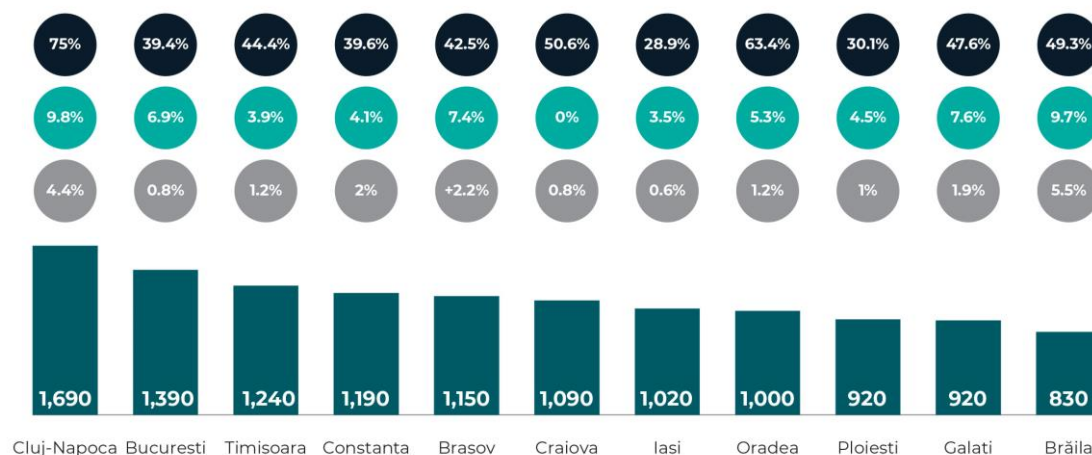
PRICE EVOLUTION IN 2019

The annual growth rate reached 7.4% in Q4 2019, was the highest in the last two years. However, the advance from the end of 2019 is considerably below the one valid, for example, in the last quarter of 2017, namely 9.1%. From the second half of 2014, when the domestic residential market returned to an upward trend, the biggest annual difference in prices was reached in Q3 2016 (i.e. 13.4%).



Source: Analize Imobiliare and Imobiliare.ro

Price trends across main cities - apartments for sale



Source: Analize Imobiliare and Imobiliare.ro

- Price change over last 5 years %
- Price change over last 12 months %
- Price change over last 3 months %
- Median price per sq.m. (€)

The strong positive trend registered in the last quarter of 2019 generated a remarkable optimism for the evolution of the residential market in 2020, in the absence of major macroeconomic distortions, not specific to the real estate sector. By the end of 2019, most forecasts indicated a trend of sustained growth in prices and number of transactions in 2020, especially in the big cities of the country.

STRATEGY HIGHLIGHTS



- Geographical expansion in big cities like Bucuresti, Constanta, Timisoara, Iasi and Cluj
- Portfolio diversification into residential, hotel, office and retail spaces
- The development of Greenfield Baneasa Residence and Luxuria Domenii Residence
- The development of Boreal Plus residential project in Constanta
- Minimization of production and sales cycles for the erected buildings in order to maximize the profitability of the invested capital and to minimize the investment payback period
- Enhancement of the urban planning concepts for the offered products and continuous adjustment to the market requirements
- Analysing and identifying new investment opportunities matching the models established by Impact Group
- Attracting funds from banking institutions and/or by bonds issues to finance future developments

- Involvement in activities and events promoting sports in open air, in corporate social responsibility actions designed to protect nature and the environment
- Implementing Smart Home and Smart City solutions
- Standardizing products by using State-of-the-Art materials and technologies
- Optimization of operational and management costs for the Greenfield residential compound
- Value maximization and clearance of the portfolio of lands located in Oradea and Constanta for which no future developments are planned



Strategic objectives	Progress 2019	Plan 2020
Development Greenfield	<ul style="list-style-type: none"> • 192 apartments delivered • Obtaining the Zonal Urban Planning (PUZ) for development phases Greenfield IV and Greenfield V, including Greenfield Plaza 	<ul style="list-style-type: none"> • Obtaining construction permits • Starting construction works for Greenfield IV • Starting construction works for Greenfield Plaza
Development Luxuria	<ul style="list-style-type: none"> • Continuing the construction works for the first two phases (out of three) of the project • Starting the third phase of the project 	<ul style="list-style-type: none"> • Completing construction works for the first two phases • Continuing construction works for the third phase of the project
Attracting financing for developments	<ul style="list-style-type: none"> • Obtaining financing for the second phase of Luxuria project • Analysing the options for financing Greenfield IV and Luxuria (phase III) 	<ul style="list-style-type: none"> • Obtaining financing for the third phase of Luxuria project • Obtaining financing for the phases to be started in Greenfield IV
Identifying new locations for developments	<ul style="list-style-type: none"> • Obtaining the PUZ for Boreal Plus project developed in Constanta • Market research for lands located in Bucharest and throughout the country 	<ul style="list-style-type: none"> • Starting construction works for the first phase of the Boreal Plus project in Constanta • Land acquisition for developments in Bucharest and in new cities throughout the country

FINANCIAL RESULTS

Financial performance

LEI thousands	2019	2018	Var. %
Revenue from real estate inventories	156,681	101,534	54%
Costs of real estate inventories	(83,904)	(61,484)	36%
Gross profit	72,777	40,050	82%
Operating expenses/income, net	(27,302)	(22,316)	22%
Depreciation and amortization	(927)	(895)	4%
Gains on investment property	144,559	23,394	518%
Adjusted operating profit before exceptional items and impairment of other long term assets	189,107	40,233	370%
Impairment of other long term assets	192	(2,207)	(109%)
Other gains and losses (exceptional)	-	(3,676)	(100%)
Operating profit	189,299	34,350	451%
Finance costs, net	(5,922)	(5,943)	(0%)
Profit before income tax	183,377	28,407	546%
Income tax credit/(charge)	(28,893)	(7,579)	281%
Profit for the period	154,484	20,828	642%

Source: Audited IFRS financial statements as at 31 December 2019

Revenues have grown 54% in 2019 compared to 2018 as a result of the increase in the number of sold apartments, as well as in the sale price.

In 2019 the apartments sales structure has changed, according to available apartments stock, with higher share of apartments with 1 and 2 rooms as units sold compared to 2018. The stock of apartments of 1-2 room was completed in the third quarter of 2019, when the apartments for the last stage of the Platanilor Assembly (Greenfield) were delivered.

On 31 Dec 2019, in addition to the signed sale agreements, other pre-sale agreements and reservations were concluded, whose value is not reflected in the income of 2019, amounting to 146 mLEI for apartments and approximately 15.3 mLEI for land located in Constanta. These will be reflected in revenues in 2020.

The net results of 2018 are influenced by non-recurring costs, e.g. amicable settlement of the dispute between Impact Developer & Contractor and Brooklyn Property Management (net loss of 3.4 mLEI).

The financing costs mainly include interest expenses for the bonds issued in 2017 for future developments of residential projects and unrealised foreign exchange losses related to the bonds due to depreciation of the LEU against the EURO (31 Dec 2018: 4.6639 RON/EUR, 31 Dec 2019: 4.7793 RON/EUR).

The income tax expense includes deferred income tax (net) of 21,952 thousand LEI (2018: 3,799 thousand LEI).

Cash flow

LEI thousands	2019	2018	Var. %
Cash and cash equivalents as at 1 January	30,740	47,474	(35%)
Net cash from operations	1,826	(879)	n.a.
Net cash from investing activities	(15,437)	(1,082)	1327%
Net cash from financing activities	28,333	(14,773)	n.a.
Cash and cash equivalents as at 31 December	45,462	30,740	48%

Source: Audited IFRS financial statements as at 31 December 2019

In 2019, Impact Group has had an intensive cash flow. On one hand, significant entries were recorded from the sale of residences from Greenfield, the payment of outstanding interest related to the bonds issue, loan repayments and drawings, payments related to the investments for the completion of Platanilor Assembly from Greenfield Baneasa and for continuing developing the Luxuria project.

FINANCIAL RESULTS

Financial position

LEI thousands	31-Dec-19	31-Dec-18	Var. %
Non-current assets, of which	392,901	225,241	74%
Investment property	384,223	217,113	77%
Property, plant and equipment	8,535	6,855	25%
Current assets, of which	509,071	422,310	21%
Inventories	430,725	365,753	18%
Cash and cash equivalents	45,462	30,740	48%
Total assets	901,972	647,551	39%
Liabilities, of which	318,031	200,743	58%
Loans and borrowings	197,635	148,994	33%
Equity	583,941	446,808	31%
Total equity and liabilities	901,972	647,551	39%

Source: Audited IFRS financial statements as at 31 December 2019

In 2019, Impact Group land portfolio was not subject to major changes compared to 31 Dec 2018, except for the acquisition of several plots of land in Greenfield Baneasa (c 3.35 ha in total) and reclassification of and as inventory / investment property. Also, Impact Group recorded the appreciation of the market value of the land from real estate investments (including the lands listed below as of 31 Dec 2019) based on the revaluations made by Colliers Valuation and Advisory SRL.

The reclassifications related to land are as follows:

- 2.6 ha located in Bucharest - Barbu Vacarescu Blvd. were reclassified from inventory to investment property
- approximately 15.56 ha located in Bucharest – Timisoarei Blvd. – Ghencea Blvd. were reclassified from inventory to investment property
- approximately 101.2 ha from Greenfield Baneasa were reclassified from investment property to inventory

The revaluation gain related to the land transferred from inventory to investment property, previously measured at cost, accounts for 56% of the total gains from investment property recorded in 2019.

Variations of inventories on 31 Dec 2019 compared to 31 Dec 2018 reflects also the reduction of inventories further to the sale of apartments from Greenfield and the increase due to the capitalization for the Luxuria project.

The 58% variation of total liabilities at 31 Dec 2019 compared to 31 Dec 2018 is mainly influenced by the increase of bank loans by using the financing from UniCredit Bank, the increase of the current debts and the increase of the deferred tax liability.

As of 31 Dec 2019, loans from bonds were approximately 116 mLEI (31 Dec 2018: 114 mLEI) and are due in 2021 and 2022 (Credit Value Investment and BVB).

In 2019, Impact Group has contracted and used a working capital credit facility of 19.7 mLEI from Libra Internet Bank (with 17 July 2020 as final maturity, repaid as at 31 Dec 2019) and an investment loan from UniCredit Bank for the financing of 65% of the second phase of Luxuria (20.7 mEUR). Also, the investment loan granted by UniCredit Bank for the financing of the first phase of Luxuria was utilized as the construction works were performed.

In December 2019, Impact Developer & Contractor signed a sale contract for a plot of land of 1.68 ha located in Constanta (approximately 15.3 mLEI) with certain conditions that Impact Developer & Contractor must fulfill until the fourth quarter of 2020. Thus, the transaction is not reflected in the 2019 revenues and is recorded as deferred income as of 31 Dec 2019. In December 2019, Impact Developer & Contractor collected 9.15 mLEI.

BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

Board of Directors

The Board of Directors represents the decision-making body with regard to all matters that are significant for Impact Developer & Contractor in its entirety, due to their strategic, financial or reputational consequences. The Board of Directors shall delegate Impact Developer & Contractor management competences under the terms and to the extent provided for by law and by the Articles of Association.

The Board of Directors shall perform all acts that are necessary and useful in order to achieve Impact Developer & Contractor's business object, except for the ones provided for by law in the competence area of the General Meeting of Shareholders and the ones delegated to the chief executive officer.

The Board of Directors is structured in such manner as to allow its duties to be fulfilled with due diligence. The Board of Directors shall meet on a regular basis in order to ensure the fulfilment of its duties in an efficient manner. There is a clear distribution of responsibilities between the Board of Directors and the executive management.

The Board of Directors has 5 members:

- Iuliana-Mihaela Urda, Director, Chairmen of the Board of Directors
- Intrepid Gem SRL through Petru Vaduva, Director
- Ruxandra-Alina Scarlat, Director
- Laviniu-Dumitru Beze, Director
- Daniel Pandeale, Director



In the Ordinary General Meeting of Shareholders on 24 April 2019, it was approved the election of a member of Impact Developer & Contractor Board of Directors, namely the company INTREPID GEM SRL, through the natural person permanently representing the legal person Mr. Vaduva Petru Ion with a mandate starting from 24 April 2019 to 27 April 2021.

This has replaced Mr. Gabriel Vasile presented to the Board of Directors, on 4 January 2019, his resignation from the position of Impact Developer & Contractor Director.

BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

Executive Management

On 19 January 2018, Impact Developer & Contractor's Board of Directors decided to appoint Mr. Bogdan Oslobeanu as Chief Executive Officer of Impact Developer & Contractor, for a four-year mandate, starting 1 March 2018 until 28 February 2022. He replaced Mr. Bartosz Puzdrowski, who asked Impact Developer & Contractor to terminate his mandate for personal reasons, starting 1 March 2018.

On 29 January 2020, the Board of Directors of Impact Developer & Contractor decided to appoint Mr. Apostol Sorin as General Manager of Impact Developer & Contractor, for a period of 6 (six) months, starting with 1 February 2020, with the possibility of permanent appointment. Mr. Sorin Apostol will replace Mr. Bogdan Ionut Oslobeanu, who asked Impact Developer & Contractor to terminate his mandate to pursue other career opportunities, starting with 31 January 2020.

Mr. Sorin Apostol will continue Impact Group development strategy at the level of existing projects, as well as the initiation of new projects to strengthen the top position Impact Group currently holds in the residential market.

In the summer of 2018, Impact Group has recruited Mr. Giani Kacic for the position of Chief Financial Officer, with expertise of over 21 years in the financial and accounting sector, gained in multinational companies. He leads the financial department of Impact Group and fulfils his duties jointly with the Chief Executive Officer.

The Board of Directors has decided to replace the person empowered to represent Impact Developer & Contractor according to the art. 1432 paragraph 5 of the Company Law No. 31/1990. Mr. Gabriel Vasile, the empowered person that has acted jointly with the Chief Executive Officer, was replaced on 14.11.2018, and the Board of Directors has appointed Mr. Kacic Giani-Iulian, Chief Financial Officer, as empowered person, according to the art. 1432 paragraph 5 of the Company Law No. 31/1990, who shall fulfil his duties jointly with the Chief Executive Officer.



MAIN RISKS AND UNCERTAINTIES

Risk	Management
Market conditions	<p>The global and local economic instability might have a negative effect upon Impact Group's cash holdings. This issue is closely monitored and necessary actions are taken to ensure Impact Group's stability.</p> <p>The slowdown of the economic growth and consumption in Romania might have a negative effect upon Impact Group's activity. Impact Group takes necessary actions to make sure that its products remain attractive and are adjusted to the market requirements.</p>
Legal environment	<p>The legal changes, the amendments to the permit obtaining procedure might have negative effects upon Impact Group's activity. Such changes and the effects upon Impact Group's activity are constantly monitored by Impact Group.</p>
Credit risks	<p>As a real estate developer, Impact Group relies on funding obtained from third parties for the projects development. The limitation of access to financing might have negative effects upon Impact Group's capacity to develop new project. The management of Impact Group constantly monitors this issue and strives to diversify Impact Group's financing sources.</p> <p>A significant share of Impact Group's clients resort to bank loans for the acquisition of residences. Any strengthening of the conditions for the bank loans might have negative effects upon the apartment sales. This is also the case occurred at the end of 2018, when the maximum indebtedness ratio was reduced by the National Bank of Romania down to 40% of the net income for bank loans in RON and 20% for bank loans in foreign currency. Impact Group takes all necessary measures to mitigate the negative effects of such regulatory changes upon its activity.</p>
Currency risks	<p>A significant increase of the foreign exchange rate for EUR might result in higher payments for loans, bonds and acquisitions made in relation to the construction works expressed in EUR. The main liabilities expressed in EUR are the CVI and BVB bonds, the loan obtained for financing the first two phase of the Luxuria project and the construction agreements with the general contractor.</p>
Geographic risks	<p>Impact Group's activity is concentrated in Bucharest and proximity. Although this issue represents a certain risk, Impact Group trusts that it will benefit from its experience in order to mitigate it.</p>
SARS-COV-2 pandemic	<p>The development of the COVID-19 virus and its social and economic impact in Romania and globally may result in assumptions and estimates requiring revisions which may lead to material adjustments to the carrying value of assets and liabilities within the next financial year. The longer-term impact may also affect trading volumes, cash flows, and profitability.</p> <p>At this stage, Impact Group cannot reliably estimate the impact as events are unfolding day-by-day. Impact Group closely monitors the effects of the COVID-19 pandemic and its effects on the real estate market and the economic environment in the country and will take all necessary measures to minimize the impact and respect its commitments towards customers, financiers and shareholders.</p>

CORPORATE GOVERNANCE

Corporate governance complies with the Romanian legislation in force, aiming to ensure both accuracy and transparency in terms of Impact Group's outcomes, and equal access of all shareholders to relevant information on Impact Group.

Impact Developer & Contractor is managed under unitary system, its management being provided by the Chief Executive Officer, Mr. Sorin Apostol, along with the Chief Financial Officer, Mr. Giani Iulian Kacic under surveillance of the Board of Directors. Mr. Sorin Apostol took over the position of CEO from Mr. Bogdan Oslobeanu at the beginning of 2020.

Corporate governance elements are implemented within Impact Developer & Contractor, pursuant to the Code of Corporate Governance adopted by the Board of the Stock Exchange in December 2016.

Impact Developer & Contractor has made and shall make all professional, legal and administrative endeavours required in order to ensure alignment with the provisions of the Code of Corporate Governance and the transparent presentation of such results.

Impact Developer & Contractor publishes in a dedicated section of its website details on the sessions of the General Meeting of Shareholders, specifically summons, materials/documents on the agenda, special power-of-

attorney forms, correspondence voting forms, decision drafts.

Moreover, Impact Developer & Contractor informs all shareholders immediately after a session of the General Meeting of Shareholders, via its website dedicated section, about the decisions adopted in the General Meeting of Shareholders and the detailed result of the voting. Impact Developer & Contractor also makes available for the shareholders / investors current reports, releases, the financial schedule, annual, half-yearly, quarterly reports. Direct relation with the investors is ensured by an appointed person, dedicated to informing the shareholders depending on their questions addressed in writing or by telephone.

Information on corporate governance are reported from time to time in the corporate governance statement included in the annual report and permanently updated by current reports and the website.

Along the years, Impact Developer & Contractor complied with the provisions of Corporate Governance Code and currently carries out arrangements to comply with the provisions of the New Corporate Governance Code as well.

The Board of Directors met 45 times in 2019.



Independent members of the Board of Directors

- Inrepid Gem SRL, through Petru Vaduva
- Laviniu Beze
- Daniel Pandele

CORPORATE GOVERNANCE

Codes and policies - since 2014, Impact Developer & Contractor has adopted the following documents on which corporate governance is based:

- Anticorruption Code
- Code of Conduct
- Impact Developer & Contractor's ethical values
- Health and Safety Policy
- Reporting Policy

Impact Group's internal control is performed:

- Via the Procurement Department: the agreements shall be signed by the Legal Department, Procurement Manager, Chief Financial Officer and Chief Executive Officer;
- by the verification of the sale agreements by the Legal and Finance Departments; the agreements shall be signed by the Chief Executive Officer and the Chief Financial Officer;
- by preventive financial control, whereby the agreements' compliance is checked;
- by following up the payments to be checked by Preventive Financial Control and approved by the Chief Financial Officer and the Chief Executive Officer;
- by the implementation of the codes of conduct and ethics that are required in business and specific procedures that are enforced and applicable to all directors, managers, administrators, persons having control or management roles, employees, auditors, business partners, collaborators. Thus, Impact Group applies the Anticorruption Policy, the Code of Conduct, the Essential Ethic Values Policy, the Health and Safety Policy, the Labour Law, the Environment Protection, the Reporting Policy.

Auditor of Impact Group

Deloitte Audit S.R.L. was appointed by the decision of the General Meeting of Shareholders dated April 24, 2019, to audit the financial statements for 2019, prepared under the responsibility of Impact Developer & Contractor's management according to the international standards – IFRS (including the consolidated financial statements). The auditors' liability towards Impact Developer & Contractor and the General Meeting of Shareholders shall be determined and limited according to the law and the agreement concluded with them.

Chairman of the Board of Directors

Iuliana Mihaela Urda



IMPACT DEVELOPER & CONTRACTOR ON THE CAPITAL MARKET

Impact Developer & Contractor is listed on the Bucharest Stock Exchange since 1996. As of 2006, its shares, currently amounting to 274,443,532, are listed in the 1st category of the Bucharest Stock Exchange, and since January 2015, Impact Developer & Contractor shares are traded in the Premium category, according to the new segmentation of the Bucharest Stock Exchange. There are no restrictions for the security transfer, there are no restrictions for the voting rights, and there are no holders of securities with special control rights.

Shares held by the members of the Board of Directors on 31 Dec 2019

- Mrs. Urda Iuliana-Mihaela holds 0.01% of Impact Developer & Contractor shares, specifically a number of 28,500 shares
- Intrepid Gem SRL (Mr. Petru Vaduva) does not hold shares in Impact Developer & Contractor as at 31 Dec 2019
- Mrs. Scarlat Ruxandra-Alina holds 0.01% of Impact Developer & Contractor shares, specifically a number of 28,500 shares
- Mr. Pandele Daniel holds 1.27% of Impact Developer & Contractor shares (0.01% as natural person and 1.26% through Danielis Star Company), specifically a total number of 3,498,708 shares
- Mr. Beze Laviniu-Dumitru holds 0.84% of Impact Developer & Contractor shares (0.25% as natural person and 0.59% through Beze Business Consulting), specifically a total number of 2,316,072 shares

Status of shares redeemed as at 31 Dec 2019

Shares redemption program of maximum 7,000,000 shares according to the Decision of the General Meeting of Shareholders No. 3 dated 15 June 15 and Shares redemption program of maximum 10,000,000 shares according to the Decision of the General Meeting of Shareholders No. 1 dated 24 April 2019

- Total redeemed shares: 10,229,606 shares
- Shares redeemed in 2019: 7,723,793 shares
- Shares left to be redeemed on 31 Dec 2019: 6,770,394 shares
- 3,423,042 redeemed shares (3,423 thousand LEI) were cancelled, thus reducing the share capital of Impact Developer & Contractor from 277,866,574 LEI to 274,443,532 LEI
- Shares redeemed and not utilized until 31 Dec 2019 will be used both for a share option plan for employees (including executive and nonexecutive directors of the Impact Developer & Contractor) and for being cancelled, thus reducing the share capital of Impact Developer & Contractor

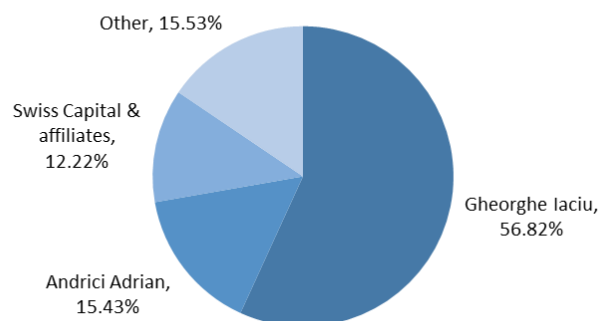
Evolution of Impact Developer & Contractor share price ("IMP")
Jan 2017 – Dec 2019



Evolution of BET Index
Jan 2017 – Dec 2019



Shareholders' structure Impact Developer & Contractor as at 31 Dec 2019



As per the information provided by the Central Repository, on 31 Dec 2019, 84.35% of the shares were held by natural persons and 15.65% of the shares were held by legal entities

IMPACT DEVELOPER & CONTRACTOR ON THE CAPITAL MARKET

Dividends granted in the past 3 years

- In 2017 the granting of dividends for 2016 was decided, at 0.0404 LEI / share, amounting to a total of 11.23 mLEI (according to the Decision of the General Meeting of Shareholders dated 28 April 2017)
- In 2019 the granting of dividends for 2018 was decided, at 0.034 LEI / share, amounting to a total of 9.3 mLEI (according to the Decision of the General Meeting of Shareholders dated 24 April 2019)



The Net Asset Value as per the IFRS consolidated financial statements and EPRA

METRICS	31-Dec-17	31-Dec-18	31-Dec-19
Price per share (LEI)	1.05	0.99	1.49
Number of shares (Impact Developer & Contractor)	277,866,574	277,866,574	274,443,532
Market capitalization (LEI)	291,759,903	275,087,908	408,920,863
IFRS (consolidated)			
Net profit (LEI)	51,098,000	20,828,000	154,484,000
Net asset value ("NAV")	427,450,000	446,807,255	583,941,000
Profit per share (LEI)	0.18	0.07	0.56
NAV/Share (LEI)	1.54	1.61	2.13
EPRA* (consolidated)			
Net asset value ("NAV")	599,972,909	720,021,200	839,419,797
NAV/Share (LEI)	2.16	2.59	3.06

*European Public Real Estate Association

RECONCILIATION OF IFRS NET ASSETS vs. EPRA

The reconciliation between the Net Asset Value according to the IFRS consolidated financial statements and the EPRA standard is as follows:

LEI	31-Dec-17	31-Dec-18	31-Dec-19
NAV per the IFRS financial statements	427,450,000	446,807,255	583,941,000
Include:			
i) Revaluation of property developed for sale	77,743,519	32,208,675	39,796,419
ii) Revaluation of land and WIP held as inventory	68,574,389	203,296,632	148,565,856
iii) Revaluation of land held as fixed assets / investment property	-	7,760,639	21,146,521
Exclude:			
iv) Deferred tax	26,205,000	29,948,000	45,970,000
EPRA NAV	599,972,909	720,021,200	839,419,797

i) Revaluation of property developed for sale

The inventories/finished goods (apartments) were revaluated at market value on 31 Dec 2019 by Colliers Valuation and Advisory. The increase / difference between the market value resulted after the revaluation and the book value (the lowest value between the cost and the net realisable value) has been included in the Net Asset Value according to EPRA.

ii) & iii) Revaluation of land and WIP held as inventory and land held as fixed assets / investment property

The land (included in investment properties, inventories and fixed assets) and WIP for Luxuria were revaluated on 31 Dec 2019 by Colliers Valuation and Advisory. The adjustment was done to reflect the market value of the lands included in inventories and fixed assets, except for land related to Greenfield Baneasa and land & WIP related to Luxuria as at 31 Dec 2019 which are reflected at the investment value.

The investment value for Greenfield Baneasa of 190 EUR / sqm (market value – 176 EUR / sqm) was determined by Colliers as at 31 Dec 2019 by using the income approach for the 6 new phases of the Greenfield Baneasa neighborhood that will start in 2020.

Land included in inventory were valued in the IFRS financial statements at the lowest value between the cost and the net realisable value. Land included in fixed assets is valued in the IFRS financial statements at cost. Land included in investment properties is reflected in the IFRS financial statements at market value.

iv) The deferred tax recorded in the IFRS financial statements mainly resulted from the difference between the book value and the tax value of the investment properties (lands).



ANNEX 1

Implementation stage of the Corporate Governance Code

The state of implementation of the provisions of the Corporate Governance Code of the Bucharest Stock Exchange on 31 Dec 2019	Implementation YES / NO / Under implementation /Partial	Reason for non-compliance and expected compliance measures
Section A – Responsibilities		
A.1. All companies should have internal regulation of the Board which includes terms of reference/responsibilities for Board and key management functions of the company, applying, among others, the General Principles of Section A.	YES	
A.2. Provisions for the management of conflict of interest should be included in Board regulation. In any event, members of the Board should notify the Board of any conflicts of interest which have arisen or may arise, and should refrain from taking part in the discussion (including by not being present where this does not render the meeting non-quotable) and from voting on the adoption of a resolution on the issue which gives rise to such conflict of interest.	YES	
A.3. The Board of Directors or the Supervisory Board should have at least five members.	YES	
A.4. The majority of the members of the Board of Directors should be non-executive. At least one member of the Board of Directors or Supervisory Board should be independent, in the case of Standard Tier companies. Not less than two non-executive members of the Board of Directors or Supervisory Board should be independent, in the case of Premium Tier Companies. Each member of the Board of Directors or Supervisory Board, as the case may be, should submit a declaration that he/she is independent at the moment of his/her nomination for election or re-election as well as when any change in his/her status arises, by demonstrating the ground on which he/she is considered independent in character and judgement in practice and according to the following criteria:	YES	
A.4.1. Not to be the CEO/executive officer of the company or of a company controlled by it and not have been in such position for the previous five years;	YES	
A.4.2. Not to be an employee of the company or of a company controlled by it and not have been in such position for the previous five (5) years;	YES	
A.4.3. Not to receive and not have received additional remuneration or other advantages from the company or from a company controlled by it, apart from those corresponding to the quality of non-executive director;	YES	

ANNEX 1

Implementation stage of the Corporate Governance Code (continued)

The state of implementation of the provisions of the Corporate Governance Code of the Bucharest Stock Exchange on 31 Dec 2019	Implementation YES / NO / Under implementation /Partial	Reason for non-compliance and expected compliance measures
Section A – Responsibilities		
A.4.4. Is not or has not been an employee of, or has not or had not any contractual relationship, during the previous year, with a significant shareholder of the company, controlling more than 10% of voting rights or with a company controlled by it;	YES	
A.4.5. Not to have and not have had during the previous year a business or professional relationship with the company or with a company controlled by it, either directly or as a customer, partner, shareholder, member of the Board/ Director, CEO/executive officer or employee of a company having such a relationship if, by its substantial character, this relationship could affect his/her objectivity;	YES	
A.4.6. Not to be and not have been in the last three years the external or internal auditor or a partner or salaried associate of the current external financial or internal auditor of the company or a company controlled by it;	YES	
A.4.7. Not to be a CEO/executive officer in another company where another CEO/executive officer of the company is a non-executive director;	YES	
A.4.8. Not to have been a non-executive director of the company for more than twelve years;	YES	
A.4.9. Not to have family ties with a person in the situations referred to at points A.4.1. and A.4.4.	YES	
A.5. A Board member's other relatively permanent professional commitments and engagements, including executive and non-executive Board positions in companies and not-for-profit institutions, should be disclosed to shareholders and to potential investors before appointment and during his/her mandate.	YES	
A.6. Any member of the Board should submit to the Board, information on any relationship with a shareholder who holds directly or indirectly, shares representing more than 5% of all voting rights. This obligation concerns any kind of relationship which may affect the position of the member on issues decided by the Board.	YES	

ANNEX 1

Implementation stage of the Corporate Governance Code (continued)

The state of implementation of the provisions of the Corporate Governance Code of the Bucharest Stock Exchange on 31 Dec 2019	Implementation YES / NO / Under implementation /Partial	Reason for non-compliance and expected compliance measures
A.7. The company should appoint a Board secretary responsible for supporting the work of the Board.	NO	The Board of Directors manages the documents / activities with the support of the secretariat and the legal department, which provides logistical support for the organization and conduct of the Board meetings
A.8. The corporate governance statement should inform on whether an evaluation of the Board has taken place under the leadership of the chairman or the nomination committee and, if it has, summarize key action points and changes resulting from it. The company should have a policy/guidance regarding the evaluation of the Board containing the purpose, criteria and frequency of the evaluation process.	Partially compliant	Members of the Board of Directors are assessed annually in accordance with performance indicators defined in their internal policies and mandate contracts. The Board will re-examine the A8 requirements in 2020, mainly with regard to the Board of Directors' assessment policy.
A.9. The corporate governance statement should contain information on the number of meetings of the Board and the committees during the past year, attendance by directors (in person and in absentia) and a report of the Board and committees on their activities.	YES	
A.10. The corporate governance statement should contain information on the precise number of the independent members of the Board of Directors or of the Supervisory Board.	YES	
A.11. The Board of Premium Tier companies should set up a nomination committee formed of non-executives, which will lead the process for Board appointments and make recommendations to the Board. The majority of the members of the nomination committee should be independent.	YES	
Section B – Risk management and internal control system		
B.1. The Board should set up an audit committee, and at least one member should be an independent non-executive. The majority of members, including the chairman, should have proven an adequate qualification relevant to the functions and responsibilities of the committee. At least one member of the audit committee should have proven and adequate auditing or accounting experience. In the case of Premium Tier companies, the audit committee should be composed of at least three members and the majority of the audit committee should be independent.	YES	
B.2. The audit committee should be chaired by an independent non-executive member.	YES	

ANNEX 1

Implementation stage of the Corporate Governance Code (continued)

The state of implementation of the provisions of the Corporate Governance Code of the Bucharest Stock Exchange on 31 Dec 2019	Implementation YES / NO / Under implementation /Partial	Reason for non-compliance and expected compliance measures
B.3. Among its responsibilities, the audit committee should undertake an annual assessment of the system of internal control.	Partially compliant	The evaluation of the internal control system for 2019 is ongoing. Not later than the end on the second half of 2020, the evaluation committee will present the conclusion, recommendations and the related action plan (if the case).
B.4. The assessment should consider the effectiveness and scope of the internal audit function, the adequacy of risk management and internal control reports to the audit committee of the Board, management's responsiveness and effectiveness in dealing with identified internal control failings or weaknesses and their submission of relevant reports to the Board.	YES	
B.5. The audit committee should review conflicts of interests in transactions of the company and its subsidiaries with related parties.	YES	
B.6. The audit committee should evaluate the efficiency of the internal control system and risk management system.	YES	
B.7. The audit committee should monitor the application of statutory and generally accepted standards of internal auditing. The audit committee should receive and evaluate the reports of the internal audit team.	YES	
B.8. Whenever the Code mentions reviews or analysis to be exercised by the Audit Committee, these should be followed by cyclical (at least annual), or ad-hoc reports to be submitted to the Board afterwards.	YES	
B.9. No shareholder may be given undue preference over other shareholders with regard to transactions and agreements made by the company with shareholders and their related parties.	YES	
B.10. The Board should adopt a policy ensuring that any transaction of the company with any of the companies with which it has close relations, that is equal to or more than 5% of the net assets of the company (as stated in the latest financial report), should be approved by the Board following an obligatory opinion of the Board's audit committee, and fairly disclosed to the shareholders and potential investors, to the extent that such transactions fall under the category of events subject to disclosure requirements.	YES	
B.11. The internal audits should be carried out by a separate structural division (internal audit department) within the company or by retaining an independent third-party entity.	YES	

ANNEX 1

Implementation stage of the Corporate Governance Code (continued)

The state of implementation of the provisions of the Corporate Governance Code of the Bucharest Stock Exchange on 31 Dec 2019	Implementation YES / NO / Under implementation /Partial	Reason for non-compliance and expected compliance measures
<p>B.12. To ensure the fulfillment of the core functions of the internal audit department, it should report functionally to the Board via the audit committee. For administrative purposes and in the scope related to the obligations of the management to monitor and mitigate risks, it should report directly to the chief executive officer.</p>	YES	
Section C – Fair rewards and motivation		
<p>C.1. The company should publish a remuneration policy on its website and include in its annual report a remuneration statement on the implementation of this policy during the annual period under review.</p>		
<p>The remuneration policy should be formulated in such a way that allows stakeholders to understand the principles and rationale behind the remuneration of the members of the Board and the CEO, as well as of the members of the Management Board in two-tier board systems. It should describe the remuneration governance and decision-making process, detail the components of executive remuneration (i.e. salaries, annual bonus, long term stock-linked incentives, benefits in kind, pensions, and others) and describe each component's purpose, principles and assumptions (including the general performance criteria related to any form of variable remuneration). In addition, the remuneration policy should disclose the duration of the executive's contract and their notice period and eventual compensation for revocation without cause.</p>	YES	
<p>The remuneration report should present the implementation of the remuneration policy vis-à-vis the persons identified in the remuneration policy during the annual period under review.</p>		
<p>Any essential change of the remuneration policy should be published on the corporate website in a timely fashion.</p>		
Section D – Building value through investors' relations		
<p>D.1. The company should have an Investor Relations function - indicated, by person (s) responsible or an organizational unit, to the general public. In addition to information required by legal provisions, the company should include on its corporate website a dedicated Investor Relations section, both in Romanian and English, with all relevant information of interest for investors, including:</p>	YES	
<p>D.1.1. Principal corporate regulations: the articles of association, general shareholders' meeting procedures;</p>	YES	

ANNEX 1

Implementation stage of the Corporate Governance Code (continued)

The state of implementation of the provisions of the Corporate Governance Code of the Bucharest Stock Exchange on 31 Dec 2019	Implementation YES / NO / Under implementation /Partial	Reason for non-compliance and expected compliance measures
D.1.2. Professional CVs of the members of its governing bodies, a Board member's other professional commitments, including executive and non-executive Board positions in companies and not-for-profit institutions;	YES	
D.1.3. Current reports and periodic reports (quarterly, semi-annual and annual reports) – at least as provided at item D.8 – including current reports with detailed information related to non-compliance with the present Code;	YES	
D.1.4. Information related to general meetings of shareholders: the agenda and supporting materials; the procedure approved for the election of Board members; the rationale for the proposal of candidates for the election to the Board, together with their professional CVs; shareholders' questions related to the agenda and the company's answers, including the decisions taken;	YES	
D.1.5. Information on corporate events, such as payment of dividends and other distributions to shareholders, or other events leading to the acquisition or limitation of rights of a shareholder, including the deadlines and principles applied to such operations. Such information should be published within a timeframe that enables investors to make investment decisions;	YES	
D.1.6. The name and contact data of a person who should be able to provide knowledgeable information on request;	YES	
D.1.7. Corporate presentations (e.g. IR presentations, quarterly results presentations, etc.), financial statements (quarterly, semi-annual, annual), auditor reports and annual reports.	YES	
D.2. A company should have an annual cash distribution or dividend policy, proposed by the CEO or the Management Board and adopted by the Board, as a set of directions the company intends to follow regarding the distribution of net profit. The annual cash distribution or dividend policy principles should be published on the corporate website.	YES	

ANNEX 1

Implementation stage of the Corporate Governance Code (continued)

The state of implementation of the provisions of the Corporate Governance Code of the Bucharest Stock Exchange on 31 Dec 2019	Implementation YES / NO / Under implementation /Partial	Reason for non-compliance and expected compliance measures
<p>D.3. A company should have adopted a policy with respect to forecasts, whether they are distributed or not. Forecasts means the quantified conclusions of studies aimed at determining the total impact of a list of factors related to a future period (so called assumptions): by nature such a task is based upon a high level of uncertainty, with results sometimes significantly differing from forecasts initially presented. The policy should provide for the frequency, period envisaged, and content of forecasts. Forecasts, if published, may only be part of annual, semi-annual or quarterly reports. The forecast policy should be published on the corporate website.</p>	YES	
<p>D.4. The rules of general meetings of shareholders should not restrict the participation of shareholders in general meetings and the exercising of their rights. Amendments of the rules should take effect, at the earliest, as of the next general meeting of shareholders.</p>	YES	
<p>D.5. The external auditors should attend the shareholders' meetings when their reports are presented there.</p>	YES	
<p>D.6. The Board should present to the annual general meeting of shareholders a brief assessment of the internal controls and significant risk management system, as well as opinions on issues subject to resolution at the general meeting.</p>	YES	
<p>D.7. Any professional, consultant, expert or financial analyst may participate in the shareholders' meeting upon prior invitation from the Chairman of the Board. Accredited journalists may also participate in the general meeting of shareholders, unless the Chairman of the Board decides otherwise.</p>	YES	
<p>D.8. The quarterly and semi-annual financial reports should include information in both Romanian and English regarding the key drivers influencing the change in sales, operating profit, net profit and other relevant financial indicators, both on quarter-on-quarter and year-on-year terms.</p>	YES	
<p>D.9. A company should organize at least two meetings/conference calls with analysts and investors each year. The information presented on these occasions should be published in the IR section of the company website at the time of the meetings/conference calls.</p>	YES	
<p>D.10. If a company supports various forms of artistic and cultural expression, sport activities, educational or scientific activities, and considers the resulting impact on the innovativeness and competitiveness of the company part of its business mission and development strategy, it should publish the policy guiding its activity in this area.</p>	Partially compliant	Impact Group supports and organizes various sport and environmental protection activities, both physically and educationally. These activities are presented on Impact Developer & Contractor website and Impact Developer & Contractor works to develop a related policy.

ANNEX 2

Other information

Employees of Impact Group

At the end of 2019, the Impact Developer & Contractor had 55 employees, of which 1 employee in maternity leave. Additionally, Impact Developer & Contractor has a Board of Directors that has 5 members.

At the same time, Actual Invest House and Impact Finance had at the end of 2019, 9 and respectively 3 employees. The other companies of the group did not have any employees.

Impact Group has not established any trade union. The relationship between the management and the employees are regulated under the Individual Employment Agreement and the job descriptions.

Financial ratios (consolidated, IFRS)

LEI thousands		31-Dec-15	31-Dec-16	31-Dec-17	31-Dec-18	31-Dec-19
Net profit	A	(4,732)	29,612	164,694	20,828	154,484
Inventories	B	190,759	295,688	447,526	365,753	430,725
Current assets	C	233,741	328,374	418,340	422,310	509,071
Current liabilities	D	78,044	49,829	156,458	141,074	132,918
Total assets	E	465,866	482,610	626,977	647,551	901,972
Total liabilities	F	107,931	95,027	199,527	200,745	318,031
Equity	G	357,935	387,583	427,450	446,808	583,941
Loans and borrowings	H	45,789	49,626	163,553	148,994	197,635
Loans and borrowings, short term	I	32,561	21,107	30,152	34,894	58,822
Loans and borrowings, long term	J	13,228	28,519	133,401	114,100	138,813
Cash and cash equivalents	K	17,267	17,632	47,476	30,740	45,462
Net debt	L (H-K)	28,522	31,994	116,077	118,254	152,173
EBITDA	M	(7,721)	37,010	52,151	17,734	45,475
Interest paid	N	1,348	1,386	2,195	5,494	2,510
Ratios						
Loans and borrowings / EBITDA	H/M	n.a.	1.34	3.14	8.40	4.35
Net debt / EBITDA	L/M	n.a.	0.86	2.23	6.67	3.35
EBITDA / Interest paid	M/N	n.a.	26.70	23.76	3.23	18.12
Return on Assets	A/E	(1.02%)	6.14%	26.27%	3.22%	17.13%
Return on Equity	A/G	(1.32%)	7.64%	38.53%	4.66%	26.46%
Gearing ratio	H/G	12.79%	12.80%	38.26%	33.35%	33.85%
Current ratio	C/D	3.00	6.59	2.67	2.99	3.83
Quick ratio	(C-B)/D	0.55	0.66	(0.19)	0.40	0.59

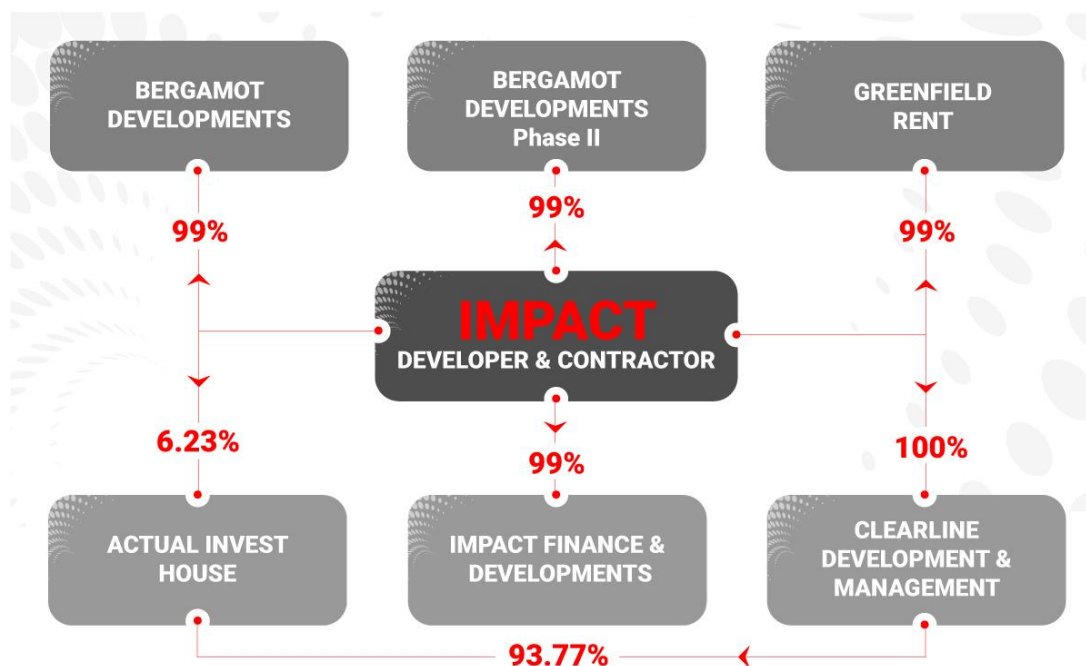
Stock exchange metrics – Impact Developer & Contractor

Metrics	31-Dec-15	31-Dec-16	31-Dec-17	31-Dec-18	31-Dec-19
Price per share	0.94	0.70	1.05	0.99	1.49
No. of shares	277,866,574	277,866,574	277,866,574	277,866,574	274,443,532
Market capitalization (LEI)	261,194,580	194,506,602	291,759,903	275,087,908	408,920,863
Exchange rate (LEI/EUR)	4.5245	4.5411	4.6597	4.6639	4.7793
Market capitalization (EUR)	57,728,938	42,832,486	62,613,452	58,982,377	85,560,827
Net assets (LEI, book value)	357,934,861	387,583,000	427,450,000	446,808,000	583,941,000
Net assets (EUR, book value)	79,110,368	85,350,025	91,733,373	95,801,368	122,181,282
Net profit (LEI)	(4,732,000)	29,611,815	164,694,000	20,828,000	154,484,000
Net profit (EUR)	(1,045,861)	6,520,846	35,344,335	4,465,790	32,323,562
Earnings per share (LEI)	(0.017)	0.107	0.593	0.075	0.563
Earnings per share (EUR)	(0.004)	0.023	0.127	0.016	0.118
NAV/Share (LEI)	1.288	1.395	1.538	1.608	2.128
NAV/Share (EUR)	0.285	0.307	0.330	0.345	0.445

ANNEX 3

Impact Group

Impact Group structure as at 31 Dec 2019



Impact Developer & Contractor SA - one of the first companies acting in the real estate development sector in Romania, being established in 1991 by public subscription.

During the past 29 years, has completed 17 small and medium-sized projects, comprising over 4,000 residences and over 13,000 square meters of office and trade premises.

As at 31 Dec 2019, Impact Developer & Contractor has ongoing residential developments in two cities throughout the country, whereas the main project is Greenfield Residence Baneasa located in Bucharest.

Bergamot Developments SRL and Bergamot Developments Phase II SRL

The companies' business object is real estate development and is developing the Luxuria Domenii Residence project since 2017.

Greenfield Rent SRL was set-up in December 2019.

Actual Invest House SRL - offers management services for residential developments of Impact Group.

Impact Finance & Developments SRL plays a significant role in the diversification of the service range related to the sale of residences. Impact Finance & Developments collaborates with the most important Romanian financial institutions in order to provide favourable crediting solutions to the clients that acquire residences.

Clearline Development and Management SRL (formerly Lomb SA) is the project company whereby Impact Group was about to develop a residential project in Cluj-Napoca, in partnership with the local authorities.

IMPACT DEVELOPER & CONTRACTOR S.A.

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

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

TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

CONTENTS:**PAGE:**

INDEPENDENT AUDITOR'S REPORT	1 - 5
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	6 - 7
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	8
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	9 - 10
CONSOLIDATED STATEMENT OF CASH FLOWS	11 - 12
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	13 - 48

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Consolidated Financial Statements

Opinion

1. We have audited the consolidated financial statements of 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, 2019, 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, 2019 are identified as follows:

• Net assets/Equity	kRON 583,941
• Net profit for the financial year	kRON 154,484
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, 2019, 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 EU.

Basis for Opinion

4. We conducted our audit in accordance with International Standards on Auditing (ISAs), Regulation (EU) No. 537/2014 of the European Parliament and the Council (forth named The "Regulation") and Law 162/2017 ("the Law"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the 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.

Key Audit Matter	How our audit addressed the matter
<p>Valuation of Investment Property</p> <p>As disclosed in Note 9 to the consolidated financial statements, investment property held by the Group is recorded at RON 384,223 thousand as of December 31, 2019. Investment properties primarily represent land plots.</p> <p>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.</p> <p>Because of the significance of estimates and judgements involved in assessing this area and considering the significant value of Investment Property, we consider that the Valuation of Investment Property is a key audit matter.</p>	<p>Our procedures in relation to management’s valuation of investment properties include:</p> <ul style="list-style-type: none"> - 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 by comparing the recorded values to 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.
<p>Transfers in and out of Investment Property</p> <p>As disclosed in Note 9 to the consolidated financial statements, during the year the Group transferred assets of RON 95,379 thousand from inventory to investment property and assets of RON 85,129 thousand from investment property to inventory.</p> <p>Under IAS 40: Investment Property, an entity should transfer a property to, or from, investment property when, and only when, there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. Judgement is required to determine whether a property qualifies as an investment property based on criteria that are consistently applied. Because of the significance of the transfers to and from investment property, and the judgement required in determining the criteria for transfer, we consider these transfers to be a key audit matter.</p>	<p>Our procedures to assess the appropriateness of transfers include:</p> <ul style="list-style-type: none"> - Assessment of the judgements applied regarding the changes in use and status of assets. Key to this is the assumption that the legal status of certain assets is a “triggering event” with resulting long term uncertainty over the future development plans. - Assessment of the appropriateness of the classification of investment properties by understanding the business models and management’s judgements, corroborated with understanding of the legal status of each asset subject to transfers. - Assessment of whether the disclosures reflect the requirements of the relevant accounting standards.

Key Audit Matter	How our audit addressed the matter
<p>Litigations</p> <p>Please refer to Note 28 'Contingencies' to the consolidated financial statements. As disclosed in this note, the Group is involved in various litigation both as plaintiff and defendant.</p> <p>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.</p> <p>Because of the significant judgements required and the significance of current litigations, we consider this a key audit matter.</p>	<p>Our audit procedures related to management assessment of litigations included the following:</p> <ul style="list-style-type: none"> - 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;

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, 2018, 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, 2019, we are required to report if we have identified a material misstatement of this Administrators' report. We have nothing to report in this regard.

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

7. Management is responsible for the preparation and fair presentation of the 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.

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.

Report on Other Legal and Regulatory Requirements

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

We confirm that:

- Our audit opinion is consistent with the additional report submitted to the Audit Committee of the Group 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 Alina Mirea.

Alina Mirea, Audit Partner

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

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

On behalf of:

DELOITTE AUDIT SRL

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

The Mark Building, 84-98 and 100-102 Calea Grivitei,
8th Floor and 9th Floor, District 1
Bucharest, Romania
March 27, 2020

IMPACT DEVELOPER & CONTRACTOR S.A.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019
(all amounts are expressed in thousand RON, unless stated otherwise)

	<u>Note</u>	<u>31 December 2019</u>	<u>31 December 2018</u>
ASSETS			
Non-current assets			
Property, plant and equipment	7	8,535	6,855
Intangible assets	8	143	95
Investment property	9	384,223	217,113
Long term trade and other receivables	11		1,178
Total non-current assets		392,901	225,241
Current assets			
Inventories	10	430,725	365,753
Trade and other receivables	11	32,884	25,817
Cash and cash equivalents	12	45,462	30,740
Total current assets		509,071	422,310
Total assets		901,972	647,551
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	13	281,907	285,330
Share premium		68,760	68,760
Revaluation reserve		3,001	3,072
Other reserves		9,179	3,462
Own shares	14	(7,771)	(3,038)
Retained earnings		228,865	89,222
Total equity		583,941	446,808
Non-current liabilities			
Loans and borrowings	15	138,813	114,100
Trade and other payables	16	330	1,151
Deferred tax liability	24	45,970	25,823
Total non-current liabilities		185,113	141,074

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

IMPACT DEVELOPER & CONTRACTOR S.A.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019
(all amounts are expressed in thousand RON, unless stated otherwise)

	<u>Note</u>	<u>31 December 2019</u>	<u>31 December 2018</u>
Current liabilities			
Loans and borrowings	15	58,822	34,894
Trade and other payables	16	73,189	24,176
Provisions for risks and charges	17	907	601
Total current liabilities		132,918	59,671
Total liabilities		318,031	200,745
Total shareholders' equity and liabilities		901,972	647,553

The consolidated financial statements have been authorized for issue by the management on 27.03.2020 and signed on its behalf by:

Sorin Apostol,
Chief Executive Officer

Iuliana Mihaela Urda,
President BOD

Giani Kacic
Chief Financial Officer

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

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

	Note	31 December 2019	31 December 2018
Revenue from real estate inventories	18	156,681	101,534
Costs of real estate inventories		(83,904)	(61,484)
Gross profit		72,777	40,050
Net rental income		3	3,083
General and administrative expenses	19	(20,859)	(18,416)
Marketing expenses		(4,647)	(1,776)
Other income/expenses	20	(1,799)	(5,207)
Depreciation and amortization	7,8	(927)	(895)
Total other income / expenses		44,548	(23,211)
Gains on transfer from inventory to investment property		80,922	-
Other gains from investment property	9	63,637	23,394
Total gains from investment property		144,559	23,394
Adjusted operating profit before exceptional items and impairment of other long term assets		189,107	40,233
(Impairment)/ Reversal of other long term assets	22	192	(2,207)
Other gains and losses (exceptional)	23	-	(3,676)
Operating profit		189,299	34,350
Finance costs, net	21	(5,922)	(5,943)
Profit before income tax		183,377	28,406
Income tax credit/(charge)	24	(28,893)	(7,579)
Profit for the period		154,484	20,827
Total comprehensive income attributable to:			
Owners of the Company		154,484	20,827
Total comprehensive income for the period		154,484	20,827
Result per share			
Basic result per share (RON/share)	30	0.56	0.09

The consolidated financial statements have been authorized for issue by the management on 27.03.2020 and signed on its behalf by:

Sorin Apostol
Chief Executive Officer

Iuliana Mihaela Urda,
President BOD

Giani Kacic
Chief Financial Officer

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

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

	Not e	Share capital	Share premium	Revaluatio n reserve	Other reserves	Own shares	Retained earnings	Total equity
Balance at 1 January 2019		285,330	68,760	3,072	3,462	(3,038)	89,222	446,808
Comprehensive income								
Profit for the year		-	-	-	-	-	154,484	154,484
Other comprehensive income		-	-	-	-	-	-	-
Total comprehensive income		-	-	-	-	-	154,484	154,484
Transactions with owners of the Company								
Own shares aquired and cancelled during the year	13	(3,423)	-	-	-	3,423	-	-
Own shares aquired	14	-	-	-	-	(8,156)	-	(8,156)
Contributions and distributions								
Dividends to the owners of the Company	13	-	-	-	-	-	(9,195)	(9,195)
Other changes in equity								
Set up of legal reserves	13	-	-	-	8,058	-	(8,058)	-
Revaluation reserve		-	-	(71)	-	-	71	-
Transfer of other reserves to retained	13	-	-	-	(2,341)	-	2,341	-
Balance at 31 December 2019		281,907	68,760	3,001	9,179	(7,771)	228,865	583,941

The consolidated financial statements have been authorized for issue by the management on 27.03.2020 and signed on its behalf by:

Sorin Apostol,
Chief Executive Officer

Iuliana Mihaela Urda,
President BOD

Giani Kacic
Chief Financial Officer

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

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

	Note	Share capital	Share premium	Revaluation reserve	Other reserves	Own shares	Retained earnings	Total equity
Balance at 1 January 2018		285,330	68,760	3,032	10,632	-	59,655	427,449
Comprehensive income								
Profit for the year		-	-	-	-	-	20,827	20,827
Other comprehensive income		-	-	-	-	-	-	-
Total comprehensive income		-	-	-	-	-	20,827	20,827
Transactions with owners of the Company								
Own shares acquired in the year	14	-	-	-	-	(3,353)	-	(3,353)
Credit to equity for equity-settled share-based payments	13	-	-	-	-	315	-	315
Contributions and distributions								
Dividends to the owners of the Company	13	-	-	-	-	-	-	-
Other changes in equity								
Set up of legal reserves	13	-	-	-	1,015	-	(1,015)	-
Revaluation reserve		-	-	63	-	-	(63)	-
Transfer of other reserves to retained	13	-	-	(24)	(8,184)	-	9.817	1,570
Other changes in equity		-	-	-	-	-	-	-
Balance at 31 December 2018		285,330	68,760	3,072	3,462	(3,038)	89,222	446,808

The consolidated financial statements have been authorized for issue by the management on 27.03.2020 and signed on its behalf by:

Sorin Apostol,
Chief Executive Officer

Iuliana Mihaela Urda,
President BOD

Giani Kacic
Chief Financial Officer

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

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

	<u>Note</u>	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:			
Profit for the period		154,484	20,827
Adjustments for:			
Depreciation of tangible non-current assets	7	838	780
Amortization of intangible non-current assets	8	89	115
Impairment of tangible non-current assets, net	7	(85)	1,226
Result from disposal of assets, net	22	43	1,023
Impairment of inventories, net	22	-	1,028
Impairment of trade and other receivables, net	22	107	(47)
Write-offs, net	22	(3,921)	3,676
Changes in fair value of investment property	9	(144,559)	(23,394)
Income tax	24	28,893	7,579
Net changes in provisions for risks and charges	17	305	6
Interest expenses	21	2,749	6,140
Interest income	21	(196)	(152)
Foreign exchange differences, net	21	3,055	(44)
		41,802	18,764
Changes in:			
Inventories		(64,972)	(3,158)
Trade and other receivables		(6,097)	(19,173)
Trade and other payables		39,493	11,466
Net cash generated from operations		10,226	7,899
Income tax paid		(5,891)	(3,284)
Interest paid		(2,508)	(5,494)
Net cash used in operating activities		1,826	(879)
Cash flows from investing activities:			
Purchases of property, plant and equipment		(15,882)	(1,445)
Purchases of intangible assets		(48)	(17)
Proceeds from sale of property, plant and equipment		493	400
Net cash from investing activities		(15,437)	(1,082)

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

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

	<u>Note</u>	<u>2019</u>	<u>2018</u>
Cash flows from financing activities:			
Dividends paid		(9,094)	(20)
Repayments of borrowings		(36,393)	(25,939)
Proceeds from borrowings		81,976	14,244
Acquisitions of own shares		(8,156)	(3,353)
Other		-	315
Net cash used in financing activities		<u>28,333</u>	<u>(14,773)</u>
Net increase / (decrease) of cash and equivalents		<u>14,722</u>	<u>(16,736)</u>
Cash and equivalents at 1 January	12	<u>30,740</u>	<u>47,476</u>
Cash and equivalents as at 31 December	12	<u>45,462</u>	<u>30,740</u>

The consolidated financial statements have been authorized for issue by the management on 27.03.2020 and signed on its behalf by:

Sorin Apostol,
Chief Executive Officer

Iuliana Mihaela Urda,
President BOD

Giani Kacic
Chief Financial Officer

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

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

1. REPORTING ENTITY

These financial statements are the consolidated financial statements of Impact Developer & Contractor S.A ("the Company") and its subsidiaries (together "the Group") as at and for the year ended 31 December 2019.

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

The shareholding structure as at 31 December 2019 and 31 December 2018 is disclosed in Note 13.

The Consolidated Financial Statements of the Company for the year ended 31 December 2019 include the Company and its subsidiaries (together referred to as the „Group“) as follows:

	<u>Country of registration</u>	<u>Nature of activity</u>	<u>% of shareholding at 31 December 2019</u>	<u>% of shareholding at 31 December 2018</u>
Clearline Development and Management SRL	Romania	Real estate development	100%	100%
Actual Invest SRL	Romania	Property management	100%	100%
Bergamot Phase SRL	Romania	Real estate development	100%	100%
Bergamot Development SRL	Romania	Real estate development	100%	100%
Impact Finance SRL	Romania	Administration	100%	100%
Greenfield Rent SRL	Romania	Real Estate development	100%	-

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 2018 and 2019 the business of Impact is mainly related to a major project: Greenfield residential complex in Bucharest.

In 2018 and 2019 the business of Bergamot Development is mainly related to the Luxuria Residence Project.

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 financial statements have been prepared on a going concern basis and under the historical cost basis, except for the revaluation of certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Going concern

The Group has prepared forecasts, including certain sensitivities taking into account the principal business risks. Having considered these forecasts, the Directors remain of the view that the Group's financing arrangements and capital structure provide both the necessary facilities and covenant headroom to enable the Group to conduct its business for at least the next 12 months. Accordingly, the consolidated financial statements have been prepared on a going concern basis. Please refer to note 31 for additional disclosures

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

3. FUNCTIONAL AND PRESENTATION CURRENCY

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

4. 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

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affects its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the Company gains control until the date when the Company ceases to control the subsidiary. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

(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.

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Property, plant and equipment

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

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

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

Freehold land is not depreciated.

Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment loss.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method, on the following bases:

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

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

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

(d) Intangible assets acquired separately

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

(e) Investment property

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

All of the Group's property interests held to earn rentals or for capital appreciation purposes are accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Investment property (continued)

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

(f) Inventories

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

(g) Trade and other receivables

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

Derecognition of financial assets

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

(h) Cash and cash equivalents

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

(i) Share capital

Ordinary shares

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

Repurchase and reissue of ordinary shares (treasury shares)

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Dividends

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

(k) Own shares

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

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

(l) Borrowings

Interest-bearing bank loans and overdrafts are recorded as the proceeds are received, net of direct issue costs.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(m) Trade payables and other payables

Trade payables on normal terms are not interest-bearing and are stated at their nominal value. Trade payables on extended terms, particularly in respect of land, are recorded at their fair value at the date of acquisition of the asset to which they relate. The discount to nominal value is amortised over the period of the credit term and charged to finance costs. The carrying amount of trade and other payables that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the Present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(o) Revenue

The Group has initially applied IFRS 15 starting 1 January, 2018.

Revenue is recognized when or as the customer acquires control over the goods or services rendered, at the amount which reflects the price at which the Group is expected to be entitled to receive in exchange of those goods or services. Revenue is recognized at the fair value of the services rendered or goods delivered, net of VAT, excises or other taxes related to the sale.

Revenue comprises the fair value of the consideration received or receivable, net of value added tax, after eliminating sales within the Group. Revenue and profit are recognized as follows:

(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 on legal completion. The revenues are recognised when the significant risks and rewards of ownership have been transferred to the customer, this is deemed to be when title of the property passes to the customer on legal completion, the associated costs and possible return of goods can be estimated reliably. This is the point at which all performance obligations are satisfied and 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. There is not considered to be a significant financing component in contracts with customers as the period between the recognition of revenue and the payment is almost always less than one year, the company has also instalments payments over a period more than one year but those are not significant.

(ii) 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 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.

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Taxation

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

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

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

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

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also dealt with in other comprehensive income or equity.

(q) Share-based payments

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

(r) Financial instruments – fair values and risk management

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Contingent liabilities

A contingent liability is:

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

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

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

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

(t) Contingent liabilities

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

(u) Segment reporting

The Group operates only in Romania. The main operating segment is related to development of residential properties.

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant.

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(i) Fair value measurements and valuation processes

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

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

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

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

- The selection of comparable land plots resulting in order to determine the "offer price" which is taken as the basis to form an indicative price
- The quantum of adjustments to apply against the offer price to reflect deal prices, and differences in location and condition including the status of any legal dispute as described in Note 28.

The key inputs are summarised in note 9. The valuation is highly sensitive to these variables and adjustments to these inputs would have a direct impact on the resulting valuation.

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

(ii) Transfer of assets both from and to investment property

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

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

For the Greenfield project, management considered that activities with a view to sale have not yet commenced on phases which are projected to be developed more than 2 years from the balance sheet date. Consequently these assets continue to be accounted for at fair value within investment property.

Had different judgements been applied in determining a change in use, than the financial statements may have been significantly different as a result of the differing measurement approach of inventory and

IMPACT DEVELOPER & CONTRACTOR SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2015
(All amounts are expressed in RON, unless stated otherwise)

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

Investment properties.

(iii) Legal issues

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. Key legal matters are summarized in Note 28.

As at 31 December 2019, the Group is involved in a litigation with the the Cluj Municipality Council claiming the reimbursement of costs amounting to 17 million RON. Based on the legal advice from the Group lawyers, management believes that the outcome of the case will not result in an adverse outcome in these financial statements. However the matter is judgemental and in the event that recoveries are less than the carrying value of the asset then a financial loss will result.

(iv) Cost allocation

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

6. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

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

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

• **IFRS 16: Leases**

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

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

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

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

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

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

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

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

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

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

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

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

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

The adoption of IFRIC 23 did not have a material impact on the Group financial statements.

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

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

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

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

The Group assess that none of these amendments have a significant impact on the financial statements.

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

7. PROPERTY, PLANT AND EQUIPMENT

Reconciliation of carrying amount

Cost / valuation	Land and buildings	Machinery, equipment and vehicles	Fixtures and fittings	Assets under construction	Total
Balance at January 1,2019	13,884	2,934	1,416	1,034	19,268
Additions	4,501	228	-	108	4,837
Transfers	(1,000)	-	-	-	(1,000)
Disposals	(555)	(23)	(14)	(863)	(1,455)
Balance at 31 December 2019	16,830	3,139	1,402	279	21,650
Accumulated depreciation and impairment losses					
Balance at January 1,2019	9,188	2,190	1,038	-	12,416
Charge for the period	390	340	108	-	838
(Reversal of)/Impairment loss	(85)	-	-	-	(85)
Accumulated depreciation of disposals	(33)	(21)	-	-	(54)
Balance at 31 December 2019	9,460	2,509	1,146	-	13,115
Carrying amounts					
at 1 January 2019	4,698	745	378	1,034	6,855
at 31 December 2019	7,370	631	256	279	8,535

This is a free translation from the original Romanian version.

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

7. PROPERTY, PLANT AND EQUIPMENT (continued)

Cost / valuation	Land and buildings	Machinery, equipment and vehicles	Fixtures and fittings	Assets under construction	Total
Balance at January 1,2018	14,818	2,657	1,341	641	19,456
Additions	601	281	76	393	1,350
Transfers	-	-	-	-	-
Disposals	1,535	3	-	-	1,538
Balance at 31 December 2018	13,884	2,934	1,416	1,034	19,268
Accumulated depreciation and impairment losses					
Balance at January 1,2018	7,791	1,802	947	-	10,540
Charge for the period	301	388	91	-	780
(Reversal of)/Impairment loss	1,226	-	-	-	1,226
Accumulated depreciation of disposals	130	-	-	-	130
Balance at 31 December 2018	9,188	2,190	1,038	-	12,416
Carrying amounts					
at 1 January 2018	7,027	855	394	641	8,917
at 31 December 2018	4,698	745	378	1,034	6,855

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

8. INTANGIBLE ASSETS

Reconciliation of carrying amount

	<u>Note</u>	<u>Software</u>	<u>Other intangible assets</u>	<u>Total</u>
Cost				
Balance at 1 January 2019		1,895	128	2,023
Additions		104	33	137
Balance at 31 December 2019		1,999	161	2,160
Accumulated depreciation and impairment losses				
Balance at 1 January 2019		1,879	49	1,929
Charge for the period Amortization for the year		81	8	89
Balance at 31 December 2019		1,960	57	2,017
Carrying amounts				
at 1 January 2018		16	79	95
at 31 December 2019		39	104	143

	<u>Note</u>	<u>Software</u>	<u>Other intangible assets</u>	<u>Total</u>
Cost				
Balance at 1 January 2018		1,878	128	2,006
Additions		17	-	17
Balance at 31 December 2018		1,895	128	2,023
Accumulated depreciation and impairment losses				
Balance at 1 January 2018		1,772	40	1,813
Charge for the period Amortization for the year		107	9	116
Balance at 31 December 2018		1,879	49	1,929
Carrying amounts				
at 1 January 2018		105	88	193
at 31 December 2018		16	79	95

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

9. INVESTMENT PROPERTY

Reconciliation of carrying amount

	2019	2018
Balance at 1 January	217,113	193,343
Additions through subsequent expenditures	12,300	661
Transfers from	95,379	-
Transfers to	(85,129)	-
Disposals	-	(285)
Changes in fair value during the year	144,559	23,394
Balance at 31 December	384,223	217,113

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

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

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

Land located in Barbu Vacarescu

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

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

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

Land located in Prelungire Ghencea-Timisoara Blvd.

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

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

9. INVESTMENT PROPERTY (continued)

Land located in Prelungire Ghencea-Timisoara Blvd. (continued)

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

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

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

Valuation processes

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

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

The land held for capital appreciation, amounting to 384,223 as at 31 December 2019 (2018: 214,438 RON), has a total surface of 544,354 sqm (2018: 429,185 sqm). This land is located in Bucharest – 482,332 sqm (2018: 367,163 sqm) and in other regions – 62,022 sqm (Constanta, Oradea).

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 2019. The classification is considered appropriate 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. There were no transfers from levels 1 and 2 to level 3 during the year.

Valuation techniques

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

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

The carrying value as at 31 December 2019 of the land plots pledged is of 165,209 (31 December 2018: 128,453).

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

10. INVENTORIES

	31 December 2019	31 December 2018
Finished goods and goods for resale	64,011	103,612
<i>Residential developments:</i>		
- Land	173,004	180,588
- Development and construction costs	193,710	81,553
	430,725	365,753

Inventories are represented by:

	31 December 2019	31 December 2018
Greenfield residential project	174,615	140,421
Luxuria residential project	215,253	76,567
Ghencea land		43,018
Barbu Vacarescu land	-	48,338
Constanta land	21,877	21,469
Other inventory	18,980	35,940
	430,725	365,753

As at 31 December 2019, included within residential properties under development are inventories of 12,897 (31 December 2018: 12,897) related to project Dealul Lomb, which is under litigation as at the date of the financial statements. More details can be found in Note 28 a).

The carrying value as at December 31, 2019 of the inventories pledged is of 14,425 thousand RON (31 December 2018: 44,222 thousand Ron).

11. TRADE AND OTHER RECEIVABLES

	Current		Non-current	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Trade receivables	9,369	5,170	-	1,169
Receivables from affiliates	-	-	-	-
Sundry debtors	2,388	1,406	-	10
Receivables from State	12,568	6,191	-	-
Advance payments to suppliers (for services)	8,558	12,351	-	-
	32,884	25,817	-	1,178

An allowance has been made for estimated irrecoverable amounts from trade receivables of 2,924 (2018: 3,876).

The trade receivables include the amount of 9,369 (2018: 4,155) in relation with contracts with customers for sale of residential properties.

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

12. CASH AND CASH EQUIVALENTS

	<u>31 December 2019</u>	<u>31 December 2018</u>
Current accounts	45,457	30,726
Petty cash	4	11
Cash advances	<u>1</u>	<u>4</u>
	<u>45,462</u>	<u>30,740</u>

Current accounts are held with Romanian commercial banks. Out of the total balance of cash, 331 (31 December 2018 8,610) is restricted cash, representing amounts advanced by clients and amounts held in respect of VAT and loan repayments.

13. SHARE CAPITAL

	<u>31 December 2019</u>	<u>31 December 2018</u>
Share capital	<u>281,907</u>	<u>285,330</u>
	<u>281,907</u>	<u>285,330</u>

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

	<u>31 December 2019</u>		<u>31 December 2018</u>	
	<u>No of shares</u>	<u>%</u>	<u>No of shares</u>	<u>%</u>
Gheorghe Iaciu	155,943,046	56,82%	155,744,450	56.05%
Andrici Adrian	42,350,335	15,43%	42,346,930	15.24%
Swiss Capital	33,537,000	12,22%	34,122,070	12.28%
Alti actionari	<u>42,621,081</u>	<u>15,53%</u>	<u>45,653,550</u>	<u>16.43%</u>
	<u>274,443,532</u>	<u>100%</u>	<u>277,866,574</u>	<u>100%</u>

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

In accordance with the Constitutive Act of the Company, during the GSM as of 24 April 2019 the share capital was decreased by 3,423,042 RON from 277,866,574 RON, by reducing the number of shares from 277,866,574 to 274,443,532 following the cancellation of 3,423,042 own shares previously acquired by the Company.

Dividends

During the financial year ended 31 December 2019, the Group declared and paid dividends to its shareholders in total amount of 9,195.

During the financial year ended 31 December 2018, the Group declared and paid dividends to its shareholders in total amount of 20.

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

14. OWN SHARES

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

The AGM held on 24.04.2019 approved the purchase of maximum 10,000,000 own shares (ten million) for a period of maximum 18 months starting from publishing in the Romanian Official Gazette representing maximum 3.60% of the subscribed and paid shared capital.

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

As at 31 December 2019 the Group has in balance 6,457 thousand own shares (31 December 2018: 3,041) at an average price of 0,9941 RON/share with a nominal value of 7,771 (2018: 3,038). During 2019 the Group has not granted shares to employees (2018: 350 thousand shares).

15. 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 25.

	<u>31 December 2019</u>	<u>31 December 2018</u>
Non-current liabilities		
Secured bank loans	23,091	-
Issued bonds	<u>115,722</u>	<u>114,100</u>
	<u>138,813</u>	<u>142,332</u>
Current liabilities		
Current portion of secured bank loans	-	32,895
Short-term borrowings	<u>58,822</u>	<u>1,998</u>
	<u>58,822</u>	<u>34,893</u>

Terms and repayment schedules

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

<u>Lender</u>	<u>Currency</u>	<u>Maturity</u>	<u>Amount of the facility, in original currency</u>	<u>Balance at 31 December 2019</u>	<u>Balance at 31 December 2018</u>
Secured bank loans					
Credit Value					
Investments	EUR	11.07.2021	12,000	58,586	56,972
Bucharest Stock					
Exchange SA	EUR	12.12.2022	12,525	58,902	57,128
UniCredit	EUR	31.08.2021	20,696	21,579	-
UniCredit	RON	31.08.2021	17,605	1,512	-
Libra Bank	RON	17.07.2020	19,700	-	-
Piraeus Bank	RON	28.07.2020	32,730	-	16,103
Banca Transilvania	RON	28.02.2020	24,183	-	12,683
Unicredit	EUR	30.04.2021	17,841	57,057	6,107

The interest rates at which the Group borrowed the loans in RON are between 5.63% - 7.05%.

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

15. LOANS AND BORROWINGS (continued)

On 17 July 2019 Impact Developer & Contractor SA concluded a revolving finance agreement with Libra Bank for a facility of 19,700.

On 14 October 2019 Bergamot Development has concluded a loan agreement with Unicredit Bank having 2 facilities with the following destination:

- a) Facility 1 represents a development loan in amount of 20,696 thousand EUR which shall be used by the beneficiary for financing/refinancing of maximum 65% from Project's development net cost. This facility is not a revolving credit. The mechanism of repayment is agreed at 75-80% paid at final collection from client.
- b) Facility 2 represents a Revolving Type Credit in amount of 17,605 which shall be used by the beneficiary for financing the VAT payments.

On 14 August 2018 Bergamot Development has concluded a loan agreement with Unicredit Bank having 2 facilities with the following destination:

- a) Facility 1 represents a development loan in amount of 16,341 thousand EUR which shall be used by the beneficiary for financing/refinancing of maximum 65% from Project's development net cost. This facility is not a revolving credit. The mechanism of repayment is agreed at 75-80% paid at final collection from client.
- b) Facility 2 consists of a revolving loan amounting to 6,989 to be used for financing the VAT payments.

On July 10th, 2017, the Company offered 120 A series-bearer bonds for subscription, each with a face value of EUR 100 thousand and a total face value of EUR 12,000 thousand issued in physical form, to two funds of investments managed by Credit Value Investments Sp. z o, (CVI), who accepted the Offer on the same date. The bonds were initially offered at a price of EUR 98,400 per Bond (or EUR 11,808 thousand 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 are mainly secured by a first-rate mortgage covering the obligations arising from the Bonds up to the guaranteed maximum amount of EUR 18,000 thousand (eighteen million) on nine plots of land with a total area of 196,407 sqm located in Bucharest, 1st District, Romania, which are the exclusive property of the Company, as well as their accessories. The Company has an early redemption option for the Bonds, which can be exercised from the second interest payment date, provided that the minimum redeemed amount is at least EUR 1,000 thousand.

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

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

16. TRADE AND OTHER PAYABLES

	<u>31 December 2019</u>	<u>31 December 2018</u>
Non-current liabilities		
Guarantees	330	1,151
	330	1,151
Current liabilities		
Trade payables	33,789	10,190
Customer deposits	19,837	10,612
Divides payable	199	98
Payable to affiliates	-	-
Other payables	19,364	3,276
	73,189	24,176
	73,519	25,328

Information related to the Group's exposure to exchange rate risk and liquidity risk related to trade and other liabilities is included in Note 25.

Revenue recognized in the current year that was included in the customer deposit balance carried forward at the beginning of the period amounted to 10,612 (2018: 1,347). There was no revenue recognized in the current reporting period that related to performance obligations that were satisfied in a prior year.

17. PROVISIONS FOR RISKS AND CHARGES

	<u>Provisions for litigations</u>	<u>Other provisions</u>	<u>Total</u>
Balance at 1 January 2019	271	330	601
Provisions made during the year	48	583	631
Provisions used during the year	-	325	325
Balance at 31 December 2019	319	588	907

18. REVENUE

A disaggregation of the Group's revenue is as follows:

	<u>2019</u>	<u>2018</u>
Revenue from sales of residential properties	156,568	101,232
Others	113	302
	156,681	101,534

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

19. GENERAL AND ADMINISTRATIVE EXPENSES

	<u>2019</u>	<u>2018</u>
Consumables	705	1,080
Administration expenses	7,256	4,920
Staff costs	<u>12,898</u>	<u>12,416</u>
	<u>20,859</u>	<u>18,416</u>

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

20. OTHER OPERATING EXPENSES/INCOME

	<u>2019</u>	<u>2018</u>
Other operating income	(4,534)	(1,764)
Rent expenses	677	2,473
(Profit) / Loss on disposal of property, plant and equipment	43	1,023
Fines and penalties (income)/expenses	186	378
Other operating expenses	5,427	2,771
Revaluation result	<u>-</u>	<u>326</u>
	<u>1,799</u>	<u>5,207</u>

21. FINANCE COST/INCOME

	<u>2019</u>	<u>2018</u>
Interest expense	2,749	5,898
Interest income	(196)	(152)
Foreign exchange result	3,055	(44)
Other financial reserves	<u>314</u>	<u>241</u>
	<u>5,922</u>	<u>5,943</u>

22. IMPAIRMENT OF OTHER LONG TERM ASSETS

	<u>2019</u>	<u>2018</u>
(Reversal)/Impairment of trade receivables, net	(107)	(47)
(Reversal)/Impairment of tangible non-current assets, net	(85)	1,226
Impairment of financial assets, net	-	-
Other writeoffs	<u>-</u>	<u>1,028</u>
	<u>(192)</u>	<u>2,207</u>

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

23. OTHER INCOME/EXPENSE - EXCEPTIONAL

	<u>2019</u>	<u>2018</u>
Legal settlement – Brooklin	-	3,676
	<u>-</u>	<u>3,676</u>

During 2018 the Company signed a Settlement Agreement with Brooklin Property Management S.R.L to terminate, definitively and irrevocably all disputes. The case concerned the execution and payment of construction works for one of the projects developed by Impact in 2007 (Topaz). Brooklyn Property Management was the general contractor of the project, and Impact was the beneficiary. By mutually agreed concessions, the Company paid Brooklyn the RON equivalent of EUR 880 thousand.

24. TAXATION

(i) Amounts recognised in profit or loss

	<u>2019</u>	<u>2018</u>
Deferred tax (income) / expense	20,961	3,780
Tax on profit	7,932	3,799
Total expense related to tax	<u>28,893</u>	<u>7,579</u>

(ii) Reconciliation of effective tax rate

	<u>2019</u>		<u>2018</u>	
Profit before taxation		<u>183,377</u>		<u>28,406</u>
Tax using the Company's domestic tax rate	-16%	(29,340)	-16%	(4,545)
Non-deductible expenses and adjustments	1%	2,139	13%	3,688
Tax-exempt income	1%	(1,692)	30%	(6,827)
Recognition of tax effect of previous years tax losses		-		-
	<u>16%</u>	<u>(28,893)</u>	<u>9%</u>	<u>(7,579)</u>

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

24. TAXATION (continued)

(iii) Cumulative temporary differences generating deferred tax

	31 December 2019		31 December 2018	
	Cumulative temporary differences	Deferred tax liabilities / (assets)	Cumulative temporary differences	Deferred tax liabilities / (assets)
Property, plant and equipment	(1,394)	(223)	(1,479)	(237)
Investment property	312,901	50,064	187,174	29,948
Inventories	(10,110)	(1,618)	(15,196)	(2,431)
Trade and other receivables	(4,898)	(784)	(5,005)	(801)
Financial assets	(5,086)	(814)	-	-
	291,413	46,626	165,494	26,479
Fiscal losses which generated deferred tax	(4,101)	(656)	(4,101)	(656)
	287,312	45,970	(161,394)	25,823

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

24. TAXATION (continued)

(iv) 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
2019						
Property, plant and equipment	(237)	14	-	(223)	(223)	
Investment property	29,948	20,930	-	50,064		50,064
Financial Assets	(814)	-	-	(814)	(814)	
Trade and other receivables	(801)	17	-	(784)	(784)	
Inventories	(1,618)	-	-	(1,618)	(1,618)	
Effect of fiscal losses which generated deferred tax	(656)	-	-	(656)	(656)	
Fiscal (assets) / liabilities, net	25,823	20,961	-	45,970	(4,094)	50,064
				Balance at 31 December		
	Net balance as at 1 January	Recognised in profit or loss	Recognised in other comprehensive income	Net	Assets	Liabilities
2018						
Property, plant and equipment	(191)	(46)	-	(237)	(237)	-
Investment property	26,205	3,734	-	29,948	-	29,948
Financial Assets	(814)	-	-	(814)	(814)	-
Trade and other receivables	(1,067)	266	-	(801)	(801)	-
Inventories	(1,453)	(164)	-	(1,618)	(1,618)	
Effect of fiscal losses which generated deferred tax	(656)	-	-	(656)	(656)	-
Fiscal (assets) / liabilities, net	22,024	(3,780)	-	25,823	(4,125)	29,948

This is a free translation from the original Romanian version.

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

25. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT

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's policies regarding the risk management are defined so as to ensure identification and analysis of the risks the Group is dealing with, setting limits and adequate controls, as well as risk monitoring and compliance with the set limits. The policies and system meant to manage risks are regularly reviewed to reflect the changes occurred in the market conditions and 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.

(a) 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:

	<u>Note</u>	<u>31 December 2019</u>	<u>31 December 2018</u>
Trade and other receivables	11	32,884	26,995
Cash and cash equivalents	12	45,462	30,740
		<u>78,346</u>	<u>57,735</u>

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.

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. (see Note 11)

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

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

(a) Credit Risk (continued)

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

	<u>31 December 2019</u>	<u>31 December 2018</u>
Romania	32,884	25,302
	<u>32,884</u>	<u>25,302</u>

Impairment losses

The receivables' ageing at reporting date was:

	<u>31 December 2019</u>			<u>31 December 2018</u>		
	<u>Gross</u>	<u>Impairment</u>	<u>Net</u>	<u>Gross</u>	<u>Impairment</u>	<u>Net</u>
Not yet due	31,744		31,744	14,072	-	14,072
Past due 1-30 days	710		710	2,378	-	2,378
Past due 31-90 days	278		278	89	-	89
Past due 91-120 days	127		127	31	-	31
Past due 121-365 days	25		25	606	(393)	213
Past due more than 1 year	3,018	(3,018)	-	5,633	(3,876)	2,061
	<u>35,902</u>	<u>(3,018)</u>	<u>32,884</u>	<u>22,809</u>	<u>(3,572)</u>	<u>18,844</u>

Impairment losses at 31 December 2019 are related to a number of customers who provided indications that it is not expected that they will be able to pay amounts owed, mainly due to economic conditions.

The 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 2019, the Group held cash and cash equivalents in amount of 45,462 (31 December 2018: 30,740), 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.

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

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

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset, The 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:

	<u>Carrying value</u>	<u>Total</u>	<u>Less than 1 year</u>	<u>between 1 and 2 years</u>	<u>between 2 and 5 years</u>	<u>More than 5 years</u>
31 December 2019						
Loans and borrowings	197,635	197,635	58,822	138,813	-	-
Trade and other payables	73,519	73,519	73,189	330	-	-
	271,154	271,154	132,011	139,143	-	-
	<u>Carrying value</u>	<u>Total</u>	<u>Less than 1 year</u>	<u>between 1 and 2 years</u>	<u>between 2 and 5 years</u>	<u>More than 5 years</u>
31 December 2018						
Loans and borrowings	148,994	148,994	34,894	114,100	-	-
Trade and other payables	25,236	25,236	25,326	-	-	-
	174,319	174,319	60,220	114,100	-	-

This is a free translation from the original Romanian version.

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

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

(c) Market risk

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

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:

31 December 2019

Monetary assets

Trade and other receivables	-
Cash and cash equivalents	1,503
	<u>1,503</u>

31 December 2019

Monetary liabilities

Loans and borrowings	189,745
Trade and other payables	-
	<u>189,745</u>

Net exposure

(188,242)

31 December 2018

Monetary assets

Trade and other receivables	-
Cash and cash equivalents	30,740
	<u>15,118</u>

31 December 2018

Monetary liabilities

Loans and borrowings	114,100
Trade and other payables	-
	<u>-</u>

Net exposure

(98,983)

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.

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

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

(c) Market risk (continued)

Currency risk (continued)

The main exchange rates used during the year were:

	<u>31 December 2019</u>	<u>Average for 2019</u>	<u>31 December 2018</u>	<u>Average for 2018</u>
EUR 1	4.7793	4.7454	4.6639	4.6530

Sensitivity analysis

A strengthening / (weakening) of Leu by 10% against the following foreign currencies as at 31 December 2019 and 31 December 2018 would have increased the profits by the amounts indicated below. This analysis was realised based on the variations of the exchange rates considered reasonably possible by the Group at the end of the period, This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases.

	<u>31 December 2019</u>			<u>31 December 2018</u>		
	<u>Carrying value</u>	<u>Weakening</u>	<u>Strengthening</u>	<u>Carrying value</u>	<u>Weakening</u>	<u>Strengthening</u>
Monetary assets and liabilities						
EUR	<u>(188,242)</u>	<u>(18,824)</u>	<u>18,824</u>	<u>(98,983)</u>	<u>(9,893)</u>	<u>9,893</u>
Impact	<u>(188,242)</u>	<u>(18,824)</u>	<u>18,824</u>	<u>(98,983)</u>	<u>(9,893)</u>	<u>9,893</u>

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

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

Sensitivity analysis (continued)

Interest risk

	31 December 2019				31 December 2018			
	Carrying value	Variable interest	Fixed interest	Non-interest bearing	Carrying value	Variable interest	Fixed interest	Non-interest bearing
Monetary assets								
Trade and other receivables	32,884	-	-	32,884	25,302	-	-	25,302
Cash and cash equivalents	45,462	-	27,700	17,762	30,740	-	-	30,740
	78,346	-	27,700	50,646	56,042	-	-	56,042
Monetary liabilities								
Loans and borrowings	197,635	80,148	117,487	-	142,332	28,231	114,100	-
Trade and other payables	73,519	-	-	73,519	25,326	-	-	25,326
	271,154	80,148	117,487	73,519	167,657	28,231	114,100	25,326

This is a free translation from the original Romanian version.

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

25. 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 2019	31 December 2018
Fixed rate instruments		
Financial assets	27,700	15,002
Financial liabilities	(117,487)	(114,100)
	(89,787)	(99,098)
Variable rate instruments		
Financial liabilities	(80,148)	(28,231)
	(80,148)	(28,231)

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 possible change of 100 basis points at the reporting date would have increased or decreased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain unchanged.

	Profit / (Loss)	
	100 bp increase	100 bp decrease
31 December 2019		
Variable rate instruments	(801)	801
	Profit / (Loss)	
31 December 2018	100 bp increase	100 bp decrease
Variable rate instruments	(282)	282

26. SHARE-BASED PAYMENTS

During 2019 the Group has not granted shares to its employees. In June 2018 the Group has granted 350 thousand shares to the employees at a weighted average price of 0.9 RON. The contractual life is of 1 year and had a range of 0.8 RON to 0.92 RON/share.

27. CAPITAL COMMITMENTS

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

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

28. CONTINGENCIES

Litigations

As of the date of these Consolidated Financial Statements, the Group was involved in a number of ongoing lawsuit, both as plaintiff and defendant.

The management of the Group assess 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 two cases in which CCC is counterparty. In 2007 the company entered into an investment contract with CCC whereby CCC the Company would develop a residential project and CCC would contribute land (“Lomb project”). The Company and its subsidiary request reimbursement of amounts arising from investments made by the Company and its subsidiary in respect of the Lomb project to which CCC has not contributed with the land, thus the Company being unable to finalize the project and being unable to obtain any revenues from it.

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 thousand RON plus related interest, computed from the date of the damage up to the date of collection of the amounts.

The case number 1032/1259/2012 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 thousand RON plus related interest, computed from the date of the damage up to the date of the registration of the claim, provisionally estimated to 500.

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

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

The Company's management does not expect any significant changes in the results of the expertise result that could have a significant impact on the financial statements.

b) Barbu Vacarescu

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

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

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

28. CONTINGENCIES (continued)

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

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

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

The next hearing is April 16, 2020. No significant changes in the carrying value of assets are expected to result from the outcome of this case. Refer to Note 9 for details of the investment.

c) Ghencea

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

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

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

On 10.02.2020 the Bucharest Court communicated to the involved parties the decision with motivated of the sentence. The decision of the Bucharest Tribunal can be appealed against within 30 days of the communication, which is submitted to the Bucharest Tribunal - IV Civil Division. On 28.02.2020, the Romanian State through the Ministry of Public Finance and the City Hall of Bucharest appealed the sentenced sentence.

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

Letter of guarantees

As at December 31, 2019 the Entity has letters of guarantee issued to suppliers in amount of 259 (31 December 2018: 1,276).

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

29. RELATED PARTIES

Related party transactions

The Group didn't have any other transactions and balances with related parties during and for the year ended 31 December 2019, 31 December 2018 respectively.

Transactions with key management personnel

Remuneration of key management personnel comprises salaries and related contributions (social and medical contributions, unemployment contributions and other similar contributions). Company's management is employed contractual based. The remuneration of the directors and board of directors, who are the key management personnel of the Group, for the year ended 31 December 2019 is 2.145 (31 December 2018 is 2,276).

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

30. EARNINGS PER SHARE

	2019	2018
Profit for the period for the period	154,484	20,827
Number at the end of the period	274,444	277,867
Adjustments for other items	-	4,414
Basic earnings per share (RON/share)	0.56	0.09

31. SUBSEQUENT EVENTS

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

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

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

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

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

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

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

31. SUBSEQUENT EVENTS (continued)

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

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

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

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

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

The consolidated financial statements have been authorized for issue by the management on 27.03.2020 and signed on its behalf by:

Sorin Apostol.
Chief Executive Officer

Iuliana Mihaela Urda,
President BOD

Giani Kacic
Chief Financial Officer

IMPACT DEVELOPER & CONTRACTOR S.A.

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

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

TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

CONTENT:	PAGE:
INDEPENDENT AUDITORS REPORT	1 – 5
STATEMENT OF FINANCIAL POSITION	6 – 7
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	8
STATEMENT OF CHANGES IN EQUITY	9 – 10
STATEMENT OF CASH FLOW	11 – 12
NOTES TO THE FINANCIAL STATEMENTS	13 – 46

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Individual Financial Statements

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

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

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

Other information – Administrators' Report

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

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

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

Report on Other Legal and Regulatory Requirements

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

We confirm that:

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

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

Alina Mirea, Audit Partner

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

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

On behalf of:

DELOITTE AUDIT SRL

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

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

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

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

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

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

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

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

Sorin Apostol,
 CEO

Giani Kacic,
 CFO

Iuliana Mihaela Urda,
 BoD President

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

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

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

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

Sorin Apostol,
CEO

Giani Kacic,
CFO

Iuliana Mihaela Urda,
BoD President

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

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

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

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

Sorin Apostol,
CEO

Giani Kacic,
CFO

Iuliana Mihaela Urda,
BoD President

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

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

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

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

Sorin Apostol,
CEO

Giani Kacic,
CFO

Iuliana Mihaela Urda,
BoD President

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

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

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

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

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

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

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

Sorin Apostol,
CEO

Giani Kacic,
CFO

Iuliana Mihaela Urda.
BoD President

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

1. REPORTING ENTITY

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

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

The shareholding structure on December 31st 2019 and December 31st 2018 is presented in Note 14.

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

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

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

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

2. THE BOARD OF ADMINISTRATION

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

The Board of Administration consists of 5 members:

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

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

Executive Management of the Company

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

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

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

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

3. BASIS OF PREPARATION

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

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

The principal of going concern

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

4. FUNCTIONAL AND PRESENTATION CURRENCY

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

5. SIGNIFICANT ACCOUNTING POLICIES

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

Below is presented the summary of the significant accounting policies.

(a) Foreign currency

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

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

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

(b) Tangible assets

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

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

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

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Freehold land is not depreciated.

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

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

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

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

(c) Intangible assets acquired separately

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

(d) Investment property

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

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

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

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

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

(e) Inventories

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

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

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Trade and other receivables

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

• **Derecognition of financial assets**

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

(g) Cash and cash equivalents

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

(h) Share capital

• **Ordinary shares**

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

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

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

(i) Dividends

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

(j) Own shares

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

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

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

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Revenue (continued)

(ii) Revenues from re-charging utilities

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

(k) Taxation

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

• **Current tax**

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

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

• **Deferred tax**

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

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

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

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

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

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

(l) Share-based payments

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

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

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Financial instruments – fair values and risk management

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

(n) Operating leasing agreements

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

(o) Contingent liabilities

A contingent liability is:

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

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

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

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

(p) Subsequent events

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

(q) Segment reporting

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

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

6. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

(i) Fair value measurements and valuation processes

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

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

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

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

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

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

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

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

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

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

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

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

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

(iii) Legal issues

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

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

(iv) Cost allocation

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

7. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

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

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

• **IFRS 16: Leases**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

8. PROPERTY, PLANT AND EQUIPMENT

Reconciliation of carrying amount

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

This is a free translation from the original Romanian version.

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

8. PROPERTY, PLANT AND EQUIPMENT (continued)

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

This is a free translation from the original Romanian version.

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

9. INVESTMENT PROPERTY

Reconciliation of carrying amount of property investments

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

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

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

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

Land located in Barbu Vacarescu

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

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

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

Land located in Prelungirea Ghencea-Timisoara Blvd.

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

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

9. INVESTMENT PROPERTY (continued)

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

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

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

Valuation processes

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

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

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

Fair value hierarchy

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

Valuation techniques

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

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

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

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

10. INVENTORIES

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

Inventories are represented by:

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

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

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

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

11. FINANCIAL ASSETS

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

The Company holds interests in the following affiliates:

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

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

11. FINANCIAL ASSETS (continued)

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

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

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

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

12. TRADE AND OTHER RECEIVABLES

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

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

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

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

13. CASH AND CASH EQUIVALENTS

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

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

14. SHARE CAPITAL

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

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

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

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

14. SHARE CAPITAL (continued)

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

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

Dividends

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

15. OWN SHARES

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

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

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

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

16. LOANS AND BORROWINGS

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

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

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

16. LOANS AND BORROWINGS (continued)

Terms and repayment schedules

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

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

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

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

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

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

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

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

17. TRADE AND OTHER PAYABLES

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

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

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

18. PROVISIONS FOR RISKS AND CHARGES

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

19. REVENUE

Revenues of the Company:

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

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

20. GENERAL AND ADMINISTRATIVE EXPENSES

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

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

21. OTHER OPERATING EXPENSES/INCOME

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

22. FINANCE COST/INCOME

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

23. INCOME TAX

Taxes recognized in the profit and loss account

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

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

23. INCOME TAX (continued)

(i) Reconciliation of effective tax rate

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

(ii) Cumulative temporary differences generating deferred tax

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

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

23. INCOME TAX (continued)

(iii) Deferred tax balance movements

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

This is a free translation from the original Romanian version.

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

24. FINANCIAL INSTRUMENTS - RISK MANAGEMENT

Financial risk management

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

- credit risk
- liquidity risk
- market risk

General risk management framework

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

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

(a) Credit Risk

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

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

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

Trade receivables and other receivables

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

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

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

	31 December 2019	31 December 2018
Romania	91,938	60,287
	91,938	60,287

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

24. FINANCIAL INSTRUMENTS - RISK MANAGEMENT (continued)

(a) Credit Risk (continued)

Impairment losses

The receivables' ageing at reporting date was:

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

Impairment losses at 31 December 2019 are related to a number of customers who provided indications that it is not expected that they will be able to pay amounts owed, mainly due to economic conditions.

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

Cash and cash equivalents

At 31 December 2019, the Company held cash and cash equivalents in amount of 35,357 thousand RON (31 December 2018: 26,676 thousand RON), representing the maximum exposure to credit risk arising from these assets. The cash and cash equivalents are held at banks and financial institutions in Romania.

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

24. FINANCIAL INSTRUMENTS - RISK MANAGEMENT (continued)

(b) Liquidity risk

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

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

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

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

24. FINANCIAL INSTRUMENTS - RISK MANAGEMENT (continued)

(c) Market risk

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

Currency risk

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

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

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

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

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

24. FINANCIAL INSTRUMENTS - RISK MANAGEMENT (continued)

(c) Market risk (continued)

Currency risk (continued)

The main exchange rates used during the year were:

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

Sensitivity analysis

A strengthening / (weakening) of Leu by 10% against the following foreign currencies as at 31 December 2019 and 31 December 2018 would have increased the profits by the amounts indicated below. This analysis was realised based on the variations of the exchange rates considered reasonably possible by the Company at the end of the period, This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases.

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

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

24. FINANCIAL INSTRUMENTS - RISK MANAGEMENT (continued)

(c) Market risk (continued)

Interest risk

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

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

24. FINANCIAL INSTRUMENTS - RISK MANAGEMENT (continued)

(c) Market risk (continued)

Interest risk (continued)

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

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

Fair value sensitivity analysis for fixed rate instruments

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

25. CAPITAL COMMITMENTS

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

26. CONTINGENCIES

Litigations

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

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

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

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

The Company and one of its subsidiaries (Clearline Development and Management SRL) are parties in two cases in which CCC is counterparty. In 2007 the company entered into an investment contract with CCC whereby CCC the Company would develop a residential project and CCC would contribute land ("Lomb project)". The Company and its subsidiary request reimbursement of amounts arising from investments made by the Company and its subsidiary in respect of the Lomb project to which CCC has not contributed with the land, thus the Company being unable to finalize the project and being unable to obtain any revenues from it.

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

26. CONTINGENCIES (continued)

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

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

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

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

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

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

b) Barbu Vacarescu

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

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

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

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

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

The next hearing is April 16, 2020.

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

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

26. CONTINGENCIES (continued)

c) Ghencea

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

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

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

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

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

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

27. RELATED PARTIES

Subsidiaries

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

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

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

27. RELATED PARTIES (continued)

Company subsidiaries (continued)

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

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

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

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

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

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

27. RELATED PARTIES (continued)

Transactions with key management personnel

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

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

28. EARNINGS PER SHARE

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

29. SUBSEQUENT EVENTS

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

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

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

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

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

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

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

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

29. SUBSEQUENT EVENTS (continued)

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

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

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

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

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

Sorin Apostol,
CEO

Giani Kacic,
CFO

Iuliana Mihaela Urda,
BoD President

IMPACT DEVELOPER & CONTRACTOR SA

Registered office: Willbrook Platinum Business & Convention Center, 172-176 Bucharest – Ploiesti Road, Building A,
1st floor, Bucharest, 1st District, Phone: 021– 230.75.70/71/72, Fax: 021– 230.75.81/82/83

Subscribed and paid up share capital: RON 274,443,532

Registered with the Trade Registry Office within Bucharest Court under no. J40/7228/2018, S.R.C. RO 1553483

AFFIDAVIT

The undersigned, Mihaela Iuliana Urda, in capacity of Chairman of the Board of Directors, Sorin Apostol, in capacity of General Manager and Giani Iulian Kacic, in capacity of Chief Financial Officer of Impact Developer & Contractor S.A. (hereinafter referred to as the „Company”), in consideration of the provisions of art. 63 of Law no. 24/2017 regarding issuers of financial instruments and market operations and art. 223 of the ASF Regulation no. 5/2018 regarding issuers and securities related operations,

hereby declare that, to the best of our knowledge, the annual (individual and consolidated) financial statements on December 31, 2019, prepared in compliance with the applicable accounting standards offer an accurate and true image of the assets, liabilities, financial standing, profit and loss account of the Company and, respectively, of its subsidiaries included in the process of consolidation of the financial statements, and the Reports of the Board of Directors (on the consolidated financial statements prepared in accordance with the International Financial Reporting Standards as laid down by the Order of the Ministry of Public Finance no. 2844/2016 with all subsequent amendments) comprise a correct analysis of the Company’s and its subsidiaries development and performance, as well as a description of the main risks and uncertainties specific to the performed activity.

President of the Board of Directors

Mihaela Iulia Urda

General Manager

Sorin Apostol

Chief Financial Officer

Giani Iulian Kacic

STATEMENT

pursuant to provisions under art.31 in Accounting Law no.82/1991

the annual financial statements had been drafted on 31/12/2019 for :

Entity: IMPACT DEVELOPER CONTRACTOR SA

County: 40--BUCHAREST

Address: Willbrook Platinum Business & Convention Center,172-176 Bucharest - Ploiesti Road, Building A, 1st floor, Bucharest, 1st District, phone no. 0212307570

Trade Registry order number: J40/7228/2018

Ownership: 34--Stock company

Main activity (NACE code and class denomination): 4110--Real Estate Development(promotion)

Sole Registration Code: 1553483

The undersigned, Mihaela Iuliana Urda,

pursuant to art.10 par.(1)in Accounting Law no.82/1991, holding the position of President of the Board of Directors of SC Impact Developer & Contractor hereby take responsibility for the preparation of the annual consolidated financial statements as of 31/12/2019 and hereby confirm the following:

a) The accounting policies used in the preparation of the annual financial statements are compliant with the applicable accounting regulations.

b) The annual financial statements provide an accurate overview on the financial position, financial performance and the other information relating to the carried out activity.

c) The legal entity carries out its activity under continuity conditions.

Signature

STATEMENT

pursuant to provisions under art.30 in Accounting Law no.82/1991

the annual financial statements had been drafted on 31/12/2019 for :

Entity: IMPACT DEVELOPER CONTRACTOR SA

County: 40--BUCHAREST

Address: Willbrook Platinum Business & Convention Center,172-176 Bucharest - Ploiesti
Road, Building A, 1st floor, Bucharest, 1st District, phone no. 0212307570

Trade Registry order number: J40/7228/2018

Ownership: 34--Stock company

Main activity (NACE code and class denomination): 4110--Real Estate
Development(promotion)

Sole Registration Code: 1553483

The undersigned, Mihaela Iuliana Urda,

pursuant to art.10 par.(1)in Accounting Law no.82/1991, holding the position of
President of the Board of Directors of SC Impact Developer& Contractor hereby take
responsibility for the preparation of the annual individual financial statements as of
31/12/2019 and hereby confirm the following:

a) The accounting policies used in the preparation of the annual financial
statements are compliant with the applicable accounting regulations.

b) The annual financial statements provide an accurate overview on the financial
position, financial performance and the other information relating to the carried out
activity.

c) The legal entity carries out its activity under continuity conditions.

Signature