

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

**CONSOLIDATED FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2020**

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

**TOGETHER WITH INDEPENDENT AUDITOR'S REPORT**

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Audit of the 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, 2020, 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 consolidated financial statements as at December 31, 2020 are identified as follows:
  - Net assets/Equity kRON 640,828
  - Net profit for the financial year kRON 74,856
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, 2020, 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 consolidated 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.

Numele Deloitte se referă la organizația Deloitte Touche Tohmatsu Limited, o companie cu răspundere limitată din Marea Britanie, la firmele membre ale acesteia, în cadrul căreia fiecare firmă membră este o persoană juridică independentă. Pentru o descriere amănunțită a structurii legale a Deloitte Touche Tohmatsu Limited și a firmelor membre, vă rugăm să accesați [www.deloitte.com/ro/despre](http://www.deloitte.com/ro/despre).

Key Audit Matter	How our audit addressed the matter
<p><b>Valuation of Investment Property</b></p> <p>As disclosed in Note 8 to the consolidated financial statements, investment property held by the Group is recorded at RON 457.706 thousand as of December 31, 2020 (31 December 2019: RON 384.223 thousand). 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 a high degree of estimates.</p> <p>In the Romanian market actual transaction values for real estate deals are not publically available and there is not a high volume of transactions in larger land plots. The sales comparables method therefore has inherent limitations and a significant degree of judgement is required in its application.</p> <p>Because of the significance of estimates and judgements involved in assessing this area and considering the significant value of Investment Property, we consider that the Valuation of Investment Property is a key audit matter.</p>	<p>Our procedures in relation to management’s valuation of investment properties include:</p> <ul style="list-style-type: none"> <li>- Evaluation of the independent external valuers’ competence, capabilities and objectivity;</li> <li>- Assessing the methodologies used by the independent external valuer and the appropriateness of the key assumptions based on our knowledge of the property industry and using our in-house valuation experts;</li> <li>- Performing independent comparison to market prices for similar assets in the same market; and</li> <li>- Assessing the disclosures of the valuation bases, the key assumptions and the sensitivity analysis, including change from the prior year to the current year, together with its effect on the current year income statement, in the context of IFRS requirements and common market practice.</li> </ul>

## 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 consolidated 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, 2019, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 consolidated financial statements, in our opinion:

- a) the information included in the administrators' report for the financial year for which the consolidated financial statements have been prepared are consistent, in all material respects, with these consolidated 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 consolidated financial statements prepared as at December 31, 2020, 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 Consolidated 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 consolidated 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 consolidated 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 28, 2020 to audit the consolidated financial statements of S.C. IMPACT DEVELOPER & CONTRACTOR S.A. for the financial year ended December 31, 2020. The uninterrupted total duration of our commitment is 1 year, covering the financial year ended December 31, 2020.

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 Group the **non-audit services** referred to in Article 5 (1) of EU Regulation No.537 / 2014.

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

Alina Mirea, Audit Partner

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

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

On behalf of:

**DELOITTE AUDIT SRL**

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

The Mark Building, 84-98 and 100-102 Calea Grivitei,  
8<sup>th</sup> Floor and 9<sup>th</sup> Floor, District 1  
Bucharest, Romania  
March 17, 2021

**IMPACT DEVELOPER & CONTRACTOR S.A.**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2020**  
(all amounts are expressed in thousand RON, unless stated otherwise)

	<u>Note</u>	<u>31 December 2020</u>	<u>31 December 2019</u>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	7,552	8,535
Intangible assets		136	143
Investment property	8	457,706	384,223
Investments accounted for using the equity method	9	2,158	-
<b>Total non-current assets</b>		<b>467,552</b>	<b>392,901</b>
<b>Current assets</b>			
Inventories	10	434,741	430,725
Trade and other receivables	11	26,574	32,884
Cash and cash equivalents	12	59,022	45,462
<b>Total current assets</b>		<b>520,337</b>	<b>509,071</b>
<b>Total assets</b>		<b>987,889</b>	<b>901,972</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
Share capital	13	272,464	281,907
Share premium		65,711	68,760
Revaluation reserve		3,001	3,001
Other reserves		13,305	9,179
Own shares	14	(2,675)	(7,771)
Retained earnings		289,022	228,865
<b>Total equity</b>		<b>640,828</b>	<b>583,941</b>
<b>Non-current liabilities</b>			
Loans and borrowings	15	167,457	138,813
Trade and other payables	16	1,909	330
Deferred tax liability	22	55,300	45,970
<b>Total non-current liabilities</b>		<b>224,666</b>	<b>185,113</b>

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


**IMPACT DEVELOPER & CONTRACTOR S.A.**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2020**

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

	<u>Note</u>	<u>31 December 2020</u>	<u>31 December 2019</u>
<b>Current liabilities</b>			
Loans and borrowings	<b>15</b>	88,379	58,822
Trade and other payables	<b>16</b>	33,349	73,189
Provisions for risks and charges	<b>17</b>	667	907
<b>Total current liabilities</b>		<b>122,395</b>	<b>132,918</b>
<b>Total liabilities</b>		<b>347,061</b>	<b>318,031</b>
<b>Total shareholders' equity and liabilities</b>		<b>987,889</b>	<b>901,972</b>

The consolidated financial statements have been authorized for issue by the management on 17.03.2021 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.  
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**IMPACT DEVELOPER & CONTRACTOR S.A.**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**


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

	Note	31 December 2020	31 December 2019
Revenue from real estate inventories	18	204,397	156,681
Costs of real estate inventories		(141,007)	(83,904)
<b>Gross profit</b>		<b>63,390</b>	<b>72,777</b>
Net rental income		928	3
General and administrative expenses	19	(21,865)	(20,859)
Marketing expenses		(4,545)	(4,647)
Other income/expenses	20	(3,629)	(1,607)
Depreciation and amortization	7	(1,738)	(927)
<b>Operating profit</b>		<b>32,541</b>	<b>44,740</b>
Gains from investment property	8	64,328	144,559
<b>Annual operating profit</b>		<b>96,869</b>	<b>189,299</b>
Finance costs, net		(5,426)	(5,922)
<b>Profit before income tax</b>	21	<b>91,443</b>	<b>183,377</b>
Income tax credit/(charge)	22	(16,587)	(28,893)
<b>Profit for the period</b>		<b>74,856</b>	<b>154,484</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		74,856	154,484
<b>Total comprehensive income for the period</b>		<b>74,856</b>	<b>154,484</b>
<b>Result per share</b>			
Basic result per share (RON/share)	29	0.28	0.56

The consolidated financial statements have been authorized for issue by the management on 17.03.2021 and signed on its behalf by:

  
 \_\_\_\_\_  
**Sorin Apostol**  
 Chief Executive Officer

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


  
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**Giani Kacic**  
 Chief Financial Officer


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**IMPACT DEVELOPER & CONTRACTOR S.A.**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**  
(all amounts are expressed in thousand RON, unless stated otherwise)

	Note	Share capital	Share premium	Revaluation reserve	Other reserves	Own shares	Retained earnings	Total equity
<b>Balance at 1 January 2020</b>		<b>281,907</b>	<b>68,760</b>	<b>3,001</b>	<b>9,179</b>	<b>(7,771)</b>	<b>228,865</b>	<b>583,941</b>
<b>Comprehensive income</b>								
Profit for the year		-	-	-	-	-	74,856	74,856
Other comprehensive income		-	-	-	-	-	-	-
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>74,856</b>	<b>74,856</b>
<b>Transactions with shareholders of the Company</b>								
Own shares acquired and cancelled during the year	14	(9,443)	(3,049)	-	-	12,492	-	-
Own shares acquired	14	-	-	-	-	(9,610)	-	(9,610)
Share-based payment	24	-	-	-	-	2,214	-	2,214
		<b>(9,443)</b>	<b>(3,049)</b>	<b>-</b>	<b>-</b>	<b>5,096</b>	<b>-</b>	<b>(7,396)</b>
<b>Contributions and distributions</b>								
Dividends to the owners of the Company		-	-	-	-	-	(10,449)	(10,449)
<b>Other changes in equity</b>								
Set up of legal reserves	12	-	-	-	4,126	-	(4,126)	-
Revaluation reserve		-	-	-	-	-	(143)	(143)
Transfer of other reserves to retained	28	-	-	-	-	-	(124)	(124)
<b>Balance at 31 December 2020</b>		<b>272,464</b>	<b>65,711</b>	<b>3,001</b>	<b>13,305</b>	<b>(2,675)</b>	<b>289,022</b>	<b>640,828</b>

The consolidated financial statements have been authorized for issue by the management on 15.03.2021 and signed on its behalf by:

  
**Sorin Apostol,**  
Chief Executive Officer

  
**Iuliana Mihaela Urda,**  
President BOD

  
**Giani Kacic**  
Chief Financial Officer


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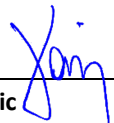
**IMPACT DEVELOPER & CONTRACTOR S.A.**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**  
(all amounts are expressed in thousand RON, unless stated otherwise)

	Note	Share capital	Share premium	Revaluation reserve	Other reserves	Own shares	Retained earnings	Total equity
<b>Balance at 1 January 2019</b>		<b>285,330</b>	<b>68,760</b>	<b>3,072</b>	<b>3,462</b>	<b>(3,038)</b>	<b>89,222</b>	<b>446,808</b>
<b>Comprehensive income</b>								
Profit for the year		-	-	-	-	-	154,484	154,484
Other comprehensive income		-	-	-	-	-	-	-
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>154,484</b>	<b>154,484</b>
<b>Transactions with shareholders of the Company</b>								
Own shares acquired and cancelled during the year	12	(3,423)	-	-	-	3,423	-	-
Own shares acquired	13	-	-	-	-	(8,156)	-	(8,156)
<b>Contributions and distributions</b>								
Dividends to the owners of the Company	12	-	-	-	-	-	(9,195)	(9,195)
<b>Other changes in equity</b>								
Set up of legal reserves		-	-	-	8,058	-	(8,058)	-
Revaluation reserve		-	-	(71)	-	-	71	-
Transfer of other reserves to retained	12	-	-	-	(2,341)	-	2,341	-
<b>Balance at 31 December 2019</b>		<b>281,907</b>	<b>68,760</b>	<b>3,001</b>	<b>9,179</b>	<b>(7,771)</b>	<b>228,865</b>	<b>583,941</b>

The consolidated financial statements have been authorized for issue by the management on 17.03.2021 and signed on its behalf by:

  
\_\_\_\_\_  
**Sorin Apostol,**  
Chief Executive Officer

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

  
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**Giani Kacic,**  
Chief Financial Officer

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**IMPACT DEVELOPER & CONTRACTOR S.A.**  
**CONSOLIDATED STATEMENT OF CASH FLOW**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**  
(all amounts are expressed in thousand RON, unless stated otherwise)

	<u>Note</u>	<u>2020</u>	<u>2019</u>
<b>Cash flows from operating activities:</b>			
<b>Profit for the period</b>		<b>74.856</b>	<b>154,484</b>
<b>Adjustments for:</b>			
Depreciation of tangible non-current assets	7	1.648	838
Amortization of intangible non-current assets		89	89
Impairment of tangible non-current assets, net	7	4.241	(85)
Result from sale of shares, net		(4.819)	
Result from disposal of assets, net	20	(44)	43
Impairment of inventories, net	20	(2.160)	-
Impairment of trade and other receivables, net	20	61	107
Write-offs, net	20	(2.057)	(3,921)
Changes in fair value of investment property	8	(64.328)	(144,559)
Income tax	22	16.587	28,893
Net changes in provisions for risks and charges	17	(240)	305
Interest expenses	21	6.427	2,749
Interest income	21	(239)	(196)
Foreign exchange differences, net	21	4.416	3,055
<b>Cash generated in operations before changes to working capital</b>		<b>34.438</b>	<b>41,802</b>
<b>Changes in:</b>			
Inventories		(1.856)	(64,972)
Trade and other receivables		6.248	(6,097)
Trade and other payables		(37.814)	39,493
<b>Net cash generated from operations</b>		<b>5.311</b>	<b>10,226</b>
Income tax paid		(7.192)	(5,891)
Interest paid		(6.134)	(2,510)
<b>Net cash used in operating activities</b>		<b>(8.015)</b>	<b>1,826</b>
<b>Cash flows from investing activities:</b>			
Purchases of property, plant and equipment and investment property		(18.288)	(15,882)
Purchases of intangible assets		7	(48)
proceeds from sale of shares held		8.123	
Proceeds from sale of property, plant and equipment		87	493
<b>Net cash from investing activities</b>		<b>(10.071)</b>	<b>(15,437)</b>


The notes attached are part of these financial statements.  
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**IMPACT DEVELOPER & CONTRACTOR S.A.**  
**CONSOLIDATED STATEMENT OF CASH FLOW**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**  
(all amounts are expressed in thousand RON, unless stated otherwise)

	<u>Note</u>	<u>2020</u>	<u>2019</u>
<b>Cash flows from financing activities:</b>			
Dividends paid		(10,448)	(9,094)
Repayments of borrowings		(113,884)	(36,393)
Proceeds from borrowings		167,669	81,979
Acquisitions of own shares		(7,396)	(8,156)
Other		-	-
<b>Net cash used in financing activities</b>		<b>35,941</b>	<b>28,333</b>
<b>Net increase / (decrease) of cash and equivalents</b>		<b>13,560</b>	<b>14,722</b>
<b>Cash and equivalents at 1 January</b>	<b>12</b>	<b>45,462</b>	<b>30,740</b>
<b>Cash and equivalents as at 31 December</b>	<b>12</b>	<b>59,022</b>	<b>45,462</b>

The consolidated financial statements have been authorized for issue by the management on 17.03.2021 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.  
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**IMPACT DEVELOPER & CONTRACTOR S.A.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**  
(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” or “the Parent”) and its subsidiaries (together “the Group”) as at and for the year ended 31 December 2020.

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

The shareholding structure as at 31 December 2020 and 31 December 2019 is disclosed in Note 13.

The Consolidated Financial Statements of the Company for the year ended 31 December 2020 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 2020</u>	<u>% of shareholding at 31 December 2019</u>
Clearline Development and Management SRL	Romania	Real estate development	100%	100%
Actual Invest House SRL	Romania	Property management	100%	100%
Bergamot Development Phase II SRL	Romania	Real estate development	100%	100%
Bergamot Development SRL	Romania	Real estate development	100%	100%
Impact Finance SRL	Romania	Administration	100%	100%
Greenfield Copou Residence SRL	Romania	Real Estate development	100%	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 2020, the business of Impact Constructor&Developer is mainly related to a major project: Greenfield residential complex in Bucharest and Boreal Plus in Constanta.

In 2020, the Company holds 100% in the share capital of Star Residence SRL. On December 23, 2020, the Group sold 77.62% of its ownership in Star Residence SRL to third parties (see Note 31).

**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.

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## **2. BASIS OF PREPARATION (continued)**

### **Going concern**

The Group has prepared forecasts, including certain sensitivity tests 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. Consequently, the financial statements were prepared on a going concern basis.

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

- Sales and pre-sales
- Prices
- Evolution of real estate projects
- Cash and external financing

At the date of issuance of these financial statements, the Group records sales for 47 apartments in Greenfield Băneasa and Luxuria Domenii Residence (developed through a subsidiary) (i.e. for the period corresponding to 2021) and has a stock of 225 pre-sold apartments for Greenfield Baneasa, Luxuria Domenii Residence and Boreal Plus.

Part of the aforementioned pre-sales are expected to be converted into sales in 2021, ensuring steady revenues for the company to support its activity and continue the projects started within the Impact Group (Greenfield Plaza, Greenfield - Teilor District, Constanța Boreal Plus and Luxuria phase B) together with the unrestricted cash at the level of the Impact Group of EUR 13.8 million at March 15, 2021.

As regards pre-sales, the Group expects a significant increase in volume due to the projects that the Group is currently carrying out in Greenfield, Teilor District (Phases 1 and 3); Greenfield Panoramic 1 and 2, Luxuria Domenii Residence Phase B, Boreal Plus Constanta (Phase 1) and from the second half of the year Greenfield Copou Iasi - first phase. The Group is in the process of obtaining building permits for Greenfield Copou Iasi and in various stages of negotiations with the builders and financing banks for this project. The Group also considers that a major impetus in the Group's activity is the construction of Greenfield Plaza (a multifunctional complex that will include SPA areas (with relaxation areas and 2 swimming pools), fitness rooms and sports fields, commercial areas (including a big one for an important retailer on the Romanian market). The group entered into a partnership with the City Hall of Bucharest Sector 1 for the construction of a public kindergarten and public school, as the Group transferred to the City Hall the land for these new constructions where the entire Greenfield project will be carried out. Greenfield Plaza is scheduled to be ready in October 2021.

As regards selling prices, the Group considers that they are at arm's length and does not believe that there will be major downward price adjustments this year. The approval by law from the end of last year to increase the 5% VAT ceiling to EUR 140,000 will lead to a recovery of this sector, even if the Government has taken the measure to implement this law with a delay of 1 year (as of 2022).

As regards funding, in the first 2 months of 2021, the Group repaid one of the financing for the Luxuria phase A2 project and will pay until August the second financing loan from the same bank for phase A1. Moreover, Impact Group is in advanced negotiations for the financing of Greenfield Plaza and Phase 1 of Teilor District and Boreal Plus phase 1. The other projects are already financed. In 2021, the Company submitted documentation for obtaining financing through European funds for phases 4-5 of Greenfield Teilor.

The Group is closely monitoring the evolution of the Covid-19 pandemic. In 2020, the impact of this pandemic on the main activity was not significant. Management estimates that with the new vaccines to stop this virus, the positive evolution of the pandemic by decreasing the number of cases, and the encouraging developments of the economy forecast by the Government will provide a solid basis for the Group's development in the coming years.

The Group continues to fulfill its obligations and therefore continues to apply the going concern accounting principle. The consolidated financial statements have been prepared on a going concern principle.

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**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 affect 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.

***Loss of control***

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary, as well as non-controlling interests and other elements of the subsidiary's equity. Any resulting gain or loss is recognized in the income statement. Any remaining holding in the former subsidiary is measured at fair value at the time of loss of control or measured using the equity method as an investment in affiliates, as the case may be.

***Investments measured under the equity method***

Investments of the Group measured using the equity method consist of investments in associates. Associates are those entities over which the Group exercises significant influence, but does not have control over financial and operational policies.

Associates are accounted for using the equity method. They are initially recognized at cost, which includes the cost of transactions. After initial recognition, in the consolidated financial statements, the Group recognizes profit and loss pro rata, as well as other comprehensive income of the associate, until the date when the significant influence ceases.

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

**(b) Foreign currency**

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

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

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

**(c) 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 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.

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 loss.

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:

- |                                 |            |
|---------------------------------|------------|
| • 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.

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

**(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.

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.

The valuation of inventories upon entry into the company is done using the following techniques:

- |                          |                          |
|--------------------------|--------------------------|
| ✓ Residential properties | specific identification  |
| ✓ Land                   | weighted average cost    |
| ✓ Other                  | first in-first out(FIFO) |

**(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.

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

**(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.

**(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.

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

**(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.

**(n) Leases**

The Group analyzes at the commencement of the contract the extent to which a contract is, or contains a lease. Namely, the extent to which the contract confers the right to use an identifiable asset for a period of time in exchange for the consideration.

The Group applies a single recognition and measurement approach to all leases, except for short-term leases and low-value assets. The Group recognizes lease payables for lease payments and the right to use the assets representing the right to use the underlying asset. i) Right to use assets: The Group recognizes the right to use assets at the date of commencement of a lease (i.e. the date on which the underlying asset is available for use). The right to use the assets is measured at cost excluding accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liability. The cost of the right to use the assets includes the amount of the recognized lease liability incurred at initial direct costs and lease payments made on or before the commencement date excluding any lease benefits received. The right to use the assets is amortized on a straight-line basis over the shorter of the lease term and the estimated useful life of the assets, as follows:

- Land and buildings: 1 -2 years
- Other equipment: 1 -2 years

If ownership of a leased asset is transferred to the Group at the end of the lease term or the cost reflects the exercise of a call option, depreciation is calculated using the asset's estimated useful life. The duration of the lease contract was considered the irrevocable period of the lease contract, without taking into account the option of extension. The right to use assets is also subject to impairment.

At the date of commencement of the lease, the Group recognizes the lease payables measured at the current value of the lease payments to be made throughout the lease. Lease payments include fixed payments (including fixed payments as a substance) excluding any lease benefits receivable, variable lease payments that depend on an index or rate, and amounts expected to be paid under the residual value guarantee. Lease payments also include the exercise price of a call option that is reasonably certain to be exercised by the Group and penalty payments for the termination of the lease, if the lease term reflects the group's option to terminate the lease. Variable lease payments that do not depend on an index or rate are recognized as an expense in the period in which the event or conditions that determine the payments occur.

To calculate the current value of lease payments, the Group uses the incremental loan rate at the commencement date of the lease because the default interest rate of the lease is not readily determinable. After the start date, the amount of the lease liability is increased to reflect the accretion of interest and decreased for the lease payments made. In addition, the carrying amount of the lease is re-measured if there is a change, a modification in the lease term, a change in lease payments (change in future payments resulting from a change in an index or instalment rate used to determine those lease payments) or a change in the valuation of an underlying asset purchase option. Lease liabilities are included in Note 16 Trade and other payables.

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

**(o) 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.

**(p) Revenue**

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.

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

**(q) 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.

**(r) 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.

**(s) 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.

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

**(t) 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 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 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.

**(u) Subsequent events**

Events occurring after the reporting date 31 December 2020, 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.

**(v) Segment reporting**

The Group operates only in Romania. The main operating segment is related to real estate development.

**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.

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

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

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 2020. 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.

In the Romanian market actual transaction values for real estate deals are not publically available and there is not a high volume of transactions in larger land plots. The sales comparables method therefore has inherent limitations and a significant degree of judgement is required in its application.

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 26.

The key inputs are summarised 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.

A sensitivity analysis of the three key assets is presented below:

Asset	Impact on the valuation included in the balance sheet at 31 December 2020 and gains on investment property registered to profit or loss of a 5% weakening/(strengthening) of the price per sqm	
Greenfield land	- 10,389 thousand RON	+ 10,389 thousand RON
Barbu Vacarescu land	- 6,870 thousand RON	+ 6,870 thousand RON
Ghencea land	- 5,295 thousand RON	+ 5,295 thousand RON

Management agrees that the valuation of the fair value of the Group's land portfolio, performed by Colliers Valuation and Advisory S.R.L., may lead to different receipts from a sale that may differ from the carrying amount.

**(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, in 2019 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 a portion of the Greenfield land, management considers that a potential development will not take place in the following 3-4 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 investment properties.

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

**(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 separate financial statements. Key legal matters are summarized in Note 26.

As at 31 December 2020, the Group is involved in a litigation with 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.

**(v) Effects of the Coronavirus pandemic**

The Company has been closely monitoring for one year the effects of the Coronavirus pandemic and its effects on the real estate market and the economic environment in the country and will adjust its strategy in order to mitigate the impact of the pandemic and respect its commitments to its clients, financiers and shareholders. Certain judgments as regards the effects of the pandemic are presented in Note 2.

**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 2020.

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.

• **Conceptual Framework in IFRS standards**

The International Accounting Standards Board ("IASB") issued the revised Conceptual Framework for Financial Reporting on March 29, 2018. The Conceptual Framework establishes a comprehensive set of concepts for financial reporting, standard setting, guidance for the preparers of financial statements in developing consistent accounting policies and assistance for users in understanding and interpreting standards. The IASB also issued a separate attached document, Amendments to the References to the Conceptual Framework to IFRS standards, which sets out the amendments to the affected standards in order to update the revised references to the Conceptual Framework. The objective of the document is to support the transition to the revised Conceptual Framework for entities that develop accounting policies using the Conceptual Framework when no IFRS standard applies to a particular transaction. For those who prepare financial statements and develop accounting policies based on the Conceptual Framework, the document enters into force for annual periods starting on or after January 1, 2020.

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

• **IFRS 3: Business Combinations (Amendments)**

The IASB has issued amendments to the definition of a business (Amendments to IFRS 3) in order to address the challenges that arise when an entity determines whether it has acquired a business or a group of assets. The amendments are in effect for business combinations for which the acquisition date falls within the annual reporting period beginning on or after January 1, 2020 or later and for asset acquisitions occurring on or after the beginning of that period, and early application is permitted. Management considered that this amendment did not have a significant impact on the Group's financial statements.

• **IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of "Material" (Amendments)**

The amendments clarify the definition of "material" and how it should be applied. The new definition states that "information is material if its omission, concealment or misrepresentation could, in a reasonable scenario, influence users' economic decisions based on financial statements that present financial information about a specific entity." Also, the explanations that accompany the definition have been improved. The amendments also ensure the consistent definition of the term "material" in all IFRS standards. The changes take effect for annual periods beginning on or after January 1, 2020 and early application is permitted. Management estimated that this amendment did not have a significant impact on the Group's financial statements.

• **Interest rate benchmark reform - IFRS 9, IAS 39 and IFRS 7 (Amendments)**

In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7 concluding the first phase of its activity to address the effects of the Interbank Offered Interest Rate ("IBOR") reform on financial reporting. The published amendments address issues that have an impact on financial reporting prior to the replacement of an IBOR with an alternative reference rate and address the implications of the specific requirements for the application of hedge accounting in IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement, which requires a predictive analysis. The amendments provide for temporary exemptions applicable to all hedging relationships that are directly affected by the IBOR reform, which allow for the continuation of hedge accounting in the period of uncertainty before replacing an IBOR with an alternative reference rate with almost no risk. There are also amendments to IFRS 7 Financial Instruments: Disclosures regarding additional uncertainty arising from the IBOR reform. The amendments shall enter into force for annual periods beginning on or after 1 January 2020 and shall be applied retroactively. The second stage (exposure draft) focuses on issues that could affect financial reporting when an existing interest rate benchmark is replaced by a risk-free interest rate (RFR). Management considered that this amendment did not have a significant impact on the Group's financial statements.

This year, a number of non-binding amendments to IFRS were issued by the International Accounting Standards Board (IASB) and the Group did not opt for early application.

• **Amendment to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in associates and joint ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

The amendments refer to an inconsistency identified between the requirements of IFRS 10 and those of IAS 28 in connection with the sale or asset contribution of an investor in favor of the associate or joint venture. The main consequence of the changes is that a total gain or loss is recognized when the transaction involves a business (whether or not it is in the form of a subsidiary). A partial gain or loss is recognized when a transaction involves assets that do not represent a business, even if they are in the form of a subsidiary. In December 2015, the IASB postponed indefinitely the date of entry into force of this amendment pending the results of a research project on accounting using the equity method. The changes have not yet been adopted by the EU.

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

• **IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current (Amendments)**

The changes take effect for annual reporting periods beginning on or after January 1, 2022 and early application is permitted. However, in response to the COVID-19 pandemic, the Board postponed the date of entry into force by one year, respectively to 1 January 2023, in order to give companies more time to implement the required classification changes. The amendments aim to promote consistency in the application of classification requirements by helping companies determine whether, in the statement of financial position, liabilities and other payment obligations with uncertain settlement dates should be classified as current or non-current. The amendments affect the presentation of liabilities in the statement of financial position and do not change the existing requirements for measuring or recognizing any asset, liability, income or expense, nor the information that entities present regarding these items. The amendments also clarify the requirements for classifying liabilities that can be settled by the company by issuing equity instruments. These changes have not yet been adopted by the EU.

• **IFRS 3 Business Combinations; IAS 16 Property, plant and equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets, and Annual Improvements 2018-2020 (Amendments)**

The changes take effect for annual periods beginning on or after January 1, 2022 and early application is permitted. The IASB has issued amendments with a reduced scope to the following IFRS standards:

- **IFRS 3 Business Combinations (Amendments)** - updates a reference in IFRS 3 to the Conceptual Framework for Financial Reporting, without changing the accounting requirements for business combinations.
- **IAS 16 Property, plant and equipment (Amendments)** - The amendments prohibit a company from deducting from the costs of property, plant and equipment the amounts received from the sale of items produced, while the company prepares the asset for operation. Instead, a company will recognize these sales receipts and the related cost in the profit or loss account.
- **IAS 37 Provisions, contingent liabilities and contingent assets (Amendments)** - changes indicate exactly what costs a company includes when determining the cost of performing a contract in order to assess whether a contract is onerous.
- **The annual improvements 2018-2020** bring minor changes to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples that accompany IFRS 16 Leases.

The changes have not yet been adopted by the EU.

• **IFRS 16 Leases - Covid-19-Related Rent Concessions (Amendments)**

The amendments apply retrospectively for annual reporting periods beginning on or after June 1, 2020. Early application is permitted, including in financial statements that have not yet been authorized to be issued by May 28, 2020. The IASB has amended the standard by granting tenants exemptions from the application of the requirements of IFRS 16 regarding the treatment of amendments to leases for leases that arise as a direct consequence of the COVID-19 pandemic. The amendments provide a practical expedient for lessees to account for any change in lease payments resulting from the lease concession that arises as a consequence of COVID-19 in the same way that it would register the change, in accordance with IFRS 16, if it were not a change of lease. The facilities can be applied only if all the following conditions are met:

- The modification of the lease payments results in a revised consideration for the lease which is, substantially, similar or lower than the consideration for the lease immediately prior to the modification;
- Any reduction in lease payments only affects payments initially due on or before June 30, 2021.
- There were no substantive changes to the other terms and conditions of the lease.

Management considered that this amendment did not have a significant impact on the Group's financial statements.

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

• **Interest rate benchmark reform – Phase Two - IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Amendments)**

In August 2020, the IASB published the Interest Rate Benchmark Reform - Phase Two - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, complementing its work to address the effects of the IBOR reform. The amendments provide temporary exemptions that address the effects on financial reporting when IBOR is replaced by an almost risk-free reference (RFR). The amendments provide, in particular, a practical expedient when accounting for changes in the basis for determining contractual cash flows related to financial assets and liabilities, requiring the adjustment of the effective interest rate - treatment similar to an event to update the reference rate in the contract. The amendments also provide for exemptions from the termination of the hedging relationship, including a temporary exemption from the need to identify the hedged component separately when an RFR instrument is designated in a hedging relationship against a hedged component. In addition, the amendments to IFRS 4 are intended to allow insurers that continue to apply IAS 39 to obtain the same exemptions as those provided for in the amendments to IFRS 9. There are also amendments to IFRS 7 *Financial Instruments: Disclosures* to allow users of financial statements to understand the effects of IBOR reform on financial instruments and risk management strategy. The changes take effect for annual periods beginning on or after January 1, 2021 and early application is permitted. Although the application is retrospective, the entities do not have to make restatements for the previous periods.

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

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**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
<b>Balance at January 1, 2020</b>	<b>16,830</b>	<b>3,139</b>	<b>1,402</b>	<b>279</b>	<b>21,650</b>
Additions	4,765	88	142	433	5,428
Transfers	-	-	-	-	-
Disposals	(112)	(26)	(5)	(426)	(569)
<b>Balance at 31 December 2020</b>	<b>21,483</b>	<b>3,201</b>	<b>1,539</b>	<b>286</b>	<b>26,509</b>
<b>Accumulated depreciation and impairment losses</b>					
<b>Balance at January 1, 2020</b>	<b>9,460</b>	<b>2,509</b>	<b>1,146</b>	-	<b>13,115</b>
Charge for the period	1,274	252	122	-	1,648
(Reversal of)/Impairment loss	4,241	-	-	-	4,241
Accumulated depreciation of disposals	(20)	(25)	(2)	-	(47)
<b>Balance at 31 December 2020</b>	<b>14,955</b>	<b>2,736</b>	<b>1,266</b>	-	<b>18,958</b>
<b>Carrying amounts</b>					
<b>At 1 January 2020</b>	<b>7,370</b>	<b>631</b>	<b>256</b>	<b>279</b>	<b>8,535</b>
<b>At 31 December 2020</b>	<b>6,528</b>	<b>465</b>	<b>274</b>	<b>286</b>	<b>7,552</b>

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

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

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

*Right-of use assets*

The net values of recognised right-of-use assets and changes thereof during the year, included in Land and Buildings:

	<b>Land and buildings</b>
Balance at 1 January 2020	-
Purchases	1.368
Depreciation during the year	(629)
<b>Balance at 31 December 2020</b>	<b>739</b>

The carrying amounts of lease liabilities are presented in Note 16.  
The amounts recognised in the profit or loss are as follows:

	<b>2020</b>	<b>2019</b>
Depreciation during the year	629	-
Expenses with interest on lease liabilities	33	-
<b>Total</b>	<b>662</b>	<b>-</b>

**8. INVESTMENT PROPERTY**

**Reconciliation of carrying amount**

	<b>2020</b>	<b>2019</b>
<b>Balance at 1 January</b>	<b>384,223</b>	<b>217,113</b>
Additions through subsequent expenditures	3,504	12,300
Transfers from	5,981	95,379
Transfers to	(330)	(85,129)
Disposals	-	-
Changes in fair value during the year	64,328	144,559
<b>Balance at 31 December</b>	<b>457,706</b>	<b>384,223</b>

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

**Main real estate investments in land**

	<b>31 December 2020</b>		<b>31 December 2019</b>	
	<b>sqm</b>	<b>thousand RON</b>	<b>sqm</b>	<b>thousand RON</b>
Greenfield Baneasa land (Bucharest)	210,209	207,789	197,085	165,779
Barbu Vacarescu land (Bucharest)	26,322	137,399	26,322	118,503
Blvd. Ghencea – Timisoara land (Bucharest)	258,925	105,908	258,925	95,286
<b>Total</b>	<b>495,456</b>	<b>451,096</b>	<b>482,332</b>	<b>379,568</b>

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**8. INVESTMENT PROPERTY (continued)**

In 2019, the Group decided to reclassify the land located in Barbu Vacarescu (2.63 ha) and Prelungirea Ghengea-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 foreseeable future. As such, the Group 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 Group considers that at the end of 2020 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".

Details on the legal matters related to lands are presented in Note 26.

*Valuation processes*

The Company's investment properties were valued at 31 December 2020 by independent professionals Colliers Valuation and Advisory SRL, external, independent evaluators, authorized by ANEVAR, having 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.

*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 2020. 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*

Fair values are determined applying the comparison method. The evaluation model is based on a price per square meter of land, obtained from observable data of existing price offers on the market. The estimate established by the independent expert was diminished by the management in order to take into account the legal situation of the various assets.

The table below presents a summary of the most significant assets and key assumptions used:

Asset	Main parameters at 31 December 2020	Main parameters at 31 December 2019
Greenfield Baneasa land	<ul style="list-style-type: none"> <li>• Price offer per square meter for land used as comparable: from 170 EUR / sqm to 300 EUR / sqm</li> <li>• Observable offer price adjustments to reflect transaction prices, location and condition: from -30% discount to + 40% premium</li> </ul>	<ul style="list-style-type: none"> <li>• Price offer per square meter for land used as comparable: from 98 EUR/sqm to 200 EUR/sqm</li> <li>• Observable offer price adjustments to reflect transaction prices, location and condition: discount from -25% to +45% premium</li> </ul>

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**8. INVESTMENT PROPERTY (continued)**

Asset	Main parameters at 31 December 2020	Main parameters at 31 December 2019
Barbu Vacarescu land	<ul style="list-style-type: none"> <li>• Price offer per square meter for land used as comparable: from 1,327 EUR/sqm to 2.600 EUR/sqm</li> <li>• Observable offer price adjustments to reflect transaction prices, location and condition: discount from -5% to -50%</li> <li>• Additionally, an additional discount rate of 4% was applied for a period of 2 years to consider the current aspects of the disputes</li> </ul>	<ul style="list-style-type: none"> <li>• Price offer per square meter for land used as comparable: from 1,327 EUR/sqm to 2,500 EUR/sqm</li> <li>• Observable offer price adjustments to reflect transaction prices, location and condition: discount from -20% to -50%</li> <li>• Additionally, an additional discount rate of 4% was applied for a period of 3 years to consider the current aspects of the disputes</li> </ul>
Blvd Ghencea- Timisoara land	<ul style="list-style-type: none"> <li>• Price offer per square meter for land used as comparable: from 100 EUR/sqm to 150 EUR/sqm</li> <li>• Observable offer price adjustments to reflect transaction prices, location and condition: discount from -3% to -30%</li> </ul>	<ul style="list-style-type: none"> <li>• Price offer per square meter for land used as comparable: from 70 EUR/sqm to 120 EUR/sqm</li> <li>• Observable offer price adjustments to reflect transaction prices, location and condition: discount from -3% to -20%</li> </ul>

The carrying value as at 31 December 2020 of the land plots pledged is of 153,133 (31 December 2019: 165,209).

**9. INVESTMENTS MEASURED USING THE EQUITY METHOD**

**Associates**

At December 31, 2020, the Group registered the ownership interests in Star Residence SRL in amount of 2,158 (2019: 0) using the equity method.

Star Residence SRL is a private company established on October 7, 2020 and is 100% owned by the parent, whose main object of activity is real estate development. On December 23, 2020, 77.62% of the shares of Star Residence SRL were transferred to private investors (see Note 28). Star Residence is listed on the secondary market of the Bucharest Stock Exchange. The table below presents the financial information of the Group as regards its investment in Star Residence.

	<b>December 31, 2020</b>
Cost of investment	2.158
Group share in operating result	-
Investment value adjustment	-
<b>Carrying amount of investment</b>	<b>2.158</b>

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**9. INVESTMENTS MEASURED USING THE EQUITY METHOD (continued)**

The financial information included in the separate financial statements of Star Residence are presented below:

	<b>31 December 2020</b>
Non-current assets	9,620
Current assets	2,065
Non-current liabilities	-
Current liabilities	(1,928)
<b>Net assets (100%)</b>	<b>9,757</b>
Group's share in net assets (22.38%)	2,184

**10. INVENTORIES**

	<b>31 December 2020</b>	<b>31 December 2019</b>
Finished goods and goods for resale	205,981	64,011
<i>Residential developments:</i>		
- Land	130,470	173,004
- Development and construction costs	98,290	193,710
	<b>434,741</b>	<b>430,725</b>

Inventories are represented by:

	<b>31 December 2020</b>	<b>31 December 2019</b>
Greenfield residential project	110,656	174,615
Luxuria residential project	255,255	215,253
Constanta land and project	31,591	21,877
Other inventory	37,239	18,980
	<b>434,741</b>	<b>430,725</b>

Lands with a carrying amount of 130,470 at December 31, 2020 (2019: 173,004) consist of land owned by the Group for the development of new residential properties and infrastructure, mainly in Bucharest, as well as land the Group intends to sell directly.

The real estate properties finished with a carrying amount of 205,978 at December 31, 2020 (2019: 64,959) refer entirely to apartments held for sale by the Group.

The carrying value as at December 31, 2020 of the inventories pledged is of RON 7,325 thousand (see Note 15).

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**11. TRADE AND OTHER RECEIVABLES**

	<b>Current</b>		<b>Non-current</b>	
	<b>31 December 2020</b>	<b>31 December 2019</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
Trade receivables	8,417	9,369	-	-
Sundry debtors	1,038	2,218	-	-
Prepaid expenses	5,106	170	-	-
Receivables from State	6,395	12,568	-	-
Advance payments to suppliers (for services)	5,618	8,558	-	-
	<b>26,574</b>	<b>32,884</b>	<b>-</b>	<b>-</b>

An allowance has been made for estimated irrecoverable amounts from trade receivables of 1,529 (2019: 2,924).

The trade receivables include the amount of 9,946 (2019: 9,369) in relation with contracts with customers for sale of residential properties.

At December 31, 2020 the Group did not register trade receivables and other pledged receivables.

**12. CASH AND CASH EQUIVALENTS**

	<b>31 December 2020</b>	<b>31 December 2019</b>
Current accounts	59,005	45,457
Petty cash	11	4
Cash advances	6	1
	<b>59,022</b>	<b>45,462</b>

Current accounts are held with Romanian commercial banks. Out of the total balance of cash, 331 (31 December 2019: 331) is restricted cash. In addition, the carrying amount of cash and cash equivalents pledged with banks at December 31, 2020 is RON 125 thousand and EUR 28 thousand.

**13. SHARE CAPITAL**

	<b>31 December 2020</b>	<b>31 December 2019</b>
Share capital	272,464	281,907
	<b>272,464</b>	<b>281,907</b>

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**13. SHARE CAPITAL (continued)**

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

	<u>31 December 2020</u>	<u>31 December 2019</u>
	%	%
Gheorghe Iaciu	59.41%	56.82%
Andrici Adrian	15.98%	15.43%
Swiss Capital	12.53%	12.22%
Other shareholders	<u>12.08%</u>	<u>15.53%</u>
	<u>100%</u>	<u>100%</u>

All shares are ordinary and have equal ranking related to the Group'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 Group.

In accordance with the Constitutive Act of the parent company, during the GSM of 28 April 2020, the share capital was decreased by 9,443,532 RON from 274,443,532 RON, by reducing the number of shares from 274,443,532 to 265,000,000 following the cancellation of 9,443,532 own shares previously acquired by the parent.

**Dividends**

During the financial year ended 31 December 2020, the Group declared and paid dividends to its shareholders in total amount of 10,448.

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

**14. OWN SHARES**

	<u>31 December 2020</u>	<u>31 December 2019</u>
<b>Balance at 1 January</b>	<u>7,771</u>	<u>3,038</u>
Purchase of own shares	9,610	8,156
Own shares cancelled during the year	(12,492)	(3,423)
Share-based payments	<u>(2,214)</u>	<u>-</u>
<b>Balance at 31 December</b>	<u>2,675</u>	<u>7,771</u>

In accordance with the parent's articles of association, authority was sought at the AGM dated 15.06.2017 to purchase up to 2.56% of the parent'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.

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 shared capital subscribed and paid at the settlement date.

The own shares reserve represents the cost of shares in the parent purchased in the market, to satisfy options and conditional share awards under the Group's share-based payment schemes.

As at 31 December 2020 the parent has in balance 2,578 thousand own shares, with a nominal value of RON 2,675 thousand (2019: RON 7,771 thousand). During 2020, the Group granted 1,205 shares to employees and members of the Board of Directors).

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**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.

	<b>31 December 2020</b>	<b>31 December 2019</b>
<b>Non-current liabilities</b>		
Secured bank loans	19,060	23,091
Issued bonds	148,397	115,722
	<b>167,457</b>	<b>138,813</b>
<b>Current liabilities</b>		
Current portion of secured bank loans	-	-
Short-term borrowings	88,379	58,822
	<b>88,379</b>	<b>58,822</b>

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

<b>Lender</b>	<b>Currency</b>	<b>Maturity</b>	<b>Amount of the facility, in original currency</b>	<b>Balance at 31 December 2020</b>	<b>Balance at 31 December 2019</b>
<b>Binding loans</b>					
Credit Value Investments	EUR	10.01.2022	12,000	58,226	58,586
Bucharest Stock Exchange SA	EUR	12.12.2022	12,525	58,123	58,902
Private placement bonds	EUR	24.12.2026	6,000	32,048	-
				<b>90,171</b>	<b>58,902</b>
<b>Secured bank loans</b>					
UniCredit	EUR	30.04.2021	17,841	9,741	55,292
UniCredit Bank	EUR	31.08.2021	20,696	76,423	21,579
UniCredit	RON	31.08.2021	17,605	-	1,512
				<b>86,164</b>	<b>78,382</b>
Libra Bank	RON	17.06.2021	19,700	397	-
Libra Bank	EUR	22.09.2024	8,000	19,060	-
				<b>19,457</b>	<b>-</b>
Interest				1,818	1,765
				<b>255,836</b>	<b>199,400</b>

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

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

	<b>Bonds</b>	<b>Loans</b>	<b>Total</b>
<b>Balance at January 1, 2020</b>	<b>115,723</b>	<b>94,620</b>	<b>210,343</b>
Draws	35,287	132,382	167,669
Payments	(2,614)	(121,380)	(123,994)
<b>Balance at December 31, 2020</b>	<b>148,396</b>	<b>105,622</b>	<b>254,018</b>

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 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 16 August 2018, Bergamot Development 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. On 1 February 2021, the Group signed an agreement to extend the maturity for the amount of EUR 6,000 thousand until the maturity of the bonds, i.e. January 2022.

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 seven plots of land with a total area of 154,308 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.

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

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

In December 2020, the parent conducted a new issuance of Private Placement bonds worth EUR 6,580 thousand at a fixed interest rate of 6.4% p.a., due twice a year. The bonds were issued by the parent dated 24 December 2020, have a maturity of 6 years and will be listed on the BSE regulated market in the first half of 2021.

All the financial covenants provided for in the long-term bank loan agreements were achieved at 31 December 2020.

**16. TRADE AND OTHER PAYABLES**

	<u>31 December 2020</u>	<u>31 December 2019</u>
<b>Non-current liabilities</b>		
Guarantees	508	330
Lease payables	1,401	
	<u>1,909</u>	<u>330</u>
<b>Current liabilities</b>		
Trade payables	6,956	33,789
Customer deposits	18,262	19,837
Divides payable	200	199
Payable to affiliates	-	-
Other payables	7,932	19,364
	<u>33,350</u>	<u>73,189</u>
	<u>35,259</u>	<u>73,519</u>

Information related to the Group'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 amounted to 19,837 (2019: 10,612). There was no revenue recognized in the current reporting period that related to performance obligations that were satisfied in a prior year.

**Lease liabilities**

The Group concluded leases for office space, equipment rentals and for car access transit necessary within its activity. Leases have a duration between 1 and 3 years. All leases have fixed rates.

The market value of the debts related to the leases approximates their book value presented in the table above.

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**17. PROVISIONS FOR RISKS AND CHARGES**

	<u>Provisions for litigation</u>	<u>Other provisions</u>	<u>Total</u>
<b>Balance at 1 January 2020</b>	<b>319</b>	<b>588</b>	<b>907</b>
Provisions made during the year	-	-	-
Provisions used during the year	48	192	240
<b>Balance at 31 December 2020</b>	<b>271</b>	<b>396</b>	<b>667</b>

**18. REVENUES**

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

	<u>2020</u>	<u>2019</u>
Revenues from sales of residential properties	202,122	156,568
Others	2,275	113
	<b>204,397</b>	<b>156,681</b>

**19. GENERAL AND ADMINISTRATIVE EXPENSES**

	<u>2020</u>	<u>2019</u>
Consumables	473	705
Administration expenses	8,794	7,256
Staff costs	12,598	12,898
	<b>21,865</b>	<b>20,859</b>

**20. OTHER OPERATING EXPENSES/INCOME**

	<u>2020</u>	<u>2019</u>
Other operating income	(1,933)	(4,534)
Rent expenses	624	677
(Profit) / Loss on disposal of property, plant and equipment	(44)	43
Fines and penalties (income)/expenses	(544)	186
Other operating expenses	4,254	5,427
Impairment of trade receivables, net	(61)	-
Impairment of property, plant and equipment, net	3,493	107
Impairment of inventories, net	(2,160)	85
	<b>3,629</b>	<b>1,991</b>

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**21. FINANCE COST/INCOME**

	<u>2020</u>	<u>2019</u>
Interest expense	6,427	2,749
Interest income	(239)	(196)
Foreign exchange result	4,416	3,055
Gains of disposal of subsidiaries	(4,819)	
Other financial (income)/costs	<u>(359)</u>	<u>314</u>
	<u><b>5,426</b></u>	<u><b>5,922</b></u>

**22. TAXATION**

*(i) Amounts recognised in profit or loss*

	<u>2020</u>	<u>2019</u>
Deferred tax expense	9,330	20,961
Tax on profit	<u>7,257</u>	<u>7,932</u>
<b>Total expense related to tax</b>	<u><b>16,587</b></u>	<u><b>28,893</b></u>

*(ii) Reconciliation of effective tax rate*

		<u>2020</u>		<u>2019</u>
<b>Profit before taxation</b>		<u><b>91,443</b></u>		<u><b>28,406</b></u>
Tax using the Company's domestic tax rate	16%	(14,631)	16%	(29,340)
Non-deductible expenses and adjustments	6%	6,530	1%	2,139
Tax-exempt income	8%	(8,127)	1%	(1,692)
Recognition of tax effect of previous year tax losses		<u>-</u>		<u>-</u>
	<b>18%</b>	<u><b>(16,587)</b></u>	<b>16%</b>	<u><b>(28,893)</b></u>

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**22. TAXATION (continued)**

*(iii) Cumulative temporary differences generating deferred tax*

	<b>31 December 2020</b>		<b>31 December 2019</b>	
	<b>Cumulative temporary differences</b>	<b>Deferred tax liabilities / (assets)</b>	<b>Cumulative temporary differences</b>	<b>Deferred tax liabilities / (assets)</b>
Property, plant and equipment	(1,396)	(223)	(1,394)	(223)
Investment property	371,223	59,396	312,901	50,064
Inventories	(10,113)	(1,618)	(10,110)	(1,618)
Trade and other receivables	(4,899)	(784)	(4,898)	(784)
Financial assets	(5,088)	(814)	(5,086)	(814)
	<b>349,727</b>	<b>55,956</b>	<b>291,413</b>	<b>46,626</b>
Fiscal losses which generated deferred tax	(4,101)	(656)	(4,101)	(656)
	<b>345,626</b>	<b>55,300</b>	<b>287,312</b>	<b>45,970</b>

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**22. 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
<b>2020</b>						
Property, plant and equipment	(223)	-	-	(223)	(223)	-
Investment property	50,065	9,330	-	59,396	-	59,396
Financial Assets	(814)	-	-	(814)	(814)	-
Trade and other receivables	(784)	-	-	(784)	(784)	-
Inventories	(1,618)	-	-	(1,618)	(1,618)	-
Effect of fiscal losses which generated deferred tax	(656)	-	-	(656)	(656)	-
<b>Fiscal (assets) / liabilities, net</b>	<b>45,970</b>	<b>9,330</b>	<b>-</b>	<b>55,300</b>	<b>(4,095)</b>	<b>59,396</b>
<b>2019</b>						
	Net balance as at 1 January	Recognised in profit or loss	Recognised in other comprehensive income	Net	Assets	Liabilities
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)	-
<b>Fiscal (assets) / liabilities, net</b>	<b>25,823</b>	<b>20,961</b>	<b>-</b>	<b>45,970</b>	<b>(4,094)</b>	<b>50,064</b>

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**23. 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 2020</u>	<u>31 December 2019</u>
Trade and other receivables	10	26,574	32,884
Cash and cash equivalents	11	59,022	45,462
		<u>85,596</u>	<u>78,346</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)

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**23. 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 2020</u>	<u>31 December 2019</u>
Romania	26,574	32,884
	<b>26,574</b>	<b>32,884</b>

*Impairment losses*

The receivables' ageing at reporting date was:

	<u>31 December 2020</u>			<u>31 December 2019</u>		
	<u>Gross</u>	<u>Impairment</u>	<u>Net</u>	<u>Gross</u>	<u>Impairment</u>	<u>Net</u>
Not yet due	19,516	-	19,516	31,744		31,744
Past due 1-30 days	210	-	210	710		710
Past due 31–90 days	2,803	-	2,803	278		278
Past due 91–120 days	3,832	-	3,832	127		127
Past due 121–365 days	221	(93)	128	25		25
Past due more than 1 year	2,621	(2,535)	86	3,018	(3,018)	-
	<b>29,202</b>	<b>(2,628)</b>	<b>26,574</b>	<b>35,902</b>	<b>(3,018)</b>	<b>32,884</b>

Impairment losses at 31 December 2020 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 2020, the Group held cash and cash equivalents in amount of 59,022 (31 December 2019: 45,462), representing the maximum exposure to credit risk arising from these assets. The cash and cash equivalents are held at banks and financial institutions in Romania.

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**23. 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:

	<b>Carrying value</b>	<b>Total</b>	<b>Less than 1 year</b>	<b>between 1 and 2 years</b>	<b>between 2 and 5 years</b>	<b>More than 5 years</b>
<b>31 December 2020</b>						
Loans and borrowings	255,836	255,836	88,379	116,349	19,060	32,048
Trade and other payables	35,333	35,333	33,424	1,909	-	-
	<b>291,169</b>	<b>291,169</b>	<b>121,803</b>	<b>118,258</b>	<b>19,060</b>	<b>32,048</b>
Future estimated interest	21,802	21,802	8,916	4,916	6,152	1,818
<b>Total</b>	<b>312,897</b>	<b>312,897</b>	<b>130,645</b>	<b>123,174</b>	<b>25,212</b>	<b>33,866</b>
	<b>Carrying value</b>	<b>Total</b>	<b>Less than 1 year</b>	<b>between 1 and 2 years</b>	<b>between 2 and 5 years</b>	<b>More than 5 years</b>
<b>31 December 2019</b>						
Loans and borrowings	197,635	197,635	58,822	138,813	-	-
Trade and other payables	73,519	73,519	73,189	330	-	-
	<b>271,154</b>	<b>271,154</b>	<b>132,011</b>	<b>139,143</b>	-	-
Future estimated interest	17,092	17,092	6,866	6,866	3,360	-
<b>Total</b>	<b>288,246</b>	<b>288,246</b>	<b>138,877</b>	<b>146,009</b>	<b>3,360</b>	-

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**23. 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 2020**

**Monetary assets**

Trade and other receivables	-
Cash and cash equivalents	53,664
	<u>53,664</u>

**31 December 2020**

**Monetary liabilities**

Loans and borrowings	255,439
Trade and other payables	-
	<u>255,439</u>

<b>Net exposure</b>	<u><b>(201,795)</b></u>
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*in thousand RON*

**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>

<b>Net exposure</b>	<u><b>(188,242)</b></u>
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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.

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**23. 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 2020</u>	<u>Average for 2020</u>	<u>31 December 2019</u>	<u>Average for 2019</u>
EUR 1	4.8694	4.8371	4.7793	4.7454

Sensitivity analysis

A strengthening / (weakening) of the Leu by 10% against the following foreign currencies as at 31 December 2020 and 31 December 2019 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 2020</u>			<u>31 December 2019</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>(201,795)</u>	<u>(20,179)</u>	<u>20,179</u>	<u>(188,242)</u>	<u>(18,824)</u>	<u>18,824</u>

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

*Sensitivity analysis (continued)*

Interest risk

	31 December 2020				31 December 2019			
	Carrying value	Variable interest	Fixed interest	Non-interest bearing	Carrying value	Variable interest	Fixed interest	Non-interest bearing
<b>Monetary assets</b>								
Trade and other receivables	26,574	-	-	26,574	32,884	-	-	32,884
Cash and cash equivalents	59,022	-	-	59,022	45,462	-	27,700	17,762
	<b>85,596</b>	<b>-</b>	<b>-</b>	<b>85,596</b>	<b>78,346</b>	<b>-</b>	<b>27,700</b>	<b>50,646</b>
<b>Monetary liabilities</b>								
Loans and borrowings	255,836	105,621	150,215	-	197,635	80,148	117,487	-
Trade and other payables	35,259	-	-	35,259	73,519	-	-	73,519
	<b>291,095</b>	<b>105,621</b>	<b>150,215</b>	<b>35,259</b>	<b>271,154</b>	<b>80,148</b>	<b>117,487</b>	<b>73,519</b>

This is a free translation from the original Romanian version.

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**23. 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:

	<b>Carrying value</b>	
	<b>31 December 2020</b>	<b>31 December 2019</b>
<b>Fixed rate instruments</b>		
Financial assets	-	27,700
Financial liabilities	150,215	(117,487)
	<b>(150,215)</b>	<b>(89,787)</b>
<b>Variable rate instruments</b>		
Financial liabilities	(105,621)	(80,148)
	<b>(105,621)</b>	<b>(80,148)</b>

*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 1,056 (2019: 801). This analysis assumes that all other variables, in particular foreign currency exchange rates, remain unchanged.

	<b>Profit / (Loss)</b>	
	<b>100 bp increase</b>	<b>100 bp decrease</b>
<b>31 December 2020</b>		
Variable rate instruments	(1,056)	1,056
	<b>Profit / (Loss)</b>	
<b>31 December 2019</b>	<b>100 bp increase</b>	<b>100 bp decrease</b>
Variable rate instruments	(801)	801

**24. SHARE-BASED PAYMENTS**

In December 2019, the Group's management announced the granting of a payment scheme based on the Company's shares to the employees and members of the Board of Directors, for a duration of one year. At the date of announcing the plan, the related terms and conditions were only partially communicated to the persons concerned.

In December 2020, the Group granted a number of 1,205 thousand shares to the employees and members of the Board of Directors, evaluated and registered in the profit and loss account on the granting date in amount of 2,214 (RON 1.88 / share). The average cost incurred by the parent with buying such shares in 1,675 (RON 1.39/share).

**25. CAPITAL COMMITMENTS**

As at 31 December 2020, the Group has no capital commitments contracted.

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**26. CONTINGENCIES**

***Litigation***

As of the date of these Consolidated Financial Statements, the Group was involved in a number of ongoing lawsuits, 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 affiliates (Clearline Development and Management SRL) (“Project Company”) are parties in two cases against the Cluj City Council (“CCC”). The disputes originated from a contractual relationship from 2007, when the company entered into an investment contract with CCC, whereby CCC and the Company would develop a residential project and the CCC would contribute the land (“Lomb Project”). The Company and the Project Company request reimbursement of amounts arising from investments 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, in which the Company has requested the dissolution of the framework-contract no. 55423/04.07.2007 concluded between CCC and the Company. In addition, the Company requested the court to compel the CCC to pay compensation in amount of 4,630,914.13 thousand RON plus related interest, computed from the date of the damage up to the date of collection of the amounts.

In 2020, on December 23, 2020, the Cluj Tribunal ruled the following decision in File 79/1285/2012: rejects, as ungrounded, the said application filed by the Company. The Company filed appeal, which will be settled by the Cluj Court of Appeal. At this time, the Company cannot estimate the duration of the trial until it obtains a final decision.

Case 1032/1259/2012 has been registered to the Arges Commercial Court, in which the Project Company has requested to CLC payment of compensation provisionally estimated to RON 17,053,000 plus related interest, computed from the date of the damage up to the date of the registration of the claim, provisionally estimated at RON 500,000.

In this file, until the date of this report, no court decision was issued, the parties are administering evidence, including technical and accounting expertise, which were succeeded by objections and various requests for completion by the litigating parties. 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.

**b) Barbu Vacarescu**

In 2014, the parent 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”).

The parent 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 owned by Impact and the rest owned by Cefin. In the file, the topographical and geotechnical expert appraisal was conducted, at the request of Cefin.

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**26. CONTINGENCIES (continued)**

In 2017, Impact decided to file 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 with Sector 2 District Court, Bucharest. The lawsuit is in the merits phase, and the evidence to be administered is very complex.

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

At the date of this report, the evidence by evaluation expertise is ongoing. When ruling, the court of law will have to proceed with the sharing of the plots taking into account the ownership shares held by each party, but also aspects related to the location, identification and evaluation of the plots.

The next hearing is April 16, 2021. 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**

In 2018, the Company filed a legal action 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 Land"), as identified in cadastral documentation no. 6515/2/6/1, which formed the basis of the registration in Land Book no. 59472, opened with the Cadastre and Real Estate Publicity office in Sector 6.

The Company considered that it is necessary to file such an action in order to consolidate its title over the Land in the context in which the title of the original owner, respectively Title no. 68,401 issued by the Ilfov County Commission for the Establishment of the Property Right over Lands on February 5, 2004 in favor of the Pasteur S.A. Institute, was annulled by the Bucharest Sector 6 District Court.

The legal action is the subject of File no. 5737/3/2018 registered with the Bucharest Tribunal.

On November 22, 2019, the Bucharest Tribunal ruled and admitted the action brought by the Company against the Romanian State through the Ministry of Public Finance and the Municipality of Bucharest. Thus, by Ruling no. 2651, the Bucharest Court found that the Company has ownership of the Land. The ruling of the Bucharest Tribunal can be appealed with appeal.

In 2020, the Romanian State and the Bucharest City Hall filed an appeal against Ruling no. 2651 of 22.11.2019 of the Bucharest Tribunal. The appeal was settled by the Bucharest Court of Appeal, which by Decision no. 1246 of 06.10.2020, rejected the appeals as ungrounded. Consequently, Ruling no. 2651 of 22.11.2019 of the Bucharest Tribunal remained grounded and legal.

Decision no. 1246 of October 6, 2020 of the Bucharest Court of Appeal can be challenged by second appeal. No significant changes in the carrying value of assets are expected to result from the outcome of this case.

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**27. RELATED PARTIES**

**Transactions with associates**

At December 31, 2020, the Group has to collect from Star Residence the amount of 1,827 representing the VAT related to the goods contributed to the share capital.

**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 Group'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 2020 is 1.575 (31 December 2019: 2,145).

Starting with December 2019, the Group has implemented a share-based incentive scheme for the management and other employees over a period of 1 year. In December 2020, the Group granted a number of 1,205 thousand shares to the employees and members of the Board of Directors evaluated and registered to profit and loss on the granting date in amount of 2,214 (1.88 RON / share) (see Note 24).

Starting September 2020, the Group implemented an action-based incentive scheme for management and other employees, including a total of 0.5 million shares that will be granted after a period of 1 year based on pre-established KPIs for the objectives of 2021.

**Transactions with shareholders**

In the financial year ended December 31, 2020, the Group declared and paid dividends to its shareholders in amount of 10,448 (2019: 9,195) and bought own shares in amount of 9,610 (2019: 8,156). See Note 14.

The Group registered sales of apartments to shareholders in amount of 2,850.

**28. SALE OF A SUBSIDIARY**

On October 7, 2020, the Group established a subsidiary, Star Residence SRL, whose main object of activity is real estate development. The share capital of the subsidiary was constituted by the in-kind contribution of investment properties in the patrimony of the Company. The investment properties contributed consisted of 14 apartments and 26 parking spaces with an accounting value of 4,791. In order to constitute the share capital of the newly established company, the valuation company Colliers established the fair value of the contribution at the value of 9,610, resulting in a gain of 4,819 from the increase of the fair value.

On December 23, 2020, the Group sold 77.62% of the shares held in Star Residence to a third party for a price of 8,123.

The result of the period for Star Residence for 2020 is presented below:

	<u>2020</u>
Income	204
Expenses	<u>(61)</u>
<b>Result of the period</b>	<b><u>143</u></b>

The profit from the subsidiary sold, in amount of 143 is fully attributable to the Group's shareholders.

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**28. SALE OF A SUBSIDIARY (continued)**

The effect of the sale of subsidiary Star Residence on the group's financial position is presented below:

Investment property	5,244
Intangible assets	81
Trade and other receivables	1,792
Cash and cash equivalents	(273)
Borrowings	1,818
Trade and other payables	110
Net assets	<u>5,462</u>
<b>Cash consideration</b>	<b><u>8,123</u></b>

**Gains on sale of subsidiary**

Cash consideration	8,123
Investments accounted for under the equity method	2,158
Net asset written off	<u>(5,462)</u>

**Gains on sale of subsidiary** **4,819**

Investments accounted for under the equity method	8,123
Net asset written off	<u>(273)</u>

**Net cash flows from sale of subsidiary** **7,850**

**29. EARNINGS PER SHARE**




	<u>2020</u>	<u>2019</u>
Profit for the period for the period	73,985	154,484
Number at the end of the period	265,000	274,444
Basic earnings per share (RON/share)	0,28	0,56

**30. SUBSEQUENT EVENTS**

The Group's management presents the following subsequent events from December 31, 2020 to the date of approval of these consolidated financial statements that do not require adjustment:

- The signing of two loan agreements with First Bank to finance the investment (EUR 5.92 million) and VAT (RON 4.5 million) related to the Panoramic Complex in Greenfield Baneasa.

The consolidated financial statements have been authorized for issue by the management on 17.03.2021 and signed on its behalf by:

 <hr style="border: 0; border-top: 1px solid black; margin: 0;"/> <p><b>Sorin Apostol</b> Chief Executive Officer</p>	 <hr style="border: 0; border-top: 1px solid black; margin: 0;"/> <p><b>Iuliana Mihaela Urda</b> President BOD</p>	 <hr style="border: 0; border-top: 1px solid black; margin: 0;"/> <p><b>Giani Kacic</b> Chief Financial Officer</p>
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