

# 2013

**RomReal Limited**  
**Annual 2013 Report**  
**15 April 2014**



RomReal is a Company focused on the Romanian real estate market. Established in 2005 it owns a premium property portfolio in Constanta, Bucharest and Brasov.

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## CEO's Statement

Dear Shareholders,

"Having secured working capital through the share capital increase to cover operational expenses for approximately two years, the Company is focusing on increasing the attractiveness and saleability of its land base.

The year ended 2013 was a year where the Romanian economy in the 4Q 2013 grew by 5.1% compared to the same quarter one year earlier, its fastest growth for five years and the strongest within the EU. The Company's business is closely linked to the overall performance of Romania's economy and in particular the purchasing power of the middle class segment. Hopefully the stronger GDP growth figures will transform into some optimism among investors and improved conditions for the housing market which in turn will create opportunities for RomReal.

The Company's Board and Management are working hard to add value to its properties by upgrading planning permissions, increasing rental income, parcelling, and similar. It is expected that some positive announcements will be made during 2014 of the results of the above efforts. It is my personal belief that RomReal and Romania have turned the corner into positive ground, and to show my commitment, I have increased my shareholding in the Company substantially."



**Kay T. Thorkildsen**  
**Chief Executive Officer**

## 2013 Highlights

### Statutory Net Asset Value (NAV)

Under IFRS the NAV was EUR 0.5 (NOK 4.4) per share at the end of 2013, a decrease of 8.6% compared to the end of 2012 and adjusted to the new number of 41,367,783 shares following the 2.5:1 reverse stock split in December 2013. The 8.6% decrease in NAV is due to a 5.3% adjustment of the value of the property portfolio and 3.3% due to the foreign exchange movement and the net running expenses of the Company.

### Valuation

The Company has commissioned an independent valuation by Knight Frank Romania, and reflected the results in the financial statements reported at the end of Q4 2013. This resulted in a 5.3% downwards adjustment of the value of its property portfolio compared to end of year 2012, which is in line with the average market trend.

### Financial Results

Pre-tax loss for 2013 was EUR 2.70 million. Total assets at end of 2013 were EUR 33.9 million compared to EUR 34.8 million at end of 2012.

### Share buy-back

On 15 May 2013 the Company gave notice that all shareholders could sell up to 3,000 of their shares. This resulted in 80,195 shares (Note: Pre rights issue and reverse share split) being bought back by the Company and reduced the RomReal number of shareholders from 426 to 344.

### 20:1 Right Issue

Following the increase in share capital registered on 11 July 2013, the number of issued shares changed from 4,924,736 to 103,419,456 each with a par value of EUR 0.001. The net proceeds of the rights issue amounted to EUR 1.45 million.

### Reverse Share Split – December 2013

The reverse share split had as a result that the total number of shares in the Company were reduced from 103,419,456 to 41,367,783 and the nominal value of each share changed from €0.001 to €0.0025. The reverse share split did not change the value of the Company's share capital, which remains at €103,419.

### Plot division and sales

One of the plots in the Company's land bank has obtained its Urban Certificate in order to be divided into smaller plots. The Company has sold one the divided plots and that was fully paid.

## Key Financials

EUR '000	Q4 2013	Q4 2012	FY 2013	FY 2012
Operating Revenue	116	188	399	429
Operating Expenses	-447	-227	-1,112	-1,391
Other operating income/ (expense) ,net	-1,512	-3,395	-839	-962
Net financial income/(cost)	-421	-1,184	-1,144	-1,896
Pre-tax result	-2,265	-4,618	-2,697	-4,992
Result for the period	-2,232	-4,160	-2,630	-4,391
Total assets	33,850	34,878	33,850	34,878
Total liabilities	12,179	12,404	12,179	12,404
Total equity	21,671	22,474	21,671	22,474
Equity %	64.02%	64.40%	64.02%	64.40%
NAV per share (EUR)	0.52	0.57	0.52	0.57
Cash & Cash equivalents (including bond)	1,705	702	1,705	702

## Property Portfolio

Total size of the Company's Property Portfolio ("Land Bank") totalled 1,261,439 sqm at the end of 2013. The Company owns prime location plots in Bucharest, Brasov, and Constanta:

Plot name	Location	Size (m2)
1 Ovidiu Lakeside	Constanta North/Ovidiu	61,433
2 Badulescu plot	Constanta North/Ovidiu	50,000
3 Tatar Peninsula	Constanta North/Ovidiu	9,965
4 Ovidiu Town	Constanta North/Ovidiu	4,641
5 Ovidiu (Oasis)	Constanta North/Ovidiu	25,527
6 Centrepont	Constanta North/Ovidiu	122,350
7 Gunaydin plot	Constanta North/Ovidiu	15,000
8 Balada Market	Central Constanta	7,188
9 Carrefour plot	Constanta	15,000
10 Morii Lake	Bucharest Sector 6	11,716
11 Hospital plot	Bucharest Sector 5	13,263
12 Brasov plot	Central Brasov	4,127
13 Un-zoned land	Constanta	865,062
14 Mamaia North plot	Navodari/Mamaia	56,167
<b>Total</b>		<b>1,261,439</b>

The value of the properties has shown an average decrease of 5.3% compared to the end of year 2012 valuation mainly driven by the estimated decrease in value of the Mamaia North plots. The limited number of comparable transactions in the market still makes it difficult to make precise estimates of market values.

For further information on the Company's property portfolio, please visit [www.romreal.com](http://www.romreal.com)

## Market Overview

### Romania Macro figures

Based on Eurostat data, Gross Domestic Product (GDP) in the euro area grew by 0.3 % in Q4 2013 compared to the previous quarter. In this context, Romania recorded the strongest growth increase for the whole of 2013. Its GDP grew by 3.5 % last year, according to preliminary estimates of the National Statistics Institute (INS). Both annual growth and quarterly are the highest since 2008. For the full year 2014, the government and the IMF project a growth rate of 2.2 %.

Other major improvements were related to internal balances - namely price stability and budget balance. Romania completed an EU excessive deficit procedure and the annual inflation reached 1.6% at the end of 2013.

As a step to improve the liquidity in the banking market, the Board of the National Bank of Romania (NBR) decided in December 2013 to reduce the minimum reserve requirements for banks and cut the key interest rate, after Central Bank Governor Mugur Isarescu said on numerous occasions that a looser monetary policy should kick start bank lending.

Starting January 9 2014, the key interest rate was reduced from 4 percent to 3.5 percent, an all-time low, and the NBR said it would pursue an adequate liquidity Management in the banking system. "The NBR reiterates that the adequate use of its available tools amid a close monitoring of domestic and global economic developments is aimed at ensuring price stability over the medium term and financial stability," said the central bank in a statement.

The minimum reserve requirements ratio of RON-denominated liabilities of credit institutions were slashed from 15 to 12 per cent, while the minimum reserves on foreign-currency denominated liabilities of credit institutions will go down from 20 to 18 percent starting with January 24-February 23 maintenance period.

Sources: The National Bank of Romania [www.bnr.ro](http://www.bnr.ro) Romanian News Agency [www.mediafax.ro/](http://www.mediafax.ro/)

### Constanta

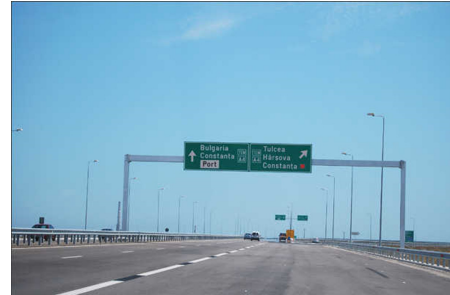
Constanta County is situated in the south-eastern part of Romania, benefiting from opening to the Black Sea, as well as to the Danube River. The county has a 7,071 sq km area and a population of 684,082 inhabitants. The county encompasses 69 administrative units: 3 cities, 9 towns and 57 villages. An additional number of 188 non-administrative small villages are also part of Constanta. Constanta, Ovidiu and Mamaia are neighboring localities. The metropolitan area of Constanta will include Ovidiu area. Therefore, we will consider them in the same region.

Constanta is the residence city of the county that bears the same name. Being situated at a distance of 225 km East from Bucharest and at the same time benefiting from opening to the Black Sea, Constanta is one of the most important commercial junctions in the country. Constanta Harbour, having a total freight capacity of 85 million tones, is the biggest seaport on the Black Sea and one



of the largest in Europe. It has connections to every transportation means: railways, roads, air and fluvial.

A2 highway, designed to link the capital city to the country's main harbor, was started during the communist regime, and finalized during 2012. This is a major threshold for Romanian infrastructure, as A2 insures direct link in approximately 2 hours between Bucharest and Romania's major commercial harbor, Constanta. In this manner goods entering Romania in the South-Eastern part of the country, through Constanta, can easily reach the capital city and can continue their way further West through A1 highway.



Furthermore, throughout 2012 Constanta's ring road was also delivered, insuring an alternative passing route from Agigea towards Ovidiu. Constanta is also well represented in terms of railway connections, ensuring access throughout Romania and towards Europe.

Mihail Kogalniceanu International Airport is the main airport serving Constanta, having regular charter flights for internal and external routes, with the major links being to: Pisa, Bruxelles, Timisoara, Craiova and Bucharest. In the proximity there is also a utility airport in Tuzla.

## Bucharest

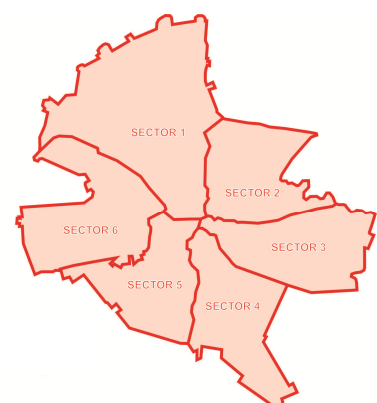
Bucharest is Romania's capital city, as well as the most important cultural, financial and industrial centre of the country. The city accounts for around 20% of the country's GDP, while being inhabited by only 9% of the country's population.

The capital city is situated in the southern region of the country, lying on the banks of Dambovitza River.

Bucharest is the largest city in Romania, stretching on 238 square kilometers. The city has a population of 1,883,000 inhabitants and a resulting density of 7,912 people/square km. By adding the satellite towns around the city, Bucharest's metropolitan area has a population of 2.25 million people. According to unofficial data though, the population overcomes 3 million inhabitants.

The city is administratively known as the Municipality of Bucharest and has the same administrative level as any of Romania's 41 counties. Bucharest is subdivided into six districts, distributed in an irregular shape, so that each of them gathers both central and peripheral areas. The densest district is 3, followed closely by districts 6 and 2.

Bucharest's public transportation system is the largest in Romania, being made up of the subway system, as well as by a surface transport system run by RATB, which consists of buses, trams, trolleybuses, and light rail. In addition, there is a private minibus system.



The capital city is one of the principal junctions of Romania's national road network, which links the city to all of Romania's major cities as well as to

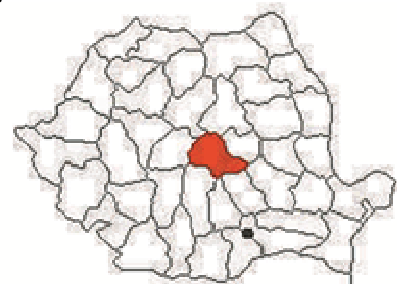


neighboring countries such as Hungary, Bulgaria and Ukraine.

The air traffic is ensured by two airports: Henri Coanda International Airport in Otopeni and Aurel Vlaicu in Baneasa (used only for private flights).

### Brasov

Brasov County is situated in the centre of Romania, having an area of 5,363 sq km, respectively 2.3% of the country's surface. Its population reaches approximately 549,217 inhabitants. The county has 207 administrative units: 4 cities, 6 towns and 48 large villages and 149 small villages. Brasov is the eighth largest Romanian city, being the residence city of the county that bears the same name. The city is situated at a distance of 250 km North from Bucharest, being from long time an important commercial junction. Brasov is located at the base of the Carpathian Mountains, near Postavaru and Piatra Mare mount segments. Brasov benefits of one of the lowest population densities in the country, having approximately 253,000 inhabitants and 267 square kilometers. The most important road that crosses Brasov county is DN1 National Road which links Muntenia, the southern region including Bucharest, to Transylvania. The railway infrastructure is well developed as well, Brasov representing a very important railway junction. Highway A3 is under development, planned to insure the connection between the capital city Brasov and the north-western border point Bors. A small part of it has already been delivered near Cluj-Napoca, but a final delivery date is uncertain.



### Shareholder Overview (As per 31.12.2013)

SURNAME	FIRST NAME	HOLDING OF SHARE	% HOLDING
MGL INVESTMENTS LTD		11,691,024	28.26%
THORKILDSEN	KAY TØNNES	5,415,756	13.09%
GRØNSKAG	KJETIL	3,850,307	9.31%
BRANDEGGEN	LARS TORE	1,704,599	4.12%
SAGA EIENDOM AS		1,223,667	2.96%
JONAS BJERG		1,058,306	2.56%
SPAR KAPITAL INVESTOR AS		940,236	2.27%
GAUSEN	JON	859,861	2.08%
CARNEGIE INVESTMENT BANK DK BRANC		851,692	2.06%
THORKILDSEN INVEST AS		829,478	2.01%
HOEN	ANDERS MYSEN	689,557	1.67%
U-TURN VENTURES AS		663,668	1.60%
CLEARSTREAM BANKING S.A.		649,349	1.57%
PERSSON	ARILD	588,000	1.42%
SKANDINAVISKA ENSKILDA BANKEN AB		508,384	1.23%
ORAKEL AS		500,000	1.21%
SEB PRIVATE BANK S.A. (EXTENDED)		463,512	1.12%
UBS AG		439,518	1.06%
LUNDE	DANIEL PETTER	324,408	0.78%
GRØNLAND	STEINAR	287,837	0.70%

(1) The above list is the 20 largest shareholders according to the VPS print out; please note that shareholders might use different accounts and account names, adding to their total holding.

(2) There are 450 shareholders per 31.12.2013

(3) The top 20 Shareholders own 33,539,159 shares altogether or 81%. The rest 430 shareholders own 7,828,623 shares altogether or 19%.

(4) Thorkildsen Invest AS is a company controlled by RomReal CEO Kay Thorkildsen. Altogether RomReal CEO Kay Thorkildsen owns 15.09% of the Company.



## RomReal Ethical Policy

### Introduction

RomReal is presently not involved in any construction or development projects but maintains its principles with regards to Ethical Policy since its listing to the Oslo Stock Exchange. These can be found below:

### Energy

From initial site surveys, through to the specification of fixtures and fittings, the Company aims to identify the most energy-efficient solutions. The Company is seeking more intelligent and sustainable approaches to building design, construction and materials.

### Water

All of the developments consider ways in which water usage can be reduced, both during construction and occupancy. Where possible, specifying ways of increasing the efficiency of water usage within the infrastructure of our developments, delivering responsibility and cost-efficiency.

### Materials

The Company is selecting all construction materials carefully. The aim is to protect natural resources and reduce carbon emissions, thereby contributing to a healthy environment for the residents in all developments.

### Waste

RomReal is aware of the need to reduce and manage waste across our operations. It also supports and encourages residents in their own recycling efforts.

### Transport

In all parts of RomReal's operations it aims to avoid excessive use of high emission transportation. Employees are

encouraged to use public transport or even more environmentally friendly alternatives like walking or biking.

### Landscaping

From the beginning of every project the Company looks for ways to create a landscape which uses existing resources intelligently and efficiently.

### Community

From introducing improvements to the local infrastructure to including spaces for socialising and local amenities, the aim is to build sustainable communities for everyone.

### Healthy Living

RomReal recognises our responsibility to support healthy lifestyles and meet the needs and aspirations of residents. RomReal seeks to maximise the natural benefits of sunlight, daylight and open space within each development.

### Education

RomReal seeks to deliver sustainable development through its ethical policy and working practices. The terms of reference include requirements for economic and social progress at a local level. The Company has supported educational initiatives, both those that spread best practice in sustainable development, and those that enhance the local educational infrastructure in general. The Company aims to evolve as an enduring partner for the region, and wants to create lasting improvements that raise standards of living and employment for the next generation.

**Today, the Board of Directors and the Chief Executive Officer reviewed and approved the Board of Directors Report and the RomReal Ltd consolidated and annual financial statements as of 31 December 2013. To the best of our knowledge, we confirm that RomReal Ltd and RomReal Group's consolidated annual financial statements for 2013 have been prepared in accordance with IFRSs and IFRICs as adopted by the European Union (EU), IFRSs as issued by the International Accounting Standards Board (IASB).**

The information presented in the financial statements gives a true and fair view of the Company's and the Group's assets, liabilities, financial position and results for the period viewed in their entirety.

## Directors' Report 2013

### RomReal Directors

The Directors are shown below together with their interest in the shares of the Company per 31 December 2013 and per 31 December 2012:

		31 December 2013	31 December 2012*
Kjetil Grønskag	Appointed November 2006	3,850,307	1,797,240
Erik Sture Larre	Appointed November 2009	72,360	72,360
Jonas Bjerg	Appointed September 2008	1,058,306	459,420
Arve Nilsson	Appointed September 2008	836,052	1,109,600
Kay Thorkildsen	GROUP CEO	6,245,234	1,163,420
<b>TOTAL</b>		<b>12,062,259</b>	<b>4,602,040</b>

\* For comparison purposes, shares as at 31 December 2012 have been adjusted to reflect the 2.5:1 reverse stock split that took place on the 18 December 2013 and the year a rights issue of 20 new shares for 1 old share has taken place during July 2013. A number of Directors oversubscribed. Director Erik Sture Larre did not exercise his rights.

### Operations

RomReal owns a large portfolio of prime location plots in three of the major Romanian cities: Constanta, Bucharest and Brasov. The plots are most suited for residential and commercial developments. RomReal is presently not involved in any construction or development projects, but has maintained its principles with regards to ethical policy since its listing to the Oslo Axess.

The Management is proactively seeking to procure buyers through its network of contacts in Romania and abroad, and by dealing with incoming requests from interested parties. In addition to aiming to sell plots, the Company is working hard to add incremental value to the individual plots during the period in which they are part of the Land Bank up until a potential sale is completed. The various forms of adding value include upgrading of planning permission as well as maintenance of plot surfaces, buildings, fencing and similar. Management is also creating running income from the plots in its Land Bank by renting out to third parties for commercial use, structured in a way so it does not prevent or interfere with an eventual sale of the plots.

The Company's Management has been working constructively in making the land bank assets more marketable and to produce a running yield. One of the actions taken during the year is the improvement of zoning permits for selective plots followed by split of some of the key plots in Constanta into smaller plots in order to be more affordable

for customers with limited financing. The Company has applied to the local authorities for the change of zoning for a number of plots in the area of Constanța. During the fourth quarter of 2013 the Company sold the first of its subdivided plot, which was fully paid after the end of the year.

During Q2 2013 the Company announced an offer to buy up to 3,000 shares from each shareholder for a price of NOK 1.5 per share. The offer was made to shareholders based on their shareholdings at the end of 15 May 2013 targeting shareholders who were not intending to subscribe to the July 2013 rights issue. This resulted in 80,195 shares (Note: Pre rights issue) being bought back by the Company and reduced the RomReal number of shareholders from 426 to 344.

During Q3 2013 the Company executed an oversubscribed rights issue of 20 new shares for every 1 old share. The net proceeds of the rights issue amounted to EUR 1.45 million. Following the increase in share capital registered on 11 July 2013, the number of issued shares changed from 4,924,736 to 103,419,456 each with a par value of EUR 0.001

During Q4 2013 the Company proceeded to a 2.5:1 reverse share split in order to conform to the Oslo Stock Exchange trading compliance. The reverse share split had as a result that the total number of shares in the Company were reduced from 103,419,456 to 41,367,783 and the nominal value of each share changed from €0.001 to €0.0025. The reverse share split did not change the value of the Company's share capital, which remains at €103,419.

### **Key features of the market**

Investments in commercial real estate acquisitions in Romania amounted to EUR 229 million in 2013, up by almost 25 percent compared to the previous year, according to a CBRE report. Romania was ranked in fifth position out of nine countries in Central and Eastern Europe (CEE) in transactions volume. Overall, the total value of real estate transactions in the region exceeded EUR 10 billion, up by 31 percent compared to the previous year.

#### **Residential market:**

After years of struggle developers and real estate firms seem to be more optimistic for 2014. The cost of loans in RON has become more attractive due to a lower inflation and several reductions to the lending rates by the National Bank. House prices have dropped to new lows with further price pressure and some of the developers have announced increased demand.

Additionally, based on the increased interest during 2013, the online real estate platform Imobiliare.ro also expects a pick-up in the number of transactions, however mostly on the small apartments segment. This segment is also driven by the Prima Casa (First Home) government-backed loan scheme.

Although to a lesser extent, while developers had similar stabilization expectations for 2013, the prices during the year have dropped another 8%, helping to narrow the gap with buyers' expectations. For 2014, further big reduction in prices is not expected, apart for more expensive large apartments.

Prima Casa: The program was set up in 2009 to help first-time buyers by guaranteeing loans of up to EUR 60,000 (for old apartments) or EUR 70,000 (new apartments). Eligible candidates could buy with a deposit of only 5 percent compared to the 20-25 percent required for regular mortgages. In 2014, some RON 1.2 billion (approximately EUR 260 million) are made available for guarantees under the program and the scheme is only available in the Romanian Leu (RON).

### **Accounts and financial position**

RomReal has prepared the financial statements as of 31 December 2013 on the basis of going concern. While the industry has faced significant challenges in Romania, RomReal actively seeks to improve liquidity, capitalise on its strong assets base, and take advantage of the future developments of the country's economy.

#### *Operating revenues*

RomReal had consolidated operating revenues of EUR 0.4 million in 2013 compared to EUR 0.43 million in 2012. The main revenue stream was rental income from the Balada Market.

#### *Operating expenses*

Total consolidated operating expenses were EUR 0.69 million in 2013 compared to EUR 1.46 million in 2012. RomReal (parent Company) operating expenses were EUR 3.83 million in 2013 compared to EUR 5.96 million in 2012.

#### *Profit/Loss*

Consolidated loss after tax in 2013 was EUR 2.6 million compared to a loss after tax of EUR 4.7 million in 2012. RomReal (parent Company) loss after tax was EUR 2.3 million in 2013 compared to EUR 4.4 million in 2012.

The end of year 2013 independent land bank portfolio valuation has shown an average decrease of 5.3% compared to the end of year 2012 valuation mainly driven by the estimated decrease in value of the Mamaia North plots. The limited number of comparable transactions in the market still makes it difficult to make precise estimates of market values. This is reflected in the end of year 2013 financial statements

#### *Dividends*

The Directors are not proposing any dividends for the period. All of the Group's equity is free of any liens and is distributable to shareholders.

#### *Balance sheet*

RomReal had on a consolidated basis a total balance of EUR 33.85 million at 31 December 2013. RomReal (parent Company) had a total balance of EUR 21.73 million. Total consolidated equity at 31 December 2013 amounted to EUR 21.67 million (parent Company EUR 21.67 million) compared with EUR 22.47 million in 2012 (parent Company EUR 22.47 million). The Company has total current liabilities of EUR 0.09 million at 31 December 2013 (parent Company EUR 0.06 million).

Net cash flow from consolidated operations was a negative EUR 0.66 million at December 31 2013 compared to a negative EUR 0.50 million in 2012 (parent Company negative EUR 0.24 compared to negative EUR 0.30 million in 2012). Consolidated liquid assets (cash) were EUR 0.97 million at 31 December 2013 compared to EUR 0.70 million at 31 December 2012 (parent Company EUR 0.65 million in 2013 compared to EUR 0.16 million in 2012). Following the finalisation of the rights issue exercise aimed at

consolidating the cash position of the Group, it decided to place part of the collected proceeds into a financial asset. The Group invested in a bond issued by Svenska Handelsbanken rated BBB.

#### *Financial risk*

The Group's consolidated interest-bearing debt amounted to EUR 12,011,000 representing principal amount of EUR 11,600,000 and interest accrued to date of EUR 411,000. This is an assets finance facility taken by the Company in December 2007 with Alpha Bank Romania. The loan had an initial term of 3 years which was prolonged for another 2 years during 2010. During the first quarter of 2013, the Company finalised the documentation for the extension of the Alpha Bank loan. As part of the extension, the security was extended to include new real estate mortgage of EUR 6 million plus a corporate guarantee from RomReal Ltd and its subsidiary Westhouse Group SRL. The value of the security, according to the independent valuation, is 40% higher than the outstanding loan amount.

The loan extension is of 3 years until 28 Nov 2015, with a possibility afterwards for an extra 2 years subject to certain conditions. The extension of the loan bears interest at a rate of EURIBOR+3%, payable bullet on maturity. The Company has the option of extending the loan for an additional two (2) years, in subsequent periods of one (1) year, provided that the interest is paid in advance for each year of extension. For this further extension, the applicable interest rate will be a Fixed Base Rate (to be provided by the Bank at the moment, by reference to 1 year swap rate) + 3.0% per annum.

#### **Organisation**

RomReal Ltd operates in Romania through its fully owned subsidiary S.C. Westhouse Group SRL (WHG). WHG holds an office in Constanta, Romania, and a small team of five employees, head by RomReal CEO Kay Thorkildsen. The employees mainly deal with managing the assets, accounting compliance and reporting, and sales/marketing.

#### **Working Conditions, Equal Opportunities, Health and Environmental issues**

RomReal works continuously on facilitating employee development, good health, enthusiasm and commitment among its employees. The Company also encourages employees to use public transport on travelling to reduce pollution. RomReal has a majority of women in the Company and women and men in comparable jobs receive the same pay.

From initial site surveys through to the specification of fixtures and fittings, we aim to identify the most energy-efficient solutions. We are seeking more intelligent and sustainable approaches to building design, construction and materials. All of our developments consider ways in which water usage can be reduced, both during construction and occupancy. Where possible, we specify ways of increasing the efficiency of water usage within the infrastructure of our developments, delivering responsibility and cost-efficiency.

In our developments we select all of our construction materials carefully. We aim to protect natural resources and reduce carbon emissions, thereby contributing to a healthy environment for the residents in all of our developments.

RomReal is aware of the need to reduce and manage waste across our operations. - We also support and encourage residents in their own recycling efforts. From the

beginning of every project we look for ways to create a landscape which uses existing resources intelligently and efficiently.

## **Corporate Governance**

RomReal Ltd (RomReal) is with limited resources trying to focus on practising good corporate governance, which will strengthen confidence in the Group and thereby contribute to the best possible long-term value creation to the benefit of the shareholders, the employees and other stakeholders. The purpose of its principles for corporate governance is to regulate the division of roles between shareholders, the Board and the Executive Management more comprehensively than is required by legislation.

The Norwegian code of practice for corporate governance (the code) has been issued by the Norwegian Corporate Governance Board (NCGB). It builds on the principle of “comply or explain”, whereby companies must either comply with the code or explain why they may have chosen an alternative approach. It also requires the Company's report on its corporate governance to address all 15 sections of the code. The Oslo Stock Exchange stipulates that listed companies must provide an overall presentation of their corporate governance principles in accordance with the applicable code, and that this must be included in their annual report. RomReal's principles for corporate governance are based on the recommendation of 23 October 2012, which can be found at [www.nues.no](http://www.nues.no). The Norwegian Corporate Governance Board (NUES) did not amend the Norwegian Corporate Governance Code in 2013. Thus, the edition published on 23 October 2012 also applies to the financial year 2013.

### **1. Implementation and reporting on corporate governance**

Confidence in its Management and business are crucial for RomReal's present and future competitiveness. The Group practices open Management, and thereby builds trust both in-house and externally.

The Board of RomReal is responsible for implementing sound corporate governance principles in the Group. RomReal's corporate governance does not deviate from the requirements of the code in any significant way which requires more detailed explanation. Relations between owners and the Group will be characterised by respect for the owners, good and timely information, and equal treatment of shareholders. The ethical guidelines observed by RomReal reflect its values base; please see separate Ethical Policy Section.

### **2. Business**

RomReal owns a large portfolio of prime location plots in three of the major Romanian cities: Constanta, Bucharest and Brasov. The plots are most likely suited for residential and commercial developments. RomReal is presently not involved in any construction or development projects.

The objective of the Company for 2014-2015 is to maintain a reasonable financial position that will allow it to sustain its operations and to closely follow the trend as it appears that the market shows some signs of recovery. In addition the Management aims to add incremental value to its property portfolio mainly through obtaining zoning permits and dividing large plots into smaller, more commercial plots. Following the sale



of the first small plot during Q4 2013, the Management believes that more plots will be sold within the year as a result of the well-coordinated marketing efforts.

### **3. Equity and dividends**

RomReal aims to maintain a solid equity and good liquidity appropriate to its objectives, strategy, and risk profile.

#### *Dividend*

When considering its proposal for a dividend, the Executive Management and the Board will take account of the following considerations:

- RomReal should be a solid Company with a good equity ratio
- RomReal should have adequate reserve liquidity in the form of bank deposits or credit facilities.

Major investments will normally be funded through new financing in the form of debt, share capital or a combination of these.

Under Bermuda law, a company's Board of directors may declare and pay dividends from time to time unless there are reasonable grounds for believing that the company is, or would after the payment be, unable to pay its liabilities as they become due or that the realisable value of its assets would thereby be less than the aggregate of its liabilities and issued share capital and share premium accounts. Under the Company's Bye-Laws, each Share is entitled to dividends if, as and when dividends are declared by the Board, subjects to any preferred divided right of the holders of any preference shares. There are no restrictions on the Company's ability to transfer funds (other than funds denominated in Bermuda dollars) in and out of Bermuda or to pay dividends to Norwegian residents who are holders of the Company's Shares. Any dividend unclaimed for a period of six years from the date of declaration of such dividend shall be forfeited and shall revert to the Company.

### **4. Equal treatment of shareholders and transactions with close associates**

#### *Share Issues*

In the Board's view, mandates from the General Meeting to increase the share capital should be flexible in generally meeting defined purposes and remain valid for the period required to address the purposes. The general meeting should therefore consider Board mandates to increase the share capital for each purpose after assessing the requirements set by the Board.

The 2013 AGM approved the increase of the authorised share Capital from EUR 9,000 to EUR 270,000 by the creation of 261,000,000 shares of EUR0.001 each. This was in order to allow for the equity capital rising of up to EUR1.5 million by way of a rights issue to the existing shareholders of the Company, which took place during Q3 2013.

#### *Different Classes of Shares*

RomReal has a single share class, and each share carries one vote. Shareholders will be treated equally unless qualified grounds exist for an alternative approach. Efforts will be made to conduct possible transactions by the Company in its own shares through the stock exchange or in others ways at prevailing stock exchange prices.

#### *Transactions with close associates*



RomReal's routines specify that, in general, no transactions should be conducted between the Group and its shareholders, Directors, senior executives or their close associates. Should any of these have an interest in a transaction involving the Group, the Board must be informed and take up the matter for consideration if necessary. Unless the transaction is insignificant, the Board will secure third-party assessments of the transaction and otherwise assure itself that no form of unfair treatment of shareholders, elected officers, employees or others is involved. The related parties, including shareholders and close associates, are reported to the stock exchange via [www.newspoint.no](http://www.newspoint.no).

During 2013 the following insider transactions took place:

DATE	INSIDER	STATUS	SHARES*	TYPE	PRICE NOK
19/02/2013	Kay Thorkildsen	CEO	195,272	BUY	1.50
03/07/2013	Kjetil Gronskag	CHAIRMAN	840,000	BUY	0.17
03/07/2013	Kay Thorkildsen	CEO	840,000	BUY	0.17
03/07/2013	Jonas Bjerg	DIRECTOR	400,000	BUY	0.17
09/07/2013	Kay Thorkildsen	CEO	42,336	BUY	0.44
10/07/2013	Kjetil Gronskag	CHAIRMAN	48,400	BUY	0.45
12/07/2013	Kay Thorkildsen	CEO	1,620,000	BUY	0.47
15/07/2013	Kay Thorkildsen	CEO	288,513	BUY	0.52
23/07/2013	Kay Thorkildsen	CEO	128,396	BUY	0.65
24/07/2013	Kay Thorkildsen	CEO	239,040	BUY	0.75
02/08/2013	Kay Thorkildsen	CEO	400,000	BUY	0.81
15/08/2013	Kay Thorkildsen	CEO	327,600	BUY	0.73
15/08/2013	Arve Nilsson	DIRECTOR	327,600	SELL	0.73

\*Shares transacted have been adjusted to reflect the rights issue (20:1) and reverse share split (2.5:1)

## 5. Freely negotiable shares

RomReal's articles of association place no restrictions on transferability, and its shares are freely negotiable. RomReal received a listing on the Oslo Stock Exchange's Oslo Axess list on 11 June 2007.

## 6. General meetings

RomReal facilitates the participation of as many shareholders as possible at the General Meeting, and ensures that it functions as much as possible as an effective meeting place for the shareholders and the Board so that the owners can exercise their rights.

Notice of the Meeting and supporting documents are prepared no later than 21 days before the Meeting is to take place, and posted on the Company's website. The documents are sent to all shareholders with a known address in the Norwegian Central Securities Depository (VPS) in good time before the General Meeting takes place. This is facilitated by RomReal's register keeper DNB, which ensures that documents, including proxies and notifications, are carried by email and regular post to all shareholders. The notifications and proxies clearly specify the deadline for returning the proxies which provide the shareholders between 2 to 3 weeks to return their vote depending on their accessibility more i.e. email or post.

The Meeting takes place in our registered office in Bermuda, and it is accessible to all Board members and shareholders. Shareholders unable to attend in person will be given an opportunity to vote by proxy. The Company provides information on the procedure for:

(a) Appointing a proxy (b) appoint a person who can act as proxy for the shareholder (c) allowing separate voting instructions for each matter but not for each one of the candidates nominated. The reason for not allowing separate voting for the Board members is that the number of candidates equal the number of Board members required.

Representatives of the Board always attend the Annual General Meeting, together with representatives of the Executive Management, and a representative from Ernst Young auditors either in person or via conference calling.

The Board determines the agenda for the general meeting. The main items on the agenda comply with the requirements of the Public Limited Companies Act as well as the parent Company's articles of association. As recommended by the code, each general meeting appoints a person to act as its independent chair. Minutes of general meetings are published on [www.romreal.com](http://www.romreal.com) and on the Oslo Stock Exchange website at [www.newsweb.no](http://www.newsweb.no).

#### **7. Nomination Committee**

RomReal has chosen not to comply with the directive 7 for appointing a nomination committee due to the fact that all of the Board members have waived their rights to a Director's fee. Furthermore due to the current size and activity of the Company, the Company considers that the cost of running a separate nomination committee should be avoided.

#### **8. Corporate assembly and Board of Directors: composition and independence**

RomReal's Board of Directors consisted at 31 December 2013 of four Directors:

*Kjetil Gronskag  
Jonas Nikolai Bjerg  
Erik Sture Larre  
Arve Nilsson*

The Directors have long and varied experience in real estate, banking and finance which ensures that the Board can function effectively as a collegiate body. An overview of the Directors expertise, role and attendance can be found on the Company's website, [www.romreal.com](http://www.romreal.com).

The composition of the Board ensures that it serves the common interest and that it can operate as independently as possible of special interests. None of the Directors holds an executive position within the personnel. The chief executive Mr. Kay Tonnes Thorkildsen is not a Director.

The Chairman of the Board, as well as the Vice Chairman, Secretary, and assistant Secretary are elected by the Board of Directors during the first meeting of the newly elected Board. The term office for members of the Board is one year.

## **9. The work of the Board of Directors**

The Board of Directors is the Company's highest body, and answerable only to the general meeting. It has overall responsibility for planning and execution of the Group's strategy and activities, including its organisation, remuneration policy and risk Management.

The Board also has overall responsibility for control and supervision. It produces an annual plan for its work with objectives, strategy and implementation. This is supported by a 3 year forecast plan or budget, which is updated on a quarterly basis during Board meetings. During Board meetings decisions are taken and tasks are delegated to the Executive Management. The Board discusses all matters relating to the Group's activities which are of significant importance or of a special character.

The duties and responsibilities of the Board are dictated by applicable legislation, the parent Company's articles of association, and mandates and instructions adopted by the general meeting.

The Board will exercise supervision to ensure that the Group meets its business goals and manages risk in a wise and satisfactory manner. The Board is responsible for appointing the chief executive.

The Chairman is responsible for ensuring that the work of the Board is conducted in an efficient and proper manner and in compliance with applicable legislation. During 2013 eleven (11) Board meetings were conducted.

In addition to the Chairman, the Board has two independent chairs to lead the discussion on issues where the chair has a conflict of interest or is unable to attend.

The Board carries out an annual assessment of its work. Periodic reports which comment on the Group's financial status are received by the Board.

The Board does not hold any independent committees due to the small size and reduced activity of the Company. Two out of four Board members are independent therefore their direct judgement and decision making during Board meetings, ensures that the Board is aligned to shareholders value in decisions related to audit and remuneration of the executive personnel.

## **10. Risk Management and internal control**

The Board and Executive Management of RomReal place great emphasis on establishing and maintaining routines for risk Management and internal control. An annual review of the most important risks affecting the business is conducted by the Board.

### *Economic conditions and Emerging markets risk*

*The financial market climate and especially the price of property/plots and general rental levels in Romania represents risk, as it will affect the Group's limited rental income. There is risk associated with the general development of lease levels of commercial property for various segments and the locations where the Group owns properties. This especially applies to the market conditions at the expiration of lease contracts on the Group's properties. The Company aims to reduce this type of*

*fluctuations, by holding tenants deposits and/or bank guarantees. If fluctuations occur, it will have a negative impact on the Group's earnings and financial position.*

#### *Financial reporting*

*Quarterly operational and accounting reports are prepared for submission to the Board using International Financial Reporting Standards.*

#### *Counterparty risk*

*RomReal conducts an annual review of both clients and suppliers to identify counterparty risk. New clients are also subject to a thorough assessment to identify any risk they may present. The conclusions of these evaluations are submitted to the Board.*

#### *Financial risk*

*At the end of 2013 the Group's consolidated interest-bearing debt amounted to EUR 12,011,000 representing principal amount of EUR 11,600,000 and interest accrued to date of EUR 411,000. This is an assets finance facility taken by the Company in December 2007 with Alpha Bank Romania.*

#### *Foreign Exchange risk*

*The Company's main currency is the euro, which is used to facilitate loans to subsidiaries. At the ground or subsidiary level in the Romania, the working currency is RON. The average exchange rate during 2013 was 1.00 EURO to 4.419 RON. Due to its operational exposure in Romania, the financial reporting currency used to value the Company's asset is the RON. Due to this particularity the Company is exposed to foreign exchange risk. To manage this, the Company holds most of its deposits in EUR.*

#### *Tax risk*

*Changes in laws and rules regarding tax and duties may involve new and changed parameters for investors and the Company. This may involve a reduction in the profitability of investing in property and the profit after tax for the Company. Tax implications of transactions and dispositions conducted by the Company are to a certain extent based on judgment of applicable tax laws and regulations. Even if the Company is of the opinion that it has assessed tax law in good faith, it could not be ruled out that the authorities are of a different opinion. A change in regulation status in parts or all of the Land Bank may also normally change the applicable tax.*

#### *Director's Liability risk*

*The Company holds a Directors and Officers liability insurance policy with the reputable insurance Company, Chartis.*

### **11. Remuneration of the Board of Directors**

*The General Meeting determines Directors' fees. The remuneration reflects the Board's responsibility, expertise, time commitment and the complexity of the Company's activities. The remuneration is not linked to the Company's performance in any way.*

*During 2013 all Directors abstained from receiving a Director's fee.*

Any share options granted at the IPO level have expired and were never exercised.

North Bridge Group is a Company associated with Chairman Kjetil Gronskag, Director Jonas Bjerg, and CEO Kay Thorkildsen which holds a service contract for Management and a service contract for Investor Relations with RomReal fully disclosed to all Board members and where the remuneration has been approved by the Board members not related to North Bridge.

## 12. Remuneration of the Executive Management

The Board determines the chief executive's terms of employment. The main principle applied by RomReal for determining the pay of the Chief executive and other senior executives is that these persons will be offered competitive terms. In addition, RomReal will offer terms which encourage value creation for the Group and its shareholders, and which strengthen the loyalty of senior employees to the business.

The Executive Management of RomReal comprises three executives with good knowledge within their job functions and with senior management experience from across the industry. The Executive Management of RomReal currently includes the following persons with the yearly outlined remuneration:

Name	Position	Yearly Salary	Benefits/Bonuses
Kay Thorkildsen	CEO	€125,000	N/A
Nicoleta Ploscaru	Commercial & Development	€21,500	N/A
Claudia Oprisan	Chief Accountant	€21,500	N/A

## 13. Information and communication

RomReal takes the view that objective, detailed and frequent information to the market is essential for a correct valuation of its share, and accordingly pursues a continuous dialogue with analysts and investors.

Information about important events in RomReal as well as its periodic reporting of results is published in accordance with the guidelines to which the Group became subject through its listing on Oslo Axess. RomReal seeks continuously to publish all relevant information to the market in a timely, efficient and non-discriminatory manner. For 2014 the Company has taken the initiative to improve its Investor Relation material by upgrading its reporting format, content, and website.

All stock exchange announcements are made available on [www.romreal.com](http://www.romreal.com) and the Oslo Stock Exchange website, [www.newsweb.no](http://www.newsweb.no). The Group will provide the same information to all shareholders at the same time. To the extent that analysts or shareholders ask for further details, RomReal and the Board will ensure that only information which has already been made public is provided.

The Group holds quarterly presentations. These provide an overview of operational and financial developments in the previous quarter as well as an overview of market prospects and the outlook for the business. Interim reports and presentation materials are made available on the Group's website.

The Board determines the Group's financial calendar, which specifies the dates for publication of interim reports, the annual general meeting and the payment of dividends. This calendar is published by the end of December via the Oslo Stock Exchange's information system and on the RomReal website.

#### **14. Takeovers**

In the event of a bid for the parent Company's shares, the Board and the Executive Management will try to ensure that everyone gets access to sufficient information to be able to reach a decision on the offer. Unless otherwise instructed by the general meeting, the Board will not try to deploy defensive mechanisms to prevent the implementation of the bid.

The Board will provide shareholders with its view of the offer and, providing they have reached a decision on this, Directors are duty-bound to inform shareholders whether they personally intend to accept the bid. Should the Board find that it is unable to recommend whether the shareholders should accept the bid, it will explain the reasons why such a recommendation cannot be given. An explanation must be provided if the Board's decision is not unanimous. The Board will consider whether an assessment should be obtained from an independent expert.

#### **15. Auditors and advisors**

RomReal is audited by Ernst & Young AS. Ernst & Young AS, registration number 976 389 387, has been the Company's auditor since its incorporation in 2005. The registered business address of Ernst & Young AS is Thormøhlens gate 53 D, NO-5008 Bergen, Norway, and Ernst & Young AS is a member of the Norwegian Institute of Public Accountants (Nw. "Den Norske Revisorforeningen"). The Group will not use the auditor as a consultant unless this has been approved in advance by the Board or its chair. A plan for their work is submitted annually by the external auditor to the Board, and this plan will specify planned services other than auditing.

The auditor attends Board meetings which deal with the annual accounts and is also present during the AGM. During these meetings, the auditor will review possible changes to the Company's auditing principles, assessments of significant accounting estimates and all cases where disagreement has arisen between the auditor and the Executive Management.

At least once a year, the auditor will conduct a review of the Company's internal control system and possible weaknesses. The auditor will also propose improvements. In addition, the Board and the auditor will hold at least one meeting a year without the chief executive or other executive personnel being present.

A briefing on the audit work and an assessment of the Group's internal control will be provided by the auditor to the general meeting.

The Board of Director's Reports the auditor remuneration to the general meeting, including details of the fee paid for audit work and any fees paid for other specific assignments.

During the 2013 Rights Issue Swedbank First Securities, Filipstad Brygge 1, P.O. Box 1441 Vika, N-0115 Oslo, Norway acted as Managers in the Rights Issue. Arntzen de Besche Advokatfirma Trondheim AS acted as the Company's legal adviser in relation to the

Rights Issue, but without having verified any of the information in the Prospectus through a legal due diligence or similar process.

## Prospects

The Board and Management entered 2014 with a more positive feeling about the Company's prospects than in previous years. Recently, Eurostat reported that the Romanian economy in the 4Q 2013 grew by 5.1% compared to the same quarter one year earlier, its fastest growth for five years and the strongest within the EU. The Company's business is closely linked to the overall performance of Romania's economy and in particular the purchasing power of the middle class segment. Hopefully the stronger GDP growth figures will transform into some optimism among investors and improved conditions for the housing market which in turn will create opportunities for RomReal.

Furthermore, large market participants like JLL and Colliers Romania foresee that after Romania experienced the end of a 10-year real estate cycle last year, a new one is about to start. Back in 2003-2004, the real estate market was very similar to today's market, where developers are looking for opportunities, and where the experienced players feel that it is the right time to buy prime property, looking for low risk projects in exceptional locations.

The Company's Board and Management are working hard to pursue opportunities to find buyers for individual plots in the Company's land bank. To this end, work is ongoing to strengthen ties with selected local and international players in the Romanian real estate market. In parallel, the Company is seeking to add value to its properties by upgrading planning permissions, increasing rental income, parcelling, and similar. It is expected that some positive announcements will be made during 2014 of the results of the above efforts.



**Bermuda, 15.04.2014**  
**The Board of Directors of RomReal Ltd**



.....  
Kjetil Grønskag (Chairman)



.....  
Jonas Bjerg (Director)



.....  
Erik Sture Larre (Director)



.....  
Arve Nilsson (Director)



.....  
Kay Thorkildsen (CEO)

## Board of Directors

### **Kjetil Grønskag (1964)**

*Chairman of the board*

Mr. Grønskag holds a master of General Business (siviløkonom) from Handelshøyskolen BI and is a Certified Financial Analyst (CFA) from the Norwegian School of Economics and Business Administration. Mr. Grønskag has a long experience from international banking. Mr. Grønskag has previously held several external board positions and sits currently on the board several internal and external companies. He is a Norwegian citizen and resides in London, UK.

### **Jonas Bjerg (1963)**

*Board member*

Jonas Bjerg is a partner of North Bridge, the London based Asset Management boutique and founder of RomReal. Jonas has 16 years' experience in corporate finance and equity capital markets. He was previously involved in the management of RomReal during its first year of operation. Previous employers include Alfred Berg ABN Amro where he was Head of Corporate Finance for the London office, and McKinsey & Co. Jonas has an MSc Eng. specialization in Mathematics and Operations Analysis from the Technical University of Denmark

and an MBA, from the MIT Sloan School.

### **Arve Nilsson (1961)**

*Board member*

Arve Nilsson is an independent investor with extensive international experience in equity capital markets. Arve has over 22 years' experience in equity sales, fund management and real estate investment. Previous employers include Carnegie both in Copenhagen and in London and Danske Bank in Copenhagen. Arve holds a master of General Business and Administration from Copenhagen Business School.

### **Erik Sture Larre (1962)**

*Board member*

Erik Sture Larre, holds a Master degree in civil engineering from Milan Polytechnic University and has extensive experience within property and real estate development both in Norway, Eastern Europe and other markets. He is also CEO in several family companies which in addition to property own a large portfolio of listed equities and private equity. He holds several external directorships including the vice Chairmanship of Sparebank 1 Nord-Norge.

## FINANCIAL STATEMENTS AS OF 31 DECEMBER 2013

### Income Statement

Figures in EUR		Consolidated		Parent company	
	Notes	2013	2012	2013	2012
Rent revenue	14	339,722	330,499	-	-
Sales of inventory	6, 14	8,476	99,305	-	-
Sales of investment property	3,4,6	50,346	-	-	-
<b>Operating revenues</b>		<b>398,544</b>	<b>429,804</b>	<b>-</b>	<b>-</b>
Payroll and related expenses	15	(251,742)	(258,457)	(99,996)	(99,996)
Depreciation and amortisation expense	3, 5	(16,156)	(20,590)	-	-
Other operating (losses)/gains	17	426,120	(37,434)	(3,529,665)	(5,642,831)
Inventory write off	6	(240,131)	(432,764)	-	-
General and administrative expenses	16	(603, 986)	(713, 628)	(200,972)	(220,946)
<b>Operating expenses</b>		<b>(685,895)</b>	<b>(1,462,872)</b>	<b>(3,830,633)</b>	<b>(5,963,773)</b>
Profit/(loss) before other operating items		(287,350)	(1,033,068)	(3,830,633)	(5,963,773)
Net gain/(loss) from revaluation of investment properties	4	(1,264,882)	(2,096,457)	-	-
<b>Profit/(loss) from operations</b>		<b>(1,552,233)</b>	<b>(3,095,049)</b>	<b>(3,830,633)</b>	<b>(5,963,773)</b>
Interest income	18	9,859	14,871	1,598,778	1,601,103
Interest expense		(359,291)	(572,118)	(430)	(283)
Foreign exchange, net	18	(794,841)	(1,338,614)	(44,340)	-
<b>Profit/(loss) before taxes</b>		<b>(2,696,505)</b>	<b>(5,025,476)</b>	<b>(2,276,625)</b>	<b>(4,362,953)</b>
Tax expense	19	66,864	267,876	-	-
<b>Result of the period</b>		<b>(2,629,641)</b>	<b>(4,757,599)</b>	<b>(2,276,625)</b>	<b>(4,362,953)</b>
<b>Basic earnings/(losses) per share from continuing operations</b>	<b>25</b>	<b>(0.11)</b>	<b>(0.97)</b>	<b>(0.10)</b>	<b>(0.89)</b>
<b>Basic earnings/(losses) per share from continuing - diluted</b>	<b>25</b>	<b>(0.11)</b>	<b>(0.97)</b>	<b>(0.10)</b>	<b>(0.89)</b>

## Statement of Comprehensive Income

Figures in EUR	Consolidated		Parent company	
	2013	2012	2013	2012
<b>Profit for the year</b>	<b>(2,629,641)</b>	<b>(4,757,599)</b>	<b>(2,276,625)</b>	<b>(4,362,953)</b>
<b>Other comprehensive income to be reclassified to profit or loss in subsequent periods</b>				
Exchange differences on translation of foreign operations	352,791	394,883	-	-
<b>Other comprehensive income for the year, net of tax</b>	<b>352,791</b>	<b>394,833</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year, net of tax</b>	<b>(2,276,850)</b>	<b>(4,362,716)</b>	<b>(2,276,625)</b>	<b>(4,362,953)</b>

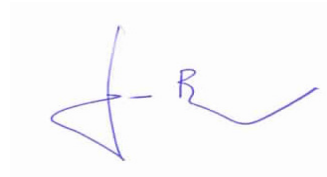
## Statement of Financial Position

Figures in EUR		Consolidated		Parent company	
ASSETS	Notes	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
<b>Noncurrent assets</b>					
Property, plant & equipment	3	22,670	27,383	-	-
Investment properties	4	29,304,367	30,949,958	-	-
Software	5	270	659	-	-
Deferred tax asset	19	144,002	132,041	-	-
Available for sale financial assets	12	732,648	-	732,648	-
Investments in subsidiaries	1	-	-	20,336,719	22,373,833
<b>Total non-current assets</b>		<b>30,203,957</b>	<b>31,110,382</b>	<b>21,069,367</b>	<b>22,373,833</b>
<b>Current assets</b>					
Inventories	6	2,544,337	2,857,715	-	-
Trade receivables and other receivables	7	129,220	208,574	5,875	6,620
Cash and cash equivalents	10	972,718	701,617	654,886	157,977
<b>Total current assets</b>		<b>3,646,275</b>	<b>3,767,907</b>	<b>660,761</b>	<b>164,597</b>
<b>Total assets</b>		<b>33,850,232</b>	<b>34,878,289</b>	<b>21,729,804</b>	<b>22,538,430</b>
<b>Figures in EUR</b>					
LIABILITIES AND EQUITY	Notes	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
<b>Equity</b>					
Issued share capital	8	103,419	4,925	103,419	4,925
Contributed surplus	8	87,117,249	85,741,568	87,117,249	85,741,568
Retained earnings	9	(66,412,735)	(63,783,096)	(65,549,223)	(63,272,376)
Other Reserves		424,808	424,808	-	-
Translation reserve		438,703	85,912	-	-
<b>Total equity</b>		<b>21,671,444</b>	<b>22,474,117</b>	<b>21,671,445</b>	<b>22,474,117</b>
<b>Non-current liabilities</b>					
Non-current debt liabilities	13	12,010,606	-	-	-
Deferred tax liability	19	81,239	148,123	-	-
<b>Total non-current liabilities</b>		<b>12,091,845</b>	<b>148,123</b>	<b>-</b>	<b>-</b>
<b>Current liabilities</b>					
Trade and other payables	11	85,597	236,141	58,360	64,313
Provisions	17	-	363,075	-	-
Current debt liabilities	13	-	11,651,827	-	-
Income tax payable	19	1,342	4,604	-	-
Deferred income	20	3	3	-	-
<b>Total current liabilities</b>		<b>86,942</b>	<b>12,255,650</b>	<b>58,360</b>	<b>64,313</b>
<b>Total liabilities and equity</b>		<b>33,850,231</b>	<b>34,877,289</b>	<b>21,729,804</b>	<b>22,538,430</b>

**Signed on behalf of the Board of Directors**



.....  
Kjetil Grønskag (Director)



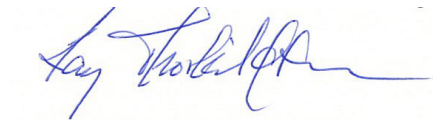
.....  
Jonas Bjerg (Director)



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Erik Sture Larre (Director)



.....  
Arve Nilsson (Director)



.....  
Kay Thorkildsen (CEO)

Date: 15/04/2014

## Consolidated Statement of Changes in Equity

Figures in EUR

	Share Capital (Note 8)	Contributed Surplus (Note 8)	Share Premium (Note 8)	Retained Earnings (Note 9)	Translation Reserve	Other Reserves	Total
<b>Balance as of 31 December 2011</b>	<b>4,925</b>	<b>85,741,568</b>	<b>-</b>	<b>(59,025,187)</b>	<b>(308,973)</b>	<b>424,808</b>	<b>26,837,141</b>
Profit for the period	-	-	-	(4,757,599)	-	-	(4,757,599)
Other comprehensive income	-	-	-	-	394,883	-	394,883
<b>Total comprehensive income and expense for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,757,599)</b>	<b>394,883</b>	<b>-</b>	<b>(4,362,716)</b>
<b>Balance as of 31 December 2012</b>	<b>4,925</b>	<b>85,741,568</b>	<b>-</b>	<b>(63,783,094)</b>	<b>85,910</b>	<b>424,808</b>	<b>22,474,117</b>
Profit for the period	-	-	-	(2,629,641)	-	-	(2,629,641)
Other comprehensive income	-	-	-	-	352,791	-	352,791
<b>Total comprehensive income and expense for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,629,641)</b>	<b>352,791</b>	<b>-</b>	<b>(2,276,850)</b>
Share capital issue	98,494	1,375,681					<b>1,474,175</b>
<b>Balance as of 31 December 2013</b>	<b>103,419</b>	<b>87,117,249</b>	<b>-</b>	<b>(66,412,734)</b>	<b>438,702</b>	<b>424,808</b>	<b>21,671,444</b>



## Parent Company's Statement of Changes in Equity

Figures in EUR

	Share Capital (Note 8)	Contributed Surplus (Note 8)	Retained Earnings (Note 9)	Total
<b>Balance as of 31 December 2011</b>	<b>4,925</b>	<b>85,741,568</b>	<b>(58,909,422)</b>	<b>26,837,071</b>
Profit for the period	-	-	(4,362,853)	(4,362,853)
Other comprehensive income	-	-	-	-
<b>Total comprehensive income and expense for the year</b>	<b>-</b>	<b>-</b>	<b>(4,362,853)</b>	<b>(4,362,853)</b>
<b>Balance as of 31 December 2012</b>	<b>4,925</b>	<b>85,741,568</b>	<b>(63,272,376)</b>	<b>22,474,117</b>
Profit for the period	-	-	(2,276,625)	(2,276,625)
Other comprehensive income	-	-	-	-
<b>Total comprehensive income and expense for the year</b>	<b>-</b>	<b>-</b>	<b>(2,276,625)</b>	<b>(2,276,625)</b>
Share capital issue	98,494	1,375,681		<b>1,474,175</b>
<b>Balance as of 31 December 2013</b>	<b>4,925</b>	<b>85,741,568</b>	<b>(63,272,376)</b>	<b>21,671,768</b>

## Statement of Cash Flows

Figures in EUR		Consolidated		Parent company	
	Notes	2013	2012	2013	2012
CASH FLOW FROM OPERATING ACTIVITIES:					
<b>Net profit/(loss)</b>		<b>(2,629,641)</b>	<b>(4,757,600)</b>	<b>(2,276,625)</b>	<b>(4,362,953)</b>
Adjustments for:					
- Income tax expense/(profit)	19	(66,864)	(267,876)	-	-
-Net (gain)/loss from revaluation of investment properties	4	1,264,882	2,096,457	-	-
-Loss/(gain) on disposal of investment property		(13,785)	-	-	-
- Depreciation and amortization	3,5	16,156	20,590	-	-
- Interest Income	18	(9,859)	(14,781)	-	(319)
- Interest expense	18	359,291	572,118	44,770	238
-Unrealised foreign exchange (gain) / loss	18	794,841	1,338,614	-	-
-Other operating expenses	17	-	-	1,992,874	4,042,047
Decrease/(increase) in trade and other receivables		79,354	352,803	745	4,630
(Decrease)/increase in current payables		(513,622)	(7,806)	(5,953)	6,769
Decrease/(increase) in inventories		313,378	176,926	-	-
Cash generated from operations		(405,868)	(490,556)	(289,388)	(309,543)
Income tax paid		(16,218)	(11,002)	-	-
<b>Net cash flow from operating activities</b>		<b>(422,086)</b>	<b>(501,558)</b>	<b>(244,188)</b>	<b>(309,543)</b>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Sales/(purchase) of financial assets, net		(732,648)	-	(732,648)	-
Sales of investment property, net		(7,257)	-	-	-
Capital expenditure on investment property		759	(5,397)	-	-
<b>Net cash flow used in investing activities</b>		<b>(739,146)</b>	<b>(5,397)</b>		
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from issue of share capital		1,559,744	-	1,559,744	-
Payment of issue costs		(85,569)	-	(85,569)	-
Repayment of borrowings		-	-	-	-
Interest paid	18	(539)	(539)	(430)	(283)
Interest received		9,859	14,781	-	319
<b>Net cash from financing activities</b>		<b>1,483,496</b>	<b>14,242</b>	<b>1,473,745</b>	<b>36</b>
Exchange losses on cash and cash equivalents		(51,163)	278,872	-	-
<b>Net increase in cash and cash equivalents</b>		<b>271,101</b>	<b>(213,841)</b>	<b>496,909</b>	<b>(309,507)</b>
Cash and cash equivalents, beginning of period		701,617	915,458	157,977	467,484
<b>Cash and cash equivalents, end of period</b>		<b>972,718</b>	<b>701,617</b>	<b>654,886</b>	<b>157,977</b>

# Notes to the Financial Statements

## Note 1 ORGANIZATION AND OPERATIONS

The consolidated financial statements of RomReal Limited (the "Group" or the "Company") for the year ended 31 December 2013 were authorised for issue in accordance with a resolution of the directors on the 15 April 2014.

These financial statements cover RomReal Ltd. and its subsidiaries. RomReal Ltd. is incorporated in Bermuda whereas the subsidiaries Westhouse Group SRL, Concorde Group SRL, Investate SRL, Rofrench Connection SRL, Magic Sail SRL, Westhouse Invest SRL, Westhouse One SRL, West Feriae SRL, West Limen SRL, Terra del Sol SRL, Hars SRL are incorporated in Romania. RomReal Ltd and its subsidiaries (the Group) are principally engaged in property investments and development in Romania. The table below lists all subsidiaries.

Also, for reference, single financial statements of the parent company, RomReal Ltd. have been prepared. As a general rule, all comments refer to the consolidated financial statements of the Group, unless specifically mentioned otherwise.

### Figures in EUR

Entity	Country of business	Owner's share	Number of shares
Westhouse Group SRL	Romania	100%	19,392,043
Concorde Group SRL	Romania	100%	222,020
Rofrench Connection SRL	Romania	100%	100
Investate SRL	Romania	100%	351,300
Magic Sail SRL	Romania	100%	20
Westhouse Invest SRL	Romania	100%	68,000
Westhouse One SRL	Romania	100%	3,200
West Feriae SRL	Romania	100%	100
West Limen SRL*	Romania	100%	100
Terra del Sol SRL	Romania	100%	15,020
Hars SRL	Romania	100%	20

Both consolidated financial statements and those of the parent have been prepared on a going concern basis.

The registered office address of RomReal Ltd is located at 12 Par La Ville Road Richmond House, 5th Floor Hamilton, HM08, Bermuda.

\* During 2013, the group decided to close West Limen SRL on the basis that the company no longer owned any assets and no operational activity any longer took place. Consequently, the liquidation of the company did not have any material adverse effects on the group or its consolidated financial statements.

## Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis for preparation

The consolidated financial statements of the RomReal Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), adopted by the EU. All IFRS standards adopted have effective date 1 January 2014 or earlier. The consolidated financial statements are presented in euros.

The financial statements have been prepared on the basis of historical cost except for Investment Properties which is presented at fair value.

### 2.2 Consolidation

The consolidated financial statements comprise the financial statements of RomReal Ltd. and its subsidiaries as of 31 December 2013 and 31 December 2012; the Group was established in the autumn 2005. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies. All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full.

A subsidiary is a company which the Company controls. The control is typically evidenced if an only if the Company has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

### 2.3 Significant accounting judgements, estimates and assumptions

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

#### *Classification of property*

The Group determines whether a property is classified as investment property or inventory:

-Investment property comprises land and buildings which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation.

-Inventory comprises property that is held for sale in the ordinary course of business. Principally, this is residential property that the Group develops and intends to sell before or on completion of construction.

#### *Estimate of fair value of investment properties*

Fair values are determined based on an annual evaluation performed by an accredited external, independent valuer that is certified by the Romanian Institute of Valuers. The determined fair value of the investment properties is most sensitive to the degree to which comparable transactions are available, including the degree of judgement and adjustments necessary to make such market transactions comparable to the investment property being valued. The determination of the fair value of investment property may also require the use of estimates such as future cash flows from assets and discount rates applicable to those assets. In addition, development risks (such as construction and letting risks) are also taken into consideration when determining the fair value of investment properties under construction. These estimates are based on local market conditions existing at reporting date.

Volatility in the global financial system is reflected in commercial real estate markets. There was a reduced volume of transaction in 2012 and 2013. Therefore, in arriving at their estimates of market values as at 31 December 2013 and 31 December 2012, the valuers used their market knowledge and professional judgement especially since they were not able to rely on recent transactional comparables. In these circumstances, there is a great degree of uncertainty than would exist in a more active market in estimating the market values of investment property.

The management believes that the valuation assumptions used reflect the best estimate of the investment properties' fair value at the date of the balance sheet. The key assumptions used to determine the fair value of the investment properties are further explained in Note 4.

#### *Estimation of net realisable value for inventory*

Inventory is stated at the lower of cost and net realisable value (NRV). NRV for completed inventory property is assessed with reference to market conditions and prices existing at the reporting date. NRV in respect of inventory property under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction and less the estimated costs to make the sale.

NRV is determined by the Group based on an annual evaluation performed by an accredited external, independent valuer. However, given the limited liquidity of the market, there is a significant degree of uncertainty in estimating the NRV.

#### *Recognition of the deferred tax asset*

When determining the deferred tax liabilities and deferred tax assets, the Group considers, at the balance sheet date, the manner in which it expects to recover or settle the carrying amount of its assets and liabilities. A deferred tax asset is recognised for the carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised. Where the group considered that it is not probable enough future taxable profits will be available within the legal time framework of five years to utilise the tax losses against,

the group has not recognised such deferred tax assets.

#### *Capitalised costs*

Costs are capitalised in when future cash generation is expected. Such costs include the construction costs of the inventories. See note 2.9.

## **2.4 Property, plant and equipment**

Plant and equipment is stated at cost net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of such plant and equipment when that cost is incurred if the recognition criteria are met. Depreciation is calculated on a straight-line basis over the useful life of the assets. The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may be impaired.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

IT equipment	Motor vehicles	Other fixtures and fittings
2-4 years	4 years	3-9 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

## **2.5 Investment properties**

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated Group, is classified as investment property. Investment property comprises freehold land and freehold buildings.

Investment properties are measured initially at cost, including transaction costs.

Subsequent to initial recognition, investment properties are stated at fair value which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values are included in the income statement in the year in which they arise. Please see 2.3 above for details about fair values estimations.

Investment properties are derecognised when they have been disposed of or permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the income statement in the period of derecognition.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefit associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

If an item of property, plant and equipment becomes an investment property because its use has changed, any differences resulting between the carrying value and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under IAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the income statement.

## 2.6 Intangible assets

Intangible assets are measured on initial recognition at cost. Following initial

recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets with finite lives are amortised over the useful economic life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. The amortisation expense on intangible assets with finite lives is recognised in the income statement. Depreciation is calculated on a straight-line basis over the useful life of the assets.

## 2.7 Cash and cash equivalents

Cash includes cash in hand and at bank. Cash equivalents are short-term liquid investments that can be converted into cash within three months and to a known amount, and which contain insignificant risk elements.

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

## 2.8 Financial assets

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Available for Sale (AFS) financial investments include equity investments and debt securities. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions. Interest earned whilst holding AFS financial investments is reported as interest income using the



effective interest rate method. The Group evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate.

## 2.9 Inventories

Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as inventory and is measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less cost to complete development and selling expenses. The cost of inventory recognised in profit or loss on disposal is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold.

## 2.10 Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured using the effective interest rate method, less an allowance for any uncollectible amounts. This is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the effective interest rate. Allowance is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

## 2.11 Provisions

Provisions are recognised when, and only when, the company has a valid liability (legal or constructive) as a result of past events and it can be proven probable (more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and that the size of the amount can be measured reliably. Provisions are reviewed on each balance sheet date and their level reflects the best estimate of the liability.

## 2.12 Equity

Transaction costs relating to equity transactions are recognised directly in equity.

## 2.13 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and sales taxes or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements

Revenue includes rental income, service charges and management charges from properties, and income from property trading.

*Rental income:* Rental income is recognised over the life of the rental period. Rental income related to rent yielding assets of the Group in respect of properties let to third parties.

*Other income:* Other income is recognised as it is earned.

*Income from sales of apartments:* Deposits cashed by the Group for the sale of apartments are not recognised as revenue until the Group has transferred to the buyer the significant risks and rewards of ownership of the apartments.

## 2.13 Foreign currency translation

The consolidated financial statements are presented in euros, which is the parent company's functional and presentation currency. Each entity in the group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

### i) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are



retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to the income statement. These are recognised in other comprehensive income until the disposal of the net investment, at which time they are recognised in the income statement. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

#### ii) Group companies

The assets and liabilities of foreign operations are translated into euros at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

The functional currency of the Romanian operations is the Romanian New Leu. As at the reporting date, the assets and liabilities of these subsidiaries are translated into the presentation currency of RomReal Ltd. Group (the euro) at the rate of exchange ruling at the balance sheet date and, their income statements are translated at the average exchange rates for each month unless there have been significant fluctuations in the exchange rate over the applicable period, in which case the exchange rate at each transaction date is applied.

The exchange differences arising on the translation are recognised in other comprehensive income.

	December 31, 2013	December 31, 2012
Closing	4.4287	4.4847

## 2.14 Taxes

RomReal Ltd. is incorporated in the Islands of Bermuda so is not subject to any income, withholding or capital gains taxes under current Bermuda law. In the event that there is a change such that these taxes are imposed, the Company would be exempted from any such tax until March 2016 pursuant to the Bermuda Exempted Undertakings Tax Protection Act of 1966, and amended Act of 1987. The subsidiaries are registered in Romania and are subject to Romanian taxation rules.

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date. Current income tax relating to items recognised directly in equity is recognised in equity and not in profit or loss. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses. Deferred income tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

### **2.15 Loans and Borrowings**

Borrowing costs generally are expensed as incurred. Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Loan is accounted for at fair value, at the time of disbursement, reduced for any transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance cost in the income statement.

### **2.16 Employee benefits**

Share options

The employees and management of the Group have historically been given options to buy shares in the parent company. The fair value of the options is estimated at the grant date by using an appropriate pricing

model. The cost is recognised, together with a corresponding increase in equity, over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period. No expense is recognised for awards that do not ultimately vest, except for transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. Where an award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. There are currently no such share options outstanding.

### **2.17 Operating segments**

For management purposes, the group is organised into a single business unit and consequently has only one operating segment which the management monitors in terms of performance assessment.

### **2.18 Changes in accounting policies and disclosures**

The accounting policies adopted are consistent with those of the previous financial year, except for the standards listed below which became effective 1 January 2013.

#### *IFRS 10 Consolidated Financial Statements*

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation — Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. This standard becomes effective for annual periods beginning on or after 1 January 2013 and has no effect on the Group's financial position, performance or its disclosures.

### *IFRS 12 Disclosure of Involvement with Other Entities*

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after 1 January 2013 and has no effect on the Group's financial position, performance or its disclosures.

### *IFRS 13 Fair Value Measurement*

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. This standard becomes effective for annual periods beginning on or after 1 January 2013 and has no material effect on the Group's financial position, performance or its disclosures.

### *IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)*

As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after 1 January 2013 and has no effect on the Group's financial position, performance or its disclosures.

## **2.19 Standards issued but not yet effective**

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. The Group intends to adopt these standards when they become effective. These improvements are effective for annual periods beginning on or after 1 January 2014.

### *IAS 32 Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32*

These amendments clarify the meaning of "currently has a legally enforceable right to

set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2014.

### *IFRS 9 Financial Instruments:*

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB is addressing hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will not have an impact on classification and measurements of the Group's financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

### *Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)*

These amendments are effective for annual periods beginning on or after 1 January 2014 provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would be relevant to the Group, since none of the entities in the Group would qualify to be an investment entity under IFRS 10.

### *IFRIC Interpretation 21 Levies (IFRIC 21)*

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that

triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum

threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after 1 January 2014. The Group does not expect that IFRIC 21 will have material financial impact in future financial statements.

### Note 3 PROPERTY, PLANT AND EQUIPMENT

Figures in EUR

	IT equipment	Motor vehicles	Other fixtures and fittings	Total
<b>Gross book value as at December 31, 2012</b>	<b>49,286</b>	<b>63,280</b>	<b>234,223</b>	<b>346,789</b>
Additions in period	5,445	-	-	5,445
Disposals in period	-	-	-	-
Translation difference	(696)	(907)	(2,914)	(4,517)
<b>Gross book value as at December 31, 2013</b>	<b>54,035</b>	<b>62,373</b>	<b>233,121</b>	<b>349,529</b>
<b>Accumulated Depreciation as at December 31, 2012</b>	<b>(42,611)</b>	<b>(62,700)</b>	<b>(214,095)</b>	<b>(319,406)</b>
Charge for the period	(3,992)	(599)	(11,236)	(15,827)
Disposals in the period	-	-	-	-
Translation difference	584	926	6,864	8,375
<b>Accumulated Depreciation as at December 31, 2013</b>	<b>(46,019)</b>	<b>(62,373)</b>	<b>(218,467)</b>	<b>(326,859)</b>
<b>Net book Value as at December 31, 2012</b>	<b>6,675</b>	<b>580</b>	<b>20,128</b>	<b>27,383</b>
<b>Net book Value as at December 31, 2013</b>	<b>8,016</b>	<b>-</b>	<b>14,654</b>	<b>22,669</b>
<b>Depreciation method</b>	Linear	Linear	Linear	
<b>Depreciation period (Years)</b>	2-4	4	3-9	

There were no impairment charges in 2013 and 2012.

## Note 4 INVESTMENTS PROPERTIES

### Figures in EUR

	2013	2012
Opening balance as at January 1	30,949,958	33,896,047
Additions in period	-	-
Disposals	(36,561)	-
Fair value adjustment during the period	(1,264,882)	(2,096,457)
Translation differences	(343,389)	(849,632)
<b>Carrying amount as at December 31</b>	<b>29,304,367</b>	<b>30,949,958</b>

Investment properties consist of land and buildings at various locations in Romania. The fair value of investment property as at 31 December 2013 is based on a valuation by an independent valuator who holds a recognised and relevant professional qualification in Romania and who has recent experience in the location and categories of the investment property being valued.

Valuation has been made such, in accordance with the International Valuation Standards, to reflect market value of the properties, namely "The amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties, in an arm's length transaction"..". No account has been taken of any additional prospective purchaser with a special interest. No allowance has been made with regard to any expenses of realization, or for any taxation arising in case of disposal.

With regard to the valuation methodology, two approaches were used: (i) the direct market comparison approach and (ii) the residual approach. Both approaches were utilised, and the degree to which either, or both, are relevant depended upon the nature of the specific land plot and the availability of information. When data is available, the market comparison approach is the most direct and systematic approach as it recognizes that property prices are determined by the market. Valuation by comparison is essentially objective since it is based on an analysis of the price achieved or offered for sites with broadly similar development characteristics with the land being valued. The residual approach estimates the land value considering the value of the proposed project upon completion and the deduction of the development costs, including the developer's profit. This method requires the input of a large amount of data and involves a large number of assumptions. Even small changes in any of the inputs can cumulatively lead to a large change in the land value. Thus, the application of this method requires a high level of expertise, being mainly used as an alternative approach when there are no or limited comparables to apply the direct market comparison approach. In line with the market practice, the valuation of assets is determined and quoted in EUR. While the basis for preparation of accounting records is RON the EUR/RON exchange rate movements result into currency differences which are reflected as an adjustment to the carrying value of the investment property.

Taking into account the characteristics of the Group's properties, as well as the features of the local market, the market comparison approach was considered in these circumstances as the most suitable in estimating the market value of the properties. However, there are limitations to this approach as there was a limited number of transactions in 2013 and 2012. For each

property three comparables were selected and the following elements of comparison were considered: price, real property rights transferred, financing terms, conditions of sale, expenditures made immediately after the purchase, location, area, visibility and frontage, utilities, access, public transportation, existing buildings, existing potential building permitting and best use.

The properties have been inspected along with the surrounding neighbourhood and location from which comparable data was drawn where possible. The limited liquidity of the market has resulted in comparables being mainly based on the most recent asking prices. In such cases, several adjustments ranging on average between 20-30% were applied to the asking prices to adjust for reduced liquidity, difference in size, accessibility, permitting, etc.

Within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement the above described valuation of investment properties is categorised as Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable. In arriving at their estimates of market values the valuers used their market knowledge and professional judgement and did not rely solely on historical transactional comparables. In these circumstances, there was a greater degree of uncertainty than which exists in a more active market in estimating the market values of investment property. Furthermore, given the rapid change on the market, significant alterations of value can be encountered within short periods of time. Unforeseen macroeconomic or political crises can have a sudden and dramatic effect on markets. This could manifest itself by either panic buying or selling, or simply disinclination to trade until it is clear how prices in the market will be affected in the longer term. There have been no transfers between Levels in the hierarchy as compared to the previous reporting period.

Disposals to investment properties during 2013 relate to the sale of a plot of land with a carrying value of EUR 36,561.



## Note 5 SOFTWARE

### Figures in EUR

	2013	2012
Gross book value as at January 1	38,563	40,289
Additions in period	-	-
Disposals in period	-	-
Translation difference	(241)	(726)
<b>Gross book value as at December 31</b>	<b>38,563</b>	<b>38,563</b>
Accumulated amortisation as at January 31	(37,904)	(37,528)
Charge for the period	(329)	(326)
Translation difference	885	702
<b>Accumulated amortisation as at December 31</b>	<b>(37,994)</b>	<b>(37,904)</b>
<b>Net book Value as at January 1</b>	<b>659</b>	<b>659</b>
<b>Net book Value as at December 31</b>	<b>270</b>	<b>659</b>

The intangible assets consist of purchased software and are amortised over 3 years. The amortisation of intangible assets is included in "Depreciation and amortisation expense" in the income statement.

## Note 6 INVENTORIES

### Figures in EUR

	Inventories
Balance as at December 31, 2012	<b>2,857,715</b>
Additions	-
Disposals	(47,830)
Write offs	(240,131)
F/X reserve	(25,417)
<b>Balance as at December 31, 2013</b>	<b>2,544,337</b>

Inventories consist of the development projects of the Group. These are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs to make the sale. The disposals of inventories relate to a number of parking spaces in the Corallia development. Total proceeds amounted to EUR 8,476. At year-end 2013, inventories relate mainly to the Oasis project (EUR 2.5 million) and the unsold parking spaces of the Corallia project. The net realisable value test resulted in a write-off for the Oasis project.

Within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement the above described estimate of net realisable value is categorised as Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable. In arriving at their estimates of market values the



valuators used their market knowledge and professional judgement. The net realisable value was assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction and less the estimated costs to make the sale. There have been no transfers between Levels in the hierarchy as compared to the previous reporting period.

## Note 7 TRADE RECEIVABLES AND OTHER RECEIVABLES

Figures in EUR	Consolidated		Parent company	
	2013	2012	2013	2012
Trade receivables	83,030	163,955	-	-
VAT receivable	28,537	32,138	-	-
Other prepayments	6,582	7,708	5,875	6,620
Other short-term receivables	11,071	4,773	-	-
<b>Total</b>	<b>129,220</b>	<b>208,574</b>	<b>5,875</b>	<b>6,620</b>

Trade receivables include mainly receivables resulting in the ordinary course of business in respect of the lease agreements for some of the rent yielding investment properties and the rest in sundry debtors. As of 31 December the analysis of trade receivables that are past due is set out below:

	Total	Neither past due nor impaired	Past due but not impaired				
			<30 days	30-60 days	60-90 days	90-120 days	>120 days
2013	83,030	72,539	10,491	-	-	-	-
2012	163,955	152,759	11,196	-	-	-	-

## Note 8 SHARE CAPITAL AND PAID-IN CAPITAL

Figures in EUR	Number of shares	Share capital	Contributed Surplus	Paid in share capital
Total share capital				
January 1, 2012	49,247,366	4,925	85,741,588	85,746,493
New issues in the period	-	-	-	-
Reduction in par value of shares	-	-	-	-
<b>Total share capital December 31, 2012</b>	<b>4,924,736</b>	<b>4,925</b>	<b>85,741,588</b>	<b>85,746,493</b>
New issues in the period	98,494,720	98,494	1,375,661	1,474,155
Reduction in par value of shares	(62,051,583)	-	-	-
<b>Total share capital December 31, 2013</b>	<b>41,367,783</b>	<b>103,419</b>	<b>87,117,249</b>	<b>87,220,668</b>

To conform to the Oslo Stock Exchange regulation and following the approval from the 2012 Annual General Meeting, the Company proceeded with a reverse share split with ex-date 18 June 2012, where 10 old shares gave 1 new share. The reverse share split had as a result that the total number of shares in the Company was reduced from 49,247,366 to 4,924,736, and the nominal value of each share will change from €0.0001 to €0.001.

Following the increase in share capital registered on 11 July 2013, the number of issued shares changed from 4,924,736 to 103,419,456 each with a par value of EUR 0.001.

In a Shareholder Meeting held on the 27 December 2013 the Company's shareholders approved a reverse share split which had as a result that the total number of shares in the Company being reduced from 103,419,456 to 41,367,783 and the nominal value of each share changed from €0.001 to €0.0025. The reverse share split did not change the value of the Company's share capital, which remains at €103,419.

### Shareholders rights

There are no restrictions on voting rights or the transferability of shares in RomReal Ltd. The below summarised the largest shareholder with shareholdings in excess of 1% as of 31 December 2013:

SURNAME	FIRST NAME	HOLDING OF SHARE	% HOLDING
MGL INVESTMENTS LTD		11,691,024	28.26%
THORKILDSEN	KAY TØNNES	5,415,756	13.09%
GRØNSKAG	KJETIL	3,850,307	9.31%
BRANDEGGEN	LARS TORE	1,704,599	4.12%
SAGA EIENDOM AS		1,223,667	2.96%
JONAS BJERG		1,058,306	2.56%
SPAR KAPITAL INVESTOR AS		940,236	2.27%
GAUSEN	JON	859,861	2.08%
CARNEGIE INVESTMENT BANK DK BRANC		851,692	2.06%
THORKILDSEN INVEST AS		829,478	2.01%
HOEN	ANDERS MYSSSEN	689,557	1.67%
U-TURN VENTURES AS		663,668	1.60%
CLEARSTREAM BANKING S.A.		649,349	1.57%
PERSSON	ARILD	588,000	1.42%
SKANDINAVISKA ENSKILDA BANKEN AB		508,384	1.23%
ORAKEL AS		500,000	1.21%
SEB PRIVATE BANK S.A. (EXTENDED)		463,512	1.12%
UBS AG		439,518	1.06%

## Note 9 RETAINED EARNINGS

Movements in retained earnings for the Group can be analysed as follows:

Figures in EUR	Consolidate d	Parent Company
<b>Retained earnings as of December 31, 2012</b>	<b>(63,783,094)</b>	<b>(63,272,376)</b>
Net profit in the period	(2,629,641)	(2,276,948)
<b>Retained earnings as of December 31, 2013</b>	<b>(66,412,735)</b>	<b>(65,549,324)</b>

No dividends will be distributed by the Group in respect of 2013.

## Note 10 CASH AND CASH EQUIVALENTS

Cash and cash equivalents amount to EUR 1,705,000 at 31 December 2013 (EUR 701,617 at 31 December 2012).

At parent company level, cash and cash equivalents amount to EUR 1,364,886 at 31 December 2013 (EUR 157,977 at 31 December 2012). None of the Group's cash balance is restricted at 31 December 2013.

## Note 11 TRADE AND OTHER PAYABLES

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Figures in EUR	Consolidated		Parent Company	
	2013	2012	2013	2012
Trade payables	22,488	161,323	-	-
Employee taxes	-	5,890	-	-
Other payables	63,110	68,928	58,359	64,312
<b>Trade payables</b>	<b>85,598</b>	<b>236,141</b>	<b>58,359</b>	<b>64,312</b>

At 31 December 2013, the balance of EUR 63,110 Other payables for the group as well as the balance of Other payables of EUR 58,359 for the parent company, include EUR 44,500 accrued expenses related to the 2013 audit fees.

## Note 12 AVAILABLE FOR SALE FINANCIAL ASSETS

Following the finalisation of the rights issue exercise aimed at consolidating the cash position of the Group, it decided to place part of the collected proceeds into a financial asset. The Group invested in a bond issued by Svenska Handelsbanken. The bond is issued in perpetuity but the issuer has a call option for 16 December 2015. The bond is BBB+ rated and carries a coupon of 4.194%. The effective interest rate calculated until the call date is 3.01%.

Within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement the above described estimate of net realisable value is categorised as Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable. The bond is traded over the counter.

## Note 13 INTEREST-BEARING LOAN

As at 31 December 2013 the Group consolidated net interest-bearing debt amounted to EUR 12,010,606, including EUR 11,600,000 principal amount and EUR 410,606 accrued interest (2012: EUR 11,651,827, including EUR 11,600,000 principal amount and EUR 51,827 accrued interest).

This is an assets finance facility taken by the Group in December 2007 with Alpha Bank Romania. The loan had an initial term of 3 years which was prolonged for another 2 years during Q4 2010. On 28 February 2013, the Group extended the maturity for another 3 years until 30 Nov 2015, with a possibility afterwards for an extra 2 years subject to certain conditions. The extension of the loan bears interest at a rate of EURIBOR+3%, payable bullet on maturity. The Group has the option of extending the loan for an additional two (2) years, in subsequent periods of one (1) year, if the interest is paid in advance for each year of extension. For further extension the applicable interest rate will be Fixed Base Rate (to be provided by the Bank at

the moment, by reference to 1 year swap rate) + 3.0% per annum. As part of the extension, the security was extended to include new real estate mortgage of EUR 6 million.

As of 31 December 2012, the above mentioned loan, with a total balance including accrued interest of EUR 11,651,827, was classified as short term due to the fact that the signing of the agreement extending the maturity was signed after the balance sheet date.

#### Note 14 OPERATING REVENUE

##### Figures in EUR

	2013	2012
Rent revenue	339,722	330,499
Sales of inventory	8,476	99,305
Sales of investment property	50,436	-
<b>Total</b>	<b>398,544</b>	<b>429,804</b>

The Group owned during the period two rent generating investment properties. These were Balada market which is the main rent generating property and the Mamaia plot which hosts small accommodation units mostly occupied during summer periods. Total rent amount generated by the two properties amounted to EUR 339,722 (2012: 330,499). The Sales of inventory property during 2013 relate to some parking space in the Corralia project, while the sale of investment property refers to a portion of a plot the Group owns in north Constanta.

#### Note 15 PAYROLL EXPENSES AND NUMBER OF EMPLOYEES

The key management (which includes the executive officer of the Group and its directors) received remuneration in amount of EUR 99,996 (2012: EUR 114,000)

The Directors are shown below together with their interest in the shares of the Company per 31 December 2013 and per 31 December 2012:

		31 December 2013	31 December 2012
Kjetil Grønskag	Appointed November 2006	3,850,307	1,797,240
Erik Sture Larre	Appointed November 2009	72,360	72,360
Jonas Bjerg	Appointed September 2008	1,058,306	459,420
Arve Nilsson	Appointed September 2008	836,052	1,109,600
Kay Thorkildsen	GROUP CEO	6,245,234	1,163,420
<b>TOTAL</b>		<b>12,062,259</b>	<b>4,602,040</b>

For comparison purposes, shares as at 31 December 2012 have been adjusted to reflect the 2.5:1 reverse stock split that took place on the 18 December 2013 and that in during July 2013 a rights issue of 20 new shares for 1 old share has taken place. Furthermore, the shares owned by Mr Thorkildsen aggregate both the shares owned directly and through a controlled company Thorkildsen Invest AS (see note 8). The average number of employees in Westhouse Group during 2013 was 5. Payroll expenses related to these employees amounted to EUR 151,746 as of December 31, 2013 (2012: 258,457). The Group does not offer a pension plan or other employee benefits to its employees as of December 31, nor are there any post-employment benefits.

## Note 16 GENERAL AND ADMINISTRATIVE EXPENSES

Figures in EUR	Consolidated		Parent company	
	2013	2012	2013	2012
Management fee	(69,778)	(64,000)	(69,778)	(64,000)
Legal expenses	(45,207)	(22,371)	(9,345)	(2,136)
Rent expenses	(28,964)	(32,553)	-	-
Travel expenses	(5,706)	(10,020)	-	-
Professional services	(121,850)	(156,813)	(121,175)	(147,724)
Land and other taxes	(59,585)	(159,338)	-	-
Other expenses	(272,896)	(268,532)	(674)	(7,085)
<b>Total</b>	<b>(603,986)</b>	<b>(713,627)</b>	<b>(200,972)</b>	<b>(220,946)</b>

Professional services expenses for 2013 include audit fees accrual amounting to EUR 45,000.

## Note 17 OTHER OPERATING EXPENSES

"Other operating (expenses)/gains" includes the reversal of a provision made in 2010 related to a dispute with the Romanian VAT authorities in respect of the sale to third parties of the Central Apartments development project. The authorities claimed that the Group should have collected (and paid) VAT at a value higher than the selling price of the development, despite being settled in an arm's length transaction with an independent party. As of 31 December 2012, the provision amounted to EUR 363,075. Considering no other business was conducted by the respective SPV, a decision was made by the Group to close it during 2013, therefore the potential liability no longer exists and the provision was reversed.

For RomReal (the parent company) "Other operating (expenses)/gains" of EUR 3.53 million in 2013 relates mainly to an impairment of the investment in subsidiaries as a direct result of the mentioned write-down of investment properties made in the subsidiaries. For 2012 "Other operating expenses" amounted to EUR 5.64 million.

## Note 18 FINANCIAL INCOME AND EXPENSE

independent valuer.

Figures in EUR	Consolidated		Parent company	
	2013	2012	2013	2012
Interest income from subsidiaries	-	-	1,598,778	1,600,784
Interest income from banks	9,859	14,781	-	319
<b>Total financial income</b>	<b>9,859</b>	<b>14,781</b>	<b>1,598,778</b>	<b>1,601,103</b>
Interest expense and other bank fees	(359,291)	(572,118)	(430)	(283)
Foreign exchange gain	7,475,226	8,135,183	-	-
Foreign exchange loss	(8,270,067)	(9,473,797)	(44,340)	-
<b>Total Financial expense</b>	<b>(1,154,132)</b>	<b>(1,910,732)</b>	<b>(44,770)</b>	<b>(283)</b>

During 2012 the RON has depreciated against the EUR. All the intercompany loans taken by the Romanian subsidiaries from RomReal Ltd as well as the loan from Alpha Bank were revalued at the closing rate resulting in a net unrealised foreign exchange loss of EUR 750,501. Also, as the proceeds of the share capital increase conducted by RomReal were

denominated in NOK, the Company suffered an exchange loss before such proceeds were converted into EUR.

The interest expense in 2013 and 2012 relates mainly to the interest costs in respect of the Alpha Bank loan (please see note 13).

## **Note 19 TAXATION**

RomReal Ltd. is registered in Bermuda and is consequently not subject to taxation.

The subsidiaries are subject to taxation in Romania. The applicable tax rate in Romania is 16 %. The applicable tax rate is the same whether any profits are paid out as dividends or retained in the company. There have not been any changes to the applicable tax rates in 2013.

Current income tax expense for 2013 was EUR 12,956(2012: 15,610) and it is in respect of the taxable rental revenue on the Balada market and Investate. The major components of the income tax expense for the periods ended December 31, 2013 and December 31 2012 are:

### **Figures in EUR**

	<b>2013</b>	<b>2012</b>
Current income tax charge	12,956	15,610
Deferred income tax movement in the period	(79,821)	(283,486)
<b>Income tax expense/(gain) in the consolidated income statement</b>	<b>(66,864)</b>	<b>(267,876)</b>

The table below shows the composition of the deferred tax assets and deferred tax liability in the balance sheet:

### **Figures in EUR**

	<b>2013</b>	<b>2012</b>
Fair value adjustments of Investment property resulting in deferred tax asset	144,002	132,041
Fair value adjustments of Investment property resulting in deferred tax liability	81,239	148,123

The small difference between the changes in the deferred tax balances during the year and the deferred tax gain reflected in the income statement is related to the foreign currency translation result (EUR 976).

The following table shows the composition of the deferred tax asset per each company:

	<b>2013</b>	<b>2012</b>
Westhouse SRL	144,002	132,041
<b>TOTAL</b>	<b>144,002</b>	<b>132,041</b>

The deferred tax asset relates to the following:

	2013	2012
Revaluation of investment properties to fair value	144,002	132,041
<b>TOTAL</b>	<b>144,002</b>	<b>132,041</b>

The following table shows the composition of the deferred tax liability per each company:

	2013	2012
Concorde SRL	77,387	89,846
Westhouse Invest SRL	-	55,592
Investate SRL	3,852	2,685
<b>TOTAL</b>	<b>81,239</b>	<b>148,123</b>

The deferred tax liability relates to the following:

	2013	2012
Revaluation of investment properties to fair value	81,239	148,123
<b>TOTAL</b>	<b>81,239</b>	<b>148,123</b>

The Group measures the deferred tax liabilities and deferred tax assets in order to reflect the tax consequences that would follow from the manner in which the entity expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities. Consequently, where the group had transactions which are not expected to carry a deferred tax liability or the deferred tax asset, the group has not recognised such deferred tax.

During 2013, the further decrease in the value of the investment properties resulted in a reduction in the deferred tax liabilities or a deferred tax asset. The Group used its judgement to determine whether there will be enough taxable income in the foreseeable future to offset the deferred tax asset against. Where there was not enough conclusive evidence to support that, such deferred tax asset was not recognised/written off.

The following shows a numerical reconciliation between the tax expense and the accounting profit.

	2013	2012
Accounting taxable profits/(loss)	(2,696,505)	(5,025,477)
Tax at applicable rate of 16%	431,441	804,076
Deferred tax asset not recognised	-	(335,669)
Tax effect of (expenses)/income that are not (deductible)/taxable in determining taxable profit	(364,576)	(200,531)
<b>Tax (expense)/income</b>	<b>66,864</b>	<b>267,876</b>

The Company has not recognised a deferred tax asset in respect of the carried forward tax losses for which there was not enough evidence to support future taxable income to offset them against.



## **Note 20 OTHER PAYABLES**

Other payables at the end of 2013 included the accrued audit fees (EUR 44,500) as well as other sundry creditors.

## **Note 21 TRANSACTIONS WITH RELATED PARTIES**

### **Transactions with subsidiary**

RomReal Ltd. has granted its subsidiary Westhouse Group SRL loans amounting to a total of EUR 47,259,332, interest to 31 December 2013 included. Intergroup loans bear an interest rate of 5.5% and are for a term of 11 months. The subsidiary Westhouse Group SRL has further granted RomReal Ltd. a loan of EUR 118,346 in connection with the purchase of 5% of the shares in Concorde Group SRL, 5% of shares in Investate SRL, 5% of Magic Sail Club SRL, 1% of the shares in Rofrench Connection SRL. These loans are not secured and are interest free.

### **Transactions with other related parties**

On 30 March 2007, the group entered into an amended Management Support Agreement with North Bridge Group Ltd ("North Bridge Group"). North Bridge Group is controlled by the five shareholders of North Bridge, which include Mr. Jonas Bjerg, Mr. Kjetil Grønskag and Mr. Kay Thorkildsen. Pursuant to the Management Support Agreement, North Bridge Group is retained as an advisor to the group, and will be responsible for making available resources to support the group in continuing to develop its real estate portfolio, including North Bridge Group's principals and recommending to the group specialists, including secondees where appropriate. For these services North Bridge Group received an annual fee of EUR 64,000 during the year ended 31 December 2013 (2012: EUR 64,000). In addition, North Bridge Group is entitled to reimbursement of travelling and other reasonable out-of pocket expenses incurred by it with the prior agreement of the group's Board of Directors. The terms of the Management Support Agreement were renewed on 10 October 2010 and the level of fees was revised to EUR 64,000 per annum, effective January 2012. The group may engage the manager or its associates to provide other services outside the scope of this agreement. Such services will be subject to a separate mandate agreement.

The Group's Investors Relation responsible during 2012, Mr. Harris Palaondas, was seconded to the group from North Bridge Group pursuant to a secondment letter dated 01 November 2008. Following the above, the group's board approved a fee payable to North Bridge of EUR 2,000 per month plus reasonable out-of-pocket expenses for travelling. During the period North Bridge charged EUR 16,000 (2012: EUR 24,000) in secondment fees and recharged EUR 1,022 (2012: EUR 2,597) of costs directly attributable to these services. The outstanding balance due to North Bridge Capital Partners at 31 December 2013 was nil (2012: EUR 0).

All transactions with related parties have been conducted following the principle of arm's length.

## **Note 22 FINANCIAL RISK**

The Group's principal financial liabilities comprise of borrowings, trade and other payables, and financial guarantee contracts.

The loan from Alpha Bank is secured with mortgage over some of the group's assets plus a corporate guarantee from RomReal Ltd and its subsidiary Westhouse Group SRL. The value of the security, according to the independent valuation, is about 40% higher than the outstanding loan amount.

### Fair value

The fair value of the financial assets and liabilities are the amounts at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Cash and short-term deposits, trade receivables, trade payables, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. The fair value of borrowings is estimated by discounting future cash flows using rates currently available for debt or similar terms and remaining maturities. The fair value approximates their carrying values gross of unamortised transaction costs.

Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments that are carried in the financial statements.

Figures in EUR ASSETS	Carrying amount		Fair value	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
Trade receivables and other receivables	129,220	208,574	129,220	208,574
Cash and cash equivalents	972,718	710,617	972,718	710,617
<b>Total</b>	<b>1,101,937</b>	<b>910,192</b>	<b>1,101,937</b>	<b>910,192</b>
Borrowings	12,010,606	11,651,827	12,010,606	11,651,827
Leasing	-	-	-	-
Trade and other payables	86,942	603,823	86,942	603,823
<b>Total</b>	<b>12,097,548</b>	<b>12,255,650</b>	<b>12,097,548</b>	<b>12,255,650</b>

### Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities, from its financial investments and from its deposits with banks.

The carrying amounts of the Group's cash and cash equivalents, other current assets and receivables represented the maximum exposure to credit risk in relation to financial assets. Cash is placed with reputable banks, while the bond in which the Company invested carries an investment grade rating.

As of 31 December 2013, no trade and other receivables were impaired (see note 7).

### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates in respect of the EUR 11,600,000 loan from Alpha Bank. The loan carries a margin of 3% on EURIBOR up until 27 November 2015. Based on current EURIBOR rates and assuming such to remain constant over the period of the loan, the interest payable by the Group at the maturity of the loan is estimated at EUR 1.2 million. Each 10 basis points change in the interest rate results in a EUR 11,600 change in interest costs for the Group.

### Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank deposits and loans. The objective of the Group is to ensure that sufficient cash is maintained to cover the operating costs until the market recovers. Equally, the Group is actively looking to divest some of smaller plots in order to strengthen its cash position. The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

<b>Year ended 31 December 2013</b>	<b>On demand</b>	<b>Less than 3 months</b>	<b>3 to 12 months</b>	<b>1 to 5 years</b>	<b>&gt; 5 years</b>	<b>Total</b>
Interest bearing loans	-	-	-	12,010,606	-	12,010,606
Other payables	-	85,597	-	-	-	85,597
Tax payable	-	1,342	-	-	-	1,342
<b>Total</b>	-	<b>86,939</b>	-	<b>12,010,606</b>	-	<b>12,097,545</b>

<b>Year ended 31 December 2012</b>	<b>On demand</b>	<b>Less than 3 months</b>	<b>3 to 12 months</b>	<b>1 to 5 years</b>	<b>&gt; 5 years</b>	<b>Total</b>
Interest bearing loans	-	-	-	11,651,827	-	11,651,827
Other payables	-	236,144	363,075	-	-	599,219
Tax payable	-	4,604	-	-	-	4,604
<b>Total</b>	-	<b>240,748</b>	<b>363,075</b>	<b>11,651,827</b>	-	<b>12,255,650</b>

### Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group is subject to foreign exchange risk as the Romanian subsidiaries have business activities denominated in RON, which is different from the functional currency of the parent company and the Group's presentation currency, EUR. All investment properties are owned by the Romanian subsidiaries and thus denominated in RON. However, it is the market practice that investment properties are valued with reference to EUR denominated values, thus minimising the cash foreign exchange risk of the Group. From an operational point of view, the Group's policy is to mitigate these effects by retaining as much cash in EUR as possible and also by denominating receivables in EUR. The Group's interest bearing loans are also denominated in EUR. The Group perceives the risk as moderate on a Group-wide basis and has not entered into any foreign exchange forward contracts to hedge against foreign currency fluctuation. A 10% depreciation of the RON against EUR, with all other variables held constant, would result in a EUR 2 million negative impact in the profit before tax and a EUR 0.2 million decrease in equity. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities of the subsidiaries before they get translated into the functional currency of the Group. The impact on the Group's equity is due to the translation reserves.

### Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions.

The Group monitors capital primarily using a loan to value ratio, which is calculated as the amount of outstanding debt divided by the valuation of the investment property portfolio. The Group's policy is to keep a low average loan to value ratio of the Group and in any event not higher than 70%. To maintain or adjust the capital structure, the Group may adjust the

dividend payment to shareholders, return capital to shareholders or issue new shares. The Group complies with its target loan to value ratio and no changes were made in the objectives, policies or processes during the years ended 31 December 2013 and 31 December 2012.

With a view to strengthen its capital base, the Company increased its share capital during 2013 through a rights issue which resulted in NOK 12.3 million gross proceeds. This provides the Company with the necessary working capital to cover operating expenses for the medium term and allow it to focus on the operations. As at year end 2013, the Group's equity represents 64% of the total assets, while financial debt taken from credit institutions represented 41% of the investment properties value.

	2013	2012
Interest bearing loans	12,010,606	11,651,827
External valuation of investment property	29,304,367	30,949,958
Loan to value ratio	34%	38%

During the period, the Group maintained the asset finance facility with Alpha Bank in Romania. The outstanding EUR 11.6 million has been prolonged for a term of 3 years, maturing on November 30, 2015. During the period, the Group did not breach any of its loan covenants, nor did it default on any other of its obligations under its loan agreements. As of 31 December 2012, the loan was classified as current liability due to the fact that the signing of the agreement extending the maturity was signed after the balance sheet date

## Note 23 CONTINGENT LIABILITIES

As of December 31, 2013 the Group had no other significant contingent liabilities or commitments which are not reflected in the accounts, nor had it recorded any significant subsequent events.

## Note 24 GUARANTEE OBLIGATIONS

The Group has not issued any guarantees on behalf of external parties. The Parent company has issued a corporate guarantee as part of the security package in connection with Alpha Bank loan described in Note 13.

## Note 25 EARNINGS PER SHARE

### Basis for calculation of earnings per share

	2013	2012	2013	2012
The year's earnings from continuing operations	(2,629,641)	(4,757,599)	(2,276,948)	(4,362,953)
No. of shares at the balance sheet date	41,367,782	4,924,737	41,367,782	4,924,737
Average of no. of shares	23,146,260	4,924,737	23,146,260	4,924,737
<b>Earnings per share</b>	<b>(0.11)</b>	<b>(0.97)</b>	<b>(0.10)</b>	<b>(0.89)</b>
<b>Adjusted Earnings per share</b>	<b>(0.11)</b>	<b>(0.21)</b>	<b>(0.10)</b>	<b>(0.19)</b>

During 2013, the Company issues 98,494,720 new shares as part of the share capital increase. Furthermore, the Company also proceeded with a reverse share split with ex-date 27 December 2013, where 2.5 old shares gave 1 new share. The reverse share split had as a result that the total number of shares in the Company was reduced from 103,419,456 to 41,367,783, and the nominal value of each share will change from EUR 0.001 to EUR 0.0025. The 2012 earnings per share above were adjusted to reflect the change in the number of shares.

#### **Note 26      SUBSEQUENT EVENTS**

There were no material subsequent events.

## Statement

*Pursuant to Section 5-5 of the Securities Trading Act,*

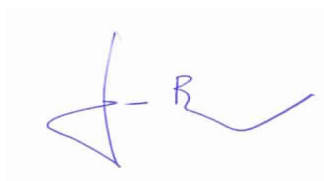
We hereby confirm that the annual accounts for the Group and the Company for 2013 to the best of our knowledge have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the Company taken as a whole.

The Directors' report gives a true and fair view of the development and performance of the business and the position of the Group and the Company, as well as a description of the principal risks and uncertainties facing the Group.

**Bermuda, 15.04.2014**  
**The Board of Directors of RomReal Ltd**



.....  
 Kjetil Grønskag (Chairman)



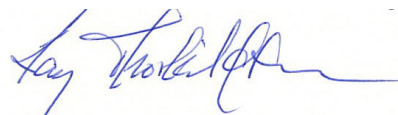
.....  
 Jonas Bjerg (Director)



.....  
 Erik Sture Larre (Director)



.....  
 Arve Nilsson (Director)



.....  
 Kay Thorkildsen (CEO)

## Company Addresses

Westhouse Group srl	Westhouse Group SRL, 208 Mamaia Boulevard, 900540, Constanta, Romania
RomReal Ltd	Victoria Place, 31 Victoria Street, Hamilton, HM10, Bermuda
Auditors	Ernst & Young SRL, Premium Plaza Building, 3 <sup>rd</sup> Floor, 63-69 Dr. Iacob Felix Street, Sector 1, 011033, Bucharest, Romania
Auditors	Ernst & Young, Thormøhlens gate 53 D, PO Box 6163, Postterminalen, Bergen, N5892, Norway
Legal Advisors	Wakefield Quin Limited, Victoria Place, 31 Victoria Street, Hamilton, HM10, Bermuda
Bank in Norway	Nordea Bank Norge ASA, Olav Tryggvasons gt. 39/4, 7005 Trondheim, Norway
Bank in Romania	Alpha Bank Constanta, 175 Mamaia Boulevard, 900540, Constanta, Romania

## IR

Harris Palaondas +40 731123037 | [investors@RomReal.com](mailto:investors@RomReal.com)

For further information on RomReal, including presentation material relating to this interim report and financial information, please visit [www.RomReal.com](http://www.RomReal.com)

## DISCLAIMER

The information included in this Report contains certain forward-looking statements that address activities, events or developments that RomReal Limited ("the Company") expects, projects, believes or anticipates will or may occur in the future. These statements are based on various assumptions made by the Company, which are beyond its control and are subject to certain additional risks and uncertainties. The Company is subject to a large number of risk factors including but not limited to economic and market conditions in the geographic areas and markets in which RomReal is or will be operating, counterparty risk, interest rates, access to financing, fluctuations in currency exchange rates, and changes in governmental regulations. As a result of these and other risk factors, actual events and our actual results may differ materially from those indicated in or implied by such forward-looking statements. The reservation is also made that inaccuracies or mistakes may occur in the information given above about current status of the Company or its business. Any reliance on the information above is at the risk of the reader, and RomReal disclaims any and all liability in this respect.