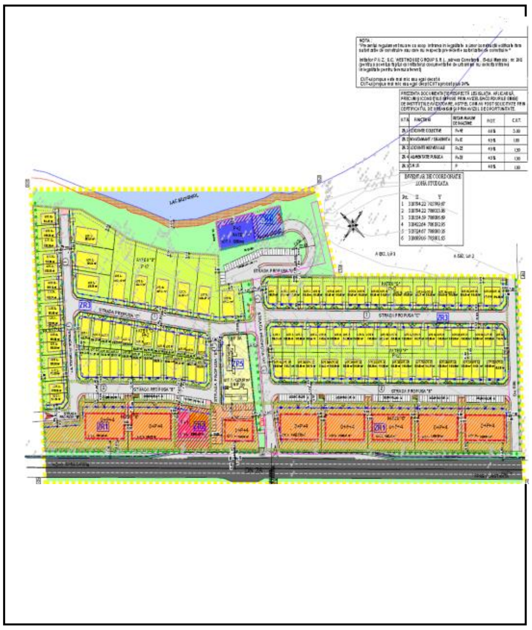
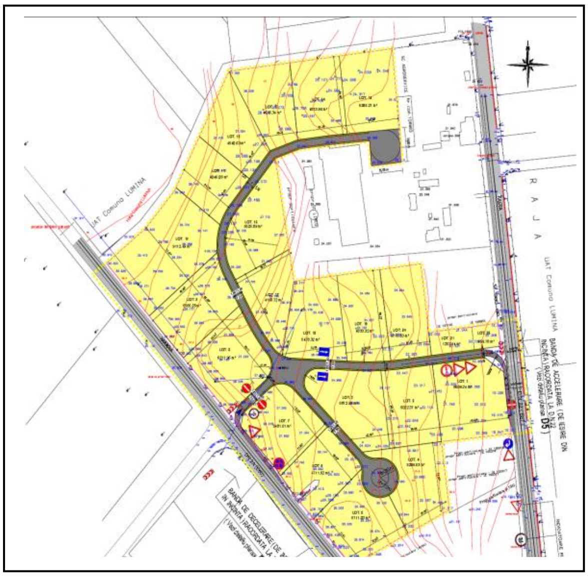
# RomReal Limited Annual 2017 Report

12 April 2018





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

# 2017 Highlights

## Net Asset Value (NAV)

Net Asset value was EUR 0.48 (NOK 4.74) per share, 2 per cent increase compared to end of 2016. The year-end 2017 valuation was concluded by Knight Frank 15 February 2018.

## Operational highlights

- All five properties sold over the last twelve months have achieved prices at or well above IFRS value.
- In order to simplify and optimize the Romanian sub-holding structure, a number of merger processes of the Romanian subsidiaries is under way.
- On April 7, 2017, the Group has prepaid entirely the outstanding loan from Alpha Bank thus emerging as a debt free Company. The shareholder loan was also fully repaid during May.
- On the Annual General Meeting has elected Mrs Heidi Sorensen Austbø as Company Director.
- *Ovidiu Lakeside (No. 1 on the list):* the new planning permission (PUZ) was obtained on 2 August 2017. The Company is currently negotiating some utilities infrastructure investment on the plot. This investment is expected to further improve the attractiveness of the most important project in the portfolio.

## Financial Results

By year-end, the Company has a cash position of EUR 3.5 million plus a total of EUR 999,000 in outstanding payments related to binding sales agreements, totalling at about EUR 4.4 million or about EUR 0.11 per share. By 31 March 2018, outstanding agreed cash is reduced to about EUR 643,000.

## Key Financials

| EUR '000 | 2017 | 2016 |
|---|---|---|
| Operating Revenue | 11,703 | 508 |
| Operating Expenses | (12,612) | (515) |
| Other operating income/ (expense), net | 2,274 | 2,282 |
| Net financial income/(cost) | (95) | (632) |
| Pre-tax result | (55) | 1,644 |
| Result for the period | (271) | (214) |
| | | |
| Total assets | 27,503 | 32,205 |
| Total liabilities | 7,573 | 14,168 |
| Total equity | 19,929 | 18,036 |
| Equity % | 72.0% | 56.0% |
| NAV per share (EUR) | 0.48 | 0.44 |
| Cash position | 3,505 | 707 |

## Property Portfolio

Total size of the Company's Property Portfolio ("Land Bank") totalled 1,195,839 sqm at the end of 2017. The Company owns prime location plots in Constanta and Bucharest:

| Plot name | Location | Size (m2) |
|---|---|---|
| 1 Ovidiu Lakeside | Constanta North/Ovidiu | 59,779 |
| 2 Badulescu plot | Constanta North/Ovidiu | 50,000 |
| 4 Ovidiu (Oasis) | Constanta North/Ovidiu | 24,651 |
| 5 Centrepoint | Constanta North/Ovidiu | 121,672 |
| 6 Gunaydin plot | Constanta North/Ovidiu | 15,000 |
| 7 Balada Market | Central Constanta | 7,188 |
| 8 Carrefour plot *(1) | Constanta | 15,000 |
| 9 Alexandriei plot | Bucharest Sector 5 | 13,263 |
| 10 Un-zoned land * (1) | Constanta | 864,534 |
| 11 Mamaia North plot *(2) | Navodari/Mamaia | 24,752 |
| Total | | 1,195,839 |

*(1) Binding sales agreement with partly deferred payment
*(2) Sold and fully paid 29 March 2018

For further information on the Company's property portfolio, please visit www.RomReal.com

# Romanian Macro development

Romania, as part of the European Union single market, is a fast developing, upper-middle income mixed economy with a very high Human Development Index and a skilled labour force, the 16th largest in the European Union by total nominal GDP and the 13th largest based on purchasing power parity.

The Romanian economy is the 41st-largest economy in the world (out of 188 countries measured by IMF) with $435,454 million annual output, and ranks 41st in the world in terms of GDP per capita measured by purchasing power parity. Based on current economic growth it's expected to hit 1 trillion of USD PPP before 2035. Romania continues to be one of the leading nations in Central and Eastern Europe for attracting foreign direct investment: the inward FDI in the country with a cumulative FDI totaling more than $170 billion since 1989. Romania is the largest electronics producer in Central and Eastern Europe. Electronics manufacturing and research are among the main drivers of innovation and economic growth in the country.

Romania posted the biggest economic growth in the European Union in the fourth quarter 2017, according to Eurostat, the statistics office of the EU. The Romanian economy grew by 7 percent of GDP in 2017, marking the biggest expansion since 2008, according to flash estimates of the National Institute of Statistics (INS). On 16 March 2018, The head of the mission of the International Monetary Fund (IMF) in Romania, Jaewoo Lee, said that the local economy is expected to grow by 5 percent this year.

Economists say that the increase of wages in the public sector coupled with the reduction of taxes fuelled the consumption and the economic growth, although it led to external imbalances. For instance, the current account deficit widened by 85 percent to EUR 6.46 billion in 2017 y/y, according to the National Bank of Romania (BNR).
Source: European Commission forecast www.ec.europa.eu

| **Indicators** | **2016** | **2017** | **2018** | **2019** |
|---|---|---|---|---|
| GDP growth (%, yoy) | 4,8 | 6,7 | 4,5 | 4,0 |
| Inflation (%, yoy) | -1,1 | 1,1 | 4,1 | 3,0 |

A historic milestone was reached on 17 January 2018 as Mrs Viorica Dancila was appointed as Prime Minister, making the 54-year old the country's first female prime minister, and the third leader in just over a year.

# Shareholder Overview

Please see below the list of the top 20 shareholders in RomReal as of 24 March 2018:

| Name | Holding | Percentage |
|---|---|---|
| SIX SIS AG 25PCT ACCOUNT | 10,336,154 | 24.99 |
| GRØNSKAG KJETIL | 4,038,449 | 9.76 |
| THORKILDSEN DØDSBO KAY TØNNES | 3,071,656 | 7.43 |
| SAGA EIENDOM AS | 2,862,383 | 6.92 |
| THORKILDSEN WENCHE SYNNØVE | 2,344,100 | 5.67 |
| AUSTBØ EDVIN | 2,108,500 | 5.10 |
| Danske Bank A/S 3887 OPERATIONS SEC. | 1,452,995 | 3.51 |
| E. LARRE HOLDING AS | 1,325,241 | 3.20 |
| ORAKEL AS | 1,101,000 | 2.66 |
| ENERGI INVEST A/S | 1,055,993 | 2.55 |
| SPAR KAPITAL INVESTO | 940,236 | 2.27 |
| THORKILDSEN INVEST A | 829,478 | 2.01 |
| PERSSON ARILD | 718,000 | 1.74 |
| HOEN ANDERS MYSSEN | 689,557 | 1.67 |
| Skandinaviska Enskil | 628,832 | 1.52 |
| JONAS BJERG PENSION NTS TRUSTEES LTD | 558,306 | 1.35 |
| SILJAN INDUSTRIER AS | 481,480 | 1.16 |
| CLEARSTREAM BANKING | 438,483 | 1.06 |
| BNP Paribas Securiti S/A SPEARPOINT LTD | 406,856 | 0.98 |
| FRENICO AS | 396,000 | 0.96 |
| TOTAL TOP 20 | 35,783,699 | 87 |

(1) This is the Top 20 Shareholder list as per 24 March 2018

(2) The total issued number of shares issued at end Q4 2017 was 41,367,783.

(3) Thorkildsen Invest AS is a Company controlled by RomReal Kay Thorkildsen family.

(4) Chairman Kjetil Grønskag owns directly and indirectly 4,288,179 shares corresponding to 10.4%.

(5) 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.

# RomReal Ethical Policy

**Introduction**
RomReal is only involved in minor 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 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 aiming to to select 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 and is aiming to fulfil all legal requirements. It also supports and encourages residents in their own recycling efforts.

**Community**
From introducing improvements to the local infrastructure to including spaces for socialising and local amenities, the aim is to contribute to 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.

## Board of Directors

**Kjetil Grønskag - Chairman of the Board and CEO**

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 within international banking and Real Estate. Mr Grønskag has significant Directorship experience from both listed and private companies. He is a Norwegian citizen and resides in London, UK.

**Arve Nilsson - Board member**

Arve Nilsson is an independent investor with extensive international experience in equity capital markets currently service as CIO of Danish Family Office Følsgaard Invest. Arve has over 30 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. He is a Norwegian citizen and resident in Copenhagen, Denmark.

**Lacramioara Isarescu - Board member**

Ileana Lacramioara Isarescu is a corporate professional with over 15 years of international experience in business development in real estate, finance and IT. Having worked in Vienna and New York, Ileana is currently the Governmental Programs Executive for IBM South East Europe, and resides in Bucharest, Romania. Ileana holds a MBA degree from Harvard Business School and a MSc in International Economics from the Academy of Economic Studies Bucharest.

**Bendt Thorkildsen – Board Member**

Mr. Thorkildsen holds a Master of Science (MSc) in International Marketing and Strategy from the Norwegian School of Economics and Business Administration. Mr. Thorkildsen has more than 20 years with varied experience with particular focus on business development/sales (IT). During the last 10 years Mr. Thorkildsen also has held various Directorship including in the real-estate industry. He is a Norwegian citizen.

**Heidi Sørensen Austbø – Board member**

Mrs Austbø is a State Authorised Public Accountant from Handelshøyskolen BI in Oslo. Mrs Austbø has 14 years experience from both financial auditing and fund Management with Norwegian and global equities, working for KPMG and long equity funds at Terra Fondsforvaltning and Arctic Fund Management. Mrs Austbø also has Directorship and CEO experience from privately held companies. She is a Norwegian citizen and resides in Oslo.

*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 2017. To the best of our knowledge, we confirm that RomReal Ltd and RomReal Group's consolidated annual financial statements for 2017 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 2017

**RomReal Directors**

The Board of Directors of RomReal is responsible for the supervision and administration of the Company's affairs and for ensuring that the Company's operations are organized in a satisfactory manner.

The Directors are shown below together with their interest in the number of shares in the Company per 31 December 2017 and per 31 December 2016:

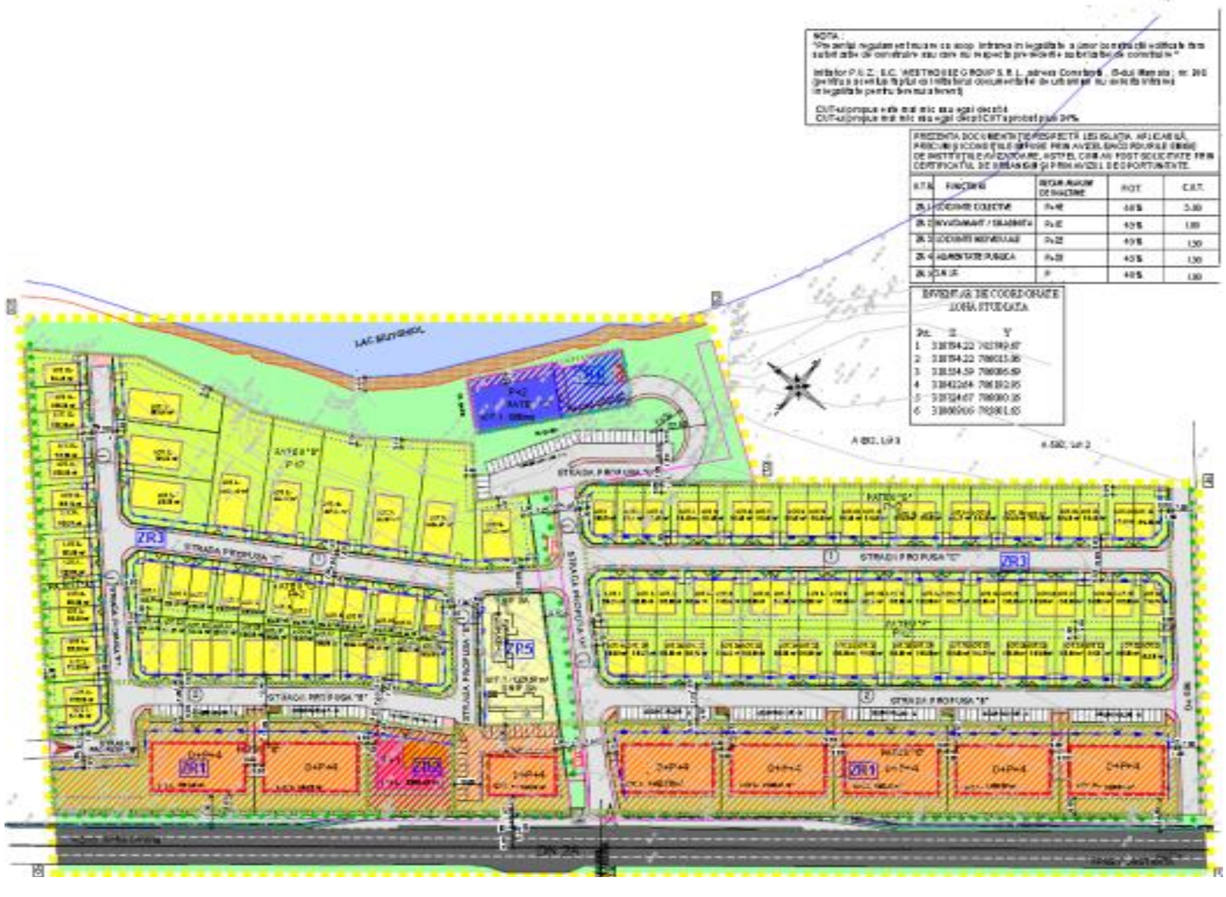
| | | 31 December 2017 | 31 December 2016 |
|---|---|---|---|
| **Kjetil Grønskag** | Appointed November 2006 | **4,288,179** | 4,138,179 |
| **Heidi Sørensen Austbø** | Appointed April 2017 | **Nil** | Nil |
| **Bendt Thorkildsen** | Appointed April 2016 | **6,245,234** | 6,245,234 |
| **Arve Nilsson** | Appointed September 2008 | **936,052** | 836,052 |
| **Lacramioara Isarescu** | Appointed April 2014 | **Nil** | Nil |
| **TOTAL** | | **11,469,465** | **11,219,465** |

# Operations Update

In order to increase the attractiveness of land plots the Group is progressing the upgrade of its land's planning permits. Below are operational highlights that took place during the year:

Lake Side (No.1 on the table) –The plot is being split in small plots suitable for house building and small blocks. Please see www.westhouseGroup.ro for further info. The new Planning Permission (PUZ) has been approved by Ovidiu City Hall on 2nd August 2017.

The Company is presently starting projecting the roads and utilities on the site in order to obtain the building authorization for the roads and utilities. Building authorization for roads and utilities is estimated to be obtained during 1st half 2018. The estimated costs to improve attractiveness and market value is estimated to EUR 1.6 million.




**Picture: Lake Side Urbanistic Plan**

Carrefour plot (No. 8 on the list): presale agreement signed in July 2017 for a total price of EUR 65,000 of which EUR 26,000 received. The remaining amount EUR 39,000 was paid entirely end March 2018 and the property is sold.

Hospital plot (No. 9 on the list): The Urbanization Certificates referring to the main building characteristics of the plot as well as that for the demolition of the old buildings, currently on the plot, have been obtained from the City Hall. The Company is working to obtain the demolition authorization. The prime Bucharest plot is for sale.

Un-zoned land, 864,534 m2 (No. 10 on the list): On 26 January 2018, a Pre-sale agreement entered for a total price of EUR 625,060 (vs EUR 389,000 as per independent valuation). The transaction is being closed in tranches and as of today EUR 495,000, remain to be collected with last payment on 1 June 2018.

Oasis (No. 4 on the table) –The plot will be divided in small plots suitable for house building and small blocks. The 4 villas built in 2009 is presently being connected to utilities, except gas, with a view to put them up for sale and the Planning Permission (PUZ) is currently in progress. The houses are registered in the Land Book Registry. It is expected that the new Planning Permission (PUZ) to be approved in Q2/3 2018.

The estimated infrastructure investment is about EUR 1.6 million and is expected to improve the project´s attractiveness significantly

**Picture: Oasis Urbanistic Plan**

Centrepoint (No. 5 on the table) - The approvals for the new PUZ have been finalized end March 2018. The Company will need to commence projecting the roads and utilities on the site in order to request the Urbanization Certificate and obtain the building authorization for the roads and utilities. Building authorization for roads and utilities is estimated to be obtained during 2nd half 2018.

Balada Market (No. 7 on the table) – The efforts done to upgrade the electrical installation and the firefighting equipment in order to comply with the requirements of the National Safety Inspectorate is for practical purposes completed with only the final documentation outstanding.  Total upgrade costs are about EUR 170,000 and is expected to improve the property/project attractiveness and safety in the local retail market.

Badulescu plot (No. 2 on the table) - New urbanistic zone planning on this plot has been commenced by the Company in order to regulate the area as a commercial one in Ovidiu town. It is estimated that the new urbanistic plan would be finalized before the end of 2018.

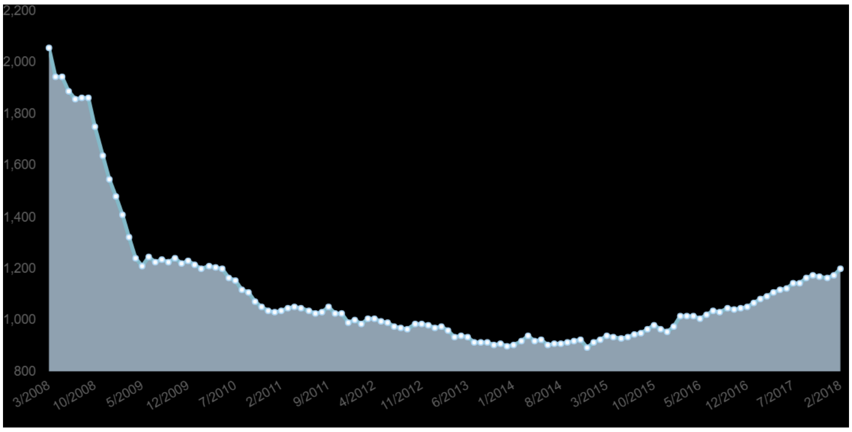
# Key features of the real estate market

Throughout 2017, demand for residential real estate property in Romania, for both apartments and houses, maintained an upward trend. According to the trimestral market report published by Imobiliare.ro, residential properties are, overall, 9.1 percent more expensive compared to the previous year.

The figure marks a slowing down of the increase in prices on the local residential market when compared to 2016, when the growth was estimated at 12.4 percent.

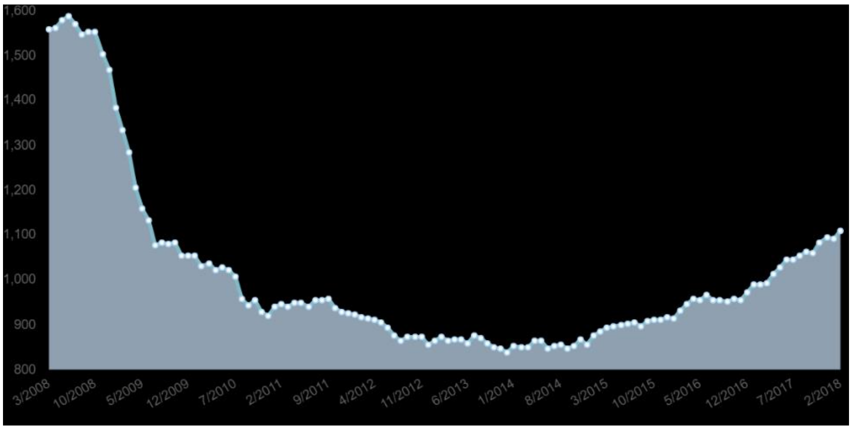
While they regained a significant part of the decline registered in the period of economic recession, Romanian homes are, on average, 31.5 percent cheaper than they were ten years ago.

The following graphs indicate the apartment prices trend in Romania and Constanta in March 2018:




Romania

According to the largest online broker in Romania imobiliare.ro, apartment prices in Romania have seen an increase of 10.8% to EUR 1,197 per m2 compared with the same period last year. Since the bottom in Dec. 2014, the average price has increased 38.5%.




Constanta

Apartment prices in Constanta have seen an increase of 12% to EUR 1,110 per m2 during 2017, compared with the same period last year. Since the bottom in Dec. 2013, the average price has increased 36.6%

# Accounts and financial position

RomReal has prepared the financial statements as of 31 December 2017, on the basis of going concern. While the industry has faced significant challenges in Romania, RomReal actively seeks to improve liquidity, capitalize 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 0.31 million in 2017 compared to EUR 0.35 million in 2016. The main revenue streams were rental income from the Balada Market and sales of plots.

***Operating expenses***

Total consolidated operating expenses were EUR 1.22 million in 2017 compared to EUR 0.55 million in 2016. RomReal (parent Company) operating gains were EUR 0.17 million in 2017 compared to expenses of EUR 0.52 million in 2016.

***Profit/Loss***

Consolidated profit/loss after tax in 2017 was a loss of EUR 0.27 million compared to a gain after tax of EUR 1.21 million in 2016. RomReal (parent Company) profit after tax was EUR 0.56 million in 2017 compared to a gain of EUR 1.32 million in 2016.

The end of year 2017 independent land bank portfolio valuation has shown an average increase of 9.4% on a like for like basis compared to the end of year 2016 valuation representing an increase in value of EUR 1.86 million.

The improved but limited number of comparable transactions in the market still makes it difficult to make precise estimates of market values. This is assumed reflected in the end of year 2017 financial statements.

***Dividends***

The Directors are not proposing any dividends for the period.

***Balance sheet***

RomReal had on a consolidated basis a total balance of EUR 27.50 million at 31 December 2017. RomReal (parent Company) had a total balance of EUR 19.98 million. Total consolidated equity at 31 December 2017 amounted to EUR 19.93 million (parent Company EUR 19.93 million) compared with EUR 19.37 million in 2016 (parent Company EUR 19.37 million). The Company has total current liabilities of EUR 6.48 million at 31 December 2017 (parent Company EUR 0.05 million).

Net cash flow from consolidated operations was EUR 2.80 million at December 31 2017 compared to EUR 0.17 million in 2016 (parent Company EUR 1.68 compared to negative EUR 0.23 million in 2016). Consolidated current assets were EUR 6.56 million at 31 December 2017 compared to EUR 3.44 million at 31 December 2016 (parent Company EUR 1.87 million in 2017 compared to EUR 0.13 million in 2016).

***Financial risk***

On April 7, 2017, the Group has prepaid entirely the outstanding loan from Alpha Bank thus emerging as a debt free Company and changing completely the risk profile of the Company.

**Organization**

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 Westhouse Group Administrator Adrian Cristea. 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. Women and men in comparable jobs receiving the same pay.

# Corporate Governance

RomReal Ltd (RomReal) is with modest resources trying to focus on practicing 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 30 October 2014, which can be found at www.nues.no. The Norwegian Corporate Governance Board has decided not to amend the Norwegian Code of Practice for Corporate Governance in 2017.

## 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 characterized 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 two of the major Romanian cities: Constanta, and Bucharest. The plots are well suited for residential and commercial developments. RomReal is involved in several construction or development projects for the time being.

The objective of the Company for 2018 is to:

- Focus on land value enhancing activities in order to improve the shareholder value.
- Key action points are increased & more professional sales & marketing efforts
- Some infra-structure investments and engaging more resources into regulation processes, if necessary.
- The Company is fully financed without any external debt, and when/if certain additional disposals are realized, a potential re-distribution of cash to the shareholders will become a priority.

## 3. Equity and dividends

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

Dividend

The Company is fully financed without any external debt, and when/if certain additional disposals are realized, a potential re-distribution of cash to the shareholders will become a priority.

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 realizable 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.

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

*Share Issues*

Only the General Meeting considers Board mandates to increase the share capital for each purpose after assessing the requirements set by the Board.

*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. During 2017, there were two insider transactions.

### 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 normally a representative from EY 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 and on the Oslo Stock Exchange website at www.newsweb.no.

For 2018, the Annual General Meeting of the Company will take place on the 20th April at 13:00 (local time), at the Company's registered office in Bermuda.

## 7. Nomination Committee

RomReal has chosen not to comply with the directive 7 for appointing a Nomination Committee. This is due to the current size, resources 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 2017 of five Directors:

*Kjetil Grønskag*

*Bendt Thorkildsen*

*Lacramioara Isarescu*

*Heidi Sørensen Austbø*

*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.

The composition of the Board ensures that it serves the common interest and that it can operate as independently as possible of special interests. Chairman Kjetil Gronskag holds an executive position as Chief Executive of RomReal following Board approval on the 26 May 2016.

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 organization, 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 2-3-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 2017 six (6) 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 prior to each Annual General Meeting.

The Board does not hold any Independent Committees due to the small size and limited activity of the Company. Four out of five 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 Board approval* 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.

*Financial risk*

On April 7, 2017, the Group prepaid entirely the outstanding loan from Alpha Bank thus emerging as virtually a debt free Company and changing completely the risk profile of the Company.

*Foreign Exchange risk*

The Company's main reporting currency is the EUR, which is used to facilitate loans to its subsidiaries. At the subsidiary level in Romania, the operational currency is RON. Due to its operational exposure in Romania, the financial reporting currency used to value the Company's assets is the RON. Due to the difference between reporting and operational currency the Company is exposed to foreign exchange risk. To manage this, the Company holds most of its deposits in EUR. The average exchange rate during 2017 was 1.00 EUR to 4.5981 RON

*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.

The Company is required to calculate its current income tax at a flat rate of 16%. Starting 2013, the companies in the Group with turnover below a EUR 65,000 threshold are subject to a 3% tax calculated on total revenue. This is the case for 7 of the Group companies while 3 of them are subject to 16% on taxable profits. In order to simplify and optimize the Romanian sub-holding structure, a number of merger processes of the Romanian subsidiaries is under way.

The new fiscal code implemented 01 Jan 2016 has applied a land tax increase of 500% on idle plots that lack cleaning. The Board has allocated a budget for the Management to maintain all of the Company's idle plots in a clean condition.

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 is not linked to the Company's performance in any way.

During 2017, the Directors received the following remuneration:

| | |
|---|---|
| Arne Reinemo | EUR 1,500 |
| Lacramioara Isarescu | EUR 6,000 |
| Arve Nilsson | EUR 6,500 |
| Heidi Sørensen Austbø | EUR 4,500 |

Chairman Kjetil Grønskag and Director Bendt Thorkildsen abstained from receiving any remuneration as a Board Member during the year. There are no outstanding share options.

North Bridge Group is a Company associated with Chairman Kjetil Grønskag, 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 fees | Benefits/Bonuses |
|---|---|---|---|
| Kjetil Gronskag | CEO RomReal | €35,500 | |
| Adrian Cristea | Board member of Rom subsidiaries and legal advisor | €36,000 | 2% on asset sales * |
| Claudia Oprisan | Chief Accountant | €23,000 | N/A |

* The incentive lawyer fee is applied on the net proceeds received by RomReal or any of its subsidiaries net of any transactions fees and vat to be added (net proceeds in Euro). These net proceeds have to be approved by the CEO of RomReal's subsidiaries Board of Directors and paid by RomReal's subsidiaries.

## 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. The Company constantly improves its Investor Relation material by upgrading its reporting format, content, and website.

All stock exchange announcements are made available on www.RomReal.com and the Oslo Stock Exchange website, 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, web-casts 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.

**2018 Financial Calendar includes the following dates:**

| | | | |
|---|---|---|---|
| Q4 2017 Reporting and Investor Presentation | 23 | FEB | 2018 |
| 2018 Annual General Meeting | 20 | APR | 2018 |
| Q1 2018 Reporting and Investor Presentation | 25 | MAY | 2018 |
| Q2 2018 Reporting and Investor Presentation | 31 | AUG | 2018 |
| Q3 2018 Reporting and Investor Presentation | 30 | NOV | 2018 |

## 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.

# Prospects

RomReal is, according to the present strategy plan, focusing on land value enhancing activities in order to improve the shareholder value. Key action points are increased & more professional sales & marketing efforts, if required some infra-structure investments and engaging more resources into regulation processes. The Company is fully financed without any external debt, and when/if certain additional disposals are realized, a potential re-distribution of cash to the shareholders will become a priority.

Bermuda, 12.04.2018

The Board of Directors of RomReal

..........................................

Kjetil Grønskag (Chairman & CEO)

..........................................

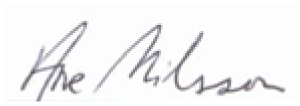
Bendt Thorkildsen (Director)


..........................................

Heidi Sørensen Austbø (Director)

..........................................

Lacramioara Isarescu (Director)



..........................................

Arve Nilsson (Director)

# FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

# Income Statement

| Figures in EUR | | Consolidated | | Parent Company | |
|---|---|---|---|---|---|
| | Notes | 2017 | 2016 | 2017 | 2016 |
| **Rent revenue** | **13** | **195,875** | **278,389** | **-** | **-** |
| Sales of investment property | | 11,507,307 | 221,248 | | |
| Cost of sales- investment property | 4 | (11,394,033) | (146,485) | - | - |
| **Profit / (loss) on sales of investment property** | | **113,275** | **74,764** | **-** | **-** |
| **Total income** | | **309,150** | **353,153** | **-** | **-** |
| Payroll and related expenses | 14 | (183,507) | (168,774) | (18,500) | (27,500) |
| Depreciation and amortisation expense | 3 | (9,564) | (1,945) | - | - |
| Other operating (losses)/gains | 16 | 13,454 | (35,003) | 430,773 | 776,140 |
| Inventory (write off )/ reversal | 5 | 176,638 | 260,185 | | |
| General and administrative expenses | 15 | (1,215,074) | (604,159) | (239,228) | (234,271) |
| **Operating expenses** | | **(1,218,063)** | **(549,696)** | **173,045** | **514,369** |
| Profit/(loss) before other operating items | | (908,913) | (196,543) | 173,045 | 514,369 |
| Net gain/(loss) from revaluation of investment properties | 4, 11 | 2,273,649 | 4,117,919 | - | - |
| **Profit/(loss) from operations** | | **1,364,736** | **3,921,376** | **173,045** | **514,369** |
| Interest income | 17 | 22,230 | 187 | 401,862 | 810,716 |
| Interest expense | 17 | (117,082) | (392,217) | (13,869) | (1,109) |
| Foreign exchange, net | 17 | (1,324,458) | (239,731) | - | - |
| **Profit/(loss) before taxes** | | **(54,574)** | **3,289,615** | **561,037** | **1,323,976** |
| Tax expense | 18 | (217,360) | (2,074,365) | - | - |
| **Result of the period** | | **(271,934)** | **1,215,250** | **561,037** | **1,323,976** |
| Attributable to: | | | | | |
| -Equity holders of the parent | | (271,934) | 1,215,250 | 561,037 | 1,323,976 |
| **Basic earnings/(losses) per share from continuing operations** | **24** | **(0.01)** | **0.03** | **0.01** | **0.03** |
| **Basic earnings/(losses) per share from continuing - diluted** | **24** | **(0.01)** | **0.03** | **0.01** | **0.03** |

# Statement of Comprehensive Income

| Figures in EUR | Consolidated | | Parent Company | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| **Profit / (loss) for the year** | **(271,934)** | **1,215,250** | **561,037** | **1,323,976** |
| **Other comprehensive income to be reclassified to profit or loss in subsequent periods** | | | | |
| Exchange differences on translation of foreign operations | 832,971 | 108,727 | - | - |
| **Other comprehensive income for the year, net of tax** | **832,971** | **108,727** | **-** | **-** |
| **Total comprehensive income for the year, net of tax** | **561,037** | **1,323,977** | **561,037** | **1,323,976** |
| Attributable to equity holders of the parent: | 561,037 | 1,323,977 | 561,037 | 1,323,976 |

# Statement of Financial Position

| Figures in EUR | | Consolidated | | Parent Company | |
|---|---|---|---|---|---|
| **ASSETS** | **Notes** | **December 31, 2017** | **December 31, 2016** | **December 31, 2017** | **December 31, 2016** |
| **Noncurrent assets** | | | | | |
| Property, plant & equipment | 3 | 90,053 | 16,841 | - | - |
| Investment properties | 4 | 13,626,714 | 16,685,822 | - | - |
| Deferred tax asset | 18 | 121,235 | 124,401 | - | - |
| Investments in subsidiaries | 1 | - | - | 18,108,465 | 19,721,777 |
| **Total non-current assets** | | **13,838,001** | **16,827,594** | **18,108,465** | **19,721,777** |
| **Current assets** | | | | | |
| Inventories | 5 | 2,689,652 | 2,535,783 | - | - |
| Trade receivables and other receivables | 6 | 367,366 | 196,302 | 57,884 | 6,160 |
| Cash and cash equivalents | 9 | 3,505,384 | 707,145 | 1,812,397 | 128,219 |
| **Total current assets** | | **6,562,403** | **3,439,231** | **1,870,282** | **134,379** |
| Assets held for sale | 11 | 7,102,737 | 13,565,878 | - | - |
| **Total assets** | | **27,503,142** | **33,832,703** | **19,978,747** | **19,856,156** |

| Figures in EUR | | | | | |
|---|---|---|---|---|---|
| **LIABILITIES AND EQUITY** | **Notes** | **December 31, 2016** | **December 31, 2016** | **December 31, 2017** | **December 31, 2016** |
| **Equity** | | | | | |
| Issued share capital | 7 | 103,419 | 103,419 | 103,419 | 103,419 |
| Contributed surplus | 7 | 87,117,249 | 87,117,249 | 87,117,249 | 87,117,249 |
| Retained earnings | 8 | (69,449,812) | (70,393,130) | (67,290,736) | (67,851,773) |
| Other Reserves | | 424,808 | 424,808 | - | - |
| Translation reserve | | 1,734,269 | 901,298 | - | - |
| **Total equity** | | **19,929,933** | **19,368,895** | **19,929,933** | **19,368,895** |
| **Non-current liabilities** | | | | | |
| Deferred tax liability | 18 | 1,091,839 | 2,103,537 | - | - |
| **Total non-current liabilities** | | **1,091,839** | **2,103,537** | **-** | **-** |
| **Current liabilities** | | | | | |
| Trade and other payables | 10 | 117,494 | 148,785 | 48,816 | 87,261 |
| Current debt liabilities | 12 | - | 11,600,000 | - | - |
| Shareholder loans | 12,20 | - | 400,000 | - | 400,000 |
| Income tax payable | 18 | 895 | - | - | - |
| Deferred income | 19 | 6,363,353 | 211,487 | - | - |
| **Total current liabilities** | | **6,481,742** | **12,360,271** | **48,816** | **487,261** |
| **Total liabilities and equity** | | **27,503,142** | **33,832,703** | **19,978,747** | **19,856,156** |

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

...........................................
Kjetil Grønskag (Director)

...........................................
Bendt Thorkildsen (Director)

...........................................
Heidi Sørensen Austbø (Director)

………………………………
Lacramioara Isarescu (Director)

...........................................
Arve Nilsson (Director)

Date: 12 April 2018

# Consolidated Statement of Changes in Equity

| Figures in EUR | Attributable to equity holders of the parent | | | | | |
|---|---|---|---|---|---|---|
| | Share Capital (Note 7) | Contributed Surplus (Note 7) | Retained Earnings (Note 8) | Translation Reserve | Other Reserves | Total |
| **Balance as of 31 December 2015** | **103,419** | **87,117,249** | **(70,393,129)** | **792,572** | **424,808** | **18,044,918** |
| Profit for the period | - | - | 1,215,250 | - | - | 1,215,250 |
| Other comprehensive income | - | - | - | 108,727 | - | 108,727 |
| **Total comprehensive income and expense for the year** | **-** | **-** | **1,215,250** | **108,727** | **-** | **1,323,977** |
| **Balance as of 31 December 2016** | **103,419** | **87,117,249** | **(69,177,879)** | **901,298** | **424,808** | **19,368,895** |
| Profit / (loss) for the period | - | - | (271,934) | - | - | (271,934) |
| Other comprehensive income | - | - | - | 832,971 | - | 832,971 |
| **Total comprehensive income and expense for the year** | **-** | **-** | **(271,934)** | **832,971** | **-** | **561,037** |
| **Balance as of 31 December 2017** | **103,419** | **87,117,249** | **(69,449,812)** | **1,734,269** | **424,808** | **19,929,933** |

# Parent Company's Statement of Changes in Equity

Figures in EUR

| | Share Capital (Note 7) | Contributed Surplus (Note 7) | Retained Earnings (Note 8) | Total |
|---|---|---|---|---|
| **Balance as of 31 December 2015** | **103,419** | **87,117,249** | **(69,175,749)** | **18,044,919** |
| Profit for the period | - | - | 1,323,976 | 1,323,976 |
| Other comprehensive income | - | - | - | - |
| **Total comprehensive income and expense for the year** | **-** | **-** | **1,323,976** | **1,323,976** |
| **Balance as of 31 December 2016** | **103,419** | **87,117,249** | **(67,851,773)** | **19,368,895** |
| Profit for the period | - | - | 561,037 | **561,037** |
| Other comprehensive income | - | - | - | - |
| **Total comprehensive income and expense for the year** | **-** | **-** | **561,037** | **561,037** |
| **Balance as of 31 December 2017** | **103,419** | **87,117,249** | **(67,290,736)** | **19,929,932** |

# Statement of Cash Flows

| Figures in EUR | | Consolidated | | Parent Company | |
|---|---|---|---|---|---|
| | **Notes** | **2017** | **2016** | **2017** | **2016** |
| CASH FLOW FROM OPERATING ACTIVITIES: | | | | | |
| **Net profit/(loss)** | | **(271,934)** | **1,215,250** | **561,037** | **1,323,976** |
| Adjustments for: | | | | | |
| - Income tax expense/(profit) | 18 | 217,360 | 1,981,568 | - | - |
| -Net (gain)/loss from revaluation of investment properties | 4 | (2,273,649) | (4,117,919) | - | - |
| -Expenses/(gain) on disposal of investment property | 4 | (126,729) | 39,761 | - | - |
| - Depreciation and amortization | 3 | 9,564 | 1,945 | - | - |
| - Interest Income | 17 | (22,230) | (187) | - | - |
| - Interest expense | 17 | 117,082 | 392,217 | 13,869 | 1,109 |
| -Unrealised foreign exchange (gain) / loss | 17 | 1,324,458 | 239,730 | - | - |
| -Other operating expenses | 16 | - | - | (835,649) | (1,585,870) |
| Decrease/(increase) in trade and other receivables | | (170,634) | 28,589 | (35,998) | 840 |
| (Decrease)/increase in current payables | | (237,876) | (54,279) | (111,414) | 41,332 |
| Decrease/(increase) in inventories | | (153,869) | (250,588) | - | - |
| Cash generated from operations | | (1,588,457) | (510,639) | (408,155) | (222,613) |
| Income tax paid | | (1,194,234) | (6,337) | - | - |
| **Net cash flow from operating activities** | | **(2,782,691)** | **(516,976)** | **(408,155)** | **(222,613)** |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | | |
| Sales of financial assets | | - | - | - | - |
| Purchases of property plant and equipment | | (82,095) | (5,401) | | |
| Sales of investment property | | 17,802,078 | 361,671 | - | - |
| Capital expenditure on investment property | | (93,107) | (3,316) | - | - |
| Inter-Company loans (granted) / received, net | | - | - | 2,500,000 | (410,000) |
| **Net cash flow used in investing activities** | | **17,626,876** | **352,954** | **2,500,000** | **(410,000)** |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | | | |
| Proceeds from borrowings | | 100,000 | 400,000 | 100,000 | 400,000 |
| Payment of issue costs | | - | - | - | - |
| Repayment of borrowings | | (12,100,000) | - | (500,000) | - |
| Interest paid | 17 | (77,320) | (66,989) | (7,667) | - |
| Interest received | | 1,048 | 308 | - | - |
| **Net cash from financing activities** | | **(12,076,272)** | **333,319** | **(407,667)** | **400,000** |

| | | | | |
|---|---|---|---|---|
| Other non-cash expenses/(revenues) | 30,326 | (3,313) | - | - |
| **Net change in cash and cash equivalents** | **2,798,329** | **165,985** | **1,684,178** | **(232,613)** |
| Cash and cash equivalents, beginning of period | 707,145 | 541,160 | 128,219 | 360,832 |
| **Cash and cash equivalents, end of period** | **3,505,384** | **707,145** | **1,812,397** | **128,219** |

# Notes to The Financial Statements

## Note 1 ORGANIZATION AND OPERATIONS

The consolidated financial statements of RomReal Limited and its subsidiaries (collectively the "Group" or the "Company") for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the Directors on the 12 April 2018.

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, 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.

Both consolidated financial statements and those of the parent have been prepared on a

| 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 |
| Terra del Sol SRL | Romania | 100% | 15,020 |
| Hars SRL | Romania | 100% | 20 |

going concern basis.

.

The Group has after the balance sheet date proceeded to the simplification of the Group structure by way of mergers between the Group companies. As of 18 January 2018, West Feriae and Westhouse One SRL merged into Westhouse Group SRL and Hars SRL merged with Westhouse Invest SRL. The legal merger of Magic Sail SRL with Rofrench SRL is ongoing.

The registered office address of RomReal Ltd is located at Burnaby Building, 16 Burnaby street, Hamilton HM11, Bermuda.

## Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis for preparation

The consolidated financial statements of the RomReal Group and those of the parent Company 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 2017 or earlier. The consolidated financial statements and those of the parent Company 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 and Assets Held for sale which are measured at the lower of carrying amount before the reclassification and the fair value less cost to sell.

### 2.2 Consolidation

The consolidated financial statements comprise the financial statements of RomReal Ltd. and its subsidiaries as of 31 December 2017 and 31 December 2016; 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.

**Judgements**

In the process of applying the Group's accounting policies, Management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements.

*Classification of property*

The Group determines whether a property is classified as investment property, assets held for sale 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.

-Assets held for sale comprises property which is available for immediate sale and for which the sale is highly probable and expected to be substantially completed within a year from the date of classification.

-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.

**Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The

Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

*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. 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. 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.

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 2017 and 2016. 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 seven years to utilise the tax losses against, the Group has not recognised such deferred tax assets.

*Capitalised costs*
Costs are capitalised 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. Property being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as inventory property and is measured at the lower of cost and net realisable value (NRV).

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 it is a fair value gain, such is recognised in the income statement.

### 2.6 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.

**2.7 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.

**2.8 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.

**2.9 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.

**2.10 Non-current assets held for sale**

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for sale in its immediate condition. The sale should be expected within one year from the date of classification as held for sale.

Immediately before classification as held for sale, the assets are remeasured in accordance with the Group's accounting policies. Thereafter, the assets are recognised at the lower of their carrying amount and fair value less cost to sell. Assets classified as held for sale are not depreciated. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are included in the income statement. Gains are not recognised in excess of any cumulative impairment loss. In case conditions for classification of non-current assets are no longer met, classification as held for sale ceases. Non-current assets that ceases to be classified as held for sale are remeasured at the lower of their carrying amount before classification as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset or disposal Group not been classified as held for sale, and its recoverable amount at the date of the subsequent decision to sell.

**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 Operating lease contracts – the Group as a lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements (such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property), that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

### 2.14 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 investment property plots:* Deposits cashed by the Group for the sale of plots are not recognised as revenue until the Group has transferred to the buyer the significant risks and rewards of ownership of the plots.

### 2.15 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.

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. 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. 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, 2017 | December 31, 2016 |
|---|---|---|
| Closing | 4.6597 | 4.5411 |

### 2.16 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. 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.

### 2.17 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.

### 2.18 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.

### 2.19 Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for amendments to standards which became effective 1

January 2017. These standards include: Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative.

**2.20 Standards issued but not yet effective**

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

*IFRS 15 Revenue from Contracts with Customers*

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018. The Group has assessed the impact of IFRS 15 and no material impact is expected: sometimes the Group receives long-term advances from its customers for the sales of plots. They are presented as part of Deferred revenue. No interest was accrued on the advances received under the current accounting policy. Under IFRS 15, the Group must determine whether there is a significant financing component in its contracts. However, the Group decided to use the practical expedient provided in IFRS 15 and will not adjust the promised amount of the consideration for the effects of a significant financing components in the contracts, where the Group expects, at contract inception, that the period between the Group transfer of a promised good to a customer and when the customer pays for that good will be one year or less. Therefore, for short-term advances, the Group will not account for a financing component even if it is significant.

*IFRS 16 Leases*

IFRS 16 was issued in January 2016 and it replaces IAS 17, IFRIC 4, SIC-15 and SIC-27.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Considering the Group mainly acts as a lessor and the limited amounts and number of leases, the Group estimates the effects of adopting IFRS 16 will be immaterial to its balance sheet.

## Note 3 PROPERTY, PLANT AND EQUIPMENT

**Figures in EUR - Consolidated**

| | IT equipment | Other fixtures and fittings | Motor vehicles | Total |
|---|---|---|---|---|
| **Gross book value as at December 31, 2016** | **54,133** | **236,701** | **39,650** | **330,484** |
| Additions in period | - | 32,560 | 49,535 | 82,095 |
| Disposals in period | - | - | - | - |
| Translation difference | (1,378) | (6,590) | (2,029) | (9,997) |
| **Gross book value as at December 31, 2017** | **52,755** | **262,671** | **87,156** | **402,582** |
| | | | | |
| **Accumulated Depreciation as at December 31, 2016** | **(52,190)** | **(221,803)** | **(39,650)** | **(313,643)** |
| Charge for the period | (459) | (6,977) | (2,064) | (9,500) |
| Disposals in the period | - | - | - | - |
| Translation difference | 1,324 | 7,988 | 1,303 | 10,615 |
| **Accumulated Depreciation as at December 31, 2017** | **(51,325)** | **(220,792)** | **(40,412)** | **(312,529)** |
| | | | | |
| **Net book Value as at December 31, 2016** | **1,943** | **14,898** | **-** | **16,841** |
| | | | | |
| **Net book Value as at December 31, 2017** | **1,430** | **41,879** | **46,744** | **90,053** |
| | | | | |
| **Depreciation method** | Linear | Linear | Linear | |
| **Depreciation period (Years)** | 2-4 | 3-9 | 4 | |

There were no impairment charges in 2017 and 2016. Motor vehicles with a gross book value of EUR 39,650 at 31 December 2017 are still in use, however they are completely amortised.

## Note 4 INVESTMENTS PROPERTIES

**Figures in EUR - Consolidated**

| | 2017 | 2016 |
|---|---|---|
| Opening balance as at January 1 | 16,685,822 | 26,406,570 |
| Additions in period | 200,717 | 3,316 |
| Sales | (3,173,777) | (146,485) |
| Transfers to Assets Held for Sale (note 11) | (436,000) | (13,565,878) |
| Fair value adjustment during the period | 728,717 | 4,117,919 |
| Translation differences | (378,765) | (129,621) |
| **Carrying amount as at December 31** | **13,626,714** | **16,685,822** |

Investment properties consist of land and buildings at various locations in Romania. The fair value of investment property as at 31 December 2017 is based on a valuation by an independent valuer who holds a recognized and relevant professional qualification in Romania and who has recent experience in the location and categories of the investment property being valued. Additionally, for those properties where pre-sale agreements were in place, the sale value included in the respective sale agreements has been used for the purposes of the valuation.

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 utilized, 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 2017 and 2016. 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. Land price varies depending on the size of the plot. In case of development sites, the larger the plot, the lower the price per square meter. In terms of size, based on market evidence, land plots were Grouped in several intervals, as follows: smaller than 1,000 sq m, between 1,000 and 5,000 sq m, between 5,000 and 10,000 sq m, between 10,000 and 50,000 sq m and larger than 50,000 sq m. If comparison was made with sites that are in different size intervals, a 5% adjustment was applied.

The properties have been inspected along with the surrounding neighborhood 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 10-30% were applied to the asking prices to adjust for reduced liquidity, difference in size, accessibility, permitting, etc.

On 29 March 2018, the Company completed the sale of remaining part of the Mamaia North plot for the amount of EUR 6.67m. Therefore, the sale price has also been used for the purpose of fair value at 31 December 2017.

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 categorized 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 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 2017 relate to the sale of several plots from the land bank portfolio as follows: 1,250 sqm in Ovidiu Lake side, Morii Lake plot, a plot of land in the town of Ovidiu of land in Tatar Peninsula, all with a total carrying value of EUR 3,173,777. The total selling price was higher than the carrying amount resulting in a profit of EUR 101,223.

## Note 5 INVENTORIES

**Figures in EUR - Consolidated**

| | 2017 | 2016 |
|---|---|---|
| Opening balance | **2,535,783** | **2,285,915** |
| Additions | 40,712 | 21,360 |
| Sales | (13,215) | (20,611) |
| Change in provisions | 176,628 | 260,186 |
| F/X reserve | (50,255) | (11,066) |
| **Balance as at December 31** | **2,689,652** | **2,535,783** |

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. At year-end 2017, inventories relate mainly to the Oasis project (EUR 2.6 million). The net realisable value test resulted in a value increase for the Oasis project. The cost for the Oasis project is EUR 5.5 million.

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 6 TRADE RECEIVABLES AND OTHER RECEIVABLES

| Figures in EUR | Consolidated | | Parent Company | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| Trade receivables | 73,255 | 79,255 | - | - |
| VAT receivable | 174,337 | 55,419 | - | - |
| Other prepayments | 42,564 | 56,300 | 57,884 | 6,160 |
| Other short-term receivables | 77,033 | 5,328 | | |
| **Total** | **367,366** | **196,302** | **57,884** | **6,160** |

Trade receivables include mainly receivables related to the sales of plots for which an instalments payment schedule has been agreed by the Group and other 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 |
| 2017 | 366,936 | 319,085 | 4,447 | 43,404 | - | - | - |
| 2016 | 196,302 | 151,503 | 15,434 | 29,365 | - | - | - |

## Note 7 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, 2016 | **41,367,783** | **103,419** | **87,117,249** | **87,220,668** |
| New issues in the period | - | - | - | - |
| Reduction in par value of shares | - | - | - | - |
| **Total share capital December 31, 2016** | **41,367,783** | **103,419** | **87,117,249** | **87,220,668** |
| New issues in the period | - | - | - | - |
| Reduction in par value of shares | - | - | - | - |
| **Total share capital December 31, 2017** | **41,367,783** | **103,419** | **87,117,249** | **87,220,668** |

There were no changes to the share capital or the number of shares during 2017 and 2016.

**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 24 March 2018:

| Name | Holding | Percentage |
|---|---|---|
| SIX SIS AG 25PCT ACCOUNT | 10,336,154 | 24.99 |
| GRØNSKAG KJETIL | 4,038,449 | 9.76 |
| THORKILDSEN DØDSBO KAY TØNNES | 3,071,656 | 7.43 |
| SAGA EIENDOM AS | 2,862,383 | 6.92 |
| THORKILDSEN WENCHE SYNNØVE | 2,344,100 | 5.67 |
| AUSTBØ EDVIN | 2,108,500 | 5.10 |
| Danske Bank A/S 3887 OPERATIONS SEC. | 1,452,995 | 3.51 |
| E. LARRE HOLDING AS | 1,325,241 | 3.20 |
| ORAKEL AS | 1,101,000 | 2.66 |
| ENERGI INVEST A/S | 1,055,993 | 2.55 |
| SPAR KAPITAL INVESTO | 940,236 | 2.27 |
| THORKILDSEN INVEST A | 829,478 | 2.01 |
| PERSSON ARILD | 718,000 | 1.74 |
| HOEN ANDERS MYSSEN | 689,557 | 1.67 |
| Skandinaviska Enskil | 628,832 | 1.52 |
| JONAS BJERG PENSION NTS TRUSTEES LTD | 558,306 | 1.35 |
| SILJAN INDUSTRIER AS | 481,480 | 1.16 |
| CLEARSTREAM BANKING | 438,483 | 1.06 |
| BNP Paribas Securiti S/A SPEARPOINT LTD | 406,856 | 0.98 |
| FRENICO AS | 396,000 | 0.96 |
| TOTAL TOP 20 | 35,783,699 | 87 |

(1) This is the Top 20 Shareholder list as per 24 March 2018.

(2) The total issued number of shares issued at 24 March 2018 was 41,367,783.

(3) Thorkildsen Invest AS is a Company controlled by RomReal Kay Thorkildsen family.

(4) Chairman Kjetil Grønskag owns directly and indirectly 4,288,179 shares corresponding to 10.4%.

(5) 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.

## Note 8 RETAINED EARNINGS

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

| Figures in EUR | Consolidated | Parent Company |
|---|---|---|
| **Retained earnings as of December 31, 2016** | **(69,177,879)** | **(67,851,773)** |
| Net profit in the period | (271,934) | 561,037 |
| **Retained earnings as of December 31, 2017** | **(69,449,812)** | **(67,290,736)** |

No dividends will be distributed by the Group in respect of 2017.

## Note 9 CASH AND CASH EQUIVALENTS

Cash and cash equivalents amount to EUR 3,505,384 at 31 December 2017 (EUR 707,145 at 31 December 2016).
At parent Company level, cash and cash equivalents amount to EUR 1,812,397 at 31 December 2016 (EUR 128,219 at 31 December 2016). There are no restrictions on the cash balances.

## Note 10 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 | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| Trade payables | 59,475 | 50,655 | - | - |
| Employee taxes | 8,353 | 4,074 | - | - |
| Other payables | 49,666 | 94,056 | 48,816 | 87,261 |
| **Trade payables** | **117,494** | **148,785** | **48,816** | **87,261** |

At 31 December 2017, the balance of EUR 117,494 other payables for the Group as well as the balance of Other payables of EUR 48,816 for the parent Company, include EUR 27,546 accrued expenses related to the 2017 audit fees.

## Note 11 ASSETS HELD FOR SALE

| Figures in EUR - Consolidated | 2017 | 2016 |
|---|---|---|
| Opening balance as at January 1 | 13,565,878 | - |
| Sales | (8,220,256) | - |
| Transfers from investment Properties (note 4) | 436,000 | 13,565,878 |
| Fair value adjustment during the period | 1,534,833 | - |
| Translation differences | (213,718) | - |
| **Carrying amount as at December 31** | **7,102,737** | **13,565,878** |

The Group considers the completion of the transactions highly probable while the assets are available for immediate sale in its present condition.

On 29 March 2018, the Group completed the sale of the remaining Mamaia North plot for a total consideration of EUR 6.67 million, with the consideration being received in full at the time. Please see note 25.

## Note 12 INTEREST-BEARING LOAN

As at 31 December 2017 the Group had no interest-bearing debt as both the loans of EUR 11,600,000 from towards Alpha Bank and the EUR 400,000 shareholder loan have been repaid during the year.

The loan from Alpha Bank was an assets finance facility taken by the Group in December 2007. The Group has used part of the proceeds obtained from the sale of assets during the year to entirely repay the Alpha Bank loan on 7th April 2017

## Note 13 OPERATING INCOME

**Figures in EUR - Consolidated**

| | | 2017 | 2016 |
|---|---|---|---|
| Rent revenue | | 195,875 | 278,389 |
| Sales of investment property | 4 | 11,507,307 | 221,248 |
| Cost of sales- investment property | 4 | (11,394,033) | (146,485) |
| **Total operating income** | | **309,150** | **353,153** |

Balada market is the main rent generating property. Total rent generated during the year amounted to EUR 195,875 (2016: EUR 278,389). Future minimum rentals receivable under non-cancellable operating leases as at 31 December are, as follows:

**Figures in EUR - Consolidated**

| | 2017 | 2016 |
|---|---|---|
| Within 1 year | 195,875 | 278,389 |
| After 1 year | - | - |
| **Total operating income** | **195,875** | **278,389** |

The Sales of investment property during 2017 relate to the sale of several plots of land the Group owned: part of the Mamaia North plot in Constanta, Morii Lake plot in Bucharest and some smaller plots in north Constanta.

## Note 14 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 18,500 (2016: EUR 27,500). Mr Kjetil Grønskag's remuneration as CEO of the Group has been assimilated to the Management Support Agreement (see note 20).

The Directors are shown below together with their interest in the shares of the Company per 31 December 2017 and per 31 December 2016:

| | | 31 December 2017 | 31 December 2016 |
|---|---|---|---|
| Kjetil Grønskag | Appointed November 2006 | 4,288,179 | 4,138,179 |
| Heidi Sørensen Austbø | Appointed April 2017 | Nil | Nil |
| Bendt Thorkildsen | Appointed April 2016 | 6,245,234 | 6,245,234 |
| Arve Nilsson | Appointed September 2008 | 936,052 | 836,052 |
| Lacramioara Isarescu | Appointed April 2014 | Nil | Nil |
| Adrian Cristea | CEO - Appointed October 201 | Nil | Nil |
| **TOTAL** | | **11,830,565** | **11,830,565** |

The average number of employees in Westhouse Group during 2017 was 5. Payroll expenses related to these employees amounted to EUR 165,007 during 2017 (2016: 168,774). All compensations offered by the Group are short term benefits. The Group does not offer a pension plan or other long-term employee benefits to its employees as of December 31, nor are there any post-employment benefits.

## Note 15 GENERAL AND ADMINISTRATIVE EXPENSES

| **Figures in EUR** | **Consolidated** | | **Parent Company** | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| Management fee | (99,500) | (85,000) | (99,500) | (85,000) |
| Legal expenses | (386,044) | (36,954) | - | - |
| Rent expenses | (8,105) | (17,240) | - | - |
| Travel expenses | (4,133) | (1,925) | (3,596) | (1,922) |
| Professional services | (84,970) | (137,059) | (126,835) | (137,059) |
| Land and other taxes | (64,198) | (67,053) | - | - |
| Other expenses | (568,124) | (258,928) | (9,297) | (10,290) |
| **Total** | **(1,215,074)** | **(604,159)** | **(239,228)** | **(234,271)** |

Legal expenses during 2017 include one off fees related to the legal services in connection with the sales of plots entered into during 2017. Similarly, Other Expenses include broker fees in amount of EUR 303,711 related to the sales of plots entered into during 2017. For the parent Company, Professional Services include EUR 27,546 accrued expenses related to the 2017 audit fees.

## Note 16 OTHER OPERATING (LOSS) / GAINS

For RomReal (the parent Company) "Other operating (loss)/gains" of EUR 0.51 million gain in 2017 (2016: EUR 0.78 million gain) relates mainly to change in the fair value of the investment in subsidiaries).

## Note 17 FINANCIAL INCOME AND EXPENSE

| Figures in EUR | Consolidated | | Parent Company | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| Interest income from subsidiaries | - | - | 401,862 | 810,716 |
| Interest income from banks | 22,230 | 187 | - | - |
| **Total financial income** | **22,230** | **187** | **401,862** | **810,716** |
| Interest expense and other bank fees | (117,082) | (392,217) | (13,869) | (1,109) |
| Foreign exchange gain | 2,735,172 | 4,878,162 | | |
| Foreign exchange loss | (4,059,630) | (5,117,893) | - | - |
| **Total Financial expense** | **(1,441,540)** | **(871,679)** | **(13,869)** | **(1,109)** |

During 2017 the RON has fluctuated against the EUR and at year end was 2.6% weaker against the EUR. All inter-company loans taken by the Romanian subsidiaries from RomReal Ltd as well as, for the period it was outstanding, the loan from Alpha Bank were revalued at the closing rate.

The interest expense in 2017 and 2016 relates to the interest costs in respect of the Alpha Bank loan and the shareholder loan (please see note 12).

## Note 18 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 2017.

Current income tax expense for 2017 was EUR 1,195,130 (2016: 6,297) and it is mainly in respect of the capital gains made on the sale of the part of the Mamaia North plot as well as the taxable profits resulting from the renting of the Balada market and Investate. The major components of the income tax expense for the periods ended December 31, 2017 and December 31, 2016 are:

| Figures in EUR - Consolidated | 2017 | 2016 |
|---|---|---|
| Current income tax charge | 1,195,130 | 6,297 |
| Deferred income tax movement in the period | (977,771) | 2,068,078 |
| **Income tax expense/(income) in the consolidated income statement** | **217,360** | **2,074,365** |

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

**Figures in EUR - Consolidated**

| | 2017 | 2016 |
|---|---|---|
| Losses carried forward resulting in deferred tax asset | 121,235 | 124,401 |
| Fair value adjustments of Investment property resulting in deferred tax liability | 1,091,468 | 2,103,537 |

The reduction in the deferred tax liability during the year is related to the conversion into actual sales of the conditional sales entered into by the Group for its Mamaia North plot.

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

| | 2017 | 2016 |
|---|---|---|
| Westhouse SRL | 121,235 | 124,401 |
| **TOTAL** | **121,235** | **124,401** |

The deferred tax asset relates to the following:

| | 2017 | 2016 |
|---|---|---|
| Carried forward fiscal losses | 121,235 | 124,401 |
| **TOTAL** | **121,235** | **124,401** |

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

| | 2017 | 2016 |
|---|---|---|
| Concorde SRL | 102,007 | 80,909 |
| Hars SRL | - | 1,252,675 |
| Terra del Sol SRL | 977,311 | 759,112 |
| Investate SRL | 12,150 | 10,841 |
| **TOTAL** | **1,091,468** | **2,103,537** |

The deferred tax liability relates to the following:

| | 2017 | 2016 |
|---|---|---|
| Revaluation of investment properties to fair value | 1,091,468 | 2,103,537 |
| **TOTAL** | **1,091,468** | **2,103,537** |

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. 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.

| | 2017 | 2016 |
|---|---|---|
| Accounting taxable profits/(loss) | 113,036 | 3,289,615 |
| Tax at applicable rate of 16% | (18,086) | (526,338) |
| Tax effect of (expenses)/income that are not (deductible)/taxable in determining taxable profit | (199,274) | (1,548,026) |
| **Tax (expense)/income** | **(217,360)** | **(2,074,365)** |

The Company has not recognised some deferred tax assets in respect of the carried forward tax losses for which there was not enough evidence to support future taxable income to offset them against. The Group can carry forward the tax losses for a period of 7 years on a rolling basis.

## Note 19 DEFERRED INCOME

Deferred income at the end of 2017 included mainly the payments received by the Group as a result of the entering in the pre-sale agreement for the part of the Mamaia North plot for which the sale was not yet completed.

## Note 20 TRANSACTIONS WITH RELATED PARTIES

**Transactions with subsidiary**

RomReal Ltd. has granted its subsidiary Westhouse Group SRL loans amounting to a total of EUR 50,069,858, interest to 31 December 2017 included. InterGroup loans are for a term of 11 months. Until 30 June 2017 they carried an interest of 3% p.a. after which it was decided they will be interest free. The loan has been entirely provisioned in the stand alone financial statements of the parent. The subsidiary Westhouse Group SRL has further granted RomReal Ltd. a loan of EUR 116,262 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 four shareholders of North Bridge, which include Mr. Jonas Bjerg and Mr. Kjetil Grønskag. 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 2017 (2016: 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 2017, 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 16,000 per year plus reasonable out-of-pocket expenses for travelling. During the period North Bridge charged EUR 16,000 (2016: EUR 16,000). The outstanding balance due to North Bridge at 31 December 2017 was nil (2016: EUR 0).

The Group's Chairman Kjetil Gronskag, holds an executive position as Chief Executive of RomReal following Board approval on the 26 May 2016 for which he is entitled to a yearly fee of EUR 35,500.

On 5 August 2016, RomReal entered into a shareholder financing agreement with the Thorkildsen family for an amount of up to EUR 540,000. The loan was unsecured, carried an interest of 4% and had a maturity of one year. During 2017, the loan has been entirely repaid, following proceeds from the sale of assets.

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

## Note 21 FINANCIAL RISK

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

**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.

The fair value of the Group's financial assets and liabilities is equal to the carrying amount.

**Credit risk**
Credit risk is the risk that 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.

As of 31 December 2017, no trade and other receivables were impaired (see note 6).

**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. At 31 December 2017, the Group's had no exposure bearing the risk of changes in market interest rates

**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.

| Year ended 31 December 2017 | On demand | Less than 3 months | 3 to 12 months | 1 to 5 years | > 5 years | Total |
|---|---|---|---|---|---|---|
| Interest bearing loans | - | - | - | - | - | - |
| Shareholder loan | - | - | - | - | - | - |
| Other payables | - | 119,899 | - | - | - | 119,899 |
| Deferred income* | - | - | 6,363,353 | - | - | 6,363,353 |
| Tax payable | - | 895 | - | - | - | - |
| **Total** | **-** | **120,794** | **6,363,353** | **-** | **-** | **6,484,147** |

| Year ended 31 December 2016 | On demand | Less than 3 months | 3 to 12 months | 1 to 5 years | > 5 years | Total |
|---|---|---|---|---|---|---|
| Interest bearing loans | - | - | 11,600,000 | - | - | 11,600,000 |
| Shareholder loan | - | - | 400,000 | - | - | 400,000 |
| Other payables | - | 148,785 | - | - | - | 148,785 |
| Deferred income | - | - | 211,487 | - | - | 211,487 |
| Tax payable | - | - | - | - | - | - |
| **Total** | **-** | **148,785** | **12,211,487** | **-** | **-** | **12,360,271** |

*The Deferred income will not result in any payment. The amounts will be reversed and recognised as revenue once the sale for which such advance payments have been made will be finalised.

The changes in liabilities arising from financial assets are as follows:

| Year ended 31 December 2017 | 1 January | Cash inflows | Cash outflows | 31 December |
|---|---|---|---|---|
| Interest bearing loans | 11,600,000 | | (11,600,000) | - |
| Shareholder loan | 400,000 | 100,000 | (500,000) | - |
| **Total** | **12,000,000** | **100,000** | **(12,100,000)** | **-** |

| Year ended 31 December 2016 | 1 January | Cash inflows | Cash outflows | 31 December |
|---|---|---|---|---|
| Interest bearing loans | 11,600,000 | | - | 11,600,000 |
| Shareholder loan | - | 400,000 | - | 400,000 |
| **Total** | **11,600,000** | **400,000** | **-** | **12,100,000** |

**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 currency of the parent Company and the one in which loans are denominated, 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 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 2017 and 31 December 2016. During the period, the Group repaid entirely the asset finance facility from Alpha Bank Romania.

## Note 22 CONTINGENT LIABILITIES

As of December 31, 2017, 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 23 GUARANTEE OBLIGATIONS

The Group has not issued any guarantees on behalf of external parties.

## Note 24 EARNINGS PER SHARE

| **Basis for calculation of earnings per share** | **Consolidated** | | **Parent Company** | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| The year's earnings from continuing operations | (271,934) | 1,215,250 | 561,037 | 1,323,976 |
| No. of shares at the balance sheet date | 41,367,782 | 41,367,782 | 41,367,782 | 41,367,782 |
| Average of no. of shares | 41,367,782 | 41,367,782 | 41,367,782 | 41,367,782 |
| **Earnings per share** | **(0.01)** | **0.03** | **0.01** | **0.03** |
| **Adjusted Earnings per share** | **(0.01)** | **0.03** | **0.01** | **0.03** |

## Note 25 SUBSEQUENT EVENTS

The Company is presently analysing the legal restructuring of RomReal companies in Romania by way of mergers between the Group companies. As of 18 January 2018, West Feriae and Westhouse One SRL merged into Westhouse Group SRL and Hars SRL merged with Westhouse Invest SRL. The legal merger of Magic Sail SRL with Rofrench SRL is ongoing.

On 29 March 2018, the Group completed the sale of the remaining of its Mamaia North plot, for a total consideration of EUR 6.67 million, with the amounts received in full at that time.

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 2017 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 t 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, 12.04.2018**
**The Board of Directors of RomReal Ltd**

...........................................
Kjetil Grønskag (Chairman)

...........................................
Bendt Thorkildsen

...........................................
Heidi Sorensen (Director)

...........................................
Lacramioara Isarescu (Director)

.....................................
Arve Nilsson (Director)

## Company Addresses

| | |
|---|---|
| Westhouse Group srl | Westhouse Group SRL, 54 Cuza-Voda Street, ap. 3, ground floor, Constanta, Romania, 900682 |
| RomReal Ltd | Burnaby Building, 16 Burnaby Street, Hamilton, HM11, Bermuda |
| Auditors | Ernst & Young SRL, Premium Plaza Building, 3rd Floor, 63-69 Dr. Iacob Felix Street, Sector 1, 011033, Bucharest, Romania |
| Auditors | Ernst & Young AS, 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**

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For further information on RomReal, including presentation material relating to this interim report and financial information, please visit 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.