AGI-RRE PARTICIPATIONS 1 SRL

PRELIMINARY IFRS FINANCIAL INFORMATION

FOR THE YEAR ENDED DECEMBER 31, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders,
AGI-RRE PARTICIPATIONS 1 SRL

Opinion

1. We have audited the preliminary financial information of AGI-RRE PARTICIPATIONS 1 SRL ("the Company"), with registered office in Bucharest, Sector 1, 30 Ermil Pangratti street, 5th floor, identified by unique tax registration code 26896436, which comprise the preliminary statement of financial position as at December 31, 2017, and the preliminary statement of profit or loss and other comprehensive income, preliminary statement of changes in equity and preliminary statement of cash flows for the year then ended, including a summary of significant accounting policies and notes to the preliminary financial information. The preliminary financial information has been prepared as part of the Company's conversion to the International Financial Reporting Standards as endorsed by the European Union ("IFRSs").

2. In our opinion, the accompanying preliminary financial information has been prepared, in all material respects, in accordance with the basis set out in Note 2 (a) Basis of preparation, which describe how IFRSs have been applied under IFRS 1, including the assumptions management has made about the standards and interpretations expected to be effective, and the policies expected to be adopted, when management prepares its first complete set of IFRS financial statements as at and for the year ended 31 December 2018.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and Law 162/2017 ("the Law"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Preliminary Financial Information section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), in accordance with ethical requirements relevant for the audit of the financial statements in Romania including the Law and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Accounting and Restriction on Distribution and Use

3. We draw attention to Note 2 (a) which presents that, under IFRSs, only a complete set of financial statements, comprising for both current and comparative period, a statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows together with comparative financial information and explanatory notes, can provide a fair presentation of the Company's financial position, results of operations and cash flows in accordance with IFRSs. As described in Note 2 (a), as part of its conversion to IFRSs, the Company has prepared the preliminary financial information to be used in the Company's first complete set of IFRS financial statements as at and for the year ended 31 December 2018 and may not be suitable for another purpose. Our report is intended solely for the Company and should not be distributed to or used by parties other than the Company. Our opinion is not modified in this respect.

Other Matters

4. The preliminary opening IFRS statement of financial position and related notes as at 01 January 2017 were audited by an other auditor (KPMG Audit SRL), which issued an unqualified audit opinion on 29 March 2019.

Responsibilities of Management and Those Charged with Governance for the Preliminary Financial Information

5. Management is responsible for the preparation and fair presentation of the preliminary financial information in accordance with Note 2 (a) Basis of preparation and for such internal control as management determines is necessary to enable the preparation of preliminary financial information that are free from material misstatement, whether due to fraud or error.

6. In preparing the preliminary financial information, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

7. Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Preliminary Financial Information

8. Our objectives are to obtain reasonable assurance about whether the preliminary financial information as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the preliminary financial information.

9. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

    - Identify and assess the risks of material misstatement of the preliminary financial information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

    - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

    - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

    - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the preliminary financial information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

10. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Claudiu Ghiurluc, Director de audit

Registered with the Authority for the Public Oversight of the Statutory Audit Activity under AF 3113

On behalf of:

DELOITTE AUDIT S.R.L.

Registered with the Authority for the Public Oversight of the Statutory Audit Activity under FA 25

Clădirea The Mark, Calea Griviței nr. 84-98 și 100-102, etajul 8 și etajul 9, Sector 1
06 December 2019

PRELIMINARY STATEMENT OF FINANCIAL POSITION

In thousands of RON

	Notes	December 31, 2017	January 01, 2017
Assets			
Non-Current assets			
Investment property	4	32,002	33,017
Property plant and equipment	5	272	222
Total non-current assets		**32,274**	**33,239**
Current assets			
Trade receivables	6	43	76
Other assets	7	325	232
Cash and cash equivalents	8	487	15
Total current assets		**855**	**323**
Total assets		**33,129**	**33,562**
Equity			
Share capital	9	735	735
Retained earnings/(losses)		(12,102)	(9,247)
Total equity		**(11,367)**	**(8,512)**
Liabilities			
Borrowings	10	-	41,910
Total non-current liabilities		**-**	**41,910**
Borrowings	10	44,101	-
Trade and other payables	11	395	164
Total current liabilities		**44,496**	**164**
Total liabilities		**44,496**	**42,074**
Total equity and liabilities		**33,129**	**33,562**

PRELIMINART STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

In thousands of RON

	Notes	For the period ended December 31, 2017
Rental revenues	14	1,046
Depreciation expenses	4,5	(1,084)
Other direct property operating expenses	15	(1,031)
Other income		2
Other expenses	15	(186)
Operating profit/(loss)		**(1,253)**
Finance costs	16	(1,602)
Profit/(Loss) before income tax		**(2,855)**
Income tax expense	17	-
Profit/(Loss) for the period		**(2,855)**
Other comprehensive income		-
Total comprehensive income for the year		**(2,855)**

PRELIMINARY STATEMENT OF CHANGES IN EQUITY

In thousands of RON

	Share capital	Reserves	Retained earnings	Total equity
Balance at January 01, 2017	735	**-**	(9,247)	(8,512)
Profit /(Loss) for the year	-	**-**	(2,855)	(2,855)
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**(2,855)**	**(2,855)**
Share capital increase	-	-	-	**-**
Balance at December 31, 2017	**735**	**-**	**(12,102)**	**(11,367)**

PRELIMINARY STATEMENT OF CASH FLOWS

In thousands of RON

	December 31, 2017
Cash flows from operating activities	
Profit before income tax	(2,855)
Depreciation expense	1,084
Finance costs	1,602
Changes in working capital	
(Increase)/Decrease in trade receivables and other assets	(59)
Increase/(Decrease) in trade and other payables	231
Cash generated from operations	**3**
Income tax paid	-
Net cash generated from operating activities	**3**
Cash flows from investing activities	
Purchases of investment property	(48)
Purchases of Property Plant and Equipment	(72)
Proceeds from sale of investment property	-
Proceeds from sale of Property Plant and Equipment	-
Net cash from investing activities	**(119)**
Cash flows from financing activities	
Share capital increase	-
Proceeds from borrowings	588
Repayments of borrowings	-
Dividends paid to the Company's shareholders	-
Net cash from financing activities	**588**
Net increase in cash and cash equivalents	**472**
Cash and cash equivalents at 1 January	**15**
Cash and cash equivalents at 31 December	**487**

1. REPORTING ENTITY

AGI-RRE PARTICIPATION 1 SRL ("The Company") is a company registered in Romania.

The address of the Company's registered office is Bucharest, district 1, Ermil Pangratti Street, no.30, 5th floor.

The Company is part of the Alpha Bank Group. The Company is 100% owned by AGI - RRE PARTICIPATIONS 1 LIMITED, with headquarter in Cyprus.

The Company is primarily involved in real estate development and construction and renting out of its property.

2. BASIS OF PREPARATION

(a) Basis of preparation

The Preliminary Financial Information has been prepared as part of the Company's conversion to International Financial Reporting Standards, as adopted by the European Union. The measurement and recognition principles from IFRS 1 First Time Adoption of IFRSs have been applied. An explanation of how the transition to IFRSs has affected closing balances as of December 31, 2017 is provided below.

As part of its conversion to IFRSs, in this Preliminary Financial Information, the Company has prepared the following:

- the preliminary statement of financial position as of January 01, 2017 and December 31, 2017,
- the preliminary statement of changes in equity as of January 01, 2017 and December 31, 2017,
- the preliminary statement of profit or loss and other comprehensive income as of December 31, 2017,
- the preliminary statement of cash flows as of December 31, 2017,
- explanatory notes the Preliminary Financial Information as of January 01, 2017 and December 31, 2017.

Under IFRSs, only a complete set of complete set of financial statements, comprising for both current and comparative period, a statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity, statement in cash flows together with comparative financial information and explanatory notes, can provide a fair presentation of the Company's financial position, results of operations and cash flows in accordance with IFRSs. The Company has prepared the above information to be used in the Company's first complete set of IFRS financial statements as at and for the year ended 31 December 2018 and may not be suitable for another purpose.

The Company's statutory accounting records are maintained in accordance with the Romanian Accounting Standards (RAS). These accounts have been restated to reflect the differences between RAS and IFRS accounts. Accordingly, RAS accounts were adjusted, if necessary, to harmonize, in all material respects, with IFRS as adopted by the European Union.

The most important changes to the Preliminary Financial Information prepared in accordance with RAS in order to bring them into line with IFRS requirements adopted by European Union are:

- grouping more elements into more comprehensive categories
- disclosure requirements in accordance with IFRSs.

The Preliminary Financial Information is presented in RON, rounded to the nearest thousand, unless otherwise indicated.

The Preliminary Financial Information has been prepared on a going concern basis which assumes that the Company will continue in the next 12 months from the date of the Preliminary Financial Information.

2. BASIS OF PREPARATION (continued)

a) Basis of preparation (continued)

Explanation of transition to IFRSs

In thousands of RON	**Previous GAAP (unaudited)**	**IFRS adjustments**	**IFRSs**
Assets			
Investment property	32,002	-	32,002
Property plant and equipment	272	-	272
Total non-current assets	**32,274**	**-**	**32,274**
Trade receivables	43	-	43
Other assets	325	-	325
Cash and cash equivalents	487	-	487
Total current assets	**855**	-	**855**
Total assets	**33,129**	**-**	**33,129**
Equity			
Share capital	735	**-**	735
Retained earnings/ (losses)	(12,102)	-	(12,102)
Total equity	**(11,367)**	**-**	**(11,367)**
Liabilities			
Borrowings	44,101	-	44,101
Trade and other payables	395	-	395
Total liabilities	**44,496**	**-**	**44,496**
Total equity and liabilities	**33,129**	**-**	**33,129**

In thousands of RON	**Previous GAAP (unaudited)**	**IFRS adjustments**	**IFRSs**
Rental revenues	1,046	-	1,046
Depreciation expenses	(1,084)	-	(1,084)
Other direct property operating expenses	(1,031)	-	(1,031)
Other income	2	-	2
Other expenses	(186)	-	(186)
Operating profit/(loss)	**(1,253)**	**-**	**(1,253)**
		-	
Finance costs	(1,602)	-	(1,602)
Profit/(loss) before income tax	**(2,855)**	**-**	**(2,855)**
Income tax expense	-	-	-
Profit/(loss) for the period	**(2,855)**	**-**	**(2,855)**

2. BASIS OF PREPARATION (continued)

(b) Presentation of financial information

The Preliminary Financial Information are presented in accordance with IAS 1 "Presentation of financial statements". The Company has adopted a liquidity-based presentation in the preliminary statement of financial position and a presentation of income and expenses by their nature in the preliminary statement of profit or loss and other comprehensive income, as it considers that such presentation methods offer reliable and more relevant information compared to those that would have been presented using alternative methods allowed by IAS 1.

(c) Functional and presentation currency

The Company's management considers that the functional currency, as defined by IAS 21 "Effects of changes in foreign exchange rates", is the Romanian Leu (RON). The Preliminary Financial Information is presented in RON, rounded at the closest RON value, which the Company's management has chosen as presentation currency.

(d) Basis of measurement

The Preliminary Financial Information is prepared using the amortized cost, revaluated amounts or historical costs for all financial and non-financial assets and liabilities.

(e) Use of estimates and judgments

The preparation of the Preliminary Financial Information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities. Actual results may differ from these estimates. Estimates and underlying assumptions are review on an ongoing basis. Revisions to accounting estimates are recognise in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following note 3 (j) Impairment.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in the Preliminary Financial Information have been applied consistently for all of the years presented in the Preliminary Financial Information.

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

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

- **Amendments to IAS 7 "Statement of Cash Flows"** - Disclosure Initiative – adopted by EU on 6 November 2017 (effective for annual periods beginning on or after 1 January 2017),
- **Amendments to IAS 12 "Income Taxes"** - Recognition of Deferred Tax Assets for Unrealised Losses – adopted by EU on 6 November 2017 (effective for annual periods beginning on or after 1 January 2017).

The adoption of these amendments to the existing standards has not led to any material changes in the Company's Preliminary Financial Information.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

At the date of authorisation of the Preliminary Financial Information, the following new standards issued by IASB and adopted by the EU are not yet effective:

- **IFRS 9 "Financial Instruments"** - adopted by the EU on 22 November 2016 (effective for annual periods beginning on or after 1 January 2018),
- **IFRS 15 "Revenue from Contracts with Customers"** and amendments to IFRS 15 "Effective date of IFRS 15" - adopted by the EU on 22 September 2016 (effective for annual periods beginning on or after 1 January 2018),
- **IFRS 16 "Leases"** – adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to IFRS 4 "Insurance Contracts"** - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – adopted by the EU on 3 November 2017 (effective for annual periods beginning on or after 1 January 2018 or when IFRS 9 "Financial Instruments" is applied first time),
- **Amendments to IFRS 15 "Revenue from Contracts with Customers"** - Clarifications to IFRS 15 Revenue from Contracts with Customers – adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2018).

The Company has elected not to adopt these new standards and amendments to existing standards in advance of their effective dates. The Company anticipates that the adoption of these standards and amendments to existing standards will have no material impact on the Financial Statements of the Company in the period of initial application.

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

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

- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- **IFRS 17 "Insurance Contracts"** (effective for annual periods beginning on or after 1 January 2021),
- **Amendments to IFRS 2 "Share-based Payment"** - Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to IFRS 9 "Financial Instruments"** - Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded),
- **Amendments to IAS 28 "Investments in Associates and Joint Ventures"** - Long-term Interests in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2019),

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) New standards and amendments to the existing standards issued by IASB but not yet adopted by the EU (continued)

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

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

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

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

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

The Company anticipates that the adoption of these new standards, amendments to the existing standards and new interpretations will have no material impact on the Financial Statements of the Company in the period of initial application.

d) Foreign currency transactions

Operations denominated in foreign currencies are recorded in RON at the official exchange rate on the transaction date. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into RON at the exchange rate of that date.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the exchange rate at the end of the year of monetary assets and liabilities denominated in a foreign currency are recognized in the preliminary statement of profit or loss and comprehensive income except those recognized in equity as a result of their registration based on hedge accounting.

The exchange rates of the main foreign currencies were:

Currency	December 31, 2017	December 31, 2016
EUR	1: LEU 4.6597	1: LEU 4.5411
USD	1: LEU 3.8915	1: LEU 4.3033

e) Cash and deposits

Cash and deposits include current accounts and deposits at banks.

In the preparation of the preliminary statement of cash flows, the Company considers the following as cash and cash equivalents: current bank accounts, deposits with initial maturity of less than 90 days and interest thereon.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Financial instruments

Initial recognition

The Company recognizes financial assets or financial liabilities in its preliminary statement of financial position when it becomes a party to the contractual conditions of the instrument.

Upon initial recognition the Company measures financial assets and liabilities at fair value.

Subsequent measurement of financial assets

The Company holds financial assets that are classified as other assets.

Other assets are non-derivative financial assets, with fixed or determinable payments, that are not quoted in an active market and for which the Company does not expect not to recover substantially its investment other than because of credit deterioration of the issuer.

This category is measured at amortized cost using the effective interest rate method and is periodically tested for impairment based on the procedures described in note 3 (i).

The effective interest rate method is a method of calculating the amortised cost of a financial instrument and of allocating the interest income or expense during the relative period. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the contractual life of a financial instrument or the next repricing date.

Derecognition of financial assets

The Company derecognizes financial assets when:

- the cash flows from the financial assets expire,
- the contractual right to receive the cash flows of the financial assets is transferred and at the same time both risks and rewards of ownership are transferred.

Subsequent measurement of financial liabilities

The Company carries financial liabilities at amortized cost using the effective interest method.
Loans taken from banks and third parties and other liabilities are classified in this category.

Derecognition of financial liabilities

The Company derecognizes a financial liability (or part thereof) when its contractual obligations are discharged, cancelled or expire.

In cases that a financial liability is exchanged with another one with substantially different terms, the exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new one.

The same applies in cases of a substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the debtor). The terms are considered substantially different if the discounted present value of the cash flows under the new terms (including any fees paid net of any fees received), discounted using the original effective interest rate, is at least 10% different from the present value of the remaining cash flows of the original financial liability.

In cases of derecognition, the difference between the carrying amount of the financial liability (or part of the financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in preliminary statement of profit or loss and other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Financial instruments (continued)

Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset, and the net amount is presented in the balance sheet, only in cases when the Company has both the legal right and the intention to settle them on a net basis, or to realize the asset and settle the liability simultaneously.

g) Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability.

The Company measures the fair value of assets and liabilities traded in active markets based on available quoted market prices. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The fair value of financial instruments that are not traded in an active market is determined by the use of valuation techniques, appropriate in the circumstances, and for which sufficient data to measure fair value are available, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. If observable inputs are not available, other model inputs are used which are based on estimations and assumptions such as the determination of expected future cash flows, discount rates, probability of counterparty default and prepayments. In all cases, the Company uses the assumptions that 'market participants' would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Assets and liabilities which are measured at fair value or for which fair value is disclosed are categorized according to the inputs used to measure their fair value as follows:

- Level 1 inputs: quoted market prices (unadjusted) in active markets
- Level 2 inputs: directly or indirectly observable inputs
- Level 3 inputs: unobservable inputs used by the Company, to the extent that relevant observable inputs are not available.

h) Property, Plant and Equipment

This caption includes: equipment and furniture.

Property, plant and equipment are initially recognised at cost which includes any expenditure directly attributable to the acquisition of the asset.

Subsequently, property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Subsequent expenditure is recognized on the carrying amount of the item when it increases future economic benefit.

Expenditure on repairs and maintenance is recognized in profit or loss as an expense as incurred.
Depreciation is charged on a straight-line basis over the estimated useful lives of property, plant and equipment and it is calculated on the asset's cost minus residual value.

The estimated useful lives are as follows:

- Furniture: up to 5 years
- Equipment and vehicles: up to 10 years

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Property, Plant and Equipment (continued)

The residual value of property and equipment and their useful lives are periodically reviewed and adjusted if necessary, at each reporting date.

Property, plant and equipment are reviewed at each reporting date to determine whether there is an indication of impairment and if they are impaired, the carrying amount is adjusted to its recoverable amount with the difference recorded in preliminary statement of profit or loss and other comprehensive income.

Gains and losses from the sale of property and equipment are recognized in preliminary statement of profit or loss and other comprehensive income.

i) Investment property

The Company includes in this category land and expenses capitalized related to residential project development.

Investment property is initially recognised at cost which includes any expenditure directly attributable to the acquisition of the asset.
Subsequently investment property is measured at cost less accumulated depreciation and impairment losses.

Subsequent expenditure is recognized on the carrying amount of the item when it increases future economic benefit. All costs for repairs and maintenance are recognized in preliminary statement of profit or loss and other comprehensive income as incurred.

The estimated useful lives over which depreciation is calculated using the straight-line method are the same as those applied to lands and buildings.

In case of a change in the Company's intention regarding the use of property, reclassifications to or from the "Investment Property" category occur.

j) Impairment

Impairment losses on receivables

The Company assesses at each reporting date for any evidence of impairment in accordance with the general principles and methodology set out in IAS 39 and the relevant guidelines for implementation.
In case that there is objective evidence that the recoverable amount of the financial assets is less than the book value, then the book value is adjusted in order to reach the recoverable amount. The difference is recorded in preliminary statement of profit or loss and other comprehensive income as impairment.

Impairment losses on non-financial assets

The Company assess as at each balance sheet date non-financial assets for impairment, particularly investment property.

In assessing whether there is an indication that an asset may be impaired both external and internal sources of information are considered, of which the following are indicatively mentioned:

- The asset's market value has declined significantly, more than would be expected as a result of the passage of time or normal use.

- Significant changes with an adverse effect have taken place during the period or will take place in the near future, in the technological, economic or legal environment in which the entity operates or in the market to which the asset is dedicated.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Impairment (continued)

- Significant unfavourable changes in foreign exchange rates.

- Market interest rates or other rates of return of investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use.

- The carrying amount of the net assets of the entity is greater than its market capitalization.

- Evidence is available of obsolescence or physical damage of an asset.

An impairment loss is recognized in preliminary statement of profit or loss and other comprehensive income when the recoverable amount of an asset is less than its carrying amount. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Fair value less costs to sell is the amount received from the sale of an asset (less the cost of disposal) in an orderly transaction between market participants.

Value in use is the present value of the future cash flows expected to be derived from an asset or cash – generating unit through their use and not from their disposal. For the valuation of investment property, value in use incorporates the value of the asset as well as all the improvements which render the asset perfectly suitable for its use by the Company.

k) Provisions and contingent liabilities

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

The amount recognized as a provision shall be the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. Where the effect of the time value of money is material, the amount of the provision is equal to the present value of the expenditures expected to settle the obligation. Amounts paid for the settlement of an obligation are set against the original provisions for these obligations. Provisions are reviewed at the end of each reporting period.

If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed. Additionally, provisions are not recognized for future operating losses.

Future events that may affect the amount required to settle the obligation, for which a provision has been recognized, are taken into account when sufficient objective evidence exists that they will occur.
Reimbursements from third parties relating to a portion of or all of the estimated cash outflow are recognized as assets, only when it is virtually certain that they will be received. The amount recognized for the reimbursement does exceed the amount of the provision. The expense recognized preliminary statement of profit or loss and other comprehensive income relating to the provision is presented net of the amount of the reimbursement.

The Company does not recognize in the preliminary statement of financial position contingent liabilities which relate to:

- possible obligations resulting from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company, or
- present obligations resulting from past events for which:
  - it is not probable that an outflow of resources will be required, or
  - the amount of liability cannot be measured reliably.

The Company provides disclosures for contingent liabilities taking into consideration their materiality.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Share capital

Ordinary shares are recognized in the share capital. Incremental costs directly attributable to an issuance of ordinary shares are deducted from capital, net of taxation effects.

m) Revenue

Revenue includes rental income, and service charges and management charges from properties.
Rental income from investment property is recognised in preliminary statement of profit or loss and other comprehensive income over the term of the lease.
Service and management charges are recognised in the accounting period in which the services are rendered.

n) Finance income and finance costs

Financial income and financial costs consist of revenue and expenses recognized in the preliminary statement of profit or loss and other comprehensive income for all interest-bearing financial assets and liabilities.

Income and expense are recognized on an accrual basis and are measured using the effective interest rate.

Gains and losses from foreign currency exchange differences are reported on a net basis.

o) Tax

Income tax consists of current and deferred tax.

Current tax for a period includes the expected amount of income tax payable in respect of the taxable profit for the current reporting period, based on the tax rates enacted at the balance sheet date (i.e. 16% at 31.12.2017).

Deferred tax is the tax that will be paid or for which relief will be obtained in future periods due to the different period that certain items are recognized for financial reporting purposes and for taxation purposes.

It is calculated based on the temporary differences between the tax base of assets and liabilities and their respective carrying amounts in the preliminary statement of financial position.

Deferred tax assets and liabilities are calculated using the tax rates that are expected to apply when the temporary difference reverses, based on the tax rates (and laws) enacted at the balance sheet date.
A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Income tax, both current and deferred, is recognized in preliminary statement of profit or loss and other comprehensive income except when it relates to items recognized directly in equity. In such cases, the respective income tax is also recognized in equity.

p) Related parties definition

According to IAS 24, a related party is a person or entity that is related to the entity that is preparing its financial statements. For the Company, in particular, related parties are considered:

a) An entity is part of Alpha Bank Group:

b) A person or an entity that have control, or joint control, or significant influence over the Company

c) A person and his close family members, if that person is a member of the key management personnel

4. INVESTMENT PROPERTY

The company has acquired in 2013 commercial buildings from SC Ambient SA, in the following locations:

1. The shopping center located in Baia Mare, str. Vasile Lucaciu, 163, Maramures
2. The shopping center located in Bistrita, 15A Calea Moldovei, Bistrita Nasaud

Both locations are used for rental purposes.

The cost of Investment Property as at December 31, 2017 is in amount of 37,193 thousand of RON.

The depreciation of Investment Property as at December 31, 2017 is in amount of 5,191 thousand of RON. Therefore, the net book value as at December 31, 2017 is in amount of 32,002 thousand of RON.

The cost of Investment Property as at January 01, 2017 is in amount of 37,145 thousand of RON.

The depreciation of Investment Property as at January 01, 2017 is in amount of 4,128 thousand of RON. Therefore, the net book value as at January 01, 2017 is in amount of 33,017 thousand of RON.

During 2017, there were increases in investment property in quantum of 48 thousand of RON.

During 2017, the amortization recognized for investment property was in amount of 1,063 thousand of RON.

The fair value of investment property as at December 31, 2017 amounts to 42,194 thousand of RON.

5. PROPERTY PLANT AND EQUIPMENT

The cost as at December 31, 2017 is in amount of 498 thousand of RON.

The depreciation as at December 31, 2017 is in amount of 226 thousand of RON.
Therefore, the net book value as at December 31, 2017 is in amount of 272 thousand of RON.

The cost as at January 01, 2017 is in amount of 427 thousand of RON.

The depreciation as at January 01, 2017 is in amount of 205 thousand of RON.
Therefore, the net book value as at January 01, 2017 is in amount of 222 thousand of RON.

During 2017, there were acquisitions of equipment in quantum of 71 thousand of RON.

During 2017, the amortization recognized for investment property was in amount of 21 thousand of RON.

6. TRADE RECEIVABLES

In thousands of RON	**December 31, 2017**	**January 01, 2017**
Rent receivables from lessees	6,036	6,069
Other trade receivables	-	-
Less: Provision for impairment of trade receivables	(5,993)	(5,993)
	43	**76**

Trade receivables represent outstanding balance of current customers related to rent revenues.

The receivables allowance in quantum of 5,993 is related to AMBIENT S.A. client, for which there are low chances of recoverability.

6. TRADE RECEIVABLES (continued)

Movements in the accumulated impairment losses on trade receivables were as follows:

In thousands of RON

Balance at January 01, 2017	**5,993**
Additions, including increases in existing provisions	-
Reversal during the current year	-
Balance at December 31, 2017	**5,993**

7. OTHER ASSETS

In thousands of RON	**December 31, 2017**	**January 01, 2017**
Advances towards suppliers	12	14
State Budget receivables	151	161
Prepaid expenses	162	57
	325	**232**

8. CASH AND CASH EQUIVALENTS

In thousands of RON	**December 31, 2017**	**January 01, 2017**
Cash in current accounts	487	15
	487	**15**

All the cash held by the Company are in RON and EUR.

The current accounts are open at Alpha Bank Romania.

9. CAPITAL

AGI-RRE PARTICIPATIONS 1 LIMITED is the Sole owner of the capital of AGI-RRE PARTICIPATION 1 SRL.

As at December 31, 2017 the authorized capital of the company is 735 thousand of RON distributed in 10 shares with nominal value of RON 73,496.55 each.

10. BORROWINGS

The borrowings as at December 31, 2017 are in amount of 44,101 thousand of RON.

As of December 31, 2017, these borrowings are classified as current liabilities due to the fact that in 2018 the borrowings were fully reimbursed.

10. BORROWINGS (continued)

Details of the borrowings received:

Lender	December 31, 2017 - Capital	December 31, 2017 - Interest	January 01, 2017 - Capital	January 01, 2017 - Interest
Alpha Bank Romania SA	42,261	1,840	41,673	237
GRAND TOTAL	**44,101**		**41,910**	

Lender	**Alpha Bank Romania SA - Branch Baia Mare**
Purpose	Loan
Appendix 1 - amount granted	RON 34,910.59 - financing acquisition of property (land and building)
Appendix 2 - amount granted	RON 7,349.80 - financing working capital and reimbursement of interest and loan
Interest rate	1,75% + mark-up 2%
Maturity date Appendix 1 Appendix 2	 December 31, 2018 December 31, 2018
Collaterals	Mortgage on all present and future credit balances in RON and in foreign currency of accounts opened at ALPHA BANK ROMANIA bank, according to the mortgage contract no. 13 of January 22, 2013. The company constituted in favor of Alpha Bank Romania a mortgage on the buildings located in Baia Mare, 163 Vasile Lucaciu str., Maramures county and in Bistrita, 15A Calea Moldovei, nr. 15A, Bistrita Nasaud county according to credit facility number 10 / January 22, 2013 Annex no. 1. Mortgage on the right of indemnity arising from the insurance policies that the company is obliged to conclude for the buildings on which the mortgage is constituted.

11. TRADE AND OTHER PAYABLES

In thousands of RON	December 31, 2017	January 01, 2017
Trade payables	106	75
Other financial liabilities	199	-
Accruals	40	64
Non-Financial liabilities	5	25
Deferred income	45	-
	395	**164**

11. TRADE PAYABLES (continued)

Trade payables represent outstanding balance of current suppliers and accrual represent invoices to be received from suppliers, related to management property services, utilities, accounting, audit and security services.

Other financial liabilities represent rent guarantees received from clients.

12. FINANCIAL RISK MANAGEMENT

Overview

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- currency risk
- interest rate risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company effectively implements procedures and controls in order to limit the associated risk. The procedures followed include a rigorous assessment of the credibility of each client and monitors, on an ongoing basis, the aging analysis of the balance.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

In thousands of RON	**December 31, 2017**	**January 01, 2017**
Cash and cash equivalents	487	15
Other assets	325	232
Trade and other receivables	43	75
	855	**323**

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due.

12. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

The maturities of assets and liabilities are the following:

December 31, 2017

In thousands of RON	**Total**	**Below 1 month**	**1-3 months**	**3-6 months**	**6-12 months**	**More than 1 year**
Cash and cash equivalents	487	487	-	-	-	-
Other assets	325	325	-	-	-	-
Trade and other receivables	43	43	-	-	-	-
Trade and other payables	(395)	-	(395)	-	-	-
Borrowings	(44,101)	-	-	(44,101)	-	-
NET POSITION	**(43,641)**	**855**	**(395)**	**(44,101)**	**-**	**-**

January 01, 2017

In thousands of RON	**Total**	**Below 1 month**	**1-3 months**	**3-6 months**	**6-12 months**	**More than 1 year**
Cash and cash equivalents	15	15	-	-	-	-
Other assets	232	232	-	-	-	-
Trade receivables	75	75	-	-	-	-
Trade and other payables	(164)	-	(164)	-	-	-
Borrowings	(41,910)	-	-	-	-	(41,910)
NET POSITION	**(41,752)**	**322**	**(164)**	**-**	**-**	**(41,910)**

Interest rate risk

Interest rate risk is the risk that the value of financial instruments fluctuates due to changes in market interest rates. Revenue and cash flow from the Company's operations are substantially independent of changes in market interest rates, since the Company does not have significant interest-bearing assets. The Company is exposed to interest rate risk with respect to its borrowing.

Details regarding the interest rate of the borrowings are presented at Note 10.

Currency risk

Currency risk is the risk that the Company incurring losses or not realizing profit as a result of unfavourable fluctuations in the exchange rate. The Company is exposed to foreign exchange rate fluctuations but misses a formalized policy to hedge currency risk.

Most of the Company’s financial assets and liabilities are expressed in the national currency and, therefore, exchange rate fluctuations do not significantly affect the Company’s activity. The exposure to foreign currency fluctuations is mainly due to borrowings.

12. FINANCIAL RISK MANAGEMENT (continued)

Currency risk (continued)

In thousands of RON

December 31, 2017	**Total**	**RON**	**EUR**
Cash and cash equivalents	487	487	-
Other assets	325	220	105
Trade receivables	43	-	43
Trade and other payables	395	395	-
Borrowings	44,101	44,101	-

In thousands of RON

January 01, 2017	**Total**	**RON**	**EUR**
Cash and cash equivalents	15	15	-
Other assets	232	232	-
Trade receivables	76	-	76
Trade and other payables	164	164	-
Borrowings	41,910	41,910	-

13. FAIR VALUE

The following table analyses within the fair value hierarchy the company's financial assets and financial liabilities (by class) not measured at fair value:

December 31, 2017	**Level 1**	**Level 2**	**Level 3**	**Total**
Trade receivables	-	-	148	148
Other assets	-	-	220	220
Cash and cash equivalents	487	-	-	487
Total Assets	**487**	**-**	**368**	**855**
Borrowings	-	-	44,101	44,101
Trade payables	-	-	395	395
Total Liabilities	**-**	**-**	**44,496**	**44,496**

January 01, 2017	**Level 1**	**Level 2**	**Level 3**	**Total**
Trade receivables	-	-	76	76
Other assets	-	-	232	232
Cash and cash equivalents	15	-	-	15
Total Assets	**15**	**-**	**308**	**323**
Borrowings	-	-	41,910	41,910
Trade payables	-	-	164	164
Total Liabilities	**-**	**-**	**42,074**	**42,074**

14. RENT REVENUES

In thousands of RON	**December 31, 2017**
Rental revenues	921
Service charge revenue	125
	1,046

AGI RRE Participation recorded revenues in amount of 1.046 thousand RON representing building rented revenues to non-affiliated companies.

The period of leases whereby the company leases out its investment property under operating leases is maximum three years.

15. OTHER EXPENSES & OTHER DIRECT PROPERTY EXPENSES

15.1. Other expenses

In thousands of RON	**December 31, 2017**
Professional expenses	(60)
Audit and accounting services	(39)
Insurance expenses	(19)
Other administrative expenses	(53)
Other expenses	(15)
Total	**(186)**

15.2. Other direct property operating expenses

In thousands of RON	**December 31, 2017**
Property tax and fees	(418)
Maintenance expenses related to investment property	(51)
Electricity, heating, cold water	(98)
Property management services	(219)
Security services	(333)
Revenues from recharges of expenses	88
Total	**(1.031)**

16. FINANCE INCOME AND FINANCE COST

In thousands of RON	**December 31, 2017**
Finance income	**-**
Interest Income	-
Finance costs	**(1,602)**
Interest Expense related to borrowings	(1,602)
Total	**(1,602)**

17. TAXES

The income tax in the statement of profit or loss and other comprehensive income is presented in the table below:

Income Tax expense

In thousands of RON	**December 31, 2017**
Current Tax	-
Deferred Tax	-
Total Income Tax Expense	**-**

As of December 31, 2017, the Company recorded a cumulated fiscal loss in quantum of 7,895 thousand of RON, for which the Company decided not to recognize a deferred tax asset due to the lack of future imposable profits through which the fiscal loss could be used. Also, the Company did not recorded deferred tax from temporary deductible and imposable differences due to the lack of future imposable profits.

The breakdown of fiscal loss until the prescription year is the following:

Year	**Fiscal Loss**
2018	(9)
2019	(19)
2020	(1,121)
2021	(129)
2022	(1,232)
2023	(2,530)
2024	(2,855)

A reconciliation between the effective and nominal tax rate is provided below:

In thousands of RON	**December 31, 2017**
Profit / (Loss) before Taxes	(2,855)
Income tax according to nominal tax rate (2017: 16%)	(457)
Increase/(decrease) due to:	
Non-taxable income	-
Non-deductible expenses	-
Unrecognized tax asset on losses carried forward	457
Income tax according to effective tax rate	-

18. RELATED PARTIES

The Company carries out transactions with the following related parties:

- Alpha Bank Romania SA
- Alpha Real Estate Services SRL
- Alpha Leasing Romania IFN SA

The Company has receivables from related parties as follows:

In thousands of RON	**December 31, 2017**	**January 01, 2017**
Alpha Bank Romania SA – *Cash and cash equivalents*	487	15
Alpha Real Estate Services SRL – *Other Assets*	56	54
	543	**69**

The Company has liabilities to related parties as follows:

In thousands of RON	**December 31, 2017**	**January 01, 2017**
Alpha Bank Romania SA – *Borrowings*	44,101	41,910
Alpha Real Estate Services SRL – *Trade and Other Payables*	66	65
Alpha Leasing Romania IFN SA – *Trade and Other Payables*	38	-
	44,205	**41,975**

The Company has not recorded income from related parties during 2017.

The expenses of Company to related parties are as follows:

	December 31, 2017
Alpha Bank Romania SA – *Finance Cost*	1,602
Alpha Bank Romania SA – *Other Expenses*	11
Alpha Real Estate Services SRL – *Other Direct Property Operating Expenses*	265
	1,878

During the year, the Company capitalized expenses/recognized tangible assets in quantum of 119 thousand RON, related to acquisitions from ALPHA LEASING ROMANIA IFN SA.

19. LITIGATIONS AND CONTINGENT LIABILITIES

There are no contingent liabilities for the Company. There are no litigations as of December 31, 2017.

20. EVENTS AFTER REPORTING DATE

The Company received on March 16, 2018 from the shareholder AGI RRE Participations 1 LTD the amount of 45,069 thousand RON for the purpose of increasing the share capital.

On April 16, 2018, the Company updated its statutory documents by increasing the share capital by 9,667 thousand EUR, equivalent of 44,759 thousand RON. As a result of the modification of the statutory documents, the share capital of the company is 45,494 thousand RON.

On March 20, 2018, the Company fully reimbursed the bank loans.

There are no other significant events after the reporting date, which requires changes or disclosure in the financial information as at December 31, 2017.

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