SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2010

Prepared in accordance with International Financial Reporting Standards

(This is a translation from the official Romanian version)

FONDUL PROPRIETATEA

SC Fondul Proprietatea SA

FRANKLIN TEMPLETON INVESTMENTS

To the shareholders of
Fondul Proprietatea S.A.
Bucharest, Romania

INDEPENDENT AUDITOR'S REPORT

Report on the Separate Financial Statements

1. We have audited the accompanying separate financial statements of S.C. Fondul Proprietatea S.A. (the "Fund") which comprise the separate statement of financial position as of December 31, 2010, and the separate statement of comprehensive income, separate statement of changes in shareholder's equity and separate statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Separate Financial Statements

2 Management is responsible for the preparation and fair presentation of these separate financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3 Our responsibility is to express an opinion on these separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurances about the separate financial statements are free from material misstatement.

4 An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the separate financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the separate financial statements.

5 We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6 In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of S.C. Fondul Proprietatea S.A. as at December 31, 2010, and its separate financial performance and its separate cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Emphasis of matter

7 Without qualifying our opinion, we draw attention to Note 2 to the separate financial statements which states that consolidated financial statements of Fondul Proprietatea prepared in accordance with International Financial Reporting Standards, as adopted by EU have not yet been published. Notes 2 and 3 to the separate financial statements explain when consolidated financial statements will be published and the method of accounting and other disclosures related to unconsolidated subsidiaries respectively. Our opinion is not qualified in respect of this matter.

8 Without qualifying our opinion, we draw attention to the fact that during 2010 a number of major economies around the world have experienced strong volatility in the capital markets and severe restrictions in the credit markets. As a consequence of the recent market turmoil in capital and credit markets both globally and in Romania, notwithstanding any potential economic stabilization measures that may be put into place by the State, economic uncertainties arose surrounding the continual availability and cost of credit for the Fund's counterparties, future development of the markets and demand for goods and services they produce. The potential for economic uncertainties to continue in the foreseeable future and, as a consequence, the potential that assets of the Fund may be not recovered at their carrying amount in the ordinary course of business, and a corresponding impact on the Fund's profitability cannot be estimated reliably as of the date of this report. Our opinion is not qualified in respect of this matter.

Other Matters

9 This report is made solely to the Fund's shareholders, as a body. Our audit work has been undertaken so that we might state to the Fund's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the Fund's shareholders as a body, for our audit work, for this report, or for the opinion we have formed.

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

Deloitte Audit S.R.L.
Bucharest, Romania
28 April 2011

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	**Year ended 31 December 2010**	**Year ended 31 December 2009**
Gross dividend income	*6*	181,244,262	120,055,158
Interest income	*7*	131,466,209	142,469,835
Impairment losses on equity investments	*18*	(29,299,487)	(1,455,233)
Impairment losses on dividends receivable		(18,307)	-
Gains on disposal of equity investments	*8*	-	554,433,394
Net foreign exchange gains / (losses)	*9*	(9,165,151)	14,731,693
Net investment income		**274,227,526**	**830,234,847**
Personnel expenses	*10*	(4,068,409)	(13,507,594)
Other operating expenses	*11*	(46,471,760)	(9,329,468)
Operating expenses		**(50,540,169)**	**(22,837,062)**
Profit before tax		**223,687,357**	**807,397,785**
Income tax expense	*12*	(8,676,905)	(106,345,000)
Profit for the period		**215,010,452**	**701,052,785**
Other comprehensive income			
Net change in fair value of available-for-sale equity investments		1,299,502,268	963,761,683
Income tax on other comprehensive income	*12*	(207,920,363)	(154,201,869)
Total other comprehensive income		**1,091,581,905**	**809,559,814**
Total comprehensive income for the period		**1,306,592,357**	**1,510,612,599**
Basic and diluted earnings per share		**0.02**	**0.05**

The financial statements were authorised for issue on 24 March 2011 by:

Grzegorz Maciej Konieczny
as Legal Representative on behalf of
Franklin Templeton Investment Management Limited United Kingdom Bucharest Branch
acting in the capacity of Sole Director of S.C. Fondul Proprietatea S.A.

The notes on pages 6 to 46 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2010
(all amounts are in RON unless otherwise stated)

	Note	**31 December 2010**	**31 December 2009**
Assets			
Cash	*13*	7,207,864	1,483,261
Deposits with banks	*14*	1,071,263,726	2,167,824,861
Treasury bills	*15*	248,021,476	-
Dividends receivable	*16*	4,069,237	18,348
Receivables in respect of equity contributions	*17*	-	14,471,412
Equity investments	*18*	10,861,557,101	9,541,979,640
Deferred tax assets	*19*	338,979,156	542,177,610
Other assets	*20*	1,901,634	700,128
Total assets		**12,533,000,194**	**12,268,655,260**
Liabilities			
Payables in respect of equity contributions	*21*	9,730,381	-
Other liabilities	*22*	59,842,804	8,303,427
Total liabilities		**69,573,185**	**8,303,427**
Equity			
Share capital	*23*	13,778,392,208	13,757,592,587
Fair value reserve on available-for-sale financial assets	*23*	1,951,138,494	859,556,589
Other reserves	*23*	222,823,865	199,454,493
Accumulated losses		(3,488,927,558)	(2,556,251,836)
Total equity		**12,463,427,009**	**12,260,351,833**
Total liabilities and equity		**12,533,000,194**	**12,268,655,260**

The notes on pages 6 to 46 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2010
(all amounts are in RON unless otherwise stated)

	Share capital	Fair value reserves on available-for-sale financial assets	Other reserves	Accumulated losses	Total attributable to the equity holders of the Fund
Balance at 31 December 2008	**13,757,592,587**	**49,996,775**	**149,458,794**	**(3,207,308,922)**	**10,749,739,234**
Comprehensive income for the period					
Profit for the period	-	-	-	701,052,785	**701,052,785**
Other comprehensive income					
Net change in fair value of available-for-sale equity investments	-	963,761,683	-	-	**963,761,683**
Income tax on income and expense recognised directly in equity	-	(154,201,869)	-	-	**(154,201,869)**
Total other comprehensive income	**-**	**809,559,814**	**-**	**-**	**809,559,814**
Total comprehensive income for the period	**-**	**809,559,814**	**-**	**701,052,785**	**1,510,612,599**
Transactions with owners, recorded directly in equity					
Transfers to other reserves	-	-	49,995,699	(49,995,699)	-
Total transactions with owners recorded directly in equity	**-**	**-**	**49,995,699**	**(49,995,699)**	**-**
Balance at 31 December 2009	**13,757,592,587**	**859,556,589**	**199,454,493**	**(2,556,251,836)**	**12,260,351,833**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2010 (CONTINUED)
(all amounts are in RON unless otherwise stated)

	Share capital	Fair value reserves on available-for-sale financial assets	Other reserves	Accumulated losses	Total attributable to the equity holders of the Fund
Balance at 31 December 2009	**13,757,592,587**	**859,556,589**	**199,454,493**	**(2,556,251,836)**	**12,260,351,833**
Comprehensive income for the period					
Profit for the period	-	-	-	215,010,452	**215,010,452**
Other comprehensive income					
Net change in fair value of available-for-sale equity investments	-	1,299,502,268	-	-	**1,299,502,268**
Income tax on income and expense recognised directly in equity	-	(207,920,363)	-	-	**(207,920,363)**
Total other comprehensive income	**-**	**1,091,581,905**	**-**	**-**	**1,091,581,905**
Total comprehensive income for the period	**-**	**1,091,581,905**	**-**	**215,010,452**	**1,306,592,357**
Transactions with owners, recorded directly in equity					
Transfers to other reserves	-	-	23,369,372	(23,369,372)	-
Increase of share capital	20,799,621				**20,799,621**
Dividends declared	-	-	-	(1,124,316,802)	**(1,124,316,802)**
Total transactions with owners recorded directly in equity	**20,799,621**	**-**	**23,369,372**	**(1,147,686,174)**	**(1,103,517,181)**
Balance at 31 December 2010	**13,778,392,208**	**1,951,138,494**	**222,823,865**	**(3,488,927,558)**	**12,463,427,009**

The notes on pages 6 to 46 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2010 (CONTINUED)
(all amounts are in RON unless otherwise stated)

	Note	Year ended 31 December 2010	Year ended 31 December 2009
Cash flows from operating activities			
Proceeds from sale of equity instruments		-	980,237,872
Redemption / (acquisition) of treasury bills, net		(246,272,509)	390,456,918
Interest received		141,310,236	139,629,790
Dividends received (net of withholding tax)		174,979,855	118,645,240
Realised foreign exchange gains / (losses) on cash and cash equivalents		(9,136,993)	9,728,227
Collection / (creation) of bank deposits maturing in more than 3 months, net		930,163,463	(1,205,807,746)
Income tax paid		(15,379,807)	(104,971,445)
Salaries and related taxes paid		(6,340,215)	(11,532,332)
Suppliers and other taxes and fees paid		(20,801,609)	(10,919,098)
Acquisition of equity investments	*18*	(47,335,500)	-
Net cash from operating activities		**901,186,921**	**305,467,426**
Cash flows from investing activities			
Proceeds from sale of property and equipment		94,727	16,000
Acquisition of property and equipment		(22,427)	(23,561)
Net cash from / (used) in investing activities		**72,300**	**(7,561)**
Cash flows from financing activities			
Cash contributions to share capital	*23*	33,566,590	63,846,176
Other cash contributions from shareholders	*21*	9,395,641	-
Dividends paid		(1,093,273,369)	(1,056,789)
Net cash flows from / (used) in financing activities		**(1,050,311,138)**	**62,789,387**
Net increase/ (decrease) in cash and cash equivalents		**(149,051,917)**	**368,249,252**
Cash and cash equivalents at 1 January		842,566,967	474,332,956
Effect of exchange rate fluctuations on cash and cash equivalents held		(28,158)	(15,241)
Cash and cash equivalents at 31 December		**693,486,892**	**842,566,967**

Cash and cash equivalents comprise:

		31 December	31 December 2009
Cash	*13*	7,207,864	1,483,261
Bank deposits with original maturities of less than three months	*14*	686,279,028	841,083,706
		693,486,892	**842,566,967**

The notes on pages 6 to 46 are an integral part of these financial statements.

1. Reporting entity

Fondul Proprietatea S.A. (referred to as "Fondul Proprietatea" or "the Fund") is an undertaking for collective investments, in the form of a closed end investment company, established in accordance with Law 247/2005 and Government Decision 1481/2005 and registered in Bucharest on 28 December 2005. During the reporting period, the address of the Fund's registered office was 17, Apolodor Street, Sector 5, Bucharest. In September 2010, the Fund moved its headquarters and registered office to 78 – 80, Buzeşti Street, 7th Floor, District 1, Bucharest. The Fund was a state controlled entity during 2010.

The Fund undertakes its activities in accordance with Law 247/2005 regarding the reform in property and justice, as well as certain adjacent measures, as amended, Law 297/2004 regarding the securities market, as amended, and Law 31/1990 regarding companies, as republished and amended.

In accordance with its statute, the main activity of the Fund is the management and administration of its portfolio. The Fund undertakes other additional and related activities, according to the regulations in force.

The Fund was established to allow the payment in shares equivalent of compensations in respect of abusive expropriations undertaken by the Romanian State during the communist period, when properties were not returned in kind.

In June 2009, Franklin Templeton Investment Management Ltd was selected to perform investment management and administration services for Fondul Proprietatea. The investment management agreement was signed in February 2010 and came into effect on 29 September 2010, when Franklin Templeton Investment Management Ltd United Kingdom Bucharest Branch ("Fund Manager") became the Fund Manager and Sole Director of the Fund.

2. Basis of preparation

(a) Statement of compliance

These separate financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by European Union (IFRS/ IFRSs).

The Fund has prepared these separate financial statements in order to provide users of the Fund's financial reports with supplementary financial information on the Fund's portfolio. According with the requirments of the legislation in force the Fund will prepare and publish at a later date the consolidated financial statements of the group.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for equity investments that are quoted on an active market, which are measured at fair value.

(c) Functional and presentation currency

These financial statements are presented in Romanian Lei (RON), which is the Fund's functional currency. All financial information presented in RON has been rounded to the nearest unit.

(d) Use of estimates

The preparation of financial statements in accordance with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 4 – financial risk management;
- Note 18 – valuation of equity investments;
- Note 19 – recognition of deferred tax assets; and
- Note 24 – contingencies.

(e) Changes in accounting policies

Presentation of financial statements

The Fund applies revised IAS 1 *Presentation of Financial Statements* (2007), which became effective as of 1 January 2009. As a result, the Fund presents in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Subsidiaries and associates

Subsidiaries are entities controlled by the Fund. Control exists when the Fund has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account, when applicable.

Associates are those entities in which the Fund has significant influence, but not control or joint control, over the financial and operating policies. The existence of significant influence is determined by analysing the ownership structure of the companies in which the Fund holds 20 percent or more of the voting power of the investee, their articles of incorporation and the Fund's power to participate in the financial and operating policy decisions of the investee. The Fund does not exercise significant influence in a number of companies in which it holds between 20 and 50 percent of the voting power, where the Fund's rights as minority shareholder are protective in nature, and not participative and where the major shareholder, or a group of shareholders holding majority ownership of the investee, operates without regard to the views of the Fund.

The lists of subsidiaries and associates at 31 December 2010 are disclosed in note 25 (c) and (d).

In these separate financial statements, investments in subsidiaries and associates are accounted for in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*, as available-for-sale financial assets (see accounting policy 3 (c) below).

(b) Foreign currency

Transactions in foreign currencies are translated into the functional currency of the Fund at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss.

The exchange rates of the main foreign currencies published by the National Bank of Romania at 31 December 2010 were as follows: 4.2848 RON/EUR and 3.2045 RON/USD (31 December 2009: 4.2282 RON/EUR and 2.9361 RON/USD).

(c) Financial assets and liabilities

(i) Recognition

The Fund recognises financial assets and liabilities on the date it becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are recognised initially at fair value plus any directly attributable transaction costs, except for the investments in equity securities whose fair value cannot be reliably measured, which are recognised initially at cost.

3. Significant accounting policies (continued)

(c) Financial assets and liabilities (continued)

(i) Recognition (continued)

The cost of equity investments which are contributed in kind by the Romanian State to the Fund's share capital is determined in accordance with the provisions of Law 247/2005, as amended by Government Emergency Ordinance (G.E.O.) 81/2007, as follows:

- for the shares received at the Fund's establishment in December 2005, the cost is equal:
  - either to the weighted average price of the last 90 trading days, provided that the last of the 90 trading days is not more than 60 days prior to 24 November 2005, for companies listed on a stock exchange and whose trading volume over the last 90 trading days represented at least 0.3% of their share capital;
  - or to the book value of the shareholders' equity at 31 December 2006, according to the statutory financial statements, multiplied by the Fund's shareholding, for unlisted companies and for listed companies whose trading volume over the last 90 trading days represented less than 0.3% of their share capital;
- for the shares received in June 2007, in accordance with G.E.O. 81/2007, the cost is equal:
  - either to the weighted average price of the last 90 trading days prior to 29 June 2007, for companies listed on a stock exchange and whose trading volume over the last 90 trading days represented at least 0.3% of their share capital;
  - or to the book value of the shareholders' equity at 31 December 2006, determined in accordance with statutory financial statements, multiplied by the Fund's shareholding, for unlisted companies and for listed companies whose trading volume over the last 90 trading days represented less than 0.3% of their share capital;
- for the additional shares received in companies owned by the Romanian State (through the Fund and State authorities) and to which the State has made contributions in kind, which are received by the Fund so as not to dilute its shareholding in such companies, the cost for the Fund is determined at the par value of the shares received.

(ii) Classification

See accounting policies 3(d), (e), (f) and (g).

(iii) Derecognition

The Fund derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Fund is recognised as a separate asset or liability.

The Fund derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

(iv) Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Fund has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

3. Significant accounting policies (continued)

(c) Financial assets and liabilities (continued)

(iv) Offsetting (continued)

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

(v) Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

(vi) Fair value measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, the Fund measures the fair value of an instrument using quoted prices in an active market for that instrument at the reporting date. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for an equity security is not active, the Fund tries to establish fair value using a valuation technique.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e., the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss depending on the individual facts and circumstances of the transaction but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Assets are measured at a bid price and liabilities are measured at an asking price.

(vii) Identification and measurement of impairment

At each reporting date the Fund assesses whether there is objective evidence that financial assets are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against the financial assets. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

3. Significant accounting policies (continued)

(c) Financial assets and liabilities (continued)

(vii) Identification and measurement of impairment (continued)

Impairment losses on equity investments carried at fair value are recognised by transferring the cumulative loss that has been recognised directly in equity to profit or loss. The cumulative loss that is removed from equity and recognised in profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss previously recognised in profit or loss. If, in a subsequent period, the fair value of an impaired equity investment increases, the recovery is recognised directly in equity.

Impairment losses on equity investments carried at cost (where their fair value cannot be reliably measured) are measured as the difference between the carrying amount and an estimate of present value of future cash flows, determined using generally accepted valuation techniques (e.g. valuation of equity investment using market approach).

Losses are recognised in profit or loss and are not reversed.

In determining that equity investments are impaired, the Fund considers all relevant factors, such as significant or prolonged decline in fair value below cost, market and industry conditions, to the extent that they influence the recoverable amount of the investment, financial conditions and near-term prospects of the issuer, including any specific adverse events that may influence the issuer’s operations, recent losses of the issuer, qualified independent auditor’s report on the issuer's most recent financial statements etc.

(d) Cash and deposits with banks

Cash includes notes and coins on hand and current accounts held with banks.

Deposits with banks include deposits with original maturities of less than three months and deposits with original maturities of more than three months and less than one year.

Cash and deposits with banks are carried at amortised cost in the statement of financial position.

Deposits with banks with original maturities of less than three months are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(e) Held to maturity

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Fund has the positive intent and ability to hold to maturity, and which are not designated as at fair value through profit or loss or as available-for-sale.

Held-to-maturity investments are carried at amortised cost using the effective interest method. Any sale or reclassification of a more than insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Fund from classifying investment securities as held-to-maturity for the current and the following two financial years.

The Fund did not classify any investments as held-to-maturity as at 31 December 3010 and 31 December 2009.

3. Significant accounting policies (continued)

(f) Available-for-sale financial assets

The Fund's investments in treasury bills and in equity securities are classified as available-for-sale financial assets.

(i) Equity investments carried at fair value

Subsequent to initial recognition, equity investments (other than those described at section (ii) below) are measured at fair value and changes therein, other than impairment losses, are recognised directly in equity.

When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

(ii) Equity investments carried at cost

Investments in equity securities that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured using a valuation technique, are measured at cost, subject to impairment testing.

(g) Other financial assets and liabilities

Other financial assets and liabilities are measured at amortised cost using the effective interest method, less any impairment losses (in case of financial assets).

(h) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset.

(ii) Subsequent costs

The cost of replacing part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Fund and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

3. Significant accounting policies (continued)

(h) Property and equipment (continued)

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Land is not depreciated.

The estimated useful lives for the current and comparative period are as follows:

- Leasehold improvements 3 years
- IT equipment 3 years
- Vehicles 5 years
- Furniture and other equipment 5-10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

(i) Impairment of non-financial assets

The carrying amounts of the Fund's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(j) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effect.

(k) Provisions

A provision is recognised if, as a result of a past event, the Fund 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. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

3. Significant accounting policies (continued)

(l) Dividend income

Dividend income relating to quoted equity investments is recognised in profit or loss on the ex-dividend date. Income distributions from unquoted equity investments are recognised in profit or loss as dividend income when declared.

When the Fund receives or chooses to receive dividends in the form of additional shares rather than cash, the dividend income is recognised for the amount of the cash dividend alternative with the corresponding debit treated as an additional investment.

When bonus shares are received with no cash alternative and only certain shareholders are granted additional shares, the shares received are measured at fair value and a corresponding amount of dividend income is recognised. However, if all shareholders receive bonus shares in proportion to their shareholdings, no dividend income is recognised as the fair value of the Fund's interest should be unaffected by the bonus issue.

The Fund recognises dividends from subsidiaries and associates as income in its separate financial statements when its right to receive the dividend is established.

For late dividend payments, the Fund initiates legal recovery measures (conciliation, litigations etc.). The Fund is entitled to charge penalties for overdue net dividends; the penalty rate is equal to the legal interest rate (being the National Bank of Romania's money market rate). Penalty income on dividends is recognised in the financial year when collection is virtually certain.

Dividend income is presented gross of dividend withholding taxes, which are recognised as income taxes.

(m) Interest

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability.

Interest income relates to current accounts, deposits held with banks and treasury bills.

(n) Foreign currency gains and losses

Foreign currency gains and losses are reported on a net basis and include realised and unrealised foreign exchange differences. The majority of such gains and losses relate to the current accounts and deposits in foreign currency held with banks.

(o) Expenses

All expenses are recognised in profit or loss on an accrual basis.

3. Significant accounting policies (continued)

(p) Income tax

Income tax expense comprises current and deferred tax. Current tax includes also dividend withholding taxes.

Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends by the Fund are recognised at the same time as the liability to pay the related dividend is recognised.

The effect on deferred tax of any changes in tax rates is charged to profit or loss, except to the extent that it relates to items previously charged or credited directly to equity.

The applicable tax rates are 16% (standard tax rate and also, the dividend withholding tax with effect from 1 July 2010) and 10% (dividend withholding tax until 30 June 2010).

(q) Employee benefits

(i) Pensions and other post retirement benefits

The Fund, in the normal course of business, makes payments to the Romanian State on behalf of its employees. All employees of the Fund are members of the Romanian State pension plan. The Fund does not operate any other pension scheme or post retirement benefit plan and, consequently, has no obligation in respect of pensions. In addition, the Fund is not obliged to provide further benefits to its employees.

(ii) Termination benefits

Termination benefits are recognised as an expense when the Fund is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Fund has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

3. Significant accounting policies (continued)

(r) New standards and interpretations not adopted

At the date of authorisation of these financial statements the following standards, revisions and interpretations were in issue but not yet effective:

- IFRS 9 *Financial Instruments* (effective for annual periods beginning on or after 1 January 2013). The Standard could change the classification and measurement of financial assets. The Fund does not plan to adopt this standard early and the extent of the impact has not been determined.
- Amendments to IFRS 1 *First-time Adoption of IFRS* - Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters (effective for annual periods beginning on or after 1 July 2010);
- Amendments to IFRS 7 *Financial Instruments: Disclosures* - Transfers of Financial Assets (effective for annual periods beginning on or after 1 July 2011)
- Amendments to IAS 12 *Income Taxes* - Deferred Tax: Recovery of Underlying Assets (effective for annual periods beginning on or after 1 January 2012)
- Amendments to IAS 24 *Related Party Disclosures* - Simplifying the disclosure requirements for government-related entities and clarifying the definition of a related party (effective for annual periods beginning on or after 1 January 2011);
- Amendments to IAS 32 *Financial Instruments: Presentation* – Accounting for rights issues (effective for annual periods beginning on or after 1 February 2010);
- Amendments to various standards and interpretations *Improvements to IFRSs* (2010) resulting from the annual improvement project of IFRS published on 6 May 2010 (IFRS 1, IFRS 3, IAS 1, IAS 27, IAS 34, IFRIC 13) primarily with a view to removing inconsistencies and clarifying wording (most amendments are to be applied for annual periods beginning on or after 1 January 2011);
- Amendments to IFRIC 14 *IAS 19 — The Limit on a defined benefit Asset, Minimum Funding Requirements and their Interaction* - Prepayments of a Minimum Funding Requirement (effective for annual periods beginning on or after 1 January 2011);
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* (effective for annual periods beginning on or after 1 July 2010).

The Fund has elected not to adopt these standards, revisions and interpretations in advance of their effective dates. The Fund anticipates that the adoption of these standards, revisions and interpretations, except for IFRS 9, will have no material impact on its financial statements in the period of initial application.

4. Financial risk management

The Fund's investment portfolio comprises quoted and unquoted equity investments.

The Fund's investing activities expose it to various types of risks that are associated with the financial instruments and markets in which it invests. The most important types of financial risks to which the Fund is exposed are market risk, credit risk and liquidity risk.

Due to the specific nature of the Fund's activities following its establishment in December 2005, involving clarifications on legal matters resulting from the transfers of shares from the State, rather than active trading in the portfolio shares, a passive risk management approach was adopted by the Fund from its inception until the commencement of Fund Manager's contract on 29 September 2010. In this earlier period no formal risk policies and procedures were in place.

Starting from 29 September 2010 the Fund Manager implemented financial risk management procedures consistent with those applied globally by Franklin Templeton Investments.

(a) Market risk

Market risk is the risk that changes in market prices, such as equity prices, interest rates and foreign exchange rates will affect the Fund's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Equity price risk

Equity price risk is the risk that the value of an equity instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to its issuer or factors affecting all instruments traded in the market.

Equity price risk arises from available-for-sale equity securities.

The companies in which the Fund holds equity securities operate in different industries.

The Fund's exposure to industries was as follows:

	31 December 2010	**31 December 2009**
Oil and gas	4,297,294,365	3,319,354,634
Power utilities: generation	4,014,537,192	4,013,112,252
Power and gas utilities: transport, distribution, supply	1,752,483,390	1,490,039,848
Heavy industry	215,114,656	219,335,838
Infrastructure	205,006,057	205,006,057
Aluminium	211,868,727	175,021,992
Postal services	84,664,380	84,384,880
Others	80,588,334	35,724,139
	10,861,557,101	**9,541,979,640**

The exposure to industries for 31 December 2009 has been reclassified to reflect current year presentation.

4. Financial risk management (continued)

(a) Market risk (continued)

(i) Equity price risk (continued)

The Fund has equity investments of RON 4,846,321,942 at 31 December 2010 (31 December 2009: RON 3,499,484,174) which are listed on the Bucharest Stock Exchange at either BSE or RASDAQ segment. For such investments, a ten percent increase in the BET-C index at the reporting date would have increased equity by RON 384,571,201 after tax (2009: RON 275,319,672); an equal change in the opposite direction would have decreased equity by RON 384,571,201 after tax (2009: RON 275,319,672). The analysis is performed on the same basis for 2009.

(ii) Interest rate risk

The Fund places cash into fixed rate bank deposits original maturities of more than one month and less than six months and treasury bills.

At the reporting date the interest rate profile of the Fund’s interest-bearing financial instruments based on notional amounts was:

	31 December 2010	31 December 2009
Fixed rate instruments		
Bank deposits with original maturities of less than three months	686,279,028	841,083,706
Bank deposits with original maturities of more than three months and less than one year	378,486,499	1,308,649,962
Treasury bills	248,021,476	-
	1,312,787,003	**2,149,733,668**

(iii) Currency risk

The Fund is exposed to currency risk on current accounts and deposits held with banks that are denominated in foreign currencies, i.e. euro (EUR) and U.S. dollars (USD).

The local currency depreciated compared to the EUR (from 4.2282 RON/EUR at 31 December 2009 to 4.2848 at 31 December 2010) and compared to the USD (from 2.9361 RON/EUR at 31 December 2009 to 3.2045 at 31 December 2010).

4. Financial risk management (continued)

(a) Market risk (continued)

(iii) Currency risk (continued)

The Fund's exposure to currency risk was as follows:

	31 December 2010	31 December 2009
RON		
Monetary assets		
Petty cash	413	1,641
Current accounts with banks	7,193,333	1,460,545
Bank deposits with original maturities of less than three months	686,279,028	685,842,594
Bank deposits with original maturities of more than three months and less than one year	378,486,499	277,835,942
Interest accrued on bank deposits	6,498,199	9,653,154
Treasury bills	248,021,476	-
Dividends receivable	4,069,237	18,348
Receivables in respect of equity contributions	-	14,471,412
Other receivables	31,004	137,171
	1,330,579,189	**989,420,807**
Monetary liabilities		
Payables in respect of equity contributions	(9,730,381)	-
Other liabilities	(52,155,013)	(7,362,141)
	(61,885,394)	**(7,362,141)**
	1,268,693,795	**982,058,666**

	31 December 2010	31 December 2009
EUR		
Monetary assets		
Current accounts with banks	14,118	21,075
Bank deposits with original maturities of less than three months	-	155,241,111
Bank deposits with original maturities of more than three months and less than one year	-	1,030,814,020
Interest accrued on bank deposits	-	8,438,040
	14,118	**1,194,514,246**
Monetary liabilities		
Other liabilities	(7,401,999)	-
	(7,401,999)	**-**
	(7,387,881)	**1,194,514,246**

4. Financial risk management (continued)

(a) Market risk (continued)

(iii) Currency risk (continued)

A ten percent strengthening of the RON against the EUR at 31 December would have increased (decreased) profit or loss by the amount shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2009.

	31 December 2010	31 December 2009
Profit or loss		
EUR	738,788	(119,451,425)
	738,788	**(119,451,425)**

(b) Credit risk

Credit risk is the risk of financial loss to the Fund if counterparties to financial instruments fail to meet their contractual obligations, and arises principally from cash and deposits with banks, treasury bills, dividends receivable and receivables in respect of equity contributions.

(i) Cash and deposits with banks

The Fund's maximum exposure to credit risk from cash and deposits with banks was RON 1,078,471,177 at 31 December 2010 (31 December 2009: RON 2,169,306,481).

Cash and deposits are held with the following banks:

	31 December 2010	31 December 2009
Cash and deposits held with		
B.C.R.	291,438,440	394,025,054
BRD - Groupe Societe Generale	220,834,935	253,780,760
Unicredit Tiriac Bank	184,267,506	90,403,903
Marfin Bank	163,486,451	-
Raiffeisen Bank	118,943,272	248,093,470
Bancpost	99,140,819	210,061,955
C.E.C.	305,829	198,624,036
Alpha Bank	47,624	107,037,843
Banca Romaneasca	3,731	177,478,996
Piraeus Bank	1,474	213,992,379
Millenium Bank	872	53,075,878
Volksbank	190	192,566,558
MKB Romexterra Bank	31	30,165,649
ING Bank	3	-
	1,078,471,177	**2,169,306,481**

Current accounts and deposits are held with large banks in Romania.

After the Fund's management was taken over by the Fund Manager, a formal policy regarding bank counterparty risks and limits was established. The Fund only establishes new deposits with financial

4. Financial risk management (continued)

(b) Credit risk (continued)

institutions with credit ratings above investment grade (BBB- or better). The counterparty credit risk is also diversified by allocating the cash and cash equivalents across several banks. The selection of financial institutions as deposit takers was made and the exposure limits were decided upon based on their credit ratings.

(ii) Treasury bills

The Fund's maximum exposure to credit risk from treasury bills was RON 248,021,475 at 31 December 2010 (31 December 2009: nil).

As of 31 December 2010, the Fund held the following treasury bills with discount, denominated in RON:

Intermediary bank	Value as at 31 December 2010	Settlement Date	No. of treasury bills units	Interest rate	Maturity date
ING	28,237,404	10-Nov-10	2,832	5.90%	19-Jan-11
Bancpost	49,704,711	17-Nov-10	5,101	6.96%	18-May-11
Bancpost	50,428,428	17-Nov-10	5,176	7.00%	18-May-11
Raiffeisen Bank	52,368,453	24-Nov-10	5,355	6.65%	4-May-11
Raiffeisen Bank	67,282,480	02-Dec-10	6,745	5.00%	19-Jan-11
Total	**248,021,476**				

(iii) Dividends receivable

The Fund's maximum exposure to credit risk from dividends receivable was RON 4,069,237 at 31 December 2010 (31 December 2009: RON 18,348).

Dividend income is recognised in the income statement on the ex-dividend date (quoted equity securities) or on the date dividends are declared (unquoted equity securities).

In 2006, several companies paid dividends for the year ended 2005 to the State authorities from which the Fund received its shareholdings at its establishment, instead of making such payments to the Fund, as shareholder at the date when the dividends were declared. The Fund initiated legal proceedings to recover such dividends. At the end of 2008, 2009 and 2010, the Fund recognised impairment losses on such dividends for which recoverability was not certain.

(iv) Receivables in respect of equity contributions

The Fund's maximum exposure to credit risk from receivables in respect of equity contributions was nil at 31 December 2010 (31 December 2009: RON 14,471,412).

The receivables in respect of equity contributions at 31 December 2009 represent the amount disbursed by the significant shareholder of the Fund (the Romanian State, represented by the Ministry of Public Finance). In August 2010, in accordance with Law 142/2010, the existing unpaid shares of the Fund (482,948,088 shares) were cancelled by the Romanian State (represented by the Ministry of Public Finance).

(c) Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund'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, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation.

4. Financial risk management (continued)

(c) Liquidity risk (continued)

The following are the residual maturities of the Fund's financial assets and financial liabilities:

	Less than 1 month	1 to 3 months	3 to 12 months	No fixed maturity
31 December 2010				
Financial assets				
Cash	7,207,864	-	-	-
Deposits with banks	645,986,261	425,277,465	-	-
Treasury bills	95,519,884	-	152,501,592	-
Dividends receivable	4,069,237	-	-	-
Equity investments	-	-	-	10,861,557,101
Other receivables	31,004	-	-	-
	752,814,250	**425,277,465**	**152,501,592**	**10,861,557,101**
Financial liabilities				
Payables in respect of equity contributions	9,730,381	-	-	-
Other liabilities	59,557,012	-	-	-
	69,287,393	**-**	**-**	**-**

	Less than 1 month	1 to 3 months	3 to 12 months	No fixed maturity
31 December 2009				
Financial assets				
Cash	1,483,261	-	-	-
Deposits with banks	20,081,423	552,961,607	1,594,781,831	-
Dividends receivable	18,348	-	-	-
Receivables in respect of equity contributions	-	-	-	14,471,412
Equity investments	-	-	-	9,541,979,640
Other receivables	137,171	-	-	-
	21,720,203	**552,961,607**	**1,594,781,831**	**9,556,451,052**
Financial liabilities				
Other liabilities	7,362,141	-	-	-
	7,362,141	**-**	**-**	**-**

The Fund's equity investments include unquoted securities, which are not traded in an organised public market and generally may be considered be illiquid. As a result, the Fund may not be able to liquidate quickly some of its investments in these instruments in order to meet its liquidity requirements, or to respond to specific events such as deterioration in the credit worthiness of any particular issuer.

The Fund's quoted equity securities are listed on the Bucharest Stock Exchange. However, not all quoted shares are considered liquid due to insufficient volumes of transactions.

4. Financial risk management (continued)

(d) Taxation risk

On 1 January 2007 Romania became a member of the European Union ("EU") and therefore has to apply detailed and complex rules on the basis of the EU Treaties, Regulations and Directives. The Fund has to conform to EU legislation from 1 January 2007 and, therefore, it has prepared to apply the changes arising from the EU legislation. These changes have been implemented, however the tax authorities have up to 5 years to audit the way these changes were implemented.

Interpretation of the text and practical implementation procedures of the newly enforced EU tax regulations could vary, and there is a risk that certain transactions, for example, could be viewed differently by the tax authorities as compared to the Fund's treatment.

Furthermore, the Romanian Government has a number of agencies that are authorized to conduct audits (controls) of companies operating in Romania. These controls are similar in nature to tax audits performed by tax authorities in many countries, but may extend not only to tax matters but to other legal and regulatory matters in which the applicable agency may be interested. It is likely that the Fund will continue to be subject to regular controls as new laws and regulations are issued.

(e) Operating environment

The process of risk repricing during 2007 and 2008 in the international financial markets severely affected the performance of those markets, including the Romanian financial market, and fostered heightened uncertainty with regard to economic developments going forward.

The ongoing global credit and liquidity crisis which commenced in the middle of 2007 has resulted in, among other things, lower level and difficult access to the capital market funding and lower liquidity levels across the Romanian banking sector.

Such ongoing fears that the deteriorating financial conditions could contribute, at a later stage to a further retrenchment in confidence, prompted a coordinated effort of governments and central banks to adopt special measures aimed at countering a vicious circle of growing risk aversion and to helping minimise the effects of the financial crisis and finally restoring normal market functioning.

Management is unable to predict all developments which could have an impact on the Romanian financial sector and consequently what effect, if any, they could have on these financial statements.

Management is unable to reliably estimate the effects on the Fund's financial statements of any further deterioration in the liquidity of the financial markets, devaluation of financial assets influenced by the illiquid credit market conditions and the increased volatility in the currency and equity markets.

(f) Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Fund's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Fund's operations.

The Fund's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Fund's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

4. Financial risk management (continued)

(g) Capital management

Fund's policy is to maintain a strong capital base so as to maintain shareholders' confidence, to sustain future development and ultimately to ensure the financial resources necessary to grant compensations in respect of abusive expropriations during the communist regime.

The Fund's capital (shareholders' equity) comprises share capital, fair value and other reserves and retained earnings. The shareholders' equity was RON 12,463,427,009 at 31 December 2010 (31 December 2009: RON 12,260,351,833).

The Fund was not subject to externally imposed capital requirements.

5. Financial assets and financial liabilities

Accounting classifications and fair values

The table below sets out the carrying amounts and fair values of the Fund's financial assets and financial liabilities:

	Loans and receivables	Held to maturity	Available-for-sale	Other amortised cost	Total carrying amount	Fair value
31 December 2010						
Cash	7.207.864	-	-	-	7.207.864	7.207.864
Deposits with banks	1.071.263.726	-	-	-	1.071.263.726	1.071.263.726
Treasury bills	-	-	248.021.476	-	248.021.476	248.021.476
Dividends receivable	4.069.237	-	-	-	4.069.237	4.069.237
Equity investments at fair value	-	-	4.846.321.942	-	4.846.321.942	4.846.321.942
Equity investments at cost	-	-	6.015.235.159	-	6.015.235.159	Not available
Other receivables	31.004	-	-	-	31.004	31.004
Payables in respect of equity contributions	-	-	-	(9.730.381)	(9.730.381)	(9.730.381)
Other liabilities	-	-	-	(59.557.012)	(59.557.012)	(59.557.012)
	1.082.571.831	**-**	**11.109.578.577**	**(69.287.393)**	**12.122.863.015**	**Not available**

	Loans and receivables	Held to maturity	Available-for-sale	Other amortised cost	Total carrying amount	Fair value
31 December 2009						
Cash	1,483,261	-	-	-	1,483,261	1,483,261
Deposits with banks	2,167,824,861	-	-	-	2,167,824,861	2,167,824,861
Dividends receivable	18,348	-	-	-	18,348	18,348
Receivables in respect of equity contributions	14,471,412	-	-	-	14,471,412	Not available
Equity investments at fair value	-	-	3,499,484,174	-	3,499,484,174	3,499,484,174
Equity investments at cost	-	-	6,042,495,466	-	6,042,495,466	Not available
Other receivables	137,171	-	-	-	137,171	137,171
Other liabilities	-	-	-	(7,362,141)	(7,362,141)	(7,362,141)
	2,183,935,053	**-**	**9,541,979,640**	**(7,362,141)**	**11,718,552,552**	**Not available**

At 31 December 2009 and 31 December 2010, management estimated that the dividends receivable for which no impairment losses were recognised would be collected within a short period of time and therefore their carrying amount approximated fair value.

Receivables in respect of equity contributions and equity investments carried at cost do not have reliably measurable fair values.

6. Gross dividend income

	31 December 2010	31 December 2009
Romgaz S.A.	87,829,620	40,912,828
Alro Slatina S.A.	13,293,652	18,893,734
E.ON Gaz Romania SA	24,651,075	-
Transgaz S.A.	22,975,352	18,475,571
E.ON Gaz Distributie SA	11,416,966	-
Hidroelectrica SA	6,501,711	-
CN Aeroportul International Henri Coanda Bucuresti S.A.	5,869,426	10,127,189
Conpet S.A.	3,810,281	7,116,275
Primcom S.A.	1,731,351	1,524,281
Complexul Energetic Rovinari S.A.	755,512	3,751
SN Aeroportul International Bucuresti Baneasca - Aurel Vlaicu SA	714,645	-
Transelectrica S.A.	494,761	2,968,564
Administratia Porturilor Dunarii Fluviale S.A.	368,363	-
Aeroportul International Timisoara - Traian Vuia S.A.	353,329	-
Complexul Energetic Turceni S.A.	-	2,331,100
Distrigaz Sud S.A.	-	14,496,020
Other	478,218	3,205,845
	181,244,262	**120,055,158**

During 2009 and until 30 June 2010, dividend income was subject to 10% withholding tax. With effect from 1 July 2010, dividend income was subject to 16% withholding tax. In cases where the relevant shareholding was larger than 10% for at least two years prior to the dividend distribution, no withholding tax was due (the same rule being valid during both 2009 and 2010).

7. Interest income

Interest income amounting to RON 131,466,209 in 2010 (2009: RON 142,469,835) arose from deposits held with banks and from treasury bills.

8. Gains / (Losses) on disposal of equity investments

No disposal of equity investments occurred in 2010.

During 2009 the Fund sold the shareholdings held in: Centrofarm S.A. (17.34%), CEZ Distributie S.A. (30%), CEZ Vanzare S.A. (30%), CEZ Servicii S.A. (12%) and Petrom Aviation (3%). The gain on disposal of these equity investments was RON 554,433,394 representing the difference between the cash received (RON 980,237,872) and the carrying amount of the shares (RON 425,804,478).

9. Net foreign exchange gains

	Year ended 31 December 2010	Year ended 31 December 2009
Realised foreign exchange gains / (losses)	(9,136,993)	9,728,227
Unrealised foreign exchange gains / (losses)	(28,158)	5,003,466
	(9,165,151)	**14,731,693**

Foreign exchange gains and losses arise mainly on the maturity of foreign currency deposits and on the revaluation of such deposits at the year end exchange rates.

10. Personnel expenses

	Year ended 31 December 2010	Year ended 31 December 2009
Salaries	3,202,543	10,693,022
Salary related contributions	865,866	2,814,572
	4,068,409	**13,507,594**

Salaries include compensation paid to administrators (members of the Fund's Supervisory Board) and to members of the Selection Commission.

On 28 September 2009, immediately prior to the change in Fund administration, the Fund terminated the contracts with the members of Supervisory Board, the members of the Directorate and most of the employees (except for 3 employees). The 2010 gross salaries cost includes compensation payments made for contract termination, which were payable according to labour contracts to employees and the Directorate.

As at 31 December 2010 the Fund had 3 employees, of whom 2 are on child care leave.

11. Other operating expenses

	Year ended 31 December 2010	Year ended 31 December 2009
Third party services	37,862,146	8,452,723
Other operating expenses	8,609,614	876,745
	46,471,760	**9,329,468**

12. Income tax expense

	Year ended 31 December 2010	Year ended 31 December 2009
Current tax expense		
Current tax (16%)	11,203,603	104,054,192
Dividend withholding tax (16%)	2,195,211	1,889,891
	13,398,814	**105,944,083**
Deferred tax expense/ (benefit)		
Impairment losses on equity investments	(4,687,917)	237,283
Provisions for restructuring	104,879	163,634
Unused tax losses	(138,871)	-
	(4,721,909)	**400,917**
Total income tax expense	**8,676,905**	**106,345,000**

The effective tax rate used to calculate the deferred tax position of the Fund for the years ended 31 December 2010 and 31 December 2009 was 16% (standard tax rate).

	Year ended 31 December 2010	Year ended 31 December 2009
Reconciliation of effective tax rate		
Profit for the year	215,010,452	701,052,785
Income tax expense	8,676,905	106,345,000
Profit excluding income tax	**223,687,357**	**807,397,785**
Income tax using the standard tax rate (16%)	**35,789,977**	**129,183,646**
Effect of:		
Lower tax rate on dividend income	(26,803,869)	(17,318,933)
Profit appropriation to legal reserve	(583,341)	(5,479,910)
Other non-taxable income	(120,012)	-
Other non-deductible expenses	346,643	(39,803)
Deductions for charitable donations	47,507	-
Total income tax expense/ (benefit)	**8,676,905**	**106,345,000**

	Year ended 31 December 2010	Year ended 31 December 2009
Income tax recognised directly in equity		
Equity investments carried at fair value	207,920,363	154,201,869
	207,920,363	**154,201,869**

13. Cash

	31 December 2010	31 December 2009
Petty cash	413	1,641
Current accounts with banks	7,207,451	1,481,620
	7,207,864	**1,483,261**

The current accounts held with banks are not pledged as collateral for liabilities.

14. Deposits with banks

	31 December 2010	31 December 2009
Bank deposits with original maturities of less than three months	686,279,028	841,083,706
Bank deposits with original maturities of more than three months and less than one year	378,486,499	1,308,649,962
Interest accrued on bank deposits	6,498,199	18,091,193
	1,071,263,726	**2,167,824,861**

None of the deposits held with banks is pledged as collateral for liabilities.

15. Treasury bills

The Fund acquired in 2010 treasury bills with discount denominated in RON.

At 31 December 2009 the Fund did not have treasury bills.

	31 December 2010	31 December 2009
Treasury bills with original maturities of less than three months	95.519.883	-
Treasury bills with original maturities of more than three months and less than one year	152.501.593	-
	248.021.476	**-**

16. Dividends receivable

	31 December 2010	31 December 2009
Dividends receivable		
Romgaz S.A.	18,510,456	18,510,456
Transgaz S.A.	9,634,993	9,634,993
Hidroelectrica S.A.	3,501,712	-
Complexul Energetic Rovinari S.A.	567,525	-
Other dividends receivable	824,392	824,433
	33,039,078	**28,969,882**
Impairment loss allowance		
Romgaz S.A.	(18,510,456)	(18,510,456)
Transgaz S.A.	(9,634,993)	(9,634,993)
Other dividends receivable	(824,392)	(806,085)
	(28,969,841)	**(28,951,534)**
	4,069,237	**18,348**

In 2006, several companies paid dividends for the year ended 31 December 2005 to the State authorities in which the Fund received shareholdings at its establishment, instead of making such payments directly to the Fund, who was a shareholder at the dividend declaration date. The Fund has initiated legal procedures to recover such dividends, together with any related penalty interest (see also note 25).

17. Receivables in respect of equity contributions

As at 31 December 2009, the receivables in respect of equity contributions are non-interest bearing financial assets representing the consideration to be paid (in cash or in kind) by the significant shareholder of the Fund (the Romanian State, represented by the Ministry of Public Finance) for the subscribed share capital to be fully paid in.

In accordance with Law 247/2005 (as amended by Government Emergency Ordinance 209/2005), these receivables are derecognised subject to the significant shareholder making:

- cash contributions, representing the following types of amounts to be received by the State:
  - the recovery of certain foreign trade receivables;
  - the sale to a strategic investor of 4% of B.C.R. S.A. shares;
  - the initial trading on a domestic or foreign stock exchange of 3% of Romtelecom S.A.;
  - 20% of the amounts received in respect of the privatisation of Romtelecom S.A.;
  - 9.9% of the amounts received in respect of the privatisation of C.E.C. S.A.; or
- contributions in kind of other types of assets (to be decided upon in the future).

In August 2010, in accordance with Law 142/2010, the unpaid shares of the Fund as at that date were cancelled, the receivable balance in respect of equity contribution as at 31 December 2010 being nil (31 December 2009: RON 14,471,412).

18. Equity investments

In accordance with Law 247/2005, as amended by Government Emergency Ordinance 209/2005, the Fund received, at its establishment on 28 December 2005, shares in one hundred and seventeen companies as contribution in kind from the Romanian State, as sole shareholder.

In June 2007, Government Emergency Ordinance 81/2007 came into force, in accordance with which:

- thirty-two new shareholdings were added to the Fund's portfolio as contribution in kind to its share capital (twenty-one shareholdings in companies already in the portfolio and eleven shareholdings in companies not previously in the portfolio);
- thirty-nine shareholdings were removed from the Fund's portfolio and transferred back to the State.

The valuation of the shares contributed by the Romanian State in December 2005 and June 2007 was performed in October 2007 by an independent evaluator (Finevex S.R.L. Constanta), who followed the valuation methodology set forth by Government Emergency Ordinance 81/2007. The value of the shareholdings, as determined by the evaluator, represents the cost of the equity investments.

Equity investments are available-for-sale financial assets and are carried at fair value, except for the investments whose fair value cannot be reliably measured, which are carried at cost less impairment.

Fair values at 31 December 2010 and 31 December 2009 were determined by reference to published bid price quotations on the Bucharest Stock Exchange, where applicable. Equity investments quoted on the Bucharest Stock Exchange which are not traded in an active market, and unquoted securities, are carried at cost less impairment.

At 31 December 2010 and 31 December 2009, for equity investments carried at cost, no fair values could be determined using valuation techniques as the range of reasonable fair value estimates was significant and the probabilities of the various estimates could not be reasonably assessed.

The movement in the carrying amounts of equity investments is as follows:

	Equity investments at fair value	**Equity investments at cost**	**Total equity investments**
31 December 2008	**2,536,394,557**	**6,469,083,111**	**9,005,477,668**
Disposals	(672,066)	(425,132,412)	**(425,804,478)**
Impairment losses	-	(1,455,233)	**(1,455,233)**
Changes in fair value	963,761,683	-	**963,761,683**
31 December 2009	**3,499,484,174**	**6,042,495,466**	**9,541,979,640**
Shares contributions in kind by the State	-	2,039,180	**2,039,180**
Acquisitions	47,335,500	-	**47,335,500**
Impairment loss	-	(29,299,487)	**(29,299,487)**
Changes in fair value	1,299,502,268	-	**1,299,502,268**
31 December 2010	**4,846,321,942**	**6,015,235,159**	**10,861,557,101**

18. Equity investments (continued)

During 2009 the Fund sold the shareholdings held in: Centrofarm S.A. (17.34%), CEZ Distributie S.A. (30%), CEZ Vanzare S.A. (30%), CEZ Servicii S.A. (12%) and Petrom Aviation (3%) (see "disposals" above).

In 2010, the Fund acquired 3,925,000 shares in BRD - Groupe Societe Generale S.A. amounting RON 47,335,500.

Due to the fact that Hidroelectrica S.A., Plafar S.A. and Posta Romana S.A. recorded contributions in kind made by the Romanian State to their share capital, in accordance with Law 247/2005, as amended, the Fund received additional shares in these companies, so that its shareholding would not be diluted, and such shares were recognised during 2010, at par value against the receivables in respect of equity contributions.

In 2010, Aeroportul International Henri Coanda Bucuresti S.A. and Aeroportul International Bucuresti Baneasa – Aurel Vlaicu S.A. merged to create C.N. Aeroporturi Bucuresti S.A. which now manages both airports in Bucharest. The merger decision received the required General Shareholders Meetings approvals during 2009 and was recorded with the Trade Registry during 2010.Fondul Proprietatea holds 20% of the new company. Following the merger of the two companies, Fondul Proprietatea maintained an undiluted stake in the newly incorporated company compared to the previous holdings.

Also, E.ON Gaz Romania S.A. and E.ON Moldova Furnizare S.A. merged, E.ON Gaz Romania S.A. absorbing E.ON Moldova Furnizare S.A. and changing its name to E.ON Energie Romania S.A.. The merger was approved by the Extraordinary General Shareholders Meetings of both E.ON Gaz Romania S.A. and E.ON Moldova Furnizare S.A. at the end of November and became effective on 31 December 2010. At the same time, the share capital of the absorbing company increased by 25.84 million RON, to 184.78 million RON, of which the Fund holds 13.4%. Following the merger, E.ON Moldova Furnizare S.A. has been removed from the Trade Register. Fondul received 0.7455 new shares in E.ON Energie Romania SA for every share previously held in E.ON Moldova Furnizare S.A. The Fund has decided to challenge the merger decision in Court on valuation grounds.

During 2010 the following mergers between companies in Fondul Proprietatea's portfolio were in progress:

- In 2010 the Government passed a decision to restructure the energy sector and to create two new electricity generation companies. The two companies were to be named Electra and Hidroenergetica. Electra was to be formed through the merger of Nuclearelectrica, Societatea Nationala a Lignitului Oltenia (The National Lignite Company), Complexul Energetic Turceni (Thermo Power Plant), Complexul Energetic Rovinari (Thermo Power Plant) and Complexul Energetic Craiova (Thermo Power Plant) with some of Hidroelectrica's spun-off assets, namely Ramnicu Valcea, Sibiu, Targu Jiu and Hidroserv Ramnicu Valcea subsidiaries. Hidroenergetica was to be formed through the merger of the remaining assets of Hidroelectrica with two Termoelectrica subsidiaries - Electrocentrale Deva and Electrocentrale Bucuresti (thermo power plants). The Fund Manager, disputed the proposed merger plan, and voted against it during the General Shareholders Meetings on the 19 November 2010. Fondul has subsequently initiated legal action against the shareholders' decisions and as a result, the merger plan is now suspended in court.

- On 8 November 2010, the General Shareholders Meetings of Electrica Furnizare Transilvania Nord SA, Electrica Furnizare Muntenia Nord SA and Electrica Furnizare Transilvania Sud SA approved in principle the merger of the 3 companies and delegated to the companies' Boards of Directors the responsibility to plan the merger project. The final General Shareholders Meetings to approve the merger project and the merger of the 3 companies have not yet been held.

Through Government Ordinance 18/2010 regarding the revision of 2010 state budget, the Government decided to request from a number of companies in the portfolio of the Ministry of Economy, Commerce and Business Environment donations of significant amounts to the state budget, in order to cover the 2010 macroeconomic deficit. In accordance with this ordinance, Romgaz S.A. donated, following the agreement of its majority shareholder, RON 400 million in 2010.

18. Equity investments (continued)

The structure of the Fund's portfolio is the following:

	31 December 2010	31 December 2009
Equity investments at fair value		
OVM Petrom S.A.	3,816,028,612	2,836,391,416
Transgaz S.A.	494,093,600	277,045,340
Transelectrica S.A.	191,472,352	133,585,362
Alro Slatina S.A.	211,868,727	175,021,992
Other	132,858,650	77,440,064
	4,846,321,941	**3,499,484,174**
Equity investments at cost		
Hidroelectrica S.A.	2,762,606,369	2,761,181,429
Nuclearelectrica S.A.	581,846,011	581,846,011
Romgaz S.A.	416,301,444	416,301,444
Complexul Energetic Turceni S.A.	282,299,927	282,299,927
Complexul Energetic Craiova S.A.	250,169,153	250,169,153
Electrica Distributie Muntenia Nord S.A.	165,223,950	165,223,950
Complexul Energetic Rovinari S.A.	137,615,732	137,615,732
E.ON Moldova Distributie S.A.	131,073,011	131,073,011
Aeroportul International Henri Coanda Bucuresti S.A. *	-	124,980,198
Aeroportul International Bucuresti Baneasa - Aurel Vlaicu SA*	-	6,188,064
Aeroporturi Bucuresti S.A. *	131,168,262	-
Enel Distributie Muntenia S.A.	107,277,263	107,277,263
Posta Romana S.A.	84,664,380	84,384,880
Other	964,989,658	993,954,404
	6,015,235,160	**6,042,495,466**
	10,861,557,101	**9,541,979,640**

** During 2010 Aeroportul International Henri Coanda Bucuresti S.A. and Aeroportul International Bucuresti Baneasa – Aurel Vlaicu S.A. mergered to incorporate Aeroporturi Bucuresti S.A.*

None of the equity investments is pledged as collateral for liabilities.

18. Equity investments (continued)

Fair value hierarchy

The table below analyses equity investments carried at fair value, by valuation method.

The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At 31 December 2010:

	Level 1	**Level 2**	**Level 3**	**Total**
Equity investments at fair value	4,846,321,942	-	-	4,846,321,942
Treasury bills	248,021,476	-	-	248,021,476
	5,094,343,418	**-**	**-**	**5,094,343,418**

At 31 December 2009:

	Level 1	**Level 2**	**Level 3**	**Total**
Equity investments at fair value	3,499,484,174	-	-	3,499,484,174
	3,499,484,174	**-**	**-**	**3,499,484,174**

19. Deferred tax assets

	31 December 2010	**31 December 2009**
Temporary differences deductible (taxable)		
Impairment losses on equity investments	4,440,249,906	4,410,950,425
Changes in fair values of equity investments	(2,322,783,919)	(1,023,281,650)
Fiscal loss carried forward	867,944	-
Provisions	285,794	941,286
	2,118,619,725	***3,388,610,061***
Deferred tax assets at 16%	**338,979,156**	**542,177,610**
Total deferred tax assets	**338,979,156**	**542,177,610**

The effective tax rate used to calculate the deferred tax position of the Fund for the years ended 31 December 2010 and 31 December 2009 was 16% (standard tax rate).

20. Other assets

	31 December 2010	31 December 2009
Income tax to be recovered from the State Budget	934,870	-
Interest receivable in relation with the dividends late payments	750,393	-
Guarantees on leased premises	84,837	132,859
Prepaid expenses	31,004	56,883
Property and equipment	-	506,074
Other assets	100,530	4,312
	1,901,634	**700,128**

21. Payables in respect of equity contributions

The payables in respect of equity contributions are non-interest bearing financial liabilities representing the consideration paid (in cash or in kind) by the significant shareholder of the Fund (the Romanian State, represented by the Ministry of Public Finance) with the view of share capital increase.

As of 31 December 2010, the balance of RON 9,730,381 comprises:

- cash contributions, representing amounts resulted from partial recovery of receivables from World Trade Center Bucuresti SA by the Fund, in a total amount of RON 9,395,641, as follows: RON 8,724,887.92, EUR 148,700.76, USD 10,130.69, amounts transferred based on provisions of G.E.O. nr. 81/2007.
- shares contributed in kind by the State in amount of RON 334,740.

At 31 December 2009, the balance of payables in respect of equity contributions was nil.

22. Other liabilities

	31 December 2010	31 December 2009
Dividends payable	24,821,842	1,638,120
Investment Manager and Administrator fees	17,954,157	-
Tax on dividends	7,859,711	-
CNVM commission fee	1,268,222	-
Provisions	285,792	941,286
Current income tax	-	3,241,334
Other liabilities	7,653,080	2,482,687
	59,842,804	**8,303,427**

The Fund’s General Shareholders Meeting approved in September 2010 the distribution of dividends of RON 1,124,458,980 or RON 0.0816 per share, payable to shareholders with effect from October which represented the distributable profits of both 2008 and 2009. By the end of 2010, shareholders had collected 98% of total dividends distributed since the Fund’s inception.

In June 2009, Franklin Templeton Investment Management Ltd was selected to perform investment management and administration services for Fondul Proprietatea. The investment management agreement was signed in February 2010 and came into effect on 29 September 2010, when Franklin Templeton Investment Management Ltd United Kingdom Bucharest Branch (“Fund Manager”) became the Fund Manager and Sole Director of the Fund.

22. Other liabilities (continued)

Provisions were recognised in relation to the changes in the Fund's corporate governance structures following the appointment of the Fund Manager.

The commission fees due to National Securities Commission ("NSC" or "CNVM") arose following the Fund's registration with this authority in August 2010. In March 2010, the CNVM issued Regulation 4/2010 regarding the Fund's registration with CNVM, its functioning and the trading of its shares.

23. Shareholders' equity

(a) Share capital

At 31 December 2010, the authorised and issued share capital comprised 13,778,392,208 ordinary shares (31 December 2009: 14,240,540,675 shares), at a nominal value of RON 1 per share. At 31 December 2009, 482,948,088 ordinary shares were not recognised as receivables in respect of equity contributions and share capital, given the fact that in August 2010 in accordance with Law 142/2010, unpaid shares of the Fund were cancelled by the Romanian State, represented by the Ministry of Public Finance.

As at 31 December 2010 the subscribed share capital of the Fund was fully paid.

In September 2010, the share capital was increased to RON 13,778,392,208 following contributions made by the State.

By 31 December 2010, the State's share in Fondul Proprietatea decreased to 38.884%.

Through Government Emergency Ordinance 91/2010 regarding the allocation of amounts from the recovery of Romania's foreign currency rights, the Government decided not to transfer additional amounts to Fondul Proprietatea, resulting from the foreign trade and economic cooperation carried out by Romania before 31 December 1989 and from recovery of rights resulting from commercial and governmental payment agreements and the related technical banking arrangements.

The movements in share capital components are presented below:

	Share capital paid in	**Share capital not paid in**	**Total share capital**
31 December 2008	**13,679,274,999**	**78,317,588**	**13,757,592,587**
Cash contributions	63,846,176	(63,846,176)	-
31 December 2009	**13,743,121,175**	**14,471,412**	**13,757,592,587**
Shares contributed in kind by the State	1,704,443	-	1,704,443
Cash contributions	33,566,590	(14,471,412)	19,095,178
31 December 2010	**13,778,392,208**	**-**	**13,778,392,208**

23. Shareholders' equity (continued)

(a) Share capital (continued)

The Fund's shares paid by shareholders give mainly the following rights:

- to cast votes in the General Shareholders' Meetings;
- to elect or be elected to the governance bodies;
- to participate in profit appropriations.

As of 31 December 2010, all shares have been paid in (as of 31 December 2009, 14,471,412 shares have not been paid in). The shares not paid in did not entitle their holder to vote or to receive dividends.

(b) Fair value reserves on available-for-sale financial assets

The fair value reserves of RON 1,951,138,494 at 31 December 2010 (31 December 2009: RON 859,556,589) comprise the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

(c) Other reserves

	31 December 2010	31 December 2009
Legal reserve	102,524,308	79,154,937
Other reserves	120,299,557	120,299,556
	222,823,865	**199,454,493**

As required by the Romanian law, a minimum 5% of the statutory profit for the year must be transferred to the legal reserve. Such annual transfers must be discontinued when the reserve equals 20% of the issued share capital. The legal reserve cannot be used for distributions to shareholders. In 2010, Fondul transferred to the legal reserves an amount of RON 23,369,372 representing 5% of the statutory gross profit (in 2009: RON 36,506,916).

Other reserves are created through appropriations of statutory net profits and are used or distributed in accordance with decisions taken by general shareholders' meetings.

(d) Dividends

The Fund's General Shareholders Meeting approved in September 2010 the distribution of dividends of RON 0.0816 per share, in relation to 2008 and 2009 statutory profits.

When shareholders voted for the dividend distribution in 2010 (on 6 September), the Fund was an entity regulated by CNVM and governed by Capital Market Law (Law 297/2004, as subsequently amended). As a consequence, the calculation of net assets for the Fund was performed according to that law, permiting a dividend distribution in 2010.

In 2009, the Fund did not declare any dividends.

24. Contingencies

As at 31 December 2010 the Fund was involved in certain litigations, either as defendant or claimant. According with the requirements of the IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” the Fund disclosed in the financial statements only those which may have significant effects on the Fund’s financial position or profitability. The most important litigations were as follows:

1 The Fund is involved in several litigations regarding delay penalties requested from companies which have not yet paid dividends to the Fund for the year 2005 (some of the dividends have since been paid to the Fund pursuant to the Fund winning the law suits). Such litigations are yet to be resolved. During the year 2010 the most common practice of the Romanian courts was to accept the Fund’s claims.

The claims filed by the Fund are in compliance with the provisions of Law 31/1990 as republished and further amended and these amounts should be due and paid to the Fund. These amounts shall only be recognised as revenues when their collectibility becomes highly probable.

2 The amounts to be received from the privatization of B.C.R. S.A. to a strategic investor:

In December 2006, the Fund received a cash contribution of EUR 88,394,758 (RON 301,788,543) representing 4% of the amount paid by Erste Bank Austria to the Romanian State in respect of the privatisation of Banca Comerciala Romana S.A. (B.C.R. S.A.). In accordance with the statement of the legislative text, the Fund was entitled to receive as a cash contribution “the amounts received from the sale to the strategic investor of 4% of B.C.R. S.A.’s shares”. The Fund interpreted this provision of “4% of the share capital of B.C.R. S.A.”, to represent EUR 242,495,438 (RON 1,025,319,211 equivalent; i.e. 4% of B.C.R.’s total share capital to which the price paid by Erste Bank Oesterreichischen Sparkassen AG of 7.65 EUR/share is applied). The difference of EUR 154,100,680 (RON 651,568,493 equivalent) is to be used to pay the majoritysignificant shareholders’ not paid-in share capital and/or to increase the share capital.

In order to recover the respective amount, on 1 October 2008, the Fund has filed a court action with the Bucharest County Court – Commercial section having as defendants the Ministry of Economy and Finance and the Authority for State Assets Recovery (“AVAS”).

The Bucharest County Court rejected the above action and the litigation was closed not in the Fund’s favour.

In January 2011, Fondul Proprietatea decided not to continue with an appeal related to amounts claimed by the Fund from the privatization of BCR S.A.

3 The receivables from World Trade Center Bucharest S.A.:

Section II, Article 4 of G.E.O. nr. 81/2007 stipulates the transfer from AVAS to the Fund of receivables from World Trade Center Bucharest S.A. amounting to USD 68,814,198 (including the original principal and related interest and penalties) on 29 June 2007.

On 1 October 2007 the reception minute no. 633 was concluded between AVAS and the Fund based on which all documents related to the receivables due from World Trade Center Bucharest S.A. were transferred to the Fund. On 4 October 2007, the Fund notified World Trade Center Bucharest S.A. regarding the cession of the receivables. Meanwhile, the transfer was registered with the Electronic Archive for Pledges.

In 2008, World Trade Center Bucharest S.A. paid USD 200,000 to the Fund, in 2009 USD 200,000 and in 2010 USD 110,130.69, EUR 148,700.76, RON 8,724,887.92. In accordance with G.E.O. 81/2007, these cash receipts reduced the balance of the receivables in respect of equity contributions.

Given the uncertainties regarding their recoverability, the World Trade Center Bucharest S.A. receivables were recognised on receipt basis in the Fund’s financial statements.

24. Contingencies (continued)

4 As at 31 December 2010 the Fund is in dispute with Romarm S.A. which did not transfer certain stakes in Uzina Mecanica Bucuresti S.A. and Electromecanica SA Ploiesti (both subsidiaries of Romarm S.A.), in accordance with Government Emergency Ordinance 81/2007. The provisions of Article 1 paragraph 2 Title II of Emergency Ordinance nr.81/2007 state that "the transfer of ownership of assets under paragraph 1 is made as of the date of entry into force of this Emergency Ordinance, the directors of companies, national societies and national companies being obliged to update their own records of shareholders and shares. In case the records of shareholders of national societies and national companies are kept by “Depozitarul Central” or by registry companies, the update of the records is done by “Depozitarul Central” and registry companies, on request of the Fund”.

Art. 1, paragraph 1, establishes that AVAS will transfer to the Fund a total of 1,002,301 shares of Electromecanica Ploiesti S.A. (point 2.23) and a total of 2,951,053 shares of Uzina Mecanica Bucuresti S.A. (point 2.24).

Electromecanica and Uzina Mecanica Bucuresti are subsidiaries of Romarm, a company owned 100% by AVAS at the effective date of the Ordinance 81/2007 and by the Ministry of Economy currently. Considering the fact that the text of the Ordinance mentioned that these stakes transfer from AVAS and not from Romarm, the companies have refused to record the Fund as shareholder despite several requests to this effect.

Furthermore, the Fund requested AVAS, as Romarm’s single shareholder, to instruct its representatives at the general shareholders meetings of Uzina Mecanica Bucuresti S.A. and Electromecanica Ploiesti S.A. to mandate their boards of directors to record the Fund’s shareholding in both the shareholders register and the Trade Register Office.

At present, the Fund has two legal actions at the Bucharest Court of Appeal and at the Supreme Court of Justice regarding these litigations.

As at 31 December 2010 and as at 31 December 2009, the Fund recorded an impairment loss on the full value of the holdings in the two companies, due to the fact that the registration of ownership is still in dispute.

5 There are currently two court litigations involving the Fund and Nuclearelectrica:

In the first file the Fund has sued Nuclearelectrica and the Ministry of Economy and Commerce (now the Ministry of Economy, Trade and Business Environment) and asked the court to record the transfer of a total of 20,077,653 shares from the Ministry portfolio to the Fund portfolio in order to update the initial stake of the Fund in Nuclearelectrica, taking into account the share capital increases that took place between 1 February 2006 and 13 November 2007. The hearings are suspended until the Constitutional Court will decide on the constitutionality of the law regarding the cancellation of the transfer of 20,077,653 shares from the Ministry portfolio to the Fund portfolio.

In the second file, the Fund has requested the partial cancellation of the Resolution of Nuclearelectrica’s Extraordinary General Shareholders’ Meeting no.14 of 26 September 2006, whereby the social capital was increased by the amount of RON 363,368,250, representing the equivalent amount of 315 tonnes heavy water, which was transferred from state reserves to Nuclearelectrica free of charge; and the allocation of an additional number of 7,267,365 new shares issued by Nuclearelectrica following the share capital increase. On 25 February 2010, the Bucharest County Court rejected the claim filed by the Fund stating that the Resolution of Nuclearelectrica Shareholders’ Extraordinary General.

Assembly dated 26 September 2009 was made in full compliance with the provisions of Law no. 297/2006, which is derogatory from the common provisions of the Companies Law. Also, the Court interpreted the relevant legal provisions as regulating a transfer under the title of contribution by the Romanian State and not of a subsidy, entitling solely this shareholder to the shares issued as a result of

24. Contingencies (continued)

Nuclearelectrica's share capital increase. The Court dismissed the Fund's claims relating to the lack of a valuation report, stating that such a report was not required, as it was a monetary contribution, and that a legal valuation had already been performed.

In the second file, on 10 May 2010, the Fund filed an appeal against the above decision of the Bucharest County Court. The litigation is currently in process.

As at 31 December 2010 and as at 31 December 2009 the Fund owns 9.72% of the share capital of the Nuclearelectrica, as recorded at the Trade Register Office.

6 There are legal actions involving the Fund acting against the Electra and Hidroenergetica merger plans:

On 17 November 2010, the Fund lodged with the Dolj Tribunal a motion for preliminary injunction against Complexul Energetic Craiova S.A., requesting the court to suspend the implementation of the merger of Nuclearelectrica with Complexul Energetic Rovinari S.A., Complexul Energetic Turceni S.A., Complexul Energetic Craiova S.A., Societatea Nationala a Lignitului Oltenia S.A., Hidroserv S.A. Râmnicu Vâlcea and part of Hidroelectrica SA, and the deferral of the general shareholders meeting of Complexul Energetic Craiova convened to approve in substance the merger plan on 19 November 2010.

On 18 November 2010, the Dolj Tribunal ruled upon: (i) the suspension of the merger of the above mentioned companies until the merger plan is duly modified and (ii) deferral of the general shareholders meeting of Complexul Energetic Craiova S.A convened for 19 November 2010.

After 19 November 2010 the Fund lodged with the Bucharest Court another motion for preliminary injunction against Hidroelectrica and Nuclearlectrica, requesting the court to suspend the implementation of the merger plan for creating Electra and Hidroenergetica. On 15 December 2010, the Bucharest Court ruled in favour of the suspension of the merger against Hidrolectrica. On 6 January 2011, the Bucharest Court ruled in favour of the suspension of the merger against Nuclearelectrica.

The merger and span-off for creating Electra and Hidroenergetica is blocked at the present time.

7 Two minority shareholders of the Fund have filed claims against the Fund with the Court requesting the cancellation of certain resolutions of the General Shareholders Meeting.

During 2010, other contingencies of the Fund included the following:

1 The Fund shall receive the following amounts from the Romanian State:

a the amount resulted from the trading on the Romanian or foreign stock exchange markets of the first 3% of Romtelecom S.A. shares;

b 20% of the amounts resulting from the privatization of Romtelecom S.A.;

c 9.9% of the amounts resulting from the privatisation of C.E.C. S.A.

These amounts shall be recorded as an increase in share capital by the significant shareholder once they are collected.

2 The amounts resulting from collection of receivables from foreign trade and economic cooperation carried out by the Romanian State before 31 December 1989 and amounts resulting from ownership recovery resulting from commercial and governmental payment agreements and the related technical banking arrangements, after a deduction of 3% have been used to cover first the subscribed unpaid share capital by the significant shareholder.

In October 2010, the Romanian Government decided to redirect these amounts to the state budget and the Fund will no longer benefit from those receivables.

25. Related parties

(a) Parent

At 31 December 2009, the shareholders' structure was as follows:

Shareholders	No of shareholders	No of shares	Amount	% held
The Romanian State	1	8,102,262,012	8,102,262,012	58.89%
Individuals	3,037	4,267,122,366	4,267,122,366	31.02%
Companies	68	1,388,208,209	1,388,208,209	10.09%
	3,106	**13,757,592,587**	**13,757,592,587**	**100%**

At 31 December 2010, the shareholders' structure was:

Shareholders	No of shareholders	No of shares	Amount	% held
The Romanian State	1	5,357,581,696	5,357,581,696	38.88%
Individuals	5,209	5,735,647,178	5,735,647,178	41.63%
Companies	175	2,685,163,334	2,685,163,334	19.49%
	5,385	**13,778,392,208**	**13,778,392,208**	**100%**

The Romanian State controls the Fund and is represented by the Ministry of Public Finance.

At 31 December 2010, the Fund had no receivables in respect of equity contributions from the Romanian State (31 December 2009: RON 14,471,412).

At 31 December 2010, the Fund had payables in respect of equity contributions received from the Romanian State in amount of RON 9,730,381 (31 December 2009: Nil).

(b) Key management

	31 December 2010	31 December 2009
Salaries		
Directors	967,355	5,468,040
Members of the Supervisory Board	706,162	3,168,031
Members of the Board of Nominees	137,045	-
	1,810,562	**8,636,071**

There were no loans to or other transactions between the Fund and its management in 2009 and in 2010.

In February 2010 the Fund signed the Investment Management Agreement with Franklin Templeton Investment Management Ltd United Kingdom Bucharest Branch ("Fund Manager") and it become effective on 29 September 2010. On this date, Franklin Templeton Investment Management Ltd United Kingdom Bucharest Branch become both the fund manager and sole director of the Fund.

25. Related parties (continued)

(b) Key management (continued)

The transactions carried during 2010 between the Fund and Fund Manager were the following:

Transactions	Year ended 31 December 2010
Investment management fee	14,484,115
Administration fee	3,821,666
Rental expense	23,953
Operating cost	5,014
	18,329,734

As of 31 December 2010, the Fund owed an amount of RON 17,963,827 to the Fund Manager.

(c) Subsidiaries

The Fund has the following subsidiaries, all of which are incorporated in Romania:

	31 December 2010	31 December 2009
Ownership interest		
Alcom S.A. Timisoara	72%	72%
Carom - Broker de Asigurare S.A. Bucuresti	70%	70%
Comsig S.A. Sighisoara	70%	70%
Delfincom S.A. Bucuresti	66%	66%
Prestari Servicii S.A. Bucuresti	71%	71%
Primcom S.A. Bucuresti	79%	79%
Romplumb S.A. Baia Mare	51%	51%
Telerom Proiect S.A. Bucuresti	69%	69%
Zirom S.A. Giurgiu	100%	100%

25. Related parties (continued)

(c) Subsidiaries (continued)

	31 December 2010	31 December 2009
Gross dividend income		
Primcom S.A.	1,731,351	1,524,281
Alcom SA	-	12,696
Carom - Broker de Asigurare S.A. Bucuresti	27,636	183,070
	1,758,987	**1,720,047**
Impairment losses recognised on dividends receivable		
Carom - Broker de Asigurare S.A. Bucuresti	-	(10,158)
	-	**(10,158)**
Dividends received (net of withholding tax)		
Primcom S.A.	1,731,351	1,524,281
Alcom SA	-	12,327
Carom - Broker de Asigurare S.A. Bucuresti	27,636	164,763
	1,758,987	**1,701,371**

	31 December 2010	31 December 2009
Dividends receivable		
Carom - Broker de Asigurare S.A. Bucuresti	188,385	188,385
	188,385	**188,385**
Impairment loss allowance		
Carom - Broker de Asigurare S.A. Bucuresti	(188,385)	(170,078)
	(188,385)	**(170,078)**
	-	**18,307**

(d) Associates

The Fund has the following associate, which is incorporated in Romania:

	31 December 2010	31 December 2009
Ownership interest		
OVM Petrom S.A.	20%	20%

The Fund did not carry out transactions with OMV Petrom S.A. during 2009 and 2010.

25. Related parties (continued)

(e) State controlled entities

	31 December 2010	31 December 2009
Gross dividend income		
Romgaz S.A.	87,829,619	40,912,828
Transgaz S.A.	22,975,352	18,475,571
Aeroportul International Henri Coanda Bucuresti S.A.*	5,869,426	10,127,189
Conpet S.A.	3,810,281	7,116,275
Transelectrica S.A.	494,761	2,968,564
Complexul Energetic Turceni S.A.	-	2,331,100
Electrica Furnizare Transilvania Sud SA	-	895,721
Aeroportul International Timisoara - Traian Vuia S.A.	353,329	474,502
Complexul Energetic Craiova S.A.	114,721	464,389
Administratia Porturilor Dunarii Fluviale S.A.	368,363	463,384
Oil Terminal S.A.	37,391	54,148
Societatea Nationala a Sarii S.A.	-	269,771
Administratia Canalelor Navigabile S.A.	244,827	216,938
Electrica Furnizare Transilvania Nord SA	-	62,375
Hidroelectrica SA	6,501,711	-
Administratia Porturilor Dunarii Maritime S.A.	18,210	-
Posta Romana S.A.	-	4,099
Complexul Energetic Rovinari S.A.	755,512	3,751
Administratia Porturilor Maritime S.A.	-	1,360
Aeroportul International Bucuresti Baneasa - Aurel Vlaicu SA*	714,645	-
E.ON Gaz Romania SA**	24,651,075	-
E.ON Gaz Distributie SA	11,416,966	-
	166,156,189	**84,841,965**

** During 2010 Aeroportul International Henri Coanda Bucuresti S.A. and Aeroportul International Bucuresti Baneasa – Aurel Vlaicu S.A. mergered with a view to incorporate Aeroporturi Bucuresti S.A.*

*** During 2010, E.ON Gaz Romania S.A. and E.ON Moldova Furnizare S.A. merged by absorption, E.ON Gaz Romania S.A. absorbing E.ON Moldova Furnizare S.A. and changing its name to E.ON Energie Romania S.A.*

25. Related parties (continued)

(e) State controlled entities (continued)

	31 December 2010	31 December 2009
Dividends received (net of withholding tax)		
Romgaz S.A.	87,829,620	40,912,828
Transgaz S.A.	22,975,352	18,475,571
Aeroportul International Henri Coanda Bucuresti S.A.*	5,869,426	10,127,189
Conpet S.A.	3,810,281	7,116,275
Transelectrica S.A.	494,761	2,968,564
Complexul Energetic Turceni S.A.	-	2,331,100
Electrica Furnizare Transilvania Sud SA	-	895,721
Aeroportul International Timisoara - Traian Vuia S.A.	353,329	728,279
Complexul Energetic Craiova S.A.	114,721	464,389
Administratia Porturilor Dunarii Fluviale S.A.	368,363	463,384
Oil Terminal S.A.	37,391	273,458
Societatea Nationala a Sarii SA	-	269,771
Administratia Canalelor Navigabile S.A.	244,827	216,938
Electrica Furnizare Transilvania Nord SA	-	62,375
Hidroelectrica SA	3,000,000	-
Administratia Porturilor Dunarii Maritime S.A.	18,210	-
Posta Romana S.A.	-	4,099
Complexul Energetic Rovinari S.A.	124,928	3,751
Administratia Porturilor Maritime S.A.	-	1,360
Aeroportul International Bucuresti Baneasa - Aurel Vlaicu SA*	714,645	-
E.ON Gaz Romania SA**	24,651,076	-
E.ON Gaz Distributie SA	11,416,965	-
	162,023,895	**85,315,052**

** During 2010 Aeroportul International Henri Coanda Bucuresti S.A. and Aeroportul International Bucuresti Baneasa – Aurel Vlaicu S.A. mergered to incorporate Aeroporturi Bucuresti S.A.*

*** During 2010, E.ON Gaz Romania S.A. and E.ON Moldova Furnizare S.A. merged by absorption, E.ON Gaz Romania S.A. absorbing E.ON Moldova Furnizare S.A. and changing its name to E.ON Energie Romania S.A.*

25. Related parties (continued)

(e) State controlled entities (continued)

	31 December 2010	31 December 2009
Dividends receivable		
Romgaz S.A.	18,510,456	18,510,456
Transgaz S.A.	9,634,993	9,634,993
Hidroelectrica SA	3,501,711	-
Complexul Energetic Rovinari S.A.	567,526	-
Conpet S.A.	636,007	636,007
Oil Terminal S.A.	-	40
	32,850,693	**28,781,496**
Impairment loss allowance		
Romgaz S.A.	(18,510,456)	(18,510,456)
Transgaz S.A.	(9,634,993)	(9,634,993)
Conpet S.A.	(636,007)	(636,007)
	(28,781,456)	**(28,781,456)**
	4,069,237	**40**

Income from penalties levied for late payment of dividends and recovery of litigation expenses	**Year ended 31 December 2010**	**Year ended 31 December 2009**
Aeroportul International Henri Coanda Bucuresti S.A.*	274,949	-
Complexul Energetic Rovinari S.A.	102,670	-
Transelectrica S.A.	433,512	-
	811,131	**-**

Other receivables	**31 December 2010**	**31 December 2009**
Aeroportul International Henri Coanda Bucuresti S.A.*	274,949	-
Complexul Energetic Rovinari S.A.	102,670	-
Transelectrica S.A.	433,512	-
	811,131	**-**

** During 2010 Aeroportul International Henri Coanda Bucuresti S.A. and Aeroportul International Bucuresti Baneasa – Aurel Vlaicu S.A. mergered to incorporate Aeroporturi Bucuresti S.A.*

*** During 2010, E.ON Gaz Romania S.A. and E.ON Moldova Furnizare S.A. merged by absorption, E.ON Gaz Romania S.A. absorbing E.ON Moldova Furnizare S.A. and changing its name to E.ON Energie Romania S.A.*

26. Subsequent events

(a) Listing on the Bucharest Stock Exchange

Since 25 January 2011 Fondul Proprietatea is a listed company on the spot regulated market managed by the Bucharest Stock Exchange in Tier I (Shares) of the Securities Sector of the market, under ISIN number ROFPTAACNOR5, having the market symbol "FP". As at 28 February 2011 the closing share prince of Fondul Proprietatea's shares is 0.6125 RON/share.

The listing of the Fund's shares was not performed for capital raising purposes, but was purely a technical listing.

(b) BCR S.A. litigation

In January 2011, Fondul Proprietatea decided not to continue with an appeal the litigation related to amounts claimed by the Fund from the privatization of BCR S.A. In light of the fact that: (i) the Fund had lost its claim in the first instance; (ii) pursuing the appeal would involve very large court costs and also legal fees; and (iii) even if the Fund eventually won the case, no value would be added to the Fund's net assets for existing shareholders, and there was risk of significant loss in the event the case was lost; at the hearing on 12 January 2011 an application to waive the appeal was filed on behalf of the Fund.

< GAIN FROM OUR PERSPECTIVE >

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