CONSOLIDATED FINANCIAL STATETMENTS

for the year ended
31 December 2013

Prepared in accordance with International Financial Reporting Standards

(This is a translation from the official Romanian version)

FONDUL PROPRIETATEA

Fondul Proprietatea S.A.

FRANKLIN TEMPLETON INVESTMENTS

FONDUL PROPRIETATEA S.A.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2013

Prepared in accordance with International Financial Reporting Standards

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Deloitte.

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

INDEPENDENT AUDITOR'S REPORT

Report on the Consolidated Financial Statements

1. We have audited the accompanying consolidated financial statements of Fondul Proprietatea S.A. (the "Fund") and its subsidiaries (the "Group") which comprise the consolidated statement of financial position as of December 31, 2013, and the consolidated statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

4 An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Deloitte.

Opinion

6 In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Emphasis of Matter

7 We draw attention to Notes 20 (e) and 21 to the consolidated financial statements. As at December 31, 2013 the Fund has several unsettled litigations which are at different stages with the Romanian courts. Also, the Fund is in process of addressing certain regulatory matters with the relevant Romanian authorities. Some of the legal requirements relevant to the Fund and their implementation into practice may contradict and are subject to different legal interpretations by various regulatory authorities in Romania and therefore any change in interpretation increases legal risks for the Fund. The ultimate outcome and related impact of these legal and regulatory risks is uncertain. The consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties. Our opinion is not modified in respect of these matters.

Other Matters

8 This report is made solely to the Group's shareholders, as a body. Our audit work has been undertaken so that we might state to the Group'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 Group and the Group'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 version.

Deloitte Audit S.R.L.
Bucharest, Romania
June 30, 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
AS AT 31 DECEMBER 2013
(all amounts are in RON unless otherwise stated)

	Note	**Year ended 31 December 2013**	**Year ended 31 December 2012**
Gross dividend income	*6*	333,428,528	270,533,414
Gains on disposal of equity investments	*7*	117,924,426	17,878,048
Interest income	*8*	36,143,817	34,922,880
Reversal of impairment losses/ (impairment losses) on dividends receivable, net		46,907,126	(46,209,651)
Reversal of impairment losses/ (impairment losses) on receivables in respect of equity contributions, net		(9,038,221)	5,211,070
Impairment losses on equity investments	*16*	(835,772,382)	(772,364,379)
Impairment losses on other assets		(194,535)	(878,300)
Share of profit in associates (net of income tax)		916,085,196	793,560,710
Net foreign exchange gains / (losses)		34,102	(217,729)
Other operating income, net		3,130,519	3,949,848
Net operating income		**608,648,576**	**306,385,911**
Personnel expenses		(947,635)	(658,639)
Other operating expenses	*9*	(87,691,418)	(58,913,209)
Operating expenses		**(88,639,053)**	**(59,571,848)**
Profit before income tax		**520,009,523**	**246,814,063**
Income tax (expense)/ benefit	*10*	(280,720,184)	118,659,281
Profit of the year		**239,289,339**	**365,473,344**
Other comprehensive income			
Net change in fair value of available-for-sale equity investments	*16*	4,064,137,458	(80,205,252)
Deferred tax on other comprehensive income	*10*	16,887,972	12,832,841
Decrease in fair value reserve following the disposal of available-for-sale equity investments		(168,172,328)	-
Total other comprehensive income		**3,912,853,102**	**(67,372,411)**
Total comprehensive income for the period		**4,152,142,441**	**298,100,933**
Basic and diluted earnings per share		**0.0174**	**0.0265**

The consolidated financial statements were authorised for issue on 30 June 2014 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 Fondul Proprietatea S.A.

The notes on pages 8 to 49 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013
(all amounts are in RON unless otherwise stated)

	Note	**31 December 2013**	**31 December 2012**
Assets			
Cash and current accounts	*11*	5,552,477	1,857,628
Deposits with banks	*12*	232,110,013	317,309,452
Treasury bills	*13*	129,887,375	454,732,857
Government bonds	*13*	83,748,146	-
Dividends receivable	*14*	-	799,994
Equity investments	*16*	9,253,617,165	6,393,201,506
Investment in associate	*17*	5,059,270,088	4,706,829,818
Deferred tax assets	*18*	342,189	229,462,919
Other assets		3,624,222	2,189,054
Total assets		**14,768,151,675**	**12,106,383,228**
Liabilities			
Other liabilities	*19*	42,268,236	21,064,179
Total liabilities		**42,268,236**	**21,064,179**
Equity			
Share capital	*20*	13,778,392,208	13,778,392,208
Fair value reserve on available-for-sale financial assets	*20*	4,042,784,000	129,930,898
Other reserves	*20*	312,558,751	278,451,032
Treasury shares	*20*	(1,095,093,250)	(120,268,583)
Accumulated losses		(2,312,758,270)	(1,981,186,506)
Total equity		**14,725,883,439**	**12,085,319,049**
Total liabilities and equity		**14,768,151,675**	**12,106,383,228**

The notes on pages 8 to 49 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013
(all amounts are in RON unless otherwise stated)

	Share capital	Fair value reserves on available-for-sale financial assets	Other reserves	Treasury shares	Accumulated losses	Total attributable to the equity holders of the Fund
Balance at 31 December 2011	**13,778,392,208**	**197,303,309**	**250,102,759**	**(120,268,583)**	**(1,838,524,990)**	**12,267,004,703**
Comprehensive income for the period						
Profit for the year	-	-	-	-	365,473,344	**365,473,344**
Other comprehensive income						
Net change in fair value of available-for-sale equity investments	-	(80,205,252)	-	-	-	**(80,205,252)**
Share of income and expense recognised directly in the equity of associates (net of income tax)	-	-	-	-	27,871,930	**27,871,930**
Income tax on income and expense recognised directly in equity	-	12,832,841	-	-	-	**12,832,841**
Total other comprehensive income	**-**	**(67,372,411)**	**-**	**-**	**27,871,930**	**(39,500,481)**
Total comprehensive income for the period	**-**	**(67,372,411)**	**-**	**-**	**393,345,274**	**325,972,863**
Transactions with owners, recorded directly in equity						
Transfer to other reseves	-	-	28,348,273	-	(28,348,273)	-
Dividends declared	-	-	-	-	(507,658,517)	(507,658,517)
Total transactions with owners recorded directly in equity	**-**	**-**	**28,348,273**	**-**	**(536,006,790)**	**(507,658,517)**
Balance at 31 December 2012	**13,778,392,208**	**129,930,898**	**278,451,032**	**(120,268,583)**	**(1,981,186,506)**	**12,085,319,049**

The notes on pages 8 to 49 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013
(all amounts are in RON unless otherwise stated)

	Share capital	Fair value reserves on available-for-sale financial assets	Other reserves	Treasury shares	Accumulated losses	Total attributable to the equity holders of the Fund
Balance at 31 December 2012	**13,778,392,208**	**129,930,898**	**278,451,032**	**(120,268,583)**	**(1,981,186,506)**	**12,085,319,049**
Comprehensive income for the period						
Profit for the year	-	-	-	-	239,289,339	**239,289,339**
Other comprehensive income						
Net change in fair value of available-for-sale equity investments	-	4,064,137,458	-	-	-	**4,064,137,458**
Share of income and expense recognised directly in the equity of associates (net of income tax)	-	-	-	-	(316,179)	**(316,179)**
Decrease in fair value following the disposal of available-for-sale equity investments	-	(168,172,328)	-	-	-	**(168,172,328)**
Income tax on income and expense recognised directly in equity	-	16,887,972	-	-	-	**16,887,972**
Total other comprehensive income	**-**	**3,912,853,102**	**-**	**-**	**(316,179)**	**3,912,536,923**
Total comprehensive income for the period	**-**	**3,912,853,102**	**-**	**-**	**238,973,160**	**4,151,826,262**
Transactions with owners, recorded directly in equity						
Transfer to other reseves	-	-	34,107,719	-	(34,107,719)	-
Buybacks	-	-	-	(974,824,667)	-	(974,824,667)
Dividends declared	-	-	-	-	(536,437,205)	(536,437,205)
Total transactions with owners recorded directly in equity	**-**	**-**	**34,107,719**	**(974,824,667)**	**(570,544,924)**	**(1,511,261,872)**
Balance at 31 December 2013	**13,778,392,208**	**4,042,784,000**	**312,558,751**	**(1,095,093,250)**	**(2,312,758,270)**	**14,725,883,439**

The notes on pages 8 to 49 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2013
(all amounts are in RON unless otherwise stated)

	Year ended 31 December 2013	Year ended 31 December 2012
Cash flows from operating activities		
Proceeds from sale of equity instruments	570,774,069	207,870,803
Disposals and Maturity of treasury bills and bonds	1,283,136,960	282,590,748
Acquisitions of treasury bills and bonds	(1,037,189,824)	(537,215,621)
Interest received	33,209,977	30,329,419
Dividends received (net of withholding tax)	377,335,290	272,246,179
Dividends from associates	318,951,645	353,125,036
equivalents	3,330	(200,367)
Interest and penalities received in relation with the dividends late payments	1,439,583	1,756,213
Subscriptions to share capital increase of portfolio companies	(42,713,841)	(2,539,840)
Other receipts	-	158,362
Income tax paid	-	(121,794)
Salaries and related taxes paid	(968,578)	(686,412)
Suppliers and other taxes and fees paid	(78,792,523)	(76,280,760)
Acquisition of equity investments	-	(62,217)
Net cash flows from operating activities	**1,425,186,088**	**530,969,749**
Cash flows from financing activities		
Dividends paid (including related taxes)	(530,673,777)	(510,476,930)
Acquisition of treasury shares	(974,824,667)	-
Net cash flows used in financing activities	**(1,505,498,444)**	**(510,476,930)**
Net increase in cash and cash equivalents	**(80,312,356)**	**20,492,819**
Cash and cash equivalents at the beginning of the period	317,885,971	297,393,152
Cash and cash equivalents at the end of the period	**237,573,615**	**317,885,971**

	31 December 2013	31 December 2012
Cash	5,552,477	1,857,628
Bank deposits with original maturities of less than three months	232,021,138	316,028,343
	237,573,615	**317,885,971**

The notes on pages 8 to 49 are an integral part of these consolidated financial statements.

1. General information

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 no. 247/2005 regarding the reform in property and justice, as well as certain adjacent measure, as subsequently amended ("Law 247/2005") and registered in Bucharest on 28 December 2005. The address of the Fund's registered office is 78 - 80, Buzeşti Street, 7th Floor, District 1, Bucharest.

The Fund undertakes its activities in accordance with Law 247/2005, Law 297/2004 regarding the capital market, with subsequent amendments, and Law 31/1990 regarding companies, republished with subsequent amendments ("Law 31/1990") and it is an entity regulated and monitored by the Financial Supervisory Authority ("FSA"), former National Securities Commission ("CNVM").

In accordance with its constitutive act, the main activity of the Fund is the management and administration of its portfolio.

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.

Franklin Templeton Investment Management Ltd United Kingdom Bucharest Branch ("Fund Manager" or "FTIML") was appointed on 29 September 2010 as the Fund Manager and Sole Director of the Fund.

Since 25 January 2011 Fondul Proprietatea has been 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 with the market symbol "FP".

The consolidated financial statements of the Fund for the year ended 31 December 2013 comprise the Fund and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in associates.

2. Basis of preparation

(a) Statement of compliance

These financial statements are the annual consolidated financial statements of Fondul Proprietatea and were prepared for the year ended 31 December 2013 in accordance with the International Financial Reporting Standards ("IFRS") as adopted by European Union ("EU").

2. Basis of preparation (continued)

(b) Basis of measurement

These financial statements have been prepared on the historical cost basis except for the equity investments that are listed on an active market, the equity investments that are unlisted, but for which fair values reliably measured using valuation techniques were available, the treasury bills and short-term government bonds, which are measured at fair value.

(c) Functional and presentation currency

These financial statements are presented in Romanian Lei (RON), which is the Group'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 IFRS 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 9 – Other operating expenses;
- Note 16 –Equity investments (for valuation);
- Note 18 – Deferred tax assets and liabilities;
- Note 19 – Other liabilities;
- Note 21 – Contingencies.

3. Significant accounting policies

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

The Group reclassified in the Statement of comprehensive income for the year ended 31 December 2012, the income from the category reversal of impairment losses of equity investments into the category gain / loss on disposal of equity investments, in order to be consistent with current period presentation.

Change in accounting estimates

In accordance with IAS 39 *Financial Instruments: Recognition and Measurement* "If a reliable measure becomes available for a financial asset or financial liability for which such a measure was previously not available, and the asset or liability is required to be measured at fair value if a reliable measure is available, then the asset or liability shall be remeasured at fair value".

3. Significant accounting policies (continued)

As at 31 December 2013, the Group reclassified part of its unlisted equity investments previously measured at cost into the category equity instruments measured at fair value, because fair values were available for these holdings, at this date. The fair values for these equity instruments were assessed by independent valuers, using valuation methods in accordance with International Valuation Standards (fair value principles). The effect of this change in accounting estimates was reflected from the date when fair values for these equity investments were available (31 December 2013) and did not imply any restatement of comparative figures.

(a) Subsidiaries and associates

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group 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.

The lists of subsidiaries at 31 December 2013 are disclosed in note 22.

Given the materiality considerations, investments in subsidiaries 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).

(ii) Associates

Associates are those entities in which the Group 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% 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. However in situations where the Fund holds less than 20% of the voting power of an investee, it is a significant shareholder and demonstrates that it has significant influence through Board representation and participates in the policy making decisions, this investee is treated as an associate.

The Fund does not exercise significant influence in a number of companies in which it holds between 20 and 50% 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.

Associates are accounted for using the equity method and are recognised initially at cost. The consolidated financial statements include the Group's share of the income and expenses and equity movements of associates, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

The associates at 31 December 2013 are disclosed in note 17.

3. Significant accounting policies (continued)

(a) Subsidiaries and associates (continued)

(iii) Acquisitions from entities under common control

The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the entities' IFRS financial statements.

(b) Foreign currency

Transactions in foreign currencies are translated into the functional currency of the Group 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.

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.

The exchange rates of the main foreign currencies published by the National Bank of Romania at 31 December 2013 were as follows: 4.4847 RON/EUR; 3.2551 RON/USD and 5.3812 RON/GBP (31 December 2012: 4.4287 RON/EUR; 3.3575 RON/USD and 5.4297 RON/GBP).

(c) Financial assets and liabilities

(i) Recognition

The Group 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 (including brokerage fees), except for the investments in equity securities whose fair value cannot be reliably measured, which are recognised initially at cost.

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 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 2004, 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, 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;

3. Significant accounting policies (continued)

(c) Financial assets and liabilities (continued)

(i) Recognition (continued)

- 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 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.

Mergers of portfolio companies are recognised at the date when the merger is registered at the Trade Register.

The bonus shares received by the Fund from portfolio companies that increased their share capital through incorporation of reserves are not recognised.

(ii) Classification

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

(iii) Derecognition

The Group 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 Group is recognised as a separate asset or liability.

Gains or losses arising from derecognition of a financial asset are calculated based on proceeds on disposal of financial assets and assets historical cost / initial valuation and are recorded in the profit or loss. The Group uses the weighted average cost method (WAC) to determine the cost / initial valuation of financial assets disposed of. The inventory relief method used for the disposal of treasury bills and government bonds is "first-in first-out" (FIFO) method.

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

(iv) Offsetting

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

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.

3. Significant accounting policies (continued)

(c) Financial assets and liabilities (continued)

(vi) Fair value measurement

Policy applicable starting 1 January 2013

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

When available, the Group 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 transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

The fair value of financial assets - equity instruments that are not traded in an active market - is determined by independent valuators, using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques used are generally recognised as standard within the industry and include the use of comparable recent arm’s length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions. The Group uses valuation techniques that maximises the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction. The valuation reports were prepared as at 30 September 2013, with a base of financial information available and used from the companies under valuation as at the respective date. The Group is assessing and analysing available financial information from the portfolio companies, for the period between the date of the financial information used for the valuation reports to the end of the reporting period. If any significant change which may impact the fair values becomes available, the Fund is requesting the independent valuer to adjust the valuation, to the extent that the financial assets are reflected in the financial statements at their fair value.

The output of a valuation model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Group holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including model risk, liquidity risk and counterparty risk.

3. Significant accounting policies (continued)

(c) Financial assets and liabilities (continued)

(vi) Fair value measurement (continued)

The Group recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

Policy applicable before 1 January 2013

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 Group 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 Group tries to establish fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flows analysis. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction.

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 ask price.

(vii) Identification and measurement of impairment

At each reporting date, the Group 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)

Available for sale financial assets – equity investments

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.

In determining that equity investments are impaired, the Group 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.

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.

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

(d) Cash and deposits with banks

Cash includes notes and coins in 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 Group has the positive intent and ability to hold to maturity, and which are not designated 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 Group from classifying investment securities as held-to-maturity for the current and the following two financial years. The Group did not classify any investments as held-to-maturity as at 31 December 2013 and 31 December 2012.

3. Significant accounting policies (continued)

(f) Available-for-sale financial assets

The Group's investments in treasury bills, government bonds 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) Intangible assets

Intangible assets are measured at cost less accumulated amortisation and impairment losses and are amortised on a straight-line basis over a period of three years. The Group intangible assets consist of computer software licenses and software development and implementation costs.

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

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

(i) Impairment of non-financial assets

The carrying amounts of the Group'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.

3. Significant accounting policies (continued)

(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 Group 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.

(l) Dividend income

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

When the Group 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 Group's interest should be unaffected by the bonus issue.

For late dividend payments, the Group initiates legal recovery measures (conciliation, litigations etc.). The Group is entitled to charge penalties for overdue net dividends, applying the legal penalty interest rate according to the legislation in force. 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, treasury bills and government bonds.

(n) Income from sale of securities

Gains or losses from the disposal of the financial assets are recognised in profit or loss at the date of derecognising of the financial assets. When an equity investments carried at fair value is derecognised, on sale or other disposal, or is impaired, the cumulative fair value changes recognised in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment.

3. Significant accounting policies (continued)

(o) Foreign currency gains and losses

Foreign currency gains and losses are reported on a net basis and include realised and unrealised foreign exchange differences.

(p) Expenses

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

(q) 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 Group 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).

3. Significant accounting policies (continued)

(r) 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 postretirement 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.

(s) Treasury shares

The Fund recognises the treasury shares (repurchases of own shares) at the date when the transaction is recorded at the exchange where shares are traded (trade date); treasury shares are recorded at acquisition cost, including brokerage fees.

(t) Dividend payable

Dividends declared by the Fund are recorded as dividend payable when the Fund's General Shareholders Meeting approves them, as the Fund is then legally obliged to pay them.

According to the provisions of the legislation in force, the Fund is allowed to cancel the rights of shareholders to collect any dividends which have remained unclaimed 3 years after the date when the respective dividend distribution commenced. Upon cancellation, the Fund records the value of these dividends as income in the Income Statement.

(u) Standards and Interpretations effective in the current period

The following standards, amendments to the existing standards issued by the International Accounting Standards Board and adopted by the European Union ("EU") are effective for the current period:

- IFRS 13 "Fair Value Measurement", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- Amendments to IFRS 1 "First-time Adoption of IFRS" - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- Amendments to IFRS 1 "First-time Adoption of IFRS" - Government Loans, adopted by the EU on 4 March 2013 (effective for annual periods beginning on or after 1 January 2013),
- Amendments to IFRS 7 "Financial Instruments: Disclosures" - Offsetting Financial Assets and Financial Liabilities, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- Amendments to IAS 1 "Presentation of financial statements" - Presentation of Items of Other Comprehensive Income, adopted by the EU on 5 June 2012 (effective for annual periods beginning on or after 1 July 2012),

3. Significant accounting policies (continued)

(u) Standards and Interpretations effective in the current period (continued)

- Amendments to IAS 12 "Income Taxes"- Deferred Tax: Recovery of Underlying Assets, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- Amendments to IAS 19 "Employee Benefits" - Improvements to the Accounting for Post-employment Benefits, adopted by the EU on 5 June 2012 (effective for annual periods beginning on or after 1 January 2013),
- Amendments to various standards "Improvements to IFRSs (cycle 2009-2011)" resulting from the annual improvement project of IFRS (IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34) primarily with a view to removing inconsistencies and clarifying wording, adopted by the EU on 27 March 2013 (amendments are to be applied for annual periods beginning on or after 1 January 2013),
- IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013).

The adoption of these amendments to the existing standards, except IFRS 13, did not lead to any changes in the Group's accounting policies.

(v) Standards and Interpretations issued by IASB and adopted by the EU but not yet effective

At the date of authorisation of these financial statements the following standards, amendments to the existing standards and interpretations issued by IASB and adopted by the EU were in issue but not yet effective:

- IFRS 10 "Consolidated Financial Statements", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IFRS 11 "Joint Arrangements", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IFRS 12 "Disclosures of Interests in Other Entities", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IAS 27 (revised in 2011) "Separate Financial Statements", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IAS 28 (revised in 2011) "Investments in Associates and Joint Ventures", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosures of Interests in Other Entities" – Transition Guidance, adopted by the EU on 4 April 2013 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosures of Interests in Other Entities" and IAS 27 (revised in 2011) "Separate Financial Statements" – Investment Entities, adopted by the EU on 20 November 2013 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IAS 32 "Financial instruments: presentation" – Offsetting Financial Assets and Financial Liabilities, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IAS 36 "Impairment of assets" - Recoverable Amount Disclosures for Non-Financial Assets, adopted by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014),

3. Significant accounting policies (continued)

(v) Standards and Interpretations issued by IASB and adopted by the EU but not yet effective (continued)

- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" – Novation of Derivatives and Continuation of Hedge Accounting, adopted by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014).

The Group anticipates that the adoption of these standards, revisions and interpretations, except for IAS 27, IAS 31, IAS 36, IAS 39 and Amendments to IFRS 10, IFRS 12 and IAS 27 (regarding Investment Entities) will have no material impact on its financial statements in the period of initial application.

Impact of the application of Amendments to IFRS 10, IFRS 12 and IAS 27 regarding "Investment Entities"

The Fund did not early adopt the Amendments to IFRS 10, IFRS 12 and IAS 27 regarding Investment entities in its financial statements for the year ended 31 December 2013. The Fund will apply the Amendments in the year starting 1 January 2014 when the amendments become effective.

Due to the application of the Amendments to IFRS 10, IFRS 12 and IAS 27 (Investment Entities), being an investment entity, the Fund shall not consolidated its subsidiaries starting 1 January 2014. In consequence, the Fund will not prepare consolidated financial statements starting 1 January 2014.

(w) Standards and Interpretations issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except from the following standards, amendments to the existing standards and interpretations,, which were not endorsed for use as at the date of authorisation of these financial statements:

- IFRS 9 "Financial Instruments" and subsequent amendments (effective date was not yet determined),
- Amendments to IAS 19 "Employee Benefits" - Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on or after 1 July 2014),
- Amendments to various standards "Improvements to IFRSs (cycle 2010-2012)" resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 July 2014),
- Amendments to various standards "Improvements to IFRSs (cycle 2011-2013)" resulting from the annual improvement project of IFRS (IFRS 1, IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 July 2014),
- IFRIC 21 "Levies" (effective for annual periods beginning on or after 1 January 2014).

The Group anticipates that the adoption of these standards, amendments to the existing standards and interpretations, except for IFRS 9, will have no material impact on its financial statements in the period of initial application.

At the same time, hedge accounting regarding the portfolio of financial assets and liabilities, whose principals have not been adopted by the EU, is still unregulated. According to the Group's estimates, application of hedge accounting for the portfolio of financial assets or liabilities pursuant to IAS 39: "Financial Instruments: Recognition and Measurement", would not significantly impact the financial statements, if applied as at the balance sheet date.

4. Financial risk management

The Group's investment portfolio comprises listed and unlisted equity investments.

The Group'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 Group is exposed are market risk, credit risk and liquidity risk.

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 and rates, such as equity prices, interest rates and foreign exchange rates will affect the Group'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 changes in the value of available-for-sale equity securities and is the primary risk impacting the Group. Diversification across securities and industries, to the possible extent given the unique investment mandate, is the primary technique for mitigating equity price risk. The Group has concentrated exposure to the "Power utilities: generation", "Oil and gas", and "Power and gas utilities industries: transport and distribution" sectors.

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

The Group's exposure to industries was as follows:

	31 December 2013	31 December 2012
Oil and gas	2,097,003,793	517,134,403
Power utilities: generation	2,733,504,783	3,252,930,823
Power and gas utilities: transport, distribution, supply	3,259,422,077	1,579,714,678
Banks	458,174,184	437,936,339
Infrastructure	361,491,795	205,006,057
Heavy industry	147,808,896	142,420,748
Aluminium	105,464,181	145,769,428
Postal services	60,790,000	80,822,000
Others	29,957,456	31,467,030
	9,253,617,165	**6,393,201,506**

The Group has equity investments of RON 3,123,587,343 at 31 December 2013 (31 December 2012: RON 1,194,796,125) listed on the Bucharest Stock Exchange (at either BSE or RASDAQ segment) or Vienna Stock Exchange.

For such investments, a ten per cent increase in the BET-C, respectively ATX index at the reporting date would have increased equity by RON 192,169,750 after tax (2012: RON 104,649,177); an equal change in the opposite direction would have decreased equity by RON 192,169,750 after tax (2012: RON 104,649,177). This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2012.

4. Financial risk management (continued)

(a) Market risk (continued)

(ii) Interest rate risk

The Group places cash into fixed rate bank deposits original maturities of more than one month and less than six months, and into treasury bills and government bonds with original maturities of up to one year.

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

Fixed rate instruments	**31 December 2013**	**31 December 2012**
Bank deposits with original maturities of less than three months	232,021,138	316,028,343
Treasury bills	129,887,375	454,732,857
Government bonds	83,748,146	-
	445,656,659	**770,761,200**

(iii) Currency risk

The Group is exposed to currency risk on current accounts and deposits held with banks and receivables and payables that are denominated in foreign currencies, i.e. EUR, USD or GBP, but the balances were not significant during the reporting period.

The local currency depreciated compared to the EUR (from 4.4287 at 31 December 2012 to 4.4847 at 31 December 2013), appreciated compared to the USD (from 3.3575 at 31 December 2012 to 3.2551 at 31 December 2013) and appreciated compared to the GBP (from 5.4297 at 31 December 2012 to 5.3812 at 31 December 2013).

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

	31 December 2013	**31 December 2012**
RON		
Monetary assets		
Petty cash	186	2,391
Current accounts with banks	1,706,762	1,852,096
Bank deposits with original maturities of less than three months	232,021,138	316,025,831
Interest accrued on bank deposits	88,875	1,281,109
Treasury bills	129,887,375	454,732,857
Government bonds	83,748,146	-
Dividends receivable	-	799,994
Other receivables	1,281,856	1,385,165
	448,734,338	**776,079,443**
Monetary liabilities		
Other liabilities	(42,253,380)	(20,841,591)
	(42,253,380)	**(20,841,591)**
	406,480,958	**755,237,852**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013
(all amounts are in RON unless otherwise stated)

4. Financial risk management (continued)

(a) Market risk (continued)

(iii) Currency risk (continued)

	31 December 2013	31 December 2012
EUR (in RON equivalent)		
Monetary assets		
Current accounts with banks	3,845,529	3,141
Bank deposits with original maturities of less than three months	-	2,512
Other receivables	2,342,366	803,888
	6,187,895	**809,541**
Monetary liabilities		
Other liabilities	(14,856)	(222,588)
	(14,856)	**(222,588)**
	6,173,039	**586,953**

	31 December 2013	31 December 2012
USD (in RON equivalent)		
Monetary assets		
Current accounts with banks	377	-
GBP (in RON equivalent)		
Monetary assets	156	-
Current accounts with banks		

A ten percent strengthening of the RON against the EUR as at 31 December would have decreased profit or loss by the amount shown below. This analysis assumes that all other variables remain constant. The analysis was performed on the same basis for 2012.

Profit or loss	31 December 2013	31 December 2012
EUR	(617,304)	(58,695)
USD	(38)	-
GBP	(16)	-

As at 31 December 2013, the Group held equity investments denominated in Euro with a fair value of EUR 27,402,896 (RON 122,893,769 equivalent).

As at 31 December 2012, the Group held equity investments denominated in Euro with a fair value of EUR 36,387,261 (RON 161,148,206 equivalent).

4. Financial risk management (continued)

(b) Credit risk

Credit risk is the risk of financial loss to the Group if counterparties to financial instruments fail to meet their contractual obligations, and arises principally from cash and deposits with banks, treasury bills, government bonds and dividends receivable. The Group's maximum exposure to credit risk from cash and deposits with banks was RON 237,662,304 at 31 December 2013 (31 December 2012: RON 319,164,689).

Cash and deposits are held with the following banks:

	31 December 2013	31 December 2012
Cash and deposits held with		
Unicredit Tiriac Bank	75,057,641	40,212,147
ING Bank	75,029,849	17,247,810
CITI Bank	58,003,992	88,855,134
BRD - Groupe Societe Generale	29,511,355	9,488,306
B.C.R.	58,733	71,177,973
Raiffeisen Bank	427	52,025,192
RBS Bank	306	40,158,127
	237,662,304	**319,164,689**

(i) Cash and deposits with banks

Current accounts and deposits are held with banks in Romania.

The Fund Manager established a formal policy regarding bank counterparty risks and limits. The Fund only establishes new deposits with financial institutions where the institution or the institution's corporate parent, have a credit rating 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 Group's maximum exposure to credit risk from treasury bills was RON 129,887,375 as at 31 December 2013 (31 December 2012: RON 454,732,857).

As of 31 December 2013, the Group held the following treasury bills with discount, denominated in RON:

ISIN	Value as at 31 December 2013	Settlement Date	No. of units	Interest rate	Maturity date
RO1314CTN0E7	53,519,131	23-Dec-13	10,800	2.72%	30-Apr-14
RO1314CTN060	44,630,882	27-Jun-13	4,500	4.35%	12-Mar-14
RO1314CTN060	31,737,362	02-Jul-13	3,200	4.35%	12-Mar-14
Total	**129,887,375**				

4. Financial risk management (continued)

(b) Credit risk (continued)

(iii) Government bonds

The Group's maximum exposure to credit risk from government bonds was RON 83,748,146 as at 31 December 2013 (31 December 2012: nil).

As of 31 December 2013, the Group held the following government bonds, denominated in RON:

ISIN	Value as at 31 December 2013	Settlement Date	No. of units	Coupon rate	Maturity date
RO1214DBN027	48,971,641	14-Aug-13	4,647	5.95%	23-Apr-14
RO1214DBN027	34,776,504	23-Dec-13	3,300	5.95%	23-Apr-14
Total	**83,748,146**				

(iv) Dividends receivable

The Group's exposure to credit risk from dividends receivable was nil at 31 December 2013 (31 December 2012: RON 799,994).

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group'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 Group's reputation.

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

	Less than 1 month	1 to 3 months	3 to 12 months	No fixed maturity
31 December 2013				
Financial assets				
Cash and current accounts	5,552,477	-	-	-
Deposits with banks	232,110,013	-	-	-
Treasury bills	-	76,368,245	53,519,130	-
Government bonds	-	-	83,748,146	-
Dividends receivable	-	-	-	-
Equity investments	-	-	-	9,253,617,165
Other receivables	3,624,222	-	-	-
	241,286,712	**76,368,245**	**137,267,276**	**9,253,617,165**
Financial liabilities				
Other liabilities	42,268,236	-	-	-
	42,268,236	**-**	**-**	**-**

4. Financial risk management (continued)

	Less than 1 month	1 to 3 months	3 to 12 months	No fixed maturity
31 December 2012				
Financial assets				
Cash and current accounts	1,857,628	-	-	-
Deposits with banks	317,309,452	-	-	-
Treasury bills	131,728,059	113,827,183	209,177,615	-
Dividends receivable	799,994	-	-	-
Equity investments	-	-	-	6,393,201,506
Other receivables	2,189,053	-	-	-
	453,884,186	**113,827,183**	**209,177,615**	**6,393,201,506**
Financial liabilities				
Other liabilities	21,064,179	-	-	-
	21,064,179	**-**	**-**	**-**

The Group's equity investments include unlisted securities, which are not traded in a regulated market and generally may be considered be illiquid. As a result, the Group 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 Group's listed equity securities are listed on the Bucharest Stock Exchange or on the Vienna Stock Exchange. However, not all listed shares listed on Bucharest Stock Exchange are considered liquid due to insufficient volumes of transactions.

(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 Group had 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 were implemented and the tax authorities had up to 5 years to audit the way these changes were implemented.

Interpretation of the text and practical implementation procedures of the 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 Group's treatment.

Furthermore, the Romanian Government has a number of agencies that are authorised 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 Group will continue to be subject to regular controls as new laws and regulations are issued.

4. Financial risk management (continued)

(e) Operating environment

The on-going global credit and liquidity crisis has resulted in, among other things, lower liquidity levels and difficult access to the capital markets and across the Romanian banking sector.

Continuing fear that a deterioration of financial conditions in Europe could contribute to a further retrenchment in investor confidence prompted coordinated efforts by governments and central banks to adopt special measures. These efforts helped to restore some degree of confidence in the market and have helped return the market to a more functional condition. However, political and economic turmoil in the emerging markets is expected to continue, and this can impact the value of the Romanian economy, and consequently the Fund's portfolio companies and its shares.

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 Group'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 Group's processes, service providers, 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 Group's operations.

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

(g) Capital management

Group's policy is to maintain a strong capital base so as to maintain shareholders' confidence and to sustain future developments.

The Group's capital (shareholders' equity) comprises share capital, fair value and other reserves and retained earnings. The shareholders' equity was RON 14,725,883,439 at 31 December 2013 (31 December 2012: RON 12,085,319,049).

The Group 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 Group'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 2013						
Cash and current accounts	5,552,477	-	-	-	5,552,477	5,552,477
Deposits with banks	232,110,013	-	-	-	232,110,013	232,110,013
Treasury bills	-	-	129,887,375	-	129,887,375	129,887,375
Government bonds	-	-	83,748,146	-	83,748,146	83,748,146
Equity investments at fair value	-	-	8,978,256,343	-	8,978,256,343	8,978,256,343
Equity investments at cost	-	-	275,360,822	-	275,360,822	Not available
Other receivables	3,624,222	-	-	-	3,624,222	3,624,222
Other liabilities	-	-	-	(42,268,236)	(42,268,236)	(42,268,236)
	241,286,712	**-**	**9,467,252,686**	**(42,268,236)**	**9,666,271,162**	**Not available**

	Loans and receivables	Held to maturity	Available-for-sale	Other amortised cost	Total carrying amount	Fair value
31 December 2012						
Cash and current accounts	1,857,628	-	-	-	1,857,628	1,857,628
Deposits with banks	317,309,452	-	-	-	317,309,452	317,309,452
Treasury bills	-	-	454,732,857	-	454,732,857	454,732,857
Dividends receivable	799,994	-	-	-	799,994	799,994
Equity investments at fair value	-	-	1,194,796,126	-	1,194,796,126	1,194,796,126
Equity investments at cost	-	-	5,198,405,380	-	5,198,405,380	Not available
Other receivables	2,189,053	-	-	-	2,189,054	2,189,054
Other liabilities	-	-	-	(21,064,179)	(21,064,179)	(21,064,179)
	322,156,127	**-**	**6,847,934,363**	**(21,064,179)**	**7,149,026,312**	**Not available**

5. Financial assets and financial liabilities (continued)

As at 31 December 2013 and 31 December 2012, 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.

Equity investments carried at cost do not have reliably measurable fair values.

6. Gross dividend income

	Year ended 31 December 2013	Year ended 31 December 2012
Romgaz SA	158,941,766	140,639,003
Transgaz SA	37,568,760	52,515,091
E.ON Gaz Distributie SA	29,933,522	-
GDF Suez Energy Romania SA	22,800,000	-
Electrica Distributie Muntenia Nord SA	16,206,229	1,801,112
Complexul Energetic Oltenia SA	12,312,014	-
Societatea Nationala a Sarii SA	9,297,643	87,602
Electrica Furnizare SA	9,260,589	-
CN Aeroporturi Bucuresti SA	9,135,228	9,415,274
Conpet SA	8,403,049	6,612,533
CN Administratia Porturilor Maritime SA	5,355,571	6,570,224
Raiffeisen Bank International AG	4,433,195	4,052,568
Transelectrica SA	3,997,666	10,884,733
Nuclearelectrica SA	2,769,286	-
CN Administratia Canalelor Navigabile SA	856,672	525,946
Aeroportul International Timisoara - Traian Vuia SA	672,674	1,687,638
Alro SA	-	23,066,500
Complexul Energetic Rovinari SA	-	6,457,434
BRD - Group Societe General SA	-	4,237,166
Others	1,484,664	1,980,590
	333,428,528	**270,533,414**

The dividend income was subject to 16% withholding tax for Romanian equity investments and 5% withholding tax for Austrian equity investments. 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.

7. Gains on disposal of equity investments and associates

During 2013, the Fund finalised the disposal of its holding in Commetex SA and sold its entire holdings in Carom - Broker de Asigurare SA, Mecanoenergetica SA, Ciocarlia SA, Telerom Proiect SA, Celuloza si Otel SA, Transgaz SA and part of the holding in Raiffeisen Bank International AG. Also, in May 2013, the Fund disposed of 632,482,000 shares in OMV Petrom SA, accounting for approximately 1.1% of the company’s share capital. In 2013, the gain on disposal of these equity investments was RON 117,924,425 representing the difference between the proceeds from disposals (RON 573,117,053) and the carrying values of the equity investments as at disposal date (RON 655,397,780), plus the net unrealised gain related to these investments disposed, transferred from change in fair value reserve to profit or loss upon their derecognition (RON 200,205,152).

7. Gains on disposal of equity investments (continued)

In 2012, the gain on disposal of these equity investments was RON 17,878,048 representing the difference between the proceeds from disposals (RON 208,134,752) and the carrying values of the equity investments as at disposal date (RON 190,256,704). The amount of RON 4,798,715, classified at that time as Reversal of impairment losses of equity investments, was reclassified under the category Gain on disposal of equity investments, to be consistent to current year presentation.

8. Interest income

Interest income amounting to RON 36,143,817 in 2013 (2012: RON 34,922,880) arose from deposits held with banks, treasury bills and short-term government bonds.

9. Other operating expenses

	Year ended 31 December 2013	Year ended 31 December 2012
Investment management and administration fees	45,273,318	34,325,088
Financial Supervisory Authority fees	15,098,151	14,113,438
Depositary fee	1,780,597	1,675,454
Brokerage fees for selling of holdings in portfolio companies	7,653,492	351,522
Third party services	14,513,194	7,287,927
Other operating expenses	3,372,666	1,159,780
	87,691,418	**58,913,209**

Third party services increase was mainly due to the higher level of legal fees.

10. Income tax expense

	Year ended 31 December 2013	Year ended 31 December 2012
Current tax expense		
Dividend withholding tax	(2,678,657)	(4,687,167)
Prior year income tax adjustment	-	23,214
	(2,678,657)	**(4,663,953)**
Deferred tax related to:		
Equity investments	(277,861,464)	122,810,506
Fiscal loss carried forward	(180,063)	522,252
Provisions for restructuring	-	(9,524)
	(278,041,527)	**123,323,234**
Total income tax/ (expense) benefit	**(280,720,184)**	**118,659,281**

The effective tax rate used to calculate the deferred tax position of the Group for the years ended 31 December 2013 and 31 December 2012 was 16% (standard tax rate).

10. Income tax expense (continued)

	Year ended 31 December 2013	Year ended 31 December 2012
Reconciliation of effective tax rate		
Profit for the period	239,289,339	365,473,344
Income tax (expense) / benefit	(280,720,184)	118,659,281
Profit excluding income tax	**520,009,523**	**246,814,063**
Income tax using the standard tax rate (16%)	**(83,201,524)**	**(39,490,250)**
Effect of:		
Lower tax rate on dividend income	50,118,647	38,152,397
Presentation of share of profit in associates, net of income tax	146,573,631	126,969,613
Impact of partial disposal of investment in associates	(20,783,656)	-
Profit appropriation to legal reserve	298,564	-
Other non-taxable income	7,591,576	833,771
Other non-deductible expenses	(1,982,699)	(7,626,955)
Austrian dividend withholding tax	(256,189)	(202,510)
Reversal of deferred tax following the changes in the fiscal legislation	(277,861,465)	-
Impact of non-recognition of deferred tax asset on equity investments	(101,217,069)	-
Prior year profit tax correction	-	23,215
Total income tax/ (expense) benefit	**(280,720,184)**	**118,659,281**

	Year ended 31 December 2013	Year ended 31 December 2012
Tax income / (expense) recognised directly in equity:		
On equity investments carried at fair value	16,887,972	12,832,841

In accordance with the changes to the Romanian Fiscal Code, with effect from 1 January 2014, no income tax will be applied to the sale of equity instruments held in Romanian entities or entities resident in a country with which Romania has a tax treaty, where the holding is at least 10% and has been held for an uninterrupted period of 1 year. As a consequence, the Group should only calculate deferred tax in so far as it relates to equity investments where the holdings are lower than 10%, where they have been held for under 1 year or where they are resident in a country with which Romania does not have a tax treaty. As at 31 December 2013, the Group did not recognise deferred tax in respect of equity investments which did not meet the criteria described above. The Group has assessed the resulting deferred tax asset, but does not consider the likelihood of sufficient future taxable profits to offset this credit to be probable. As such the recoverability of this asset would be limited and as a result, no asset has been recognised.

11. Cash and current accounts

	31 December 2013	31 December 2012
Petty cash	186	2,391
Current accounts with banks	5,552,291	1,855,237
	5,552,477	**1,857,628**

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

12. Deposits with banks

	31 December 2013	31 December 2012
Bank deposits with original maturities of less than three months	232,021,138	316,028,343
Interest accrued on bank deposits	88,875	1,281,109
	232,110,013	**317,309,452**

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

13. Treasury bills and government bonds

In 2013 and 2012, the Group acquired discounted treasury bills denominated in RON, having yields to maturity between 2.72% – 6.25% per year.

	31 December 2013	31 December 2012
Treasury bills with original maturities of less than three months	76,368,245	100,354,399
Treasury bills with original maturities of more than three months and less than one year	53,519,130	354,378,458
	129,887,375	**454,732,857**

Also, in 2013, the Group acquired government bonds with coupon, denominated in RON. The government bonds in balance as at 31 December 2013 amounted RON 83,748,146 (31 December 2012: nil), have original maturities of more than three months and less than one year and coupon rate of 5.95% per year.

14. Dividends receivables

	31 December 2013	31 December 2012
Dividends receivable		
CN Administratia Porturilor Dunarii Fluviale SA	173,250	-
Hidroelectrica SA	-	46,209,651
Other dividends receivable	655,718	1,446,159
	828,968	**47,655,810**
Impairment loss allowance		
CN Administratia Porturilor Dunarii Fluviale SA	(173,250)	-
Hidroelectrica SA	-	(46,209,651)
Other dividends receivable	(655,718)	(646,165)
	(828,968)	**(46,855,816)**
	-	**799,994**

In 2013, the Group reversed the impairment adjustments related to dividends receivables collected during the year, the most significant one being that due by Hidroelectrica of RON 46,209,651, which was fully collected during 2013, according to the payment schedule agreed between Hidroelectrica SA and Fondul Proprietatea SA.

15. Receivables in respect of equity contributions

As at 31 December 2013 and 31 December 2012, the balance of receivables in respect of equity contributions was fully impaired. These receivables refer to unpaid contributions to Fund's share capital from the Ministry of Public Finance.

16. Equity investments

In accordance with Law 247/2005, as amended by Government Emergency Ordinance no.209/2005, the Fund received, at its establishment on 28 December 2005, shares in 117 companies as contribution in kind from the Romanian State, as sole shareholder.

In June 2007, Government Emergency Ordinance no. 81/2007 for the acceleration of the procedure for granting compensations for the property abusively nationalised ("GEO 81/2007") came into force, in accordance with which:

- 32 new shareholdings were added to the Fund's portfolio as contribution in kind to its share capital (21 shareholdings in companies already in the portfolio and 11 shareholdings in companies not previously in the portfolio);
- 39 shareholdings were removed from the Fund's portfolio and transferred back to the Romanian 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 Law 247/2005. The value of the shareholdings, as determined by the evaluator, represents the cost (initial value) 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.

16. Equity investments (continued)

As of 31 December 2013, the fair values of equity instruments that are traded in active markets were determined by reference to published bid price quotations on the stock exchange where shares are traded. For the unlisted equity instruments measured at fair value, the fair values were assessed by independent valuers, using valuation techniques in accordance with International Valuation Standards. Equity investments listed on the Bucharest Stock Exchange which are not actively traded, and unlisted securities for which a fair value was not available, are carried at cost less impairment.

As of 31 December 2012, the fair values were determined by reference to published bid price quotations on the stock exchange where shares are traded, where applicable, while the equity investments listed on the Bucharest Stock Exchange which are not actively traded, and all unlisted securities, were carried at cost less impairment.

At 31 December 2013 and 31 December 2012, for equity investments carried at cost, no fair values could be determined using valuation techniques as the range 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 2011	**1,465,038,314**	**5,963,176,400**	**7,428,214,714**
Shares contributions in kind by State	-	5,211,070	**5,211,070**
Subscriptions to share capital increase of portfolio companies	-	2,539,840	**2,539,840**
Acquisitions	62,217	-	**62,217**
Disposals	(190,099,153)	(157,551)	**(190,256,704)**
Impairment loss	-	(772,364,379)	**(772,364,379)**
Changes in fair value	(80,205,252)	-	**(80,205,252)**
31 December 2012	**1,194,796,126**	**5,198,405,380**	**6,393,201,506**

	Equity investments at fair value	**Equity investments at cost**	**Total equity investments**
31 December 2012	**1,194,796,126**	**5,198,405,380**	**6,393,201,506**
Shares contributions in kind by State	357,420	-	**357,420**
Cash contributions to portfolio companies share capital increases	42,713,841	-	**42,713,841**
Disposals	(409,274,440)	(1,746,237)	**(411,020,677)**
Reclassification of equity investments following their listing on BSE	998,147,455	(998,147,455)	**-**
Reclassification of unlisted equity investments following their valuation at fair value	3,923,150,862	(3,923,150,862)	**-**
Impairment loss	(835,772,382)	-	**(835,772,382)**
Changes in fair value	4,064,137,457	-	**4,064,137,457**
31 December 2013	**8,978,256,339**	**275,360,826**	**9,253,617,165**

16. Equity investments (continued)

In 2013, the Fund received 35,742 shares in Romgaz SA (with a nominal value of RON 357,420) following a share capital increase by that company, accounted for as contribution in kind of Romanian State, represented by Ministry of Public Finance, to the share capital of the Fund.

During 2013, the Fund participated in the cash share capital increases of portfolio companies, through:

- executing its pre-emptive right and participating in the cash share capital increase of E.ON Gaz Distributie SA, acquiring 399,164 shares at the nominal value of RON 2.5 per share (in total of RON 997,910);
- subscribing 1,111,575 new shares, in the cash share capital increase of Zirom SA, at the nominal value of RON 10 per share (in total of RON 11,115,750);
- executing its pre-emptive right and participating in the share capital increase of Nuclearelectrica SA, receiving 2,732,159 allotment rights (converted into shares at the listing of the shares of Nuclearelectrica on Bucharest Stock Exchange), acquired at the acquisition price in the Initial Public Offering carried on by this company, of RON 11.2 per share (in total of RON 30,600,181);

During 2013, the Fund finalised the disposal of its holding in Commetex SA and sold its entire holdings in Carom - Broker de Asigurare SA, Mecanoenergetica SA, Ciocarlia SA, Telerom Proiect SA, Celuloza si Otel SA, Transgaz SA and part of the holding in Raiffeisen Bank International AG. Following the listing of Nuclearelectrica SA and Romgaz SA on Bucharest Stock Exchange, the investments in these companies were reclassified from the category “Equity investments at cost” into the category “Equity investments at fair value”. As at 31 December 2013, the fair values of these equity instruments were assessed on the bid price quotations on the stock exchange.

As at 31 December 2013, the Group reclassified part of its unlisted equity investments previously measured at cost into the category “Equity instruments measured at fair value”, because at that date, fair values were assessed by independent valuers, using valuation methods in accordance with International Valuation Standards.

Hidroelectrica’s Insolvency

On 26 June 2013, the Bucharest Court has approved the closing of the judicial reorganisation procedure opened against Hidroelectrica in June 2012.

The litigation which triggered the Bucharest Court of Appeal decision on 25 February 2014 (please see Note 24) by which Hidroelectrica was placed back under reorganisation procedure, was in progress as at 31 December 2013. This indicates that these conditions existed before the end of Group’s reporting period and meet the requirements of an adjusting event after the end of the reporting period. As a result, the Group updated the valuation of its holding in Hidroelectrica on 11 March 2014 that was reflected in the financial statements for the year ended 31 December 2013. The new valuation report was prepared by an independent valuer and indicated a value for the Group’s holding in Hidroelectrica of RON 2,105,161 thousand, which is RON 134,251 thousand lower than the valuation previously available, before the Court decision. The decrease in the valuation was mainly due to the new legal situation of Hidroelectrica, which has resulted in a higher discount being applied for the lack of marketability, 25% versus 10% used in the original valuation report prepared prior to 31 December 2013.

Impairment losses

In 2013, the Fund recorded impairment adjustments in amount of RON 835,772,382 (2012: RON 772,364,379) for the equity investments presented below, based on either fair values assessed by independent valuers or by reference to published prices quotations on the stock exchange (for listed holdings). All impairment losses are recognised through profit or loss. During 2013, an amount of RON 158,703,880 has been reclassified from other comprehensive income to profit or loss, due to the prolonged declined in the respective equity investments values.

16. Equity investments (continued)

The equity investments for which the Fund recorded impairment adjustments were:

Company	Year ended 31 December 2013	Year ended 31 December 2012
Complexul Energetic Oltenia SA	348,440,812	-
Nuclearelectrica SA	305,472,325	-
BRD - Groupe Societe Generale SA	97,670,533	-
Raiffeisen Bank International AG	43,870,195	-
Posta Romana SA	20,032,000	3,842,380
Erste Group Bank AG	17,163,151	-
Forsev SA	3,123,366	-
Hidroelectrica SA	-	768,521,999
Total	**835,772,382**	**772,364,379**

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

	31 December 2013	31 December 2012
Equity investments at fair value		
Hidroelectrica S.A.*	2,105,161,000	-
Romgaz S.A.*	1,975,701,973	-
Enel Distributie Banat S.A.*	573,250,000	-
Enel Distributie Muntenia S.A. *	473,070,000	-
GDF Suez Energy Romania *	404,410,000	-
Enel Distributie Dobrogea S.A. *	379,110,000	-
E.ON Moldova Distributie S.A. *	345,359,000	-
Complexul Energetic Oltenia S.A.*	321,644,000	-
Nuclearelectrica S.A.*	306,699,784	-
Electrica Distributie Muntenia Nord S.A.*	296,200,000	-
CN Aeroporturi Bucuresti S.A.*	287,654,000	-
BRD - Groupe Societe Generale S.A.	228,487,104	205,892,268
Electrica Distributie Transilvania Nord S.A. *	206,700,000	-
Electrica Distributie Transilvania Sud S.A. *	192,000,000	-
E.ON Gaz Distributie S.A. *	165,200,000	-
Transelectrica S.A.	156,245,398	125,570,240
Conpet S.A.	115,715,745	92,958,315
Banca Transilvania S.A.	106,793,312	70,895,864
Alro Slatina S.A.	105,464,182	145,769,428
Raiffeisen Bank International AG	77,793,309	118,905,477
Posta Romana S.A. *	60,790,000	-
Zirom S.A. *	43,464,000	-
Forsev S.A. *	657,000	-
Transgaz S.A.	-	384,687,160
Other	50,686,536	50,117,374
	8,978,256,343	**1,194,796,127**

**equity investments reclassified from "Equity investments at cost" in "Equity investments at fair value"*

16. Equity investments (continued)

Equity investments at cost		
Societatea Nationala a Sarii S.A.	76,049,556	76,049,556
CN Administratia Porturilor Maritime S.A.	52,621,414	52,621,414
E.ON Energie Romania S.A .	45,765,358	45,765,358
Primcom S.A.	25,347,293	25,347,293
Hidroelectrica S.A.*	-	2,001,000,000
Complexul Energetic Oltenia S.A.*	-	670,084,812
Electrica Distributie Muntenia Nord S.A.*	-	165,223,950
Enel Distributie Banat S.A.*	-	141,578,929
CN Aeroporturi Bucuresti S.A.*	-	131,168,262
E.ON Moldova Distributie S.A. *	-	131,073,011
Electrica Distributie Transilvania Sud S.A. *	-	125,918,628
Electrica Distributie Transilvania Nord S.A. *	-	115,755,059
Enel Distributie Dobrogea S.A. *	-	114,760,052
Enel Distributie Muntenia S.A. *	-	107,277,263
Posta Romana S.A. *	-	80,822,000
Romgaz S.A.*	-	416,301,444
Nuclearelectrica S.A.*	-	581,846,011
Other	75,577,201	215,812,337
	275,360,822	**5,198,405,379**
Total equity investments	**9,253,617,165**	**6,393,201,506**

**equity investments reclassified from "Equity investments at cost" in "Equity investments at fair value"*

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

Fair value hierarchy

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

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurement, the different levels being defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund can access at the measurement date;
- 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).

16. Equity investments (continued)

At 31 December 2013:

	Level 1	Level 2	Level 3	Total
Equity investments at fair value	3,123,587,339	-	5,854,669,000	8,978,256,339
Treasury bills	129,887,375	-	-	129,887,375
Government bonds	83,748,146	-	-	83,748,146
	3,337,222,860	**-**	**5,854,669,000**	**9,191,891,860**

At 31 December 2012:

	Level 1	Level 2	Level 3	Total
Equity investments at fair value	1,194,796,126	-	-	1,194,796,126
Treasury bills	454,732,857	-	-	454,732,857
	1,649,528,983	**-**	**-**	**1,649,528,983**

The level in the fair value hierarchy within which the fair value measurement is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset. The determination of what constitutes observable requires significant judgments by the Fund. The Fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

For all Level 3, the equity instruments valuation was performed by an independent valuer, based on financial information provided by the Fund using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs, under the supervision and review of the Fund's Management, who ensures that all underlying data used in the report is accurate, and appropriate inputs are used in the valuation. As the valuation reports were prepared as at 30 September 2013, with a base of financial information available and used from the companies under valuation as at the respective date, the Fund's Management have analysed, based on the available information, the period between the date of the valuation reports and 31 December 2013. There was no information known or available to the Fund's Management which may have impact on the fair values of the equity investments as at 31 December 2013, as they are presented in these consolidated financial statements.

16. Equity investments (continued)

Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties to the extent that the Fund believes that a third party market participant would take into account in pricing a transaction. As a result of strong volatility in the capital market and severe restrictions in the credit markets both globally and in Romania, notwithstanding any potential economic stabilisation measures that may be put into place by the Romanian State, economic uncertainties arose surrounding the continual availability and cost of credit for the Fund's counterparties, future development of the market 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 these financial statements.

As at 31 December 2013, the equity investments classified as available for sale included equity investments valued at cost less impairment in amount of RON 275,360,822 (31 December 2012: RON 5,198,405,380).

For the equity investments classified under Level 1, the Fund had enough available information with respect to active markets, with sufficient trading volume for accurate price discovery.

As at 31 December 2013, unlisted equity investments with a carrying amount of RON 5,854,669,000 were classified into Level 3 of the fair value hierarchy. Out of this balance, an amount of RON 2,291,000,656 represents the net change in fair value recognised in other comprehensive income. The fair values for these equity investments were assessed by independent valuers, using valuation methods in accordance with International Valuation Standards. Previously, these equity investments were measured at cost due to lack of availability of reliable fair values.

The following table sets out information about significant unobservable inputs used at 31 December 2013 in measuring financial instruments categorised as Level 3 in the fair value hierarchy:

Financial assets	Fair value at 31 December 2013	Valuation technique	Unobservable inputs	Relationship of unobservable inputs to fair value
Total	**5,854,669,000**			
Unlisted equity instruments	5,749,758,000	Market approach - comparable companies (based on EBITDA multiples)	EBITDA multiple ranging from 5.52 to 9.18	The higher EBITDA multiple, the higher the fair value.
			Discount for lack of marketability: 10% or 25%	The lower discount for lack of marketability, the higher the fair value.

16. Equity investments (continued)

Financial assets	Fair value at 31 December 2013	Valuation technique	Unobservable inputs	Relationship of unobservable inputs to fair value
Unlisted equity instruments	104,911,000	Income approach - discounted cash flow method	Weighted average cost of capital ranging from 13% to 15%.	The lower the weighted average cost of capital, the higher the fair value.
			Discount for lack of marketability: 0% or 5% or 10%	The lower discount for lack of marketability, the higher the fair value.
			Discount for lack of control: 0% or 20%	The lower discount for lack of control, the higher the fair value.
			Long-term revenue growth rate ranging from 2% to 2.5%	The higher the revenue growth rate, the higher the fair value.

Significant unobservable inputs are the following:

EBITDA multiple: represents the most relevant multiple used when pricing the investments and is selected from comparable public companies based on geographic location, industry size, target markets and other factors that valuers considers to be reasonable. The traded multiples for the comparable companies are determined by dividing the enterprise value of the company by its EBITDA and further discounted for considerations such as the lack of marketability and other differences between the comparable peer group and specific company.

Discount for lack of marketability: represents the discount applied to the comparable market multiples to reflect the illiquidity of the portfolio companies relative to the comparable peer group. Valuers determined the discount for lack of marketability based on its judgement after considering market liquidity conditions and company-specific factors.

Discount for lack of control: represents the discount applied to reflect the absence of the control power and it was considered under the discounted cash flow method, in order to derive the value of a minority shareholding in the equity of the subject companies.

Weighted average cost of capital: represents the calculation of a company’s cost of capital in nominal terms (including inflation), based on the “Capital Asset Pricing Model”. All capital sources – shares, bonds and any other long-term debts - are included in a weighted average cost of capital calculation.

17. Investment in associate

In accordance with G.E.O. 81/2007, the Fund received from the Romanian State shareholdings granting significant influence over OMV Petrom SA. The summary of the financial information for this associate is as follows:

	2013	**2012**
Ownership	18.99%	20.11%
Total assets	40,046,870,000	38,144,620,000
Total liabilities	13,405,190,000	14,739,280,000
Revenues	24,378,520,000	26,374,700,000
Expenses	19,554,480,000	22,428,600,000
Profit	4,824,040,000	3,946,100,000

In 2013, the Group's share of profit in its associate for the year was RON 916,085,196 (2012: RON 793,560,710) and its share of income and expense recognised directly in the equity of the associate was net expense of RON 309,537 (2012: net income of RON 26,157,077). At 31 December 2013, investments in associates represented RON 5,059,270,088 (31 December 2012: 4,706,829,818).

In May 2013, the Fund disposed of 632,482,000 shares in OMV Petrom SA, accounting for approximately 1.1% of the company's share capital.

The movements in the investment in associate are presented in the below table:

31 December 2012	**4.706.829.818**
Share of net profit in associates	916.085.196
Share of dividends declared by associate	(318.951.645)
Impact of partial disposal	(244.377.102)
Share of income and expense recognised directly in the equity of associates (net of income tax)	(316.179)
31 December 2013	**5.059.270.088**

The fair value of the shares held in OMV Petrom S.A. was RON 5,054,412,918 as at 31 December 2013 (31 December 2012: RON 4,876,542,833).

18. Deferred tax assets and liabilities

	31 December 2013	**31 December 2012**
Temporary differences deductible (taxable)		
Impairment losses on equity investments	-	1,585,558,809
Changes in fair values of equity investments	-	(154,679,643)
Fiscal loss carried forward	2,138,680	3,264,075
	2,138,680	**1,434,143,241**
Deferred tax asset at 16%	**342,189**	**229,462,919**

The effective tax rate used to calculate the deferred tax position of the Group as at 31 December 2013 and as at 31 December 2012 was 16% (standard tax rate).

18. Deferred tax assets and liabilities (continued)

In accordance with the changes to the Romanian Fiscal Code, with effect from 1 January 2014, no income tax will be applied to the sale of equity instruments held in Romanian entities or entities resident in a country with which Romania has a tax treaty, where the holding is at least 10% and has been held for an uninterrupted period of 1 year.

As a consequence, the Group should only calculate deferred tax in so far as it relates to equity investments where the holdings are lower than 10%, where they have been held for under 1 year or where they are resident in a country with which Romania does not have a tax treaty. As at 31 December 2013, the Group did not recognise deferred tax in respect of equity investments which did not meet the criteria described above. The Group has assessed the resulting deferred tax asset, but does not consider the likelihood of sufficient future taxable profits to offset this credit to be probable. As such the recoverability of this asset would be limited and as a result, no asset has been recognised.

19. Other liabilities

	31 December 2013	31 December 2012
Investment Management and Administration fees	13,471,953	8,862,463
Dividends payable	11,250,020	9,481,720
Provision for litigations	11,104,066	-
Financial Supervisory Authority commission	1,262,977	1,230,482
Tax on dividends	1,423,830	-
Other liabilities	3,755,390	1,489,514
	42,268,236	**21,064,179**

In April 2013, the Fund's General Shareholders Meeting approved the distribution of a gross dividend of RON 0.04089 per share, equivalent to a total gross dividend of RON 536,437,206, payable to shareholders with effect from 28 June 2013, which represented the distributable profits of 2012. As at 31 December 2013, shareholders had collected 99% of this dividend.

In April 2012, the Fund's General Shareholders Meeting approved the distribution of a gross dividend of RON 0.03854 per share, equivalent to a total gross dividend of RON 507,658,517, payable to shareholders with effect from 29 June 2012, which represented the distributable profits of 2011. As at 31 December 2013, shareholders had collected 99% of this dividend.

The provision for litigations was recorded in relation with the legal case started by World Trade Center against the Fund in August 2013, asking the Fund to pay back the amounts recovered from the enforcement procedure against this company during 2010 and 2011 and the related legal interest (please see details in Note 21 Contingencies).

The amounts recovered from the enforcement procedure (approximately RON 9.5 million equivalent) were originally accounted for by the Fund as contributions of Ministry of Public Finance to the share capital of the Fund, decreasing the receivable related to unpaid capital. Consequently, these amounts are to be recovered by the Fund from the Ministry of Public Finance (being accounted as a receivable over this shareholder of the Fund, for which an impairment ajustment has been recoreded), while the legal interest was recorded as an expense with provisions for litigations.

20. Shareholders' equity

(a) Share capital

As of 31 December 2013, the authorised and issued share capital comprised 13,778,392,208 ordinary shares at a nominal value of RON 1 per share out of which 365,254,622 shares were unpaid.

Unpaid share capital represents the net value of certain contributions due from the Romanian state, represented by the Ministry of Public Finance. During 2013, RON 357,420 (representing the nominal value of 35,742 shares in Romgaz SA received by the Fund as contribution in kind from Romanian state) were transferred from unpaid share capital to the paid in share capital.

Holders of unpaid shares are not entitled to vote or to receive dividends.

At 31 December 2012, the authorised and issued share capital comprised 13,778,392,208 ordinary shares at a nominal value of RON 1 per share, out of which 365,612,042 shares were unpaid.

By 31 December 2013, the State's share in the Fund's issued capital was 2.67% (31 December 2012: 2.68%) out of which only 0.024% was paid.

The movements in share capital components are presented below:

	Share capital paid in	Share capital unpaid	Total share capital
31 December 2011	**13,407,569,096**	**370,823,112**	**13,778,392,208**
Unpaid share capital compensated by State contributions	5,211,070	(5,211,070)	-
31 December 2012	**13,412,780,166**	**365,612,042**	**13,778,392,208**
Shares contributed in kind by the State	357,420	(357,420)	-
31 December 2013	**13,413,137,586**	**365,254,622**	**13,778,392,208**

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

The fair value reserves of RON 4,042,784,000 at 31 December 2013 (31 December 2012: RON 129,930,898) comprised 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 2013	31 December 2012
Legal reserve	192,259,194	158,151,474
Other reserves	120,299,557	120,299,557
	312,558,751	**278,451,031**

19. Shareholders’ equity (continued)

(c) Other reserves (continued)

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.

The statutory financial statements have been prepared in accordance with the National Securities Commission (“CNVM”) Regulation no. 4/2011 regarding accounting regulations compliant with Economic European Commission Directive IV, applicable to the entities authorised, regulated and monitored by Financial Supervision Authority (“FSA”), approved by CNVM Order no. 13/2011.

In 2013, the Fund transferred to the legal reserves an amount of RON 34,107,720 representing 5% of the 2013 statutory gross profit of RON 682,154,399 (in 2012: RON 28,348,272 representing 5% of the 2012 statutory gross profit of RON 566,988,651).

(d) Treasury shares

The Fund’s General Shareholders Meeting in September 2010 approved a buyback programme at prices ranging between 0.2 - 1.5 RON, which was valid until March 2012. The buyback programme started in May 2011 and by 30 September 2011 the Fund completed this programme by acquiring 240,304,801 shares equivalent to 1.74% of the Fund subscribed share capital for a total acquisition value of RON 120,268,583. At the General Shareholders Meeting on April 2012, the shareholders approved to cancel the treasury shares and to reduce the share capital, but the registration of the shareholders’ decision with Trade Register was blocked at the request of one shareholder of the Fund.

In the litigation started by this shareholder, the Court irrevocably ruled in favour of the Fund, the shareholders’ resolution being registered with Trade Register and published in the Official Gazette on 31 July 2013. The legislation requires that after two months the resolution is published in the Official Gazette, the Fund Manager has to ask the Financial Supervisory Authority to approve the share capital decrease. Thus, the share capital decrease is effective after the obtaining of the Financial Supervisory Authority approval.

The same shareholders meeting in April 2012 approved a second buyback programme: subject to cash availability, the Fund Manager was authorised to repurchase a maximum number of 1.1 billion shares within 18 months of the date when the shareholders’ resolution is published in the Official Gazette, at prices ranging between 0.2 - 1.5 RON per share, following to cancel them upon the completion of the buyback programme. The second buy-back programme was delayed because of the case opened by a minority shareholder and it started on 12 April 2013. By 31 December 2013 the Fund had acquired all the 1,100,950,684 shares at a total acquisition value, including transaction costs of RON 974,824,667. None of the shares had been cancelled by 31 December 2013. The Fund Manager will submit to shareholders’ approval the share capital decrease by cancelling the shares purchased during the second buy-back programme after the share capital decrease for capital distribution approved by shareholders on 3 February 2014 is effective.

On 22 November 2013, the shareholders approved a third buy-back programme: the Fund Manager was authorised to repurchase a maximum number of 252,858,056 shares or 1.89% of the paid in share capital, within 18 months of the date when the shareholders’ resolution is published in the Official Gazette, within the price range of RON 0.2 per share to RON 1.5 per share, to be cancelled upon completion of the buy-back programme.

The third buy-back programme starts after the first share capital decrease for cancelling the shares purchased during the first buy-back programme is effective.

20. Shareholders' equity (continued)

(e) Dividends

During 2013, the Fund distributed dividends, related to statutory earnings of the financial year 2012, totalling RON 536,437,206, equivalent to a gross dividend of RON 0.04089 per share. The dividends were distributed based on profits available in 2012 and after due consideration to the level of net assets of the Fund calculated under FSA (former CNVM) regulations and governed by Capital Market Law (Law 297/2004, as subsequently amended).

Being an entity regulated by FSA (former CNVM) and governed by Capital Market Law, the Fund also has the obligation to calculate and publish monthly, including for the year-end, its net asset value according to the requirements included in the Regulation no.4/2010, as subsequently amended, issued by CNVM (referred hereinafter "NAV"). The capital market law states that "the publication and the use of other measures or calculations for the value of the total net assets, the unitary value of the net assets and the number of holders of participation titles, except for those certified by the depositary shall be forbidden." On this basis, "net assets" is defined as the net assets certified by the depositary of the Fund.

CNVM Regulation no.4/2011, with subsequent amendments (Romanian accounting regulations) and CNVM Regulation no.4/2010, prescribe two different calculation rules for the net assets of the Fund, one value is presented in the annual financial statements prepared in accordance with Romanian accounting regulations (presented as Total shareholders' equity) and another value is presented in the year-end (31 December) NAV reporting submitted to CNVM/FSA (presented as Net Asset Value). There are significant differences in respect of the two calculation methods, the most significant being related to the measurement of equity investments, which in the financial statements prepared in accordance with Romanian accounting regulations are measured at cost less any adjustments for impairment, recorded directly through equity, not through Income statement (shareholders' equity as at 31 December 2013: RON 10,885,061,292), while in the NAV reporting they are measured at their fair value (NAV as at 31 December 2013: RON 15,013,742,081.74).

Since its registration with CNVM on 18 August 2010, the Fund has adopted the net asset value computed in accordance with CNVM Regulation 4/2010 as the most relevant basis to determine the fair market value of the net assets for assessing whether dividends are distributable, as per article 69 of the Companies law provisions. During 2012 the Fund's General Shareholders Meeting approved the distribution of a gross dividend of RON 0.03854 per share, in relation to 2011 statutory profits.

During 2013 and until the date of approval of these financial statements the Fund's management was in the process of obtaining clarifications from the relevant Romanian authorities (being the Ministry of Public Finance, the Ministry of Justice and the FSA) on the interpretation of the provisions of contrasting regulations regarding the distribution of dividends and other reserves of the Fund. Depending on the final clarifications, any change in interpretations from the regulatory authorities increases the legal risks regarding dividend distribution and may require changes in the Fund's distribution policy in the future. It should also be noted that, in the near future (probably in 2015), IFRS will become the statutory set of financials and, when this occurs, the dividend policy and profit allocation practices will need to be reviewed in line with the applicable regulations and accounting standards in force at that time.

In June 2014 the FSA has issued an Endorsement ("Aviz") no.71/19.06.2014, in which is stated the fact that the net asset value computed in accordance with CNVM Regulation 4/2010, shall not be applied in the context of the requirements in Law 31/1990, with the subsequent amendments, art.69. The FSA has also clarified that the issued Endorsement is applicable prospectively from the date of its official publication, respectively 19 June 2014. For the year ended 2013, the Fund did not propose to its shareholders any dividend distribution. The Fund Manager remains committed to ensuring annual cash distributions to the Fund's shareholders, based on the compliance with the applicable regulations.

21. Contingencies

As at 31 December 2013 the Group was involved in certain litigations, either as defendant or claimant. According to the requirements of the IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" the Group discloses in the financial statements those which may have significant effects on the Group's financial position or profitability. The most important litigations were as follows:

1. Some minority shareholders of the Fund (acting individually) have filed litigations against the Fund on various grounds, including some seeking the cancellation of certain resolutions of the General Shareholders Meeting ("GSM") and others seeking to block the registration of some resolutions with the Trade Register. These litigations are at various stages of process within the Romanian Court system and updates are frequently reported by management through the Stock Exchange news system.

In one of these cases, on 10 October 2012 the Bucharest Court of Appeal rejected the appeal filed by the Fund and upheld the decision of the Bucharest Court to partly admit a claim to annul certain resolutions from the 6 September 2010 GSM relating to (inter alia) approval of a new Constitutive Act and the first appointment of FTIML as the administrator of the Fund.

This decision is irrevocable and it was implemented by Trade Register, without any changes in the Management of the Fund considering that:

- the version of the Constitutive Act to which the Court decision relates is not the one currently in force, as new versions were adopted by the Fund's shareholders with vast majority during the 29 November 2010 GSM, the 23 November 2011 GSM, the 4 April 2012 GSM and the 23 November 2012 GSM;
- new resolutions passed during the 25 April 2012 GSM and 23 November 2012 GSM specifically ratified and re-approved the objects of all the resolutions to which this Court decision relates (these resolutions were proposed by a shareholder and approved with a significant majority).

Therefore, FTIML as the Fund Manager of Fondul Proprietatea is liable to observe the current Constitutive Act and the shareholders' resolutions in force, and consequently will continue to manage the Fund in accordance with these and its management agreement.

The outcome of the ongoing cases cannot be determined with certainty at this stage. However, Management intends to defend the interests of the Fund and its shareholders in all these cases in accordance with the applicable laws.

2. Other contingencies of the Group included:

1. The Fund is due to receive the following amounts from the Romanian State:
   - 3% of the amounts collected in by the institutions involved in the privatisation process from each sale of shares held with Romtelecom SA, until the sale of the entire participation;
   - 20% of the amounts resulting from the privatization of Romtelecom SA;
   - 9.9% of the amounts resulting from the privatisation of C.E.C. SA.

   These amounts should be recorded as payments for the unpaid capital or as increases of the share capital by the Romanian State once they are collected, with the approval of shareholders, according to the legislation in force.

21. Contingencies (continued)

2. The receivables from World Trade Center Bucharest SA:

   Title II, Article 4 of GEO 81/2007 stipulates the transfer from the Authority for State Assets Recovery ("AVAS") to the Fund of receivables from World Trade Center Bucharest SA amounting to USD 68,814,198 (including the original principal and related interest and penalties) on 29 June 2007.

Until 31 December 2013, the Fund recovered from World Trade Center Bucharest SA, USD 510,131, EUR 148,701, RON 8,724,888. Given the uncertainties regarding the recoverability of the amounts due by World Trade Center Bucharest SA, the above amounts were recognised on receipt basis in the Fund's financial statements.

In August 2013, World Trade Center Bucuresti SA filed a claim against the Fund asking to pay back the amounts received through the enforcement procedure during 2010 and 2011 (EUR 148,701, USD 10,131 and RON 8,829,663). The amounts recovered from the enforcement procedure were originally accounted for by the Fund as contributions of Ministry of Public Finance to the share capital of the Fund, decreasing the receivable related to the unpaid capital. Consequently, these amounts are to be recovered by the Fund from the Ministry of Public Finance (being accounted for as a receivable over this shareholder of the Fund, for which an impairment ajustment was recorded), while the legal interest was recorded as an expense with provisions for litigations. The next hearing in front of Bucharest Court for this file was set for 18 July 2014.

Currently, World Trade Center Bucharest SA is the object of insolvency procedure, the next hearing being set for 25 June 2014.

22. Group entities

Subsidiaries

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

	31 December 2013	31 December 2012
Ownership interest		
Alcom S.A. Timisoara	72%	72%
Comsig S.A. Sighisoara	70%	70%
Primcom S.A. Bucuresti	75%	75%
Zirom S.A. Giurgiu	100%	100%
Carom - Broker de Asigurare S.A. Bucuresti*	-	70%
Telerom Proiect S.A. Bucuresti*	-	69%

** In 2013, Fondul sold its entire holding in Carom Broker de Asigurare S.A. and Telerom Proiect S.A. Bucuresti*

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(all amounts are in RON unless otherwise stated)

22. Group entities (continued)

The total assets, liabilities, revenues and expenses for subsidiaries are presented in the table below:

	Total assets	Total liabilities	Revenues	Expenses*	Net Profit / (Loss)
2013					
Alcom S.A. Timisoara	10.837.012	1.524.572	2.398.985	2.477.661	(217.883)
Comsig S.A. Sighisoara	2.218.246	18.820	138.018	263.515	(129.408)
Primcom S.A. Bucuresti	39.394.131	2.378.998	3.599.508	3.785.982	(186.474)
Zirom S.A. Giurgiu	76.496.861	13.058.968	30.346.391	29.888.772	457.619
	128.946.250	**16.981.358**	**36.482.902**	**36.415.930**	**(76.146)**

* *Excluding tax on profit expenses*

	Total assets	Total liabilities	Revenues	Expenses*	Net Profit / (Loss)
2012					
Alcom S.A. Timisoara	11,741,803	2,177,553	3,150,278	2,862,859	87,890
Carom - Broker de Asigurare S.A. Bucuresti	1,441,024	46,040	1,009,211	1,129,341	(120,130)
Comsig S.A. Sighisoara	2,336,349	7,515	138,513	303,450	(167,345)
Primcom S.A. Bucuresti	39,556,411	2,215,605	1,755,749	4,899,717	(3,143,968)
Telerom Proiect S.A. Bucuresti	367,613	544,005	1,010,254	1,264,779	(254,525)
Zirom S.A. Giurgiu	55,666,876	3,806,073	10,391,904	15,347,505	(4,955,601)
	111,110,076	**8,796,791**	**17,455,909**	**25,807,651**	**(8,553,679)**

* *Excluding tax on profit expenses*

23. Related parties

Key management

	Year ended 31 December 2013	Year ended 31 December 2012
Salaries		
Members of the Board of Nominees	779,052	523,507

There were no loans to or other transactions between the Fund and the members of the Board of Nominees in 2013 or in 2012.

Franklin Templeton Investment Management Ltd United Kingdom Bucharest Branch is both the Fund Manager and Sole Director of the Fund.

The transactions carried between the Fund and Fund Manager were as follows:

23. Related parties (continued)

Transactions	Year ended 31 December 2013	Year ended 31 December 2012
Investment management fee	35,821,686	27,159,099
Administration fee	9,451,632	7,165,989
Rental expense	104,237	105,276
Operating cost	28,894	28,188
	45,406,449	**34,458,552**

During 2013 the Fund recorded also an amount of RON 1,754,236 representing expenses incurred by the Fund Manager on its behalf (2012: RON 1,012,597). The recharge of these expenses to the Fund followed the provisions of the Investment Management Agreement, and was subject to Board of Nominees approval.

As at 31 December 2013, the Fund owed an amount of RON 14,019,201 to the Fund Manager (31 December 2012: RON 9,146,226).

There are no other elements of compensation for key management.

24. Subsequent events

3 February GSM Decisions

On 3 February 2014 the shareholders of the Fund approved three important items, as follows:

1. An amendment of the Constitutive Act of Fondul Proprietatea, in order to eliminate the quorum restrictions that were additional to Romanian legislation for the share capital decrease. The amendment of the Constitutive Act enters into force after the endorsement of Financial Supervisory Authority and after the publication in Official Gazette.

2. The decrease of the subscribed share capital of Fondul Proprietatea for capital distribution, involving the decrease of the subscribed share capital of Fondul Proprietatea from RON 13,538,087,407 to RON 12,861,183,036.65 through the reduction of the nominal value of the shares of Fondul Proprietatea from RON 1.00 to RON 0.95. The decrease of the share capital will be effective, in accordance with Article 208 para. (1) of Law no. 31/1990, after the expiry of a two months term starting with the publication of the general meeting of shareholders resolution in the Official Gazette of Romania, Part IV, provided that Financial Supervisory Authority shall have endorsed the amendment of Article 7 para. (1) of the Constitutive Act of Fondul Proprietatea as approved by shareholders during the meeting.

The shareholders registered with Central Depositary on 30 April 2014 have the right to receive RON 0.05 per share, proportionally with their participation to the paid share capital of Fondul Proprietatea. The payment shall start in 30 days after the decrease of the share capital mentioned above is effective.

3. The ratification and approval of all resolutions taken by the general shareholders meetings and all the legal acts (including decisions and contracts) concluded, adopted and issued in the name of Fondul Proprietatea through Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch, between 6 September 2010 and 2 February 2014 and the approval and ratification of any implementation acts, facts and operations based on such, including the management of the Fondul Proprietatea under an unitary system.

24. Subsequent events (continued)

28 April GSM Decisions

The main decisions of the shareholders during the 28 April 2014 Annual General Meeting of Shareholders were the following:

- The approval of the secondary listing of Fondul Proprietatea on the London Stock Exchange;
- The approval of the decrease of the subscribed share capital of Fondul Proprietatea from RON 12,861,183,036.65 to RON 11,815,279,886.85, pursuant to the cancellation of 1,100,950,684 treasury shares acquired in the second buy-back programme;
- The approval of the amendment of the Investment Policy Statement;
- The approval of the fourth buy-back programme, for a maximum number of (i) 990,855,616 shares or (ii) 10% of the issued share capital at the relevant time, whichever is the lesser, starting with the date when the buy-back programme approved through the Extraordinary GSM Resolution no. 15/22 November 2013 is completed;
- The approval of the new Investment Management Agreement between FTIML UK Bucharest Branch and Fondul Proprietatea;
- The approval of the renewal / extension of the current mandate of FTIML UK Bucharest Branch as Sole Administrator and Fund Manager of Fondul Proprietatea for a duration of 2 years starting with 30 September 2014;
- The approval of the Annual Activity Report of the Sole Administrator of Fondul Proprietatea for the financial year 2013;
- The approval of the net profit allocation for the financial year 2013.
- The approval of an amended to the 2014 budget of Fondul Proprietatea.

Review of strategic options for Fund's holding in OMV Petrom S.A.

As part of its ongoing commitment to increase value for shareholders and improve the liquidity of the assets in the Fund's portfolio, the Fund is reviewing strategic options to potentially reduce its ownership interest in OMV Petrom SA to below a 15% holding, subject to appropriate market conditions and required approvals. The review is in its early stages and there is no defined timetable for any decision. The Fund currently holds 19% of the issued share capital of OMV Petrom SA and aims to enhance the trading liquidity of the company's shares while remaining committed to its successful development.

Update regarding Hidroelectrica

On 25 February 2014 the Bucharest Court of Appeal has taken the following decisions:

- Cancelled the initial decision of Bucharest Court from 26 June 2013 whereby the judicial reorganisation procedure of Hidroelectrica was closed for procedural reasons. As a result, the case will be sent back to the syndic judge for a retrial. As a consequence, the company is placed back under the reorganisation procedure and the former judicial administrator is reinstated with an immediate effect.

24. Subsequent events (continued)

- Cancelled and sent back to the syndic judge for retrial two other cases, the first one filed by Hidroelectrica against a decision through which the syndic judge admitted the claim of Termoelectrica and the second one filed by Elsid Titu against a decision of the syndic judge through which he did not admit a claim worth around RON 13 million following the application of the force majeure clause in 2011.

The litigation which triggered the Bucharest Court of Appeal decision on 25 February 2014 by which Hidroelectrica was placed back under reorganisation procedure, was in progress as at 31 December 2013. This indicates that these conditions existed before the end of Fund's reporting period and meet the requirements of an adjusting event after the end of the reporting period. As a result, the Fund updated the valuation of its holding in Hidroelectrica on 11 March 2014, that was reflected in the financial statements for the year ended 31 December 2013 (please see Note 16). The new valuation report was prepared by an independent valuer and indicated a value for the Fund's holding in Hidroelectrica of RON 2,105,161 thousand, which is RON 134,251 thousand lower than the valuation previously available, before the Court decision. The decrease in the valuation was mainly due to the new legal situation of Hidroelectrica, which has resulted in a higher discount being applied for the lack of marketability, 25% versus 10% used in the original valuation report prepared prior to 31 December 2013).

Share capital decrease

According with the FSA Endorsement no.1/21 February 2014, the FSA endorsed the decrease of the subscribed share capital of the Fund, from RON 13,778,392,208 to RON 13,538,087,407, following the cancellation of 240,304,801 treasury shares acquired by the Fund during the first buy-back programme in 2011. The share capital decrease is effective beginning with 24 February 2014. Therefore, starting with 24 February 2014, the new value of the Fund's subscribed share capital is RON 13,538,087,407 and the value of the paid-up share capital is RON 13,172,832,785.

On 25 June 2014, according to the Endorsement no. 75/ 25 June 2014, the FSA endorsed the decrease of Fund's subscribed share capital from RON 13,538,087,407 to RON 12,861,183,036.65 and distribution to the shareholders of the reduction in value in amount of RON 0.05 per share (as approved by Fund's shareholders in the General Shareholders Meeting on 3 February 2014). The shareholders registered with Central Depositary on 30 April 2014 have the right to receive RON 0.05 per share, proportionally with their participation to the paid share capital of Fondul Proprietatea.

Accelerated bookbuild offering of up to 19,243,000 existing shares in Romgaz S.A.

On 16 June 2014 the Fund announces the launch of an accelerated bookbuild offering of up to 19,243,000 existing shares in Romgaz, completed on 17 and 18 June. Goldman Sachs International acted as the sole bookrunner for this transaction and Erste Group Bank AG acted as joint lead manager.

< GAIN FROM OUR PERSPECTIVE >

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