CONSOLIDATED
FINANCIAL STATEMENTS
For the year ended 31 December 2011

Prepared in accordance with International Financial Reporting Standards

(This is a translation from the official Romanian version)

FONDUL PROPRIETATEA

S.C. Fondul Proprietatea S.A.

FRANKLIN TEMPLETON INVESTMENTS

FONDUL PROPRIETATEA S.A.

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2011

Prepared in accordance with International Financial Reporting Standards

Contents:

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. and its subsidiaries (the "Group") which comprise the consolidated statement of financial position as of December 31, 2011, 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.

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, 2011, 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 the fact that during 2011 a number of major economies around the world have experienced strong volatility in the capital markets and severe restrictions in the credit markets. As a consequence of the turmoil in capital and credit markets both globally and in Romania, notwithstanding any potential economic stabilization measures that may be put into place by the Romanian State, economic uncertainties arose surrounding the continual availability and cost of credit for the Group's counterparties, future development of the markets and demand for goods and services they produce. The potential for economic uncertainties to continue in the foreseeable future and, as a consequence, the potential that assets of the Group may be not recovered at their carrying amount in the ordinary course of business, and a corresponding impact on the Group's profitability cannot be estimated reliably as of the date of this report. Our opinion is not modified in respect of this matter.

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 8, 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011
(all amounts are in RON unless otherwise stated)

	Note	**Year ended 31 December 2011**	**Year ended 31 December 2010**
Gross dividend income	*6*	320,810,181	181,244,262
Interest income	*7*	41,129,291	131,466,209
Reversal of impairment losses on dividends receivable	*16*	28,323,677	-
Reversal of impairment losses on disposed equity investments	*18*	21,545,871	-
Impairment losses on receivables in respect of equity contributions	*17*	(10,001,304)	-
Impairment losses on equity investments	*18*	(51,691,805)	(29,299,487)
Impairment losses on dividends receivable		-	(18,307)
Gains on disposal of equity investments	*8*	8,799,778	-
Share of profit in associates (net of income tax)		755,858,482	440,338,615
Net foreign exchange gains /(losses)	*9*	700,842	(9,165,151)
Other operating income	*10*	12,187,358	1,016,631
Net operating income		**1,127,662,371**	**715,582,772**
Personnel expenses		(644,081)	(4,068,409)
Other operating expenses	*11*	(54,243,301)	(47,488,391)
Operating expenses		**(54,887,382)**	**(51,556,800)**
Profit before tax		**1,072,774,989**	**664,025,972**
Income tax expense	*12*	(472,220)	(8,676,905)
Profit for the period		**1,072,302,769**	**655,349,067**
Other comprehensive income / (loss)			
Net change in fair value of available-for-sale equity investments		(333,664,982)	319,865,072
Income tax benefit/ (expense) on other comprehensive income	12	53,386,398	(51,178,412)
Total other comprehensive income/ (loss)		**(280,278,584)**	**268,686,660**
Total comprehensive income /(loss) for the period		**792,024,185**	**924,035,727**
Basic and diluted earnings per share		**0.08**	**0.05**

The financial statements were authorised for issue on 8 June 2012 by:

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011
(all amounts are in RON unless otherwise stated)

	Note	**31 December 2011**	**31 December 2010**
Assets			
Cash and current accounts	*13*	1,912,808	7,207,864
Deposits with banks	*14*	296,356,801	1,071,263,726
Treasury bills	*15*	195,919,673	248,021,476
Dividends receivable	*16*	52,479,298	4,069,237
Equity investments	*18*	7,428,214,714	7,045,528,488
Investment in associate	*19*	4,238,522,215	3,712,112,944
Deferred tax assets	*20*	93,306,844	35,272,172
Other assets	*21*	2,558,644	1,901,634
Total assets		**12,309,270,997**	**12,125,377,541**
Liabilities			
Payables in respect of equity contributions	*22*	-	9,730,381
Other liabilities	*23*	42,266,294	59,842,804
Total liabilities		**42,266,294**	**69,573,185**
Equity			
Share capital	*24*	13,778,392,208	13,778,392,208
Fair value reserve on available-for-sale financial assets	*24*	197,303,309	477,581,893
Other reserves	*24*	250,102,759	222,823,865
Treasury shares	*24*	(120,268,583)	-
Accumulated losses		(1,838,524,990)	(2,422,993,610)
Total equity		**12,267,004,703**	**12,055,804,356**
Total liabilities and equity		**12,309,270,997**	**12,125,377,541**

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2010
(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 2009	**13,757,592,587**	**208,895,233**	**199,454,493**	**-**	**(1,946,455,409)**	**12,219,486,904**
Comprehensive income for the period						
Profit for the period	-	-	-	-	655,349,067	**655,349,067**
Other comprehensive income						
Net change in fair value of available-for-sale equity investments	-	319,865,072	-	-	-	**319,865,072**
Share of income and expense recognised directly in the equity of associates (net of income tax)	-	-	-		15,798,905	**15,798,905**
Income tax on income and expense recognised directly in equity	-	(51,178,412)	-	-	-	**(51,178,412)**
Total other comprehensive income	**-**	**268,686,660**	**-**	**-**	**15,798,905**	**284,485,565**
Total comprehensive income for the period	**-**	**268,686,660**	**-**	**-**	**671,147,972**	**939,834,632**
Transactions with owners, recorded directly in equity						
Transfers to other reserves	-	-	23,369,372	-	(23,369,372)	**-**
Increase of share capital	20,799,621					**20,799,621**
Dividends declared	-	-	-	-	(1,124,316,801)	**(1,124,316,801)**
Total transactions with owners recorded directly in equity	**20,799,621**	**-**	**23,369,372**	**-**	**(1,147,686,173)**	**(1,103,517,180)**
Balance at 31 December 2010	**13,778,392,208**	**477,581,893**	**222,823,865**	**-**	**(2,422,993,610)**	**12,055,804,356**

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2011
(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 2010	**13,778,392,208**	**477,581,893**	**222,823,865**	**-**	**(2,422,993,610)**	**12,055,804,356**
Comprehensive income for the period						
Profit for the period	-	-	-	-	1,072,302,769	**1,072,302,769**
Other comprehensive income						
Net change in fair value of available-for-sale equity investments	-	(333,664,982)	-	-	-	**(333,664,982)**
Share of income and expense recognised directly in the equity of associates (net of income tax)					(27,826,207)	**(27,826,207)**
Income tax on income and expense recognised directly in equity	-	53,386,398	-	-	-	**53,386,398**
Total other comprehensive income	**-**	**(280,278,584)**	**-**	**-**	**(27,826,207)**	**(308,104,791)**
Total comprehensive income for the period	**-**	**(280,278,584)**	**-**	**-**	**1,044,476,562**	**764,197,978**
Transactions with owners, recorded directly in equity						
Transfer to other reseves			27,278,894		(27,278,894)	-
Buybacks	-	-	-	(120,268,583)	-	**(120,268,583)**
Dividends declared	-	-	-	-	(432,729,048)	**(432,729,048)**
Total transactions with owners recorded directly in equity	**-**	**-**	**27,278,894**	**(120,268,583)**	**(460,007,942)**	**(552,997,631)**
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**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2011
(all amounts are in RON unless otherwise stated)

	Year ended 31 December 2011	Year ended 31 December 2010
Cash flows from operating activities		
Proceeds from sale of equity instruments	13,375,649	-
Redemption / (acquisition) of treasury bills, net	52,838,373	(246,272,509)
Interest received	46,014,449	141,310,236
Dividends received (net of withholding tax)	295,746,608	174,979,855
Dividends received from associates	201,623,004	-
Realised foreign exchange losses on cash and cash equivalents	(303,030)	(9,136,993)
Collection of bank deposits maturing in more than 3 months, net	378,486,499	930,163,463
Interest received in relation with the dividends late payments	12,488,059	-
Other receipts	135,339	-
Income tax paid	(1,109,707)	(15,379,807)
Salaries and related taxes paid	(894,909)	(6,340,215)
Suppliers and other taxes and fees paid	(52,345,240)	(20,801,609)
Acquisition of equity investments	(769,842,368)	(47,335,500)
Net cash flows from operating activities	**176,212,726**	**901,186,921**
Cash flows from investing activities		
Proceeds from sale of property and equipment	-	94,727
Acquisition of property and equipment	-	(22,427)
Net cash from investing activities	**-**	**72,300**
Cash flows from financing activities		
Dividends paid (including related taxes)	(452,037,883)	(1,093,273,369)
Acquisition of treasury shares	(120,268,583)	-
Cash contributions to share capital	-	33,566,590
Other contributions of shareholders	-	9,395,641
Net cash flows used in financing activities	**(572,306,466)**	**(1,050,311,138)**
Net increase in cash and cash equivalents	**(396,093,740)**	**(149,051,917)**
Cash and cash equivalents at 1 January 2011	693,486,892	842,566,967
Effect of exchange rate fluctuations on cash and cash equivalents	-	(28,158)
Cash and cash equivalents at 31 December 2011	**297,393,152**	**693,486,892**

	31 December 2011	31 December 2010
Cash	1,912,808	7,207,864
Bank deposits with original maturities of less than three months	295,480,344	686,279,028
	297,393,152	**693,486,892**

The notes on pages 8 to 49 are an integral part of these 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 247/2005 and Government Decision 1481/2005 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 regarding the reform in property and justice, as well as certain adjacent measures, as amended, Law 297/2004 regarding the securities market, as amended, and Law 31/1990 regarding companies, as republished and amended.

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

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

Franklin Templeton Investment Management Ltd United Kingdom Bucharest Branch (“Fund Manager”) 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 2011 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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by European Union (“IFRS”).

(b) Basis of measurement

These financial statements have been prepared on the historical cost basis except for equity investments that are listed on an active market and treasury bills, which are measured at fair value.

2. Basis of preparation (continued)

(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 International Financial Reporting Standards 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 5 – Financial risk management;
- Note 11 – Other operating expenses;
- Note 18 – Valuation of equity investments;
- Note 20 – Recognition of deferred tax assets;
- Note 23 – Other liabilities;
- Note 25 – Contingencies.

(e) Reclassification of comparative information

The Group reclassified certain income and expense items in the Statement of Comprehensive Income for the year ended 31 December 2010, in order to be consistent with current year presentation.

3. Significant accounting policies

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

(a) Subsidiaries and associates

(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 2011 are disclosed in note 26.

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 Group holds 20 percent or more of the voting power of the investee, their articles of incorporation and the Group's power to participate in the financial and operating policy decisions of the investee. The Group does not exercise significant influence in a number of companies in which it holds between 20 and 50 percent of the voting power, where the Group'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 Group.

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 2011 are disclosed in note 19.

(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. Any difference between the cost of the interests received by the Group (as determined in accordance with G.E.O. 81/2007; see accounting policy 3(c)(i)) and the carrying amounts of the net assets acquired is recognised directly in equity.

3. Significant accounting policies (continued)

(a) Subsidiaries and associates (continued)

Similarly, transfers of investments in associates from entities that are under the control of the shareholder that controls the Group are accounted for at the date of the transfers of interests. The investments in such associates are recognised at the carrying amount of the net assets of the associates recognised previously in the associates' IFRS financial statements. Any difference between the cost of the interests received by the Group (see accounting policy 3(c)(i)) and the carrying amounts of the net assets acquired is recognised directly in equity.

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

The exchange rates of the main foreign currencies published by the National Bank of Romania at 31 December 2011 were as follows: 4.3197 RON/EUR and 3.3393 RON/USD (31 December 2010: 4.2848 RON/EUR and 3.2045 RON/USD).

(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, 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 amended by Government Emergency Ordinance ("G.E.O.") 81/2007, as follows:

- for the shares received at the Fund's establishment in December 2005, the cost is equal:
  - either to the weighted average price of the last 90 trading days, provided that the last of the 90 trading days is not more than 60 days prior to 24 November 2005, for companies listed on a stock exchange and whose trading volume over the last 90 trading days represented at least 0.3% of their share capital;
  - or to the book value of the shareholders' equity at 31 December 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;

3. Significant accounting policies (continued)

(c) Financial assets and liabilities (continued)

- for the shares received in June 2007, in accordance with G.E.O. 81/2007, the cost is equal:
  - either to the weighted average price of the last 90 trading days prior to 29 June 2007, for companies listed on a stock exchange and whose trading volume over the last 90 trading days represented at least 0.3% of their share capital;
  - or to the book value of the shareholders' equity at 31 December 2006, determined in accordance with statutory financial statements, multiplied by the Fund's shareholding, for unlisted companies and for listed companies whose trading volume over the last 90 trading days represented less than 0.3% of their share capital;
- for the additional shares received in companies owned by the Romanian State 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.

(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.

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

(iv) Offsetting

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

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

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.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e., the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.

When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss depending on the individual facts and circumstances of the transaction but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

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

(vii) Identification and measurement of impairment

At each reporting date the 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.

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

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

3. Significant accounting policies (continued)

(c) Financial assets and liabilities (continued)

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

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.

(d) Cash and deposits with banks

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

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

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

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

(e) Held to maturity

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

Held-to-maturity investments are carried at amortised cost using the effective interest method. Any sale or reclassification of a more than insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the 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 2011 and 31 December 2010.

(f) Available-for-sale financial assets

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

(i) Equity investments carried at fair value

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

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

(ii) Equity investments carried at cost

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

3. Significant accounting policies (continued)

(g) Other financial assets and liabilities

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

(h) Property and equipment

(i) Recognition and measurement

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

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

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

(i) Impairment of non-financial assets

The carrying amounts of the 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. Income 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 and treasury bills.

(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.

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. The majority of such gains and losses relate to the current accounts and deposits in foreign currency held with banks.

(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).

(r) Employee benefits

(i) Pensions and other post retirement benefits

The Group, in the normal course of business, makes payments to the Romanian State on behalf of its employees. All employees of the Group are members of the Romanian State pension plan.

3. Significant accounting policies (continued)

(r) Employee benefits (continued)

The Group does not operate any other pension scheme or post retirement benefit plan and, consequently, has no obligation in respect of pensions. In addition, the Group is not obliged to provide further benefits to its employees.

(ii) Termination benefits

Termination benefits are recognised as an expense when the Group 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 Group 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. The treasury shares are deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the entity's own equity instruments. Consideration paid or received it is recognized directly in equity.

(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. The Fund did not record any such income in year 2011 or in year 2010.

(u) Standards and Interpretations effective in the current period

The following 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:

- *Amendments to IAS 24 “Related Party Disclosures”* **-** Simplifying the disclosure requirements for government-related entities and clarifying the definition of a related party, adopted by the EU on 19 July 2010 (effective for annual periods beginning on or after 1 January 2011);
- *Amendments to IAS 32 “Financial Instruments: Presentation”* – Accounting for rights issues, adopted by the EU on 23 December 2009 (effective for annual periods beginning on or after 1 February 2010);
- *Amendments to various standards and interpretations “Improvements to IFRSs (2010)”* resulting from the annual improvement project of IFRS published on 6 May 2010 (IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34, IFRIC 13) primarily with a view to removing inconsistencies and clarifying wording, adopted by the EU on 18 February 2011 (amendments are to be applied for annual periods beginning on or after 1 July 2010 or 1 January 2011 depending on standard/interpretation);
- *IFRIC 19 “Extinguishing Financial Liabilities with Equity Instruments”*, adopted by the EU on 23 July 2010 (effective for annual periods beginning on or after 1 July 2010).

The adoption of these amendments to the existing standards has not led to any changes in the Group’s accounting policies.

3. Significant accounting policies (continued)

(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, revisions and interpretations adopted by the EU were in issue but not yet effective:

- *Amendments to IFRS 7 "Financial Instruments: Disclosures"* - Transfers of Financial Assets, adopted by the EU on 22 November 2011 (effective for annual periods beginning on or after 1 July 2011).

The Group anticipates that the adoption of these standards, revisions and interpretations will have no material impact on its financial statements in the period of initial application.

(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" (*effective for annual periods beginning on or after 1 January 2015),
- *IFRS 11 "Joint Arrangements"* (effective for annual periods beginning on or after 1 January 2013);
- *IFRS 12 "Disclosures of Involvement with Other Entities"* (effective for annual periods beginning on or after 1 January 2013);
- *IFRS 13 "Fair Value Measurement"* (effective for annual periods beginning on or after 1 January 2013);
- *IAS 28 (revised in 2011) "Investments in Associates and Joint Ventures"* (effective for annual periods beginning on or after 1 January 2013);
- *Amendments to IFRS 7 "Financial Instruments: Disclosures"* **-** Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2013);
- *Amendments to IFRS 9 "Financial Instruments" and IFRS 7 "Financial Instruments: Disclosures"* – Mandatory Effective Date and Transition Disclosures;
- *Amendments to IAS 1 "Presentation of financial statements"* - Presentation of Items of Other Comprehensive Income (effective for annual periods beginning on or after 1 July 2012);
- *Amendments to IAS 12 "Income Taxes"* **-** Deferred Tax: Recovery of Underlying Assets (effective for annual periods beginning on or after 1 January 2012);
- *Amendments to IAS 32 "Financial instruments: presentation"* - Offsetting Financial Assets and Financial Liabilities (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 principles 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.

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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.

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

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

(a) Market risk

Market risk is the risk that changes in market prices 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 extent possible given the unique investment mandate, is the primary technique for mitigating equity price risk. The Group has concentrated exposure to the Power Utilities, Oil and Gas, and Power and Gas Utilities industries.

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

The Group's exposure to industries was as follows:

	31 December 2011	31 December 2010
Power utilities: generation	4,016,241,752	4,014,537,192
Oil and gas	515,110,124	481,265,753
Power and gas utilities: transport, distribution, supply	1,633,222,004	1,752,483,390
Banks	484,034,158	48,473,750
Aluminium	236,875,321	211,868,727
Heavy industry	221,436,338	215,114,656
Infrastructure	205,006,057	205,006,057
Postal services	84,664,380	84,664,380
Others	31,624,580	32,114,583
	7,428,214,714	**7,045,528,488**

4. Financial risk management (continued)

The Group has equity investments of RON 1,465,038,314 at 31 December 2011 (31 December 2010: RON 1,030,293,330) which are listed on the Bucharest Stock Exchange (in either the BSE or RASDAQ segment) or the Vienna Stock Exchange. For such investments, a ten percent increase in the BET-C, respectively ATX index at the reporting date would have increased equity by RON 128,131,772 after tax (2010: RON 96,079,438); an equal change in the opposite direction would have decreased equity by RON 128,131,772 after tax (2010: RON 96,079,438). The analysis is performed on the same basis for 2010.

(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.

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

Fixed rate instruments	**31 December 2011**	**31 December 2010**
Bank deposits with original maturities of less than three months	295,480,344	686,279,028
Bank deposits with original maturities of more than three months and less than one year	-	378,486,499
Treasury bills	195,919,673	248,021,476
	491,400,017	**1,312,787,003**

(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. Euro (EUR) and U.S. dollars (USD), but the balances were not significant during the reporting period.

The local currency depreciated compared to the Euro (from 4.2848 RON/EUR at 31 December 2010 to 4.3197 at 31 December 2011) and compared to the U.S. Dollar (from 3.2045 RON/USD at 31 December 2010 to 3.3393 at 31 December 2011).

4. Financial risk management (continued)

(a) Market risk (continued)

(iii) Currency risk (continued)

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

	31 December 2011	31 December 2010
RON		
Monetary assets		
Petty cash	135	413
Current accounts with banks	1,878,993	7,193,333
Bank deposits with original maturities of less than three months	295,480,227	686,279,028
Bank deposits with original maturities of more than three months and less than one year	-	378,486,499
Interest accrued on bank deposits	876,457	6,498,199
Treasury bills	195,919,673	248,021,476
Dividends receivable	52,479,298	4,069,237
Other receivables	831,286	31,004
	547,466,069	**1,330,579,189**
Monetary liabilities		
Payables in respect of equity contributions	-	(9,730,381)
Other liabilities	(42,206,771)	(52,155,013)
	(42,206,771)	**(61,885,394)**
	505,259,298	**1,268,693,795**

	31 December 2011	31 December 2010
EUR (in RON equivalent)		
Monetary assets		
Current accounts with banks	33,680	14,118
Bank deposits with original maturities of less than three months	117	-
Bank deposits with original maturities of more than three months and less than one year	-	-
Interest accrued on bank deposits	-	-
Other receivables	1,727,358	-
	1,761,155	**14,118**
Monetary liabilities		
Other liabilities	-	(7,401,999)
	-	**(7,401,999)**
	1,761,155	**(7,387,881)**

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4. Financial risk management (continued)

(a) Market risk (continued)

(iii) Currency risk (continued)

A ten percent strengthening of the Romanian Lei against the Euro at 31 December would have increased (decreased) profit or loss by the amount shown below. This analysis assumes that all other variables remain constant. The analysis was performed on the same basis for 2010.

Profit or loss	**31 December 2011**	**31 December 2010**
EUR	(176,116)	738,788

As at 31 December 2011, the Group held equity investments denominated in Euro with a fair value of EUR 38,463,298 (RON 166,149,792 equivalent).

(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, dividends receivable and receivables in respect of equity contributions. The Group's maximum exposure to credit risk from cash and deposits with banks was RON 298,269,474 at 31 December 2011 (31 December 2010: RON 1,078,471,177).

Cash and deposits are held with the following banks:

	31 December 2011	**31 December 2010**
Cash and deposits held with		
B.C.R.	83,686,191	291,438,440
Unicredit Tiriac Bank	71,193,790	184,267,506
BRD - Groupe Societe Generale	69,976,602	220,834,935
RBS Bank	50,081,958	-
Raiffeisen Bank	10,030,556	118,943,272
CITI Bank	8,010,500	-
ING Bank	4,950,587	3
C.E.C.	304,800	305,829
Bancpost	34,379	99,140,819
Marfin Bank	110	163,486,451
Alpha Bank	-	47,624
Banca Romaneasca	-	3,731
Piraeus Bank	-	1,474
Millenium Bank	-	872
Volksbank	-	190
MKB Romexterra Bank	-	31
	298,269,474	**1,078,471,177**

4. Financial risk management (continued)

(b) Credit risk (continued)

(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 with credit ratings above investment grade. 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 195,919,673 at 31 December 2011 (31 December 2010: RON 248,021,476).

As of 31 December 2011, the Group held the following treasury bills with discount, denominated in RON:

Intermediary bank	Value as at 31 December 2011	Settlement Date	No. of treasury bills units	Interest rate	Maturity date
ING Bank	23,933,941	7-Sep-2011	2,500	6.60%	5-Sep-2012
ING Bank	25,540,620	7-Sep-2011	2,670	6.73%	5-Sep-2012
ING Bank	20,653,644	5-Oct-2011	2,100	6.46%	5-Apr-2012
ING Bank	20,300,790	12-Oct-2011	2,126	6.83%	10-Sep-2012
ING Bank	25,315,612	26-Oct-2011	2,658	6.82%	24-Sep-2012
BRD Groupe Societe Generale	3,793,652	28-Oct-2011	380	6.09%	11-Jan-2012
BRD Groupe Societe Generale	15,989,362	31-Oct-2011	1,600	6.05%	5-Jan-2012
ING Bank	20,137,755	23-Nov-2011	2,101	6.71%	22-Aug-2012
ING Bank	20,085,154	7-Dec-2011	2,077	6.59%	6-Jul-2012
BRD Groupe Societe Generale	20,169,144	16-Dec-2011	2,050	6.30%	4-Apr-2012
Total	**195,919,673**				

(iii) Dividends receivable

The Group's maximum exposure to credit risk from dividends receivable was RON 52,479,298 at 31 December 2011 (31 December 2010: RON 4,069,237).

Dividend income is recognised in the income statement on the ex-dividend date (listed equity securities) or on the date dividends are declared (unlisted equity securities). In 2006, several companies paid dividends for the year ended 2005 to the State authorities from which the Group received its shareholdings at its establishment, instead of making such payments to the Group, as shareholder at the date when the dividends were declared.

4. Financial risk management (continued)

(b) Credit risk

(iii) Dividends receivable (continued)

The Group initiated legal proceedings to recover such dividends. At the end of 2010 and 2011, the Group recognised impairment losses on such dividends for which recoverability was not certain.

(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 2011				
Financial assets				
Cash and current accounts	1,912,808	-	-	-
Deposits with banks	240,304,320	56,052,481	-	-
Treasury bills	19,783,015	-	176,136,658	-
Dividends receivable	52,479,298		-	-
Equity investments	-	-	-	7,428,214,714
Other receivables	2,558,644	-	-	-
	317,038,085	**56,052,481**	**176,136,658**	**7,428,214,714**
Financial liabilities				
Other liabilities	42,206,771	-	-	-
	42,206,771	**-**	**-**	**-**

	Less than 1	**1 to 3 months**	**3 to 12 months**	**No fixed maturity**
31 December 2010				
Financial assets				
Cash and current accounts	7,207,864	-	-	-
Deposits with banks	645,986,261	425,277,465	-	-
Treasury bills	95,519,884	-	152,501,592	-
Dividends receivable	4,069,237	-	-	-
Equity investments	-	-	-	7,045,528,488
Other receivables	31,004	-	-	-
	752,814,250	**425,277,465**	**152,501,592**	**7,045,528,488**
Financial liabilities				
Other liabilities	59,557,012	-	-	-
	59,557,012	**-**	**-**	**-**

4. Financial risk management (continued)

(c) Liquidity risk (continued)

The Group's equity investments include unlisted securities, which are not traded in an organised public 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 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 has to conform to EU legislation from 1 January 2007 and, therefore, it has prepared to apply the changes arising from the EU legislation. These changes have been implemented, however the tax authorities have up to 5 years to audit the way these changes were implemented.

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

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

(e) Operating environment

The process of risk repricing during 2007 and 2008 as well as during the second part of 2011 in the international financial markets severely affected the performance of those markets, including the Romanian financial market, and fostered heightened uncertainty with regard to economic developments going forward.

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

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

4. Financial risk management (continued)

(e) Operating environment (continued)

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, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the 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 12,267,004,703 at 31 December 2011 (31 December 2010: RON 12,055,804,356).

The Fund was not subject to externally imposed capital requirements.

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5. Financial assets and financial liabilities

Accounting classifications and fair values

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

	Loans and receivables	Held to maturity	Available-for-sale	Other amortised cost	Total carrying amount	Fair value
31 December 2011						
Cash and current accounts	1,912,808	-	-	-	1,912,808	1,912,808
Deposits with banks	296,356,801	-	-	-	296,356,801	296,356,801
Treasury bills	-	-	195,919,673	-	195,919,673	195,919,673
Dividends receivable	52,479,298	-	-	-	52,479,298	52,479,298
Equity investments at fair value	-	-	1,465,038,314	-	1,465,038,314	1,465,038,314
Equity investments at cost	-	-	5,963,176,400	-	5,963,176,400	Not available
Other receivables	2,558,644	-	-	-	2,558,644	2,558,644
Other liabilities	-	-	-	(42,206,771)	(42,206,771)	(42,206,771)
	353,307,551	**-**	**7,624,134,387**	**(42,206,771)**	**7,935,235,167**	**Not available**

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5. Financial assets and financial liabilities (continued)

	Loans and receivables	Held to maturity	Available-for-sale	Other amortised cost	Total carrying amount	Fair value
31 December 2010						
Cash and current accounts	7,207,864	-	-	-	7,207,864	7,207,864
Deposits with banks	1,071,263,726	-	-	-	1,071,263,726	1,071,263,726
Treasury bills	-	-	248,021,476	-	248,021,476	248,021,476
Dividends receivable	4,069,237	-	-	-	4,069,237	4,069,237
Equity investments at fair value	-	-	1,030,293,330	-	1,030,293,330	1,030,293,330
Equity investments at cost	-	-	6,015,235,159	-	6,015,235,159	Not available
Other receivables	1,901,634	-	-	-	1,901,634	1,901,634
Payables in respect of equity contributions	-	-	-	(9,730,381)	(9,730,381)	(9,730,381)
Other liabilities	-	-	-	(59,557,012)	(59,557,012)	(59,557,012)
	1,084,442,461	**-**	**7,293,549,964**	**(69,287,393)**	**8,308,705,032**	**Not available**

As at 31 December 2011 and 31 December 2010, management estimated that the dividends receivable for which no impairment losses were recognised would be collected within a short period of time and therefore their carrying amount approximated fair value.

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

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6. Gross dividend income

	Year ended 31 December 2011	Year ended 31 December 2010
Romgaz S.A.	106,010,598	87,829,620
Hidroelectrica S.A.	52,478,623	6,501,711
Transgaz S.A.	50,768,117	22,975,352
ENEL Distributie Banat S.A.	20,161,712	-
Alro S.A.	16,024,881	13,293,652
Primcom S.A.	14,276,720	1,731,351
ENEL Distributie Dobrogea S.A.	13,529,334	-
CN Aeroporturi Bucuresti S.A.	9,932,510	6,584,071
GDF Suez Energy SA	9,600,000	-
Conpet S.A.	6,984,786	3,810,281
Delfincom S.A.	5,633,501	-
Raiffeisen Bank International AG	4,735,544	-
Erste Group Bank AG	3,514,050	-
BRD - Groupe Societe Generale S.A.	2,427,206	-
Aeroportul International Timisoara - Traian Vuia S.A.	1,536,108	353,329
Transelectrica S.A.	1,147,845	494,761
E.ON Gaz Romania SA	-	24,651,075
E.ON Gaz Distributie SA	-	11,416,966
Others	2,048,646	1,602,093
	320,810,181	**181,244,262**

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 holding in Romanian equity investments was larger than 10% for at least two years prior to the dividend distribution, no withholding tax was due.

7. Interest income

Interest income amounting to RON 41,129,291 in 2011 (2010: RON 131,466,209) arose from deposits held with banks and from treasury bills.

8. Gains on disposal of equity investments

During 2011 the Fund sold its entire holdings in Marlin S.A., Familial Restaurant S.A., Laromet S.A. and Zamur S.A, through public auctions and the entire holding in Vitacom S.A. and part of its holding in Oil Terminal S.A. on the open market. Additionally, the Fund disposed of its holding in Comcereal Harghita S.A. at the price approved by the General Shareholders Meeting of the company during the delisting process from the Bucharest Stock Exchange, and of its holding in Retizoh as a result of the liquidation of this company. The gain on disposal of these equity investments was RON 8,799,778, representing the difference between the proceeds from disposals (RON 13,375,649) and the carrying values of the equity investments as at disposal date (RON 4,575,871).

There was no disposal of equity investments in 2010.

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9. Net foreign exchange gains / (losses)

	Year ended 31 December 2011	Year ended 31 December 2010
Realised foreign exchange gains / (losses)	700,842	(9,136,993)
Unrealised foreign exchange gains / (losses)	-	(28,158)
	700,842	**(9,165,151)**

10. Other operating income

	Year ended 31 December 2011	Year ended 31 December 2010
Income from penalties levied for late payment of dividends	12,141,634	781,711
Other operating income	45,724	234,920
	12,187,358	**1,016,631**

In the Consolidated Statement of Comprehensive Income for the year ended 31 December 2010 (comparative information), other operating income has been reclassified from *other operating expenses* caption (where, in previous year financial statements, other operating expenses were presented net of other operating income) into a separate caption, in order to be consistent with current year presentation.

11. Other operating expenses

	Year ended 31 December 2011	Year ended 31 December 2010
Investment management and administration fee	32,149,759	18,305,781
National Securities Commission fee	15,594,192	5,373,143
Depositary fee	1,634,254	627,843
Third party services	3,495,314	13,555,379
Other operating expenses	1,369,782	9,626,245
	54,243,301	**47,488,391**

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12. Income tax expense

	Year ended 31 December 2011	Year ended 31 December 2010
Current tax expense		
Current tax (16%)	1,752,665	11,203,603
Dividend withholding tax	3,367,831	2,195,211
	5,120,496	**13,398,814**
Deferred tax expense		
Impairment losses on equity investments	(4,823,350)	(4,687,917)
Provisions for restructuring	36,203	104,879
Used tax losses	138,871	(138,871)
	(4,648,276)	**(4,721,909)**
Total income tax expense	**472,220**	**8,676,905**

The effective tax rate used to calculate the deferred tax position of the Fund for the years ended 31 December 2011 and 31 December 2010 was 16% (standard tax rate).

	Year ended 31 December 2011	Year ended 31 December 2010
Reconciliation of effective tax rate		
Profit for the year	1,072,302,769	655,349,067
Income tax expense	472,220	8,676,905
Profit excluding income tax	**1,072,774,989**	**664,025,972**
Income tax using the standard tax rate (16%)	**171,643,998**	**106,244,156**
Effect of:		
Lower tax rate on dividend income	(47,054,342)	(26,803,869)
Presentation of share of profit in associates, net of income tax, in Fund's financial statements	(120,937,357)	(70,454,178)
Profit appropriation to legal reserve	(274,797)	(583,341)
Other non-taxable income	(4,840,721)	(120,012)
Non-deductible expenses (provisions)	1,872,938	346,642
Other non-deductible expenses	26,298	-
Provisions for restructing	36,203	-
Deductions for charitable donations	-	47,507
Total income tax expense	**472,220**	**8,676,905**

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12. Income tax expense (continued)

	Year ended 31 December 2011	Year ended 31 December 2010
Income tax recognised directly in equity:		
On equity investments carried at fair value	(53,386,398)	51,178,412
	(53,386,398)	**51,178,412**

13. Cash and current accounts

	31 December 2011	31 December 2010
Petty cash	135	413
Current accounts with banks	1,912,673	7,207,451
	1,912,808	**7,207,864**

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

14. Deposits with banks

	31 December 2011	31 December 2010
Bank deposits with original maturities of less than three months	295,480,344	686,279,028
Bank deposits with original maturities of more than three months and less than one year	-	378,486,499
Interest accrued on bank deposits	876,457	6,498,199
	296,356,801	**1,071,263,726**

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

15. Treasury bills

In 2011 and 2010, the Fund acquired discount treasury bills denominated in RON.

	31 December 2011	31 December 2010
Treasury bills with original maturities of less than three months	19,783,015	95,519,883
Treasury bills with original maturities of more than three months and less than one year	176,136,658	152,501,593
	195,919,673	**248,021,476**

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16. Dividends receivable

	31 December 2011	31 December 2010
Dividends receivable		
Hidroelectrica S.A.	52,478,623	3,501,712
Romgaz S.A.	-	18,510,456
Transgaz S.A.	-	9,634,993
Complexul Energetic Rovinari S.A.	-	567,525
Other dividends receivable	646,840	824,392
	53,125,463	**33,039,078**
Impairment loss allowance		
Romgaz S.A.	-	(18,510,456)
Transgaz S.A.	-	(9,634,993)
Other dividends receivable	(646,165)	(824,392)
	(646,165)	**(28,969,841)**
	52,479,298	**4,069,237**

In 2011, the Fund reversed impairment losses on dividends of RON 28,323,677 (2010: nil) following the recovery of dividends from Romgaz S.A. (RON 18,510,456), Transgaz S.A. (RON 9,634,993) and Carom - Broker de Asigurare S.A. (RON 178,228).

17. Receivables in respect of equity contributions

The receivable in respect of equity contributions is the difference between the amount due from Ministry of Public Finance following the cancellation of the contribution corresponding to the holding in Electromecanica Ploiesti S.A. (after the decision of the High Court of Cassation and Justice, which irrevocably rejected in May 2011 the request of the Fund to be registered as a shareholder of this company), amounting to RON 21,436,245 , and the cash and equity received from Ministry of Public Finance, not converted into share capital, amounting to RON 11,434,941, as follows:

- cash representing amounts recovered from the forced execution of World Trade Center SA in 2010, for a total amount of RON 9,395,641;
- shares contributed in kind by the State following the increase of the share capital of Plafar SA in 2010, for an amount of RON 334,740;
- shares contributed in kind by the State following the increase of the share capital of Hidroelectrica S.A. in 2011, for an amount of RON 1,704,560.

The Fund recorded an impairment adjustment for the entire remaining amount receivable in respect of equity contributions as at 31 December 2011, of RON 10,001,304 (31 December 2010: nil).

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18. Equity investments

In accordance with Law 247/2005, as amended by Government Emergency Ordinance 209/2005, the Fund received, at its establishment on 28 December 2005, shares in 117 companies as contribution in kind from the Romanian State, as sole shareholder.

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

- 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 State.

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

The value of the shareholdings, as determined by the evaluator, represents the cost of the equity investments.

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

Fair values at 31 December 2011 and 31 December 2010 were determined by reference to published bid price quotations on the stock exchange where shares are traded, where applicable.

Equity investments listed on the Bucharest Stock Exchange which are not actively traded, and unlisted securities, are carried at cost less impairment.

At 31 December 2011 and 31 December 2010, for equity investments carried at cost, no fair values could be determined using valuation techniques as the range of reasonable fair value estimates was significant and the probabilities of the various estimates could not be reasonably assessed.

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

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18. Equity investments (continued)

	Equity investments at fair value	Equity investments at cost	Total equity investments
31 December 2009	**663,092,758**	**6,042,495,466**	**6,705,588,224**
Shares contributions in kind by State	-	2,039,180	**2,039,180**
Acquisitions	47,335,500	-	**47,335,500**
Impairment loss	-	(29,299,487)	**(29,299,487)**
Changes in fair value	319,865,072	-	**319,865,072**
31 December 2010	**1,030,293,330**	**6,015,235,159**	**7,045,528,489**
Shares contributions in kind by State	**-**	1,704,560	**1,704,560**
Acquisitions	770,804,696	-	**770,804,696**
Disposals	(2,394,730)	(2,181,140)	**(4,575,870)**
Write-offs	-	(21,436,245)	**(21,436,245)**
Impairment loss	-	(51,691,805)	**(51,691,805)**
Reversal of impairment loss on disposals	-	21,545,871	**21,545,871**
Changes in fair value	(333,664,982)	-	**(333,664,982)**
31 December 2011	**1,465,038,314**	**5,963,176,400**	**7,428,214,714**

During 2011, the Fund increased its exposure to Alro S.A., Azomures S.A., BRD Groupe Societe Generale S.A. and Conpet S.A. The Fund also added three new holdings to its portfolio: Banca Transilvania S.A, Erste Group Bank AG and Raiffeisen Bank International AG.

Additionally, the Fund received 170,456 free shares in Hidroelectrica SA accounted for as contributions in kind to share capital of the Fund (at the nominal value of 10 RON/share). These free shares were received following the application of the provisions of Government Emergency Ordinance ("GEO") 81/2007. The source of the increase in share capital is the land for which the company obtained title deeds.

During the same period the Fund sold its entire holdings in Marlin SA, Familial Restaurant S.A., Laromet S.A. and Zamur S.A., through public auctions, at prices exceeding carrying values and its entire holding in Vitacom S.A. and part of its holding in Oil Terminal S.A. on the open market. Also, the Fund disposed of its shares held in Comcereal Harghita S.A. at the price approved by the General Shareholders Meeting of the company during the delisting process from the Bucharest Stock Exchange and its holding in Retizoh as result of the liquidation of this company.

The High Court of Cassation and Justice rejected irrevocably the request of the Fund to be registered as a shareholder of Electromecanica Ploiesti S.A. Following this irrevocable decision, the Fund issued a decision stating that the Romanian State represented by the Ministry of Public Finance did not fulfil the obligation to transfer the shares in this company and the holding in Electromecanica Ploiesti S.A, amounting to RON 21,436,245, was derecognised from Fund's portfolio.

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18. Equity investments (continued)

In July 2011, the merger of Electrica Furnizare Transilvania Nord S.A., Electrica Furnizare Muntenia Nord S.A. and Electrica Furnizare Transilvania Sud S.A. to create Electrica Furnizare S.A. was completed by the Trade Register. The Fund holds 22% of the new company.

In November 2011, the General Shareholders Meetings of Primcom S.A., Delfincom S.A. and Prestari Servicii S.A. approved the merger of these three companies, with Primcom S.A. as absorbing company while Delfincom S.A. and Prestari Servicii S.A. were the absorbed companies. The merger was completed in January 2012.

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

	31 December 2011	31 December 2010
Equity investments at fair value		
Transgaz S.A.	394,127,877	494,093,600
BRD - Groupe Societe Generale S.A.	271,899,654	48,473,750
Alro Slatina S.A.	236,875,321	211,868,727
Transelectrica S.A.	172,176,689	191,472,352
Raiffeisen Bank International AG	94,094,574	-
Conpet S.A.	89,949,706	52,092,600
Azomures S.A.	79,015,589	19,420,592
Erste Group Bank AG	72,055,218	-
Other	54,843,686	12,871,709
	1,465,038,314	**1,030,293,330**
Equity investments at cost		
Hidroelectrica S.A.	2,764,310,929	2,762,606,369
Nuclearelectrica S.A.	581,846,011	581,846,011
Romgaz S.A.	416,301,444	416,301,444
Complexul Energetic Turceni S.A.	282,299,927	282,299,927
Complexul Energetic Craiova S.A.	250,169,153	250,169,153
Electrica Distributie Muntenia Nord S.A.	165,223,950	165,223,950
Complexul Energetic Rovinari S.A.	137,615,732	137,615,732
Aeroporturi Bucuresti S.A.	131,168,262	131,168,262
E.ON Moldova Distributie S.A.	131,073,011	131,073,011
Enel Distributie Muntenia S.A.	107,277,263	107,277,263
Posta Romana S.A.	84,664,380	84,664,380
Other	911,226,338	964,989,656
	5,963,176,400	**6,015,235,158**
Total equity investments	**7,428,214,714**	**7,045,528,488**

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

Fair value hierarchy

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

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18. Equity investments (continued)

The different levels have been defined as follows:

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

At 31 December 2011:

	Level 1	Level 2	Level 3	Total
Equity investments at fair value	1,465,038,314	-	-	1,465,038,314
Treasury bills	195,919,673	-	-	195,919,673
	1,660,957,987	**-**	**-**	**1,660,957,987**

At 31 December 2010:

	Level 1	Level 2	Level 3	Total
Equity investments at fair value	1,030,293,330	-	-	1,030,293,330
Treasury bills	248,021,476	-	-	248,021,476
	1,278,314,806	**-**	**-**	**1,278,314,806**

19. 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:

	2011	2010
Ownership	20%	20%
Total assets	36,488,440,000	34,765,260,000
Total liabilities	15,411,830,000	16,306,220,000
Revenues	23,051,870,000	19,286,350,000
Expenses	19,293,250,000	17,096,700,000
Profit	3,758,620,000	2,189,650,000

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19. Investment in associate (continued)

In 2011, the Group's share of profit in its associate for the year was RON 755,858,482 (2010: RON 440,338,615) and its share of income and expense recognised directly in the equity of the associate was net expense of RON 27,826,207 (2010: net income of RON 15,798,905). At 31 December 2011, investments in associates represented RON 4,238,522,215 (31 December 2010: 3,712,112,944).

The fair value of the shares held in OMV Petrom S.A. was RON 3,303,427,754 at 31 December 2011 (31 December 2010: RON 3,816,028,612).

20. Deferred tax assets

	31 December 2011	31 December 2010
Temporary differences deductible (taxable)		
Impairment losses on equity investments	817,993,147	787,847,209
Changes in fair values of equity investments	(234,884,897)	(568,549,871)
Fiscal loss carried forward	-	867,944
Provisions	59,525	285,794
	583,167,775	**220,451,076**
Deferred tax assets at 16%	**93,306,844**	**35,272,172**
Total deferred tax assets	**93,306,844**	**35,272,172**

The effective tax rate used to calculate the deferred tax position of the Fund as at 31 December 2011 and as at 31 December 2010 was 16% (standard tax rate).

21. Other assets

	31 December 2011	31 December 2010
Dividend withholding tax to be recovered from Austrian tax authorities	1,727,358	-
Interest receivable in relation with the dividends late payments	470,404	750,393
Income tax to be recovered from the State Budget	291,912	934,870
Prepaid expenses	28,412	31,004
Guarantees on leased premises	-	84,837
Other assets	40,558	100,530
	2,558,644	**1,901,634**

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22. Payables in respect of equity contributions

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

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

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

As of 31 December 2011, the balance was nil, as these contributions partially offset the receivable in respect of equity contributions recorded during 2011 (see note 17).

23. Other liabilities

	31 December 2011	**31 December 2010**
Investment management and administration fees	27,179,316	17,954,157
Dividends payable	12,238,494	24,821,842
CNVM commission	1,200,075	1,268,222
Tax on dividends	1,134,222	7,859,711
Provisions	59,523	285,792
Other liabilities	454,664	7,653,080
	42,266,294	**59,842,804**

In April 2011, the Fund's General Shareholders Meeting approved the distribution of a gross dividend of RON 0.03141 per share, payable to shareholders with effect from 30 June 2011, which represented the distributable profits of 2010. As at 31 December 2011, shareholders had collected 99% of this dividend.

The Fund's General Shareholders Meeting in September 2010 approved the distribution of a gross dividend of RON 0.0816 per share, payable to shareholders with effect from October 2010 which represented the distributable profits of both 2008 and 2009. As of 31 December 2011, shareholders had collected 99% of all dividends whose distribution started before 31 December 2010 (31 December 2010: 98%).

The commission due to National Securities Commission ("CNVM") arose following the Fund's registration with this authority in August 2010.

24. Shareholders' equity

(a) Share capital

As of 31 December 2011, 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 370,823,112 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, as shareholder, to the Fund that were recorded in previous years as paid capital (based on Law 247/2005, with subsequent amendments).

During 2011 some of the paid capital has been transferred to the unpaid share capital as explained, as follows:

- Romanian State represented by the Ministry of Public Finance did not fulfil the obligation of the transfer of 1,002,301 shares of Electromecanica Ploiesti S.A. to the Fund, according to the provisions of G.E.O.81/2007, in amount of RON 21,436,245; the High Court of Cassation and Justice irrevocably rejected in May 2011 the request of the Fund to be registered as a shareholder of Electromecanica Ploiesti S.A. (transfer to unpaid share capital recorded based on Fund Manager's Decision 24/31 May 2011);
- Romanian State represented by the Ministry of Public Finance did not fulfil the obligation of the transfer of 2,951,053 shares of Uzina Mecanica Bucuresti SA to the Fund, according to the provisions of G.E.O. 81/2007, in amount of RON 20,024,890; the High Court of Cassation and Justice irrevocably rejected in October 2011 the request of the Fund to be registered as a shareholder of Uzina Mecanica Bucuresti S.A (transfer to unpaid share capital recorded based on Fund Manager's Decision 35/23 August 2011).
- Romanian State represented by the Ministry of Public did not fulfil the obligation of the transfer of 19,226,031 shares of Nuclearelectrica S.A. to the Fund, according to the provisions of Law 247/2005, in amount of RON 340,796,918 (transfer to unpaid share capital recorded based on Fund Manager's Decision 36/23 August 2011);
- Compensation of the amounts recovered from the forced execution of World Trade Center SA and from the increase of share capital of Plafar SA in previous year, in amount of RON 9,730,381 (compensation recorded based on Fund Manager's Decision 34/23 August 2011);
- Compensation of the value of the 170,456 shares in Hidroelectrica SA received by the Fund free of charge according to GEO 81/2007 in 2011, in amount of RON 1,704,560 (compensation recorded based on Fund Manager's Decision 51/23 December 2011).

The shares unpaid did not entitle their holder to vote or to receive dividends.

At 31 December 2010, the authorised and issued share capital comprised 13,778,392,208 ordinary shares at a nominal value of RON 1 per share, the subscribed share capital of the Fund being recorded as fully paid.

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24. Shareholders' equity (continued)

(a) Share capital (continued)

By 31 December 2011, the State's share in Fund's issued capital decreased to 2.71%, out of which 2.69% was unpaid (31 December 2010: the State's share in Fund's issued capital was 38.88%).

The movements in share capital components are presented below:

	Share capital paid in	Share capital not paid in	Total share capital
31 December 2009	**13,743,121,175**	**14,471,412**	**13,757,592,587**
Shares contributed in kind by the State	1,704,443	-	1,704,443
Cash contributions	33,566,590	(14,471,412)	19,095,178
31 December 2010	**13,778,392,208**	**-**	**13,778,392,208**
Share capital reclassified as unpaid	(382,258,053)	382,258,053	-
Unpaid share capital compensated by State contributions	11,434,941	(11,434,941)	-
31 December 2011	**13,407,569,096**	**370,823,112**	**13,778,392,208**

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

The fair value reserves of RON 197,303,309 at 31 December 2011 (31 December 2010: RON 477,581,893) comprise the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

(c) Other reserves

	31 December 2011	31 December 2010
Legal reserve	129,803,203	102,524,308
Other reserves	120,299,556	120,299,557
	250,102,759	**222,823,865**

As required by the Romanian law, a minimum 5% of the statutory profit for the year must be transferred to the legal reserve. Such annual transfers must be discontinued when the reserve equals 20% of the issued share capital. The legal reserve cannot be used for distributions to shareholders. In 2011, the Fund transferred to the legal reserves an amount of RON 27,278,894 representing 5% of the 2011 statutory gross profit (in 2010: RON 23,369,372).

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24. Shareholders' equity (continued)

(d) Treasury shares

The Fund's General Shareholders Meeting in September 2010 approved a buy-back program of up to 10% of the Fund's share capital at prices ranging between 0.2 - 1.5 RON, which was valid until March 2012. The acquired shares can be cancelled and the share capital reduced following shareholders' approval.

The buy-back programme initiated in May 2011 was completed by 30 September 2011. During the programme, 240,304,801 shares equivalent to 1.74% of the Fund subscribed share capital were bought back for a total amount of RON 120,268,583.

At the General Shareholders Meetings on 23/25 November 2011, the Fund Manager proposed to cancel the treasury shares, but the proposal was not approved due to the lack of a quorum (a quorum of at least 50% of paid share capital is required for such a decision). The proposal to cancel these shares will be carried forward to shareholder meetings in 2012.

(e) Dividends

The Fund's General Shareholders Meeting approved in April 2011 the distribution of a gross dividend of RON 0.03141 per share, in relation to 2010 statutory profits.

During 2010 the Fund's General Shareholders Meeting approved the distribution of a gross dividend of RON 0.0816 per share, in relation to 2008 and 2009 statutory profits.

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25. Contingencies

As at 31 December 2011 the Fund 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 Fund discloses in the financial statements only those which may have significant effects on the Fund’s financial position or profitability. The most important litigations were as follows:

1. The Fund is involved in several litigations regarding delay penalties requested from companies which have not yet paid dividends to the Fund for the year 2005 (some of the dividends have since been paid to the Fund pursuant to the Fund winning the law suits). Such litigations are yet to be resolved. During 2011 the most common practice of the Romanian courts was to accept the Fund’s claims.

The claims filed by the Fund are in compliance with the provisions of Law 31/1990 as republished and further amended and these amounts should be due and paid to the Fund. These amounts were only be recognised as revenues when their recoverability becomes highly probable (the Court rules irrevocably in Fund’s favour).

2. There is currently a court litigation involving the Fund and Nuclearelectrica.

In this file the Fund has sued Nuclearelectrica and the Ministry of Economy and Commerce (now the Ministry of Economy, Trade and Business Environment) and asked the court to record the transfer in the Nuclearelectrica’s shareholders register of a total of 20,077,953 shares from the Ministry portfolio to the Fund portfolio in order to update the initial stake of the Fund in Nuclearelectrica, taking into account the share capital increases that took place between 1 February 2006 and 13 November 2007. The litigation was solved at the first stage by the Bucharest Court with the Court ruling against the Fund. The Fund has appealed the decision of the Court and the Bucharest Court of Appeal ruled against the Fund. The Fund will file the second appeal asking High Court of Cassation and Justice to issue the final and irrevocable decision.

For safety reasons, given that the decision issued by the first court in this case is enforceable, the Fund has blocked a total of 340,796,918 shares, in amount of RON 340,796,918 being computed based on valuation report issued in October 2007 by an independent evaluator (Finevex S.R.L. Constanta) for the shares presumed to be owned by the Fund in Nuclearelectrica. The Fund considered that in fact the Ministry of Public Finance has not contributed to the share capital of the Fund with this amount. After the courts will issue an irrevocable decision regarding this case the Fund will propose the shareholders measures in order to solve the issue of unpaid share capital, if it is the case.

As at 31 December 2011 the Fund owned 9.72% of the share capital of the Nuclearelectrica, as recorded at the Trade Register Office.

3. On the role of the courts there are many litigations started by the Fund against the merger plans for creating Hidroenergetica and Electra; in many of these cases the courts have decided to suspend the merger and in two of them the courts ruled in favour of the Fund and decided to block the merger plan. The merger process and the creation of Electra and Hidroenergetica are blocked and the Romanian Government decided to renounce at this project.

25. Contingencies (continued)

In October 2011, the Romanian Government repealed its previous decision regarding the reorganization of the electricity generation sector for creating Electra and Hidroenergetica and the Government approved as an alternative plan for the restructuring of the electricity generation sector, the creation of Complexul Energetic Oltenia by merging Complexul Energetic Turceni, Complexul Energetic Rovinari and Complexul Energetic Craiova with Societatea Nationala a Lignitului Oltenia.

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

Other contingencies of the Fund included:

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

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

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

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

   These amounts 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.

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

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

On 1 October 2007 a reception minute was concluded between AVAS and the Fund based on which all documents related to the receivables due from World Trade Center Bucharest S.A. were transferred to the Fund.

On 4 October 2007, the Fund notified World Trade Center Bucharest S.A. regarding the cession of the receivables. Meanwhile, the transfer was registered with the Electronic Archive for Pledges.

Currently, World Trade Center Bucharest S.A. is the object of insolvency procedure, the next hearing being set for 28 March 2012.

In 2008, World Trade Center Bucharest S.A. paid USD 200,000 to the Fund, in 2009 USD 200,000 and in 2010 USD 110,130.69, EUR 148,700.76, RON 8,724,887.92. No such payments have been made to the Fund during 2011. In accordance with G.E.O. 81/2007, these cash receipts reduced the balance of the receivables in respect of equity contributions.

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

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26. Group entities

Subsidiaries

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

	31 December 2011	31 December 2010
Ownership interest		
Alcom S.A. Timisoara	72%	72%
Carom - Broker de Asigurare S.A. Bucuresti	70%	70%
Comsig S.A. Sighisoara	70%	70%
Delfincom S.A. Bucuresti	66%	66%
Prestari Servicii S.A. Bucuresti	71%	71%
Primcom S.A. Bucuresti	79%	79%
Romplumb S.A. Baia Mare	51%	51%
Telerom Proiect S.A. Bucuresti	69%	69%
Zirom S.A. Giurgiu	100%	100%

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

	Total assets	Total liabilities	Revenues	Expenses	Profit / (Loss)
2011					
Alcom S.A. Timisoara	12,107,800	2,631,320	2,527,571	2,328,524	153,848
Carom - Broker de Asigurare S.A. Bucuresti	1,575,086	59,972	1,201,786	1,162,946	29,129
Comsig S.A. Sighisoara	2,503,366	7,187	147,054	129,864	13,506
Delfincom S.A. Bucuresti	7,481,652	1,563,841	2,800,666	3,451,828	(651,162)
Prestari Servicii S.A. Bucuresti	1,117,042	315,563	1,944,519	782,312	1,162,207
Primcom S.A. Bucuresti	28,846,961	508,003	2,861,637	2,574,009	64,236
Romplumb S.A. Baia Mare	58,541,811	43,562,318	46,317,132	49,859,536	(3,555,684)
Telerom Proiect S.A. Bucuresti	667,841	577,909	1,483,292	1,477,625	5,667
Zirom S.A. Giurgiu	54,561,617	1,744,066	9,060,050	13,967,549	(4,907,499)
	167,403,176	**50,970,179**	**68,343,707**	**75,734,193**	**(7,685,752)**

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26. Group entities (continued)

	Total assets	Total liabilities	Revenues	Expenses	Profit / (Loss)
2010					
Alcom S.A. Timisoara	2,080,588	2,012,820	5,962,348	4,646,954	1,189,267
Carom - Broker de Asigurare S.A. Bucuresti	1,548,989	63,004	1,206,342	1,260,362	(66,608)
Comsig S.A. Sighisoara	231,947	8,531	121,386	106,099	12,062
Delfincom S.A. Bucuresti	16,093,388	222,764	3,463,287	3,445,401	5,569
Prestari Servicii S.A. Bucuresti	186,868	558,805	876,838	1,346,389	(476,001)
Primcom S.A. Bucuresti	46,697,766	344,811	3,571,942	2,269,272	1,021,729
Romplumb S.A. Baia Mare	61,122,269	47,350,536	55,235,049	55,190,881	9,986
Telerom Proiect S.A. Bucuresti	483,545	411,079	1,237,995	1,329,292	(97,747)
Zirom S.A. Giurgiu	64,217,329	6,407,451	18,770,732	16,992,522	1,769,960
	192,662,689	**57,379,801**	**90,445,919**	**86,587,172**	**3,368,217**

27. Related parties

(a) Parent

The Romanian State represented by the Ministry of Public Finance controlled the Fund during 2010, but during 2011 its holding fell below the control threshold.

(b) Key management

	Year ended 31 December 2011	Year ended 31 December 2010
Salaries		
Members of the Board of Nominees	535,500	137,045
Management	-	967,355
Members of the Supervisory Board	-	706,162
	535,500	**1,810,562**

There were no loans to or other transactions between the Fund and the Board members either in 2010 or in 2011.

In February 2010 the Fund signed the Investment Management Agreement with Franklin Templeton Investment Management Ltd United Kingdom Bucharest Branch ("Fund Manager") which became effective on 29 September 2010. On this date, Franklin Templeton Investment Management Ltd United Kingdom Bucharest Branch became the Fund Manager and Sole Administrator of the Fund.

The transactions carried during 2011 and 2010 between the Fund and Fund Manager were as follows:

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27. Related parties (continued)

(b) Key management (continued)

Transactions	Year ended 31 December 2011	Year ended 31 December 2010
Investment management fee	25,437,909	14,484,115
Administration fee	6,711,849	3,821,666
Rental expense	98,569	23,953
Operating cost	25,364	5,014
	32,273,692	**18,334,748**

During 2011 the Fund Manager also issued invoices for RON 1,141,266 to the Fund for expenses incurred by the Fund Manager on its behalf. These expenses were primarily related to promotional activities for the Fund (investor relations). The recharge of these expenses to the Fund followed the provisions of the Investment Management Agreement, and was subject to Board of Nominee approval. As at 31 December 2011, the Fund owed an amount of RON 27,401,373 to the Fund Manager (31 December 2010: RON 17,963,827).

28. Subsequent events

Voting rights restriction cancellation

On 23 November 2011 the Extraordinary General Shareholders Meeting approved a number of amendments to the Constitutive Act, one of the most important being the cancellation of the restriction of voting rights.

The new Constitutive Act with the restriction rights cancelled was approved by CNVM on 12 January 2012.

Since 13 January 2011, when the new Constitutive Act became effective, the restrictions of the voting rights related to the number of shares owned by the Fund’s shareholders have been eliminated and the principle “one paid share is equal to one voting right” now applies.

A new permanent legal representative of the Fund

On 23 November 2011 the Extraordinary General Shareholders Meeting approved Oana Valentina Truța as the third permanent legal representative of the Fund. The other two permanent legal representatives are Grzegorz Maciej Konieczny and Adrian Cighi, appointed by shareholders on September 2010.
The appointment is effective beginning with 19 January 2012, the date of the registration with the Trade Register.

28. Subsequent events (continued)

The addendum to the Investment Management Agreement

On 23 November 2011 the Ordinary General Shareholders Meeting approved the Addendum to the Investment Management Agreement. The change refers to the payment of Fund Manager’s fees on a quarterly basis, starting 1 January 2012 (previously the fees were paid annually). The calculation of the fees are based on the number shares in issue multiplied by the average market price of the Fund’s shares calculated for the respective quarter.

The change of the paid-up capital of the Fund

Since 2 February 2012, the paid-up capital of the Fund increased by RON 4,985,760 to RON 13,412,554,856, while its subscribed capital remained unchanged at RON 13,778,392,208. The increase in the paid-up capital reflects a reduction in the unpaid share capital held by the Romanian state due to the receipt by the Fund of 498,576 shares in Hidroelectrica following a share increase by that company relating to the value of land for which Hidroelectrica obtained title deeds.

< GAIN FROM OUR PERSPECTIVE >

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FONDUL PROPRIETATEA

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