S.C. ALUM S.A. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014 PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION

(Together with Independent Auditor's Report)

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Raport de audit financiar
Report of the financial auditor

Catre actionarii S.C. ALUM S.A.
To the shareholders of S.C. ALUM S.A.

Raport asupra situatiilor financiare consolidate
Report on the consolidated financial statements

1 Am auditat situatiile financiare consolidate anexate ale societatii S.C. ALUM S.A. si ale filialelor sale (impreuna "Grupul"), care cuprind situatia consolidata a pozitiei financiare data de 31 decembrie 2014, situatia consolidata a rezultatului global, situatia consolidata a modificarilor in capitalurile proprii si situatia consolidata a fluxurilor de numerar pentru exercitiul financiar incheiat la aceasta data si un sumar al politicilor contabile semnificative si alte note explicative. Situatiile financiare mentionate se refera la:
- Activ net/Total capitaluri: 166.589 mii lei
- Rezultatul net al exercitiului financiar: 31.132 mii lei, profit

1 We have audited the accompanying consolidated financial statements of S.C. ALUM S.A and its subsidiaries (together "The Group"), which comprise the consolidated statement of financial position as at 31 December 2014, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, presenting the following:
- Net assets/Total equity and reserves: 166,589 thousand lei
- Profit for the year: 31,132 thousand lei

Responsabilitatea conducerii pentru situatiile financiare
Management's responsibility for the financial statements

2 Conducerea Societatii are responsabilitatea intocmirii si prezentarii fidele a acestor situatii financiare consolidate in conformitate cu Standardele Internationale de Raportare Financiara, adoptate de catre Uniunea Europeana, si pentru acel control intern pe care conducerea il considera necesar pentru a permite intocmirea de situatii financiare consolidate care sunt lipsite de denaturari semnificative, cauzate fie de frauda, fie de eroare.

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

Responsabilitatea auditorului
Auditors' responsibility

3 Responsabilitatea noastra este ca, pe baza auditului efectuat, sa exprimam o opinie asupra acestor situatii financiare consolidate. Noi am efectuat auditul conform standardelor de audit adoptate de Camera Auditorilor Financiari din Romania. Aceste standarde cer ca noi sa respectam cerintele etice ale Camerei, sa planificam si sa efectuam auditul in vederea obtinerii unei asigurari rezonabile ca situatiile financiare consolidate nu cuprind denaturari semnificative.

3 *Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing as adopted by the Romanian Chamber of Financial Auditors. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.*

4 Un audit consta in efectuarea de proceduri pentru obtinerea probelor de audit cu privire la sumele si informatiile prezentate in situatiile financiare consolidate. Procedurile selectate depind de rationamentul profesional al auditorului, incluzand evaluarea riscurilor de denaturare semnificativa a situatiilor financiare consolidate, datorate fraudei sau erorii. In evaluarea acestor riscuri, auditorul ia in considerare controlul intern relevant pentru intocmirea si prezentarea fidela a situatiilor financiare consolidate ale Societatii pentru a stabili procedurile de audit relevante in circumstantele date, dar nu si in scopul exprimarii unei opinii asupra eficientei controlului intern al Societatii. Un audit include, de asemenea, evaluarea gradului de adecvare a politicilor contabile folosite si rezonabilitatea estimarilor contabile elaborate de catre conducere, precum si evaluarea prezentarii situatiilor financiare consolidate luate in ansamblul lor.

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 management, as well as evaluating the overall presentation of the consolidated financial statements.*

5 Consideram ca probele de audit pe care le-am obtinut sunt suficiente si adecvate pentru a constitui baza opiniei noastre de audit.

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

Opinia
Opinion

6 In opinia noastra, situatiile financiare consolidate ofera o imagine fidela si justa a pozitiei financiare a Grupului la data de 31 decembrie 2014, si a performantei financiare si a fluxurilor de numerar ale acestuia pentru exercitiul financiar incheiat la aceasta data, in conformitate cu Standardele Internationale de Raportare Financiara adoptate de catre Uniunea Europeana.

6 In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2014, and of its financial performance and cash flows for the year then ended in accordance with the International Standards of Financial Reporting as adopted by the European Union.

In numele:
On behalf of:

Ernst & Young Assurance Services SRL

Alexandru Lupea,
Partener

Ernst & Young Assurance Services SRL

Alexandru Lupea,
Partner

Bucuresti, Romania
26 Martie 2015

Bucharest, Romania
26 March 2015

	Note	December 31, 2014	December 31, 2013
ASSETS			
Non-current assets			
Property, plant and equipment	**4**	199,679	220,569
Intangible assets	**5**	2,676	5,548
Goodwill	**6**	67,881	59,933
Loans receivables, long term	**26**	18,691	-
Deffered tax	**7**	9,906	-
Total non-current assets		**298,833**	**286,050**
Current assets			
Inventories	**8**	144,497	159,797
Trade receivables	**9**	6,835	6,391
Other current assets	**10**	5,188	9,189
Current income tax	**7**	1,089	962
Cash and cash equivalents	**11**	2,323	2,280
Total current assets		**159,932**	**178,619**
Total assets		**458,765**	**464,668**
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital	**12**	488,413	488,413
Reserves	**13**	67,932	89,736
Accumulated deficit		(389,756)	(427,958)
Equity attributable to owners of the Entity		**166,589**	**150,191**
Total equity		**166,589**	**150,191**
Non-current liabilities			
Borrowings	**14**	19,525	47,923
Retirement benefit liabilities	**15**	5,335	4,131
Deferred tax liability	**7**	-	-
Provisions	**16**	26,114	22,694
Other non-current liabilities		6,488	34,195
Total non-current liabilities		**57,461**	**108,943**

	Note	December 31, 2014	December 31, 2013
Current liabilities			
Trade and other payables	**17**	112,989	109,754
Borrowings	**14**	22,070	16,475
Other current liabilities	**18**	99,656	79,305
Total current liabilities		**234,715**	**205,534**
Total liabilities		**292,176**	**314,477**
Total equity and liabilities		**458,765**	**464,668**

These consolidated financial statements were authorized for issue by management on March 26, 2015.

Gheorghe Dobra
General Director

Mihaela Duralia
Chief Financial Officer

S.C. ALUM S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2014
All amounts are in RON thousand, unless otherwise stated

	Note	Year ended December 31, 2014	Year ended December 31, 2013
Revenues	**19**	542,660	517,808
Cost of sale	**20**	(509,183)	(541,190)
Gross (loss)/profit		**33,477**	**(23,382)**
Other operating income	**21**	27,590	3,112
Impairment of property, plant and equipment	**4**	-	387
Administrative expenses	**22**	(49,427)	(43,926)
Other operating expenses		(6,653)	(4,112)
Other gains and losses	**23**	21,424	(10,319)
Financial income	**24**	343	53
Financial expenses	**24**	(5,454)	(5,050)
Finance cost, net	**24**	(5,111)	(4,997)
Profit/(Loss) before income taxes		**21,300**	**(83,237)**
Income tax credit	**7**	9,832	(24)
Profit(Loss) for the year		**31,132**	**(83,261)**
(Loss)/profit attributable to:			
Owners of the entity		31,132	(83,261)
Non-controlling interest		-	-
Weighted average number of ordinary shares for the purpose of basics earnings per share (thousand)		82,086	82,086
Basic and diluted earnings/(losses) per share		**0.38**	**(1.01)**
Other comprehensive (loss)/income, net of tax			
Exchange differences on translating foreign operations		(14,583)	2,323
Remeasurement gains/(losses) on defined benefit* plans		(139)	(365)
Income tax effect		74	58
Other comprehensive income net of tax		**(14,648)**	**2,016**
Total comprehensive income/(loss) for the year		**16,484**	**(81,245)**

***)** items that will not be reclassified into Statement of Comprehensive Income in the future

These consolidated financial statements were authorized for issue by management on March 26, 2015.

Gheorghe Dobra
General Director

Mihaela Duralia
Chief Financial Officer

S.C. ALUM S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2014
All amounts are in RON thousand, unless otherwise stated

	Attributable to equity holders of the entity							
	Share capital	**Share premium**	**Reserves**	**Foreign currency translation reserve**	**Accumulated deficit**	**Attributable to the owners of the entity**	**Non Controlling interest**	**Total Equity**
Balance at January 1, 2013	**488,413**	**-**	**89,606**	**12,461**	**(358,966)**	**231,514**	**-**	**231,514**
Loss for the year	-	-	-	-	(83,261)	(83,261)	-	(83,261)
Remeasurement of post-employment benefits	-	-	-	-	(264)	(264)	-	(264)
Deffered tax on benefits	-	-	-	-	(40)	(40)	-	(40)
Other comprehensive income	-	-	-	2,323	(82)	2,241	-	2,241
Total Comprehensive income	**-**	**-**	**-**	**2,323**	**(83,647)**	**(81,324)**	**-**	**81,324**
Transfer of realized revaluation reserve	-	-	(14,654)	-	14,654	-	-	-
Balance at December 31, 2013	**488,413**	**-**	**74,952**	**14,784**	**(427,958)**	**150,191**	**-**	**150,191**
Balance at January 1, 2014	**488,413**	**-**	**74,952**	**14,784**	**(427,958)**	**150,191**	**-**	**150,191**
Profit for the year	-	-	-	-	31,132	31,132	-	31,132
Remeasurement of post-employment benefits	-	-	-	-	(139)	(139)	-	(139)
Deffered tax on benefits remeasurement	-	-	-	-	74	74	-	74
Other comprehensive income	-	-	-	(14,583)	(86)	(14,668)	-	(14,668)
Total Comprehensive income	**-**	**-**	**-**	**(14,583)**	**30,981**	**16,398**	**-**	**16,398**
Transfer to legal reserve	-	-	2,506	-	(2,506)	-	-	-
Transfer to realized revaluation reserve	-	-	(9,727)	-	9,727	-	-	-
Balance at December 31, 2014	**488,413**	**-**	**67,731**	**201**	**(389,756)**	**166,589**	**-**	**166,589**

These consolidated financial statements were authorized for issue by management on March 26, 2015.

Gheorghe Dobra
General Director

Mihaela Duralia
Chief Financial Officer

The accompanying notes are an integral part of these consolidated financial statements.

S.C. ALUM S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014
(All amounts are in RON thousand, unless otherwise stated)

	Note	Year ended December 31, 2014	Year ended December 31, 2013
Cash flows from operating activities			
(Loss)/profit before tax		**21,300**	**(83,237)**
Adjustments for:			
Depreciation and amortization of non-current assets		39,681	40,818
Impairment of property, plant and equipment	**4**	-	(387)
Net gain on disposal of property, plant and equipment		3,175	5,867
Impairment of goodwill		-	-
Allowances for doubtful debts	**9**	247	44
Allowances for slow moving and obsolete inventory	**8**	1,318	2,352
Change in retirement benefit obligation	**15**	524	1,651
Increase in provisions		-	-
Foreign exchange differences		(23,790)	4,166
Interest income	**24**	(263)	(52)
Interest expense	**24**	4,808	4,475
		46,999	(24,303)
Movements in working capital:			
Decrease in trade receivables and other assets		3,181	(1,194)
(Increase)/decrease in inventories		10,907	3,273
Increase / (decrease) in trade payables and other liabilities		2,457	42,978
Cash generated from operations		**63,544**	**20,754**
Income tax paid		-	-
Interest paid		(2,005)	(2,219)
Net cash generated by operating activities		**61,539**	**18,535**
Cash flows from investing activities			
Purchase of property, plant and equipment and intangibles assets		(10,523)	(3,877)
Proceeds from disposal of property, plant and equipment		-	-
Granted loans	26	(16,744)	-
Restricted cash	11	249	635
Interest received		-	52
Net cash used in investing activities		**(27,018)**	**(3,191)**
Cash flow from financing activities			
Proceeds from borrowing		5,395	-
Repayment of borrowings		(39,623)	(17,676)
Net cash used in financing activities		**(34,229)**	**(17,676)**
Net (decrease)/increase in cash and cash equivalents		**292**	**(2,332)**
Cash and cash equivalents at beginning of the year	**11**	**1,435**	**3,767**
Cash and cash equivalents at end of the year	**11**	**1,727**	**1,435**

These consolidated financial statements were authorized for issue by management on March 26, 2015.

Gheorghe Dobra
General Director

Mihaela Duralia
Chief Financial Officer

1 GENERAL INFORMATION

a) Parent Company

S.C. ALUM S.A. (the "Company", the "Entity") is a joint-stock company set up under the Romanian law. The Company was initially established in March 1972, ALUM S.A. Tulcea being the largest producer of calcined alumina in Romania.

The major shareholder of Alum S.A. is Alro S.A. owned by Vimetco N.V. Netherlands which in its turn is owned by Vimetco Holding N.V. (Netherland Antilles) a company controlled by MAXON LIMITED.

The main activity is hydro metallurgical processing of bauxite to obtain aluminium oxide the main raw material for obtaining aluminium.

Company's production processes and products have been certified in accordance with international standards for quality assurance.

The address of the Company's registered office is 82 Isaccei Street, Tulcea, Tulcea County, Romania.

Alum is listed on Bucharest Stock Exchange, Rasdaq segment. Its price per share could be analysed as follows:

	2014	2013
- minimum price	0.91	1.10
- maximum price	2.20	2.02
- average price	1.56	1.56

The evolution of average number of the Company's employees was as follows:

	2014	2013
Average number of employees	689	695

b) Subsidiaries

On May 1, 2011 Alum acquired from Vimetco N.V., related party, 100% of an investment company Global Aluminum Ltd. Global Aluminum Ltd. assets included 100% shareholding in a bauxite mine in Sierra Leone, Sierra Minerals Holding I Ltd., and 100% shareholding in Bauxite Marketing Ltd.

Bought by Vimetco N.V. in 2008, the bauxite mine in Sierra Leone, with a resource base of approximately 31 million tons of bauxite, produced 1,160,705 tons in 2014. The bauxite mine ensures the necessary raw materials for the alumina refinery (Alum S.A.) in Romania.

The evolution of average number of the Subsidiary's employees was as follows:

	2014	2013
Average number of employees	442	576

S.C. Alum S.A. and its subsidiaries will be hereinafter called as the "Group".

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

There are a number of new and revised standards effective for annual periods beginning on or after 1 January 2014, all of which add to the complexity of preparing the financial statements. Following below are the new standards, amendments and interpretations to existing standards adopted starting 1 January 2014 and their effect in the preparation of the Group financial statements for the year ended 31 December 2014.

Standards and interpretations effective in 2014 that the Group has applied to these financial statements:

The Company has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2014:

- IFRS 10 Consolidated Financial Statements (IFRS 10), adopted by the EU on 11 December 2012. IFRS 10 supersedes IAS 27 Consolidated and Separate Financial Statements (IAS 27) and SIC 12 Consolidation-Special Purpose Entities. IFRS 10 revises the definition of control and provides extensive new guidance on its application. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. Management has reviewed its control assessments in accordance with IFRS 10 and has concluded that there is no effect on the classification (as subsidiaries or otherwise) of any of the Company's investees held during the period or comparative periods covered by these financial statements.

- IFRS 11 Joint Arrangements (IFRS 11), adopted by the EU on 11 December 2012. IFRS 11 supersedes IAS 31 Interests in Joint Ventures (IAS 31) and SIC 13 Jointly Controlled Entities – Non-Monetary-Contributions by Venturers. It aligns more closely the accounting by the investors with their rights and obligations relating to the joint arrangement. In addition, IAS 31's option of using proportionate consolidation for joint ventures has been eliminated. IFRS 11 now requires the use of the equity accounting method, which is currently used for investments in associates. IFRS 11 has no material impact on the financial statements since the Company is not a party to any joint arrangements.

- IFRS 12 Disclosure of Interests in Other Entities (IFRS 12), adopted by the EU on 11 December 2012, requires additional disclosures relating to significant judgements and assumptions made in determining the nature of interests in an entity or arrangement, interests in subsidiaries, joint arrangements and associates and unconsolidated structured entities. While the Company has subsidiaries with material non-controlling interests, there are no unconsolidated structured entities. IFRS 12 disclosures are provided in Note 28.

- IAS 27 Separate Financial Statements (as revised in 2011), adopted by the EU on 11 December 2012. The standard carries forward the existing accounting and disclosure requirements of IAS 27 (2008) for separate financial statements, with some minor clarifications. As well, the existing requirements of IAS 28 (2008) and IAS 31 for separate financial statements have been incorporated into IAS 27 (2011). The Standard no longer addresses the principle of control and requirements relating to the preparation of consolidated financial statements, which have been carried over into IFRS 10 Consolidated Financial Statements. The adoption of IAS 27 (revised) Separate Financial Statements has had no material impact on these financial statements.

- IAS 28 Investments in Associates and Joint Ventures (as revised in 2011), adopted by the EU on 11 December 2012. As a consequence of the new IFRS 11 Joint arrangements and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates, has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The adoption of IAS 28 (revised) has no material impact on the financial statements.

- Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities, adopted by the EU on 20 November 2013. The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separated financial statements. Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities. The investment entities amendments has no effect on the financial statements as the Company is not an investment entity.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

- Amendments to IFRS 10, IFRS 11 and IFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities - Transition Guidance adopted by the EU on 4 April 2013. The amendments are intended to provide additional transition relief in IFRS 10 , IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities, by "limiting the requirement to provide adjusted comparative information to only the preceding comparative period".

- Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities, adopted by the EU on 13 December 2012. The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and that some gross settlement systems may be considered equivalent to net settlement. The application of these amendments to IAS 32 has no impact on the financial statements as the Company does not have any offsetting arrangements in place.

- Amendments to IAS 36: Recoverable Amount Disclosures for Non-Financial Assets, adopted by the EU on 19 December 2013. The amendments require additional disclosures about the measurement of impaired assets (or a group of assets) with a recoverable amount based on fair value less costs of disposal. The application of these amendments to IAS 36 results in more disclosures being made with regard to measurement of impaired assets.

- Amendments to IAS 39: Novation of Derivatives and Continuation of Hedge Accounting, adopted by the EU on 19 December 2013. Under the amendments there would be no need to discontinue hedge accounting if a hedging derivative was novated, provided certain criteria are met. The application of these amendments to IAS 39 had no significant impact on the Company's financial statements.

- IFRIC 21 Levies adopted by the EU on 13 June 2013 sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognised. The Company is not currently subject to significant levies so the impact is not material.

Standards and Interpretations in issue not yet adopted:

- IFRS 9 Financial instruments, issued in complete form in July 2014(effective for annual periods beginning on or after 1 January 2018), not yet adopted by the EU. This standard introduces new requirements for the classification and measurement of financial assets. IFRS 9 includes the requirements for the classification and measurement of financial liabilities and for derecognition. The standard is not effective until 1 January 2018 but is available for early adoption. Currently the Company has not determined the impact that this standard might have on the financial statements.

- IFRS 14 Regulatory Deferral Accounts issued on 30 January 2014 (effective for annual periods beginning on or after 1 January 2016), not yet adopted by the EU. This standard permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements. Regulatory deferral account balances, and movements in them, are presented separately in the statement of financial position and statement of profit or loss and other comprehensive income, and specific disclosures are required. IFRS 14 is not applicable to the Company, as the Company is not a first-time adopter of IFRSs.

-IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2017), not yet adopted by the EU. IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates. The directors anticipate that the application of the new Standard may affect certain amounts reported in the financial statements and result in more extensive disclosures in the financial statements.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Standards and Interpretations in issue not yet adopted (continued)

- Amendments to IFRS 9 and IFRS 7 Mandatory Effective Date of IFRS 9 and Transition Disclosures (effective for annual periods beginning on or after 1 January 2015) not yet adopted by the EU, which amended the effective date of IFRS 9 to annual periods beginning on or after 1 January 2015, and modified the relief from restating comparative periods and the associated disclosures in IFRS 7.

- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective for annual periods beginning on or after 1 January 2016), not yet adopted by the EU. These amendments address an inconsistency between IFRS 10 and IAS 28 in the sale or contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognized when a transaction involves a business. A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary. The amendments are expected to have no effect on the financial statements of the Group.

- Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 1 January 2016), not yet adopted by the EU. The amendments address issues that have arisen in the context of applying the consolidation exception for investment entities. The amendments are expected to have no effect on the financial statements of the Group.

- Amendment to IFRS 11 Joint arrangements: Accounting for Acquisitions of Interests in Joint Operations (effective for annual periods beginning on or after 1 January 2016), not yet adopted by the EU. IFRS 11 addresses the accounting for interests in joint ventures and joint operations. The amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business in accordance with IFRS and specifies the appropriate accounting treatment for such acquisitions. The amendments are expected to have no effect on the financial statements of the Group, since in the Group is not jointly arrangement.

- Amendments to IAS 1 Disclosure Initiative (effective for annual periods beginning on or after 1 January 2016), not yet adopted by the EU. The amendments aim at clarifying IAS 1 to address perceived impediments to preparers exercising their judgment in presenting their financial reports. The amendments makes certain clarifications in relation to the following: materiality, order of the notes, subtotals, accounting policies and disaggregation. The directors expect that the adoption of the amendment will affect the presentation and disclosures included in consolidated financial statements.

- Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible assets: Clarification of Acceptable Methods of Depreciation and Amortization (effective for annual periods beginning on or after 1 January 2016), not yet adopted by the EU. The amendment provides additional guidance on how the depreciation or amortization of property, plant and equipment and intangible assets should be calculated. The directors expect that the application of the amendments will have not a significant impact on the Company's financial statements.

- Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture: Bearer Plants (effective for annual periods beginning on or after 1 January 2016), not yet adopted by the EU. Bearer plants will now be within the scope of IAS 16 Property, Plant and Equipment and will be subject to all of the requirements therein. The directors expect that the application of the amendments will have not a significant impact on the Company's financial statements

- Amendments to IAS 19 Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on or after 1 July 2014), adopted by the EU on 17 December 2014. The amendments clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service. The directors expect that the application of the amendments will have not a significant impact on the Company's financial statements

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Standards and Interpretations in issue not yet adopted (continued)

- Amendments to IAS 27: Equity Method in Separate Financial Statements (effective for annual periods beginning on or after 1 January 2016), not yet adopted by the EU. The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The directors expect that the application of the amendments will have not a significant impact on the Company's financial statements

- Annual Improvements 2010-2012 Cycle (effective for annual periods beginning on or after 1 July 2014), adopted by the EU on 17 December 2014. The directors expect no significant impact from their adoption on the financial statements.

These annual improvements amend standards from the 2010 – 2012 reporting cycle and include changes to:
- IFRS 2 Share based payments and clarifies the definition of a 'vesting condition' and separately defines 'performance condition' and 'service condition';

- IFRS 3 Business combinations and clarifies that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or equity, on the basis of the definitions in IAS 32 Financial instruments: Presentation. It also clarifies that all non-equity contingent consideration is measured at fair value at each reporting date, with changes in value recognised in profit and loss.

- IFRS 8 Operating segments which is amended to require disclosure of the judgements made by management in aggregating operating segments. It is also amended to require a reconciliation of segment assets to the entity's assets when segment assets are reported;

- IFRS 13 Fair value which amended the basis of conclusions to clarify that it did not intend to remove the ability to measure short term receivables and payables at invoice amounts where the effect of discounting is immaterial. As the amendment does not contain any effective date, they are considered to be immediately effective. This amendment to IFRS 13 has no impact on the Group;

- IAS 16 Property, plant and equipment and IAS 38 Intangible assets are amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model;

- IAS 24 Related party disclosures is amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity (the 'management entity'). Disclosure of the amounts charged to the reporting entity is required.

- Annual Improvements 2011-2013 Cycle (effective for annual periods beginning on or after 1 July 2014), adopted by the EU on 18 December 2014.

These annual improvements amend standards from the 2011 – 2013 reporting cycle. It includes changes to:

- IFRS 1 First time adoptions of IFRSs, basis of conclusions is amended to clarify that where a new standard is not mandatory but is available for early adoption a first-time adopter can use either the old or the new version, provided the same standard is applied in all periods presented. The amendment to IFRS 1 is effective immediately and, thus, for periods beginning at 1 January 2014, and clarifies in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements. This amendment to IFRS 1 has no impact on the Company, since the Company is an existing IFRS preparer;

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Standards and Interpretations in issue not yet adopted (continued)

- IFRS 3 Business combinations is amended to clarify that IFRS 3 does not apply to the accounting for the formation of any joint venture under IFRS 11.

- IFRS 13 Fair value measurement is amended to clarify that the portfolio exception in IFRS 13 applies to all contracts (including non-financial contracts) within the scope of IAS 39 or IFRS 9.

- IAS 40 Investment property is amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive. IAS 40 assists users to distinguish between investment property and owner-occupied property. Preparers also need to consider the guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination.

Annual Improvements to IFRSs 2012–2014 Cycle (effective for annual periods beginning on or after 1 January 2016), not yet adopted by the EU.

These annual improvements amend standards from the 2012 – 2014 reporting cycle and include changes to:

- IFRS 5 Non-current assets held for sale and discontinued operations. The amendment clarifies that, when an asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution', or vice versa, this does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such. This means that the asset (or disposal group) does not need to be reinstated in the financial statements as if it had never been classified as 'held for sale' or 'held for distribution' simply because the manner of disposal has changed. The amendment also explains that the guidance on changes in a plan of sale should be applied to an asset (or disposal group) which ceases to be held for distribution but is not reclassified as 'held for sale';

- IFRS 7 Financial instruments: Disclosures. There are two amendments:
  – Servicing contracts – If an entity transfers a financial asset to a third party under conditions which allow the transferor to derecognise the asset, IFRS 7 requires disclosure of all types of continuing involvement that the entity might still have in the transferred assets. The standard provides guidance about what is meant by continuing involvement. The amendment is prospective with an option to apply retrospectively. There is a consequential amendment to IFRS 1 to give the same relief to first time adopters.

- IAS 19 Employee benefits. The amendment clarifies that, when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, not the country where they arise. The assessment of whether there is a deep market in high-quality corporate bonds is based on corporate bonds in that currency, not corporate bonds in a particular country. Similarly, where there is no deep market in high-quality corporate bonds in that currency, government bonds in the relevant currency should be used. The amendment is retrospective but limited to the beginning of the earliest period presented;

- IAS 34 Interim financial reporting. The amendment clarifies what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'. The amendment also amends IAS 34 to require a cross-reference from the interim financial statements to the location of that information. The amendment is retrospective.

3 SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("EU").

The main accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Entity and entities controlled by the Entity (its subsidiaries). The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Entity and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Entity.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognized in other comprehensive income and accumulated in equity, the amounts previously recognized in other comprehensive income and accumulated in equity are accounted for as if the Entity had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquire and the equity interests issued by the Group in exchange for control of the acquire. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except that:

-deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquire or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquire are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the ‘measurement period’ (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39 Financial Instruments: Recognition and Measurement , or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquire is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquire prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statement of profit or loss and other comprehensive income. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Current versus non-current classification

The Group presents assets and liabilities in statement of financial position based on current/non-current classification.

An asset as current when it is:
- Expected to be realized or intended to sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:
- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Fair value measurement

The Group measures financial instruments such as derivatives, and non-financial assets such as investment properties, at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

***Fair value measurement** (continued)*

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:
- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Revenue recognition

Revenue is recognized to the extent that the economic benefits will flow to the Group and that they can be reliable measured.
Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and related sales taxes.

Revenue from the sale of goods is recognized when all the following conditions are satisfied:
- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Specifically, revenue from the sale of goods is recognized when goods are delivered and legal title is passed.

Rendering of services

Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:
- installation fees are recognized by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the end of the reporting period;
- servicing fees included in the price of products sold are recognized by reference to the proportion of the total cost of providing the servicing for the product sold; and
- revenue from time and material contracts is recognized at the contractual rates as labour hours and direct expenses are incurred.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividend and interest income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Rental income

The Group's policy for recognition of revenue from operating leases is described below.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable

Leasing

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Capitalized leases are depreciated over the shorter of the estimated useful life of the asset or the lease term.

The Group as lessee

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Assets held under finance leases are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Lease payments for finance lease are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognized as expenses in the periods in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see below the hedging accounting policies).

For the purpose of presenting the financial statements in RON, the assets and liabilities of the Group's foreign operations are translated at the exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rate for the periods presented. Exchange differences arising on the translation are recognized in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are de-recognized but they are not reclassified to profit or loss.

Borrowing costs

Borrowing costs consist of interest and other costs that the Company incurs in connection with the borrowing of funds. Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. No borrowing costs were capitalized in 2014.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in consolidated profit or loss in the period in which they are incurred.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits

The Group, in the normal course of business, makes payments to the Romanian State on behalf of its employees for pensions, health care and unemployment cover. The cost of these payments is charged to profit or loss in the same period as the related salary cost.

The Group awards its employees at with some retirement benefits according to the Collective Labour Agreement. For this defined benefit retirement plan, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each reporting period. Remeasurement, comprising actuarial gains and losses, is reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability. Defined benefit costs are categorized as follows:
- Service costs (comprising current service cost, past service cost, as well as gain and losses on curtailments and settlements), included in profit or loss line item "Cost of sales" or "Administrative expenses" within personnel costs.
- Net interest expense, included in profit or loss line item "Finance costs, net" within interest expense.
- Remeasurement.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to their present value.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates (for Romanian Group companies 16%, for Sierra Leone 30%) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences.

Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Currently the fiscal losses generated by the Romanian Group companies can be carried forward for 7 years, while for Sierra Leone for 10 years.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Current and deferred tax for the year

Current and deferred tax are recognized in the consolidated profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

Value added tax (VAT)

Revenues, expenses and assets are recognized net of the amount of VAT except:
- Where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable;
- When receivables and payables are stated with the amount of sales tax included The net amount of tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Freehold land is not depreciated.

Depreciation is recognized so as to write off the cost less their residual values over their useful lives, using the straight-line method.

Buildings and special constructions	8 - 52 years
Plant and machinery	5 - 25 years
Equipment and vehicles	4 - 25 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognized so as to write off the cost less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in consolidated profit or loss.

When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect.

Investment properties are derecognized either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the income statement in the period of derecognition.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:
- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

De-recognition of intangible assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in consolidated profit or loss when the asset is derecognized.

Intangible assets are amortized over a period between 3 years (for software) and 50 years (for concessions).

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Inventories

Inventories are stated at the lower of cost and net realizable value.
Costs incurred in bringing each product to its present location and condition is accounted for as follows:
- Raw materials: purchase cost on a first in, first out basis;
- Finished goods and work in progress: cost of direct materials and labor and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing cost, determined on weighted average basis.

Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Impairment losses are also booked for slow moving, damaged and obsolete inventory.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Onerous contracts

Present obligations arising under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

Restructurings

A restructuring provision is recognized when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the Group.

Warranties

Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognized at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

Decommissioning liability

Decommissioning costs include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognized as part of the cost of the particular asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognized in the statement of profit or loss as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

Rehabilitation provision

The Group recognises a rehabilitation provision where it has a legal and constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. The nature of these restoration activities includes dismantling and removing structures; rehabilitating mines and tailings dams; dismantling operating facilities; closing plant and waste sites; and restoring, reclaiming and revegetating affected areas. The obligation generally arises when the asset is installed or the ground/environment is disturbed at the mining operation’s location. When the liability is initially recognised, the present value of the estimated costs is capitalised by increasing the carrying amount of the related mining assets to the extent that it was incurred as a result of the development/construction of the mine. Any rehabilitation obligations that arise through the production of inventory are expensed when the inventory item is recognised in cost of goods sold. Additional disturbances or changes in rehabilitation costs are recognised as additions or charges to the corresponding assets and rehabilitation liability when they occur. Costs related to restoration of site damage (subsequent to start of commercial production) that is created on an ongoing basis during production are provided for at their net present values and recognised in profit or loss as extraction progresses.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in consolidated profit or loss.

Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date. At the end of subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognized in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognized less cumulative amortisation recognized in accordance with IAS 18 *Revenue*.

Financial assets

For purposes of subsequent measurement financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment.

Available-for-sale financial assets (AFS financial assets)

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Listed redeemable notes held by the Group that are traded in an active market are classified as AFS and are stated at fair value at the end of each reporting period. The Group also has investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets and stated at fair value at the end of each reporting period (because the directors consider that fair value can be reliably measured). Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates (see below), interest income calculated using the effective interest method and dividends on AFS equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividends on AFS equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established.

The fair value of AFS monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognized in profit or loss are determined based on the amortized cost of the monetary asset. Other foreign exchange gains and losses are recognized in other comprehensive income.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash, etc.) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position and statement of cash flows comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognized.

In respect of AFS equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets (continued)

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Group retains control), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

Acquisitions of subsidiaries under common control

Acquisitions of subsidiaries under common control are accounted for using the pooling of interest method, as follows:

- The assets and liabilities of the acquired entities are reflected at the carrying values reported in previous owner's consolidated financial statements;
- No "new" goodwill is recognized as a result of the combination. The only goodwill that is recognized is any existing goodwill relating to either of the combining entities. Any difference between the consideration paid/transferred and the equity "acquired" is reflected within the Group's equity;
- The income and expenses of the newly acquired subsidiary are included in the consolidated financial statements starting from the acquisition date;
- Comparatives are not restated as if the entities had always been combined.

Exploration and evaluation assets

Exploration and evaluation activities involve the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource. Types of expenditure that might be included in the measurement of exploration and evaluation assets are as follows:

- acquisition of rights to explore;
- topographical, geological, geochemical and geophysical studies;
- exploratory drilling;
- trenching and sampling; and
- activities involved in evaluating the technical feasibility and commercial viability of extracting mineral resources. This includes the costs - incurred in determining the most appropriate mining/processing methods and developing feasibility studies.

Capitalized exploration and evaluation expenditure is recorded at cost less impairment losses. Once an operating license has been obtained, the respective exploration assets are amortized over the shorter of the life of the mine and the life of the mining license. An exploration and evaluation asset shall no longer be classified as such when the technical feasibility and commercial viability of extracting a mineral resource are demonstrable.

Financial liabilities and equity instruments

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

Classification as debt or equity

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities and equity instruments (continued)

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

Financial liabilities are classified as either financial liabilities ‘at FVTPL' or ‘other financial liabilities'.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- the amount initially recognized less, where appropriate, cumulative amortisation recognized in accordance with the revenue recognition policies.

The Company does not have during 2014 and 2013 financial assets or financial liabilities designated at fair value through profit or loss.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Related parties

Parties are considered related when other party, either through ownership, contractual rights, family relationship or otherwise, has the ability to directly control or significantly influence the other party.

Government grants

Government grants are recognized once there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received. They are recognized in the profit or loss over the periods necessary to match them with the related costs which they are intended to compensate, and are disclosed under "other income". Government grants that are receivable as a compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in profit or loss in the period in which they become receivable.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Emission rights

The Group recognizes the emission credits in the consolidated financial statements based on the net liability method. Under this method only those liabilities that are expected to result from exceeding the emission credit quotas granted are recognized.

The Group estimates its annual emission volumes at the end of each reporting period and recognizes the total estimated additional liability for the expected excess of emission volumes at the fair value of additional units to be purchased or penalties to be incurred under the national legislation. The additional net liability is recognized in profit or loss based on unit of production method.

In case the Group estimates utilization of less than the allocated emission credits any potential income from the sale of unused emission credits is recognized only on actual sale of those credits.

Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Segment information is presented in respect of the Group's business and geographical segments and is determined based on the Group's management and internal reporting structure.

Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly investments (other than investment property) and related revenue, loans and borrowings and related expenses, corporate assets (primarily the Group's headquarters) and head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

Dividends

Dividends are recorded as a liability in the Company's consolidated financial statements in the period in which they are approved by the Company's shareholders and reflected in a corresponding diminution of shareholders' equity.

Significant accounting judgments, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The Company based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

***Significant accounting judgments, estimates and assumptions* (continued)**

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from budgets prepared by the Company and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the investments are disclosed and further explained in Note 6.

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group established provisions, when necessary, based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the Company and the responsible tax authority. Such differences in interpretation may arise for a wide variety of issues depending on the conditions prevailing in that context.

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Detailed information is disclosed in Note 7.

Defined benefit plans

The cost of the defined benefit pension plan and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and longevity. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Detailed information is disclosed in Note 15.

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

***Significant accounting judgments, estimates and assumptions* (continued)**

Development costs

Development costs are capitalised in accordance with the accounting policy. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits.

Provision for decommissioning

The Company has recognized a provision for the rehabilitation of the premises where it deposits scrap from production. In determining the fair value of the provision, assumptions and estimates are made in relation to discount rates, inflation rates, effective costs of works to be performed and the expected timing of these costs.

The management uses critical accounting judgements also for the estimation of the useful life of tangible and intangible assets, deferred taxes, provisions and allowances for receivables and inventories, impairment of financial assets and contingent liabilities.

Detailed information is disclosed in Note 16.

4 PROPERTY, PLANT AND EQUIPMENT

Cost	Land	Buildings and special constructions	Plant and machinery	Equipment and vehicles	Capital assets in progress	Advances for fixed assets	Total
At January 1, 2013	**20,057**	**179,685**	**375,306**	**113,118**	**4,000**	**-**	**692,167**
Additions	-	6,684	554	962	4,947	-	13,146
Transfers	-	1,925	3,399	162	(5,486)	-	-
Disposals and write off	-	-	(8,312)	(17,868)	-	-	(26,180)
Translation adjustment	-	(359)	(697)	(2,326)	(12)	-	(3,394)
At December 31, 2013	**20,057**	**187,935**	**370,250**	**94,048**	**3,449**	**-**	**675,739**
Additions	-	1,365	3,138	1,212	7,942	-	13,656
Transfers*)	-	288	1,876	-	(862)	-	1,302-
Disposals and write off	-	(157)	(807)	(14,514)	-	-	(15,478)
Translation adjustment	-	1,771	3,017	7,925	684	-	13,397
At December 31, 2014	**20,057**	**191,201**	**377,473**	**88,670**	**11,214**	**-**	**688,616**

*) Transfers includes the capitalization of an intangible asset in progress onto an tangible asset.

4 PROPERTY, PLANT AND EQUIPMENT (continued)

Accumulated depreciation and impairment

Accumulated depreciation	Land	Buildings and special constructions	Plant and machinery	Equipment and vehicles	Capital assets in progress	Advances for fixed assets	Total
At January 1, 2013	**-**	**101,295**	**287,770**	**46,490**	**-**	**-**	**435,555**
Depreciation expenses	-	7,382	17,436	14,766	-	-	39,583
Eliminated on disposals and write off of assets	-		(8,288)	(11,467)	-	-	(19,755)
Transfer between categories	-	170	-	(170)	-	-	-
Translation adjustment	-	(110)	(373)	(1,031)	-	-	(1,514)
At December 31, 2013	**-**	**108,736**	**296,545**	**48,587**	**-**	**-**	**453,868**
Depreciation expenses	-	8,151	17,456	13,224	-	-	38,831
Eliminated on disposals and write off of assets	-	(94)	(573)	(11,637)	-	-	(12,303)
Transfer between categories	-	-	-	-	-	-	-
Translation adjustment	-	661	1,935	4,644	-	-	7,240
At December 31, 2014	**-**	**117,454**	**315,353**	**54,818**	**-**	**-**	**487,636**

4 PROPERTY, PLANT AND EQUIPMENT (continued)

Accumulated depreciation and impairment (continued)

Allowance for impairment	Land	Buildings and special constructions	Plant and machinery	Equipment and vehicles	Capital assets in progress	Advances for fixed assets	Total
At January 1, 2013	**-**	**120**	**13**	**1,479**	**78**	**-**	**1,689**
Impairment losses recognized in profit or loss	-	-	-	-	-	-	-
Reversals of impairment losses recognized in profit or loss	-	-	-	(388)	-	-	(388)
At December 31, 2013	**-**	**120**	**13**	**1,091**	**78**	**-**	**1,301**
Impairment losses recognized in profit or loss	-	-	-	-	-	-	-
Reversals of impairment losses recognized in profit or loss	-	-	-	-	-	-	-
At December 31, 2014	**-**	**120**	**13**	**1,091**	**78**	**-**	**1,301**
Net book value							
At January 1, 2013	**20,057**	**78,271**	**87,522**	**65,149**	**3,924**	**-**	**254,923**
At December 31, 2013	**20,057**	**79,079**	**73,692**	**44,370**	**3,371**	**-**	**220,569**
At December 31, 2014	**20,057**	**73,628**	**62,097**	**32,761**	**11,136**	**-**	**199,679**

Alum S.A. recorded full provision for the future cost of rehabilitating of the red mud lake on a discounted basis The change in the year increased the value of the fixed asset as of December 31, 2014 by RON 1,204 thousand (2013: RON 1,671 thousand) (see Note 16). The rehabilitation provision represents the present value of rehabilitation costs relating to the site, which are expected to be incurred up to 2023, which is when the storage on the site should be either closed or extended.
No borrowing costs were capitalized in 2014 and in 2013.

4 PROPERTY, PLANT AND EQUIPMENT (continued)

As of December 31, 2014 property, plant and equipment of the Group have been pledged to secure the contracted borrowings with a carrying amount of RON 131,119 thousand (December 31, 2013: RON 139,561 thousand) (Note 14).

The gross book value of the fully amortized fixed assets as of December 31, 2014 is in amount of RON 140,152 thousand (2013: RON 135,423 thousand).

5 INTANGIBLE ASSETS

Cost	Development expenses	Other intangibles	Advances for intangibles	Total
At January 1, 2013	**4,367**	**12,344**	**1,342**	**18,053**
Acquisition of subsidiary	-	-	-	-
Additions	-	45	-	45
Transfers	-	-	-	-
Disposals	-	-	(41)	(41)
Translation adjustment	-	(372)	-	(372)
At December 31, 2013	**4,367**	**12,017**	**1,301**	**17,685**
Additions	-	287	-	287
Transfers to fixed assets	-	-	(1,301)	(1,301)
Disposals	-	-	-	-
Translation adjustment	-	1,598	-	1,598
At December 31, 2014	**4,367**	**13,902**	**-**	**18,270**

Accumulated amortization	Development expenses	Other intangibles	Advances for intangibles	Total
At January 1, 2013	**2,620**	**7,688**	**-**	**10,308**
Amortization expense	582	1,511	-	2,093
Eliminated on disposals of assets	-	-	-	-
Translation adjustment	-	(263)	-	(263)
At December 31, 2013	**3,202**	**8,935**	**-**	**12,138**
Amortization expense	582	1,552	-	2,135
Eliminated on disposals of assets	-	-	-	-
Translation adjustment	-	1,322	-	1,322
At December 31, 2014	**3,785**	**11,809**	**-**	**15,594**
Net book value				
At December 31, 2013	**1,165**	**3,081**	**1,301**	**5,548**
Net book value				
At December 31, 2014	**583**	**2,093**	**-**	**2,676**

Other intangible assets refer to software programs, licenses and exploration assets.

6 GOODWILL

COST

	2014	2013
Balance at beginning of year		
Goodwill at acquisition of Global Aluminium Ltd. by Vimetco N.V. (former parent)	81,895	84,471
Additions	-	-
Translation adjustment	10,861	(2,576)
Balance at end of year	**92,756**	**81,895**

ACCUMULATED IMPAIRMENT LOSSES

	December 31, 2014	December 31, 2013
Balance at beginning of year:		
Impairment on goodwill at acquisition of Global Aluminium Ltd. by Vimetco N.V. (former parent)	(21,962)	(22,653)
Additions	-	-
Translation adjustment	(2,913)	691
Balance at end of year	**(24,875)**	**(21,962)**
CARRYING AMOUNT		
Balance at beginning of year	**-**	**-**
Balance at end of year	**67,881**	**59,933**

The recoverable amount of cash-generating units operating in Sierra Leone (Global Aluminium Ltd.) was determined based on fair value less costs of disposal, estimated using discounted cash flow techniques and applying a market-based measurement. Financial forecasts estimated by the directors cover a nine-year period, and a pre-tax discount rate of 19.1% per annum until 2019, being the estimated period of depletion for measured reserves, and 21.1% per annum thereafter for inferred mineral reserves due to the higher risk or uncertainty (2013: 16.3% and 18.3% respectively). The cash flows beyond that nine-year period have been extrapolated until the year 2029, when the estimated reserves (measured, indicated and inferred) will be used with a 1.5% growth rate (in line with forecast inflation rate).

The key assumptions for the cash-generating unit Global Alumininium Ltd. are:

	2014	2013
Discount rate	19.1%	16.3%
Growth rate (average of next nine years)	2.0%	2.0%
EBITDA margin	24.4%	25.0%

The directors believe that there are no reasonably foreseeable changes in key assumptions, which would cause the goodwill allocated to the Global Aluminium Ltd. CGU to be impaired.

7 INCOME TAXES

Income tax recognized in consolidated income statement:

	Year ended December 31, 2014	Year ended December 31, 2013
Current tax		
Current tax credit for the year	-	-
	-	**-**
Deferred tax		
Deferred tax (credit)/expense for the year	9,832	(24)
	9,832	**(24)**
Total income tax expense/(credit) recognized in the period	**(9,832)**	**24**

The income tax expense for the year can be reconciled to the accounting profit as follows:

	Year ended December 31, 2014	Year ended December 31, 2013
Accounting profit/(loss) before tax	**21,300**	**(83,237)**
Tax at Alum's statutory tax rate 16% of PBT	(3,408)	13,318
Deductible consolidation adjustment	(2,727)	(1,200)
Tax impact of Permanent differences:	(300)	381
Utilisation of previously unrecog. tax losses (-)	11,386	7,717
Deferred tax in relation to fiscal loss carried forward	6,051	(11,034)
Effect of higher tax rates in Sierra Leone (30%)	(1,169)	(9,158)
Deferred tax	**9,832**	**(24)**
Income tax expense reported in the statement of profit or loss	9,832	(24)

The tax rate used for reconciliations above is the corporate tax rate payable by each company of the Group on taxable profits under the tax law applicable in the jurisdictions where they operate (i.e., Romania: 16%, Sierra Leone: 30%)

The following is the analysis of deferred tax assets/(liabilities) presented in the consolidated statement of financial position:

	Opening balance	Recognized in profit or loss	Recognized in other comprehensive income	Reclassified from equity to profit or loss	Closing balance
Property, plant and equipment	(7,917)	(6,552)	-	-	(14,469)
Borrowings	40	(56)	-	-	(16)
Inventories	135	1,074	-	-	1,209
Trade receivables and other current assets	(343)	43			(300)
Provisions	835	2,716	-	-	3,551
Retirement benefits obligation	370	754	74	-	1,198
Trade payables and other liabilities	-	-	-	-	-
Tax losses capitalized	6,881	11,852	-	-	18,733
Deferred tax asset	**-**	**9,832**	**74**	**-**	**9,906**

7 INCOME TAXES (continued)

Tax loss expiring	Gross amount	Tax effect
Within 1 year	-	-
1 - 2 years	-	-
2 - 5 years	28,956	-
More than 5 years	262,251	18,733
Total	**291,207**	**18,733**

8 INVENTORIES

	December 31, 2014	December 31, 2013
Raw materials	31,755	59,583
Consumables	35,156	42,059
Finished goods	21,377	8,656
Work in progress	52,050	46,623
Semi-finished goods	13,511	9,925
Other	611	527
Allowance for inventories	(9,961)	(7,576)
Total	**144,497**	**159,797**

The movement in the allowance for inventories is presented below:

	2014	2013
Balance at beginning of the year	7,576	5,401
Change during the current year	2,575	4,810
Release during the current year	(190)	(2,636)
Balance at end of the year	**9,961**	**7,576**

The value of the expensed inventories in 2014 is of RON 211,763 thousand (2013: RON 236,538 thousand).

9 TRADE RECEIVABLES

	December 31, 2014	December 31, 2013
Foreign trade receivables	1,411	1,962
Domestic trade receivables	6,200	4,958
Allowance for doubtful receivables	(776)	(529)
Total trade receivables	**6,835**	**6,391**

There are two customers representing individually more than 10% of the total balance of trade receivables as at December 31, 2014 (December 31, 2013: 3 customers).

9 TRADE RECEIVABLES (continued)

Movement in the allowance for doubtful trade receivables is as follows:

	December 31, 2014	December 31, 2013
Balance at beginning of the year	529	483
(Release)/charge in the current year	247	46
Balance at end of the year	**776**	**529**

In determining the recoverability of the trade receivables, the Group considers any change in the credit quality of the customers from the date credit was initially granted up to the reporting date. Accordingly, the Group's management believes that there is no further need for any allowance in excess of the allowance for doubtful trade receivables already recorded in these consolidated financial statements.

In the table below is an analysis of the trade receivables as at December 31, 2014 and December 31, 2013:

Trade receivables

	December 31, 2014	December 31, 2013
Not past due and not impaired	589	708
Past due but not impaired	6,092	5,605
Impaired receivables assessed on an individually basis	129	115
Past due more than 9 months and impaired	800	492
Less: Allowance for doubtful receivables	(776)	(529)
Total	**6,835**	**6,391**

Aging of receivables that are past due but not impaired:

	December 31, 2014	December 31, 2013
Less than 3 months	2,870	2,631
3 months to 6 months	-	64
6 months to 9 months	148	22
More than 9 months	3,074	2,888
Total trade receivables past due but not impaired	**6,092**	**5,605**

10 OTHER CURRENT ASSETS

	December 31, 2014	December 31, 2013
Advances to suppliers	1,660	812
VAT recoverable	671	1,195
Other debtors	2,004	5,859
Prepayments	869	1,339
Allowance for other doubtful debtors	(16)	(16)
Total other current assets	**5,188**	**9,189**

10 OTHER CURRENT ASSETS (continued)

The movement in the allowance for other current assets is as follows:

	December 31, 2014	December 31, 2013
Balance at beginning of the year	16	17
Released in the current year	-	(1)
Balance at end of the year	**16**	**16**

11 CASH AND CASH EQUIVALENTS

Cash and cash equivalents can be analyzed as follows:

	December 31, 2014	December 31, 2013
Cash at banks in RON	288	283
Cash at banks in foreign currency	1,422	1,117
Cash in hand in RON	17	35
Cash equivalents	-	-
Restricted cash	596	845
Total cash and cash equivalents	**2,323**	**2,280**

Restricted cash represents cash collateral deposited at banks with the purpose of maintaining a required level of liquidity in respect of interest payable on the borrowings.

Also, as of December 31, 2014 the bank accounts of Alum S.A. opened at Raiffeisen Bank are pledged to secure the borrowing contracted in 2011 (Note 14).

12 ISSUED CAPITAL

The statutory share capital as of December 31, 2014 and 2013 is as follows (figures in accordance with the Romanian accounting standards):

	Statutory figures					
	December 31, 2014			December 31, 2013		
SHAREHOLDERS	Number of shares	Nominal Value RON (thousand)	%	Number of shares	Nominal Value RON (thousand)	%
ALRO SA	81,595,860	485,495	99.40	81,595,860	485,495	99.40
Individuals	481,177	2,863	0.59	481,180	2,863	0.59
Companies	9,166	55	0.01	9,163	55	0.01
Total	**82,086,203**	**488,413**	**100%**	**82,086,203**	**488,413**	**100%**

The major shareholder of Alum S.A. is Alro S.A. Slatina owned by VIMETCO N.V. Netherlands owned by Vimetco Holding N.V. (Netherland Antilles) a company controlled by a MAXON LIMITED.

13 RESERVES

	December 31, 2014	December 31, 2013
Legal reserve	7,964	5,458
Other reserves	59,968	84,872
Total reserve	**67,932**	**90,330**

The legal reserve is made up at 20% of the issued and paid shared capital of the Company, according to the regulations in force, it is not distributable and its utilization is strictly regulated by the laws.

Other reserves include mainly amounts that were generated by statutory revaluation of fixed assets.

14 BORROWINGS

	December 31, 2014	December 31, 2013
Current borrowings		
Short-term portion of non-current borrowings	22,070	16,475
Non-current borrowings		
Non-current borrowings	19,525	47,923
Total borrowings	**41,595**	**64,398**

As of May 1, 2011, Vimetco N.V. (the seller), a related party entity, and Alum S.A. (the purchaser) have concluded the sale and purchase agreement for the whole issued share capital of Global Aluminium Limited, a related party entity (Note 26). The value of the transaction was of USD 30,000 thousand financed through a credit facility of USD 25,000 thousand obtained by Alum S.A. from Raiffeisen Bank S.A. on April 29, 2011.

The bank borrowing of Alum is secured with pledge over the bank accounts, property, plant and equipment, current and future receivables and by the current bank accounts Alum S.A., as described in the borrowing agreements. The interest for this borrowing is LIBOR 3M+4%.

The existing bank borrowing of Alum will mature until 2016 and the related interest rate ranged between 4.22% and 4.24% in 2014 (2013: 4.24% and 4.30%).

According to the bank borrowing agreement Alum is subject to several covenants. In accordance with those covenants Alum should maintain certain financial ratios, including: debt service coverage ratio, debt worth leverage ratio and current ratio.

As of December 31, 2014 the Group is in breach with these covenants related to the bank borrowings. The Company obtained a waiver letter from the bank in this respect before 31 January 2015, during the one month grace period granted by the bank for covenants computation.

In May 2014, a subsidiary of the Group obtained finance from a local commercial bank amounting to SLL 6,450,000 thousand for working capital, with the maturity on April 2016. The related interest rate is 15% and the loan is secured with pledge over equipments.

As at December 31, 2014 the outstanding balance of the long-term unsecured borrowing provided to Global Aluminium Ltd. by Vimetco N.V. is in the amount of RON 0 (nil) thousand (2013: RON 13,626 thousand). The interest rate for this related party borrowing is of 5%.

As at December 31, 2014 the outstanding balance of the long-term unsecured borrowing provided to Sierra Mineral Holdings I Ltd. by Conef S.A. is in the amount of RON 8,912 thousand (2013: RON 10,031 thousand). The interest rate for this related party borrowing is of EURIBOR+4.5%. The loan is due in July 2016.

14 BORROWINGS (continued)

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	December 31, 2014	December 31, 2013
US Dollars	27,753	51,517
Euros	8,912	12,881
SLL	4,930	-
Total	**41,595**	**64,398**

15 RETIREMENT BENEFIT OBLIGATION

Defined contribution plans

The employees of the Group are members of the state-managed retirement benefit plan and starting with January 1, 2008 can/must (for employees above/under the age of 35 required) subscribe to private pension funds. The Group contributes a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

Defined benefit plans

According to the Collective Labor Agreement, when retiring due to age or disease, the employees benefit from a retirement bonus which is computed based on the number of years of work and varies between 1 and 6 salaries.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at December 31, 2014 by an independent actuarial specialist. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	December 31, 2014	December 31, 2013
Expected rate of salary increase (%)	4.50	5.00
Discount rate (%)	1.79	4.20
Expected inflation rate (%)	3.00	3.20

Amounts recognized in profit or loss in respect of these defined benefit plans are as follows:

	Year ended December 31, 2014	Year ended December 31, 2013
Recognized into P&L		
Current service cost	768	1,887
Interest on obligation	230	127
Benefits paid	(241)	(237)
Recognized into OCI		
Actuarial changes due to changes in assumptions	167	365
Total	**924**	**2,142**

15 RETIREMENT BENEFIT OBLIGATION (continued)

The amount included in the balance sheet arising from the Group's obligation in respect of its defined benefit plans is as follows:

	December 31, 2014	December 31, 2013
Present value of defined benefit obligation	4,131	2,029
Net actuarial gains not recognized	924	2,142
Translation adjustment	281	(40)
Net liability arising from defined benefit obligation	**5,335**	**4,131**

16 DECOMISSIONING PROVISIONS

The provision recorded as of December 31, 2014 relates to the expected site restoration expenses in respect of the bauxite mine operated by Sierra Mineral Holdings I Ltd and Alum's waste dump closing expenses.

Alum recognizes in full the provision for the future costs of rehabilitating the environment disturbed as a result of the mining activities.

Alum S.A. makes full provision for the future cost of decommissioning and rehabilitating the storage facilities for redsidual product red mud lake on a discounted basis.
The rehabilitation provision represents the present value of rehabilitation costs relating to the site, which are expected to be incurred up to 2023, which is when the storage on the site should be either closed or extended.

These provisions have been created based on the estimates made by a reputable, specialized third party (Iprolam SA). Assumptions based on the current economic environment have been made, which management believes are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual rehabilitation costs will ultimately depend upon future market prices for the necessary rehabilitation works required that will reflect market conditions at the relevant time.

Furthermore, the timing of rehabilitation is likely to depend on when the site cease to store at economically viable rates.
The discount rate used in the calculation of the provision as at 31 December 2014 equalled 3.552% (2013: 5.2427%).

	January 1, 2013	Additions / unwinding discounts	December 31, 2013	Additions / unwinding discounts	December 31, 2014
Provision for land restoration	2,130	5,721	7,851	375	8,226
Translation adjustment	12	(187)	(175)	1,055	879
Provision for Alum waste dump	13,346	1,671	15,018	1,991	17,009
Total long-term provision	**15,489**	**7,205**	**22,694**	**3,421**	**26,114**

17 TRADE AND OTHER PAYABLES

	December 31, 2014	December 31, 2013
Foreign trade payables	6,934	13,225
Domestic trade payables	102,924	94,426
Accrued trade payables	3,131	2,103
Total	**112,989**	**109,754**

The advances from Alro in amount of RON 79,344 thousand as of December 31, 2014 (2013: RON 69,132 thousand) have been reclassified as "Other current liabilities" (Note 18).

Details regarding the Group transactions with the related parties are presented in Note 26.

18 OTHER CURRENT LIABILITIES

	December 31, 2014	December 31, 2013
Suppliers of fixed assets	430	627
Advances from customers (Note 26)	79,456	72,579
Wages and social security taxes	4,501	1,499
Tax on salaries	360	325
Other taxes	7,092	1,402
Dividends payable	5	5
VAT Payable	5,140	2,260
Other	2,672	608
Total	**99,656**	**79,305**

19 REVENUE

	Year ended December 31, 2014	Year ended December 31, 2013
Revenues from sales of alumina	533,208	517,530
Revenues from sales of bauxite	-	-
Other	9,452	278
Total	**542,660**	**517,808**

20 COST OF SALES

	Year ended December 31, 2014	Year ended December 31, 2013
Energy, water and gas	158,332	162,562
Raw materials	160,774	224,474
Staff costs	28,220	27,291
Other staff costs	2,963	2,841
Consumables expenses	45,734	46,375
Amortization and depreciation	36,848	38,023
Third party services	12,855	14,179
Repairs	2,044	2,581
Transportation costs	38,342	10,446
Packing	1,087	623
Other	20,666	9,443
(Decrease)/increase in allowances for slow moving and obsolete inventories	1,318	2,352
Total	**509,183**	**541,190**

In 2014, the Group recognized employment benefits expenses representing salaries and other staff costs of RON 51,456 thousand (in 2013: RON 45,770 thousand) in the Statement of profit or loss.

21 OTHER OPERATING INCOME

	Year ended December 31, 2014	Year ended December 31, 2013
Income from sale of unused CO2 emission rights	17,691	-
Other	9,899	3,112
Total	**27,590**	**3,112**

22 ADMINISTRATIVE EXPENSES

	Year ended December 31, 2014	Year ended December 31, 2013
Energy, water and gas	49	58
Consumables expenses	5,255	4,662
Staff costs	17,035	13,848
Staff restructuring expenses	19	-
Consulting	2,409	1,933
Third party services	9,732	9,505
Amortization and depreciation	2,833	2,795
Taxes	2,571	737
Other staff costs	3,360	2,090
Insurance premiums	1,159	65
Commissions and fees	419	591
Other	4,339	7,596
Change in allowance for doubtful debts	247	46
Total	**49,427**	**43,926**

23 OTHER GAINS AND LOSSES

	Year ended December 31, 2014	Year ended December 31, 2013
Foreign exchange loss, net	(24,599)	4,452
Net loss on disposal of fixed assets	3,175	5,867
Total	**(21,424)**	**10,319**

24 FINANCE COSTS, NET

	Year ended December 31, 2014	Year ended December 31, 2013
Interest income	(343)	(53)
Interest expense	3,648	3,635
Interest from discounting provisions	1,160	842
Bank commissions	646	573
Total	**5,111**	**4,997**

25 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit attributable to the owners of the Entity by the weighted average number of outstanding ordinary shares during the year.

	Year ended December 31, 2014	Year ended December 31, 2013
Profit/(loss) attributable to the owners of the Entity	31,132	(83,261)
Weighted average number of ordinary shares	82,086	82,086
Basic (losses)/earnings per share (RON/share)	0.38	(1.01)
Dividends paid per share (RON/share)	-	-

There are no equity instruments or share options in place as at December 31, 2014 and as at December 31, 2013 that could potentially dilute the basic earnings per share.

26 RELATED PARTY TRANSACTIONS

Balances and transactions between the Entity and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

The main related parties the Group has recorded transactions with in 2014 and 2013 are: Alro S.A., Vimetco Trading S.R.L., Conef Gaz S.R.L., Conef S.A., Vimetco Power Romania S.R.L., Vimetco Ghana, Vimetco Management Romania S.R.L, Centrul Rivergate S.R.L., Vimetco N.V.. These related party entities have the same ultimate shareholder as the companies of the Group.

26 RELATED PARTY TRANSACTIONS (continued)

Related party	Related party type	Transaction type
Alro S.A.	Shareholder	Sales/purchases of goods/services
Vimetco N. V., Netherlands	Shareholder	Sales/purchases of goods/services
Vimetco Management Romania S.R.L.	Common control	Purchases of goods and services
Vimetco Power	Common control	Sales of goods and services
Vimetco Ghana	Common control	Sales of goods and services
Conef Gaz S.R.L.	Common control	Purchases of goods
Centrul Rivergate	Common control	Sales/purchases of goods/services

a) Loans provided to related parties

On July 30, 2014 Vimetco N.V. signed a loan agreement with Global Aluminium Ltd. in amount of USD 6,000 thousand, out of which up to December 31, 2014 the amount of USD 5,000 thousand was drawn. The loan is payable in 5 annual installments starting from the signing date. The interest rate for the loan is LIBOR+6.25%.

b) Other transactions

Purchases of goods and services	Year ended December 31, 2014	Year ended December 31, 2013
Vimetco N. V., Netherlands	-	133
Vimetco Management Romania SRL	813	818
Alro SA	24,361	30,333
Conef Gaz SRL	141,456	131,937
Centru Rivergate SRL	2,409	2,225
Total	**169,040**	**165,446**

Sales of goods and services	Year ended December 31, 2014	Year ended December 31, 2013
Vimetco Power Romania SRL	202	128
Vimetco Extrusion	2	-
Alro SA	464,475	473,018
Centru Rivergate SRL	35	34
Total	**464,714**	**473,179**

Trade and other receivables	December 31, 2014	December 31, 2013
Vimetco Power Romania SRL	3,072	2,822
Vimetco Ghana	-	195
Alro SA	3	3
Vimetco Extrusion	1	-
Vimetco N. V. Netherlands	18,690	-
Centru Rivergate SRL	4	3
Total	**21,769**	**3,023**

26 RELATED PARTY TRANSACTIONS (continued)

Trade and other payables	December 31, 2014	December 31, 2013
Vimetco N. V. Netherlands	-	1,479
Vimetco Management Romania SRL	161	81
Alro SA	155,329	151,819
Centru Rivergate SRL	246	232
Conef Gaz SRL	673	726
Total	**156,410**	**154,337**

Borrowings from related parties

As at December 31, 2014 the outstanding balance of the long-term unsecured borrowing provided to Global Aluminium Ltd. by Vimetco N.V. is in the amount of RON 0 (nil) thousand (2013: RON 13,626 thousand). The interest rate for this related party borrowing is of 5%.

As at December 31, 2014 the outstanding balance of the long-term unsecured borrowing provided to Sierra Mineral Holdings I Ltd. by Conef S.A. is in the amount of RON 8,912 thousand (2013: RON 10,031 thousand). The interest rate for this related party borrowing is of EURIBOR+4.5%. The loan is due in July 2016.

The remuneration of directors and other members of key management personnel during the year was in amount of RON 4,301 thousand (2013: 3,674 RON thousand) and consist only of wages as there are no other benefits.

27 SEGMENT INFORMATION

Business and geographical segments

For management reporting purposes, the Group is organized on a vertically integrated basis into two major operating divisions – bauxite and alumina. The divisions are the basis on which the Group reports its primary segment information. The bauxite segment produces bauxite – principal raw material for producing alumina. The alumina segment produces alumina - principal raw material for aluminium smelting. The bauxite mine is located in Sierra Leone and the alumina plant in Tulcea, Romania. Other operations include services providing to parent, subsidiaries and external customers.

On May 1, 2011 Alum S.A. acquired from Vimetco N.V. 100% of an investment company Global Aluminium Ltd. which included 100% shareholding in a bauxite mine in Sierra Leone, Sierra Minerals Holding I Ltd.. Therefore, beginning with 2011 the bauxite segment is also reported the consolidated financial statements of the Group.

Segment revenues and results for the year ended December 31, 2014 were as follows:

	Bauxite	Alumina	Elimination of inter-segment transactions	Consolidated
External sales	8,295	534,365	-	542,660
Inter-segment sales	128,509	-	(128,509)	-
Total segment revenues (external sales +intersegment sales)	136,804	534,365	(128,509)	542,660
Segment result (gross profit)	**8,934**	**153,052**	**(128,509)**	**33,477**
Administrative expenses				(48,177)
Unallocated corporate income / (expenses), net				19,687
Interest expenses				(5,454)
Interest income				343
Other gain/losses				21,424
Income tax				9,832
Profit for the year				**31,132**

27 SEGMENT INFORMATION (CONTINUED)

Segment revenues and results for the year ended December 31, 2013 were as follows:

	Bauxite	Alumina	Elimination of Inter-segment transaction	Consolidated
External sales	-	517,530	-	517,530
Inter-segment sales	56,181	-	(56,181)	-
Total segment revenues (external sales +intersegment sales)	56,181	517,530	(56,181)	517,530
Segment result (gross profit)	**(35,685)**	**68,206**	**(56,181)**	**(23,660)**
Administrative expenses				(43,927)
Unallocated corporate income, net				(333)
Interest expenses				(5,049)
Interest income				52
Other gains and losses				(10,320)
Income tax				(24)
Loss for the year				**(83,261)**

27 SEGMENT INFORMATION (continued)

Segment revenue and expense

All segment revenues and expenses are directly attributable to the segments. Joint expenses are allocated to the business segments on the reasonable basis.

Segment assets and liabilities: segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, inventories and property, plant and equipment, net of allowances and provisions. While most such assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two segments is allocated to the segments on a reasonable basis. Segment liabilities include all operating liabilities and consist principally of trade and other payables, wages, taxes payable and accrued liabilities. Segment assets and liabilities do not include deferred income taxes, borrowings and financial liabilities.

Inter-segment transfers

Segment revenue, segment expenses and segment result include transfers between business segments. Such transfers are accounted for at competitive market prices charged to unaffiliated customers for similar goods. Those transfers are eliminated in consolidation.

Segment assets and liabilities as at December 31, 2014 were as follows:

	December 31, 2014	December 31, 2013
Segment assets		
Bauxite	102,253	88,715
Alumina	410,988	382,850
Unallocated assets	97,084	85,845
Elimination of inter-segment balances	(151,560)	(92,742)
Total consolidated assets	**458,765**	**464,668**
Segment liabilities		
Bauxite	275,426	217,102
Alumina	199,254	214,270
Unallocated liabilities	26,172	22,951
Elimination of inter-segment balances	(208,676)	(139,847)
Total consolidated liabilities	**292,177**	**314,477**

The comparative amounts have been reclassified in accordance with the current presentation. The amount of RON 25,475 thousand representing provision for retirement benefits and borrowings, is now included in the category “Bauxite” and eliminated from the category “Unallocated liabilities”. The amount of RON 43,053 thousand representing provision for retirement benefits and borrowings, is now included in the category “Alumina” and eliminated from the category “Unallocated liabilities”.

Geographical segments - **Sales by market**

The following table shows the distribution of the Group's consolidated sales by geographical market, regardless of where the goods were produced:

	Year ended December 31, 2014	Year ended December 31, 2013
Romania	474,520	482,751
European Union	41,112	27,074
Non-EU European Countries	3,819	7,983
Other countries	23,209	-
Total	**542,660**	**517,808**

28 SUBSIDIARIES

Subsidiary name	Principal activity	No. of shares	Cost of acquisition (RON/share)	Voting rights (%)	Value (RON thousand)
1. Global Aluminium Ltd.	-bauxite production	3,400,000	24.29	100%	82,581
Total					**82,581**

On May 1, 2011 Alum acquired from Vimetco N.V. 100% of an investment company Global Aluminum Ltd. Global Aluminum Ltd. assets included 100% shareholding in a bauxite mine in Sierra Leone, Sierra Minerals Holding I Ltd. and 100% shareholding in Bauxite Marketing Ltd.

The principal companies in Alum Group at December 31, 2014 and December 31, 2013 are as follows:

	December 31, 2014		December 31, 2013	
Subsidiary	**Shareholding**	**Votes**	**Shareholding**	**Votes**
Global Aluminum Ltd.	100.00%	100.00%	100.00%	100.00%
Bauxite Marketing Ltd.	100.00%	100.00%	100.00%	100.00%
Sierra Mineral Holdings I, Ltd.	100.00%	100.00%	100.00%	100.00%

29 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group does not use derivatives to cover the above mentioned risks.

Risk management is carried out by the treasury function under policies approved by the Board of Directors. Treasury function identifies and evaluates financial risks in close co-operation with the Group's operating units. The Board of Directors provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of debt, which includes the borrowings, cash and cash equivalents and equity attributable to the owners of the Entity, comprising issued capital, reserves and accumulated deficit.

The Group's management reviews the capital structure on a regular basis. As a part of this review, management considers the cost of capital and the risks associated with each class of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as per the balance sheet plus net debt.

29 FINANCIAL RISK MANAGEMENT

Capital risk management (continued)

The gearing ratio as at December 31, 2014 and December 31, 2013 was as follows:

	December 31, 2014	December 31, 2013
Total borrowings (Note 14)	41,595	64,398
Less: cash and cash equivalents (Note 11)	(2,323)	(2,280)
Net debt	**39,272**	**62,118**
Total equity	166,589	150,191
Total capital	**205,861**	**212,309**
Gearing ratio	**19.08%**	**29.26%**

Foreign currency risk management

The Group is exposed to foreign exchange risk because the predominant part of its sales of bauxite and calcined alumina is denominated in or linked to the USD while the vast majority of its operating costs (e.g., wages, etc.) are denominated in or linked to the RON. The Group is therefore exposed to the risk that movements in the RON/USD exchange rates will affect both its net income and financial position, as expressed in RON.

The Group's foreign currency exposure emanates from:

- highly probable forecast transactions (sales/purchases) denominated in foreign currencies;
- firm commitments denominated in foreign currencies; and
- monetary items (mainly trade receivables, trade payables and borrowings) denominated in foreign currencies.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

	December 31, 2014		December 31, 2013	
	Euro denominated	US Dollars denominated	Euro denominated	US Dollars denominated
	' 000 RON	'000 RON	' 000 RON	'000 RON
Total current assets	3,283	5,279	3,609	9,328
Total non-current assets	-	18,690	-	-
Total assets	**3,283**	**23,968**	**3,609**	**9,328**
Total short-term liabilities	2,194	73,165	5,409	68,032
Total long-term liabilities	8,695	13,146	20,823	27,116
Total liabilities	**10,889**	**86,311**	**26,232**	**95,148**

Foreign currency sensitivity

The Group is mainly exposed to the European Currency and the US Dollars. The following table details the Group's sensitivity to a 10% increase or decrease of the Romanian Lei against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible yearly change in foreign exchange rates.

29 FINANCIAL RISK MANAGEMENT (continued)

Foreign currency sensitivity (continued)

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their conversion at the yearend for a 10% change in foreign currency rates. The sensitivity analysis includes external loans where the denomination of the loan is in a currency other than the functional currency. A positive number indicates a positive gain in profit or loss and equity where the functional currency strengthens against the relevant foreign currency.

	December 31, 2014		December 31, 2013	
	Euro	US Dollars	Euro	US Dollars
	'000 RON	'000 RON	'000 RON	'000 RON
Profit or loss	761	6,234	2,262	8,582
Equity	639	5,237	1,900	7,209

Interest rate risk management

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from borrowings. Borrowings issued at floating rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The interest rate on its existing credit facilities are based on the London Interbank Offered Rate (LIBOR) for US Dollars borrowings, on EURIBOR for borrowings in Euro.

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates on EUR and US Dollars denominated borrowings at the balance sheet date and the stipulated change taking place at the beginning of the financial year and held constant throughout the next reporting period in the case of borrowings linked to floating rates.

If interest rates would be higher/lower by 1 % and all other variables would be constant, the Group's profit would increase/decrease by RON 364 thousand (2013: RON 644 thousand). In accordance, the Group's equity would increase/decrease by RON 306 thousand (2013: RON 541 thousand). This is mainly attributable to the Group's exposure to interest rates on its variable interest rate USD and EUR denominated borrowings.

Credit risk management

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group carries out a very prudential policy for the commercial credit risk and covers credit risk by selling against letters of credit, bank guarantees or by non-recourse factoring.

The Group does not have any significant credit risk exposure to any single counterparty or any Group of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

In the following tables are presented the financial liabilities of the company based on contractual maturities. The amounts represent undiscounted cash flows based on the earliest period required for the company to make the payments.

29 FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying business, Group's treasury function maintains flexibility in funding by maintaining availability under committed credit lines. Management monitors rolling forecasts of the Group's liquidity reserve (i.e., undrawn borrowing facilities and cash and cash equivalents) on the regular basis.

Year ended 31 December 2014

	On demand	< 1 year	1-2 years	2-5 years	> 5 years	Total
Interest-bearing loans and borrowings	-	22,070	19,525	-	-	41,595
Accounts payable and accrued liabilities	31,765	81,224	-	-	-	112,989
Total	**31,765**	**103,293**	**19,525**	**-**	**-**	**154,584**

Year ended 31 December 2013

	On demand	< 1 year	1-2 years	2-5 years	> 5 years	Total
Interest-bearing loans and borrowings	-	16,474	24,266	23,657	-	64,398
Accounts payable and accrued liabilities	47,627	62,127	33,939	-	-	143,693
Total	**47,627**	**78,601**	**58,205**	**23,657**	**-**	**208,090**

Fair value of financial assets and liabilities

The management considers that the accounting values of assets and liabilities recognized at amortized cost in the financial statements approximates the fair values.

The fair value of the assets and liabilities is determined as follows:

- the fair value of the assets and liabilities with standard terms and conditions for trading on the active and liquid markets is determined by reference to the quoting prices on the market
- the fair value of other financial assets and liabilities is determined based on models generally accepted based on the future cash flows models using prices of an observable transaction.
- the fair value of the derivatives is calculated based on quotations on the market.

Financial assets and liabilities

	December 31, 2014	Level 1	Level 2	Level 3
Financial assets				
Trade receivables	6,835	-	-	6,835
Other current assets	5,188	-	-	5,188
Cash and cash equivalents	2,323	2,323	-	-
TOTAL FINANCIAL ASSETS	**14,346**	**2,323**	**-**	**12,023**
Financial liabilities				
Borrowings, long term	19,525	-	-	19,525
Trade and other payables	112,989	-	-	112,989
Borrowings, short term	22,070	-	-	22,070
TOTAL FINANCIAL LIABILITIES	**154,584**	**-**	**-**	**154,584**

29 FINANCIAL RISK MANAGEMENT (continued)

Financial assets and liabilities (continued)

	December 31, 2013	Level 1	Level 2	Level 3
Financial assets				
Trade receivables	6,391	-	-	6,391
Other current assets	9,189	-	-	9,189
Cash and cash equivalents	2,280	2,280	-	-
TOTAL FINANCIAL ASSETS	**17,860**	**2,280**	**-**	**15,580**
Financial liabilities				
Borrowings, long term	47,923	-	-	47,923
Trade and other payables	109,754	-	-	109,754
Borrowings, short term	16,474	-	-	16,474
TOTAL FINANCIAL LIABILITIES	**174,151**	**-**	**-**	**174,151**

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are based on observable market data, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

30 CONTINGENCIES AND COMMITMENTS

Legal cases

As at December 31, 2014 and December 31, 2013, the Group was subject to a number of lawsuits resulted from the normal course of business. Management believes that these actions, except for those already provisioned as of those dates (Note 9), will not have a negative impact on the consolidated financial performance and consolidated financial position of the Group.

Taxation

The taxation system in Romania is undergoing a continuous development phase and is subject to various interpretations and constant changes which may sometimes be retroactive. Although the actual tax due for a certain transaction can be minimal, penalties can be significant, as they can be calculated at the value of the transaction. During the last 5 open fiscal years, the penalties and late payment interest varied from 0.04%/day-0,03%/day, respectively 0,02%/day, for the period 1 July 2010-30 June 2013, the penalties varying between 0%-15% based on the number of late payment days. The Romanian fiscal year remains open for tax audit for a period of 5 years. The management considers that the tax liabilities included in these separate financial statements are adequate.

In accordance with the requirements issued by the Romanian Ministry of Public Finance, which relates to the fiscal treatment of the elements of equity that have not been subject to the calculation of the income tax as at the date of their recording in the accounts, due to their nature, should the Romanian entities members of the Group change in the future the destination of the statutory revaluation reserves (to cover losses or to distribute to the shareholders), this will lead to additional income tax liabilities.

30 CONTINGENCIES AND COMMITMENTS (continued)

Environment

For a description of the environmental obligation see Note 16.

Commitments

As of December 31, 2014 the Group has investment commitments for the year 2015 in amount of USD 73 thousand (December 31, 2013: USD 43 thousand).

The Group has various contracts concluded as of December 31, 2014 for the acquisition in 2015 of raw materials, electricity and other materials and consumables in the amount of EUR 7,958 thousand and USD 107,742 thousand and RON 3,962 thousand, respectively (December 31, 2013: EUR 5,437 thousand and USD 107,975 thousand, respectively).

Alum has issued a support letter to Sierra Mineral Holdings 1 Ltd under which the Company will provide technical and financial support until the total assets of Sierra Mineral Holding 1 Ltd, fairly valued, exceed its total liabilities.

31. SUBSEQUENT EVENTS

According to the provisions of Law 151/2014 regarding the clarification of the legal status of the shares traded on the RASDAQ market or on the unlisted securities market, any company of which the shares are traded on RASDAQ market or on the unlisted shares market has the obligation to elect, within maximum 120 days from the entering into force of the law (27.10.2014) by a resolution of the Extraordinary General Meeting of the Shareholders to:

a) list and trade the company's shares on a regulated market or
b) trade the company's shares on an alternative trading system (ATS)

Based on the Decision of the General Shareholders Meeting no. 37/23.12.2014 Alum's shares will migrate on an alternative trading system (AeRO).

ALUM GROUP

Directors' Consolidated Report

- 2014 -

SUMMARY

1.1. ALUM GROUP strategy
1.2. Risk management
1.3. Market
1.4. Competition
1.5. The Shareholding and Registered share capital structure
1.6. Litigations and Commitments

2.1 Consolidated Balance Sheet for year ending 2014
2.2 Consolidated Profit and Loss Account for year ending 2014

Management Consolidated Report for 2014

Introduction

The ALUM GROUP component entities and the respective shareholding as at 31.12.2014 are presented in the table below:

No.	Company	Parent company	Shareholding
1.	Alro SA Slatina	-	-
2.	Alum SA Tulcea	ALRO SA Slatina	99.40 %
3.	Global Aluminium Ltd.	ALUM SA Tulcea	100 %
4.	Bauxite Marketing Ltd.	Global Aluminium Ltd.	100 %
5.	Sierra Mineral Holdings 1, Ltd.	Global Aluminium Ltd.	100 %

1.1. ALUM GROUP orientation

The main goal of ALUM GROUP is to continue its efforts to capitalize its human and material resources in order to be among the profitable and competitive companies on the alumina market.

For this purpose the ALUM GROUP established the following main objectives:

- Completion of on-going investments having as result the decrease of production costs and improvement of quality and level of customer satisfaction.

- Continuation of the modernization process in order to meet the new demands regarding the economical efficiency, environmental protection and social responsability.

- Ensurring raw materials and energy resources on long term basis

- Active management of contractual and market risks (financial), taking into account the evolution of the domestic and international market

- Developping new products and activities

- Increase of the capability and competitiveness to access new and special quality-related demand markets

Financial Highlights

Consolidated Financial Statements		**2014**	**2013**
Sales	RON million	543	518
EBITDA[1]	RON million	45	(27)
EBITDA margin	RON million	8.2%	(5.2)%
Total assets	RON million	459	465
Shareholder's equity	RON million	167	150
Net debt[2]	RON million	39	62
Earning per share	RON	0.38	(1.01)
Equity per share	RON	2.03	1.83
Production			
Alumina production	metric tonnes	362,627	390,965
Bauxite production	metric tonnes	1,160,705	615,910
Average number of employees		1, 131	1,271

1.1. ALUM GROUP orientation (continued)

[1]EBITDA: profit before tax, net finance items, other gains and losses, depreciation, amortization and impairement

[2]Net debt: total of short and long-term loans, loans from related parties and lease obligations less cash and cash equivalents

Main development directions of ALUM GROUP

ALUM

The future development projects which ALUM intends to implement are briefly presented below:

- Works for revamping the red mud lake – maintenance and consolidation works for the red mud lake and the heightening of the dams to assure the continuation of thickened red mud safe storage, removing of the silt brought by rain from hillsides into the polder;
- Cooling tower for the industrial water used in White Filtration;
- Energy efficiency actions for the technological process by recovering heat from hot flows by installing plate heat exchangers and efficient pumps.

On 3 May 2011 Alum acquired from Vimetco N.V. 100% of an investment company Global Aluminium Ltd (GAL). Global Aluminium assets included 100% shareholding in a bauxite mine in Sierra Leone, Sierra Mineral Holdings 1, Ltd., and 100% shareholding in Bauxite Marketing Ltd.

GAL

GAL's main subsidiary Sierra Mineral Holdings 1, Ltd. (SMHL), owns an operating bauxite mine under a mining lease with the Government of Sierra Leone, which occupies 322 square kilometres in the south of Sierra Leone. SMHL contains a resource base of approximately 20 million tonnes of bauxite and currently produces around 1.2 million tonnes per annum being projected an increase up to 1.4 million tonnes.

Some of the projects implemented in 2014 are listed below:

- It was implemented a new programme for reorganization of the company activity, reduction in number of employees, changing the company management and outsourcing of the mining and transport activity, thus triggering an important decrease in cost of commercial bauxite.
- Improving the existing production capacity – general overhaul of the Washing Plant - The repair of washing plant was successfully finished at the end of November 2014 and starting with December 2014, the production productivity increased by more than 2 times (from an average production of 50,000 tonnes to more than 100,000 tonnes).
- Other investments made during 2014: capital repairs made on the equipments used for river transport, capital repairs made on the dryer equipment; general refurbishment in port and camp modernization, acquisition of endowments (cars, IT equipments).

1.2. Risk management

Taxation

Income tax expense represents the sum of current and deferred income tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences.

1.2. Risk management (continued)

Taxation (continued)

Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognized in the consolidated profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by the treasury function under policies approved by the Board of Directors. Treasury function identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board of Directors provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of debt, which includes the borrowings, cash and cash equivalents and equity attributable to the owners of the Entity, comprising issued capital, reserves and accumulated deficit.

The Group's management reviews the capital structure on a regular basis. As a part of this review, management considers the cost of capital and the risks associated with each class of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

1.2. Risk management (continued)

Capital risk management (continued)

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt.

The gearing ratio at December 31, 2014 and December 31, 2013 was as follows:

	Year ended December 31, 2014	Year ended December 31, 2013
Total borrowings	41,595	64,398
Less: cash and cash equivalents	(2,323)	(2,280)
Net debt	**39,272**	**62,118**
Total equity	166,589	150,191
Total capital	**205,861**	**212,309**
Gearing ratio	**19.08%**	**29.26%**

Foreign currency risk management

The Group is exposed to foreign exchange risk because the predominant part of its sales of calcined alumina and bauxite are denominated in or linked to the USD while the vast majority of its operating costs (such as power costs, wages, etc.) are denominated in or linked to the RON. The Group is therefore exposed to the risk that movements in the RON/USD exchange rates will affect both its net income and financial position, as expressed in RON.

The Group's foreign currency exposure emanates from:

- highly probable forecast transactions (sales/purchases) denominated in foreign currencies;
- firm commitments denominated in foreign currencies; and
- monetary items (mainly trade receivables, trade payables and borrowings) denominated in foreign currencies.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

	December 31, 2014		December 31, 2013	
	Euro denominated	US Dollars denominated	Euro denominated	US Dollars denominated
	' 000 RON	'000 RON	' 000 RON	'000 RON
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Total non-current assets	-	18,690	-	-
Total assets	**3,283**	**23,968**	**3,609**	**9,328**
Total short-term liabilities	2,194	73,165	5,409	68,032
Total long-term liabilities	8,695	13,146	20,823	27,116
Total liabilities	**10,889**	**86,311**	**26,232**	**95,148**

1.2. Risk Management (continued)

Foreign currency sensitivity

The Group is mainly exposed to the European Currency and the US Dollars. The following table details the Group's sensitivity to a 10% increase or decrease in the Romanian Lei against the relevant foreign currencies. Ten per cent is the sensitivity rates used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible yearly change in foreign exchange rates.

	December 31, 2014		December 31, 2013	
	Euro	US Dollars	Euro	US Dollars
	'000 RON	'000 RON	'000 RON	'000 RON
Profit or loss	761	6,234	2,262	8,582
Equity	639	5,237	1,900	7,209

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their conversion at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans where the denomination of the loan is in a currency other than the functional currency. A positive number indicates a positive gain in profit or loss and other equity where the functional currency strengthens against the relevant foreign currency.

Interest rate risk management

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from borrowings. Borrowings issued at floating rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The interest rate on its existing credit facilities are based on the London Interbank Offered Rate (LIBOR) for US Dollars borrowings, on EURIBOR for borrowings in Euro.

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates on EUR and US Dollars denominated borrowings at the balance sheet date and the stipulated change taking place at the beginning of the financial year and held constant throughout the next reporting period in the case of borrowings linked to floating rates.

If interest rates would be higher/lower by 1 % and all other variables would be constant, the Entity's profit would increase/decrease by RON 364 thousand (2013: RON 644 thousand). This is mainly attributable to the Group's exposure to interest rates on its variable interest rate USD and EUR denominated borrowings.

Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group carries out a very prudential policy for the commercial credit risk and covers credit risk by selling against letters of credit, bank guarantees or by non-recourse factoring.

The Group does not have any significant credit risk exposure to any single counterparty or any Group of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

1.2. Risk Management (continued)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying business, Group's treasury function maintains flexibility in funding by maintaining availability under committed credit lines. Management monitors rolling forecasts of the Group's liquidity reserve on the regular basis.

In the following tables are presented the financial liabilities of the company based on contractual maturities. The amounts represent undiscounted cash flows based on the earliest period required for the company to make the payments.

Year ended 31 December 2014

	On demand	< 1 year	1-2 years	2-5 years	> 5 years	Total
Interest-bearing loans and borrowings	-	22,070	19,525	-	-	41,595
Accounts payable and accrued liabilities	31,765	81,224	-	-	-	112,989
Total	**31,765**	**103,293**	**19,525**	**-**	**-**	**154,584**

Year ended 31 December 2013

	On demand	< 1 year	1-2 years	2-5 years	> 5 years	Total
Interest-bearing loans and borrowings	-	16,474	24,266	23,657	-	64,398
Accounts payable and accrued liabilities	47,627	92,127	33,939	-	-	143,693
Total	**47,627**	**108,601**	**58,205**	**23,657**	**-**	**208,090**

Fair value of financial assets and liabilities

The management considers that the accounting values of assets and liabilities recognized at amortized cost in the financial statements approximates the fair values.

The fair value of the assets and liabilities is determined as follows:

- the fair value of the assets and liabilities with standard terms and conditions for trading on the active and liquid markets is determined by reference to the quoting prices on the market
- the fair value of other financial assets and liabilities is determined based on models generally accepted based on the future cash flows models using prices of an observable transaction.
- the fair value of the derivatives is calculated based on quotations on the market.

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:
Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are based on observable market data, either directly or indirectly
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

1.2. Risk Management (continued)

Financial assets and liabilities

	December 31, 2014	Level 1	Level 2	Level 3
Financial assets				
Trade receivables	6,835	-	-	6,835
Other current assets	5,188	-	-	5,188
Cash and cash equivalents	2,323	2,323	-	-
TOTAL FINANCIAL ASSETS	**14,346**	**2,323**	**-**	**12,023**
Financial liabilities				
Borrowings, long term	19,525	-	-	19,525
Trade and other payables	112,989	-	-	112,989
Borrowings, short term	22,070	-	-	22,070
TOTAL FINANCIAL LIABILITIES	**154,584**	**-**	**-**	**154,584**

	December 31, 2013	Level 1	Level 2	Level 3
Financial assets				
Trade receivables	6,391	-	-	6,391
Other current assets	9,189	-	-	9,189
Cash and cash equivalents	2,280	2,280	-	-
TOTAL FINANCIAL ASSETS	**17,860**	**2,280**	**-**	**15,580**
Financial liabilities				
Borrowings, long term	47,923	-	-	47,923
Trade and other payables	109,754	-	-	109,754
Borrowings, short term	16,474	-	-	16,474
TOTAL FINANCIAL LIABILITIES	**174,151**	**-**	**-**	**174,151**

Internal control system

The Group's internal control system aims to ensure conformity with the laws in force, a good operation of the Group's internal activity in accordance with the decisions made by the management and also contributes to the effectiveness of the Group's operations, the efficient use of the resources, prevention and control of the risk of failing to reach the objectives set.

Internal control is applicable throughout the operations conducted by the Group prior to and during the performance of the operations and after their completion.

Internal control is performed by accounting and financial internal control, according to the accounting policies manual, the procedures regarding the application of the manual, monitoring through the periodical control program the compliance with these accounting procedures and policies, the conformity with the accounting rules, the knowing and observance of the financial-accounting laws, ensuring the fairness and completeness of the accounting records, monitoring the obtaining and presenting in the annual financial statements of quality information to the satisfaction of the users' needs.

1.3. Market

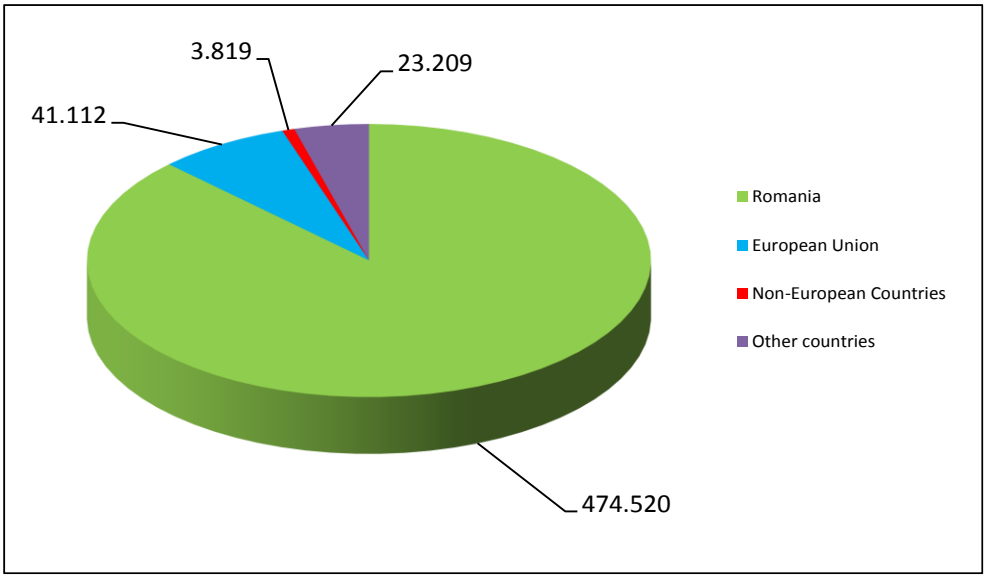
1.3.1 Alumina and bauxite – ALUM and subsidiaries

In 2014 Alum and subsidiaries recorded in the Financial Statements a turnover in amount of 542,660 th RON structured as follows:

✓ Sales of alumina	503,601	th RON
✓ Sales of hydrate	29,608	th RON
✓ Revenues from sales of scrap iron and wastes	761	th RON
✓ Other revenues	8,690	th RON

The following table shows the distribution of the Group's consolidated sales of alumina, hydrate and bauxite by geographical market, regardless of where the goods were produced:

	Year ended December 31, 2014	Year ended December 31, 2013
Romania	474,520	482,751
European Union	41,112	27,074
Non-European Countries	3,819	7,983
Other	23,209	-
Total	**542,660**	**517,808**



1.4. Competition

1.4.1 Alumina

The competition on the alumina market is given by the sale price and quality of products. In order to get an as big as possible market share, each producer supports the marketing strategy with investments in technology and continuous modernization of the production process.

Under the circumstances of a more and more competitive global market, ALUM must continue the strategy for reducing the production cost by means of reducing consumptions (development of new ecological technologies), promoting the products using aggressive marketing and investing in human capital.

The Group will continue to give a special attention to monitoring the activity and evolution of bauxite, alumina and aluminum prices on the international markets, so that the management could receive timely and relevant information in order to make the most beneficial decisions.

1.5. The shareholding structure and the Registered share capital

At December 31, 2014 shareholding structure is as follows:

	Statutory figures					
	December 31, 2014			December 31, 2013		
	Number of shares	Nominal Value RON (thousand)	%	Number of shares	Nominal Value RON (thousand)	%
ALRO SA	81,595,860	485,495	99.40	81,595,860	485,495	99.40
Individuals	481,177	2,863	0.59	481,180	2,863	0.59
Companies	9,166	55	0.01	9,163	55	0.01
Total	**82,086,203**	**488,413**	**100%**	**82,086,203**	**488,413**	**100%**

On May 1, 2011 Alum acquired from Vimetco N.V. 100% of an investment company Global Aluminum Ltd. Global Aluminum Ltd. assets included 100% shareholding in a bauxite mine in Sierra Leone, Sierra Mineral Holdings 1, Ltd., and 100% shareholding in Bauxite Marketing Ltd.

The principal companies in Alum Group at December 31, 2014 and December 31, 2013 are as follows:

	December 31, 2014		December 31, 2013	
Subsidiary	**Shareholding**	**Votes**	**Shareholding**	**Votes**
Global Aluminum Ltd.	100,00%	100,00%	100,00%	100,00%
Bauxite Marketing Ltd.	100,00%	100,00%	100,00%	100,00%
Sierra Mineral Holdings 1, Ltd.	100,00%	100,00%	100,00%	100,00%

1.6. Contingencies and Commitments

Contingencies

Legal cases

As at December 31, 2014 and December 31, 2013, the Group was subject to a number of lawsuits resulted from the normal course of business. Management believes that these actions, except for those already provided as of those dates, will not have a negative impact on the consolidated financial performance and consolidated financial position of the Group.

Taxation

The taxation system in Romania is undergoing a continuous development phase and is subject to various interpretations and constant changes which may sometimes be retroactive. Although the actual tax due for a certain transaction can be minimal, penalties can be significant, as they can be calculated at the value of the transaction and at a minimum ratio of 0.1% per day starting with 2006, but can be

significantly higher. In Romania, the fiscal year remains open for tax audit for a period of 5 years. The management considers that the tax liabilities included in these consolidated financial statements are adequate.

In accordance with the requirements issued by the Ministry of Public Finance, which relates to the fiscal treatment of the elements of equity that have not been subject to the calculation of the income tax as at the date of their recording in the accounts, due to their nature, should the entities members of the Group change in the future the destination of the statutory revaluation reserves (to cover losses or to distribute to the shareholders), this will lead to additional income tax liabilities.

Commitments

As of December 31, 2014 the Group has investment commitments for the year 2014 in amount of USD 73 thousand (December 31, 2013: USD 43 thousand).

The Group has various contracts concluded as of December 31, 2014 for the acquisition in 2015 of raw materials, electricity and other materials and consumables in the amount of EUR 7,958 thousand and USD 107,742 thousand and RON 3,962 thousand, respectively (December 31, 2013: EUR 5,437 thousand and USD 107,975 thousand, respectively).

2.1 Consolidated Balance Sheet for year ending 2014

	December 31, 2014	December 31, 2013	Variance 2014/2013
ASSETS			
Non-current assets			
Property, plant and equipment	199,679	220,569	(20,890)
Intangible assets	2,676	5,548	(2,872)
Goodwill	67,881	59,933	7,948
Loans receivable, long term	18,691	-	18,691
Deferred tax	9,906	-	9,906
Total non-current assets	**298,833**	**286,050**	**12,783**
Current assets			
Inventories	144,497	159,797	(15,299)
Trade receivables	6,835	6,391	444
Other current assets	5,188	9,189	(4,001)
Income tax receivable	1,089	962	127,00
Cash and cash equivalents	2,323	2,280	43
Total current assets	**159,932**	**178,619**	**(18,686)**
Total assets	**458,765**	**464,668**	**(5,903)**
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital	488,413	488,413	-
Reserves	67,932	89,736	(21,804)
Accumulated deficit	(389,756)	(427,958)	38,202
Equity attributable to owners of the Entity	**166,589**	**150,191**	**16,398**
Total equity	**166,589**	**150,191**	**16,398**
Non-current liabilities			
Borrowings	19,525	47,923	(28,398)
Retirement benefit obligation	5,335	4,131	1,204
Deferred tax liabilities	-	-	-
Provisions, long term	26,114	22,694	3,420
Other non-current liabilities	6,488	34,195	(27,707)
Total non-current liabilities	**57,461**	**108,943**	**(51,482)**
Current liabilities			
Trade and other payables	112,989	109,754	3,235
Borrowings	22,070	16,475	5,595
Other current liabilities	99,656	79,305	20,351
Total current liabilities	**234,715**	**205,534**	**29,181**
Total liabilities	**292,176**	**314,477**	**(22,301)**
Total equity and liabilities	**458,765**	**464,668**	**(5,903)**

2.2. Consolidated Statement of Comprehensive Income for year ending 2014

At the end of 2014, ALUM GROUP recorded a profit in amount of 31,132 KRON.

	2014	2013	Variance 2014/2013
Revenues	542,660	517,808	(24,852)
Cost of sales	(509,183)	(541,190)	(32,007)
Gross profit	33,477	(23,382)	(56,859)
Other operating income	27,590	3,112	(24,478)
Impairment of property plant and equipment	-	387	387
Administrative expenses	(49,427)	(43,926)	5,501
Other operating expenses	(6,653)	(4,112)	2,541
Other gains/(losses)	21,424	(10,319)	(31,743)
			-
Finance revenue	343	53	(290)
Finance cost	(5,454)	(5,050)	404
Finance result, net	(5,111)	(4,997)	114
Profit before income taxes	21,300	(83,237)	(104,537)
Income tax expense	9,832	(24)	(9,856)
(Loss)/profit for the period	**31,132**	**(83,261)**	**(114,393)**
(Loss)/profit per share	**0.38**	**(1.01)**	

President of the Board of Directors
D. Sc eng. Dobra Gheorghe

General Director
D. Sc eng. Dobra Gheorghe

Finance Director
Ec. Duralia Mihaela