S.C. ALUM S.A.
SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED
DECEMBER 31, 2013

PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL
REPORTING STANDARDS AS ADOPTED BY
THE EUROPEAN UNION
(Together with the 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 individuale
Report on the separate financial statements

1 Am auditat situatiile financiare individuale anexate ale societatii S.C. ALUM S.A. ("Societatea") care cuprind situatia pozitiei financiare la data de 31 decembrie 2013, situatia rezultatului global, situatia modificarilor in capitalurile proprii si situatia a fluxurilor de numerar pentru exercitiul financiar incheiat la aceasta data si un sumar al politicilor contabile semnificative si alte note explicative. Situatiile financiare individuale mentionate se refera la:
- Activ net/Total capitaluri: 195.219 mii lei
- Rezultatul net al exercitiului financiar: 138.201 mii lei, pierdere

1 We have audited the accompanying financial statements of S.C. ALUM S.A. ("the Company"), which comprise statement of financial position as at 31 December 2013, the statement of comprehensive income, statement of changes in equity and 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: 195,219 thousand lei
- Loss for the year: 138,201 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 individuale 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 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 separate 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 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 individuale. 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 nu cuprind denaturari semnificative.

3 *Our responsibility is to express an opinion on these separate 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 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. Procedurile selectate depind de rationamentul profesional al auditorului, incluzand evaluarea riscurilor de denaturare semnificativa a situatiilor financiare, datorate fraudei sau erorii. In evaluarea acestor riscuri, auditorul ia in considerare controlul intern relevant pentru intocmirea si prezentarea fidela a situatiilor financiare 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 luate in ansamblul lor.

4 *An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 individuale ale SC Alum SA ofera o imagine fidela si justa a pozitiei financiare ale Societatii la data de 31 decembrie 2013, si a performantei financiare si a fluxurilor de numerar ale acesteia pentru exercitiul financiar incheiat la aceasta data, in conformitate cu Standarderle Internationale de Raportare Financiara adoptate de catre Uniunea Europeana.

6 In our opinion, the separate financial statements give a true and fair view of the financial position of the Company as of 31 December 2013, 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.

Ernst & Young Assurance Services SRL
Bucuresti, Romania
26 Martie 2014

Ernst & Young Assurance Services SRL
Bucharest, Romania
26 March 2014

S.C. ALUM S.A.
SEPARATE STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2013
All amounts are in RON thousand, unless otherwise stated

	Note	December 31, 2013	December 31, 2012 restated	January 1, 2012 restated
ASSETS				
Non-current assets				
Property, plant and equipment	**4**	164,927	183,064	190,280
Intangible assets	**5**	2,491	3,115	3,528
Investments in subsidiaries	**6**	-	82,581	82,581
Deferred tax asset	**7**	-	-	-
Other non-current assets	**25**	20,280	27,890	27,739
Total non-current assets		**187,698**	**296,650**	**304,128**
Current assets				
Inventories	**8**	121,235	128,052	82,788
Trade receivables	**9**	6,555	44,118	40,412
Other current assets	**10**	107,658	87,466	37,179
Current income tax	**7**	-	-	6
Cash and cash equivalents	**11**	1,617	1,695	5,034
Total current assets		**237,065**	**261,331**	**165,419**
Total assets		**424,763**	**557,981**	**469,547**
EQUITY AND LIABILITIES				
Capital and reserves				
Issued capital	**12**	488,413	488,413	488,413
Reserves		74,952	89,606	107,781
Accumulated deficit		(368,146)	(244,598)	(249,564)
Total equity		**195,219**	**333,420**	**346,630**
Non-current liabilities				
Borrowings	**13**	24,266	41,616	57,814
Retirement benefit obligation	**14**	2,312	2,029	1,804
Deferred tax liability	**7**	-	33	1,842
Decommissioning Provision	**15**	15,018	13,346	12,052
Other non-current liabilities		34,195	503	795
Total non-current liabilities		**75,791**	**57,528**	**74,307**

S.C. ALUM S.A.
SEPARATE STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2013
All amounts are in RON thousand, unless otherwise stated

	Note	December 31, 2013	December 31, 2012 restated	January 1, 2012 restated
Current liabilities				
Trade and other payables	**16**	61,743	62,396	26,561
Borrowings	**13**	16,475	17,083	17,092
Current income tax liability	**7**	-	-	-
Other current liabilities	**17**	75,535	87,554	4,957
Total current liabilities		**153,753**	**167,033**	**48,610**
Total liabilities		**229,544**	**224,561**	**122,917**
Total equity and liabilities		**424,763**	**557,981**	**469,547**

These separate financial statements were authorized for issue by the management on March xx, 2014.

Gheorghe Dobra
General Director

Mihaela Duralia
Financial Director

S.C. ALUM S.A.
SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2013
All amounts are in RON thousand, unless otherwise stated

	Note	Year ended December 31, 2013	Year ended December 31, 2012 restated
Revenue	**18**	517,530	520,391
Cost of sales	**19**	(507,052)	(538,124)
Gross (loss)/profit		**10,478**	**(17,733)**
Other operating income	**20**	1,779	26,564
Impairment of fixed assets	**4**	387	72
Impairment of investment		(82,581)	-
Administrative expenses	**21**	(59,580)	(15,836)
Other operating expenses	**22**	(2,379)	(6,604)
Other operational gains and losses	**23**	(4,112)	1,442
Financial income		1,769	2,028
Financial expenses		(3,630)	(4,951)
Finance costs, net	**24**	(1,861)	(2,923)
(Loss)/profit before tax		**(137,870)**	**(15,018)**
Income tax	**7**	(24)	1,809
(Loss)/profit for the year		**(137,894)**	**(13,209)**
Other comprehensive (loss)/income, net of tax			
Remeasurement gains/(losses) on defined benefit plans*		(365)	-
Income tax effect		58	-
Other comprehensive income for the year, net of tax		(307)	-
Total comprehensive (loss)/income for the year		**(138,201)**	**(13,209)**

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

These separate financial statements were authorized for issue by the management on March xx, 2014.

Gheorghe Dobra
General Director

Mihaela Duralia
Financial Director

S.C. ALUM S.A.
SEPARATE STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2013
All amounts are in RON thousand, unless otherwise stated

	Share Capital	Revaluation reserves	Accumulated deficit	Total
Balance at January 1, 2012	**488,413**	**107,781**	**(249,912)**	**346,282**
Prior year corrections	-	-	(161)	348
Other comprehensive income	-		509	509
Balance at January 1, 2012 restated*	**488,413**	**107,781**	**(249,564)**	**346,630**
Loss for the year	-	-	(11,400)	(11,400)
Correction current year result	-	-	(1,809)	(1,809)
Transfer of realized revaluation reserve	-	(18,175)	18,175	-
Total comprehensive income for the year	**-**	**(18,175)**	**4,966**	**(13,209)**
Balance at December 31, 2012	**488,413**	**89,606**	**(244,598)**	**333,420**
Balance at January 1, 2013	**488,413**	**89,606**	**(244,598)**	**333,420**
Loss for the year	-	-	(137,894)	(137,894)
Remeasurement of post-employment benefits	-	-	(307)	(307)
Transfer between categories	-	(54)	54	-
Transfer of realized revaluation reserve	-	(14,600)	14,600	-
Total comprehensive (loss)/income for the year	**-**	**(14,654)**	**(123,548)**	**(138,202)**
Balance at December 31, 2013	**488,413**	**74,952**	**(368,146)**	**195,219**

These separate financial statements were authorized for issue by the management on March xx, 2014. The comparative financial statements for the year ended 31 December 2011 and 31 December 2012 have been restated in accordance to IAS 19 and IAS 37 (see Note 31).

Gheorghe Dobra
General Director

Mihaela Duralia
Financial Director

Attached notes are part of the separate financial statements.

S.C. ALUM S.A.
SEPARATE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013
All amounts are in RON thousand, unless otherwise stated

	Note	Year ended December 31, 2013	Year ended December 31, 2012 restated
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax		**(137,870)**	**(15,018)**
Adjustments for:			
Foreign exchange loss		1,378	1,881
Amortization and depreciation expense		22,258	23,025
Net gain on disposal of property, plant and equipment		(190)	(44)
Allowance for doubtful debts	**9**	43,547	(20)
Impairment allowance for property, plant and equipment	4	(387)	(72)
Impairment of investment	**6**	82,581	-
Allowance for slow moving and obsolete inventory	**8**	(2,619)	(3,480)
Increase in retirement benefit obligation	**14**	(210)	68
Interest income	**24**	(1,769)	(2,028)
Interest expense	**24**	3,326	4,464
Operating profit before working capital changes		**10,045**	**8,777**
Movements in working capital:			
Increase in receivables		(19,871)	(52,500)
(Increase)/decrease in inventories		9,436	(41,785)
Increase /(decrease) in payables		21,133	117,562
Cash generated from operations		**20,743**	**32,053**
Income tax paid		-	-
Interest paid		(2,219)	(3,233)
Interest received		25	47
Net cash generated from operating activities		**18,549**	**28,866**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for acquisition of property, plant and equipment and intangible assets		(2,295)	(15,181)
Proceeds from disposal of property, plant and equipment, and intangible assets		-	250
Restricted cash	**11**	(5)	(840)
Acquisition of subsidiary (Note 6)		-	-
Net cash used in investing activities		**(2,300)**	**(15,771)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital		-	-
Proceeds from borrowings		-	-
Repayment of borrowings	**13**	(16,332)	(17,275)
Net cash (used in)/generated by financing activities		**(16,332)**	**(17,275)**

Attached notes are part of the separate financial statements.

S.C. ALUM S.A.
SEPARATE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013
All amounts are in RON thousand, unless otherwise stated

	Note	Year ended December 31, 2012	Year ended December 31, 2011
(Decrease)/increase in cash and cash equivalents		**(83)**	**(4,179)**
Cash and cash equivalents at the beginning of the year	**11**	**855**	**5,034**
Cash and cash equivalents at the end of the year	**11**	**772**	**855**

These separate financial statements were authorized for issue by the management on March xx, 2014.

Gheorghe Dobra
General Director

Mihaela Duralia
Financial Director

Attached notes are part of the separate financial statements.

1. GENERAL INFORMATION

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 59.4% and Zhi Ping Zhang 10%.

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 prices per share could be analysed as follows:

	2013	2012
- minimum price (RON)	1.10	2.00
- maximum price (RON)	2.02	2.95
- average price (RON)	1.56	2.48

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

	2013	2012
Average number of employees	695	721

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

These financial statements provide comparative information in respect of the previous period. In addition, the Company presents an additional statement of financial position at the beginning of the earliest period presented when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements. An additional statement of financial position as at 1 January 2012 is presented in these financial statements due to retrospective application of certain accounting policies, and due to the correction of some errors, presented below.

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 2013:

- IAS 19 *Employee Benefits* (IAS 19), adopted by the EU on 5 June 2012. IAS 19 makes a number of changes to the accounting for employee benefits, the most significant relating to defined benefit plans:
  - eliminates the "corridor method" and requires the recognition of remeasurements (including actuarial gains and losses) arising in the reporting period in other comprehensive income;
  - changes the measurement and presentation of certain components of the defined benefit cost. The net amount in profit or loss is affected by the removal of the expected return on plan assets and interest cost components and their replacement by a net interest cost based on the net defined benefit asset or liability;
  - enhances disclosures, including more information about the characteristics of defined benefit plans and related risks.

IAS 19 has been applied retrospectively in accordance with its transitional provisions. Consequently, the Company has restated its reported results throughout the comparative periods presented and reported the cumulative effect as at 1 January 2012 as an adjustment to opening equity.

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

- Amendments to IFRS 1 titled *Government Loans*, adopted by the EU on 4 March 2013. The amendments, dealing with loans received from governments at a below market rate of interest, give first-time adopters of IFRSs relief from full retrospective application of IFRSs when accounting for these loans on transition. The amendments have had no material impact on the financial statements.

- Amendments to IFRS 7 *Disclosures – Amendments enhancing disclosures about offsetting of financial assets and financial liabilities*, adopted by the EU on 13 December 2012. The amendment introduces additional disclosures that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognized financial assets and recognized financial liabilities, on the entity's financial position. The application of amendments has had no material impact on the disclosures or on the amounts recognized in the financial statements.

- IFRS 13 *Fair Value Measurement* (effective for annual periods beginning on or after 1 January 2014), adopted by the EU on 11 December 2012, clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It does not affect which items are required to be fair-valued. IFRS 13 applies prospectively for annual periods beginning on or after 1 January 2013.

- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*, adopted by the EU on 11 December 2012. The Interpretation sets out requirements relating to the recognition of production stripping costs, initial and subsequent measurement of stripping activity assets. The Interpretation has had no material impact on the financial statements of the Company.

- Annual Improvements 2009-2011 (the Annual Improvements). The Annual Improvements made a number of amendments to IFRSs. The amendments that are relevant to the Company are the amendments to IAS 1 *Presentation of Financial Statements* requiring an entity to present a statement of financial position at the beginning of the earliest comparative period (third statement of financial position) when it applies an accounting policy retrospectively, makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements and the change has a material effect on the statement of financial position. As the Company has applied retrospectively IAS 19 (as revised in 2011) for the first time in these financial statements, a third statement of financial position as at 1 January 2012 was presented. However, the notes related to the third balance sheet are not required (except for the disclosure of requirements of IAS 8 as detailed above), nor are additional statements of profit or loss and other comprehensive income, changes in equity or cash flows.

Standards and Interpretations in issue not yet adopted

- IFRS 9 *Financial instruments*, issued in November 2009 (effective for annual periods beginning on or after 1 January 2015), not yet adopted by the EU. This standard introduces new requirements for the classification and measurement of financial assets. IFRS 9 amended in October 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition. The standard is not applicable until 1 January 2015 but is available for early adoption. The Company is not able to prepare an analysis of the impact this will have on the financial statements until the date of initial application.

- IFRS 10 *Consolidated Financial Statements* (effective for annual periods beginning on or after 1 January 2014), 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. These new requirements have the potential to affect which of the Group's investees are considered to be subsidiaries and therefore change the scope of consolidation. The requirements on consolidation

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

Standards and Interpretations in issue not yet adopted (continued)

procedures, accounting for changes in non-controlling interests and accounting for loss of control of a subsidiary are unchanged. 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* (effective for annual periods beginning on or after 1 January 2014), 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 it is not a party to any joint arrangements.

- IFRS 12 *Disclosure of Interests in Other Entities* (effective for annual periods beginning on or after 1 January 2014), 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. Adoption of IFRS 12 has had no material impact 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.

- IAS 27 *Separate Financial Statements* (as revised in 2011), effective for annual periods beginning on or after 1 January 2014 and 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 *Separate Financial Statements* (as revised in 2011) has had no material impact on these financial statements.

- IAS 28 *Investments in Associates and Joint Ventures* (as revised in 2011), effective for annual periods beginning on or after 1 January 2014, adopted by the EU on 11 December 2012. There are limited amendments made to IAS 28 (2008): a) IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* applies to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale. For any retained portion of the investment that has not been classified as held for sale, the equity method is applied until disposal of the portion held for sale. After disposal, any retained interest is accounted for using the equity method if the retained interest continues to be an associate or a joint venture; b) previously, IAS 28 (2008) and IAS 31 specified that the cessation of significant influence or joint control triggered remeasurement of any retained stake in all cases, even if significant influence was succeeded by joint control. IAS 28 (2011) now requires that in such scenarios the retained interest in the investment is not remeasured. The adoption of IAS 28 *Investments in Associates and Joint Ventures* (as revised in 2011) has had no material impact on 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 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, IFRS 12 and IAS 27 *Investment Entities* (effective for annual periods beginning on or after 1 January 2014), 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 directors do not anticipate that the investment entities amendments will have any effect on the financial statements as the Company is not an investment entity.

- Amendments to IFRS 10, IFRS 11 and IFRS 12: *Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities - Transition Guidance* (effective for annual periods beginning on or after 1 January 2014*)* 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 19 *Defined Benefit Plans: Employee Contributions* (effective for annual periods beginning on or after 1 July 2014), not yet adopted by the EU. 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 have not yet performed a detailed analysis of the impact of the application of the Interpretation and hence have not yet quantified the extent of the impact.

- Amendments to IAS 32 *Offsetting Financial Assets and Financial Liabilities* (effective for annual periods beginning on or after 1 January 2014), 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 directors do not anticipate that the application of these amendments to IAS 32 will have a significant impact on financial statements as the Company does not have any offsetting arrangements in place.

- Amendments to IAS 36: *Recoverable Amount Disclosures for Non-Financial Assets* (effective for annual periods beginning on or after 1 January 2014), 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 directors anticipate that the application of these amendments to IAS 36 may result in more disclosures being made with regard to measurement of impaired assets in the future.

- Amendments to IAS 39: *Novation of Derivatives and Continuation of Hedge Accounting* (effective for annual periods beginning on or after 1 January 2014), 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 directors do not anticipate that the application of these amendments to IAS 32 will have a significant impact on the Company's financial statements.

- IFRIC 21 *Levies* (not yet adopted by the EU) 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 expected to be material.

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

Standards and Interpretations in issue not yet adopted (continued)

- Annual Improvements to IFRSs 2010–2012 Cycle (issued on 12 December 2013), not yet adopted by the EU, include a number of amendments to 7 IFRSs. The amendments are effective for annual periods beginning on or after 1 July 2014.

- Annual Improvements to IFRSs 2011–2013 Cycle (issued on 12 December 2013), not yet adopted by the EU, include a number of amendments to 4 IFRSs. The amendments are effective for annual periods beginning on or after 1 July 2014.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The separate financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis of preparation

The separate financial statements have been prepared on the historical cost basis except for certain items of property, plant and equipment that are measured at revalued amounts as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

At the first application of IFRS provisions, the Company has chosen to apply the deemed cost exemption, as follows:

- Buildings and land were presented in the statement of financial position drawn up in accordance with the revalued cost accountings the fair value (revalued cost) was considered by the Company as deemed cost on transition to IFRS on January 1, 2005 considering these values as comparable with the fair value. The subsequent recognition of land and buildings is based on revaluation made on December 31, 2004.
- The equipment was presented in the statement of financial position drawn up in accordance with local accounting based on revaluation made on December 31, 2004. The Company has chosen to consider these values as deemed cost at the date of revaluation for these values were comparable to the fair value.

Going concern

These separate financial statements have been prepared on a going concern basis, which assumes the Entity will be able to realize its assets and discharge its liabilities in the normal course of business.

Under Romanian Company Law (Law 31/1991), if, as a result of losses incurred, the net assets of the Company would decrease to less than 50% of the issued capital, then the administrators / shareholders should take action to remedy the situation. The Company is in this position and management consider that this matter will be resolved primarily from income generated through its operations and additional steps, as considered appropriate and necessary, by the shareholders.

The principal accounting policies are set out below.

Group accounting

The Entity has participating interests in other companies, in which it has control over the financial and operational policies. These investments are recorded at cost less impairment allowance, in the separate financial statements. In accordance with International Accounting Standard 27 „Consolidated and separate financial statements", the Entity has to prepare consolidated financial statements. The Entity issued consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union on March 15, 2012. A list of significant investments in subsidiaries is presented in Note 6.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

The separate financial statements are presented in the currency of the primary economic environment in which the entity operates. The results and financial position are expressed in RON, which is the functional currency of the Company.

At the balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period.

Closing exchange rates for EUR and USD were 4.4847 RON and 3.2551 RON as at December 31, 2013 (December 31, 2012: 4.4287 RON and 3.3575 RON respectively).

Property, plant and equipment

Items of property, plant and equipment are measured at cost value less accumulated depreciation and accumulated impairment losses, except for land, which is not depreciated and is stated at cost less accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Depreciation is charged monthly using the straight-line method at rates designed to write-off the assets to the end of their residual useful lives or, for disposals, until the last month of use.

Depreciation periods as follows:	
Buildings and other constructions	8 – 52 years
Plant and machinery	5 – 25 years
Equipment and vehicles	4 – 25 years

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds from disposal with their carrying amount and are taken into account in determining operating profit.

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 2013.

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

Emission rights

The Company recognizes emission rights in its separate 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 to the Company under Government decision no. 204/2013 by the Romanian National Environmental Authority, are recognized.

The Company estimates its annual emission volumes at each balance sheet date 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 Company estimates utilization of less than the allocated emission certificates any potential income from the sale of unused emission certificates is recognized in profit or loss only on actual sale of those certificates.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

i) Development costs

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

The capitalized expenses for the development activities are amortized over a period of 5 years.

Impairment of tangible and intangible assets excluding goodwill

At the balance sheet date, the Company 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 Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount of an asset or cash-generating unit is the higher of fair value less costs to sell and its 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. 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 (cash-generating unit) is reduced to its recoverable amount 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.

Financial instruments

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

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 separate profit or loss.

Financial assets

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 derecognised 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Effective interest rate method

The effective interest rate method is a method of calculating the amortized cost of a debt 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 debt 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 financial assets 'at fair value through profit or loss' (FVTPL).

Financial assets are classified as at fair value through profit or loss (FVTPL) when the financial asset is either held for trading or it is designated as at fair value through profit or loss (FVTPL)

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at fair value through profit or loss (FVTPL) upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss (FVTPL).

Financial assets at fair value through profit or loss (FVTPL) are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset and it is included in the 'other gains and losses' line item in the statement of other comprehensive income/income statement.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment. The Company has not recorded held-to-maturity investments as of the balance sheet date.

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

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale 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. The Company has not recorded Available-for-sale financial assets as of the balance sheet date.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

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 method, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, 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 Available-for-sale 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 is 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.

For certain categories of financial assets, such as trade receivables, that are assessed not to be impaired individually, they are assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company'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 directly by the impairment loss 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

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 recognised, 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 recognised.

Derecognition of financial assets

The Company 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 Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company 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.

On derecognition of a financial asset other than in its entirety (e.g. when the Company 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 Company retains control), the Company 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.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by the Company 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.

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 Company 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities and equity instruments (continued)

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss or 'other financial liabilities'.

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss when the financial liability is either held for trading or it is designated as at fair value through profit or loss.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the consolidated [statement of comprehensive income/income statement].

Other financial liabilities

Other financial liabilities (including borrowings) are subsequently measured at amortised cost using the effective interest rate method.

The effective interest rate method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (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 financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities and equity instruments (continued)

Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined by the first-in first-out (FIFO) principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses.

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

Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of preparing the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, and other short term highly liquid investments.

Share capital

i) Ordinary shares are classified as equity.
ii) External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction, net of tax, in equity from the proceeds;
iii) Dividends on ordinary shares are recognized in equity in the period in which they are declared.

Legal reserve

Legal reserves are computed based on the legislation in force and are deducted from the profit of the current financial year by allocating minimum 5% from the profit, until it reaches at least the 20% of the share capital.

Employee benefits

The Company, 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.

All employees of the Company are members of the Romanian State pension plan.

The Company awards its employees with several 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 balance sheet date.

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 goods sold" or "General and administrative expenses" within personnel costs.
- Net interest expense, included in profit or loss line item "Finance costs, net" within interest expenses
- Remeasurement

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company 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.

Leases

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.

Assets held under finance leases are initially recognised as assets of the company 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 balance sheet as a finance lease liability.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised 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. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where 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.

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

Revenue recognition

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 sales related taxes.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company 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 entity; the costs incurred or to be incurred in respect of the transaction 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.

Taxation

Income tax expense comprises current and deferred tax. The current income tax is based on taxable profit for the year. Taxable profit differs from profit as reported in statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company'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 recognised on differences between the carrying amounts of assets and liabilities in the separate financial statements and the corresponding tax basis used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised 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 recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Company 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.

The carrying amount of deferred tax assets is reviewed at 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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Statutory income tax rate for the year ended December 31, 2013 was 16% (December 31, 2012:16%).

Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating segments

An operating segment is a component of the Company 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 Company'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 Company's business and geographical segments and are determined based on the Company'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 Company's headquarters), head office expenses, 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.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical data and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and estimations that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the separate financial statements.

i) Impairment of tangible and intangible assets

At each balance sheet date, the Company 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 Entity 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Critical accounting judgements and key sources of estimation uncertainty (continued)

i) Impairment of tangible and intangible assets (continued)

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.

As of December 31, 2013 the impairment test was performed by CMF Consulting and is based on determining the present value of future cash flows. The cash flows were determined based on the approved budget for 2014, the strategic Business Plan for Alro's operations in Romania proposed and approved by management and the forecasts for the next 5 years. The terminal value was established based on the forecasted cash flows for the year 2023.

The discount rate applied to the projected cash flows is 12.8% and represents the best estimate of the Group.

ii) Retirement benefit obligations

The present value of the retirement benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations. Additional information is disclosed in Note 14.

iii) Deferred taxes. Detailed information is disclosed in Note 7.

iv) Provisions and contingent liabilities. Detailed information is disclosed in Note 15.

Change in accounting policy

The Group applied IAS 19 (Revised 2011) retrospectively in the current period in accordance with the transitional provisions set out in the revised standard. The opening statement of financial position of the earliest comparative period presented (1 January 2012) and the comparative figures have been accordingly restated. All past service costs are recognised at the earlier of when the amendment/curtailment occurs or when the related restructuring or termination costs are recognised. As a result, unvested past service costs can no longer be deferred and recognised over the future vesting period.

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
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
At January 1, 2012	**20,057**	**151,736**	**337,256**	**26,983**	**13,562**	**513**	**550,107**
Corrections	-	12,052	-	-	-	-	12,052
At January 1, 2012 restated	**20,057**	**163,788**	**337,256**	**26,983**	**13,562**	**513**	**562,159**
Corrections	-	387	-	-	-	-	387
Additions	-	5	109	-	14,656	78	14,848
Transfer between categories	-	8,541	17,024	175	(25,740)	-	-
Disposals	-	-	-	(341)	-	-	(341)
Closing balance at December 31, 2012 restated	**20,057**	**172,721**	**354,389**	**26,817**	**2,478**	**591**	**577,053**
Additions	-	830	50	-	3,162	(591)	3,451
Transfer between categories	-	1,033	1,196	162	(2,391)	-	-
Disposals	-	-	(8,312)	(2,919)	-	-	(11,231)
Closing balance at December 31, 2013	**20,057**	**174,584**	**347,324**	**24,060**	**3,249**	**-**	**569,274**

4. PROPERTY, PLANT AND EQUIPMENT (continued)

Accumulated depreciation	Land	Buildings and special constructions	Plant and machinery	Equipment and vehicles	Capital assets in progress	Advances for fixed assets	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
At January 1, 2012	**-**	**89,944**	**264,512**	**15,661**	**-**	**-**	**370,117**
Corrections	-	1,205	-	-	-	-	1,205
Charge for the year	-	4,948	15,504	660	-	-	21,112
Transfer between categories	-	2,549	(2,556)	7	-	-	-
Accumulated depreciation of disposals	-	-	-	(135)	-	-	(135)
Closing balance at December 31, 2012 restated	**-**	**98,646**	**277,460**	**16,193**	**-**	**-**	**392,299**
Charge for the year	-	6,224	14,730	652	-	-	21,606
Transfer between categories	-	-	-	-	-	-	-
Accumulated depreciation of disposal	-	-	(8,288)	(2,572)	-	-	(10,860)
Closing balance at December 31, 2013	**-**	**104,870**	**283,902**	**14,273**	**-**	**-**	**403,045**

4. PROPERTY, PLANT AND EQUIPMENT (continued)

Allowances for impairment	Land	Buildings and special constructions	Plant and machinery	Equipment and vehicles	Capital Assets in progress	Advances for fixed assets	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
At January 1, 2012	**-**	**191**	**14**	**1,479**	**78**	**-**	**1,762**
Impairment charge for the period	-	-	-	-	-	-	-
Reversal of impairment	-	(72)	-	-	-	-	(72)
At December 31, 2012	**-**	**119**	**14**	**1,479**	**78**	**-**	**1,690**
Impairment charge for the period	-	-	-	-	-	-	-
Reversal of impairment	-	-	-	(388)	-	-	(388)
At December 31, 2013	**-**	**119**	**14**	**1,091**	**78**	**-**	**1,302**
Net book value							
At January 1, 2012 restated	**20,057**	**73,653**	**72,730**	**9,843**	**13,484**	**513**	**190,280**
At December 31, 2012 restated	**20,057**	**73,956**	**76,915**	**9,145**	**2,400**	**591**	**183,064**
At December 31, 2013	**20,057**	**69,595**	**63,408**	**8,696**	**3,171**	**-**	**164,927**

The Company recorded full provision for the future cost of rehabilitating of the red mud lake on a discounted basis. The amount increased the value of the fixed asset as of December 31, 2013 with the sum of RON 13,269 thousand (2012: RON 12,439 thousand).
The rehabilitation provision represents the present value of rehabilitation costs relating to the site, which are expected to be incurred up to 2020, which is when the storage on the site should be either closed or extended.

As of December 31, 2013 property, plant and equipment of Alum S.A. have been pledged to secure the borrowing contracted by the company with a carrying amount of RON 139,561 thousand (December 31, 2012: RON 146,605 thousand) (Note 13).

The gross book value of the fully amortized fixed assets as of December 31, 2013 is in amount of RON 133,345 thousand (2012: RON 47,754 thousand).

5. INTANGIBLE ASSETS

Cost	Development expenses	Other intangibles	Advances for intangibles	Total intangibles
	'000 RON	'000 RON	'000 RON	'000 RON
At January 1, 2012	**4,367**	**57**	**1,090**	**5,514**
Additions	-	43	252	295
Transfer between categories	-	-	-	-
Disposals	-	-	-	-
As at December 31, 2012	**4,367**	**100**	**1,342**	**5,809**
Additions	-	45	-	45
Transfer between categories	-	-	-	-
Disposals	-	-	(41)	(41)
As at December 31, 2013	**4,367**	**145**	**1,302**	**5,814**

Accumulated depreciation	Development expenses	Other intangibles	Advances for intangibles	Total intangibles
	'000 RON	'000 RON	'000 RON	'000 RON
At January 1, 2012	**1,956**	**30**	**-**	**1,986**
Charge for the year	663	45	-	708
Disposals	-	-	-	-
As at December 31, 2012	**2,619**	**75**	**-**	**2,694**
Charge for the year	582	48	-	630
Disposals	-	-	-	-
As at December 31, 2013	**3,201**	**123**	**-**	**3,324**
Net book value at December 31, 2012	**1,748**	**25**	**1,342**	**3,115**
Net book value at December 31, 2013	**1,166**	**22**	**1,302**	**2,490**

Development costs include projects and studies related to the silicon removal processes and technological plant sizing, increase of the vertical kiln capacity, technical and technological rehabilitation. The capitalized expenses for the development activities are amortized over a period of 5 years.
The ongoing projects for the improvement of the processing of Sierra Leone bauxite will be transferred as development costs in 2014.

6. INVESTMENT IN SUBSIDIARIES

	Year ended December 31, 2013	Year ended December 31, 2012
At January 1	82,581	82,581
Additions	-	-
Impairment of investment	(82,581)	
At December 31	**-**	**82,581**

On May 1, 2011 Alum acquired from Vimetco N.V., related party, 100% of investment company Global Aluminium Ltd.. Global Aluminium Ltd. assets included 100% shareholding in a bauxite mine in Sierra Leone, Sierra Minerals Holding 1 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 615,910 tons in 2013. The bauxite mine produces raw material for Alum S.A.

The Entity's participating interests in other companies in which it has control over the financial and operational policies, are recorded at cost in these separate financial statements, less impairment allowance. The Entity issued consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union on March 15, 2013.

Global Aluminium Ltd. has accumulated a deficit of USD (32,902) thousand as of December 31, 2013 (2012: USD (6,074) thousand).

As of December 31, 2013 CMF Consulting, an independent valuator, performed an impairment test for Alum's investment in Global Aluminium Ltd. The recoverable amount of cash-generating units operating in Sierra Leone (Global Aluminium Ltd.) was determined based on a value-in-use calculation, by using cash flow projections based on financial forecasts estimated by the directors, which cover a ten-year period, and a pre-tax discount rate of 16.3% per annum till 2019 and 18.3% per annum thenafter (2012: 13.7%) respectively. The cash flows beyond that ten-year period have been extrapolated until the year 2032, when the current mining license expires, at a steady growth rate of 2% per annum (2012: 4%). Due to the fact that SMHL fair value resulted to be negative, the valuer opinion is that the equity fair value of SMHL and GAL is 0 (nil) USD therefor it was recorded an impairment for the entire value of the investment.

7. INCOME TAXES

Income tax recognized in the profit or loss

	Year ended December 31, 2013	Year ended December 31, 2012 restated
Deferred income tax (credit)/expense	24	(1,809)
Total income tax expense recognized in the current year	**24**	**1,809**

7. INCOME TAXES (continued)

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

	Year ended December 31, 2013	Year ended December 31, 2012 restated
(Loss)/profit before tax	(137,870)	(15,018)
Income tax (credit)/expense calculated at 16%	(22,059)	(2,402)
Total income tax expense recognized in the current year	(24)	1,809
Adjustments to nominal tax change	**(22,083)**	**(593)**
Effect of revenue exempted from taxation	(523)	(1,230)
Effect of not deductible expenses	1,049	2,278
Utilisation of previously unrecognized tax loss	4,466	-
Capitalisation of previously unrecog. tax loss (-)	3,507	-
Current year tax losses - no def. tax recog. (-)	13,584	-
Other	-	(455)
Adjustments to nominal tax change	**22,083**	**593**

The tax rate used for the 2013 and 2012 reconciliations above is the corporate tax rate of 16% payable by corporate entities in Romania on taxable profits under tax law in that jurisdiction.

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

	Opening balance	Recognised in profit or loss	Recognised in other comprehensive income	Recycled to profit or loss	Closing balance
Property, plant and equipment	(7,021)	(896)	-	-	(7,917)
Bank borrowings	(79)	40	-	-	(39)
Inventories	505	(370)	-	-	135
Trade receivables and other current assets	(502)	7,120	-	-	6,617
Long-term provisions	337	498			835
Retirement benefits obligation	325	(13)	58	-	370
Trade payables	(2)	2	-	-	-
Tax loss	6,405	(6,405)	-	-	-
Deferred tax asset / (liability)	**(33)**	**(24)**	**58**	**-**	**-**

Tax loss expiring	Gross amount	Tax effect
Within 1 year	-	-
1 - 2 years	-	-
2 - 5 years	2.210	-
5 -7 years	94.809	-
Total	**97.019**	**-**

8. INVENTORIES

	December 31, 2013	December 31, 2012
Raw materials	53,336	62,770
Consumables	11,524	11,028
Finished goods	3,007	3,096
Work in progress	46,623	47,614
Semi-finished goods	6,945	6,430
Other	337	270
Allowance for slow moving and obsolete inventories	(537)	(3,156)
Total	**121,235**	**128,052**

Movement in the provision for inventory is as follows:

	2013	2012
Balance at beginning of the year	3,156	6,635
Charge during the year	17	2,651
Release during the year	(2,636)	(6,130)
Balance at end of the year	**537**	**3,156**

9. TRADE RECEIVABLES

	December 31, 2013	December 31, 2012
Foreign trade receivables	46,587	41,237
Domestic trade receivables	4,000	3,364
Allowance for doubtful receivables	(44,032)	(483)
Total	**6,555**	**44,118**

There are three customers representing more than 10% of the total balance of trade receivables as at December 31, 2013 (2012: 1 customer).

Movement in allowance for doubtful receivables is as follows:

	2013	2012
Balance at beginning of the year	483	1,101
Charge during the year	43,555	-
Release during the year	(6)	(618)
Balance at end of the year	**44,032**	**483**

9. TRADE RECEIVABLES (continued)

In determining the recoverability of a trade receivable, the Company considers any change in the credit quality of the customer from the date when credit was initially granted up to the reporting date. Accordingly, the Company's management believes that there is no further credit provision required in excess of the allowance for doubtful receivables already provided for.

According to the impairment test performed by CMF Consulting, an independent valuation company, as of December 31, 2013 there is a potential loss from receivables from SMHL for which the Company recorded a provision in amount of USD 13,364 thousand (RON 43,502 thousand).

The table below is an analysis of trade receivables as at December 31, 2013 and December 31, 2012:

	December 31, 2013	December 31, 2012
Neither past due impaired	217	536
Past due but not impaired	6,162	43,549
Past due more than 3 months*	2,761	66
Past due more than 9 months*	41,447	450
Allowance for doubtful receivables	(44,032)	(483)
Total	**6,555**	**44,118**

*) trade receivables impaired

Ageing of receivables that are past due but not impaired:

	December 31, 2013	December 31, 2012
Less than 3 months	3,187	2,201
3 months to 6 months	64	6,390
6 months to 9 months	22	5,508
More than 9 months	2,889	29,450
Total	**6,162**	**43,549**

10. OTHER CURRENT ASSETS

	December 31, 2013	December 31, 2012
Short term loan receivables (Note 25)	7,477	9,758
Advances to suppliers	98,619	76,086
VAT recoverable	1,195	23
Other debtors	137	226
Prepayments	246	1,390
Allowance for doubtful debtors	(16)	(17)
Total	**107,658**	**87,466**

10. OTHER CURRENT ASSETS (continued)

The movement in allowance for doubtful debtors is as follows:

	December 31, 2013	December 31, 2012
Balance at beginning of the year	17	17
Charge for the year	-	-
Release for the year	(1)	-
Balance at end of the year	**16**	**17**

11. CASH AND CASH EQUIVALENTS

	December 31, 2013	December 31, 2012
Cash at banks in RON	283	300
Cash at banks in foreign currency	483	548
Restricted cash	845	840
Cash in hand in RON	6	7
Total	**1,617**	**1,695**

Restricted cash represents cash collateral deposited at banks with the purpose of issuing letters of credit for acquiring raw materials and with the purpose of maintaining a required level of liquidity in respect of interest payable on its borrowings.

Also, as of December 31, 2013 the bank accounts of the Entity opened at Raiffeisen Bank are pledged to secure the borrowing contracted by the Entity in 2011.

Cash at banks earns interest at floating rates based on daily banks deposit rates. Short-term deposits are made for varying periods between one day and one month, depending on the immediate cash requirements of the Company.

12. ISSUED CAPITAL

The statutory share capital as of December 31, 2013 and 2012 is as follows:

	Statutory figures					
	December 31, 2013			December 31, 2012		
SHAREHOLDERS	Number of shares	Nominal Value RON (thousand)	%	Number of shares	Nominal Value RON (thousand)	%
ALRO SA	81,595,860	484,495	99.40	81,595,860	484,495	99.40
Individuals	481,177	2,863	0.59	481,180	2,863	0.59
Other 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. owned by Vimetco N.V.

13. BORROWINGS

In May 2011 the Company entered into a long term loan contract with Raiffeisen Bank in amount of 25,000,000 USD for financing the acquisition of 100% of the shares of Global Aluminium LTD BVI, having its headquarter in Trinity Chambers, British Virgin Islands.

The borrowing contract spreads till 2016, with repayments in equal quarterly installments. In 2013, the interest rates ranged between 4.24% and 4.30% (2012: between 4.31% and 4.55%).

The loan is denominated in USD and there is no outstanding undrawn portion of the amount at December 31, 2013 (December 31, 2012: nil).

	December 31, 2013	December 31, 2012
Current borrowings		
Short-term portion of long term debt	16,178	16,647
Accrued interest	297	436
Non-current borrowings		
Long-term borrowings	24,266	41,616
Total borrowings	**40,741**	**58,699**

The borrowings are secured by property, plant and equipment, by actual and future accounts receivable and by the current bank accounts of the Entity opened at Raiffeisen Bank.

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

As of December 31, 2013 the Entity 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 2014, during the one month grace period granted by the bank for covenants computation.

14. RETIREMENT BENEFIT OBLIGATION

Defined contribution plans

The employees of the Company are members of a state-managed retirement benefit and starting with January 1, 2008 can voluntary (for employees under the age of 35 required) subscribe to private pension funds. The Company contributes a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Company with respect to the retirement benefit plan is to make the specified contributions. The Company's legal and constructive obligation is limited to the amounts that it contributes to the fund.

Defined benefit plans

According to the Collective Labour 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, 2013 by an independent actuary. 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.

14. RETIREMENT BENEFIT OBLIGATION (continued)

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

	December 31, 2013	December 31, 2012
Expected rate of salary increase (%)	5.00	5.00
Discount rate (%)	4.20	8.25
Expected inflation rate (%)	3.20	3.50

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

	Year ended December 31, 2013	Year ended December 31, 2012 restated
Recognized into P&L		
Current service cost	27	357
Interest on obligation	127	157
Benefits paid	(236)	(245)
Recognized into OCI		
Actuarial changes due to changes in assumptions	**365**	**(44)**
Total	**283**	**225**

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

	December 31, 2013	December 31, 2012 restated
Present value of defined benefit obligation	2,029	1,804
Net actuarial gains not recognised	283	225
Net liability arising from defined benefit obligation	**2, 312**	**2,029**

	Year ended December 31, 2013	Year ended December 31, 2012 restated
Opening defined benefit obligation	2,029	1,804
Current service cost	27	357
Interest cost	127	157
Actuarial gains	365	(44)
Benefits paid	(236)	(245)
Total	**2,312**	**2,029**

15. DECOMISSIONING PROVISION

The Company makes full provision for the future cost of decommissioning and rehabilitating the storage facilities for used by 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 2020, 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 2013 equalled 5.2427% (2012: 6.3055%).

	Rehabilitation
At 1 January 2013 restated	13.346
Capitalized during the year	830
Disposals	-
Unwinding of discount	842
Utilisation	-
At 31 December 2013	15.018
Comprising:	
Current 2013	-
Non-current 2013	15.018
Current 2012	-
Non-current 2012	13.346

16. TRADE AND OTHER PAYABLES

	December 31, 2013	**December 31, 2012**
Foreign trade payables	6,343	1,502
Domestic trade payables	54,930	60,054
Accrued trade payables	470	840
Total	**61,743**	**62,396**

Details regarding the Entity transactions with the related parties are presented in Note 26.
The amount of RON 33,939 thousand payable to Alro in 2015 according to the agreed payment schedule has been reclassified as long-term liability.

17. OTHER CURRENT LIABILITIES

	December 31, 2013	December 31, 2012
Suppliers of fixed assets	281	437
Advances from customers	70,846	82,296
Wages and social security	1,643	1,716
Tax on salaries	325	346
Other taxes payable/(prepaid)	(208)	(196)
VAT payable	2,260	1,621
Other current liabilities	388	1,334
Total	**75,535**	**87,554**

As of December 31, 2013 the advances from ALRO are in amount of RON 69,132 thousand (2012: RON 81,825 thousand).

18. REVENUE

All the company's revenues consist of sales of alumina, most of them to one customer (see note 25).

19. COST OF SALES

	Year ended December 31, 2013	Year ended December 31, 2012
Energy, water and gas	162,557	187,539
Raw materials	282,201	287,319
Staff costs	21,389	19,758
Other staff costs	2,567	2,414
Consumables expenses	10,996	12,875
Amortization and depreciation	20,901	20,173
Third party services	4,411	4,544
Repairs	2,556	4,761
Transportation costs	1,075	322
Others	1,018	654
Allowance for slow moving and obsolete Inventories	(2,619)	(3,479)
Total	**507,052**	**536,879**

20. OTHER OPERATING INCOME

	Year ended December 31, 2013	Year ended December 31, 2012
Income from sale of unused CO2 emission rights	-	20,704
Other revenues	1,779	5,861
Total	**1,779**	**26,564**

21. ADMINISTRATIVE EXPENSES

	Year ended December 31, 2013	Year ended December 31, 2012
Energy, water and gas	58	51
Consumables expenses	661	667
Staff costs	6,287	6,128
Third party services	4,981	4,746
Insurance	498	387
Taxes other than income	825	811
Amortization and depreciation	1,357	1,398
Other administrative expenses	1,364	1,668
(Decrease)/increase in allowance for doubtful receivables	43,549	(20)
Total	**59,580**	**15,836**

22. OTHER OPERATING EXPENSES

	Year ended December 31, 2013	Year ended December 31, 2012
Other operating expenses	2,379	6,604
Total	**2,379**	**6,604**

23. OTHER GAINS AND LOSSES

	Year ended December 31, 2013	Year ended December 31, 2012
Foreign exchange (gain)/loss	4,302	(1,398)
Gain on disposal of fixed assets	(190)	(44)
Total	**4,112**	**(1,442)**

24. FINANCIAL COSTS, NET

	Year ended December 31, 2013	Year ended December 31, 2012 restated
Interest income	1,769	2,028
Interest expense	(2,357)	(3,399)
Interest from discounting provisions	(842)	(908)
Interest on post-employment benefits	(127)	(197)
Bank commissions	(304)	(487)
Total	**(1,861)**	**(2,923)**

25. RELATED PARTY TRANSACTIONS

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 59.4% and Zhi Ping Zhang 10%.

Related parties are entities with common direct or indirect shareholders, directors or management. A significant proportion of Company's business is conducted through transactions with related parties and the effect of these on the basis determined between the related parties is reflected below. The transactions between the related parties are based on mutual agreements and may not always be at arm's length.

The main related parties the Entity has recorded transactions with in 2013 and 2012 are: Alro S.A., Vimetco Extrusion S.R.L., Vimetco Ghana, Vimetco Power Romania SRL, Conef Gaz S.R.L., Vimetco Management S.R.L. Romania, Centrul Rivergate S.R.L., Sierra Minerals Holdings Ltd., Global Aluminium Ltd. Details of transactions between the Entity and its related parties are disclosed below.

Related party	Related party type	Transaction type
Alro S.A.	Shareholder	Sales/purchases of goods/services
Sierra Minerals Holding Ltd.	Subsidiary	Sales/purchases of goods/services
Global Aluminium Ltd *	Subsidiary	Assignment of receivables
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

	Year ended December 31, 2013	Year ended December 31, 2012
Sales of goods and purchases		
Alro S.A.	473,018	478,159
Centrul Rivergate	34	34
Sierra Minerals Holding Ltd.	4,655	22,605
Vimetco Power	128	334
Vimetco Ghana	-	87
Total	**477,835**	**501,219**

25. RELATED PARTY TRANSACTIONS (continued)

Purchases of goods and services	Year ended December 31, 2013	Year ended December 31, 2012
Alro S.A.	29,991	35,684
Centrul Rivergate	2,225	2,141
Conef Gaz S.R.L.	131,937	153,373
Vimetco Management Romania S.R.L.	818	811
Sierra Minerals Holding Ltd.	56,042	59,551
Total	**221,013**	**251,560**

	December 31, 2013	December 31, 2012
Trade and other receivables, gross		
Sierra Minerals Holding Ltd.	139,847	109,761
Global Aluminium Ltd *	27,757	37,648
Conef Gaz S.R.L.	-	-
Centrul Rivergate	3	3
Vimetco Power	2,822	2,664
Alro S.A.	3	63
Vimetco Ghana	194	201
Total	**170,626**	**150,340**

*) In June 2011 the Company entered into a receivables assignment agreement with Global Aluminium Ltd. BVI, having its headquartes in Trinity Chambers, PO Box 4301, Road Town Tortola, British Virgin Islands, for the amount of USD 10,383,669. The balance as of December 31, 2013 is in amount of USD 8,306,935 (2012: USD 10,902,754), the equivalent of RON 27,040 thousand (2012: RON 36,606 thousand). The interest according to the contract is Libor 12M + 4.5% per year and as at the balance sheet date its value is of USD 220,171 (2012: USD 310,278), equivalent of RON 717 thousand (2012: RON 1,042 thousand). The total amount will be reimbursed in 4 equal annual installments. The long-term portion of this borrowing in the amount of RON 20,280 thousand (2012: RON 27,890 thousand) was classified as other non-current asset in the separate financial statements.

According to the impairment test performed by CMF Consulting, an independent valuation company, as of December 31, 2013 there is a potential loss from receivables from SMHL for which the Company recorded a provision in amount of USD 13,364 thousand (RON 43,502 thousand).
The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

	December 31, 2013	December 31, 2012
Trade and other payables		
Alro S.A.	145,148	128,923
Conef Gaz S.R.L.	726	1,231
Centrul Rivergate	232	255
Vimetco Management Romania S.R.L.	81	403
Total	**146,187**	**130,812**

The remuneration of directors and other members of key management personnel during the year was in amount of RON 517 thousand (2012: 629 RON thousand) and consist only of wages as there are no other benefits.

26. EARNINGS PER SHARE

	Year ended December 31, 2013	Year ended December 31, 2012 restated
Net (loss)/profit attributable to shareholders	(137,894)	(13,209)
Weighted average number of ordinary shares ('000)	82,086	82,086
Basic and diluted (losses)/earnings per share (RON/share)	(1.68)	(0.161)
Dividends per share in current year (RON/share)	-	-

27. SEGMENT INFORMATION

The company only has one operating segment, the production and sale of alumina. All its operating assets are located in Romania.

The following table shows the distribution of the Company's sales by geographical market.

	Year ended December 31, 2013	Year ended December 31, 2012
Romania	482,473	487,229
European Union	27,074	8,202
Non-EU European Countries	7,983	24,960
Other countries	-	-
Total	**517,530**	**520,391**

28. FINANCIAL RISK MANAGEMENT

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

Capital risk management

The Company's objectives when managing capital are to safeguard the Company'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 Company'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 Company may adjust the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Market risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and commodity prices.

28. FINANCIAL RISK MANAGEMENT (continued)

Foreign currency risk management

The Company is exposed to foreign exchange risk because the predominant part of its sales of alumina is 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 currency exposure is related to the fact that most of the company's liabilities are linked to USD of EUR while the receivable are denominated in RON The Company 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 Company's foreign currency exposure results 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 amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	December 31, 2013		December 31, 2012	
	Euro denominated	US Dollars denominated	Euro denominated	US Dollars denominated
	' 000 RON	'000 RON	' 000 RON	'000 RON
Total current assets	2,462	52,932	101	52,426
Total non-current assets	-	20,280	-	27,891
Total assets	**2,462**	**73,212**	**101**	**80,316**
Total short-term liabilities	2,195	21,839	1,299	17,778
Total long-term liabilities	-	24,266	-	41,616
Total liabilities	**2,195**	**46,105**	**1,299**	**59, 394**

Foreign currency sensitivity

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

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number indicates an increase in profit or loss and other equity where the functional currency strengthens against the relevant foreign currency.

	December 31, 2013		December 31, 2012	
	Euro	US Dollars	Euro	US Dollars
	'000 RON	'000 RON	'000 RON	'000 RON
Profit or loss	(27)	(2,711)	120	(2,092)
Equity	(23)	(2,277)	101	(1,757)

28. FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

Interest rate risk management

The Entity's interest rate risk arises from loans and borrowings. Loans issued and borrowings taken at floating rates expose the entity to cash flow interest rate risk. The interest rate on its existing credit facilities are based on the London Interbank Offered Rate (LIBOR) for US Dollars borrowings.

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates on 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 407 thousand (2012: RON 587 thousand). In accordance, the Entity's equity would increase/decrease by RON 342 thousand (2012: RON 493 thousand). This is mainly attributable to the Entity's exposure to interest rates on its variable interest rate USD denominated borrowings.

The exposure of the company to the variation of interest rates for the financial assets and liabilities is detailed under the section "Management of the liquidity risk".

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 Company. The Company 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 receivables are mainly related to Alro (over 90 %). The company is dependent operationally and financially on Alro.
The credit risk resulting from the transactions with the banks and financial institutions is managed by the Treasury Department. Investing of the available cash is done only with approved banks within specified limits. The limits are set to reduce the concentration risk and to reduce the possible financial losses caused by non-fulfilment of the contractual obligations.

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.

Maximum exposure to credit risk equals to the credit amount presented in the balance sheet.

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	-	-	40,741
Accounts payable and accrued liabilities	5,354	56,389	33,939	-	-	95,682
Total	**5,354**	**72,863**	**58,205**	**-**	**-**	**136,423**

28. FINANCIAL RISK MANAGEMENT (continued)

Credit risk management (continued)

Year ended 31 December 2012

	On demand	< 1 year	1-2 years	2-5 years	> 5 years	Total
Interest-bearing loans and borrowings	-	17,083	33,293	8,323	-	58,699
Accounts payable and accrued liabilities	2,395	60,001	-	-	-	62,396
Total	**2,395**	**77,084**	**33,293**	**8,323**	**-**	**121,096**

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding and the ability to close out market positions. Management monitors rolling forecasts of the company's liquidity reserve and cash and cash equivalents on a regular basis.

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, 2013	Level 1	Level 2	Level 3
Financial assets				
Trade receivables	6,555	-	-	6,555
Other current assets	107,659	-	-	107,659
Cash and cash equivalents	1,617	-	-	1,617
TOTAL FINANCIAL ASSETS	**115,831**	**-**	**-**	**115,831**
Financial liabilities				
Borrowings, long term	24,266	-	-	24,266
Trade and other payables	61,743	-	-	61,743
Borrowings, short term	16,475	-	-	16,475
TOTAL FINANCIAL LIABILITIES	**102,484**	**-**	**-**	**102,484**

28. FINANCIAL RISK MANAGEMENT (continued)

Fair value of financial assets and liabilities (continued)

	December 31, 2012	Level 1	Level 2	Level 3
Financial assets				
Trade receivables	44,118	-	-	44,118
Other current assets	87,466	-	-	87,466
Cash and cash equivalents	1,695	-	-	1,695
TOTAL FINANCIAL ASSETS	**133,279**	**-**	**-**	**133,279**
Financial liabilities				
Borrowings, long term	41,616	-	-	41,616
Trade and other payables	62,396	-	-	62,396
Borrowings, short term	17,083	-	-	17,083
TOTAL FINANCIAL LIABILITIES	**121,095**	**-**	**-**	**121,095**

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.

29. COMMITMENTS AND CONTINGENCIES

Commitments

ALUM S.A. has investment commitments for the year 2014 in amount of USD 43 thousand (2012: USD 237 thousand).

The Company has various contracts concluded as of December 31, 2013 for the acquisition in 2014 of raw materials, electricity and other materials and consumables in the amount of EUR 5,437 thousand and USD 107,975 thousand, respectively (December 31, 2012: EUR 7,880 thousand and USD 109,047 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.

29. COMMITMENTS AND CONTINGENCIES (continued)

Contingencies

Legal cases

As at December 31, 2013, the Entity is subject to a number of lawsuits resulted from the normal course of business. Management believes that these actions will not have a negative impact on the financial performance and financial position of the Company.

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 separate 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 Company 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. SUBSEQUENT EVENTS

In March 2014, due to the negative evolution of factors that are not under the control of the entity, the Board of Directors of Alro was not able to sustain the budget for 2014 and has decided on 5 March 2014 to issue a working scenario that even considers the temporary shutdown of production facilities of ALRO Group.

31. CORRECTION NOTE

a) The Company assessed and recorded full provision for the future cost of rehabilitating of the 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 2020, 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 third party, reputable in with its expertise (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 2013 equalled 5.2427% (2012: 6.3055%).

b) According to the new provisions of the revised IAS 19 the post-employment benefits have been recalculated using the Projected Unit Credit Method instead of the corridor method.

31. CORRECTION NOTE (continued)

Restatement of prior year period

December 31, 2011		Reported	Restatement	Restated
Buildings and constructions	a)	151,736	12,052	163,788
Accumulated depreciation land and buildings	a)	(89,944)	-	(89,944)
Provisions	a)	-	(12,052)	(12,052)
Retirement benefit obligation	b)	(2,219)	415	(1,804)
Other reserves	b)	-	(509)	(509)
Retained earnings	b)	(249,912)	(161)	(250,073)
Deferred tax liabilities	b)	(310)	(66)	(376)

December 31, 2012		Reported	Restatement	Restated
Buildings and constructions	a)	160,282	12,439	172,721
Accumulated depreciation land and buildings	a)	(97,441)	(1,205)	(98,646)
Provisions	a)	-	(13,346)	(13,346)
Retirement benefit obligation	b)	(2,404)	375	(2,029)
Retained earnings	b)	(243,137)	(161)	(243,298)
Deferred tax liabilities	b)	(377)	343	(33)

Year ended 31 December 2012		Reported	Restatement	Restated
Cost of Sales	a)	(536,879)	(1,245)	(538,124)
Finance expenses	a)	(4,043)	(908)	(4,951)
Income tax expense	b)	1,465	343	1,809
Interest on post-employment benefits	b)	157	40	197
Profit for the period	a);b)	(11,400)	(1,809)	(13,210)