SIF IMOBILIARE PLC

REPORT AND FINANCIAL STATEMENTS

Year ended 31 December 2018

SIF IMOBILIARE PLC

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Year ended 31 December 2018

CONTENTS

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:	Chrystalla Mina Androula Saxiate Administrare Imobiliare S.A.
Company Secretary:	Romanos Secretarial Ltd 30 Karpenisiou Street CY-1077, Nicosia Cyprus
Independent Auditors:	Evoserve Auditors Limited Certifies Public Accountants and Registered Auditors 7, Andrea Papakosta, 1037 P.O Box 21550, Elefterias Square, 1510 Nicosia, Cyprus
Registered office:	30 Karpenisiou Street CY-1077, Nicosia Cyprus
Registration number:	HE323682

MANAGEMENT REPORT

The Board of Directors presents its report and audited financial statements of the Company for the year ended 31 December 2018.

Incorporation
The Company SIF Imobiliare Plc was incorporated in Cyprus on 18 July 2013 as a public company under the provisions of the Cyprus Companies Law, Cap. 113.

Principal activity and nature of operations of the Company
The principal activity of the Company, which is unchanged from last year, is to serve as a holding vehicle of shares in other entities and is engaged in the provision of financing facilities to related entities.

Review of current position, future developments and performance of the Company's business
The Company's development to date, financial results and position as presented in the financial statements are considered satisfactory.

Results
The Company's results for the year are set out on page 9. The net profit for the year attributable to the shareholders of the Company amounted to €1,256,423 (2017: (€351,025)). On 31 December 2018 the total assets of the Company were €34,648,666 (2017: €33,391,069) and the net assets of the Company were €34,611,747 (2017: €33,355,324).

Dividends
The Board of Directors does not recommend the payment of a dividend.

Share capital
There were no changes in the share capital of the Company during the year under review.

Board of Directors
The members of the Company's Board of Directors as at 31 December 2018 and at the date of this report are presented on page 1. All of them were members of the Board of Directors throughout the year ended 31 December 2018.

In accordance with the Company's Articles of Association all Directors presently members of the Board continue in office.

There were no significant changes in the assignment of responsibilities and remuneration of the Board of Directors.

Events after the reporting period
Any significant events that occurred after the end of the reporting period are described in note 21 to the financial statements.

Independent Auditors
The Independent Auditors, Evoserve Auditors Limited, have expressed their willingness to continue in office and a resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board of Directors,

....
Chrystalla Mina
Director

Nicosia, 3 April 2019

Independent Auditor's Report

To the Members of SIF IMOBILIARE PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of parent company SIF IMOBILIARE PLC (the "Company"), which are presented in pages 9 to 27 and comprise the statement of financial position as at 31 December 2018, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of parent company SIF IMOBILIARE PLC as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Independent Auditor's Report (continued)

To the Members of SIF IMOBILIARE PLC

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the "International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants" (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's Report (continued)

To the Members of SIF IMOBILIARE PLC

Material Uncertainty Related to Going Concern

We draw attention to note 2 to the financial statements which indicates that even though the Company has made a profit of €1,256,423 during the year ended 31 December 2018, as of that date the Company's current liabilities exceeded its current assets by €(5,318,422). As stated in note 2, these events or conditions, along with other matters as set forth in note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report (continued)

To the Members of SIF IMOBILIARE PLC

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Management Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

Independent Auditor's Report (continued)

To the Members of SIF IMOBILIARE PLC

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal Requirements

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, the Management Report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap 113, and the information given is consistent with the financial statements.
- In our opinion, and in the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Management Report.

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

We have reported separately on the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2018.

Independent Auditor's Report (continued)

To the Members of SIF IMOBILIARE PLC

Constantinos Montis
Certified Public Accountant and Registered Auditor
for and on behalf of
[name of audit firm]

, 3 April 2019

STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2018

	Note	**2018** **€**	2017 €
Dividend income		**1,206,886**	1,056,038
Loan interest income		**157,063**	122,943
Gross profit		**1,363,949**	1,178,981
Administration expenses		**(54,682)**	(76,722)
Other expenses	5	**-**	(1,407,335)
Operating profit/(loss)	6	**1,309,267**	(305,076)
Net finance costs	7	**(6,287)**	(30,373)
Profit/(loss) before tax		**1,302,980**	(335,449)
Tax	8	**(46,557)**	(15,576)
Net profit/(loss) for the year		**1,256,423**	(351,025)
Other comprehensive income for the year		**-**	-
Total comprehensive income for the year		**1,256,423**	(351,025)

STATEMENT OF FINANCIAL POSITION
31 December 2018

	Note	2018 €	2017 €
ASSETS			
Non-current assets			
Investments in subsidiaries	10	**18,985,625**	19,155,029
Non-current loans receivable	11	**10,307,699**	1,245,486
		29,293,324	20,400,515
Current assets			
Receivables	12	**259**	330
Loans receivable	11	**4,683,196**	11,161,053
Financial assets at fair value through profit or loss	13	**169,404**	-
Refundable taxes	17	**944**	4,315
Cash at bank	14	**501,539**	1,824,856
		5,355,342	12,990,554
Total assets		**34,648,666**	33,391,069
EQUITY AND LIABILITIES			
Equity			
Share capital	15	**4,499,974**	4,499,974
Share premium		**31,037,928**	31,037,928
Accumulated losses		**(926,155)**	(2,182,578)
Total equity		**34,611,747**	33,355,324
Current liabilities			
Other payables	16	**36,920**	35,744
		36,920	35,744
Total equity and liabilities		**34,648,667**	33,391,068

On 3 April 2019 the Board of Directors of SIF IMOBILIARE PLC authorised these financial statements for issue.

....	....
Chrystalla Mina	Androula Saxiate
Director	Director

STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2018

	Share capital €	Share premium €	Accumulated losses €	Total €
Balance at 1 January 2017	**4,499,974**	**31,037,928**	**(1,831,553)**	**33,706,349**
Comprehensive income				
Net loss for the year	-	-	(351,025)	(351,025)
Balance at 31 December 2017/ 1 January 2018	**4,499,974**	**31,037,928**	**(2,182,578)**	**33,355,324**
Comprehensive income				
Net profit for the year	-	-	1,256,423	1,256,423
Balance at 31 December 2018	**4,499,974**	**31,037,928**	**(926,155)**	**34,611,747**

Companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defence at 17% will be payable on such deemed dividends to the extent that the ultimate shareholders are both Cyprus tax resident and Cyprus domiciled. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defence is payable by the Company for the account of the shareholders.

STATEMENT OF CASH FLOWS
Year ended 31 December 2018

	Note	2018 €	2017 €
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**1,302,980**	(335,449)
Adjustments for:			
Unrealised exchange loss		**7,986**	-
Amortisation of computer software	9	**-**	596
Impairment charge - investments in subsidiaries	10	**-**	311,247
Dividend income		**(1,206,886)**	(1,056,038)
Interest income		**(157,063)**	(122,974)
Loss from merger of subsidiaries		**-**	1,096,088
		(52,983)	(106,530)
Changes in working capital:			
Decrease/(increase) in receivables		**71**	(45)
Increase/(Decrease) in other payables		**1,176**	(2,581)
Cash used in operations		**(51,736)**	(109,156)
Dividends received		**1,206,886**	1,056,038
Tax paid		**(43,186)**	(17,524)
Net cash generated from operating activities		**1,111,964**	929,358
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchase of intangible assets	9	**-**	(596)
Loans granted		**(2,435,281)**	-
Loans repayments received		**-**	428,725
Interest received		**-**	31
Net cash (used in)/generated from investing activities		**(2,435,281)**	428,160
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital		**-**	409,113
Net cash generated from financing activities		**-**	409,113
Net (decrease)/increase in cash and cash equivalents		**(1,323,317)**	1,766,631
Cash and cash equivalents at beginning of the year		**1,824,856**	58,225
Cash and cash equivalents at end of the year	14	**501,539**	1,824,856

The notes on pages 13 to 27 form an integral part of these financial statements.

1. Incorporation and principal activities

Country of incorporation

The Company SIF IMOBILIARE PLC (the "Company") was incorporated in Cyprus on 18 July 2013 as a public company under the provisions of the Cyprus Companies Law, Cap. 113. Its registered office is at 30 Karpenisiou Street, CY-1077, Nicosia, Cyprus.

Principal activity

The principal activity of the Company, which is unchanged from last year, is to serve as a holding vehicle of shares in other entities and is engaged in the provision of financing facilities to related entities.

2. Significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. Apart from the accounting policy changes resulting from the adoption of IFRS 9 effective from 1 January 2018, these policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The Company has prepared these parent's separate financial statements for compliance with the requirements of the Cyprus Income Tax Law.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap.113. The financial statements have been prepared under the historical cost convention as modified by the revaluation of, and financial assets and financial liabilities at fair value through profit or loss.

The Company has also prepared consolidated financial statements in accordance with IFRSs for the Company and its subsidiaries (the "Group"). The consolidated financial statements can be obtained from 30 Karpenisiou Street, CY 1077, Nicosia, Cyprus.

Users of these parent's separate financial statements should read them together with the Group's consolidated financial statements as at and for the year ended 31 December 2018 in order to obtain a proper understanding of the financial position, the financial performance and the cash flows of the Company and the Group.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires Management to exercise its judgment in the process of applying the Company's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on Management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

2. Significant accounting policies (continued)

Adoption of new or revised standards and interpretations

As from 1 January 2018, the Company adopted all the IFRSs and International Accounting Standards (IAS), which are relevant to its operations. The adoption of these Standards had a material effect on the financial statements as follows:

- IFRS 9 "Financial Instruments"

(i) IFRS 9 "Financial instruments"

IFRS 9 "Financial instruments" replaces the provisions of IAS 39 that relate to recognition and derecognition of financial instruments and classification and measurement of financial assets and financial liabilities. IFRS 9 further introduces new principles for hedge accounting and a new forwardlooking impairment model for financial assets.

The new standard requires debt financial assets to be classified into two measurement categories: those to be measured subsequently at fair value (either through other comprehensive income (FVOCI) or through profit or loss (either FVTPL or FVPL) and those to be measured at amortized cost. The determination is made at initial recognition. For debt financial assets the classification depends on the entity's business model for managing its financial instruments and the contractual cash flows characteristics of the instruments. For equity financial assets it depends on the entity's intentions and designation.

In particular, assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Lastly, assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss.

For investments in equity instruments that are not held for trading, the classification depends on whether the entity has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. If no such election has been made or the investments in equity instruments are held for trading they are required to be classified at fair value through profit or loss.

IFRS 9 also introduces a single impairment model applicable for debt instruments at amortised cost and fair value through other comprehensive income and removes the need for a triggering event to be necessary for recognition of impairment losses. The new impairment model under IFRS 9 requires the recognition of allowances for doubtful debts based on expected credit losses (ECL), rather than incurred credit losses as under IAS 39. The standard further introduces a simplified approach for calculating impairment on trade receivables as well as for calculating impairment on contract assets and lease receivables; which also fall within the scope of the impairment requirements of IFRS 9.

For financial liabilities, the standard retains most of the requirements of IAS 39. The main change is that, in case where the fair value option is taken for financial liabilities, the part of a fair value change due to the entity's own credit risk is recorded in other comprehensive income rather than in profit or loss, unless this creates an accounting mismatch.

With the introduction of IFRS 9 "Financial Instruments", the IASB confirmed that gains or losses that result from modification of financial liabilities that do not result in derecognition shall be recognized in profit or loss.

2. Significant accounting policies (continued)

IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the "hedge ratio" to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39.

The Company has adopted IFRS 9 with a date of transition of 1 January 2018, which resulted in changes in accounting policies for recognition, classification and measurement of financial assets and liabilities and impairment of financial assets.

Impact of adoption

On 1 January 2018 for debt instruments held by the Company, management has assessed which business models apply to the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI test). In addition separate assessment for equity instruments held by the Company was performed, in respect of whether they are held for trading or not. As a result of both assessments Management has classified its debt and equity instruments into the appropriate IFRS 9 categories.

As a result of the adoption of IFRS 9 the Company revised its impairment methodology for each class of assets subject to the new impairment requirements. From 1 January 2018, the Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI, cash and cash equivalents and bank deposits with original maturity over 3 months and loan commitments and financial guarantees. The impairment methodology applied depends on whether there has been a significant increase in credit risk and whether the debt instruments qualify as low credit risk and whether the debt investments qualify as low credit risk.

Consolidated financial statements

The Company has subsidiary undertakings for which section 142(1)(b) of the Cyprus Companies Law Cap. 113 requires consolidated financial statements to be prepared and laid before the Company at the Annual General Meeting. The Group consolidated financial statements comprise the financial statements of the parent company SIF IMOBILIARE PLC and the financial statements of the following subsidiaries:

- Comalin SA
- SIFI BH EST SA (ex. name: S.C. Legume Fructe S.A.)
- SIFI CLUJ Retail AS (ex. name: Arta Culinara SA)
- SIFI CJ Logistic SA (ex. name: Comat Cluj SA)
- SIFI CJ Agro SA (ex. name: Comcereal Cluj SA)
- SIFI CJ Storage SA (ex. name: Napotex SA)
- Uniteh SA
-Administrare Imobiliare SA
- SIFI BH IND VEST SA (ex. name: Vest Metal SA)
- Bistrita Cluj SA
- SIFI CJ Office SA
- Cora SA
- SIFI Baia Mare SA (ex. name: M.C.B. SA)
- SIFI SIGHET SA (ex. name: Soiza SA)
- SIFI B ONE SA
- SIFI BH Retail S.A
- SIFI TM AGRO
- SIFI Properties SA

The financial statements of all the Group companies are prepared using uniform accounting policies. All inter-company transactions and balances between Group companies have been eliminated during consolidation.

2. Significant accounting policies (continued)

Subsidiary companies

Subsidiaries are entities controlled by the Company. Control exists where the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Investments in subsidiary companies are stated at cost less provision for impairment in value, which is recognised as an expense in the period in which the impairment is identified.

Revenue recognition

Revenues earned by the Company are recognised on the following bases:

- **Interest income**

  Interest income is recognised on a time-proportion basis using the effective interest method.

- **Dividend income**

  Dividend income is recognised when the right to receive payment is established.

Finance income

Interest income is recognised on a time-proportion basis using the effective method.

Finance costs

Interest expense and other borrowing costs are charged to profit or loss as incurred.

Foreign currency translation

(1) Functional and presentation currency
Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Euro (€), which is the Company's functional and presentation currency.

(2) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Translation differences on non-monetary items such as equities held at fair value through profit or loss are reported as part of the fair value gain or loss.

Tax

Current tax liabilities and assets are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and laws that have been enacted, or substantively enacted, by the reporting date.

Dividends

Dividend distribution to the Company's shareholders is recognised in the Company's financial statements in the year in which they are approved by the Company's shareholders.

2. Significant accounting policies (continued)

Computer software

Costs that are directly associated with identifiable and unique computer software products controlled by the Company and that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets. Subsequently computer software is carried at cost less any accumulated amortisation and any accumulated impairment losses. Expenditure which enhances or extends the performance of computer software programs beyond their original specifications is recognised as a capital improvement and added to the original cost of the computer software. Costs associated with maintenance of computer software programs are recognised as an expense when incurred. Computer software costs are amortised using the straight-line method over their useful lives, not exceeding a period of three years. Amortisation commences when the computer software is available for use.

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

Financial instruments

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Loans granted

Loans originated by the Company by providing money directly to the borrower are categorised as loans and are carried at amortised cost. The amortised cost is the amount at which the loan granted is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility. All loans are recognised when cash is advanced to the borrower.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

2. Significant accounting policies (continued)

Financial instruments (continued)

Financial assets Classification

From 1 January 2018, the Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification and subsequent measurement of debt financial assets depends on: (i) the Company's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset. On initial recognition, the Company may irrevocably designate a debt financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

For investments in equity instruments that are not held for trading, classification will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). This election is made on an investment?by?investment basis.

All other financial assets are classified as measured at FVTPL.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

Financial assets Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

Financial assets Reclassification

Financial instruments are reclassified only when the business model for managing those assets changes. The reclassification has a prospective effect and takes place from the start of the first reporting period following the change.

New accounting pronouncements

At the date of approval of these financial statements, standards and interpretations were issued by the International Accounting Standards Board which were not yet effective. Some of them were adopted by the European Union and others not yet. The Board of Directors expects that the adoption of these accounting standards in future periods will not have a material effect on the financial statements of the Company.

2. Significant accounting policies (continued)

Financial instruments (continued)

Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash at bank.

Share capital

Ordinary shares are classified as equity. The difference between the fair value of the consideration received by the Company and the nominal value of the share capital being issued is taken to the share premium account.

Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

3. Financial risk management

Financial risk factors
The Company is exposed to credit risk, liquidity risk, currency risk and capital risk management arising from the financial instruments it holds. The risk management policies employed by the Company to manage these risks are discussed below:

3.1 Credit risk
Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The Company has no significant concentration of credit risk. The Company has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history and monitors on a continuous basis the ageing profile of its receivables.

3.2 Liquidity risk
Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Company has procedures with the object of minimising such losses such as maintaining liquid current assets and by having available an adequate amount of committed credit facilities.

3.3 Currency risk
Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's measurement currency. The Company is exposed to foreign exchange risk arising from various currency exposures. The Company's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

3.4 Capital risk management
The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Company's overall strategy remains unchanged from last year.

4. Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires Management to exercise its judgment in the process of applying the Company's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on Management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- **Income taxes**

  Significant judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

- **Fair value of financial assets**

  The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each reporting date. The fair value of the financial assets available for sale has been estimated based on the fair value of these individual assets.

- **Impairment of investments in subsidiaries**

  The Company periodically evaluates the recoverability of investments in subsidiaries whenever indicators of impairment are present. Indicators of impairment include such items as declines in revenues, earnings or cash flows or material adverse changes in the economic or political stability of a particular country, which may indicate that the carrying amount of an asset is not recoverable. If facts and circumstances indicate that investment in subsidiaries may be impaired, the estimated future discounted cash flows associated with these subsidiaries would be compared to their carrying amounts to determine if a write-down to fair value is necessary.

- **Impairment of loans receivable**

  The Company periodically evaluates the recoverability of loans receivable whenever indicators of impairment are present. Indicators of impairment include such items as declines in revenues, earnings or cash flows or material adverse changes in the economic or political stability of a particular country in which the borrower operates, which may indicate that the carrying amount of the loan is not recoverable. If facts and circumstances indicate that loans receivable may be impaired, the estimated future discounted cash flows associated with these loans would be compared to their carrying amounts to determine if a write-down to fair value is necessary.

5. Other expenses

	2018	2017
	€	€
Loss from merger of subsidiaries	**-**	1,096,088
Impairment charge - investments in subsidiaries	**-**	311,247

6. Operating profit/(loss)

	2018	2017
	€	€
Operating profit/(loss) is stated after charging the following items:		
Amortisation of computer software (Note 9)	**-**	596
Auditors' remuneration	**17,850**	17,850

7. Finance income/(costs)

	2018	2017
	€	€
Interest income	**-**	31
Exchange profit	**161**	-
Finance income	**161**	31
Net foreign exchange losses	**(5,037)**	(28,460)
Sundry finance expenses	**(1,411)**	(1,944)
Finance costs	**(6,448)**	(30,404)
Net finance costs	**(6,287)**	(30,373)

8. Tax

	2018	2017
	€	€
Corporation tax	**14,626**	10,806
Overseas tax	**31,931**	4,770
Charge for the year	**46,557**	15,576

The tax on the Company's profit before tax differs from theoretical amount that would arise using the applicable tax rates as follows:

	2018	2017
	€	€
Profit/(loss) before tax	**1,302,980**	(335,449)
Tax calculated at the applicable tax rates	**162,873**	(41,931)
Tax effect of expenses not deductible for tax purposes	**2,084**	184,820
Tax effect of allowances and income not subject to tax	**(150,882)**	(132,083)
10% additional charge	**551**	-
Overseas tax	**31,931**	4,770
Tax charge	**46,557**	15,576

The corporation tax rate is 12,5%.

8. Tax (continued)

Under certain conditions interest income may be subject to defence contribution at the rate of 30%. In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 17%.

9. Intangible assets

	Website
	€
Cost	
Impairment charge	596
Balance at 31 December 2017/ 1 January 2018	**596**
Balance at 31 December 2018	**596**
Amortisation	
Amortisation for the year (Note 6)	596
Balance at 31 December 2017/ 1 January 2018	**596**
Balance at 31 December 2018	**596**
Net book amount	
Balance at 31 December 2018	**-**

The Company maintains the website www.sif-imobiliare.com.

10. Investments in subsidiaries

	2018	2017
	€	€
Balance at 1 January	**19,155,029**	20,562,364
Additions	**-**	114,144
Impairment charge	**-**	(311,247)
Reclassification to Financial assets at fair value through profit and loss (Note 13)	**(169,404)**	-
Merger of subsidiaries	**-**	(1,210,232)
Balance at 31 December	**18,985,625**	19,155,029

10. Investments in subsidiaries (continued)

The details of the subsidiaries are as follows:

Name	Principal activities	2018 Holding %	2017 Holding %	2018 €	2017 €
Comalin SA	Investment property	**91.1715**	91.1715	**3,092,601**	3,092,601
SIFI BH EST SA	Investment property	**94.7665**	94.7665	**814,778**	814,778
SIFI CLUJ Retail SA	Investment property	**96.3640**	96.3640	**6,009,094**	6,009,094
SIFI CJ Logistic SA	Investment property	**84.7435**	84.7435	**871,303**	871,303
SIFI CJ Agro SA	Trade with cereals	**97.5043**	97.5043	**1,171,918**	1,171,918
SIFI CJ Storage SA	Investment property	**92.0989**	92.0989	**781,685**	781,685
Uniteh SA	Investment property	**50.1978**	50.1978	**1,176,319**	1,176,319
Administrare Imobiliare SA (Note 1)	Management and consulting	-	98.9040	**-**	169,404
SIFI BH IND VEST SA	Investment property	**98.9458**	98.9458	**1,747,017**	1,747,017
Bistrita Cluj SA	Investment property	**91.9778**	91.9778	**291,159**	291,159
SIFI CJ OFFICE SA	Investment property	**98.8252**	98.8252	**1,229,297**	1,229,297
CORA SA	Investment property	**93.9631**	93.9631	**404,053**	404,053
SIFI BAIA MARE SA	Investment property	**92.5906**	92.5906	**925,672**	925,672
SIFI SIGHET SA	Investment property	**72.2816**	72.2816	**300,074**	300,074
SIFI B ONE SA	Investment property	**90.7874**	90.7874	**112,379**	112,379
SIFI BH Retail SA	Investment property	**99.9000**	99.9000	**20,513**	20,513
SIFI TM AGRO SA	Investment property	**50.0000**	50.0000	**10,854**	10,854
SIFI Properties SA	Investment property	**99.9000**	99.9000	**26,909**	26,909
				18,985,625	19,155,029

(1) Administrare Imobiliare SA increased its share capital from 428.751 shares to 16.478.492 shares on 19 December 2018. The number of shares held by the Company remained the same (424.052 shares) but due to the increase of the total number of shares, the percentage held by SIF Imobiliare PLC was decreased from 98.9040% to 2.5734%.

11. Non-current loans receivable

	2018 €	2017 €
Balance at 1 January	**12,406,539**	12,712,321
New loans granted	**2,435,281**	-
Repayments	**-**	(428,725)
Interest charged	**157,063**	122,943
Exchange difference	**(7,988)**	-
Balance at 31 December	**14,990,895**	12,406,539

	2018 €	2017 €
Loans to own subsidiaries (Note 18.1)	**14,313,043**	12,406,539
Loans to related parties (Note 18.2)	**677,852**	-
	14,990,895	12,406,539
Less current portion	**(4,683,196)**	(11,161,053)
Non-current portion	**10,307,699**	1,245,486

11. Non-current loans receivable (continued)

The loans are repayable as follows:

	2018	2017
	€	€
Within one year	**4,683,196**	11,161,053
Between one and five years	**10,307,699**	1,245,486
	14,990,895	12,406,539

The exposure of the Company to credit risk in relation to loans receivable is reported in note 3 of the financial statements.

The fair values of non-current receivables approximate to their carrying amounts as presented above

The loans to Directors were provided interest free and are repayable monthly over three years. Upon origination these loans were re-measured at fair value, being the future cash flows discounted at market interest rates prevailing for similar instruments. The interest income is recognised on the fair value of the loans using the effective interest method. The difference between the fair value and the nominal value of the loans is taken to profit or loss.

12. Receivables

	2018	2017
	€	€
Prepayments	**259**	285
Deferred expenses	**-**	45
	259	330

The fair values of receivables due within one year approximate to their carrying amounts as presented above

The exposure of the Company to credit risk and impairment losses in relation to receivables is reported in note 3 of the financial statements.

13. Financial assets at fair value through profit or loss

	2018	2017
	€	€
Balance at 1 January	**-**	-
Reclassification from Investment in subsidiaries (Note 10)	**169,404**	-
Balance at 31 December	**169,404**	-

In the statement of cash flows, financial assets at fair value through profit or loss are presented within the section on operating activities as part of changes in working capital. In the statement of comprehensive income, changes in fair values of financial assets at fair value through profit or loss are recorded in operating income.

14. Cash at bank

For the purposes of the statement of cash flows, the cash and cash equivalents include the following:

	2018	2017
	€	€
Cash at bank	**501,539**	1,824,856

The exposure of the Company to credit risk and impairment losses in relation to cash and cash equivalents is reported in note 3 of the financial statements.

15. Share capital

	2018 Number of shares	2018 €	2017 Number of shares	2017 €
Authorised				
Ordinary shares of €1 each	**4,499,974**	**4,499,974**	4,499,974	4,499,974
		€		€
Issued and fully paid				
Balance at 1 January	**4,499,974**	**4,499,974**	4,090,861	4,090,861
Issue of shares	**-**	**-**	409,113	409,113
Balance at 31 December	**4,499,974**	**4,499,974**	4,499,974	4,499,974

16. Other payables

	2018	2017
	€	€
Accruals	**36,831**	35,700
Other creditors	**89**	44
	36,920	35,744

The fair values of other payables due within one year approximate to their carrying amounts as presented above

17. Refundable taxes

	2018	2017
	€	€
Corporation tax	**(944)**	(4,315)

18. Related party transactions

The following transactions were carried out with related parties:

18.1 Loans to subsidiaries (Note 11)

	2018	2017
	€	€
Administrare Imobiliare SA-principal amount	**-**	169,000
Administrare Imobiliare SA- accrued interest	**-**	55,957
SIFI TM AGRO-principal amount	**9,317,311**	9,317,311
SIFI TM AGRO-accrued interest	**382,986**	289,813
SIFI B ONE SA-principal amount	**410,000**	410,000
SIFI B ONE SA- accrued interest	**19,927**	15,826
SIFI BH RETAIL-principal amount	**4,049,944**	2,072,507
SIFI BH RETAIL- accrued interest	**132,875**	76,125
	14,313,043	12,406,539

The loans receivable from the subsidiaries bear interest 1% and 3.5% per annum and are expected to be repaid in 2019, 2020 and 2024.

18.2 Loans to related parties (Note 11)

	2018	2017
	€	€
Administrare Imobiliare SA-principal amount	**619,000**	-
Administrare Imobiliare SA- accrued interest	**58,852**	-
	677,852	-

The loans receivable from Administrare Imobiliare SA bear interest 1% and 3.5% per annum and are expected to be repaid in 2019 and in 2024.

18.3 Interest income

	2018	2017
	€	€
Administrare Imobiliare	**2,896**	1,690
SIFI TM AGRO	**93,172**	96,428
SIFI B ONE SA	**4,100**	4,100
SIFI BH RETAIL	**56,895**	20,725
	157,063	122,943

18.4 Dividend income

	2018	2017
	€	€
SIFI CJ Storage SA	**105,322**	89,982
Comalim SA	**66,410**	20,132
Cluj Retail SA	**507,600**	633,410
SIFI Sighet SA	**9,066**	6,398
SIFI Baia Mare SA	**51,513**	75,610
SIFI BH Est SA	**90,173**	96,078
SIFI BH Retail SA	**329,082**	134,428
SIFI CJ Logistic SA	**21,460**	-
Uniteh SA	**26,260**	-
	1,206,886	1,056,038

19. Contingent liabilities

The Company had no contingent liabilities as at 31 December 2018.

20. Commitments

The Company had no capital or other commitments as at 31 December 2018.

21. Events after the reporting period

On 13 February 2019 SIF Imobiliare PLC signed the documents of the transaction for the disposal of all 18.000 shares held in TM Agro SA, representing the 50% of its share capital, together with the receivables against TM Agro SA, for the price of EUR15,603,026.01, transaction to be completed subject to the fulfillment of several conditions precedent within 90 days.

On March 6, 2019 SIF Imobiliare PLC cashed 9,603,026.01 as part of the transaction.

There were no other material events after the reporting period, which have a bearing on the understanding of the financial statements.

Independent auditor's report on pages 3 to 8