SIF IMOBILIARE PLC

REPORT AND FINANCIAL STATEMENTS

Year ended 31 December 2019

SIF IMOBILIARE PLC

REPORT AND FINANCIAL STATEMENTS
Year ended 31 December 2019

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 Certified 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 2019.

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 €7,580,460 (2018: (€1,256,423). On 31 December 2019 the total assets of the Company were €42,228,797 (2018: €34,648,666) and the net assets of the Company were €42,192,207 (2018: €34,611,747).

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 2019 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 2019.

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 22 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, 8 April 2020

Evoserve Auditors Limited
Evoserve House, 7 Andrea Papakosta, P.C. 1037 Nicosia
P.O. Box 21550 Eleftherias Square, 1510 Nicosia, Cyprus
Tel.: +357 22 43 43 70, Fax: +357 22 43 43 72
e-mail: info@evoserve.eu, www.evoserve.eu

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 25 and comprise the statement of financial position as at 31 December 2019, 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 the parent company as at 31 December 2019, 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.

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 evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, 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.

AUDIT • TAX • CONSULTING

Evoserve Auditors Limited
Evoserve House, 7 Andrea Papakosta, P.C. 1037 Nicosia
P.O. Box 21550 Eleftherias Square, 1510 Nicosia, Cyprus
Tel.: +357 22 43 43 70, Fax: +357 22 43 43 72
e-mail: info@evoserve.eu, www.evoserve.eu

Independent Auditor's Report (continued)

To the Members of SIF IMOBILIARE PLC

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Valuation of investment in subsidiaries (refer to Note 12 to the Financial Statements)</td></tr>
<tr><td>The Company holds investments in subsidiaries at the total value of Euro 18.974.771 as at 31 December 2019 which represents approximately 44,93% of the total assets of the Company. The subsidiaries held by the Company are incorporated in Romania and their main activities is that of holding of investment properties in Romania.

Management 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, which may indicate that the carrying amount of an asset is not recoverable. In addition, management obtains valuation reports for all the investment properties held from external independent valuators. Management assessment on the valuation of the investment is subsidiaries is based on estimations and judgement.

The investments in subsidiaries are stated at cost and we consider the impairment testing of the investment in subsidiaries as a key audit matter due to their significance on the statement of financial position and due to the fact that management exercise significant judgment and estimations.</td><td>Our audit procedures included the following:

- Evaluated the management assessment in relation to the possible impairment of the investment in subsidiaries.

- Obtained the audited financial statements of all of the subsidiaries and to assess whether there is an indication of impairment based on their performance and their net assets value.

- Based on our findings we have discussed with the management the possible impairment of the investment in subsidiaries.

- Obtained the valuation reports performed from independent valuators in relation to the investment properties held by the subsidiaries and to assess the independence and the qualifications of the external valuator.

Based on the results of our audit procedures we have obtained adequate assurance in regard to the valuation of the investment in subsidiaries.</td></tr>
</table>

Evoserve Auditors Limited
Evoserve House, 7 Andrea Papakosta, P.C. 1037 Nicosia
P.O. Box 21550 Eleftherias Square, 1510 Nicosia, Cyprus
Tel.: +357 22 43 43 70, Fax: +357 22 43 43 72
e-mail: info@evoserve.eu, www.evoserve.eu

Independent Auditor's Report (continued)

To the Members of SIF IMOBILIARE PLC

<table>
<tr><th>Key audit matter</th><th>How our audit addresses the key audit matter</th></tr>
<tr><td colspan="2">Recoverability of loans receivables (refer to Note 13 to the Financial Statements)</td></tr>
<tr><td>The Company has loans receivables of the total value of Euro 20.965.430 as at 31 December 2019 which represents approximately 49,65% of the total assets of the Company. The loans receivable was granted to the subsidiaries of the Company in order to finance them for their activities.

Management 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 in which the borrower operates, which may indicate that the carrying amount of the loan is not recoverable.

We consider the recoverability of the loans receivable as a key audit matter due to their significance on the statement of financial position and due to the fact that the management exercise significant judgment and estimations in order to assess whether there is an indication of impairment in the loans receivable.</td><td>Our audit procedures included the following:

- Evaluated the management assessment in relation to the recoverability of the loans receivable.

- Reviewed the terms of the loan agreements and whether all the conditions of the loan are met.

- Obtained the signed audited financial statements of all of the subsidiaries and to assess whether the subsidiaries have the necessary assets to repay their debts.

- Based on our findings we have assessed with management the possible impairment in the value of the loans receivable

- Obtained the valuation reports performed from independent valuators in relation to the investment properties held by the subsidiaries and to assess the independence and the qualifications of the external valuator.

Based on the results of our audit procedures we have obtained adequate assurance regarding the recoverability of the loans receivable.</td></tr>
</table>

Other information

The Board of Directors is responsible for the other information. The other information comprises the informati 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.

Evoserve Auditors Limited
Evoserve House, 7 Andrea Papakosta, P.C. 1037 Nicosia
P.O. Box 21550 Eleftherias Square, 1510 Nicosia, Cyprus
Tel.: +357 22 43 43 70, Fax: +357 22 43 43 72
e-mail: info@evoserve.eu, www.evoserve.eu

Independent Auditor's Report (continued)

To the Members of SIF IMOBILIARE PLC

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.

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 judgement and maintain professional skepticism 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.

AUDIT • TAX • CONSULTING

Evoserve Auditors Limited
Evoserve House, 7 Andrea Papakosta, P.C. 1037 Nicosia
P.O. Box 21550 Eleftherias Square, 1510 Nicosia, Cyprus
Tel.: +357 22 43 43 70, Fax: +357 22 43 43 72
e-mail: info@evoserve.eu, www.evoserve.eu

Independent Auditor's Report (continued)

To the Members of SIF IMOBILIARE PLC

- 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.

From the matters communicated with the Board of Directors, we determine those matters were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweight the public interest benefits of such communication.

Report on Other Legal Requirements

Pursuant to the additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws 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.

Evoserve Auditors Limited
Evoserve House, 7 Andrea Papakosta, P.C. 1037 Nicosia
P.O. Box 21550 Eleftherias Square, 1510 Nicosia, Cyprus
Tel.: +357 22 43 43 70, Fax: +357 22 43 43 72
e-mail: info@evoserve.eu, www.evoserve.eu

Independent Auditor's Report (continued)

To the Members of SIF IMOBILIARE PLC

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.

The engagement partner on the audit resulting in this independent auditor's report is Constantinos Montis.

Constantinos Montis, BSc ACA
Certified Public Accountant and Registered Auditor
for and on behalf of
Evoserve Auditors Limited
Certified Public Accountants and Registered Auditors

Nicosia, 8 April 2020

STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2019

	Note	2019 €	2018 €
Dividend income	20.4	**1,489,564**	1,206,886
Loan interest income	20.3	**276,166**	157,063
Gross profit		**1,765,730**	1,363,949
Other operating income	7	**6,039,146**	-
Administration expenses		**(60,989)**	(54,682)
Operating profit	8	**7,743,887**	1,309,267
Net finance costs	9	**(116,371)**	(6,287)
Profit before tax		**7,627,516**	1,302,980
Tax	10	**(47,056)**	(46,557)
Net profit for the year		**7,580,460**	1,256,423
Other comprehensive income		**-**	-
Total comprehensive income for the year		**7,580,460**	1,256,423

The notes on pages 13 to 25 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
31 December 2019

	Note	2019 €	2018 €
ASSETS			
Non-current assets			
Investments in subsidiaries	12	**18,974,771**	18,985,625
Non-current loans receivable	13	-	10,307,699
		18,974,771	29,293,324
Current assets			
Receivables	14	-	259
Loans receivable	13	**20,965,430**	4,683,196
Financial assets at fair value through profit or loss	15	**169,404**	169,404
Refundable taxes	19	**5,713**	944
Cash at bank	16	**2,113,479**	501,539
		23,254,026	5,355,342
Total assets		**42,228,797**	34,648,666
EQUITY AND LIABILITIES			
Equity			
Share capital	17	**4,499,974**	4,499,974
Share premium		**31,037,928**	31,037,928
Retained earnings /(accumulated losses)		**6,654,305**	(926,155)
Total equity		**42,192,207**	34,611,747
Current liabilities			
Other payables	18	**36,590**	36,919
		36,590	36,919
Total equity and liabilities		**42,228,797**	34,648,666

On 8 April 2020 the Board of Directors of SIF IMOBILIARE PLC authorised these financial statements for issue.

....
Chrystalla Mina
Director

....
Androula Saxiate
Director

STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2019

	Share capital €	Share premium €	Retained earnings/ (accumulated losses) €	Total €
Balance at 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/ 1 January 2019	**4,499,974**	**31,037,928**	**(926,155)**	**34,611,747**
Comprehensive income				
Net profit for the year	-	-	7,580,460	7,580,460
Balance at 31 December 2019	**4,499,974**	**31,037,928**	**6,654,305**	**42,192,207**

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 2019

	Note	2019 €	2018 €
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**7,627,516**	1,302,980
Adjustments for:			
Unrealised exchange loss		**91,255**	7,987
Profit from the sale of investments in subsidiaries	7	**(6,039,146)**	-
Dividend income	20.4	**(1,489,564)**	(1,206,886)
Interest income	20.3	**(276,166)**	(157,063)
		(86,105)	(52,982)
Changes in working capital:			
Decrease in receivables		**259**	71
(Decrease)/increase in other payables		**(329)**	1,175
Cash used in operations		**(86,175)**	(51,736)
Dividends received		**1,489,564**	1,206,886
Tax paid		**(51,825)**	(43,186)
Net cash generated from operating activities		**1,351,564**	1,111,964
CASH FLOWS FROM INVESTING ACTIVITIES			
Loans granted	13	**(15,499,785)**	(2,435,281)
Loans repayments received	13	**9,710,161**	-
Proceeds from sale of investments in subsidiary undertakings		**6,050,000**	-
Net cash generated from/(used in) investing activities		**260,376**	(2,435,281)
Net increase/(decrease) in cash and cash equivalents		**1,611,940**	(1,323,317)
Cash and cash equivalents at beginning of the year		**501,539**	1,824,856
Cash and cash equivalents at end of the year	16	**2,113,479**	501,539

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. 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 2019 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.

3. 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.

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:

3. Significant accounting policies (continued)

Consolidated financial statements (continued)

- 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 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.

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

- **Interest income**

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

- **Dividend income**

  Dividends are received from financial assets measured at fair value through profit or loss (FVTPL) and at fair value through other comprehensive income (FVOCI). Dividends are recognised as other income in profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment. In this case, the dividend is recognised in OCI if it relates to an investment measured at FVOCI.

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.

3. Significant accounting policies (continued)

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.

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 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.

3. Significant accounting policies (continued)

Financial assets - Classification (continued)

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 - Recognition and derecognition

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date when the Company commits to deliver a financial instrument. All other purchases and sales are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

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 with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

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.

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.

3. Significant accounting policies (continued)

Comparatives

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

4. 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.

5. 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:

5.1 Credit risk
Credit risk arises from cash and cash equivalents, contractual cash flows of debt investments carried at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVTPL), favourable derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and contract assets.

5.2 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.

5.3 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.

5.4 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.

6. 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.

6. Critical accounting estimates and judgments (continued)

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 at fair value through other comprehensive income 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.

7. Other operating income

	2019	2018
	€	€
Profit from sale of investments in subsidiaries	6,039,146	-

8. Operating profit

	2019	2018
	€	€
Operating profit is stated after charging the following items:		
Auditors' remuneration	17,850	17,850

9. Finance income/(costs)

	2019 €	2018 €
Exchange profit	-	161
Finance income	-	161
Net foreign exchange losses	**(113,972)**	(5,037)
Sundry finance expenses	**(2,399)**	(1,411)
Finance costs	**(116,371)**	(6,448)
Net finance costs	**(116,371)**	(6,287)

10. Tax

	2019 €	2018 €
Corporation tax	**28,245**	14,626
Overseas tax	**18,811**	31,931
Charge for the year	**47,056**	46,557

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

	2019 €	2018 €
Profit before tax	**7,627,516**	1,302,980
Tax calculated at the applicable tax rates	**953,440**	162,873
Tax effect of expenses not deductible for tax purposes	**15,895**	2,084
Tax effect of allowances and income not subject to tax	**(941,090)**	(150,882)
10% additional charge	-	551
Overseas tax	**18,811**	31,931
Tax charge	**47,056**	46,557

The corporation tax rate is 12,5%.

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%.

11. Intangible assets

	Website €
Cost	
Balance at 1 January 2018	596
Balance at 31 December 2018/ 1 January 2019	**596**
Balance at 31 December 2019	**596**
Amortisation	
Balance at 1 January 2018	596
Balance at 31 December 2018/ 1 January 2019	**596**
Balance at 31 December 2019	**596**
Net book amount	
Balance at 31 December 2019	**-**

The Company maintains the website http://sif-imobiliare.ro/.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2019

12. Investments in subsidiaries

	2019 €	2018 €
Balance at 1 January	**18,985,625**	19,155,029
Disposals	**(10,854)**	-
Reclassification to Financial assets at fair value through profit and loss (Note 15)	**-**	(169,404)
Balance at 31 December	**18,974,771**	18,985,625

The details of the subsidiaries are as follows:

Name	Country of incorporation or residence	Principal activities	2019 Holding %	2018 Holding %	2019 €	2018 €
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
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 (Note 1)		Investment property	**-**	50.0000	**-**	10,854
SIFI Properties SA		Investment property	**99.9000**	99.9000	**26,909**	26,909
					18,974,771	18,985,625

(1) On 13 February 2019 the Company disposed all 18,000 shares held in SIFI TM Agro SA, representing the 50% of its share capital, together with the loan receivables against SIFI TM Agro SA, for the price of €15,603,026. The profit from the disposal of the subsidiary was €6,039,146 (Note 7).

13. Non-current loans receivable

	2019	2018
	€	**€**
Balance at 1 January	**14,990,895**	12,406,539
New loans granted	**15,499,785**	2,435,281
Repayments	**(9,710,161)**	-
Interest charged	**276,166**	157,063
Exchange difference	**(91,255)**	(7,988)
Balance at 31 December	**20,965,430**	14,990,895

	2019	2018
	€	**€**
Loans to own subsidiaries (Note 20.1)	**18,581,817**	14,313,043
Loans to related parties (Note 20.2)	**2,383,613**	677,852
	20,965,430	14,990,895
Less current portion	**(20,965,430)**	(4,683,196)
Non-current portion	**-**	10,307,699

The loans are repayable as follows:

	2019	2018
	€	**€**
Within one year	**20,965,430**	4,683,196
Between one and five years	**-**	10,307,699
	20,965,430	14,990,895

The exposure of the Company to credit risk in relation to loans receivable is reported in note 5 of the financial statements.

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

14. Receivables

	2019	2018
	€	**€**
Prepayments	**-**	259

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 5 of the financial statements.

15. Financial assets at fair value through profit or loss

	2019	2018
	€	**€**
Balance at 1 January	**169,404**	-
Reclassification from Investment in subsidiaries (Note 12)	**-**	169,404
Balance at 31 December	**169,404**	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.

16. Cash at bank

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

	2019	2018
	€	€
Cash at bank	**2,113,479**	501,539

The exposure of the Company to credit risk and impairment losses in relation to cash and cash equivalents is reported in note 5 of the financial statements.

17. Share capital

	2019 Number of shares	2019 €	2018 Number of shares	2018 €
Authorised				
Ordinary shares €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**	4,499,974	4,499,974
Balance at 31 December	**4,499,974**	**4,499,974**	4,499,974	4,499,974

18. Other payables

	2019	2018
	€	€
Accruals	**36,590**	36,830
Other creditors	-	89
	36,590	36,919

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

19. Refundable taxes

	2019	2018
	€	€
Corporation tax	**(5,713)**	(944)

20. Related party transactions

The following transactions were carried out with related parties:

20.1 Loans to subsidiaries (Note 13)

	2019	2018
	€	€
SIFI TM AGRO-principal amount	-	9,317,311
SIFI TM AGRO-accrued interest	-	382,986
SIFI B ONE SA-principal amount	**410,000**	410,000
SIFI B ONE SA- accrued interest	**24,027**	19,927
SIFI BH RETAIL-principal amount	**17,804,063**	4,049,944
SIFI BH RETAIL- accrued interest	**343,727**	132,875
	18,581,817	14,313,043

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

20.2 Loans to related parties (Note 13)

	2019	2018
	€	€
Administrare Imobiliare SA-principal amount	**2,275,925**	619,000
Administrare Imobiliare SA- accrued interest	**107,688**	58,852
	2,383,613	677,852

The loans receivable from Administrare Imobiliare SA bear interest 1% and 3.5% per annum and are expected to be repaid in 2020.

20.3 Interest income

	2019	2018
	€	€
Administrare Imobiliare	**49,289**	2,896
SIFI TM AGRO	**9,865**	93,172
SIFI B ONE SA	**4,100**	4,100
SIFI BH RETAIL	**212,912**	56,895
	276,166	157,063

20.4 Dividend income

	2019	2018
	€	€
SIFI CJ Storage SA	**159,379**	105,322
Comalim SA	**123,136**	66,410
Cluj Retail SA	**661,583**	507,600
SIFI Sighet SA	**20,169**	9,066
SIFI Baia Mare SA	**68,807**	51,513
SIFI BH Est SA	-	90,173
SIFI BH Retail SA	-	329,082
SIFI CJ Logistic SA	**63,196**	21,460
Cora SA	**42,940**	-
SIFI B One SA	**322,274**	-
Uniteh SA	**28,080**	26,260
	1,489,564	1,206,886

21. Commitments

The Company had no capital or other commitments as at 31 December 2019.

22. Events after the reporting period

There were no 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