AGRICOVER SA

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2019

PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL
REPORTING STANDARDS
as adopted by European Union

AGRICOVER SA

FINANCIAL STATEMENTS

31 DECEMBER 2019

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Building a better working world

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Agricover S.A.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Agricover S.A. (the Company), with official head office: Cubic Center, 1B Pipera Boulevard, Floor 6, Voluntari, Ilfov County, identified by sole fiscal registration number 13443360, which comprise the statement of financial position as at December 31, 2019, statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2019, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards, as adopted by the European Union ("IFRS").

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 Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) as issued by the International Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements that are relevant to the audit of the financial statements in Romania, including Regulation (EU) No. 537/2014 and Law 162/2017 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.

Responsibilities of Management and those charged with governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management 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, management 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are 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 auditors’ 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 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's 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 auditors’ 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 auditors’ 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 fair presentation.

We communicate with those charged with governance 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.

On behalf of,
Ernst & Young Assurance Services SRL
15-17, Ion Mihalache Blvd., floor 21, Bucharest, Romania

Autoritatea pentru Supravegherea Publică a Activității de Audit Statutar (ASPAAS)
Firma de audit: ERNST & YOUNG ASSURANCE SERVICES S.R.L.
Registrul Public Electronic: FA77

Ion Bogdan, Partner

Autoritatea pentru Supravegherea Publică a Activității de Audit Statutar (ASPAAS)
Auditor financiar: Ion Bogdan
Registrul Public Electronic: AF1565

Bucharest, Romania
5 June 2020

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019
(All amounts in RON unless otherwise stated)

	Notes	31 December 2019	31 December 2018 restated
ASSETS			
Non-current assets			
Property, plant and equipment	8	3,232,703	79,087,527
Investment property	9	-	11,474,274
Intangible assets	10	1,221,302	1,831,659
Right of use assets	21	14,468,372	-
Finance lease receivable from related parties – long term	21	1,178,754	-
Investments in associates	12	10	10
Other non-current receivables	14	18,274,203	6,467,019
Total non-current assets		38,375,344	98,860,489
Current assets			
Inventories	13	57,493,725	67,228,947
Trade and other receivables	14	350,416,631	310,768,561
Finance lease receivable from related parties – short term	21	1,073,896	-
Cash and cash equivalents	15	450,649	1,310,564
		409,434,901	379,308,072
Assets classified as held for sale	16	28,552,246	23,848,919
Total current assets		437,987,147	403,156,991
Total assets		476,362,491	502,017,480
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	17	10,463,636	26,499,699
Revaluation reserves	20	20,375,829	92,386,494
Other reserves		3,560,642	5,392,548
Losses related to equity instruments	18	-	(1,819,566)
Retained earnings	19	76,973,227	(1,067,467)
Total equity		111,373,334	121,391,708
Non-current liabilities			
Borrowings	21	16,766,757	20,629,812
Deferred tax liability	29	1,659,974	5,931,753
Total non-current liabilities		18,426,731	26,561,565
Current liabilities			
Trade and other payables	23	247,896,933	233,582,133
Income tax liability		4,340,393	3,572,465
Borrowings	21	82,368,997	107,353,072
Contract liabilities	24	6,100,280	9,556,537
Liabilities directly associated with the assets held for sale	16	5,855,822	-
Total current liabilities		346,562,425	354,064,207
Total liabilities		364,989,156	380,625,772
Total equity and liabilities		476,362,490	502,017,480

Approved for issue and signed on behalf of the Board of Directors on 05 June 2020.

Liviu Dobre
President of the Board of Directors

Violeta Georgescu
Chief Accountant

The accompanying notes 1 to 35 are an integral part of these financial statements.

STATEMENT OF PROFIT AND LOSS

AS AT 31 DECEMBER 2019
(All amounts in RON unless otherwise stated)

	Notes	31 December 2019	31 December 2018 restated
Continuining operations			
Revenue	25	1,090,154,095	862,234,720
Cost of goods sold	26	(974,298,166)	(765,671,872)
Cost of distribution	27	(43,777,819)	(31,449,651)
Gross profit		72,078,110	65,113,197
Administrative expenses	28	(21,917,038)	(19,690,397)
Other gains/(losses) - net	29	7,918,072	2,554,574
Operating profit (loss)		58,079,144	47,977,373
Finance income		11,709,218	4,140,611
Finance costs		(29,972,431)	(15,263,865)
Finance costs – net	30	(18,263,213)	(11,123,255)
Profit/(Loss) before tax		39,815,931	36,854,118
Income tax credit	31	(4,611,931)	(6,399,350)
Profit/(Loss) for the year from continuing operations		35,204,000	30,454,768
Profit/(Loss) for the year from discontinued operations	16	(4,479,654)	(17,231,500)
Other comprehensive income for the year, net of tax		413,920	-
Total comprehensive income for the period		31,138,267	13,223,269

Approved for issue and signed on behalf of the Board of Directors on 05 June 2020.

Liviu Dobre
President of the Board of Directors

Violeta Georgescu
Chief Accountant

Ernst & Young Assurance Services S.R.L.
5. IUN. 2020
Signed for identification
Semnat pentru identificare

The accompanying notes 1 to 35 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

AS AT 31 DECEMBER 2019
(All amounts in RON unless otherwise stated)

	Share capital	Revaluation reserves	Other reserves	Losses related to equity instruments	Retained earnings	Total
Balance at 1 January 2018	26,498,074	102,752,505	3,694,507	(1,819,566)	(18,922,431)	112,203,089
Prior year corrections (note 28)	-	-	-	-	(2,071,064)	(2,071,064)
Transition adjustment for first time adoption of IFRS 15	-	-	-	-	(1,618,003)	(1,618,003)
Transition adjustment for first time adoption of IFRS 9	-	-	-	-	(744,776)	(744,776)
Deferred tax	-		-	-	407,051	407,051
Balance as at 1 January 2018 - restated	26,498,074	102,752,505	3,694,507	(1,819,566)	(22,949,223)	108,176,297
Profit for the year	-	-	-	-	13,223,270	13,223,270
Total comprehensive income for the year	-	-	-	-	13,223,270	13,223,270
Revaluation reserves realized (note 20)	-	(10,447,890)	-	-	10,447,890	-
Increase in share capital	1,625	-			-	1,625
Redemption of shares	-	-	(53,346)	-	-	(53,346)
Legal reserve	-	-	1,018,730	-	(1,018,730)	
Increase in other reserves	-	81,879	732,657		(770,674)	43,862
Total transactions with owners, recognized directly in equity	1,625	(10,366,011)	1,698,041	-	8,658,486	(7,859)
Balance at 31 December 2018	26,499,699	92,386,494	5,392,548	(1,819,566)	(1,067,467)	121,391,708

The accompanying notes 1 to 35 are an integral part of these financial statements.

Ernst & Young Assurance Services S.R.L.
5. IUN. 2020
Signed for identification
Semnat pentru identificare

STATEMENT OF CHANGES IN EQUITY

AS AT 31 DECEMBER 2019
(All amounts in RON unless otherwise stated)

	Share capital	Revaluation reserves	Other reserves	Losses related to equity instruments	Retained earnings	Total
Balance as at 1 January 2019 restated	26,499,699	92,386,494	5,392,548	(1,819,566)	(1,067,467)	121,391,708
Profit for the year	-	-	-	-	30,724,347	30,724,347
Increase in revaluation reserves	-	413,920	-	-	-	413,920
Total comprehensive income for the year	-	413,920	-	-	30,724,347	31,138,267
Group restructuring	(16,036,063)	(168,571)	(3,857,565)	-	(9,884,115)	(29,946,314)
Revaluation reserves realized (note 20)	-	(72,256,014)	-	-	72,256,014	-
Dividend distribution	-	-		-	(11,210,327)	(11,210,327)
Increase in other reserves	-	-	1,108,080	-	(1,108,080)	-
Legal reserve	-	-	917,579	-	(917,579)	-
Prior year loss (note 18)	-	-	-	1,819,566	(1,819,566)	-
Total transactions with owners, recognized directly in equity	(16,036,063)	(72,424,585)	(1,831,906)	1,819,566	47,316,347	(41,156,641)
Balance at 31 December 2019	10,463,636	20,375,829	3,560,642	-	76,973,227	111,373,334

The accompanying notes 1 to 35 are an integral part of these financial statements.

Ernst & Young Assurance Services S.R.L.
5. IUN. 2020
Signed for identification
Semnat pentru identificare

STATEMENT OF CASH FLOWS

AS AT 31 DECEMBER 2019
(All amounts in RON unless otherwise stated)

	2019	2018 restated
Cash flows from operating activities		
Profit/(Loss) for the year from continuing operations	35,204,001	30,454,769
Profit/(Loss) for the year from discontinued operations	(4,479,654)	(17,231,500)
Tangible and intangible depreciation, amortization (note 8, 10 and 21)	9,559,978	9,970,499
Valuation adjustment for non-current assets classified as held for sale	1,631,954	-
Loss on revaluation of land and buildings recognised through profit and loss	59,781	-
Net foreign exchange differences	2,205,056	357,479
Current assets provisions – (income)/expense	204,923	6,463,646
(Gain)/Loss from the sale of tangible assets	(9,044,481)	(505,019)
Income tax (note 31)	4,611,931	6,399,350
Interest income	(36,237)	(29,826)
(Gain)/loss from inventories quantitative and qualitative differences	5,358,406	6,280,082
Interest expense	4,879,701	4,719,662
Operating profit before changes in working capital	50,155,359	46,879,142
Changes in working capital		
Increase / (decrease) in trade and other receivables	(72,350,321)	(82,041,523)
(Increase) / decrease in the inventories	(1,666,279)	(32,258,218)
Increase / (decrease) in trade and other payables	32,638,096	101,664,685
Cash generated from operations	8,776,855	34,244,087
Interest paid	(4,879,701)	(4,810,643)
Interest received	36,237	29,826
Income tax paid	(8,115,765)	(4,941,380)
Cash generated from operating activities	(4,182,374)	24,521,890
Cash flows from investing activities		
Payments for acquisitions of land and fixed assets	(3,434,954)	(22,716,397)
Receipts from the loans granted to related parties	-	3,067,897
Proceeds from sale of land and fixed assets	39,087,084	4,043,550
Redemption of own shares	-	(53,346)
Cash used in investing activities	35,652,130	(15,658,296)
Cash flows from financing activities		
Proceeds from borrowings	-	4,065,401
Repayment of borrowings	(14,275,887)	(12,156,571)
Payments for the reduction of the lease liabilities	(7,199,386)	(421,774)
Increase in share capital	-	1,625
Dividend paid	(10,854,398)	-
Cash generated from / (used in) financing activities	(32,329,671)	(8,511,319)
Cash and cash equivalents at the beginning of the year (note 15)	1,310,564	958,290
Increase/(decrease) in cash and cash equivalents	(859,915)	352,274
Cash and cash equivalents at the end of the year (note 15)	450,649	1,310,564

The accompanying notes 1 to 35 are an integral part of these financial statements.

1 GENERAL INFORMATION

Description of business

Agricover SA ("the Company") is a Romanian company established in the year 2000 as the result of the merger between Cerealcom SA and Ulvex SA. The Company's head-office is located at 1B Pipera Blvd, Voluntari, Ilfov.

On April 01, 2019 a demerger process was completed, following which the pig abattoir line of activity was demerged into a new company (Abatorul Peris SA) and the arrable lands held by the Company as Investment property were demerged into another company (Agriland Ferme SA).

The simetrical demerger generated the same shareholding structure in each of the resulting companies as in Agricover SA.

As a result of the demerger, the Share capital decreased with RON 16,036,063, Revaluation reserves with RON 168,571, Other reserves with RON 3,857,565 and Retained earnings with RON 9,884,132.

Management structure

As at 31 December 2019 and as at 31 December 2018 the Company's Chief Executive Officer is Mr. Ghita Pinca and its Chief Financial Officer is Mr. Lucian Goga.

The financial statements prepared in accordance with International Financial Reporting Standards as adopted by European Union (EU) ("IFRS") for the year 31 December 2019 have been approved for issues by the Board of Directors in 05 June 2020. Neither the Company's shareholders, nor any other stakeholders have the power to amend the financial statements after their issuance.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.
The Company restated the opening of the financial statements in order to present only the results for the continuing operations as at 31 December 2019 and have accurate comparatives for the opening balance. During 2019, as a consequence of the top management's decision, some business lines were discontinued: milk, grains and silo activities, and livestock. Starting with April 2019, the slaughterhouse activity was demerged into a new company (Abatorul Peris SA).

In order to provide reliable and more relevant information about effects of transactions in determining gross profit of the Company given the new structure of the business, certain correction of errors in classification were made in the current period. Consequently, this led to a change of comparable amounts in the Statement of Comprehensive Income, as detailed below:

	2018 issued	Reclassification corection	Discontinued operations	2018 restated
Revenue	1,636,374,596	-	(774,139,876)	862,234,720
Cost of goods sold	(1,486,798,592)	12,811,280	708,315,440	(765,671,872)
Cost of distribution	(27,544,811)	(73,417,194)	69,512,354	(31,449,651)
Gross profit/(loss)	**122,031,193**	**(60,605,914)**	**3,687,918**	**65,113,197**
Administrative expenses	(79,051,397)	48,538,355	10,822,645	(19,690,397)
Other income	4,298,934	(3,444,316)	(854,620)	-
Other gains/(losses) - net	(12,331,868)	15,511,875	(625,433)	2,554,574
		-	-	-
Operating Profit	**34,946,862**	**-**	**13,030,510**	**47,977,374**
		-	-	-
Finance income	4,140,611	-	-	4,140,611
Finance costs	(19,464,856)	-	4,200,991	(15,263,865)
Finance costs – net	(15,324,245)	-	4,200,990	(11,123,255)
Profit/(loss) before tax	**19,622,617**	-	**17,231,501**	**36,854,120**
Income tax expense	(6,399,350)	-	-	(6,399,350)
Profit/(loss) for the year	**13,223,267**	**-**	**17,231,500**	**30,454,769**

2 SUMMARY OF SIGNIFICA NT ACCOUNTING POLICIES (CONTINUED)

The reclassified amounts represent the followings:

- The amount of RON 15,511,875 (representing mainly Write-down/up of receivables, Write-down/up of inventories) was reclassified from Other gains/losses to Cost of distribution;
- Other income of RON (3,444,316) was reclassified to Cost of distribution;
- Administrative expenses of RON 48,538,355 was reclassified to Cost of distribution in order to absorb the revenues' related overhead expenses as relevant costs to determine gross profit;
- In order to present the cost of goods sold as a separate line, the amount of RON 12,811,280 was reclassified from Cost of goods sold to Cost of distribution, mainly consisting of sales force and warehousing costs directly related to the sales activity;
- The impact in Cost of distribution of RON (73,417,194) represent the sum of the reclassifications presented above.

This change in presentation had no impact on the financial results of the Company. The restatement of prior period classification in the statement of comprehensive income had an impact on information in notes 25, 26, 27, 28 and 29.

The following captions from the Statement of Financial Position were restated as at 31 December 2018, as presented below:

- the accrual for commercial discounts in amount of 88,921,485 Ron was reclassified from Contract liabilities to Trade and other receivables;
- the income tax liability in amount of RON 3,572,465 was reclassified from Trade and other payables to a separate line;
- Advances from customers and Deferred revenue in amount of RON 9,556,537 were reclassified from Trade and other payables to Contract liabilities;
- the advances for inventories in amount of RON 3,389,941 were reclassified to Trade and other receivables;
- deferred tax corrections in amount of RON 1,072,439 from prior periods were transferred to retained earnings.
- deferred income tax asset in amount of RON 1,143,642 was presented separately and not netted off with deferred income tax liability.

Caption	31 December 2018 - issued	Restatement	31 December 2018 - restated
Trade and other receivables	396,300,107	(85,531,546)	310,768,561
Income tax liability	-	3,572,465	3,572,465
Inventories	70,618,888	(3,389,941)	67,228,947
Trade and other payables	246,782,339	(13,200,206)	233,582,133
Retained earnings	4,972	(1,072,439)	(1,067,467)
Deferred tax liability	4,788,111	1,143,642	5,931,753
Contract liabilities	88,921,485	(79,364,948)	9,556,537

The reclassifications and correction of prior period errors in the statement of financial position had an impact on information in notes 14, 31, 13, 23, Statement of changes in Equity and note 24.

2 SUMMARY OF SIGNIFICA NT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation

Compliance with IFRS

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by European Union (EU) under the historical cost convention, as modified by the revaluation of land and buildings and investment property. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Management has a reasonable expectation, having made appropriate enquiries that the Company has adequate resources to continue its operational existence for the foreseeable future.

Management has made that assessment after consideration of the Company's liquidity, gearing level, budgeted cash flows and related assumptions. Therefore, the Company continues to adopt the going concern basis in preparing its financial statements.

The preparation of financial statements in conformity with IFRS as adopted by EU requires the use of certain critical accounting estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

2.2 Common control transactions

As described in Note 1, during 2019 the company completed a demerger process which resulted in the slaughterhouse line of activity being demerged into a new company (Abatorul Peris SA) and the arable lands, held by the Company as Investment property, being demerged into another company (Agriland Ferme SA).

The demerged companies and their underlying businesses are ultimately controlled by the same party or parties both before and after the finalisation of the business combination. All entities (Agricover SA, Abatorul Peris SA and Agriland Ferme SA) are controlled by Agricover Holding SA (the parent company), and ultimately by Mr. Jabbar Kanani.

As a result of the demerger, the Company's Share capital decreased with RON 16,036,063, the Revaluation reserves with RON 9,606,430, Other reserves with RON 3,857,565 and Retained earnings with RON 446,274.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Since such transactions are outside the scope of any IFRS, management of the Company has considered the requirements of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors elected to apply the pooling of interests method in the preparation of these financial statements, as being the most relevant and reliable under such circumstances.

When the pooling of interest method is applied, the difference between the consideration paid and carrying value of net assets received is always recognised in equity regardless of whether the consideration agreed between the parties represents the fair value of the business. The Company made the election to take over the appropriate components of equity from the merged companies in its separate financial statements in the current period (e.g. current period profit or loss, current period other comprehensive income, or directly to equity) based on the component in which they were recognised in the financial statements of the merged entities.

In applying the pooling of interests' method to this transaction, the Company has made the choice not to restate the financial information for the periods prior to the business combination under common control. The income statement reflects the results of the merged entities only from the date the merger became effective.

2.3 Foreign currency translation

The financial statements are presented in 'RON', which is also the Company's functional currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. 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 the profit and loss. Foreign exchange gains and losses are presented in the profit and loss within 'finance income or costs'.

2.4 Property, plant and equipment

Land and buildings are stated at revalued amounts, as described below. Land and buildings are subject to revaluation with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

If an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognised in profit or loss. However, the decrease shall be recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Increases in the carrying amount arising on revaluation are credited to other comprehensive income and increase the revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognized in other comprehensive income and decrease the previously recognized revaluation surplus in equity; all other decreases are charged to profit or loss for the year. The revaluation reserve for land and buildings included in equity is transferred directly to retained earnings when the revaluation surplus is realized on the retirement or disposal of the asset. Any accumulated depreciation at the date of revaluation is eliminated

against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

If there is no market-based evidence of fair value, fair value is estimated using a cost approach. All other property, plant and equipment is stated at historical cost less accumulated depreciation and provision for impairment, where required. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.
Costs of minor repairs and day-to-day maintenance are expensed when incurred.
At the end of each reporting period management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year to the extent it exceeds the previous revaluation surplus in equity. An impairment loss recognised for an asset in prior years is reversed where appropriate if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss for the year within 'Other gains/(losses) - net' in the profit and loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Depreciation

Land is not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

	Useful lives in years
Buildings	9 to 70 (*)
Vehicles and machinery	3 to 10
Furniture, fittings and equipmentes	3 to 15

(*) The average useful life of buildings' depreciation is of 26 years.

The assets' useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

2.6 Investment property

The Company classified part of its land as investment property, because they are held for capital appreciation or for generating rental income rather than for use in the production or supply of goods or services or for administrative purposes or sale in the normal course of activity.

Investment property includes land rented by the Company to third parties.

Investment property is initially recognised at cost, including transaction costs, and subsequently remeasured at fair value updated (Net gains/(losses) from fair value adjustments) to reflect market conditions at the end of the reporting period.

Market value of the Company's investment property is determined based on reports of independent appraisers, who hold recognised and relevant professional qualifications and who have recent experience in the valuation of property in the same location and category.

Gains and losses resulting from changes in the fair value of investment property are recorded in profit or loss for the year and presented separately. Gains or losses on disposal of investment property are calculated as proceeds less the carrying amount.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its deemed cost for accounting purposes.

If an item of owner-occupied property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is treated in the same way as a revaluation of property, plant and equipment. Any resulting increase in the carrying amount of the property is recognised in profit or loss for the year to the extent that it reverses a previous impairment loss, with any remaining increase credited directly to other comprehensive income. Any resulting decrease in the carrying amount of the property is initially charged against any revaluation surplus previously recognised in other comprehensive income, with any remaining decrease charged to profit or loss for the year as impairment.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Company and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred.

2.7 Intangible assets

Trademarks and licences

Acquired trademarks and licences are shown at historical cost. Trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives of 3 to 5 years.

Computer software

Intangible assets acquired are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Computer software recognised as assets are amortised over their estimated useful lives, which does not exceed three years.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

The company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

2.8 Financial assets and liabilities

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

Depending on their classification financial instruments are carried at fair value (through OCI, or through profit or loss), or amortised cost as described below.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the company has applied the practical expedient, the company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

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

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.
Fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs (for example, LIBOR yield curve, exhange rate rates, volatilities and counterparty spreads) existing at the dates of the statement of financial position.
Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees, are used to measure fair value of certain financial instruments for which external market pricing information is not available.
Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs).
Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition and includes transaction costs. Measurement at cost is only applicable to investments in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured and derivatives that are linked to, and must be settled by, delivery of such unquoted equity instruments.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.
The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount.

Financial assets

Classification
The Company classifies its financial assets in loans and receivables. Management determines the classification of its financial instruments at initial recognition.

2.8.1 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise 'trade and other receivables' in the balance sheet.

The Company uses trade date accounting for regular way contracts when recording financial asset transactions.

Financial assets at fair value through profit or loss
In this category the Company entering into the forward transaction as a means of economically hedging the exchage rate exposure resulted from EUR denominated withdrawals from limits obtained from international financial institutions, holds only derivative instruments to cover exchnage rate currency risk.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Determination of fair value

For these financial assets held for trading (exchage rate forward ontracts), the fair value is determined using valuation techniques which requires estimations from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash.

Financial liabilities

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The company has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

This is the category most relevant to the company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

The Company's holding in financial liabilities is included within financial liabilities at amortised cost. Financial liabilities are derecognised when extinguished, discharged, cancelled or have expired.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss.

2.8.3 Financial liabilities at amortised cost

Financial liabilities that are not classified as at fair value through profit or loss fall into this category and are measured at amortised cost. Financial liabilities measured at amortised cost are borrowings and trade payables.

Determination of fair value
For all other financial instruments, fair value is determined using valuation techniques.

In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs (for example, LIBOR yield curve, exhange rate rates, volatilities and counterparty spreads) existing at the dates of the statement of financial position.

The fair value for loans and advances as well as liabilities to banks and other creditors are determined using a present value model on the basis of contractually agreed cash flows, taking into account credit quality, liquidity and costs.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

• The rights to receive cash flows from the asset have expired

Or

• The company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the company has transferred substantially all the risks and rewards of the asset, or (b) the company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

The Company has not engaged in any repurchase agreements or securities lending or borrowing transactions.

2.8.4 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.8.5 Impairment of financial assets

The company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the company applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The Company first assesses whether objective evidence of impairment exists.
For loan and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the profit and loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the profit and loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Assets classified as held for sale

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.
A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:
• Represents a separate major line of business or geographical area of operations
• Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations
Or
• Is a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

Assets and disposal groups are classified as held for sale as their carrying amount will be recovered principally through a sale transaction rather than through continuing use. The assets (or disposal group) are available for immediate sale and their present condition is subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable.
The management is committed to the sale, which is expected to qualify for recognition as a completed sale within one year from the date of classification.

Assets (and disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

2.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost (WAC) method. It excludes borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.In case of obsolete inventories, a valuation adjustment is recorded by the Company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Discounts granted by suppliers and mentioned on the purchase invoices adjust, namely by decreasing, the inventories' purchase cost. Trade discounts received subsequent to invoicing related to merchandise that is still in stock adjust the inventories' purchase cost, while trade discounts related to merchandise sold are presented in profit and loss statement (Cost of sales).

2.11 Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. A receivable is recognised if an amount of consideration that is unconditional is due from the customer (i.e., only the passage of time is required before payment of the consideration is due). If collection is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for expected credit losses.

Other non-current receivables represent the amounts generated by the sale of silos The Net Present Value of the long term receivables is computed using a discounting rate and having a current market approach.

2.12 Cash and cash equivalents

In the statement of cash flows, "cash and cash equivalents" includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities. Cash and cash equivalents are carried at amortised cost using the effective interest method. Restricted balances are excluded from cash and cash equivalents for the purposes of the cash flow statement. Balances restricted from being exchanged or used to settle a liability for at least twelve months after the balance sheet date are included in "Other non-current assets".

2.13 Equity

Share Capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Dividends

Dividend distribution to the Company's shareholders is recognised as a liability in the Comapny's financial statements in the period in which the dividends are approved by the Company's shareholders. Dividends are disclosed when they are proposed before the balance sheet date or proposed or declared after the balance sheet date but before the financial statements is authorised for issue.

2.14 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.15 Value added tax

Output value added tax related to sales is payable to tax authorities on the earlier of (a) collection of the receivables from customers or (b) delivery of the goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. Where provision has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT.

2.16 Employee benefits

The Company, in the normal course of business, makes payments to the Romanian State on behalf of its employees for social security, health and pension benefits. All employees of the Company are members of the Romanian State pension plan, which is a defined contribution plan. These payments are recognised within the profit and loss together with the salary expenses.

2.17 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss over the period of the borrowings using the effective interest method.
Borrowing costs are interest and other costs that an entity incurs in connection with the borrowing of funds. The Company recognizes borrowing costs as an expense, unless there are qualifying assets identified to which the interest is capitalized.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit and loss on a straight-line basis over the period of the lease.

The Company leases certain vechicles. Leases of vechicles the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long term payables. The interest element of the finance cost is charged to the profit and loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.
The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including insubstance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Company's lease liabilities are included in Interest-bearing loans and borrowings (see Note 20).

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of equipment that are considered to be low value. Lease payments on short-term leases and leases of lowvalue assets are recognised as expense on a straight-line basis over the lease term.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Revenue recognition

Revenue from contracts with customers (with sales of goods and services, deductions from revenue)
Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied or services provided, stated net of discounts, returns and value added taxes.

Revenue from sale of goods or revenue from services provided is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods from the warehouse/at the customer's location.

Revenues from goods sold are mainly from the distribution of grains, inputs (pesticides, seeds, fertilizers and fuel), livestock and also include revenue from sale of finished goods produced in the Group's slaughterhouse. Revenue from services relates mainly to warehousing from grains and other maintenance services.

The revenues are recognised when the company transfers to the buyer the control of the goods that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services, which is the same moment when the invoice is issued. Bookings made when the invoice is issued consist of revenues from sale, stock discharge and other estimated costs directly related to the sale transaction.

In making their judgement, the directors considered the detailed criteria for the recognition of revenue from bill and hold arrangements set out in IFRS 15 and, in particular, whether the Company had transferred to the buyer the significant control of ownership of the goods. The directors are satisfied that the significant control has been transferred and that recognition of the revenue in the current year is appropriate.

In case of 'bill and hold' sales, in which delivery is delayed at the buyer's request but the buyer takes title and accepts billing, revenue is recognised when control is transferred to the buyer, provided:

- the reason for the bill-and-hold arrangement must be substantive (for example, the customer has requested the arrangement);
- the product must be identified separately as belonging to the customer;
- the product currently must be ready for physical transfer to the customer; and
- the entity cannot have the ability to use the product or to direct it to another customer

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

If delivery takes place subsequently to the issue of the invoice, a warehouse certificate, respectively a custody contract will be concluded, the stocks being therefore transferred to the buyer's property and consequently booked within an off balance sheet account. Transfer of risk and rewards for the sold cereals is set by the contract when deposit certificates are issued. Deposit certificates issued will contain the cereals sold, the quantities, the qualitative parameters and the location where these cereals are stored.

2.20 Variable consideration

If the consideration in a contract includes a variable amount, the company estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of electronics equipment provide customers with a right of return and volume rebates. The rights of return and volume rebates give rise to variable.

Revenue recognition requires the estimation of rebates that will be provided in respect of sales which have been made before the balance sheet date.
The Company grants to its customers the following types of commercial discounts:

- Trade discounts – on-invoice discounts, selling price is already affected by such discounts, no subsequent accounting entries are required to be made;
- Cash discounts - off-invoice discounts granted according to the commercial policy in force for the year. Such discounts are being entirely granted to the customers in case of compliance with contractual terms. Cash discounts result in the reduction of sales revenue earned during the period, and are booked at the time of sale according to an estimation.

Revenue from rent

Earned rental income is recorded in profit or loss for the year within 'Revenue'. The Company recognises revenue from rent according to rental agreements concluded with third parties. Revenues from rent are mainly from the assets sub-rented to third parties.

2.21 Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised within 'interest income' and 'interest expense' in the income statement using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability 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. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a Company of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

2.22 Fee and commission income

Fees and commissions are generally recognised on an accrual basis when the service has been provided.

2.24 Current and deferred income tax

The current income tax charge is calculated on the basis of the tax law enacted or substantively enacted at the balance sheet date in Romania. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.
Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on eitherr the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.24 Contract liabilities

A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Company's accounting policies

The resulting accounting estimates will, by definition, rarely equal the related actual results. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Allowance for expected credit losses

In making the judgment on the quantification of the bad debt allowance, the management assesses whether there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.
If, in a subsequent year, the amount of the provision for impairment loss changes because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by recording a gain or loss in the income statement. Trade and other receivables, together with the associated provision, are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company.
If collection is expected in more than one year, they are classified as non-current assets.

In accordance with IFRS 9 the allowance for bad debts was computed using the simplified approach and a lifetime estimated credit loss (ECL) was recognized on trade receivables.
The exposures were grouped based on their segment on similar credit risk characteristics. On the initial application of IFRS 9 requirements the following homogeneous receivables segments were identified based on the business line:

- Distribution exposures- namely receivables from small farmers;
- Cereals- namely receivables from large international traders ;
- Meat Processing and milk- namely receivables from large retailers (super market chains) ;
- Intercompany;
- Other receivables-mainly old receivables considered by the entity as losses;

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

Each impairment rate in the provision matrix is estimated as follows:

i. Receivables overdue by more than 365 days are assumed as 100% loss (no further recoveries are expected on these);
ii. Loss rates for the other ageing buckets are computed based on migration to loss state of invoices in balance during one year;
iii. An average loss rate was determined based on the average of the loss rates described at point ii. above;
iv. The average loss rate was then applied to the ageing structure as at the date of the ECL calculation.

For the purpose of the determination of the provision matrix and the final ECL calculation, receivables of all defaulted clients (e.g.: client in litigation, insolvency, bankruptcy etc.) were included in the "loss" category irrespective of their overdue status. The entity has not contaminated the loss status for clients with a DPD of 365 days as management considers that the effect of contamination is compensated by not considering further recoveries from loss state.

In case of clients with overdue invoices that are also suppliers for the entity, a compensation method was used, through which the receivables balance were compensated with the suppliers balance. The compensation should be made considering the following conditions:

- the supplier invoice should have the due date after the compensated trade receivable;
- the entity has the legal right to compensate the receivable with the liability in a short time after the receivable is overdue(Note 6).

Accrual for commercial discounts related to inputs to be granted or to be received at year end

Commercial discounts granted or received related to inputs, as decribed in the summary of significant accounting policies, that relate to the current period for which are estimated and accrued for at year-end.

Commercial discounts received from the suppliers after invoicing (off-invoice discounts) are included in commercial contracts and are granted following the fulfillment of contractual conditions, such as reaching the volume target, the distribution target (number of customers), the payment term. As in previous periods the Company has fully complied with its contractual conditions and the objectives of the contract are achievable, it is in the Company policy to consider the off-invoice discounts from the suppliers virtually received.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

Commercial discounts to be granted to customers after invoicing (off-invoice discounts) are included in the commercial policy in force for that year and are embedded in the order as annex. They are granted to customers in full if the payment deadline is met. At the time of issuing the sales invoice, the off-invoice discounts that will be granted to customers are accrued based on an estimate.

Taking into consideration the calculation method, the estimate is not sensitive to variations because it is calculated based on factual information existing at the end of the year.

Estimation of fair values of land and buildings and investment property

The fair value of land and buildings and investment propery is determined through revaluation. The revaluation process is performed by certified evaluators, with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period. The most recent valuation process took place as of 31 December 2019. Revaluation report was issued by Deloitte Consultanta SRL, corporate member of National Association of Valuers from Romania.

Fair value of investment property is the price that would be received from sale of the asset in an orderly transaction, without deduction of any transaction costs. The best evidence of fair value is given by current prices in an active market for similar property in the same location and condition.

In the absence of current prices in an active market, the Company considers information from a variety of sources, including:

- current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;
- recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

Recognition of revenue from bill and hold arrangements

In making their judgement, the directors considered the detailed criteria for the recognition of revenue from bill and hold arrangements set out in IFRS 15 and, in particular, whether the Company had transferred to the buyer the transfer of control of the goods. The directors are satisfied that the significant risks and rewards have been transferred and that recognition of the revenue in the current year is appropriate.

4 ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATION

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Company as of 1 January 2019.

- **IFRS 16 "Leases"** (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019).
  This note explains the impact of the adoption of IFRS 16 Leases on the Company's financial statements and discloses the new accounting policies that have been applied from 1 January 2019 in note (b) below. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. See note 22 for disclosure of impact as of 1 jan 2019.

  IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new standard requires lessees to recognize most leases on their financial statements. Lessees have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged The Company's management assessment regarding this standard as at December 31, 2019 si presented in note 22.

  The Company adopted IFRS 16 using the modified retrospective adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application. The Company elected to use the transition practical expedient to not reassess whether a contract is or contains a lease at 1 January 2019.
  The main types of contracts under IFRS 16 represent rent of cars, warehouses, headquarter and fuel tanks Before the adoption of IFRS 16, the Company classified each of its leases (as lessee) at the inception date as operating lease.
  Upon adoption of IFRS 16, the Company applied a single recognition and measurement approach for all leases except for short-term leases and leases of low value assets.

  The Company recognized right of use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets.

  The right-of-use assets for most leases were recognized based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

4 ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATION (CONTINUED)

The Company also applied the available practical expedients wherein it:
• Used one discount rate for lease contracts and one discount rate for leases classified previously as operating leases
• Relied on its assessment of whether leases are onerous immediately before the date of initial application
• Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date
of initial application
• Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial
application
• Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

- **IFRS 9 Financial Instruments**
  The Amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the asset there may be 'negative compensation'), to be measured at amortized cost or at fair value through other comprehensive income.
  As of 31 December 2019, the Company's management has assessed the impact of implementation of IFRS 9 on the accounting principles applied by the Company with respect to its operations or its financial results.

- **IFRS 9 Prepayment features with negative compensation (Amendment)**
  The Amendment is effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted. The Amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the asset there may be 'negative compensation'), to be measured at amortized cost or at fair value through other comprehensive income. These Amendments have not yet been endorsed by the EU. Management has assessed that the standard will not have a material effect on the Group's financial statements.

4 ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATION (CONTINUED)

- **IFRS 15 Revenue from Contracts with Customers**
  The standard is effective for annual periods beginning on or after 1 January 2018. IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles).

  As of 31 December 2019, the Company's management has assessed the impact of implementation of IFRS 15 on the accounting principles applied by the Company with respect to its operations or its financial results.

5 NEW ACCOUNTING PRONOUNCEMENTS

Standards issued but not yet effective and not early adopted are presented below

- **IFRS 17: Insurance Contracts**
  The standard is effective for annual periods beginning on or after 1 January 2021 with earlier application permitted if both IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have also been applied. IFRS 17 Insurance Contracts establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that contracts within the scope of IFRS 17 have on the financial position, financial performance and cash flows of an entity. This standard is not applicable for the Company. These Amendments have not yet been endorsed by the EU.

- **Amendments to the Conceptual Framework for Financial Reporting** (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020).The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance - in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

5 NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

- **Definition of a business – Amendments to IFRS 3** (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020). The amendments revise definition of a business. A business must have inputs and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present, including for early stage companies that have not generated outputs. An organised workforce should be present as a condition for classification as a business if are no outputs. The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets. An entity can apply a 'concentration test'. The assets acquired would not represent a business if substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets).

- **Definition of materiality – Amendments to IAS 1 and IAS 8** (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020).The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.
- **Interest rate benchmark reform – Amendments to IFRS 9, IAS 39 and IFRS 7** (issued on 26 September 2019 and effective for annual periods beginning on or after 1 January 2020).The amendments were triggered by replacement of benchmark interest rates such as LIBOR and other inter-bank offered rates ('IBORs'). The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by the IBOR reform. Cash flow hedge accounting under both IFRS 9 and IAS 39 requires the future hedged cash flows to be 'highly probable'. Where these cash flows depend on an IBOR, the relief provided by the amendments requires an entity to assume that the interest rate on which the hedged cash flows are based does not change as a result of the reform. Both IAS 39 and IFRS 9 require a forward-looking prospective assessment in order to apply hedge accounting. While cash flows under IBOR and IBOR replacement rates are currently expected to be broadly equivalent, which minimises any ineffectiveness, this might no longer be the case as the date of the reform gets closer. Under the amendments, an entity may assume that the interest rate benchmark on which the cash flows of the hedged item, hedging instrument or hedged risk are based, is not altered by IBOR reform.

5 NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

IBOR reform might also cause a hedge to fall outside the 80–125% range required by retrospective test under IAS 39. IAS 39 has therefore been amended to provide an exception
to the retrospective effectiveness test such that a hedge is not discontinued during the period of IBOR-related uncertainty solely because the retrospective effectiveness falls outside this range. However, the other requirements for hedge accounting, including the prospective assessment, would still need to be met. In some hedges, the hedged item or hedged risk is a non-contractually specified IBOR risk component. In order for hedge accounting to be applied, both IFRS 9 and IAS 39 require the designated risk component to be separately identifiable and reliably measurable. Under the amendments, the risk component only needs to be separately identifiable at initial hedge designation and not on an ongoing basis. In the context of a macro hedge, where an entity frequently resets a hedging relationship, the relief applies from when a hedged item was initially designated within that hedging relationship. Any hedge ineffectiveness will continue to be recorded in profit or loss under both IAS 39 and IFRS 9.
The amendments set out triggers for when the reliefs will end, which include the uncertainty arising from interest rate benchmark
reform no longer being present. The amendments require entities to provide additional information to investors about their hedging relationships that are directly affected by these uncertainties, including the nominal amount of hedging instruments to which the reliefs are applied, any significant assumptions or judgements made in applying the reliefs, and qualitative disclosures about how the entity is impacted by IBOR reform and is managing the transition process.

- **Classification of liabilities as current or non-current – Amendments to IAS 1** (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022).These narrow scope amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. The right to defer only exists if the entity complies with any relevant conditions as of the end of the reporting period. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. 'Settlement' is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments.
  There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument.

6 FINANCIAL RISK MANAGEMENT

The risk management function within the Company is carried out in respect of financial risks (credit, market, geographical, currency, liquidity and interest rate), operational risks and legal risks. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks.

Credit risk

Financial assets, which potentially subject the Company to credit risk, consist principally of cash and cash equivalents and trade receivables. The Company has policies in place to ensure that sales of goods and services are made to customers with an appropriate credit history. The Company analyses the credit risk for each of its new clients before standard payment and delivery terms and conditions are offered.

The carrying amount of accounts receivable and other non-current receivables, net of bad debt provision, and cash and cash equivalents, represent the maximum amount exposed to credit risk. Although collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Company.

The Company evaluates significant exposures individually, based on the age of the receivable balances, external evidence of the credit status of the counterparty and any disputed amounts.

The credit risk on cash and cash equivalents is very small, since the cash and cash equivalents are held at reputable banks and total balance at 31 December 2019 is 450,649 RON (2018: 1,310,564 RON).

Cash is placed in financial institutions which are considered at time of deposit to have minimum risk of default. The Company has policies that limit the amount of credit exposure to any financial institution.

Market risk

The Company takes on exposure to market risks. Market risks arise from open positions in foreign currencies and interest bearing assets and liabilities. Management monitors the exposure to the risks, which is monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

Foreign currency risk

The Company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro ("EUR") and US dollar ("USD"). Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities.

The table below summarises the Company's exposure to foreign currency exchange rate risk at the balance sheet date:

	At 31 December 2019			At 31 December 2018		
	Monetary financial assets	Monetary financial liabilities	Net balance sheet Position	Monetary financial assets	Monetary financial liabilities	Net balance sheet Position
EUR	2,576,192	(50,987,742)	(48,411,550)	1,697,082	(50,118,131)	(48,421,049)
USD	950,642	(11,240,410)	(10,289,768)	1,129,082	(13,579,147)	(12,450,065)
TRY	64	-	64	69	-	69
	3,526,898	(62,228,152)	(58,701,254)	2,826,233	(63,697,278)	(60,871,045)

The above analysis includes only monetary assets and liabilities.

The annual average EUR rate as of 31 December 2019 strengthened against RON compared to 31 December 2018 by 2.5%.

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

The following table presents sensitivities of profit and loss and equity to reasonably possible changes in exchange rates applied at the balance sheet date relative to the Company's functional currency, with all other variables held constant:

	2019	2018
EUR	4.7793	4.6639
USD	4.2608	4.0736

Impact on profit/(loss) of:	2019
EUR strengthening by 2.5%	(1,197,859)
	2018
EUR strengthening by 1%	(43,644)

The exposure was calculated only for monetary balances denominated in currencies other than the functional currency of the Company.

Interest rate risk

The Company's interest bearing assets and income and operating cash flows are exposed to changes in market interest rates. The Company's interest rate risk arises from its bank borrowings and loans granted. Borrowings and loans issued at variable rate expose the Company to cash flow interest rate risk. The Company does not have borrowings and loans issues at fixed rates. The Company analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing. Based on these scenarios, the company estimates the potential impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.

As at 31 December 2019, if interest rates on borrowings had been 1% higher/lower with all other variables held constant, post-tax profit for the year would have been RON 1,186,029 lower/higher (31 December 2018: RON 1,411,964 lower/higher), mainly as a result of higher/lower interest expense on floating rate borrowings.

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk

Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company is exposed to daily calls on its available cash resources. Liquidity risk is managed by Controlling Department of the Company. Management monitors monthly rolling forecasts of the company's cash flows.

The tables below show liabilities at 31 December 2019 and at 31 December 2018 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows.

Such discounted cash flows differ from the amount included in the statement of financial position because the balance sheet amount is based on undiscounted cash flows.
When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the reporting date. Foreign currency payments are translated using the spot exchange rate at the balance sheet date.

The maturity analysis of contractual undiscounted cash flow related to financial liabilities at 31 December 2019 and 31 December 2018 is as follows:

	Less than 1 year	Between 1 and 5 years	Later than 5 years
At 31 December 2019			
Borrowings (including lease liabilities, excluding interest)	82,368,997	16,766,757	-
Interest payable (borrowings and lease liabilities)	1,829,534	31,240	-
Trade and other payables	238,867,944	-	-
Total	323,066,475	16,797,997	-
At 31 December 2018			
Borrowings (excluding interest)	123,405,254	12,759,781	-
Interest payable	2,669,555	1,044,457	-
Trade and other payables	221,896,034	-	-
Total	347,970,843	13,804,238	-

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

Impairment and provisioning policies

The internal rating systems described in the internal impairment and provisioning policies focus on expected credit losses - based on a lifetime expected credit losses or 12-month expected credit losses whether there has been a significant increase in credit risk since initial recognition or not at the date of the statement of financial position based on objective evidence of impairment (see note 1).

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., same business line, customer type and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

31-Dec-19

	Not due	0-30 days	31-60 days	61-90 days	91-180	181 - 365	> 365	Total
Expected credit loss rate	**0.21%**	**1.91%**	**3.48%**	**6.75%**	**11.05%**	**26.37%**	**100.00%**	
Total gross trade receivables (note 14)	441,120,180	2,430,992	3,034,903	5,001,810	4,977,809	565,271	26,336,372	**483,467,337**
Expected credit loss (note 14)	945,989	46,397	105,702	337,828	550,088	149,061	26,336,372	**28,471,439**

7 CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, to maintain an optimal capital structure to reduce the cost of capital and to comply with banks capital requirements through covenants.
In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.
The Company has to maintain certain conditions, related to its capital, which are imposed by contracts concluded with financing banks.
The covenants are calculated based on IFRS standalone financial statements of the Company, or statutory financial statements as applicable and are presented below.

The covenants for the Company are:

- Current Ratio
- Short Term Borrowings Ratio
- Debt Ratio
- Gearing Ratio
- Solvency Ratio

The Company is in compliance with all covenants at 31 December 2019.

8 PROPERTY, PLANT AND EQUIPMENT

Movements in the carrying amount of property, plant and equipment were as follows:

	Land and buildings	Vehicles and machinery	Furniture, fittings and equipment	Construction in progress	Advances for property, plant and equipment	Total
Cost or valuation	65,332,954	39,315,494	1,198,479	12,944,105	1,240,373	120,031,405
Accumulated depreciation	(1,118,790)	(21,641,809)	(640,985)	(27,204)	-	(23,428,788)
Impairment	(4,371)	(2,954)	-	-	-	(7,325)
Net book value at 1 January 2018	64,209,793	17,670,731	557,494	12,916,901	1,240,373	96,595,292
Additions	1,706,518	5,226,657	417,850	10,480,774	-	17,831,043
Disposals	(2,711,771)	(708,319)	-	(166,302)	(851,907)	(4,438,300)
Transfers	16,258,339	4,605,357	1,089,375	(21,955,553)	-	(2,482)
Depreciation charge	(4,305,980)	(3,450,486)	(162,449)	-	-	(7,918,915)
Accumulated Depreciation of Disposals	214,415	635,700	-	-	-	850,115
Transfer to Assets classified as held for sale						
- Gross book value	(22,321,003)	(11,922,586)	(164,014)	(194,695)	-	(34,602,297)
- Accumulated depreciation	2,091,236	8,609,151	44,725	-	-	10,745,112
- Impairment	-	-	-	27,204	-	27,204
Transfer (to)/ from Property, plant and equipment to Investment property	-	-	-	-	-	-
Net book value at 31 December 2018	55,141,549	20,666,203	1,782,981	1,108,329	388,466	79,086,772
Cost or valuation	58,265,037	36,516,603	2,541,690	1,108,329	388,466	98,820,125
Accumulated depreciation	(3,119,119)	(15,847,445)	(758,709)	-	-	(19,725,273)
Impairment	(4,371)	(2,954)	-	-	-	(7,325)
Net book value at 31 December 2018	55,141,548	20,666,203	1,782,981	1,108,329	388,466	79,087,528

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8 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land and buildings	Vehicles and machinery	Furniture, fittings and equipment	Construction in progress	Advances for property, plant and equipment	Total
Cost or valuation	58,265,037	36,516,603	2,541,690	1,108,329	388,466	98,820,125
Accumulated depreciation	(3,119,119)	(15,847,445)	(758,709)	-	-	(19,725,273)
Impairment	(4,371)	(2,954)	-	-	-	(7,325)
Net book value at 1 January 2019	55,141,548	20,666,203	1,782,981	1,108,329	388,466	79,087,528
Transfer to ROUA						
- Gross book value	-	(499,066)	-	-	-	(499,066)
- Accumulated depreciation	-	74,310	-	-	-	74,310
Additions	69,116	345,105	207,369	652,412	548,383	1,822,385
Disposals at cost	(31,189,499)	(10,683,359)	(322,103)	-	(10,801)	(42,205,762)
Accumulated Depreciation of Disposals	5,498,864	8,526,142	283,669	-	-	14,308,675
Transfers	1,254,421	-	-	(1,254,421)	-	-
Demerger	(20,853,838)	(16,086,281)	(524,401)	(503,598)	(726,196)	(38,694,314)
Revaluation	354,140	-	-	-	-	354,140
Depreciation charge	(1,990,457)	(1,274,950)	(225,858)	-	-	(3,491,265)
Transfer to Assets classified as held for sale						
- Gross book value	(8,136,722)	(2,374,802)	(22,977)	-	-	(10,534,501)
- Accumulated depreciation	1,253,747	1,752,911	3,915	-	-	3,010,573
Cost or valuation	(237,344)	7,218,200	1,879,579	2,722	199,852	9,063,008
Accumulated depreciation	1,643,035	(6,769,032)	(696,983)	-	-	(5,822,980)
Impairment	(4,371)	(2,954)	-	-	-	(7,325)
Net book value at 31 December 2019	1,401,320	446,214	1,182,596	2,722	199,852	3,232,703

The disposals in the period represent sale of silos, machinery and equipment from the followings: Cilibia, Marghita ,Tinca, Ulmeni, Balta Alba, Mihailesti, Budesti, Ramnicu Sarat, Costesti, Bobocu, Poiana Radomiresti, Rosiori De Vede, Pogoanele, Mirosi and Luciu. These were silos used previously by the company in the commercial activity but taking into consideration the management's decision to discontinue the grains and silo business activity, the assets mentioned above were sold during 2019.

8 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Fair value measurement of the Company's freehold land and buildings

The Company's freehold land and buildings are stated at their revalued amounts, being the fair value at the date of, revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The fair value measurements of the Company's freehold land and buildings was last performed as at 31 December 2019, by Deloitte Consultanta SRL, independent valuers not related to the Company. Deloitte Consultanta SRL, it's corporate member of National Association of Valuers from Romania and they have appropriate qualifications and recent experience in the fair value measurement of properties in the relevant locations.

The revalued non-current assets consisted of freehold land occupied with constructions, buildings and agro-industrial buildings for the reception/ handling of crops.

If the company's property, plant and equipment would not have been revalued, as at 31 December 2019, the net book value would have been RON 2,925,244.

The approach and the methods of revaluation were established considering the revalued asset's nature, the quantity and quality of the available information and the purpose of the revaluation process. The fair value of the freehold land was determined based on the market comparable approach that reflects recent transaction prices for similar properties and the fair value of the buildings was determined using the cost approach that reflects the replacement cost to a market participant to construct assets of comparable utility and age, adjusted for obsolescence.

Borrowings (note 21) are secured against Property, plant and equipment and Assets held for sale with a carrying value of RON 6,946,866 (2018: RON 61,158,147).

9 INVESTMENT PROPERTY

	2019	2018
Investment properties at fair value at 1 January	11,474,274	11,474,274
Demerger	(11,474,274)	-
Investment properties at fair value at 31 December	-	11,474,274

Investment property included land as at 31 December 2018 held for capital appreciation or rental income rather than for use in the production or supply of goods or services or for administrative purposes or sale in the normal course of activity.

The land held as investment property as at 31 December 2018 was demerged into a standalone company during the year 2019, as such no future minimum lease payments receivable were recorded starting with 2019.

10 INTANGIBLE ASSETS

	Trademarks and licences
Gross book value	9,382,190
Accumulated amortization	(7,550,530)
Net book value at 31 December 2018	**1,831,659**
Net book value at 31 December 2018	1,831,659
Additions	861,109
Disposals (gross book value)	(1,055,114)
Accumulated Depreciation of Disposals	1,021,714
Demerger	(1,678,988)
Accumulated Depreciation of assets demerged	856,194
Depreciation charge	(615,274)
Net book value at 31 December 2019	1,221,301
Gross book value	7,509,197
Accumulated amortization	(6,287,896)
Net book value at 31 December 2019	1,221,301

11 FINANCIAL INSTRUMENTS BY CATEGORY

	31 December 2019 Loans and other Receivables	31 December 2018 Loans and other Receivables
Financial assets by category		
Trade and other receivables excluding non-financial assets (note 14)	341,275,515	303,958,537
Cash and cash equivalents (note 15)	450,649	1,310,564
Other non-current receivables	18,274,204	6,467,020
	360,000,368	311,736,121

	31 December 2019 Other financial liabilities at amortised cost	31 December 2018 Other financial liabilities at amortised cost
Financial liabilities by category		
Trade and other payables excluding non-financial liabilities (note 23)	238,867,944	221,896,034
Borrowings (note 21)	99,135,754	127,982,884
	338,003,698	349,878,918

12 INVESTMENTS IN ASSOCIATES

	31 December 2019	%	31 December 2018	%
Agricover Credit IFN SA	10	0.00001	10	0.00001
	10		10	

13 INVENTORIES

	31 December 2019	31 December 2018
Goods purchased for resale	40,856,514	56,354,403
Inventories at third parties	17,157,376	3,325,954
Less: allowance for Goods purchased for resale	(1,027,699)	(4,079,929)
Finished goods	-	1,971,699
Raw materials	-	1,950,138
Packaging, spare parts and other consumables	507,534	3,162,061
Less: allowance for impairment of Packaging, spare parts and other consumables	-	(1,387)
Inventory in transit	-	4,546,008
	57,493,725	67,228,947

Inventories held at third parties are mostly fertilizers which are directly delivered from the logistic center to the customers.Goods purchased for resale are represented mainly by pesticides, seeds and fertilisers. Part of bank borrowings are guaranteed by mortgage on inventories (Note 21).

14 TRADE AND OTHER RECEIVABLES

	31 December 2019	31 December 2018 restated
Trade receivables	483,467,337	413,382,702
Accrual for commercial discounts	(130,082,334)	(89,033,433)
Less: allowance for impairment of trade receivables	(28,471,439)	(36,790,428)
Trade receivables – net	324,913,564	287,558,841
Receivables from related parties (note 34)	14,751,783	14,642,787
Loans to related parties (note 34)	1,610,168	1,756,909
Other receivables	21,939,216	6,686,593
	363,214,731	**310,645,130**
Prepayments	1,069,071	2,146,264
Advances for inventories	3,015,143	3,389,939
Advances to suppliers	1,391,890	1,054,248
Other non-financial assets	**5,476,104**	**6,590,450**
	368,690,835	317,235,580
Less non-current portion:		
Other receivables from related parties	8,482,739	4,559,970
Other receivabels	9,791,465	1,907,050
Total other non-current assets	18,274,204	6,467,020
Current portion	350,416,631	310,768,560

14 TRADE AND OTHER RECEIVABLES (CONTINUED)

Allowance for expected credit losses	31December 2019	31December 2018
Opening balance	(36,790,428)	(31,766,795)
Demerger	5,408,649	-
Reversal of write-down of receivables	2,665,244	2,707,588
Opening adjustment	-	(1,652,161)
Write-down of receivables	(2,426,180)	(6,079,059)
Provision for impairment of AHFS	2,671,276	-
Closing balance	**(28,471,439)**	**(36,790,428)**

The fair values of trade and other receivables are approximate to their carrying amount.
Other receivables classified as at 31 December 2019 and as at 31 December 2018 as a non-current other receivables refer to receivables from fixed assets sold with payment term above one year , the maximum payment term being 2023. The amounts do not carry interest and are discounted using market approach.
Receivables from related parties* represent the discounted amount corresponding to long term receivables obtained from the sale of assets classified as held for sale.
The fair values of trade and other receivables are approximative equal to their carrying amount.
Other receivables included in the above table mainly relate to amounts to be collected from disposal of non-current assets (2018 and 2019).

Part of bank borrowings are guaranteed by mortgage on trade receivables (note 21).
As at 31 December 2019, according to IFRS 15, the accrual for commercial discounts in amount of 126,932,318 Ron (31 December 2018: 88,921,485 Ron) was reclassified from Trade and Other receivable to Liability from contracts with customers.

15 CASH AND CASH EQUIVALENTS

	31 December 2019	31 December 2018
RON denominated balances with bank and cash on hand	389,512	1,218,309
Foreign currency balances with bank and cash on hand	61,137	92,255
Total	450,649	1,310,564

Part of bank borrowings are guaranteed by mortgage on cash and cash equivalents (note 21).

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16 DISCONTINUED OPERATIONS

During 2019 the Livestock line of activity was discontinued and the Company decided to discontinue its Grains and Silos and Milk lines of activity as of January 1st, 2020.

As the demerger process became effective on 01 April 1st, 2019, which resulted in both the abattoir line of activity and the arable lands, held by the Company as Investment property, being demerged into separate companies, Abatorul Peris SA and respectively Agriland Ferme SA, in the financial statements the followings business lines were presented as discontinued: Slaughterhouse, Livestock, Grains and Silo, and Milk.

Statement of Profit and loss for both financial years (2019 and 2018) present only a line related to discontinued operations in "Profit/(Loss) for the year from discontinued operations".

The results of those business lines for the year ended 31 December 2019 are presented below:

	31 December 2019	31 December 2018
Revenue	319,919,421	774,139,876
Cost of goods sold	(283,630,339)	(708,315,440)
Cost of distribution	(36,389,692)	(69,512,354)
Gross profit	(100,610)	(3,687,918)
Administrative expenses	(2,835,622)	(10,822,645)
Other income	134,331	854,620
Other gains/(losses) - net	(476,804)	625,433
Operating profit (loss)	(3,278,705)	(13,030,510)
Finance income	-	-
Finance costs	(1,200,948)	(4,200,991)
Finance costs – net	(1,200,948)	(4,200,991)
Profit/(Loss) before tax	(4,479,654)	(17,231,501)
Income tax credit	-	-
Profit/(Loss) for the year from discontinued operations	(4,479,654)	(17,231,500)

In the Statement of Financial Positions, as of December 31, 2019, the main positions related to discontinued operations have been clasified as Assets held for sale or Liabilities associated with assets held for sale.

16 DISCONTINUED OPERATIONS (CONTINUED)

As at 31 December 2019, the assets classified as held for sale comprise:

- fixed assets related to Buzau Sud silo which was sold during January 2020;
- inventories and trade and other receivables related to discontinued operations (Grains and Silo and Milk business line)

Assets classified as held for sale

	31 December 2019	31 December 2018
Freehold land held for sale	275,330	1,173,148
Buildings held for sale	6,127,102	19,075,554
Vehicles and machinery held for sale	478,130	3,313,436
Construction in progress held for sale	-	167,492
Furniture, fittings and equipment held for sale	19,062	119,289
Trade and other receivables	21,155,274	-
Inventories	497,348	-
Total	28,552,246	23,848,919
Liabilities associated with assets held for sale		
Advances from customers	(686,914)	-
Trade payables	(3,573,596)	-
Salary related payables	(1,481,762)	-
State budget payables	(113,550)	-
Total	(5,855,822)	-

During 2019, the Company disposed of the assets located in Balta Alba, Budesti, Buzau Nord, Cilibia, Poiana Radomiresti, Ramnicu Sarat, Rosiori si Ulmeni. These properties was previously used in the Company's production and trading operations.

17 SHARE CAPITAL

All shares are subscribed, fully paid and carry equal voting rights. All shares have a nominal value of RON 0.10/share.

There are no preference shares and no restrictions on shares. All issued shares are fully paid.
Dividends paid during 2019 are in amount of RON 10,854,398.
During 2019, following the demerger process Share capital decreased with RON 16,036,063. The demerger has been a simetrical one and the shareholdings in each resulting company is the same as in Agricover SA.

17 SHARE CAPITAL (CONTINUED)

During October 2019, Agricover Holding SA sold 10% of the shares held in Agricover SA to Adama Agriculture BV. Therefore, the share capital structure as at December 31, 2019 is as follows:

	No. of shares	Amount	Percentage (%)
Agricover Holding SA	90,640,534	9,064,053	86.62
ADAMA Agriculture B.V.	10,463,636	1,046,364	10.00
Other shareholders	3,532,191	353,219	3.38
Total	104,636,361	10,463,636	100

During the year 2018 a number of 16,252 shares were issued at a nominal value of RON 0.10 per share, resulting in an increase in share capital of RON 1,625.

Shareholder structure as at 31 December 2018:

	No. of shares	Amount	Percentage (%)
Agricover Holding SA	256,390,126	25,639,013	96.75
Other shareholders	8,606,865	860,687	3.25
Total	264,996,991	26,499,699	100

18 PRIOR YEAR LOSSES

During 2019, the company decided to cover from 2018's result the prior year's losses in amount of Ron 1,819,566.

19 RETAINED EARNINGS

Corrections on retained earnings

The following corrections have been made:

- During 2018 two fiscal controls have been finalized which resulted in an additional income tax expense and VAT payable. As the fiscal controls are related to prior fiscal periods (2011 – 2016) these losses have been recorded in 2018 against retained earnings in amount of RON (2,071,201). The Company also made a correction in amount of RON 407,051 regarding deferred tax computation.

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20 REVALUATION RESERVES

As at 31 December 2019, land and buildings of the Company were revalued. The revaluation surplus was recognised in the revaluation reserves. If an asset's carrying amount was decreased as a result of a revaluation, the decrease was recognised in profit or loss. However, the decrease was recognised in other comprehensive income, to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Revaluation report was issued by Deloitte Consultanta SRL, corporate member of National Association of Valuers from Romania.

Movements in revaluation reserve are as follows:

At 1 January 2018	102,752,506
Amounts transferred to realized revaluation reserves	(11,998,568)
Deferred tax derecognized for revalued assets	1,550,676
Increase in other reserves	81,880
At 31 December 2018	92,386,494

At 1 January 2019	92,386,494
Amounts transferred to realized revaluation reserves	(72,256,014)
Demerger	(168,571)
Increase in revaluation reserves	413,920
At 31 December 2019	20,375,829

21 BORROWINGS

	31 December 2019	31 December 2018
Non-current		
Bank borrowings	7,522,630	19,207,353
Lease liabilities (note 22)	9,244,127	1,422,460
	16,766,757	20,629,812
Current		
Bank borrowings	74,955,345	106,889,554
Lease liabilities (note 22)	7,413,652	463,518
	82,368,997	107,353,072
Total borrowings	99,135,754	127,982,884

21 BORROWINGS (CONTINUED)

Bank borrowings

At 31 December 2019 and 31 December 2018 the Company had the following borrowings:

Bank	31 December 2019	31 December 2018
Unicredit Bank loan (withdrawn in RON)	-	11,250,000
ING medium term (withdrawn in RON)	6,216	-
ING medium term (withdrawn in USD)	7,516,413	13,582,353
BCR credit line (withdrawn in RON)	9,488,034	57,030,000
BRD credit line (withdrawn in EUR)	23,553,860	21,190,761
BRD credit line (withdrawn in RON)	25,567,022	4,580,686
Banca Transilvania credit line (withdrawn in RON)	16,345,624	18,438,263
Unicredit Bank credit line (withdrawn in EUR)	805	24,843
	82,477,975	126,096,906

Unicredit Bank – Short term credit line and loan

As of 31 December 2019, the outstanding amount of the medium-term loan agreement between Agricover SA and Unicredit Tiriac Bank is 0; at the time of division, it was transferred to Abatorul Peris SA As of 31 December 2018 Agricover SA had a medium-term loan agreement for the investments made. The total credit facility was RON 25,000,000 and having the maturity in 29 December 2020. The credit was guaranteed by a mortgage on the buildings and on equipment owned by Agricover SA. The remaining amount as of 31 December 2018 was of RON 11,250,000 for Agricover SA

As of 31 December 2019, Agricover SA had a short-term credit line for working capital for a total value of EUR 979,400 and having the maturity on 2 October 2020. The credit line is guaranteed by mortgages on inventories, trade receivables and current bank accounts.

The utilized amount as of 31 December 2019 is RON 805 (31 December 2018: RON 24,843).

Banca Comercială Română - Short term credit line

On 31 December 2019 Agricover SA had a revolving credit line for working capital purposes, for total value of RON 62,000,000 mature on 12 October 2021. The credit facility is secured by the Company's inventories, trade receivables and current bank accounts.

The utilized amount as of 31 December 2019 is of RON 9,488,034 (31 December 2018: RON 57,030,000).

21 BORROWINGS (CONTINUED)

BRD Group Société Générale – Short term credit line and loan

As of 31 December 2019, Agricover SA had a credit line for working capital for total value of EUR 12,000,000 mature on 31 August 2020. The borrowing is secured by the Company's lands and buildings, trade receivables and current bank accounts.
The utilized amount as of 31 December 2019 was RON 49,120,882 (31 December 2018: RON 25,771,447).

Banca Transilvania – Credit ceiling

On 31 December 2019 Agricover SA has a credit ceiling of RON 30,000,000 with a maturity date on 16 August 2020, utilizable under revolving system as a credit line (RON), short term loan (RON) or guarantees/contra guarantees letters. The borrowing was secured by trade receivables and current bank accounts.
As of 31 December 2019, the utilized amount from the credit line was RON 16,345,624 (31 December 2018: RON 18,438,263).

Alpha Bank – short term credit line

As of 31 December 2019, Agricover SA had a short-term credit line for working capital for a total value of RON 4.761.200 and having the maturity on 26 May 2020. The credit line is guaranteed by mortgages on trade receivables and current bank accounts.
The utilized amount as of 31 December 2019 is RON 0.

ING Bank N.V. - Medium term credit line

As of 31 December, 2019 Agricover SA has a credit line for working capital financing purposes, for a total limit of EUR 3,000,000, an amount that can be withdrawn in RON, EUR or USD, with a maturity on 28 January 2021. In January 2020, the credit line's expiry date was extended until 28 December 2021.
The facility is secured by a pledge on receivables, inventories and bank current accounts of the Company. As of 31 December 2019, the amount utilized was RON 7,522,630 (31 December 2018 RON 13,582,353).

21 BORROWINGS (CONTINUED)

The carrying amounts and fair value of the non-current borrowings are as follows:

	Carrying amount		Fair value	
	2019	2018	2019	2018
Long term borrowings	7,522,630	19,207,352	7,223,280	18,048,311

The carrying amounts and fair value of current borrowings are as follows:

	Carrying amount		Fair value	
	2019	2018	2019	2018
Current borrowings	74,955,345	106,889,554	73,853,060	105,375,515

The fair value hierarchy is Level 3.
Taking into consideration that the Company has a diversified mix of borrowings, we consider that for this calculation the average interest rate of the Company loans is relevant.

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

Currency	31 December 2019	31 December 2018
RON	25,833,657	91,323,792
EUR	56,644,317	21,190,761
USD	-	13,582,353
	82,477,974	126,096,906

All of the Company's borrowings are at variable interest rates of Robor /Euribor//Libor 1M plus fixed margin. The effective interest rates at the balance sheet date were as follows:

	31 December 2019 (%)	31 December 2018 (%)
Bank borrowings	3.75	3.34

21 BORROWINGS (CONTINUED)

The Company has the following undrawn borrowing facilities:

	31 December 2019	31 December 2018
Floating rate:		
expiring within one year	111,456,351	55,759,734

The Group provided a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activitiesThis reconciliation provides a link to the amounts recognised in the statement of cash flows.

Caption	01-Jan-19	Cash flows	New leases/IFRS 16	Foreign exchange movement	Demerger	Dividend distributed	Other	31-Dec-19
Bank borrowings	126,096,907	(14,275,887)	-	638,440	(29,981,485)	-	-	82,477,975
Finance lease liability	1,885,979	(7,199,386)	22,978,804	437,687	(1,445,305)	-	-	16,657,779
Dividends payable	1,767	(10,854,398)	-	-	-	11,210,327	(13,199)	344,497

22 LEASE LIABILITIES

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.The Company concluded financial lease agreements with PORSCHE MOBILITY SRL and LEASEPLAN ROMANIA SRL in order to acquire vehicles and machinery that are used by the Company in the normal course of the business. The average period of these agreements is 60 months. Main part of the lease liability balance relates to IFRS 16.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

Operating lease commitments as at 31 December 2018	15,780,942
Weighted average incremental borrowing rate as at 1 January 2019	2.20%
Discounted operating lease commitments recognised as lease liability as at 1 January 2019	15,267,599
Current portion of lease liability	5,569,734
Non-current portion of lease liability	9,697,866

Impact from IFRS 16

For the year 2019 the Company applied IFRS 16 regulation. The main types of contracts under IFRS 16 represent rent of cars, warehouses, headquarter and fuel tanks. The duration of the lease contracts is between 13 and 36 months.

Accordingly, the impact in the Company's financial statements is as following:

	31 December 2019
ASSETS	
Non-current assets	
Right of use asset	14,468,372
Finance lease receivable from related parties – long term	1,178,754
Total non-current assets	15,647,126
Current assets	
Finance lease receivable from related parties – short term	1,073,896
Total current assets	1,073,896
Total assets	16,721,022
EQUITY AND LIABILITIES	
Equity attributable to owners of the parent	
Retained earnings	63,243
Total equity	63,243
Non-current liabilities	
Borrowings	9,244,127
Total non-current liabilities	9,244,127
Current liabilities	
Borrowings	7,413,652
Total current liabilities	7,413,652
Total liabilities	16,657,779
Total equity and liabilities	16,721,022

22 LEASE LIABILITIES (CONTINUED)

Profit and loss account		**Impact from IFRS 16 - 2019**
Administrative expenses	Rent expenses – decrease	(1,128,501)
Cost of distribution	Rent expenses – decrease	(5,005,638)
Administrative expenses	Depreciation - increase	995,336
Cost of distribution	Depreciation – increase	4,458,102
		(680,701)
Finance costs	Interest expenses - increase	382,884
Finance costs	Foreign exchange losses - increase	435,584
Finance income	Other financial revenues - increase	(74,525)
Total Finance cost - net		743,944
Impact from IFRS 16		63,243

The Company adopted IFRS 16 using the modified retrospective adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application. The Company elected to use the transition practical expedient to not reassess whether a contract is or contains a lease at 1 January 2019. As a consequence, there is no impact upon the financial statements as at 31 December 2018.

22 LEASE LIABILITIES (CONTINUED)

Right-of-use assets

	Buildings	Machinery& Equipment	Motor vehicles	Total
As at 01 January 2019	**8,252,054**	**1,108,459**	**2,496,586**	**11,857,099**
Additions	984,042	133,252	6,522,660	7,639,954
Transfer from PPE	-	424,756	-	424,756
Depreciation expense	(2,204,987)	(1,096,737)	(2,151,714)	(5,453,438)
As at 31 December 2019	**7,031,109**	**569,730**	**6,867,532**	**14,468,371**

As at 1st of January 2019, the Company had Finance lease receivable from related parties in amount of RON 3,410,500.

Lease liabilities

Opening balance 1 January 2019	(15,267,599)
Transfer from finance lease	(949,610)
New contracts during 2019	(7,639,954)
Interest accrued in the period	(382,884)
Interest expense paid	382,884
Payments in the period	7,199,386
Closing balance 31 Dec 2019	(16,657,778)

22 LEASE LIABILITIES (CONTINUED)

For a better understanding of the impact of adopting IFRS 16 "Leases" on the annual financial statements of the Company, please see the table below:

	01-Jan-19	Impact from adoption of IFRS 16	01-Jan-19 restated
Total non-current assets	98,860,489	13,562,349	112,422,838
Total current assets	403,156,991	1,705,250	27,259,419
Total assets	**502,017,480**	**15,267,599**	**517,285,079**
Total current liabilities	354,064,207	5,569,734	359,633,941
Total long-term liabilities	26,561,565	9,697,866	36,259,431
Total liabilities	**380,625,772**	**15,267,599**	**395,893,371**
Total equity	**121,391,708**	-	**121,391,708**
Total liabilities and equity	**502,017,480**	**15,267,599**	**517,285,079**

23 TRADE AND OTHER PAYABLES

	31 December 2019	31 December 2018 restated
Trade payables	237,522,693	220,404,694
Dividends	344,497	1,767
Salaries and related taxes	6,076,377	8,032,332
Payables to related parties (note 34)	1,000,754	1,489,573
Fixed assets suppliers	105,901	658,555
Value added tax payable	2,720,028	2,850,794
Other current liabilities	126,683	144,418
	247,896,933	233,582,133

24 CONTRACT LIABILITIES

	31 December 2019	31 December 2018 restated
Contract liabilities	6,100,280	9,556,537

As at 31 December 2019, Contract liabilities contains:
- Advances granted to customers of RON 5,073,368 (2018: RON 4,286,313);
- Deferred revenue of RON 1,026,912 (2018: RON 5,270,224).

25 REVENUES

Continuing operations	2019	2018
Revenue from sales of distributed goods	1,089,306,301	861,534,695
Revenue from rent	744,316	470,055
Revenue from services	103,478	229,970
Total	1,090,154,095	862,234,720

Revenue from sales of distributed goods are disclosed separately by segment of products:

	2019	2018
Pesticides	330,127,016	254,908,625
Fuel	402,596,411	329,477,992
Fertilisers	250,527,213	180,133,533
Seeds	106,055,660	97,014,545
Total	1,089,306,301	861,534,695

All the company's sales are made in Romania and all the clients are local.

26 COST OF GOODS SOLD

Cost of goods sold are disclosed separately by segment of products:

Continuing operations	2019	2018 restated
Pesticides	(251,620,486)	(185,945,478)
Fuel	(398,424,889)	(326,675,079)
Fertilisers	(227,201,102)	(162,848,168)
Seeds	(97,051,688)	(90,203,146)
Total	(974,298,166)	(765,671,872)

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27 COST OF DISTRIBUTION

Continuing operations	2019	2018 restated
Transport expenses	(7,340,056)	(3,333,885)
Employees cost	(22,116,997)	(18,140,408)
Rent expenses	(628,049)	(3,224,243)
Third party services	(2,576,279)	(2,272,410)
Maintenance expenses	(971,245)	(629,470)
Consumables expenses	(2,858,514)	(1,646,073)
Energy and water expenses	(95,940)	(77,359)
Insurance premium expenses	(274,160)	(400,288)
Taxes to the State Budget	(51,307)	(158,756)
Postal and telecommunication expenses	(169,373)	(220,143)
Depreciation	(4,336,788)	(249,904)
Travel	(245,470)	(185,808)
Write-down of inventories	(628,618)	(184,060)
Reversal of write-down of inventories	105,687	510,295
Write-down of receivables	(3,786,226)	(1,893,582)
Reversal of write-down of receivables	2,484,649	1,189,993
(Gain)/loss from inventories quantitative and qualitative differences	(289,134)	(533,549)
Total	(43,777,819)	(31,449,651)

28 ADMINISTRATIVE EXPENSES

Continuing operations	2019	2018 restated
Employees cost	(11,053,039)	(10,086,585)
Third party services	(2,541,073)	(1,812,824)
Energy and water expense	(92,192)	(57,323)
Rent expenses	(1,551,179)	(1,353,394)
Taxes to the State Budget	(332,963)	(364,764)
Protocol and publicity expenses	(2,058,589)	(1,160,281)
Maintenance expense	(1,361,530)	(1,250,633)
Insurance premium expenses	(164,164)	(125,245)
Postal and telecommunication expenses	(199,846)	(218,294)
Travel	(69,333)	(75,519)
Consumables expenses	(590,903)	(675,093)
Bank charges	(304,931)	(498,760)
Depreciation	(1,597,297)	(2,011,682)
Total	(21,917,038)	(19,690,397)

29 OTHER GAINS / (LOSSES) – NET

Continuing operations	2019	2018 restated
Proceeds from disposal of non-current assets	59,926,366	9,116,429
Cost of non-current assets disposed	(51,072,751)	(8,771,265)
Gain/(loss) on revaluation of property	571	-
Reversal of write-down of fixed assets	-	40,110
Penalties and compensatory payments	58,876	2,584,097
Reinvoicing - net	81,740	90,068
Other gains/(losses) - net	104,086	5,135
Donations and sponsorships	(1,180,817)	(510,000)
Total	7,918,072	2,554,574

30 FINANCE COSTS - NET

	2019	2018
Interest expenses related to bank borrowings:	(3,295,869)	(518,671)
Interest expense related to leases	(382,884)	
Foreign exchange losses	(13,714,484)	(4,295,814)
Other financial expenses	(12,579,194)	(10,449,380)
Finance costs	(29,972,431)	(15,263,865)
Interest income	36,244	29,829
Financial discounts received	89,010	172,447
Other financial revenue	74,536	
Foreign exchange gains	11,509,428	3,938,335
Finance income	11,709,218	4,140,611
Net finance	(18,263,213)	(11,123,255)

31 INCOME TAXES

Income tax expense comprises the following:

	2019	2018
Current tax expense/(credit)	8,883,693	7,046,750
Deferred income tax expense/(credit)	(4,271,762)	(647,400)
Net income tax	4,611,931	6,399,350

The Company accrued income taxes at the rate of 16% on profits computed in accordance with Romanian tax legislation.

Profit before taxation for financial reporting purposes is reconciled to tax expense as follows:

	2019	2018
Profit/(loss) before tax	35,336,278	19,622,620
Theoretical tax charge at 16% tax rate	5,653,804	3,139,619
Tax effect of items which are not deductible or assessable for taxation purposes:		
Income not subject to tax	(1,715,365)	(1,648,308)
Expenses not deductible for tax purposes	2,187,530	5,698,533
Annual tax credit relating to sponsorship	(1,180,817)	(510,000)
Legal reserves	(146,813)	(163,199)
Fiscal facility	(186,409)	(117,296)
Tax charge	4,611,931	6,399,350

31 INCOME TAXES (CONTINUED)

	31 December 2019	31 December 2018
Deferred tax liability:		
Deferred tax liability to be recovered after more than 12 months	-	(5,284,353)
Deferred tax liability to be recovered within 12 months	(1,659,974)	(647,399)
Deferred tax liability (net)	(1,659,974)	(5,931,753)

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Property, plant and equipment and Investment property – in relation with Revaluation reserves	**2019**	**2018**
At 1 January	5,931,753	6,986,187
Charged/(credited) to other statement of profit and loss	(4,271,779)	(647,399)
Charged / (credited) directly to equity	-	(407,034)
(Credited) to other comprehensive income	-	-
At 31 December	1,659,974	5,931,753

During 2019 the Compay's financials were subject to a fiscal inspection but there was no additional income tax expense or VAT payable to be recorded.

During 2018 the Company's financials were subject to two fiscal inspections which resulted in additional income tax expense and VAT payable totalling RON 2,071,064 to be recorded. As the fiscal inspections related to prior fiscal periods (2011 – 2016) those amounts were recorded in 2018 as a restatement of opening retained earnings.

32 CONTINGENCIES, COMMITMENTS AND OPERATING RISKS

Currently, the Company is involved in some legal proceedings but the Management Board considers that these actions will not have a significant adverse impact on the Company's economic results and on the Statement of Financial Position as at 31 December 2019.

Taxation

The Romanian taxation system has just undergone a process of consolidation and harmonisation with European Union legislation. However, the tax authorities may have different approaches to certain issues, and assess additional tax liabilities, together with late payment interest and penalties. In Romania, tax periods remain open for 5 years. The Company's management considers that the tax liabilities included in this financial information are fairly stated, and they are not aware of any circumstances which may give rise to a potential material liability in this respect.

32 CONTINGENCIES, COMMITMENTS AND OPERATING RISKS (CONTINUED)

Transfer pricing

Romanian tax legislation includes the arm's length principle for transactions between related parties. Local taxpayers engaging in related party transactions have to prepare and make available upon the written request of the Romanian Tax Authorities their transfer pricing documentation dossier . Failure to present the transfer pricing documentation dossier, or presenting an incomplete dossier, may lead to non-compliance penalties; additionally, notwithstanding the contents of the transfer pricing documentation, the tax authorities may interpret the facts and transactions differently from management and impose additional tax liabilities resulting from transfer price adjustments. The Company's management believes that the Company will not suffer losses in case of a fiscal inspection on the subject of transfer prices.

Guarantees committed to third parties

Guarantees are irrevocable assurances that the Company will make payments in the event that another party cannot meet its obligations. As at 31 December 2019, Agricover SA had issued guarantee letters in favour of third parties amounting to EUR 73,779 with the expiry date 2 October 2020 and EUR 174,908 with the expiry date 31 August 2020 (31 December 2018: EUR 73,779 and EUR 174,908).

33 EVENTS AFTER THE REPORTING DATE

Covid-19 Outbreak

While this is still an evolving situation at the time of issuing these financial statements, to date there has been no discernible impact on the Company's sales or supply chain.

The Romanian authorities have also taken a number of measures to combat the spread of the epidemic, including the declaration of a state of emergency, in the period 16 March to 15 May 2020 followed by a state of alert up to 15 June and also proposed a government stimulus program as a response to Covid-19.

Since the institution of the state of emergency, interactions with our farmer clients have been mainly driven by the on-going commercial and operational dealings specific to this time of year. The cereals crops are progressing well and most of our clients have been motivated by ensuring their access to the agricultural inputs they require for the season. There were some logistical challenges during the early days of the pandemic taking hold in Europe and farmers rushed to buy inputs and stock them. In the meantime, transportation corridors have been created and restrictions have started to be lifted across the continent, and things are coming back to normal.

33 EVENTS AFTER THE REPORTING DATE

Internally, the Company makes all the efforts necessary to diminish the effects of the pandemic at the level of the economic activity to ensure that our operations continue unaffected (or with minimal impact, at least) by the Covid-19 pandemic, we have introduced several operational measures, which includes teleworking, organizing the activity of the central warehouse in shifts, additional staff recruited and daily comprehensive cleaning with biocides of all premises.
The high level of uncertainty caused by the coronavirus outbreak will lead to a highly volatile market environment in the following months and the measures imposed by the authorities will also potentially adversely impact the overall current operations and the Group's results for the next period.

Actions taken or in progress to be taken by the Company in order to maintain the viability of the group and its business lines include, without being limited to, reducing operational expenses while maintaining the operational income at the prior year level, ongoing negotiations with suppliers of services in order to suspend or significantly reduce the fees for their services if not essential.

Projections have been made that include possible effects of Covid-19 on the estimated cash flows of the Company, but also on the possibility of fulfilling the loans' covenants. We have performed stress tests and considered various scenarios for potential outcomes; in the event that the most pessimistic scenario from our analysis materializes there would be sufficient liquidity available in order to ensure funding for our ongoing operations. Based on these, Management considers that it is adequate to apply the going concern principle. Management will continue to monitor the potential impact and will take all steps possible to mitigate any effects.

Other subsequent events

Grains and Silos and Milk lines of activity were discontinued in 2020 – the assets and liabilities from this lines of activity were presented as discontinued activities in the financial statements as at 31 December 2019. In January 2020 the company sold a part of the Assets classified as held for sale from the location Buzau Sud. The total proceedings generated from the sale amounted to RON 7,837,629.
During January 2020 the an addendum was concluded with ING Bank NV in order to extend the due date of the medium term contract until 28 December 2021.
Also, in May 2020, there was a technical extension of the credit facility with Alpha Bank valid until August 2020, in this interval the Company is in the process of renewing the facility for another year.

34 RELATED-PARTY TRANSACTIONS

The Company is ultimately controlled by Mr Jabbar Kanani.

Parties are considered to be related if one party has the ability to control the other party, if the parties are under common control, or if they can exercise significant influence over the other party in making financial or operational decisions as defined by IAS 24 "Related Party Disclosure".

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.
The related parties with whom the Company entered into significant transactions or had significant balances outstanding in the period presented were the following:

Related party	Country	Relationship	Transactions type
Agricover Holding SA	Romania	Parent entity	Parent company
Agricover Credit IFN SA	Romania	Other related party	Service supply
Agroadvice SRL	Romania	Other related party	Service supply
Danube Grain SRL	Romania	Other related party	Loan granted
Agricover Broker de Asigurare SRL	Romania	Other related party	Service supply
Agriland SRL	Romania	Other related party	Goods and service supply
Net Farming SRL	Romania	Other related party	Goods and service supply
Agricola Cornatelu SRL	Romania	Other related party	Goods and service supply
Abatorul Peris SA	Romania	Other related party	Service supply

34 RELATED-PARTY TRANSACTIONS (CONTINUED)

The following transactions were carried out with related parties:

Sales of goods and services to Other related parties

	2019	2018
Sales of services	634,592	202,841
Sales of fixed assets	8,434,278	-
Sales of goods	8,843,954	13,017,385
	17,912,823	13,220,226

Purchases of goods and services from Other related parties

	2019	2018
Purchases of services	-	-
Purchases of goods	-	3,170,014
	-	3,170,014

Other expenses and revenues – Other related parties

	2019	2018
Financial expenses – Agricover Credit IFN (factoring commission)	12,489,138	10,422,495
Interest income – Danube Grains	25,851	26,304

34 RELATED-PARTY TRANSACTIONS (CONTINUED)

Year-end receivable balances from Other related parties

	2019	2018
Trade and other receivables (note 14)	14,751,783	14,642,787
Net investment from Related parties	2,252,650	-
Danube Grains SRL – short-term loan	1,610,168	1,756,909
	18,614,602	16,399,696

Year-end payables to Other related parties

	2019	2018
Trade and other payables (note 23)	1,000,754	1,489,573

Key management compensation

During 2019 salaries paid to key management personnel, including social contributions, amounted to RON 3,668,032 (2018: RON 5,819,036).There are no other compensations related to key management personnel.

35 Non-IFRS Ratios

The following non-IFRS Ratios are closely monitored and are presented by the Group as these may prove useful for better understanding of the financial position and performance of the operations. The ratios have been computed for 2019 and 2018 based on the Company's financial results by only taking into consideration the continuing business lines performance:

	2019	2018
1. EBITDA	64,013,229	50,238,959
2. EBITDA margin	5.87%	5.83%
3. EBITDA/Interest expense	17.40	96.86
4. Net financial debt/EBITDA	1.54	2.52
5. Equity ratio	23%	24%

35 Non-IFRS Ratios

Below are presented the the elements included in the computation of the non-IFRS Ratios, as follows:

1. **EBITDA** computation is presented below:

	2019	2018
EBITDA(A+B+C+D)	**64,013,229**	**50,238,959**
A.Profit/(loss) for the year from continuing operations (SOCI)	35,204,000	30,454,768
B.Income tax expense (note 31)	4,611,931	6,399,350
C.Finance Cost – net (note 30)	18,263,213	11,123,255
D.Depreciation (note 27 and 28)	5,934,085	2,261,586

As a result of transition to IFRS 16, EBITDA has been impacted by the reclassification of leases previously accounted for as operational leases (note 2.18 and 22). The depreciation expense recorded in 2019 for right of use assets of such nature amounts to RON 4,907,544.

2. **EBITDA margin** is computed as EBITDA/Total Revenue for continuing operations;

	2019	2018
EBITDA margin A/B	**5.87%**	**5.83%**
A. EBITDA	64,013,229	50,238,959
B.Revenue (note 25)	1,090,154,095	862,234,720

3. **EBITDA/Interest expense** is computed by divided EBITDA to Interest expense for continuing operations

	2019	2018
EBITDA/Interest expense A/B	**17.40**	**96.86**
A.EBITDA	64,013,229	50,238,959
B.Interest expense (note 30)	3,678,753	518,671

35 Non-IFRS Ratios

4. **Net financial debt/EBITDA** is computed as Net financial debt (which is represented by total borrowings net of cash) / EBITDA

	2019	2018
Net financial debt/EBITDA (D/E)	**1.54**	**2.52**
A.(+) Long-term borrowings (note 21)	16,766,757	20,629,812
B.(+) Current portion of long-term borrowings (note 21)	82,368,997	107,353,072
C.(-) Cash and cash equivalents (note 15)	(450,649)	(1,310,564)
D.Net financial debt	98,685,105	126,672,320
E.EBITDA	64,013,229	50,238,959

5. **Equity ratio** is computed as Total Equity/Total Assets, as follows:

	2019	2018
Equity ratio A/B	**23%**	**24%**
A.Total equity (SOCE)	111,373,334	121,391,708
B. Total assets (SOFP)	476,362,491	502,017,480

Liviu Dobre
President of the Board of Directors

Violeta Georgescu
Chief Accountant