RECONSTRUCTION CAPITAL II LIMITED

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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DIRECTORS AND COMPANY INFORMATION

Domicile and country of incorporation
Cayman Islands

Legal form
Limited Liability Company

Company number
HL-156549

Non-executive directors
Zoran Melovski
Paolo Bassetti
Martin Derbyshire (appointed 8 September 2021)
Mihai Radoi (resigned 27 July 2021)

Secretary and Registered Office
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Windward 3
Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

Adviser
New Europe Capital SRL
24 Thomas Masaryk Street, 1st Floor
Sector 2, Bucharest
Romania

Nominated Adviser
Grant Thornton UK LLP
30 Finsbury Square
London, EC2A 1AG

Broker
finnCap Ltd
1 Bartholomew Close
London, EC1A 7BL

DIRECTORS AND COMPANY INFORMATION (continued)

Administrator and Custodian
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IFC 5
St Helier
Jersey
JE1 1ST

Independent Auditor
Grant Thornton (Cyprus) Ltd
41-49, Agiou Nicolaou St.
Nimeli Court
Block C
Egkomi 2408
PO Box 23907
1687 Nicosia
Cyprus

ADVISER'S REPORT
For the year ended 31 December 2021

On 31 December 2021, Reconstruction Capital II Limited ("RC2" or the "Company") had a total audited net asset value ("NAV") of €26.8m, or €0.1971 per share. The NAV per share increased by 24.27% over the course of the year.

Private Equity Programme

At the end of December 2021, the investments held under the Private Equity Programme had a total fair value of €26.24m, 29.5% above the 2020 valuation of €20.25m. The valuations of Policolor, Mamaia and Telecredit were all performed by independent valuers in 2021 (in 2020, the valuation of Telecredit was based on its audited net asset value). The valuations of the Company's investments in Reconstruction Capital Plc ("RC") and The Romanian Investment Fund Limited ("RIF") were also based on their audited net asset values, but these were in turn based on the same valuation of their main underlying asset, Policolor SA, as adopted by the Company.

	2021 EUR	2020 EUR
Policolor S.A	17,000,000	13,960,000
Mamaia Hotel Resorts SRL ("Mamaia")	4,076,986	3,440,548
Telecredit IFN S.A. ("Telecredit")	1,895,500	624,545
The Romanian Investment Fund Limited	1,719,419	1,256,984
Reconstruction Capital Plc	1,544,540	972,484
	26,236,445	20,254,561

In spite of the ongoing COVID pandemic and inflationary headwinds, Policolor managed to generate a 23.7% year-on-year increase in sales, from €64.1m in 2020 to €79.3m in 2021, overperforming its budget by 12.5%. Helped in particular by the strong performance from its resins and chemicals businesses, Policolor more than doubled its recurring EBITDA from €2.1m in 2020 to €4.3m in 2021. The Policolor Group continues to implement a turnaround plan which aims for an increased and more efficient production capacity, a leaner and more efficient organisation structure, improved internal planning and reporting systems, and lower logistics costs.

Mamaia's 2021 revenues of €2.9m were 6.3% above budget, and 65% above the prior year, due to the positive effect of higher low season sales, and the relaxation of pandemic restrictions over the summer when the hotel benefited from a rebound in demand from Romanian tourists. The hotel also made use of pandemic-related state aid, helping it achieve EBITDA of €0.35m, almost in line with the budgeted €0.36m, and compared to an EBITDA loss of €-0.33m in 2020.

Operating in an economy still affected by the COVID pandemic where commercial banks continued to show a lower risk appetite for financing small and medium sized enterprises, Telecredit deployed €19m in financing products in 2021. This generated an operating profit before depreciation of €0.39m, 5.6% above the annual budget and significantly above the breakeven achieved in 2020.

ADVISER'S REPORT (continued)
For the year ended 31 December 2021

Apart from the shareholdings in RC and RIF, the other private equity investments are held through two Cyprus-based wholly-owned subsidiaries, RC2 (Cyprus) Limited and Glasro Holdings Limited, which are not consolidated in the present financial statements, in accordance with IFRS. The Assets at Fair Value shown in the present financial statements, which amount to €26.97m, reflects the valuations of the underlying private equity holdings outlined in the above table, plus loan receivables from investee companies of €0.59m, cash and cash equivalents of €0.06m, and a net €0.08m of sundry financial assets and liabilities, held by these intermediary holding companies.

Economic Overview

Both the Romanian and Bulgarian economies reported an increase in GDP in 2021 of 5.9% and 4.2%, respectively, as measures imposed due to the COVID pandemic were relaxed and economic activity resumed. Inflationary pressures have been building up, reaching 8.2% in Romania and 7.8% in Bulgaria at the end of 2021. The European Commission has nonetheless forecast that growth would continue in 2022 at 4.2% in Romania and 3.7% in Bulgaria. However, these forecasts were made prior to the Russian invasion of Ukraine which is already having a long-term, negative impact, in particular on consumer confidence and energy prices.

14 June 2022 New Europe Capital SRL

INVESTMENT POLICY

Investment Objective and Policy of the Company

At a general shareholder meeting on 21 February 2018, the investment objective of the Company was changed so that it now aims to achieve capital appreciation and/or to generate investment income returns through the acquisition of real estate assets in Romania, including the development of such assets, and/or the acquisition of significant or controlling stakes in companies established in, or operating predominantly in Romania, primarily in the real estate sector. Any new private equity investment in companies operating in sectors other than real estate is limited to 25% of the Company's total assets at the time of effecting the investment. However, the Company may continue to make follow-on investments in existing portfolio companies (which include Policolor SA, Mamaia Resort Hotels SRL and Telecredit SA IFN) without any such limitation.

Gearing

The Company may borrow up to a maximum level of 30% of its gross assets (as defined in its articles).

Distribution Policy

The Company's investment objective is focused principally on the provision of capital growth. For further details of the Company's distribution policy, please refer to the Admission Document on the Company's website.

REPORT OF THE DIRECTORS
For the year ended 31 December 2021

The Directors present their annual report together with the audited financial statements of Reconstruction Capital II Limited (the "Company") for the year ended 31 December 2021.

The financial statements do not constitute statutory financial statements and are prepared to comply with the applicable rules of AIM, a market operated by London Stock Exchange plc.

Activities and Business Review
The Company's principal activity is holding and managing investments in Romania and other countries in South-East Europe. A summary of the Company's business review for the year ended 31 December 2021 is contained within the Adviser's report.

Accounting Policies
The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Share Capital
Details of the Company's authorised and issued share capital as at 31 December 2021 are contained in note 16 of the financial statements.

Results and Dividends
The net investment income for the year amounted to EUR5,972,353 (2020: EUR2,527,956) and the net profit for the year amounted to EUR5,235,299 (2020: EUR1,851,371).

The Directors do not recommend the payment of a dividend (2020: EURnil).

Events after the Reporting Year
On 24 February 2022, Russia invaded Ukraine. The conflict in Ukraine is a significant geopolitical and economic event for the global economy and there is uncertainty over how the future development of this conflict will affect the Company. At the date of this report, the potential financial impact of these events on the Company cannot be fully determined. As the ongoing invasion of Ukraine continues to unfold in 2022, the Directors will continue to monitor the development of the conflict and assess the potential impact on the Company, with further details in note 23.

Directors and their Interests
No Director held shares in the Company at 31 December 2021. Mihai Radoi (resigned 27 July 2021) held 1,037,500 Ordinary shares, representing 0.76% of the issued share capital of the Company at 31 December 2021.

The Board of Directors comprised four Directors during 2021. Three of the Directors, Paolo Bassetti, Martin Derbyshire (appointed on 8 September 2021) and Mihai Radoi (resigned 27 July 2021), are Independent Non-Executive Directors, while Zoran Melovski is also a Director of Portadrix Investments Limited, Reconstruction Capital Plc, The Romanian Investment Fund Limited and New Europe Capital SRL, all of which are related parties of the Company. The Directors have a range of business, financial and asset management skills and experience relevant to the direction and control of the Company.

REPORT OF THE DIRECTORS (continued)
For the year ended 31 December 2021

Directors and their interests (continued)
Since all the day-to-day management responsibilities are subcontracted to the Administrator, the Company does not have a Chief Executive Officer as the roles are already effectively separated.

The Adviser has ensured that the Directors have had timely access to all relevant management, financial and regulatory information to enable informed decisions to be made. The Board meets on a regular basis at least twice each year, and additional meetings are arranged as necessary.

Due to the size of the Board, and the fact that all Directors are independent of the Administrator, the Board has not set up separate audit and remuneration committees on the grounds that the Board as a whole considers these matters.

Audit Related Responsibilities
All audit committee responsibilities are performed by the Board, with specified terms of reference.

The principal terms of reference are to appoint auditors, to set their fees, to review the scope and results of the audit, to consider the independence of the auditors, to review the internal financial and non-financial controls, to approve the contents of the draft interim and annual reports to shareholders and to review the accounting policies. In addition, the Board reviews the quality of the services of all the service providers to the Company and reviews the Company's compliance with financial reporting and regulatory requirements.

The Company's internal financial controls and risk management systems have been reviewed by the Adviser. The audit programme and timetable are drawn-up and agreed with the Company's Auditor in advance of the financial year end. At this stage, matters for audit focus are discussed and agreed. The audit report is considered by the Board and discussed with the Auditor prior to approving and signing the financial statements.

Remuneration Responsibilities
The Board has resolved that a remuneration committee is not appropriate for the Company, as the Company has contracted the advisory and administration activities with third parties and has no employees.

The contracting parties themselves are responsible for paying their employees. The Board's policy is that the Directors' remuneration should be fair and reasonable in relation to the time commitment and responsibilities of the Directors. The Directors are not eligible for bonuses, pension benefits, share options or other benefits. Details of transactions with Directors are given in Note 21 of the financial statements.

Each of the Directors has entered into a service agreement with the Company and either party can terminate the agreement by giving to the other at least three months notice.

REPORT OF THE DIRECTORS (continued)
For the year ended 31 December 2021

Relationship with Shareholders
Shareholder relations are given high priority by the Board. The prime medium by which the Company communicates with shareholders is through the interim and annual report and financial statements which aim to provide shareholders with a full understanding of the Company's activities and its results. This information is supplemented by a quarterly calculation of the net asset value of the Company's ordinary shares, which is published via the Stock Exchange, and quarterly reports that are issued by the Adviser which are distributed by e-mail. Copies are also available from the Adviser's office upon request and on the Company's website where the shareholders are able to access all the news and published information about the Company.

The Directors subscribe to the principles of the Quoted Companies Alliance (QCA) and corporate governance disclosures required by rule 26 of AIM have been made on the Company's website.

Going Concern
In the aftermath of the COVID-19 pandemic, coupled with the Russian invasion of Ukraine, disruption to the worldwide economy is affecting businesses across all industries. The Directors are satisfied that based on a review of expected cashflows, the Company will continue to generate sufficient cash to meet its commitments and ongoing expenses as they arise. Accordingly, the financial statements have been prepared on a going concern basis.

Following the annual general meeting of the Company on 22 December 2016, the life of the Company was extended for two years until the end of 2018. At a general shareholder meeting on 21 February 2018, it was decided that the next continuation vote will be held in 2023.

The Company has made a profit during the year, which has decreased the accumulated deficit of the Company to EUR83,781,884 (2020: EUR89,017,183).

The Directors have reasonable expectations and are satisfied that the Company has adequate resources to continue its operations and meet its commitments for the foreseeable future and they continue to adopt the going concern basis of preparation of the financial statements.

Directors' Responsibilities
The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets of the Company, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of the annual report and financial statements.

The financial statements have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB").

REPORT OF THE DIRECTORS (continued)
For the year ended 31 December 2021

Directors' Responsibilities (continued)

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the IASB's "Framework for the preparation and presentation of financial statements". In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRS.

A fair representation also requires the Directors to:

- consistently select and apply appropriate accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable, and understandable information;
- provide additional disclosures when compliance with the specific requirements of IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance; and
- state that the Company has complied with IFRS, subject to any material departures disclosed and explained in the financial statements.

Independent Auditor

The independent auditor, Grant Thornton (Cyprus) Ltd., have expressed their willingness to continue in office and the Directors intend to propose a resolution at their next meeting to reappoint them.

On behalf of the Board

Zoran Melovski
Chairman

14 June 2022

Grant Thornton

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Independent Auditor's Report to the Members of Reconstruction Capital II Limited

Opinion

We have audited the non-statutory financial statements of Reconstruction Capital II Limited (the "Company"), which comprise the statement of financial position as at 31 December 2021, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Independent Auditor's Report to the Members of Reconstruction Capital II Limited (continued)

Key Audit Matters

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

Valuation and existence of unlisted investments designated at fair value through profit or loss

Refer to Notes 8, 9, 10 and 19.5 of the financial statements.

The key audit matter

The Company's investment objective is to achieve long term total return for shareholders primarily by investment in a diversified portfolio of unlisted equities in Romania. The investment portfolio as at 31 December 2021 amounted to €5,274,531, being the sum of the carrying values of "Investments in subsidiaries" balance of €2,010,572 and the "Investments in associates" balance of €3,263,959 (2020: €3,017,209), being the sum of the "Investments in subsidiaries" balance of €787,741 and the "Investments in associates" balance of €2,229,468) and is the main driver of the Company's performance.

This area was assessed as one of the most significant risks of material misstatement due to the fact that unlisted investments do not have readily determinable prices and because of the degree of judgement exercised by management in determining the inputs used in the valuation models. The valuation methodology primarily used by the Company is based on discounted cash flow techniques making assumptions that are based on market conditions existing at the reporting date.

Unlisted investments are not safeguarded by an independent custodian. There is a risk that the Company may not have sufficient legal entitlement to these investments.

How the matter was addressed in our audit

• assessing whether the Company's accounting policy for the valuation of investments is in accordance with IFRSs and whether the Board of Directors has accounted for investments in accordance with that policy;

• evaluating the assumptions used for valuing the unlisted equity portfolio. This process included assessment of audited financial statements as well as budgets used in the preceding years for each investment to assess the reliability of management's budgeting procedures;

• evaluating the projected business plans to assess the reasonableness of the assumptions used;

• using in house valuation specialist to evaluate the methodology used by the external valuer and assess whether it was correctly applied. This included corroborating the key assumptions used to external market data and other reliable sources to assess the reasonableness of the assumptions used (please refer to Note 19.5); and

• testing the existence and legal ownership of investments by checking to shareholders' certificates and/or share interest confirmations.

Key observations

• Based on our audit work, we concluded that the methodology, judgments and assumptions used by management in determining the value and existence of the unlisted equity portfolio were reasonable and that the accounting policy used in the financial statements in relation to the above matters was appropriate.

Independent Auditor's Report to the Members of Reconstruction Capital II Limited (continued)

Valuation of the loan receivable designated at fair value through profit or loss

Refer to Notes 10 and 19.5 of the financial statements.

The key audit matter

The Company has a loan receivable as at 31 December 2021 of €21,697,290 (2020: €18,982,343) from one of its subsidiaries that represents 80% of the Company's total assets. The determination of the fair value estimation of the loan receivable at fair value through profit or loss, was one of the most significant assessed risks of material misstatement, as management estimation and judgement is required in determining the fair value of the subsidiary, including the assumptions used and the evaluation of the subsidiary's business plans, and the fair value of the loan as a result.

How the matter was addressed in our audit

• obtaining the audited financial statements of the subsidiary to corroborate the outstanding balance, check its adjusted net asset value and assess whether the adjusted net asset value reflects its fair value;

• evaluating the assumptions used for valuing the underlying unlisted equity portfolio of the specific subsidiary; This process included assessment of audited financial statements as well as budgets used in the preceding years for each investment to assess the reliability of management's budgeting procedures;

• evaluating the projected business plans to assess the reasonableness of the assumptions used (please refer to Note 19.5); and

• using in house valuation specialist to evaluate the methodology used by the external valuer and assess whether it was correctly applied. This included corroborating the key assumptions used to external market data and other reliable sources to assess the reasonableness of the assumptions used.

Key observations

• Based on our audit work, we concluded that the valuation of the loan receivable from the Company's subsidiary was not materially misstated. The methodology, judgments and assumptions used by management in determining the value of the unlisted equity portfolio of the subsidiary were reasonable and accounting policy used in the financial statements in relation to the above matters was appropriate.

Independent Auditor's Report to the Members of Reconstruction Capital II Limited (continued)

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report and audited financial statements, other than the financial statements and our auditor's report thereon.

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

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

Responsibilities of the Board of Directors for the Financial Statements

As explained more fully in the directors' responsibilities statement, The Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

Independent Auditor's Report to the Members of Reconstruction Capital II Limited (continued)

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

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

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonable be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

Other Matter

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

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

Dimitrios Chioureas
Certified Public Accountant and Registered Auditor
for and on behalf of
Grant Thornton (Cyprus) Limited
Certified Public Accountants and Registered Auditors

Nicosia, 14 June 2022

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2021

	Notes	2021 EUR	2020 EUR
Investment income			
Fair value gain/(loss) on financial assets at fair value through profit or loss	**19.5**	2,774,875	(1,752,486)
Interest income	**10.3**	3,197,478	4,280,442
Net investment income		**5,972,353**	**2,527,956**
Expenses			
Operating expenses	**4**	(725,459)	(660,299)
Net financial expense	**5**	(11,595)	(16,286)
Total expenses		**(737,054)**	**(676,585)**
Profit for the year		**5,235,299**	**1,851,371**
Other comprehensive income		-	-
Total comprehensive income for the year attributable to owners		**5,235,299**	**1,851,371**
Earnings per share	**7**		
Basic and diluted earnings per share		0.0385	0.0136

The notes on pages 19 to 47 form an integral part of these audited financial statements.

STATEMENT OF FINANCIAL POSITION
As at 31 December 2021

	Notes	2021 EUR	2020 EUR
ASSETS			
Non-current assets			
Financial assets at fair value through profit or loss	10	26,971,821	21,999,552
Total non-current assets		**26,971,821**	**21,999,552**
Current assets			
Trade and other receivables	11	6,027	13,600
Cash and cash equivalents	12	11,301	33,073
Total current assets		**17,328**	**46,673**
TOTAL ASSETS		**26,989,149**	**22,046,225**
LIABILITIES			
Current liabilities			
Trade and other payables	13	205,685	91,782
Borrowings	14	-	406,278
Total current liabilities		**205,685**	**498,060**
TOTAL LIABILITIES		**205,685**	**498,060**
NET ASSETS		**26,783,464**	**21,548,165**
EQUITY AND RESERVES			
Share capital	16	1,358,569	1,358,569
Share premium		109,206,779	109,206,779
Accumulated deficit		(83,781,884)	(89,017,183)
TOTAL EQUITY		**26,783,464**	**21,548,165**
Net Asset Value per share			
Basic and diluted net asset value per share	17	0.1971	0.1586

The financial statements were approved by the Board of Directors and authorised for issue on 14 June 2022.

Zoran Melovski
Chairman

Martin Derbyshire
Director

The notes on pages 19 to 47 form an integral part of these audited financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2021

	Share capital EUR	Share premium EUR	Accumulated losses EUR	Total EUR
Balance at 1 January 2020	1,358,569	109,206,779	(90,868,554)	**19,696,794**
Total comprehensive income for the year	-	-	1,851,371	**1,851,371**
Balance at 31 December 2020	**1,358,569**	**109,206,779**	**(89,017,183)**	**21,548,165**
Total comprehensive income for the year	-	-	5,235,299	**5,235,299**
Balance at 31 December 2021	**1,358,569**	**109,206,779**	**(83,781,884)**	**26,783,464**

The notes on pages 19 to 47 form an integral part of these audited financial statements.

STATEMENT OF CASH FLOWS
For the year ended 31 December 2021

	Notes	2021 EUR	2020 EUR
Cash flows from operating activities			
Profit for the year		5,235,299	1,851,371
Adjustments for:			
Fair value (gain)/loss on financial assets at fair value through profit or loss	**19.5**	(2,774,875)	1,752,486
Interest income	**10.3**	(3,197,478)	(4,280,442)
Interest expense	**14**	11,035	6,278
Net (loss)/gain on foreign exchange		(44)	8
Net cash outflow before changes in working capital		**(726,063)**	**(670,299)**
Decrease in trade and other receivables	**11**	7,573	3,073
Increase in trade and other payables	**13**	113,902	54,420
Purchase of financial assets	**10.3**	(210,000)	-
Repayments of financial assets	**10.3**	1,210,085	180,000
Net cash generated from/(used in) operating activities		**395,497**	**(432,806)**
Cash flows from financing activities			
Proceeds from borrowings	**14**	250,000	400,000
Repayments of loan	**14**	(650,000)	-
Interest paid		(17,313)	-
Net cash (used in)/generated from financing activities		**(417,313)**	**400,000**
Net decrease in cash and cash equivalents before currency adjustment		**(21,816)**	**(32,806)**
Effects of exchange rate differences on cash and cash equivalents		44	(8)
Net decrease in cash and cash equivalents after currency adjustment		**(21,772)**	**(32,814)**
Cash and cash equivalents at the beginning of the year		33,073	65,887
Cash and cash equivalents at the end of the year	**12**	**11,301**	**33,073**

The notes on pages 19 to 47 form an integral part of these audited financial statements.

NOTES TO THE AUDITED FINANCIAL STATEMENTS
For the year ended 31 December 2021

1. Establishment

Following a general shareholder meeting on 21 February 2018, the investment objective of the Company was changed so that it now aims to achieve capital appreciation and/or to generate investment income returns through the acquisition of real estate assets in Romania, including the development of such assets, and/or the acquisition of significant or controlling stakes in companies established in, or operating predominantly in Romania, primarily in the real estate sector. Any new private equity investments in companies operating in sectors other than real estate would be limited to 25% of the Company's total assets at the time of effecting the investment. However, the Company may continue to make follow-on investments in existing portfolio companies without any such limitation.

Following the annual general meeting of the Company on 22 December 2016, the life of the Company was extended for two years until the end of 2018. At a general shareholder meeting on 21 February 2018, it was decided that the life of the Company would be extended until the end of 2023 when the next continuation vote will be held.

2. Principal accounting policies

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets at fair value through profit or loss and under the going concern basis. These financial statements do not constitute statutory financial statements.

The Directors have reasonable expectations and are satisfied that the Company has adequate resources to continue its operations and meet its commitments for the foreseeable future and they continue to adopt the going concern basis for the preparation of the financial statements.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires the Board of Directors to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

New Accounting Standards, amendments to existing Accounting Standards and/or interpretations of existing Accounting Standards (separately or together, "New Accounting Requirements") adopted during the current year

The Directors have assessed the impact, or potential impact, of all New Accounting Requirements. In the opinion of the Directors, except for the implementation of the amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform Phase 2, as referred to below, there are no mandatory New Accounting Requirements applicable in the current year, that had any material effect on the reported performance, financial position, or disclosures of the Company. Consequently, no other mandatory New Accounting Requirements are listed. The Company has not early adopted any New Accounting Requirements that are not mandatory.

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

2. Principal accounting policies (continued)

2.1 Basis of preparation (continued)

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform Phase 2 (effective for annual periods beginning on or after 1 January 2021)

These amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include a practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest. Inherent in allowing the use of this practical expedient is the requirement that the transition from an IBOR benchmark rate to an RFR takes place on an economically equivalent basis with no value transfer having occurred.

Any other changes made at the same time, such as a change in the credit spread or maturity date, are assessed. If they are substantial, the instrument is derecognised. If they are not substantial, the updated effective interest rate (EIR) is used to recalculate the carrying amount of the financial instrument, with any modification gain or loss recognised in the Statement of Comprehensive Income. The amendments permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.

The amendments must be applied retrospectively. However, any hedge relationships that have previously been de-designated cannot be reinstated upon application, nor can any hedge relationships be designated with the benefit of hindsight. Hedging relationships must be reinstated if the hedging relationship was discontinued solely due to changes required by IBOR reform and it would not have been discontinued if the phase two amendments had been applied at that time. While application is retrospective, an entity is not required to restate prior periods.

In the Directors' opinion, early adoption of these amendments would have no material impact on the recognition, measurement or disclosures in the Company’s financial instruments.

Standards issued but not yet effective

Standards issued and not yet effective up to the reporting date of the Company's financial statements are listed below. The Company intends to adopt these standards when they become effective. Based on an assessment, the Directors expect that the standards below will not have a material impact on these financial statements.

- IFRS 17 "Insurance Contracts" (originally 1 January 2021, but extended to 1 January 2023)
- Amendment to IAS 16 - Property, Plant and Equipment: Proceeds before intended use (effective 1 January 2022)
- Amendments to IFRS 3 - Reference to the Conceptual Framework (effective 1 January 2022)
- Amendments to IAS 37 - Onerous Contracts - Cost of Fulfilling a Contract (effective 1 January 2022)
- Amendments to IFRS 10 and IAS 28 - Sale or contribution of assets between an investor and its associate or joint venture (effective date to be confirmed by IASB)
- Annual improvements to IFRS Standards 2018-2020.

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

2. Principal accounting policies (continued)

2.2 Revenue recognition

Dividend from investments in securities is recognised when the right to receive payment is established. Withheld taxes are transferred to the Statement of Comprehensive Income.

Profits or losses from the sale of investments in securities represent the difference between the net proceeds and the carrying amount of the investments sold and is transferred to the Statement of Comprehensive Income.

The difference between the fair value of investments at fair value through profit or loss as at 31 December 2021 and the mid cost price represents unrealised gains and losses and is included in the Statement of Comprehensive Income in the year in which it arises.

2.3 Non-consolidated subsidiaries and investment undertakings

The Company has determined that the definition of an investment entity (as defined in IFRS 10) applies to the Company, as the following conditions exist:

- the Company has obtained funds for the purpose of providing investors with investment management services;
- the Company's business purpose, which was communicated directly to investors, is investing solely for returns from capital appreciation and investment income; and
- the performance of investments is measured and evaluated on a fair value basis.

An investment entity does not present consolidated financial statements if it is required to measure all of its subsidiaries at fair value through profit or loss. An investment entity shall not consolidate its subsidiaries or apply IFRS 3 when it obtains control of another entity, except in limited circumstances, explained below. Instead, an investment entity shall measure an investment in a subsidiary at fair value through profit or loss in accordance with IFRS 9 'Financial Instruments'.

An investment entity is exempt from consolidation on the date it meets the classification of an investment entity, and the exemption ceases when the investment entity no longer qualifies. The only exception is for subsidiaries that provide services relating to the same investment activities, which are consolidated.

The investments in associate undertakings are also measured at fair value through profit or loss under IFRS10 requirements.

2.4 Foreign currency translation

2.4 a) Functional and presentation currency

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

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

2. Principal accounting policies (continued)

2.4 Foreign currency translation (continued)

2.4 b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

Foreign exchange gains and losses on non-monetary financial assets and liabilities such as equity investments held at fair value through profit or loss are recognised in the Statement of Comprehensive Income as part of the fair value gain or loss.

2.5 Operating segments

Operating segments are reported in a manner consistent with the internal reporting framework provided to the Chief Operating Decision Maker, which is considered to be the Board of Directors.

2.6 Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

2.6 a) Financial assets at fair value through profit or loss

Investments consist of mainly unlisted securities (both in subsidiaries and associate undertakings) and are initially recognised at fair value, excluding transaction costs which are expensed in the Statement of Comprehensive Income.

The financial assets, including the loan receivable from subsidiary designated at fair value through profit or loss are designated as such as the portfolio is managed and performance evaluated on a fair value basis in accordance with the Company's documented investment strategy.

Securities listed on a stock exchange or traded on any other regulated market are valued at the bid price on such exchange or market or, if no such price is available, the last traded price on such day. If there is no such price or such market price is not representative of the fair market value of any such security, then the security will be valued in a manner determined by the Directors to reflect its fair value.

All purchases and sales of investment securities that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recognised on the trade date, which is the date on which the Company commits to purchase or sell the asset.

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

2. Principal accounting policies (continued)

2.6 b) Debt instruments

Measurement of debt instruments depends on the Company's business model for managing the asset and the cashflow characteristics of the asset. These are recognised initially at fair value. They are subsequently measured at amortised cost using the effective interest rate method.

At each reporting date, the Company shall measure the loss allowance on debt instruments at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Company shall measure the loss allowance at an amount equal to 12-month expected credit losses.

Significant financial difficulties of the borrower, probability that the borrower will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that an expected credit loss may be required. A significant increase in credit risk is defined by management as any contractual payment which is more than 90 days past due. Any contractual payment which is more than 180 days past due is considered credit impaired.

2.7 Cash and cash equivalents

Cash and cash equivalents include cash at bank and short-term highly liquid investments with original maturities of three months or less.

2.8 Financial liabilities

Financial liabilities are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. The Company's accounting policies for its financial liabilities are disclosed on the following page.

2.9 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest method.

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

2. Principal accounting policies (continued)

2.10 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 Statement of Comprehensive Income over the period of the borrowings using the effective interest method.

2.11 Equity

Share capital is determined using the nominal value of shares that have been issued. Additional premiums received on the initial issuing of the shares are included in the share premium.

Any initial expenses of the Company as those necessary for issues of shares, and expenses entirely related to the placing and admission, such as fees payable under the placing agreement, receiving agent's fees, registrar's fees, admission fees, and any other applicable expenses are offset against the share premium.

2.12 Share premium

Share premium is stated net of share issue costs and is not distributable by way of dividend.

3. Critical accounting estimates and assumptions

Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

The fair value of balances for which estimates and assumptions have been made as at 31 December 2021 and 31 December 2020 were as follows:

	2021 EUR	2020 EUR
Financial assets at fair value through profit or loss *(Note 10)*	26,971,821	21,999,552

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

3. Critical accounting estimates and assumptions (continued)

Critical accounting estimates and assumptions and critical judgements in applying the Company's accounting policies

(i) Functional currency

The Board of Directors considers the Euro (EUR) as the currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The income received and expenses incurred by the Company are almost exclusively in Euro, the currency in which the Company measures its performance and reports its results, as well as the currency in which it receives subscriptions from its investors. This determination also considers the competitive environment in which the Company is, compared to other European investment products.

(ii) Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at each reporting date.

The fair value of the Company's subsidiaries and associates, which are unlisted equity securities, has been determined by using an adjusted net asset approach. The adjusted net asset approach is a way of determining a value indication of an entity's assets and/or equity interest using one or more methods. The most common method within this approach is the Net Asset Value, Net Asset Value representing net equity of the entity after assets and liabilities have been adjusted to their fair values.

The critical inputs and assumptions applied in the valuations are stated in Note 19.

Based on the adjusted net asset approach, Management has accepted the fair value estimations of unlisted equity investments as at 31 December 2021, which resulted in a net fair value gain of EUR2.8m. This gain is comprised of a fair value gain of EUR0.5m (being the fair value gain on the loan receivable from the unconsolidated subsidiary, RC2 (Cyprus), as described in note 10.3) and a fair value gain of EUR2.3m for investments in associates respectively, recognised in the Statement of Comprehensive Income (2020: net fair value loss EUR1.7m) (Note 19.5).

The fair value of unlisted equity securities held by the Company's subsidiaries and associates has been determined by independent valuers using a discounted cash flow approach, which is based on the investee company's management's business plans for the period 2022-2026. The inputs used in valuing these investments are not based on observable market data and require judgement, considering factors specific to the investment. The valuation methodology applied by the independent valuers is consistent with IFRS and International Valuation Standards ("IVS").

(iii) Investment entity status

The Board of Directors considers that the Company meets the criteria set out in IFRS 10 'Consolidated Financial Statements' to be classified as an investment entity, disclosed in note 2.3 and as a result of this classification, the Company is required to account for subsidiaries and associates at fair value through profit or loss, except for subsidiaries that are related to the Company's investment activity, which are consolidated. Associates providing services that are related to the Company's investment activity are accounted for by the equity method.

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

3. Critical accounting estimates and assumptions (continued)

Critical accounting estimates and assumptions and critical judgements in applying the Company's accounting policies (continued)

(iii) Investment entity status (continued)
Management has assessed that all of its subsidiaries (Note 8) and associates (Note 9) should not be consolidated and therefore be accordingly measured at fair value through profit or loss for the purposes of the financial statements as at 31 December 2021 and 31 December 2020.

4. Operating expenses

		2021 EUR	2020 EUR
Advisory fees	(Note 21.1)	514,614	453,827
Legal and professional fees, including transaction fees		105,531	86,709
Administration and custodian fees		59,299	65,555
Audit fees		24,150	23,000
Directors' fees	(Note 21.1)	21,125	24,000
Bank charges		740	798
Insurance premium		-	6,410
		725,459	660,299

Advisory fees
New Europe Capital SRL, the Adviser, received an advisory fee equivalent to 2.25% per annum of the average monthly net asset value of the Company, which was accrued and invoiced on a monthly basis for advisory services provided.

The Company reimburses the Adviser in respect of its out-of-pocket expenses (including reasonable travel expenses) incurred in connection with the performance of its duties.

Performance fees
The Adviser is also entitled to a performance fee of 20% of any increase in the Net Asset Value in excess of the Base Net Asset Value (adjusted to reflect any dividends or share buy backs, but before the deduction of any accrued management fee and performance fee). The performance fee shall accrue quarterly and be payable annually in arrears (pro rata for partial periods) within three months after the end of each calendar year.

The Base Net Asset Value is the greater of the Net Asset Value at the time of issue of the Shares and the highest Net Asset Value based on which a performance fee is paid in any prior calendar year ("Prior High Net Asset Value") plus an additional annually compounding hurdle rate of 8 per cent. The total performance fee for the year was EURnil (2020: EURnil).

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

4. Operating expenses (continued)

Administrator and custodian fees

The current administrator and custodian, Sanne Fiduciary Services Limited, receives a variable monthly fee based on the Company's Net Asset Value ("NAV"), payable quarterly in arrears. An amount of EUR15,956 was outstanding at the year end (2020: EUR20,329).

Directors' fees

The Directors are considered to be key management personnel of the Company. The remuneration of each Director is detailed in Note 21.1.

In addition, the Directors were entitled to be reimbursed for their reasonable out of pocket expenses incurred in discharging their duties as directors. During the current and prior years, the Directors did not benefit from any long term incentive schemes or post-employment benefits and no Director made gains from exercising any share options.

5. Net financial expense

	2021 EUR	2020 EUR
Net loss on foreign exchange	(560)	(8)
Finance costs	(11,035)	(16,278)
	(11,595)	(16,286)

6. Income tax

The Company is exempt from income tax in the Cayman Islands.

7. Earnings per share

	2021 EUR	2020 EUR
Earnings		
Earnings for the purposes of basic earnings per share, being net profit attributable to ordinary shareholders of the Company	5,235,299	1,851,371
Number of shares	135,856,913	135,856,913
Basic and diluted earnings per share	**0.0385**	**0.0136**

There are no potentially dilutive instruments.

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

8. Subsidiaries

The Company has the following subsidiaries:

	Principal activity	Principal place of business and Country of incorporation	Proportion of ownership interest	
			2021	**2020**
Holding company: Reconstruction Capital II Limited				
RC2 (Cyprus) Limited	Investment holding	Cyprus	100%	100%
Glasro Holdings Limited	Investment holding	Cyprus	100%	100%
Holding company: RC2 (Cyprus) Limited				
Mamaia Resort Hotels S.R.L.	Hotel operation	Romania	63%	63%
Holding company: Glasro Holdings Limited				
Telecredit IFN S.A.	Factoring services	Romania	85%	85%

9. Associates

The Company has the following associates:

	Principal activity	Principal place of business and Country of incorporation	Proportion of ownership interest	
			2021	**2020**
Holding company: Reconstruction Capital II Limited				
Reconstruction Capital Plc	Investment holding	Isle of Man	23%	23%
The Romanian Investment Fund Limited	Investment holding	Cayman Islands	27%*	27%*

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

9. Associates (continued)

	Principal activity	Principal place of business and Country of incorporation	Proportion of ownership interest 2021	2020
Holding company: RC2 (Cyprus) Limited				
Policolor S.A.	Paint and varnish manufacture	Romania	40%	40%

* The Company's proportion of ownership interest in The Romanian Investment Fund comprises direct and indirect holdings of 11.3% and 16.11%, respectively, and were unchanged as at 31 December 2021.

10. Financial assets at fair value through profit or loss

	2021 EUR	2020 EUR
Non-current investments		
Investments in subsidiaries	2,010,572	787,741
Investments in associates	3,263,959	2,229,468
Loan receivable	21,697,290	18,982,343
	26,971,821	21,999,552

10.1 Investments in subsidiaries

	2021 EUR	2020 EUR
Cost	76,653,660	76,653,660
Net unrealised loss on investments	(74,643,088)	(75,865,919)
Fair value of non-current investments	2,010,572	787,741

Included in investments in subsidiaries is an equity investment in RC2 (Cyprus) Limited, a wholly-owned subsidiary of the Company, with a fair value of EURnil at the year end (2020: EURnil).

Also included is an equity investment in the wholly owned subsidiary Glasro Holdings Ltd which was valued at EUR2,010,572 at 31 December 2021 (2020: EUR787,741), an increase of EUR1,222,831 from its value at the end of 2020.

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

10. Financial assets at fair value through profit or loss (continued)

10.2 Investments in associates

	2021 EUR	2020 EUR
Cost	3,566,648	3,566,648
Net unrealised loss on investments	(302,689)	(1,337,180)
Fair value of non-current investments	3,263,959	2,229,468

Included in investments in associates are investments in Reconstruction Capital Plc and The Romanian Investment Fund Limited with fair values of EUR1,544,540 and EUR1,719,419, respectively, at the year end (2020: EUR972,484 and EUR1,256,984 respectively).

10.3 Loan receivable at fair value through profit or loss

	2021 EUR	2020 EUR
Loan to unconsolidated subsidiary	21,697,290	18,982,343

Included in the balance of loan to unconsolidated subsidiary is a loan to RC2 (Cyprus) Limited, which is designated at fair value through profit or loss and which bears interest of 8% per annum on the outstanding principal. As of 1 October 2021, the interest rate has changed to 1% per annum on the outstanding principal. The loan was repayable on demand. However on 19 April 2018, and effective from 31 December 2017, the Company signed an addendum to the loan agreement with RC2 (Cyprus) Ltd, whereby the Company will not impose the repayment of the outstanding amount or part of the outstanding amount until 31 December 2023. The Company has also committed to provide financial support to RC2 (Cyprus) Limited.

	2021 EUR	2020 EUR
Changes in loan receivable		
Opening balance	18,982,343	17,090,051
Loan addition	210,000	-
Loan repayments	(1,210,085)	(180,000)
Interest income	3,197,478	4,280,442
Fair value gain/(loss) on loan receivable	517,554	(2,208,150)
	21,697,290	18,982,343

The valuation of the loan is based on the adjusted net asset value of RC2 (Cyprus) Limited which is available to repay the loan principal and interest payable to the Company (Note 19.5). The value of the loan receivable increased by EUR2,714,947 during the year (2020: EUR1,892,292). The increase is a result of the accrued interest income of EUR3,197,478 (2020: EUR4,280,442) being added with the fair value gain on the loan receivable of EUR517,554 (2020: loss of EUR2,208,150) and offset by net loan repayments of EUR1,000,085 (2020: EUR180,000).

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

11. Trade and other receivables

	2021 EUR	2020 EUR
Other receivables and prepayments	6,027	13,600

12. Cash and cash equivalents

	2021 EUR	2020 EUR
Cash at bank	11,301	33,073

13. Trade and other payables

		2021 EUR	2020 EUR
Advisory fees	(Note 21.1)	153,067	48,453
Auditor's fees		24,150	23,000
Administration fees		15,955	20,329
Valuation fees		8,687	-
Professional fees		3,826	-
		205,685	91,782

14. Borrowings

		2021 EUR	2020 EUR
Loan from related party	(Note 21.4)	-	406,278

On 6 August 2020, the Company entered into an agreement with Portadrix Investments Limited for a loan facility of EUR1,000,000, bearing interest of 5% per annum and repayable on or before 6 December 2021. The loan facility was fully repaid in June 2021.

	2021 EUR	2020 EUR
Changes in borrowings		
Opening balance	406,278	-
Repayment during the year	(667,313)	-
Loan received	250,000	400,000
Interest expense	11,035	6,278
Closing balance	-	406,278

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

15. Reserves

Reserve	**Description and purpose**
Share premium	Amount subscribed for share capital in excess of par value, as reduced by bonus issues.
Accumulated deficit	Cumulative net gains and losses recognised in the Statement of Comprehensive Income, and cumulative transfers from other recognised reserves, where permitted or required.

16. Share capital

	2021		**2020**	
	Number of shares	**EUR**	**Number of shares**	**EUR**
Authorised				
Ordinary shares of EUR0.01 each	300,000,000	3,000,000	300,000,000	3,000,000
B shares of EUR1 each	17,000,000	17,000,000	17,000,000	17,000,000
Issued and fully paid				
Ordinary shares of EUR0.01 each	135,856,913	1,358,569	135,856,913	1,358,569

	2021		**2020**	
	Number of shares	**EUR**	**Number of shares**	**EUR**
Ordinary shares				
Share capital at 1 January and 31 December	135,856,913	1,358,569	135,856,913	1,358,569
	135,856,913	1,358,569	135,856,913	1,358,569

17. Net Asset Value per share

	2021	**2020**
	EUR	**EUR**
Net assets	26,783,464	21,548,165
Closing number of shares	135,856,913	135,856,913
Basic and diluted net asset value per share	0.1971	0.1586

There are no potentially dilutive instruments.

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

18. Financial assets and liabilities

The carrying amounts of the Company's financial assets and liabilities are:

		2021 EUR	2020 EUR
Financial assets at fair value through profit or loss			
Investments in subsidiaries	(Note 10.1)	2,010,572	787,741
Investments in associates	(Note 10.2)	3,263,959	2,229,468
Loan receivable	(Note 10.3)	21,697,290	18,982,343
		26,971,821	21,999,552
Financial assets at amortised cost			
Trade and other receivables	(Note 11)	6,027	13,600
Cash and cash equivalents	(Note 12)	11,301	33,073
		17,328	46,673
Financial liabilities at amortised cost			
Trade and other payables	(Note 13)	205,685	91,782
Borrowings	(Note 14)	-	406,278
		205,685	498,060

19. Financial risk management

The Company is exposed to the following financial risks resulting from its financial instruments: market risk, credit risk and liquidity risk.

The Company's risk management is coordinated by its Board of Directors, which manages the assets to achieve the Company's investment objectives.

19.1 Market risk

The Company is exposed specifically to interest rate risk and price risk, which result from both its operating and investing activities.

The Company, through its subsidiaries, invests in securities of issuers which are believed by the investment team to have growth potential. Investment in such securities may present greater opportunities for growth but also involves greater risk than is customarily associated with the securities of more established issuers. Such issuers may have limited product lines, markets or financial recourses and therefore being subject to more erratic market movements than securities of larger companies and may be dependent for their management on one or two key individuals.

The market for buying and selling private company securities in Romania, Bulgaria and neighbouring countries is substantially less developed. Investments in unlisted securities are more speculative and involve a higher degree of risk and lower level of liquidity.

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

19. Financial risk management (continued)

19.1 Market risk (continued)

The Company measures these risks by monitoring its exposure to certain markets, industries and countries. The details of these exposures are analysed at the level of the Company's subsidiaries as follows:

	2021 EUR	2020 EUR
Sector		
Corporate loans	2,010,572	787,741
Other private equity investments	24,961,249	21,211,811
	26,971,821	21,999,552
Other items	17,328	46,673
Geographical analysis		
Corporate loans		
Romania	2,010,572	787,741
Other private equity investments		
Romania	24,961,249	21,211,811
Other items		
Jersey	17,328	46,673

Corporate loans have been allocated based on the location of the borrower. Other private equity investments and other items are disclosed based on the location of the underlying investments.

The Company trades in financial instruments, taking positions in unlisted instruments. All investments in securities represent a risk of loss of capital. The Company's equity securities are susceptible to market price risk arising from uncertainties about future prices of the instruments. The exposure to price risk of unlisted equity investments is presented in note 19.5 under "Fair value information".

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

19. Financial risk management (continued)

19.2 Credit risk

The Company is exposed to credit risk as a result of holding financial assets at fair value through profit or loss, cash and cash equivalents, trade and other receivables. The maximum exposure to credit risk at 31 December is:

	2021 EUR	2020 EUR
Financial assets at fair value through profit or loss	21,697,290	18,982,343
Loans and receivables	17,328	46,673
	21,714,618	19,029,016

Trade and other receivables and cash and cash equivalents are classified as loans and receivables, therefore the total credit risk exposure from loans and receivables is EUR17,328 (2020: EUR46,673).

There are no trade and other receivables which are impaired (2020: EURnil).

The Company's cash and cash equivalents are held with regional and foreign banks and are diversified appropriately. The Moody's credit ratings of the banks where the Company held cash and cash equivalents was A1 (2020: A1).

In accordance with the Company's policy, the Adviser monitors credit risk on a daily basis, and management reviews it on a quarterly basis.

19.3 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages its liquidity needs through the ability to borrow in the short term from shareholders and the cash inflows of dividends from its unlisted investments.

The table below sets out the Company's contractual undiscounted cash flows. The fair values of amounts due within 12 months equal their carrying value, as the impact of discounting is not significant. The balance due to related parties under '1 to 12 months' bears an interest rate of 5% until 6 December 2021.

	Carrying amount EUR	Contractual cash flows EUR	Less than 1 month EUR	1 to 12 months EUR
2021				
Trade and other payables	205,685	205,685	19,781	185,904
	205,685	205,685	19,781	185,904

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

19. Financial risk management (continued)

19.3 Liquidity risk (continued)

	Carrying amount EUR	Contractual cash flows EUR	Less than 1 month EUR	1 to 12 months EUR
2020				
Trade and other payables	91,782	91,782	20,329	71,453
Loan from related party	406,278	406,278	-	406,278
	498,060	498,060	20,329	477,731

19.4 Capital management and procedures

The current Company policy is to fund investments through equity. No future change in this policy is envisaged. In the medium term, the intention is that capital will be managed so as to maximise the return to shareholders while maintaining a capital base to allow the Company to operate effectively in the marketplace and sustain the future development of the business.

The Company's equity is summarised in the Statement of Changes in Equity and consists of share capital, share premium and accumulated deficit.

The amounts managed as capital by the Company for the reporting years under review are summarised as follows:

	2021 EUR	2020 EUR
Equity	26,783,464	21,548,165
Cash and cash equivalents	(11,301)	(33,073)
Capital	26,772,163	21,515,092
Equity	26,783,464	21,548,165
Borrowings	-	406,278
Overall financing	26,783,464	21,954,443
Proportion of capital to overall financing	100%	98%

The Company has complied with its maximum level of gearing of 30% of gross assets, in accordance with the Company's Admission Document, with the current gearing level standing at 0% (2020: 1.8%) of gross assets. The decrease is as a result of the repayment of the loan from Portadrix Investments Limited (Note 14).

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

19. Financial risk management (continued)

19.5 Fair value information

All of the Company's investments, as well as the loan receivable, are carried at fair value. Usually the fair value of the financial instruments can be reliably determined within a reasonable range of estimates.

The carrying amounts of the Company's loans and receivables and financial liabilities at amortised cost at the reporting date approximate their fair value.

The major methods and assumptions used in estimating the fair values of financial instruments classified as Level 3 are disclosed in note 3 and below. As the major methods and assumptions used in estimating the fair values are subjective, the Company has conducted a sensitivity analysis on key areas based on the Adviser's reasonable expectations.

Estimation of fair values - non-consolidated subsidiaries
The Company undertakes valuations of its private equity investments at fair value through profit or loss as at each financial reporting date. In 2021, the Company used an adjusted net asset approach to value its investments in subsidiaries at fair value through profit or loss. Estimates of the value of an entity can be developed using the adjusted net asset approach by adjusting the entity's Statement of Financial Position to approximate current market values of its assets and liabilities. The adjusted net asset approach is a way of determining a value indication of an entity's assets and/or equity interest using one or more methods. The most common method within this approach is the Net Asset Value representing net equity of the entity after assets and liabilities have been adjusted to their fair values.

The valuation of the investments in Reconstruction Capital Plc and The Romanian Investment Fund Limited are based on their audited net asset values which are in turn based on the same valuations of their main underlying asset, Policolor SA, as adopted by the Company.

<u>Reconstruction Capital Plc</u>
As at 31 December 2021, all significant assets included in the Statement of Financial Position of Reconstruction Capital Plc were recorded at fair value. The equity value of the Company's investment in Reconstruction Capital Plc amounted to EUR1,544,540 (2020: EUR972,484).

As at 31 December 2021, if the net assets of Reconstruction Capital Plc increased or decreased by 5%, the effect from the corresponding change on the fair value of the investment would be reflected as follows in the financial statements of the Company:

- 5% increase: increase in the Company's total assets of 0.29% or EUR77,227 and an increase in the Company's post-tax profit of 1.48% or EUR77,227;
- 5% decrease: decrease in the Company's total assets of 0.29% or EUR77,227 and a decrease in the Company's post-tax profit of 1.48% or EUR77,227;

As at 31 December 2020, if the net assets of Reconstruction Capital Plc increased or decreased by 5%, the effect from the corresponding change on the fair value of the investment would be reflected as follows in the financial statements of the Company:

- 5% increase: increase in the Company's total assets of 0.22% or EUR48,624 and an increase in the Company's post-tax profit of 2.63% or EUR48,624;
- 5% decrease: decrease in the Company's total assets of 0.22% or EUR48,624 and a decrease in the Company's post-tax profit of 2.63% or EUR48,624;

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

19. Financial risk management (continued)

19.5 Fair value information (continued)

The Romanian Investment Fund Limited

As at 31 December 2021, all significant assets included in the Statement of Financial Position of The Romanian Investment Fund Limited were recorded at fair value. The equity value of the Company's Investment in The Romanian Investment Fund Limited amounted to EUR1,719,419 (2020: EUR1,256,984).

As at 31 December 2021, if the net assets of The Romanian Investment Fund Limited increased or decreased by 5%, the effect from the corresponding change on the fair value of the investment would be reflected as follows in the financial statements of the Company:

- 5% increase: increase in the Company's total assets of 0.32% or EUR85,971 and an increase in the Company's post-tax profit of 1.64% or EUR85,971;
- 5% decrease: decrease in the Company's total assets of 0.32% or EUR85,971 and a decrease in the Company's post-tax profit of 1.64% or EUR85,971;

As at 31 December 2020, if the net assets of The Romanian Investment Fund Limited increased or decreased by 5%, the effect from the corresponding change on the fair value of the investment would be reflected as follows in the financial statements of the Company:

- 5% increase: increase in the Company's total assets of 0.29% or EUR62,849 and an increase in the Company's post-tax profit of 3.39% or EUR62,849;
- 5% decrease: decrease in the Company's total assets of 0.29% or EUR62,849 and a decrease in the Company's post-tax profit of 3.39% or EUR62,849;

Glasro Holdings Limited

As at 31 December 2021, all significant assets included in the Statement of Financial Position of Glasro Holdings Limited were recorded at fair value. The equity value of the Company's investment in Glasro Holdings Limited amounted to EUR2,010,572 (2020: EUR787,741).

As at 31 December 2021, if the net assets of Glasro Holdings Limited increased or decreased by 5%, the effect from the corresponding change on the fair value of the investment would be reflected as follows in the financial statements of the Company:

- 5% increase: increase in the Company's total assets of 0.37% or EUR100,529 and an increase in the Company's post-tax profit of 1.92% or EUR100,529;
- 5% decrease: decrease in the Company's total assets of 0.37% or EUR100,529 and a decrease in the Company's post-tax profit of 1.92% or EUR100,529;

As at 31 December 2020, if the net assets of Glasro Holdings Limited increased or decreased by 5%, the effect from the corresponding change on the fair value of the investment would be reflected as follows in the financial statements of the Company:

- 5% increase: increase in the Company's total assets of 0.18% or EUR39,387 and an increase in the Company's post-tax profit of 2.13% or EUR39,387;
- 5% decrease: decrease in the Company's total assets of 0.18% or EUR39,387 and a decrease in the Company's post-tax profit of 2.13% or EUR39,387;

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)
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19. Financial risk management (continued)

19.5 Fair value information (continued)

RC2 (Cyprus) Limited

At 31 December 2021, the Company's investment in RC2 (Cyprus) Limited had a fair value of EUR nil. The loan receivable (see note 10.3) from RC2 (Cyprus) Limited had a fair value of EUR21,697,290 (2020: EUR18,982,343) determined on an adjusted net value approach as explained in note 10.3. The fair value of the loan receivable reflects the fair value of the underlying investments made by RC2 (Cyprus) Limited in Policolor and Mamaia.

As at 31 December 2021, if the net asset position of RC2 (Cyprus) Limited increased or decreased by 5%, the effect from the corresponding change on the fair value of the loan would be reflected as follows in the financial statements of the Company:

- 5% increase: increase in the Company's total assets of 4.02% or EUR1,084,865 and an increase in the Company's post-tax profit of 20.72% or EUR1,084,865;
- 5% decrease: decrease in the Company's total assets of 4.02% or EUR1,084,865 and a decrease in the Company's post-tax profit of 20.72% or EUR1,084,865;

As at 31 December 2020, if the net asset position of RC2 (Cyprus) Limited increased or decreased by 5%, the effect from the corresponding change on the fair value of the loan would be reflected as follows in the financial statements of the Company:

- 5% increase: increase in the Company's total assets of 4.3% or EUR949,117 and an increase in the Company's post-tax profit of 51.26% or EUR949,117;
- 5% decrease: decrease in the Company's total assets of 4.3% or EUR949,117 and a decrease in the Company's post-tax profit of 51.26% or EUR949,117;

The equity investment in the subsidiary would not have any impact from the above changes in net assets.

The investments held through the Company's non-consolidated subsidiaries are valued as at each financial reporting date. The determination of fair value is supported by an independent valuer which is engaged to perform the valuation of the investments. The selection of the independent valuer is at the discretion of the Company's Board of Directors. The independent valuer follows up a documented valuation procedure when determining the amount that is most representative for the fair value by describing:

- the appropriate valuation techniques to be used;
- the market conditions and the information available;
- the investment horizon and the type of investment; and
- the industry in which the investee operates.

The Board of Directors reviews and approves the valuation reports prepared by the independent valuer.

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

19. Financial risk management (continued)

19.5 Fair value information (continued)

Policolor S.A.

Policolor S.A. was valued by an independent valuer as at 31 December 2021. The major assumptions used in the valuation are as follows:

- weighted average cost of capital of 16.2% (2020: 11.3%);
- EBITDA margin rate between 6.6% and 12.8% (2020: 5.5% and 10.4%);
- revenue growth rate between 7.2% and 14.4% (2020: 2% and 7.8%); and
- long term growth rate of 1.7% (2020: 2%).

Increase/(decrease) in the Company's net assets relative to changes in valuation assumptions:

	2021		**2020**	
	+0.5%	**-0.5%**	**+0.5%**	**-0.5%**
Weighted average cost of capital	(920,000)	960,000	(960,000)	1,080,000
	+5%	**-5%**	**+5%**	**-5%**
EBITDA margin rate	1,640,000	(1,640,000)	1,400,000	(1,400,000)
	+5%	**-5%**	**+5%**	**-5%**
Revenue growth rate	1,640,000	(1,640,000)	1,400,000	(1,400,000)
	+0.5%	**-0.5%**	**+0.5%**	**-0.5%**
Long term growth rate	560,000	(520,000)	760,000	(640,000)

Mamaia Resort Hotels S.R.L.

Mamaia Resort Hotels S.R.L. was valued by an independent valuer as at 31 December 2021. The major assumptions used in the valuation are as follows:

- weighted average cost of capital of 10.8% (2020: 9.2%);
- EBITDA margin rate between 15.4% and 20% (2020: 11.3% and 21.2%);
- revenue growth rate between 2.7% and 13.8% (2020: 2.5% and 53.5%); and
- long term growth rate of 1.7% (2020: 2%).

The revenue growth rate in 2022 is estimated at 13.8% compared to that of 2020. Revenue growth rates after 2022 range from 2.7% to 13.8%.

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

19. Financial risk management (continued)

19.5 Fair value information (continued)

Mamaia Resort Hotels S.R.L. (continued)

Increase/(decrease) in the Company's net assets relative to changes in valuation assumptions:

	2021		**2020**	
	+0.5%	**-0.5%**	**+0.5%**	**-0.5%**
Weighted average cost of capital	(220,548)	245,753	(264,658)	308,767
	+5%	**-5%**	**+5%**	**-5%**
EBITDA margin rate	258,356	(252,055)	277,260	(270,959)
	+5%	**-5%**	**+5%**	**-5%**
Revenue growth rate	258,356	(258,356)	277,260	(277,260)
	+0.5%	**-0.5%**	**+0.5%**	**-0.5%**
Long term growth rate	170,137	(144,932)	226,849	(195,342)

Telecredit IFN SA

Telecredit IFN SA was valued by an independent valuer as at 31 December 2021. The major assumptions used in the valuation are as follows:

- weighted average cost of equity of 17.8% ;
- EBITDA margin rate between 36.8% and 55.1% ;
- revenue growth rate between 5.8% and 27.2% ; and
- long term growth rate of 1.7%.

Increase/(decrease) in the Company's net assets relative to changes in valuation assumptions:

	2021	
	+0.5%	**-0.5%**
Weighted average cost of capital	(76,500)	68,000
	+5%	**-5%**
EBITDA margin rate	153,000	(161,500)
	+5%	**-5%**
Revenue growth rate	161,500	(170,000)
	+0.5%	**-0.5%**
Long term growth rate	25,500	(34,000)

In 2020, Telecredit IFN SA was valued on its audited net assets.

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

19. Financial risk management (continued)

19.5 Fair value information (continued)

Fair value hierarchy

IFRS 13 defines fair value as 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. IFRS 13 establishes a three-tier fair value hierarchy that prioritises the inputs to valuation techniques to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and lowest priority to unobservable inputs (level 3 measurement).

The three levels of the fair value hierarchy under IFRS 13 are described below:

Level 1	quoted prices (unadjusted) in active markets for identical assets or liabilities, that the Company can access at the measurement date;
Level 2	inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
Level 3	unobservable inputs for the asset or liability.

The following tables present the financial assets at fair value through profit or loss by level within the valuation hierarchy:

	2021	**2020**
Level 3	**EUR**	**EUR**
Investments in subsidiaries	2,010,572	787,741
Investments in associates	3,263,959	2,229,468
Loan to subsidiary	21,697,290	18,982,343
	26,971,821	21,999,552

Investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) were as follows:

	2021	**2020**
	EUR	**EUR**
Balance at 1 January	21,999,552	19,651,596
Total gains or losses for the year:		
Fair value gain/(loss)	2,774,875	(1,752,486)
Interest income, loan additions and repayments	2,197,394	4,100,442
Balance at 31 December	26,971,821	21,999,552

The above amounts are in respect of assets held at year end.

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

20. Operating segments

According to the decision of the general shareholder meeting on 21 February 2018, the Company's investment objective was modified as achieving capital appreciation and/or generation of investment income returns through the acquisition of real estate assets in Romania, and/or the acquisition of significant or controlling stakes in companies established in, or operating predominantly in Romania, primarily in the real estate sector. Follow-on investments in existing portfolio companies may also be made. On this basis, the Chief Operating Decision Maker, which is considered to be the Board of Directors, has identified its operating segments.

Reportable segments

The Directors have identified two reportable segments which are the same as the Company's operating segments - the private equity programme (for all assets, liabilities, income and expenses directly related to investments made) and other items (for all sundry assets, liabilities, income and expenses of the Company not directly connected to the investments).

2021	Private equity programme EUR	Other items EUR	Total per financial statements EUR
Reportable segment total assets	26,971,821	17,328	26,989,149
Reportable segment profit before tax	5,972,353	(737,054)	5,235,299
Reportable segment total liabilities	-	(205,685)	(205,685)
Fair value gain on financial assets at FVTPL	2,774,875	-	2,774,875
Interest income	3,197,478	-	3,197,478
Financial costs	-	(11,035)	(11,035)
Net loss on foreign exchange	-	(560)	(560)
Operating expenses	-	(725,459)	(725,459)
2020			
Reportable segment total assets	21,999,552	46,673	22,046,225
Reportable segment profit before tax	2,527,956	(676,585)	1,851,371
Reportable segment total liabilities	-	(498,060)	(498,060)
Fair value loss on financial assets at FVTPL	(1,752,486)	-	(1,752,486)
Interest income	4,280,442	-	4,280,442
Financial costs	-	(16,278)	(16,278)
Net loss on foreign exchange	-	(8)	(8)
Operating expenses	-	(660,299)	(660,299)

The geographical location of the investments held under the private equity programme is disclosed in Note 19.1.

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

21. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

21.1 Key management compensation

		2021 EUR	2020 EUR
Advisory fees	(Note 4)	514,614	453,827
Directors' fees	(Note 4)	21,125	24,000
		535,739	477,827

a. Advisory fees (Note 4)
New Europe Capital SRL was the Adviser to the Company during the year. The advisory fees are accrued and are payable monthly in arrears. Total advisory fees for the year amounted to EUR514,614 (2020: EUR453,827). Total fees outstanding as at 31 December 2021 were EUR153,067 (2020: EUR48,453).

There were no performance fees paid or payable in respect of 2021 (2020: EURnil).

Advisory fees which are unpaid for over a month attract an interest rate of 10% (2020: 10%) on the entire balance. No interest was charged during the year (2020: EURnil).

b. Directors' fees (Note 4)

	2021 EUR	2020 EUR
Martin Derbyshire	3,098	-
Mihai Radoi	8,027	14,000
Paolo Bassetti	10,000	10,000
	21,125	24,000

Zoran Melovski, who is not shown in the table above, has not received a fee in the current or prior year, and is thus excluded from the table.

21.2 Related parties' interests

	2021		2020	
Ordinary shares	**Number**	**% of issued share capital**	**Number**	**% of issued share capital**
Held by other related parties				
Ion Florescu and related parties *	81,862,859	60.26%	81,862,859	60.26%

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

21. Related party transactions (continued)

21.2 Related parties' interests (continued)

* As at 31 December 2021, 39,030,555 of the Company's shares were held by Ion Florescu, 42,726,319 shares were owned by Portadrix Investments Limited, which is wholly-owned by The Florescu Family Trust, and 105,985 shares were owned by New Europe Capital SRL, which is the adviser to the Company and is 84% owned by Portadrix investments Limited.

Mihai Radoi, a Director, who resigned on 27 July 2021, held 1,037,500 of the Company's shares, representing 0.76% of the issued share capital on 31 December 2021.

21.3 Loan to unconsolidated subsidiary

The details of the loan to RC2 (Cyprus) Limited are disclosed in Note 10.

21.4 Loans to and from related parties

The details of the loan from Portadrix Investments Limited are disclosed in Note 14.

On 11 May 2021, the following parties entered into agreements to provide a total of EUR1.26m in unsecured loans to Telecredit IFN S.A. ("Telecredit"): Portadrix Investments Limited (a company wholly beneficially-owned by Ion Florescu, a significant shareholder in the Company) EUR960,000; Mihai Radoi (a director of the Company until 27 July 2021) EUR140,000; and Cornelia Oancea (CEO of New Europe Capital SRL, Adviser to the Company, and a director of Telecredit) EUR200,000 (the "May Loans"). The May Loans matured in May 2022 and carried an annual interest rate of 9.75% in addition to a 0.25% arrangement fee.

On 18 October 2021, the following parties entered into agreements to provide a total of EUR200,000 in unsecured loans to Telecredit IFN S.A ("Telecredit"): Ion Florescu (a significant shareholder in the Company) EUR120,000, and Mihai Radoi (a former director of the Company) EUR80,000 (the "October Loans"). The October Loans mature in October 2022 and carry an annual interest rate of 8%.

On 16 November 2021, the following parties entered into agreements to provide a total of EUR200,000 in unsecured loans to Telecredit IFN S.A ("Telecredit"): Ion Florescu (a significant shareholder in the Company) EUR100,000, and Cornelia Oancea (CEO of New Europe Capital SRL, Adviser to the Company) EUR100,000 (the "November Loans"). The November Loans mature in November 2022 and carry an annual interest rate of 8%.

On 22 December 2021, Ion Florescu (a significant shareholder in the Company) entered into an agreement to provide a total of EUR250,000 in unsecured loans to Telecredit IFN S.A. ("Telecredit") (the "December Loan"). The December Loan matures in December 2022 and carry an annual interest rate of 8%.

21.5 Pledges and guarantees

There were no pledges or guarantees held as at 31 December 2021.

21.6 Ultimate controlling party

No single party is considered to be the ultimate controlling party of the Company.

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

22. Contingent Liability

Romar Holding Limited
In January 2012 an action was filed in the District Court of Nicosia on behalf of the Company against Else Holding Limited, Romar Holding Limited (both Cypriot companies) and Erghin Hagacalil, a Romanian citizen. The Company is claiming against the afore-mentioned defendants an amount of EUR 4 million plus interest and costs, for, inter alia, breach by the Defendants of an Investment and Shareholders' Agreement dated 18 April 2007 as well as of a later Supplemental Investment and Shareholders' Agreement. The Defendants have filed a defence by which they deny they owe any amount to the Company and are claiming, by way of counterclaim, an amount of EUR 6 million for alleged damages caused to them by the Company in respect of the subject matter of the Investment and Shareholders' Agreements. The Company strongly denies and actively defends the counterclaim and is rigorously pursuing the original action against the Defendants. The hearing of the action was completed on 28 February 2022 and judgment has been reserved by the Court, but has not yet been issued.

In the opinion of the lawyer retained by the Company, the Company has a good case both for its claim and defence of the counterclaim.

23. Events after the reporting date

Events after the reporting date have been evaluated up to the date of authorisation and issuance of these financial statements and there have been no significant events that require disclosures or adjustments for in these financial statements other than those mentioned below.

(i) Russian invasion of Ukraine

The geopolitical situation in Eastern Europe changed on 24 February 2022 with the commencement of the conflict between Russia and Ukraine. As at the date of authorising these financial statements for issue, the conflict continues to evolve. In addition to the impact of the events on entities that have operations in Russia, Ukraine, or Belarus or that conduct business with their counterparties, the conflict is increasingly affecting economies and financial markets globally and exacerbating ongoing economic challenges.

The European Union as well as United States of America, Switzerland, United Kingdom and other countries imposed a series of sanctions against the Russian and Belarussian governments, various companies, and certain individuals. The sanctions imposed include an asset freeze and a prohibition from making funds available to the sanctioned individuals and entities. The rapid deterioration of the conflict in Ukraine may as well lead to the possibility of further sanctions in the future.

Uncertainty regarding the global supply of commodities due to the conflict between Russia and Ukraine may also disrupt certain global trade flows and place significant upward pressure on commodity prices and input costs. Challenges for companies may include availability of funding to ensure access to raw materials, ability to finance margin payments and heightened risk of contractual non-performance.

The impact on the Company largely depends on the nature and duration of uncertain and unpredictable events, such as further military action, additional sanctions, and reactions to ongoing developments by global financial markets.

The financial effect of the current crisis on the global economy and on overall business activities cannot be estimated with reasonable certainty at this stage, due to the pace at which the conflict evolves and the high level of uncertainties arising from the inability to reliably predict the outcome.

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

23. Events after the reporting date (continued)

(i) Russian invasion of Ukraine (continued)

The event did not exist in the reporting period and is therefore not reflected in the recognition and measurement of the assets and liabilities in the financial statements as at 31 December 2021 as it is considered as a non-adjusting event.

The Company has limited direct exposure to Russia, Ukraine, and Belarus. However increasing energy prices, fluctuations in foreign exchange rates, unease in stock market trading, rises in interest rates, supply chain disruptions and intensified inflationary pressures may indirectly impact the operations of the Company. The indirect implications will depend on the extent and duration of the crisis and remain uncertain.

Management has considered the unique circumstances and the risk exposures of the Company and has concluded that there is no significant impact in the Company's profitability position. The event is not expected to have an immediate material impact on its business operations. Management will continue to monitor the situation closely in case the crisis becomes prolonged.

(ii) Purchase of own shares

On 11 May 2022 the Company announced that it had purchased for cancellation 153,500 Ordinary shares of EUR 0.01 each at a price of EUR 0.08 per share. After this cancellation the Company has 135,703,413 Ordinary shares in issue.