RECONSTRUCTION CAPITAL II LIMITED

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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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
Martin Derbyshire (resigned 2 September 2019)
Mihai Radoi
Zoran Melovski (appointed 2 September 2019)
Paolo Bassetti (appointed 2 September 2019)

Secretary and Registered Office
Appleby Corporate Services (Cayman) Limited
Clifton House
PO Box 1350
75 Fort Street
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, EC2P 2YU

Broker
finnCap Ltd
60 New Broad Street
London, EC2M 1JJ

DIRECTORS AND COMPANY INFORMATION (continued)

Administrator and Custodian
Sanne Fiduciary Services Limited
IFC 5
St Helier
Jersey
JE1 1ST

Independent Auditor
Grant Thornton (Cyprus) Ltd
41-49, Agiou Nicolaou St.
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Egkomi 2408
PO Box 23907
1687 Nicosia
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ADVISER'S REPORT
For the year ended 31 December 2019

On 31 December 2019, Reconstruction Capital II Limited ("RC2" or the "Company") had a total audited net asset value ("NAV") of €19.7m, or €0.1450 per share. During the course of 2019, RC2 bought back for cancellation 4,475,463 of its own ordinary shares, bringing the total number of shares in issue at year end to 135,856,913. The NAV per share fell by 35.2% over the course of the year.

Private Equity Programme

At the end of December 2019, the investments held under the Private Equity Programme had a total fair value of €17.72m, which was 36.2% less than the 2018 valuation of €27.8m. The valuations of Policolor and Mamaia were performed by independent valuers, whilst the valuation of Telecredit IFN SA was based on its audited net asset value. The valuations of RC and 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.

	2019 EUR	2018 EUR
Policolor S.A	12,000,000	18,320,000
Mamaia Hotel Resorts SRL ("Mamaia")	3,371,233	4,228,219
Telecredit IFN S.A. ("Telecredit")	804,859	849,514
The Romanian Investment Fund Limited	992,643	2,147,229
Reconstruction Capital Plc	555,738	2,242,600
	17,724,473	27,787,562

The above valuations are based on assumptions that applied as of 31 December 2019. The Coronavirus (COVID-19) outbreak and its consequences which are addressed in note 22 to the financial statements have invalidated many of those assumptions. However, the Adviser believes that while there has been a short-term impact on the business, it cannot quantify the long-term impact of this event.

The 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. Consequently, the financial assets at fair value through profit or loss shown in the present financial statements, which amount to EUR 19.6m, reflect the valuations of the underlying private equity holdings outlined in the above table, as well as the cash balances of EUR 0.3m and sundry net financial assets and liabilities amounting to EUR 1.6m in these intermediary holding companies.

Policolor's 2019 performance was disappointing, with sales falling by 6.3% to EUR 60.0m and recurring EBITDA (net of revenues and expenses related to the real estate division) falling by 53.1% to EUR 0.9m. This was primarily because of supply issues, due to delays in the effective starting up of its new water-based and performance coatings plants, which only received the requisite permits to operate fully in the first quarter of 2020, resulting in a number of products being out-of-stock, whilst the Group scrambled to find alternative suppliers for some of its products.

For the year ended 31 December 2019

All authorisations have now been obtained and the new plants are fully functional. On a more positive note, in September 2019 Policolor sold the last plot of its main Theodor Pallady site for EUR 5.2m resulting in a cash inflow of EUR 3.5m, as advances of EUR 1m related to the plot had already been cashed in 2017 and 2018, and EUR 0.7m was retained by the purchasers as a holdback in respect of certain warranties and indemnities being satisfactorily settled by September 2020.

Mamaia Resort Hotels had a very good year in terms of turnover, with operating revenues increasing by 15.4% to EUR 3.0m, but EBITDA fell from EUR 0.3m to EUR 0.2m as a result of increased salary costs and higher than expected expenses incurred in re-decoration and up-grading of the Hotel's beach-facing premium wing rooms, the restaurant terrace and kitchens. This first phase of the planned improvements was completed before the start of the 2019 summer season. A second phase is currently underway up-grading the hotel's reception, indoor dining and bar areas, as well as the heating system and facades. This is on schedule for completion by the end of May.

Telecredit transitioned to its new business model in 2019 with a focus on financing small and medium size enterprises ("SMEs"). The net value of the SME financing book was EUR 2.2m at year-end 2019, with the net value of payday loans amounting to a mere EUR 0.07m. The company fully drew down a shareholder loan of EUR 1.5m from RC2 to support the growth of its SME financing activities. During the year the CEO of the company acquired 15% of the shares, and RC2 increased its holding by 5% to 85%.

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 amounts to €19.7m, reflects the valuations of the underlying private equity holdings outlined in the above table, plus cash and cash equivalents of €1.8m, and €0.2m of sundry financial assets and liabilities, held by these intermediary holding companies.

Economic Overview

Both the Romanian and Bulgarian economies continued to report increases in GDP during 2019 of 4.1% (2018: +4.4%) and 3.4% (2018: +3.1%), respectively. However, according to the European Commission, both economies are expected to contract by 6% and 7%, respectively, in 2020 as a result of the Covid-19 pandemic which has impacted most sectors of the economy. In spite of the Covid-19-related economic difficulties, inflationary pressures are currently under control in both countries.

12 June 2020 New Europe Capital

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 2019

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 2019.

The financial statements do not constitute statutory financial statements and are prepared to comply with the applicable rules of the Alternative Investment Market ("AIM") of the London Stock Exchange.

Activities and Business Review
The Company's principal activity is holding and managing of investments in Romania and other countries in South-East Europe. A summary of the Company's business review for the year ended 31 December 2019 is contained within the Adviser's report.

Accounting Policies
The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") adopted for use in the European Union.

Share Capital
Details of the Company's authorised and issued share capital as at 31 December 2019 are contained in note 15 of the financial statements.

Results and Dividends
The net investment loss for the year amounted to EUR10,163,037 (2018: loss EUR3,086,167) and the net loss for the year amounted to EUR11,008,354 (2018: loss EUR4,118,239).

The Directors do not recommend the payment of a dividend (2018: EURnil).

Events after the Reporting Year
Other than the matters disclosed in Note 22, there have been no significant events after the reporting period that require disclosure in the financial statements.

Directors and their Interests
There was just one Director who held shares in the Company at 31 December 2019. He held the position of Director throughout 2019.

	Ordinary Shares	
	Number	**% of issued share capital**
Mihai Radoi	1,037,500	0.76%

Board
The Board of Directors comprised two Directors until 2 September 2019 when following the resignation of Mr Derbyshire, two new Directors, Mr Zoran Melovski and Mr Paolo Bassetti, were appointed bringing the number of Directors to three. All of the Directors are Independent Non-Executive Directors. 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 2019

Board
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 Adviser and 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 20 of the financial statements.

Each of the Directors have 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 2019

Directors' liability insurance
The Company has in place a Directors' insurance policy to cover the relevant individuals against claims arising from their work on behalf of the Company. The Board intends to keep the level of cover provided under annual or more frequent review, as appropriate.

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.

Going Concern
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 loss during the year, which has increased the accumulated deficit of the Company to EUR90,868,554.

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.

Regarding the Coronavirus (COVID-19) outbreak, the Directors are of the opinion that while there has been a short-term impact on the business, they cannot quantify the long-term impact of this event.

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") and adopted by the European Union.

REPORT OF THE DIRECTORS (continued)
For the year ended 31 December 2019

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
Following the recent change in Cayman Islands legislation, the Directors will be appointing a Cayman Islands registered independent auditor for the audit of the financial statements in 2020. The Directors are currently engaged in a selection process for the independent auditor. A resolution appointing the chosen independent auditor will be proposed at the next meeting.

On behalf of the Board

Mihai Radoi
Chairman

12 June 2020

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

Report on the Audit of the Financial Statements

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 2019, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

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.

Emphasis of Matter

We draw attention to Note 22 of the financial statements which describes the uncertainty related to the outcome of the Coronavirus (COVID-19) outbreak and the magnitude of the negative consequences this may have on the business and operations. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

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

Refer to Notes 8, 9, 10 and 18.5 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 2019 amounted to €2,561,545 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

Our audit work included but was not restricted to:

- assessing whether the Company's accounting policy for the valuation of investments is in accordance with IFRSs as adopted by the European Union and whether management has correctly applied the Company's accounting 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.
- Additionally, the projected business plans were evaluated to assess the reasonableness of the assumptions used.
- An in-house valuation specialist was utilised to evaluate the methodology used by the external valuer and assess whether it was correctly applied.
- testing the existence and legal ownership of investments by checking to certificates obtained from the Companies' Registrar.

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 were appropriate.

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

Refer to Notes 10 and 18.5 of the financial statements.

The key audit matter

The Company has a loan receivable of €17,090,051 from one of its subsidiaries that represents 87% 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

Our audit work included but was not restricted to:

- 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.
- Additionally, the projected business plans were evaluated to assess the reasonableness of the assumptions used.
- An in-house valuation specialist was utilised to evaluate the methodology used by the external valuer and assess whether it was correctly applied

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 were appropriate

Independent Auditor's Report (continued)

To the Members of Reconstruction Capital II Limited

Other information

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

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

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

Responsibilities of the Board of Directors for the Financial Statements

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

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

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

Independent Auditor's Report (continued)

To the Members of Reconstruction Capital II Limited

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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, related safeguards.

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.

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

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.

Dimitrios Chioureas

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

Nicosia,12 June 2020

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2019

	Notes	2019 EUR	2018 EUR
Investment income			
Fair value loss on financial assets at fair value through profit or loss	**18.5**	(14,482,512)	(7,436,971)
Recovery of previously written off receivable		-	9,000
Interest income	**10.3**	4,319,475	4,341,794
Other income		-	10
Net investment loss		**(10,163,037)**	**(3,086,167)**
Expenses			
Operating expenses	**4**	(845,572)	(1,031,186)
Financial income/(expenses)	**5**	255	(886)
Total expenses		**(845,317)**	**(1,032,072)**
Loss for the year		**(11,008,354)**	**(4,118,239)**
Other comprehensive income		-	-
Total comprehensive income for the year attributable to owners		**(11,008,354)**	**(4,118,239)**
Loss Per Share	**7**		
Basic and diluted loss per share		(0.0806)	(0.0285)

The notes on pages 19 to 46 form an integral part of these audited financial statements.

STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

	Notes	2019 EUR	2018 EUR
ASSETS			
Non-current assets			
Financial assets at fair value through profit or loss	**10**	19,651,596	30,614,632
Total non-current assets		**19,651,596**	**30,614,632**
Current assets			
Trade and other receivables	**11**	16,673	21,011
Cash and cash equivalents	**12**	65,887	1,480,305
Total current assets		**82,560**	**1,501,316**
TOTAL ASSETS		**19,734,156**	**32,115,948**
LIABILITIES			
Current liabilities			
Trade and other payables	**13**	37,362	710,726
Total current liabilities		**37,362**	**710,726**
TOTAL LIABILITIES		**37,362**	**710,726**
NET ASSETS		**19,696,794**	**31,405,222**
EQUITY AND RESERVES			
Share capital	**15**	1,358,569	1,403,324
Share premium		109,206,779	109,862,098
Accumulated deficit		(90,868,554)	(79,860,200)
TOTAL EQUITY		**19,696,794**	**31,405,222**
Net Asset Value per share			
Basic and diluted net asset value per share	**16**	0.1450	0.2238

The financial statements were approved by the Board of Directors and authorised for issue on 12 June 2020.

Mihai Radoi
Chairman

Zoran Melovski
Director

The notes on pages 19 to 46 form an integral part of these audited financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2019

	Share capital EUR	Share premium EUR	Accumulated deficit EUR	Total EUR
Balance at 1 January 2018	1,449,460	110,581,355	(75,741,961)	**36,288,854**
Loss for the year	-	-	(4,118,239)	**(4,118,239)**
Other comprehensive income	-	-	-	**-**
Total comprehensive income for the year	**-**	**-**	**(4,118,239)**	**(4,118,239)**
Repurchase and cancellation of own shares	(46,136)	(719,257)	-	**(765,393)**
Transactions with owners	(46,136)	(719,257)	-	**(765,393)**
Balance at 31 December 2018	**1,403,324**	**109,862,098**	**(79,860,200)**	**31,405,222**
Loss for the year	-	-	(11,008,354)	**(11,008,354)**
Other comprehensive income	-	-	-	**-**
Total comprehensive loss for the year	**-**	**-**	**(11,008,354)**	**(11,008,354)**
Repurchase and cancellation of own shares	(44,755)	(655,319)	-	**(700,074)**
Transactions with owners	(44,755)	(655,319)	-	**(700,074)**
Balance at 31 December 2019	**1,358,569**	**109,206,779**	**(90,868,554)**	**19,696,794**

The notes on pages 19 to 46 form an integral part of these audited financial statements.

STATEMENT OF CASH FLOWS
For the year ended 31 December 2019

	Note	2019 EUR	2018 EUR
Cash flows from operating activities			
Loss for the year		(11,008,354)	(4,118,239)
Adjustments for:			
Fair value loss on financial assets at fair value through profit or loss		14,482,512	7,436,971
Reversal of loan impairment		-	(9,000)
Interest income		(4,319,475)	(4,341,794)
Net (gain)/loss on foreign exchange		(255)	886
Net cash outflow before changes in working capital		**(845,572)**	**(1,031,176)**
Decrease in trade and other receivables		4,338	115,427
Decrease in trade and other payables		(58,233)	(180,513)
Purchase of financial assets		(133,603)	(3,433,045)
Repayments of financial assets		800,000	9,000
Net cash used in operating activities		**(233,070)**	**(4,520,307)**
Cash flows from financing activities			
Payments to purchase own shares		(1,048,662)	(416,810)
Redemptions of B shares		(132,941)	(21,455)
Net cash flow used in financing activities		**(1,181,603)**	**(438,265)**
Net decrease in cash and cash equivalents before currency adjustment		**(1,414,673)**	**(4,958,572)**
Effects of exchange rate differences on cash and cash equivalents		255	(886)
Net decrease in cash and cash equivalents after currency adjustment		**(1,414,418)**	**(4,959,458)**
Cash and cash equivalents at the beginning of the year		1,480,305	6,439,763
Cash and cash equivalents at the end of the year	**12**	**65,887**	**1,480,305**

The notes on pages 19 to 46 form an integral part of these audited financial statements.

NOTES TO THE AUDITED FINANCIAL STATEMENTS
For the year ended 31 December 2019

1. Establishment

Reconstruction Capital II Limited (the "Company") was incorporated on 17 October 2005 in the Cayman Islands as a tax exempt company created to invest in private and listed equity and fixed income securities, including convertible and other mezzanine instruments, primarily in Romania, Bulgaria and Serbia. The Company was admitted to trading on the Alternative Investment Market ("AIM") of the London Stock Exchange on 23 December 2005 and started trading on 27 January 2006. These financial statements show the results of the Company for the year ended 31 December 2019.

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"), adopted for use in the European Union ("EU").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.

Regarding the Coronavirus (COVID-19) outbreak, Directors are of the opinion that while there has been a short-term impact on the business, they cannot quantify the long-term impact of this event.

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.

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

2. Principal accounting policies (continued)
2.1 Basis of preparation (continued)

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, there are no mandatory New Accounting Requirements applicable in the current year, including IFRS 16 effective on or before 1st January 2019, 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.

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 and endorsed by the European Union ("EU"). 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" (effective 1 January 2021, not yet endorsed for use in the EU)
- Amendments to References to the Conceptual Framework in IFRS Standards (effective for annual periods beginning on or after 1 January 2020)
- Amendment to IFRS 3 "Definition of A Business" (effective 1 January 2020), not yet endorsed for use in the EU
- Amendment to IAS 1 and IAS 8 "Definition of Material" (effective 1 January 2020), not yet endorsed for use in the EU
- Amendments to IFRS 9, IAS 39, and IFRS 7 "Interest Rate Benchmark Reform" (effective 1 January 2020)
- Amendments to IAS 1 "Presentation of Financial Statements: Classification of Liabilities as Current or Non-current" (effective 1 January 2020)

2.2 Revenue recognition

Dividend from investments in securities is recognised when the right to receive payment is established. Withheld taxes are transferred to profit or loss.

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 profit or loss.

The difference between the fair value of investments at fair value through profit or loss as at 31 December 2019 and the mid cost price represents unrealised gains and losses and is included in profit or loss in the period in which it arises.

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

2. Principal accounting policies (continued)
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 presentational 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.

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 profit or loss.

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 profit or loss as part of the fair value gain or loss.

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

2. Principal accounting policies (continued)

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 profit or loss.

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.

Realised and unrealised gains and losses arising from changes in the fair value of financial assets are recognised in profit or loss.

Net gains or net losses on items at fair value through profit or loss include interest or dividend income.

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 2019

2. Principal accounting policies (continued)
2.6 Financial assets (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. Cash equivalents are 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 as follows:

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 2019

2. Principal accounting policies (continued)
2.10 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.

2.11 Dividends

Equity dividends are recognised when they become legally payable. Interim and final equity dividends are recognised when approved by the shareholders at an annual general meeting.

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 2019 were as follows:

	2019	2018
	EUR	**EUR**
Financial assets at fair value through profit or loss *(Note 10)*	19,651,596	30,614,632

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 Euro (EUR) is 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.

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

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

(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 18.

Based on the adjusted net asset approach, Management has accepted the fair value estimations of unlisted equity investments as at 31 December 2019, which resulted in a net fair value loss of EUR14.4m, comprised of a fair value loss of EUR11.6m for investment in subsidiaries and loans and receivables and a fair value loss of EUR2.8m for investments in associates respectively, recognised in profit or loss (2018: net fair value loss EUR7.4m) (Note 18.5).

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 2019-2023, with the exception of Telecredit IFN SA which is valued on an audited net assets basis according to IFRS (see Note 18.5). 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 on the basis that the Company has:

- obtained funds from more than one investor for the purpose of providing those investors with investment management services;
- committed to its investors that its business purpose is to invest funds solely for returns from capital appreciation and investment income; and
- measured and evaluated its performance of all its investments on a fair value basis.

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 and associates providing services that are related to the Company's investment activity, which are consolidated.

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

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 2019 and 2018.

4. Operating expenses

		2019 EUR	2018 EUR
Advisory fees	(Note 20.1)	639,085	779,458
Legal and professional fees, including transaction fees		76,739	78,284
Administration and custodian fees		59,687	71,521
Directors' fees	(Note 20.1)	28,500	55,027
Audit fees		27,000	24,545
Insurance premium		6,410	7,825
Bank charges		2,221	4,810
Other expenses		5,930	9,716
		845,572	1,031,186

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 EUR nil (2018: EUR nil).

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

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 EUR14,362 was outstanding at the year end (2018: EUR14,850).

Directors' fees
The Directors are considered to be key management personnel of the Company. The remuneration of each Director is detailed in Note 20.1.

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. Financial income/(expenses)

	2019 EUR	2018 EUR
Net gain/(loss) on foreign exchange		255
		(886)
	255	(886)

6. Income tax

The Company is tax exempt.

7. Loss per share

	2019 EUR	2018 EUR
Earnings		
Earnings for the purposes of basic earnings per share, being net profit/(loss) attributable to ordinary shareholders of the Company	(11,008,354)	(4,118,239)
Number of shares		
Weighted average number of shares for the purposes of earnings per share	136,574,313	144,528,092
Basic and diluted loss per share	**(0.0806)**	**(0.0285)**

There are no potentially dilutive instruments.

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

8. Subsidiaries

The Company has the following subsidiaries:

	Principal activity	Principal place of business and Country of incorporation	Proportion of ownership interest	
			2019	2018
Holding company: Reconstruction Capital II Limited				
RC2 (Cyprus) Limited	Investment holding	Cyprus	100%	100%
Glasro Holdings Limited	Consumer loans	Cyprus	100%	100%
Holding company: RC2 (Cyprus) Limited				
Mamaia Resort Hotels S.R.L.	Hotel management	Romania	63%	63%
Holding company: Glasro Holdings Limited				
Telecredit IFN S.A.	Consumer loans	Romania	85%	80%

9. Associates

The Company has the following associates:

	Principal activity	Principal place of business and Country of incorporation	Proportion of ownership interest	
			2019	2018
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 2019

9. Associates (Continued)

	Principal activity	Principal place of business and Country of incorporation	Proportion of ownership interest 2019	Proportion of ownership interest 2018
Holding company: RC2 (Cyprus) Limited				
S.C.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 2019.

10. Financial assets at fair value through profit or loss

	2019 EUR	2018 EUR
Non-current investments		
Investments in subsidiaries	1,013,164	1,149,797
Investments in associates	1,548,381	4,389,829
Loan receivable	17,090,051	25,075,006
	19,651,596	30,614,632

10.1 Investments in subsidiaries

	2019 EUR	2018 EUR
Cost	76,653,660	76,653,660
Net unrealised loss on investments	(75,640,496)	(75,503,863)
Fair value of non-current investments	1,013,164	1,149,797

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 EUR nil at the year end (2018: EUR nil).

Also included is an equity investment in the wholly owned subsidiary Glasro Holdings Ltd which was valued at EUR1,013,164 at 31 December 2019 (2018: EUR1,149,797), a decrease of EUR136,633 from its value at the end of 2018.

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

10.2 Investments in associates

	2019 EUR	2018 EUR
Cost	3,566,648	3,566,648
Net unrealised gain on investments	(2,018,267)	823,181
Fair value of non-current investments	1,548,381	4,389,829

Included in investments in associates are investments in Reconstruction Capital Plc and The Romanian Investment Fund Limited with fair values of EUR555,738 and EUR992,643, respectively, at the year end (2018: EUR 2,242,600 and EUR 2,147,229, respectively).

During the year ended 31 December 2019, the Company reviewed the value of unlisted equity securities measured at fair value through profit or loss, resulting in a fair value loss of EUR 2.0 million (2018: gain of EUR0.8 million).

10.3 Loan receivable at fair value through profit or loss

	2019 EUR	2018 EUR
Loan to unconsolidated subsidiary	17,090,051	25,075,006

Included in the balance of loan to unconsolidated subsidiary is a loan to RC2 (Cyprus) Limited, which is designate at fair value through profit or loss and which bears interest of 8% 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.

	2019 EUR	2018 EUR
Changes in loan receivable		
Opening balance	25,075,006	27,110,139
Loan repayments	(800,000)	-
Interest income	4,319,475	4,341,794
Fair value loss on loan receivable	(11,504,430)	(6,376,927)
	17,090,051	25,075,006

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 18.5). The value of the loan receivable decreased by EUR7,984,955 during the year. The decrease is a result of the accrued interest income of EUR 4,319,475 being offset by the fair value loss on the receivable of EUR11,504,430 and loan repayments of EUR800,000.

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

11. Trade and other receivables

	2019 EUR	2018 EUR
Other receivables and prepayments	16,673	21,011
	16,673	21,011

12. Cash and cash equivalents

	2019 EUR	2018 EUR
Cash at bank	65,887	1,480,305

13. Trade and other payables

		2019 EUR	2018 EUR
Advisory fees	(Note 20.2)	-	53,229
Auditor's fees		23,000	23,000
Administration fees		14,362	14,850
Amount payable in respect of share cancellations (i)		-	348,583
Amounts payable in respect of share redemptions (ii)		-	132,941
Amount payable for investments (iii)		-	133,602
Other payables and accruals		-	4,521
		37,362	710,726

(i) Amount payable in respect of share cancellations of EUR 348,583 relates to the purchase for cancellation on 21 December 2018 of 2,178,641 Ordinary Shares of the Company of EUR 0.01 each. The outstanding amount was settled on 8 January 2019.

(ii) Amount payable in respect of share redemptions of EUR 132,941 relates to B shares of the Company redeemed in 2017. The outstanding amount was settled on 11 April 2019.

(iii) Amount payable for investments of EUR 133,602 relates to the purchase of 600 shares in The Romanian Investment Fund Limited on 19 December 2018. The outstanding amount was settled on 9 January 2019.

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

14. Reserves

Reserve	**Description and purpose**
Share premium	Amount subscribed for share capital in excess of par value, as reduced by bonus issues
Retained earnings/(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

15. Share capital

	2019 Number of shares	**2019** EUR	**2018** Number of shares	**2018** 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	140,332,376	1,403,324

	2019 Number of shares	**2019** EUR	**2018** Number of shares	**2018** EUR
Ordinary shares				
Share capital at 1 January	140,332,376	1,403,324	144,946,017	1,449,460
Share cancellations	(4,475,463)	(44,755)	(4,613,641)	(46,136)
	135,856,913	1,358,569	140,332,376	1,403,324

(i) On 12 July 2018, the Company purchased for cancellation 304,744 of its Ordinary Shares of EUR 0.01 each at a price of EUR 0.1675 per share.

(ii) On 18 July 2018, the Company purchased for cancellation 340,241 of its Ordinary Shares of EUR 0.01 each at a price of EUR 0.1675 per share.

(iii) On 16 November 2018, the Company purchased for cancellation 1,790,000 of its Ordinary Shares of EUR 0.01 each at a price of EUR 0.1725 per share.

(iv) On 21 December 2018, the Company purchased for cancellation 2,178,641 of its Ordinary Shares of EUR 0.01 each at a price of EUR 0.16 per share.

(v) On 21 January 2019, the Company purchased for cancellation 1,710,611 of its Ordinary Shares of EUR 0.01 each at a price of EUR 0.16 per share.

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

15. Share capital (continued)

(vi) On 23 January 2019, the Company purchased for cancellation 2,364,852 of its Ordinary Shares of EUR 0.01 each at a price of EUR 0.16 per share.

(vii) On 12 December 2019, the Company purchased for cancellation 300,000 of its Ordinary Shares of EUR 0.01 each at a price of EUR 0.12 per share.

(viii) On 16 December 2019, the Company purchased for cancellation 100,000 of its Ordinary Shares of EUR 0.01 each at a price of EUR 0.12 per share.

As at 31 December 2019, EUR nil (2018: EUR 348,583) was outstanding in respect of redemptions of Ordinary shares (note 13).

16. Net Asset Value per share

	2019 EUR	2018 EUR
Net assets	19,696,794	31,405,222
Closing number of shares	135,856,913	140,332,376
Basic and diluted net asset value per share	0.1450	0.2238

There are no potentially dilutive instruments.

17. Financial assets and liabilities

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

		2019 EUR	2018 EUR
Financial assets at fair value through profit or loss			
Investments in subsidiaries	(Note 10.1)	1,013,164	1,149,797
Investments in associates	(Note 10.2)	1,548,381	4,389,829
Loan receivable	(Note 10.3)	17,090,051	25,075,006
		19,651,596	30,614,632
Financial assets at amortised cost			
Trade and other receivables	(Note 11)	16,673	21,011
Cash and cash equivalents	(Note 12)	65,887	1,480,305
		82,560	1,501,316
Financial liabilities at amortised cost			
Trade and other payables	(Note 13)	37,362	710,726

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

18. 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.

18.1 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.

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:

	2019 EUR	2018 EUR
Sector		
Consumer and corporate loans	1,013,164	1,149,797
Other private equity investments	18,638,432	29,464,835
	19,651,596	30,614,632
Other items	82,560	1,501,316
Geographical analysis		
Consumer and corporate loans		
Romania	1,013,164	1,149,797

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

18. Financial risk management (continued)
18.1 Market risk (continued)

	2019 EUR	2018 EUR
Other private equity investments		
Romania	18,638,432	29,464,835
Other items		
Jersey	82,560	1,501,316

Consumer and 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.

i. Interest rate risk

The Company's exposure to risks associated with fluctuations in the prevailing levels of market interest rates is limited to cash and cash equivalents and subsidiaries' investments in consumer and corporate loans:

	2019 EUR	2018 EUR
Cash and cash equivalents	65,887	1,480,305
Consumer and corporate loans	1,013,164	1,149,797
	1,079,051	2,630,102

Should interest rates in relation to the Company's cash and cash equivalents have been lower by 25 basis points, with all other variables remaining constant, and the cash level remaining constant during the year, the decrease in post-tax profit/(loss) and equity attributable to holders of ordinary shares would amount to approximately EUR165 (2018: EUR3,701). These changes are considered to be reasonable in the opinion of the Directors, based on observations of current market conditions. An increase in interest rates would have an equal and opposite effect on the post-tax profit/(loss) and equity attributable to holders of ordinary shares.

ii. Price risk

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 18.5 under "Fair value information".

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

18. Financial risk management (continued)
18.2 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:

	2019 EUR	2018 EUR
Financial assets at fair value through profit or loss	19,651,596	30,614,632
Cash and cash equivalents	65,887	1,480,305
	19,734,156	32,094,937

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 EUR65,887 (2018: EUR1,480,305).

There are no trade and other receivables which are impaired (2018: 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 Aa3 (2018: Aa3).

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

18.3 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.

	Carrying amount EUR	Contractual cash flows EUR	Less than 1 month EUR	Less than 1 year EUR
31 December 2019				
Trade and other payables	37,362	37,362	14,362	23,000
31 December 2018				
Trade and other payables	710,726	710,726	554,780	155,946

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

18. Financial risk management (continued)
18.4 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 retained deficit.

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

	2019 EUR	2018 EUR
Equity	19,696,794	31,405,222
Cash and cash equivalents	(65,887)	(1,480,305)
Capital	19,630,907	29,924,917
Equity	19,696,794	31,405,222
Overall financing	19,696,794	31,405,222
Proportion of capital to overall financing	100%	95%

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% (2018: 0%) of gross assets.

18.5 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.

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

18. Financial risk management (continued)
18.5 Fair value information (continued)

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 2019 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 2019, 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 EUR555,738.

As at 31 December 2019, 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 0.14% or EUR27,787 and a decrease in the Company's post-tax loss of .25% or EUR27,787;
- 5% decrease: decrease in the Company's total assets of 0.14% or EUR27,787 and an increase in the Company's post-tax loss of .25% or EUR27,787;

<u>The Romanian Investment Fund Limited</u>
As at 31 December 2019, 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 EUR992,643.

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

18. Financial risk management (continued)
18.5 Fair value information (continued)

The Romanian Investment Fund Limited (continued)
As at 31 December 2019, 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 0.25% or EUR49,632 and a decrease in the Company's post-tax loss of 0.45% or EUR49,632;
- 5% decrease: decrease in the Company's total assets of 0.25% or EUR49,632 and an increase in the Company's post-tax loss of 0.45% or EUR49,632;

Glasro Holdings Limited
As at 31 December 2019, 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 EUR1,013,164.

As at 31 December 2019, 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 0.26% or EUR50,658 and a decrease in the Company's post-tax loss of 0.46% or EUR50,658;
- 5% decrease: decrease in the Company's total assets of 0.26% or EUR50,658 and an increase in the Company's post-tax loss of 0.46% or EUR50,658;

RC2 (Cyprus) Limited
At 31 December 2019, 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 EUR17,090,051, 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 2019, 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 4.33% or EUR854,503 and a decrease in the Company's post-tax loss of 7.76% or EUR854,503;
- 5% decrease: decrease in the Company's total assets of 4.33% or EUR854,503 and an increase in the Company's post-tax loss of 7.76% or EUR854,503;

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

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

18. Financial risk management (continued)
18.5 Fair value information (continued)

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.

Policolor S.A.
Policolor S.A. was valued by an independent valuer as at 31 December 2019. The major assumptions used in the valuation are as follows:
- weighted average cost of capital of 11.1%;
- EBITDA margin rate between 5.4% and 9.5%;
- revenue growth rate between 2% and 8.8%;
- long term growth rate of 2%.

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

	+0.5%	**-0.5%**
Weighted average cost of capital	(640,000)	720,000
	+5%	**-5%**
EBITDA margin rate	1,040,000	(1,000,000)
	+5%	**-5%**
Revenue growth rate	1,040,000	(1,000,000)
	+0.5%	**-0.5%**
Long term growth rate	480,000	(400,000)

Mamaia Resort Hotels S.R.L.
Mamaia Resort Hotels S.R.L. was valued by an independent valuer as at 31 December 2019. The major assumptions used in the valuation are as follows:
- weighted average cost of capital of 8.7%;
- EBITDA margin rate between 11.4% and 18.3%;
- revenue growth rate between 2% and 4.7%; and
- long term growth rate of 2%.

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

18. Financial risk management (continued)
18.5 Fair value information (continued)

Estimation of fair values - investments held through the Company's non-consolidated subsidiaries (continued)

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

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

	+0.5%	**-0.5%**
Weighted average cost of capital	(252,055)	296,164
	+5%	**-5%**
EBITDA margin rate	283,562	(283,562)
	+5%	**-5%**
Revenue growth rate	289,863	(289,863)
	+0.5%	**-0.5%**
Long term growth rate	220,548	(189,041)

Telecredit IFN SA
Telecredit IFN SA was not valued by an independent valuer as at 31 December 2019 because it has changed its business model as a result of new restrictions on lending to individuals introduced by the National Bank of Romania effective 1 January 2019. The valuation of EUR804,859 reflects Glasro Holdings Limited's share of Telecredit IFN SA's net asset value audited under IFRS as at 31 December 2019.

As at 31 December 2019, if the net asset position of Telecredit IFN SA 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 0.20% or EUR40,243 and a decrease in the Company's post-tax loss of .37% or EUR40,243;
- 5% decrease: decrease in the Company's total assets of 0.20% or EUR40,243 and an increase in the Company's post-tax loss of .37% or EUR40,243;

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

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).

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

18. Financial risk management (continued)
18.5 Fair value information (continued)

Fair value hierarchy (continued)

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:

Level 3	**2019 EUR**	**2018 EUR**
Investments in subsidiaries	1,013,164	1,149,797
Investments in associates	1,548,381	4,389,829
Loan to subsidiary	17,090,051	25,075,006
	19,651,596	30,614,632

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

	2019 EUR	**2018 EUR**
Balance at 1 January	30,614,632	30,143,162
Total gains or losses for the year:		
Fair value loss	(14,482,512)	(7,436,971)
Interest income and loan repayments	3,519,476	7,908,441
Balance at 31 December	19,651,596	30,614,632
Cumulative unrealised loss from assets still held at year end	~~(179,886,308)~~	~~(165,403,796)~~

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 2019

19. Operating segments

According to its Admission Document, the Company's main objective is to generate returns for its shareholders through two primary routes: to achieve medium and long term capital appreciation through the investment in and subsequent disposal of significant or controlling stakes in companies, both listed and private (the Private Equity Programme), and to make portfolio investments in listed equities and fixed income securities (the Trading Programme) through its subsidiary, RC2 (Cyprus) Limited. 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 based on the Company's current operations - the private equity programme and other items.

31 December 2019	Private equity programme EUR	Other items EUR	Total per financial statements EUR
Reportable segment total assets	19,651,596	82,560	19,734,156
Reportable segment loss before tax	(10,163,037)	(845,317)	(11,008,354)
Reportable segment total liabilities	-	(37,362)	(37,362)
Fair value loss on financial assets at FVTPL	(14,482,512)	-	(14,482,512)
Interest income	4,319,475	-	4,319,475
Financial expenses	-	255	255
Operating expenses	-	(845,572)	(845,572)
31 December 2018			
Reportable segment total assets	30,614,632	1,501,316	32,115,948
Reportable segment profit/(loss) before tax	(3,095,167)	(1,023,072)	(4,118,239)
Reportable segment total liabilities	-	(710,726)	(710,726)
Fair value gain on financial assets at FVTPL	(7,436,971)	-	(7,436,971)
Recovery of previously written off receivable	9,000	-	9,000
Interest income	4,341,794	-	4,341,794
Other income	-	10	10
Financial expenses	-	(886)	(886)
Operating expenses	-	(1,031,186)	(1,031,186)

The geographical location of the investments held under the private equity programme is disclosed in Note 18.1.

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

20. 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.

20.1 Key management compensation

	2019 EUR	2018 EUR
Advisory fees	639,085	779,458
Directors' fees	28,500	55,027
	667,585	834,485

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 EUR639,085 (2018: EUR779,458). Total fees outstanding as at 31 December 2019 were EUR nil (2018: EUR53,229).

There were no performance fees paid or payable in respect of 2019 (2018: EUR nil).

Advisory fees which are unpaid for over a month attract an interest of 10% (2018: 10%) on the entire balance. No interest was charged during the year (2018: EUR nil).

b. Directors' fees (Note 4)

		2019 EUR	2018 EUR
Martin Derbyshire	*(resigned on 2 September 2019)*	6,667	10,027
Mihai Radoi		18,500	20,000
Paolo Bassetti	*(appointed 2 September 2019)*	3,333	-
Dirk Van den Broeck	*(resigned on 18 December 2018)*	-	25,000
		28,500	55,027

20.2 Trade and other payables to key management (Note 13)

	2019 EUR	2018 EUR
Advisory fees	-	53,229
	-	53,229

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

20. Related party transactions (continued)

20.3 Related parties' interests

	2019		2018	
Ordinary shares	**Number**	**% of issued share capital**	**Number**	**% of issued share capital**
Held by directors				
Mihai Radoi	1,037,500	0.76%	1,037,500	0.76%
Held by other related parties				
Ion Florescu and related parties *	81,391,311	59.91%	81,391,311	59.73%

* As at 31 December 2019 38,559,007 of the Company's shares were held by Ion Florescu and 42,832,304 shares were owned by Portadrix Investments Limited, which is wholly-owned by The Florescu Family Trust.

20.4 Loan to unconsolidated subsidiary

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

20.5 Pledges and guarantees

There were no pledges or guarantees held as at 31 December 2019.

20.6 Ultimate controlling party

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

21. 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 18.4.2007 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. A date for a hearing has been established for October 2020.

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.

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

22. 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 other significant events that require disclosures or adjustments for in these financial statements other than the matters disclosed below.

(i) With the recent and rapid development of the Coronavirus (COVID-19) outbreak the world economy entered an unprecedented healthcare crisis that has already caused considerable global disruption in business activities and everyday life.

Neither Romania nor Bulgaria have been immune to the outbreak and its consequences. Governments of both countries have required companies to limit or even suspend normal business operations and have implemented restrictions on travelling as well as strict quarantine measures.

The Directors and the Adviser have considered the unique circumstances and risk exposures of the Company.

The Directors and the Adviser are of the opinion that while there has been a short-term impact on the business operations, they cannot quantify the long-term impact of this event to the business.

The event is considered as a non-adjusting event and is therefore not reflected in the recognition and measurement of the assets and liabilities in the financial statements as at 31 December 2019.

(ii) On 29 April 2020 the Company entered into a commitment to guarantee a revolving credit facility of EUR 3 million to be entered into by Telecredit IFN SA with Advance Global Capital Limited. The guarantee is designed to cover any loss incurred by Advance Global Capital Limited which is not due to fraud, negligence or misconduct, for up to 25% of the facility amount, and any loss incurred by Advance Global Capital Limited due to fraud, negligence or misconduct for up to 100% of the facility amount. The credit facility has not yet been finalised.