

**INFORM LYKOS S.A.**

**FINANCIAL SCHEDULES**

---

**31 DECEMBER 2020**

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## Independent Auditor's Report

To: the Management of INFORM LYKOS S.A.

### *Opinion*

We have audited the accompanying special purpose financial information (further referred to as "the Financial Schedules") of INFORM LYKOS S.A. as at 31 December 2020 and for the year then ended, prepared in accordance with the Note 4.1 of the Financial Schedules.

In our opinion, the Financial Schedules of INFORM LYKOS S.A. as at 31 December 2020 and for the year then ended, have been prepared, in all material respects, in accordance with the Note 4.1.

### *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 Schedules" section of our report. We are independent of the Company within the meaning of ethical requirements relevant for the audit of the Financial Schedules and have fulfilled our other ethical responsibilities under these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Restriction of use and Distribution*

Our auditor's report on these Financial Schedules has been prepared for the management of the Company and its auditors for internal use and consolidation purposes of the AUSTRIACARD AG group and should not be distributed to or used by any other parties.

### *Responsibilities of management and those charged with governance for the Financial Schedules*

Management is responsible for the preparation and fair presentation of these Financial Schedules in accordance with Note 4.1, and for such internal control as management determines is necessary to enable the preparation of Financial Schedules that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

The Financial Schedules has been prepared solely to enable AUSTRIACARD AG Group to prepare consolidated financial statements and is not intended to follow the all the presentation and disclosures required in accordance with International Financial Reporting Standards.

### ***Auditor's responsibilities for the audit of the Financial Schedules***

The objectives of our audit are to obtain reasonable assurance about whether the Financial Schedules 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 Schedules.

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

- Identify and assess the risks of material misstatement of the Financial Schedules, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an **opinion on the effectiveness of the Company's internal control.**
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- **Conclude on the appropriateness of management's use of accounting on a going concern basis** and determine, based on 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 Schedules 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 Schedules, including the disclosures, and whether the Financial Schedules represent the underlying transactions and events in a manner that achieves fair presentation.

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

Grant Thornton Audit SRL

Bucharest, Romania

7 May 2021

The logo for Grant Thornton, featuring the company name in a blue, cursive script font.

INFORM LYKOS S.A.  
STATEMENT OF FINANCIAL POSITION  
31 DECEMBER 2020  
(In RON unless otherwise stated)

	Notes	31.12.2020	31.12.2019
<b>Non-current assets</b>			
Property, plant and equipment	6	103,393,822	107,513,059
Intangible assets	6	14,856,116	15,364,020
Investments in subsidiaries	6	16,720,592	16,720,592
Deferred tax asset		-	-
<b>Total non-current assets</b>		<b>134,970,530</b>	<b>139,597,671</b>
<b>Current assets</b>			
Inventories	7	10,025,144	12,782,574
Contract assets		3,034,922	2,667,231
Trade and other receivables	8	36,446,194	40,542,662
Cash and cash equivalents	9	4,105,015	1,311,939
Prepayments		744,122	1,287,406
<b>Total current assets</b>		<b>54,355,397</b>	<b>58,591,812</b>
<b>Total assets</b>		<b>189,325,927</b>	<b>198,189,482</b>
<b>Shareholders' equity</b>			
Share capital	10	31,995,714	31,995,714
Legal reserves		-	-
Revaluation reserve on land		45,099,948	45,670,076
Retained earnings		29,706,502	31,847,457
<b>Total shareholders' equity</b>		<b>106,802,164</b>	<b>109,513,247</b>
<b>Non-current liabilities</b>			
Loans and borrowings	11	22,837,391	30,527,242
Deferred tax liabilities	20	3,373,962	3,310,334
<b>Total non-current liabilities</b>		<b>26,211,353</b>	<b>33,837,575</b>
<b>Current liabilities</b>			
Trade and other payables	12	41,927,718	38,281,102
Other taxes payables	13	1,006,593	936,704
Provisions	14	3,826,562	1,366,629
Loans and borrowings	11	8,481,607	12,411,629
Liabilities to related parties		1,069,930	1,842,596
<b>Total current liabilities</b>		<b>56,312,410</b>	<b>54,838,660</b>
<b>Total liabilities and shareholders' equity</b>		<b>189,325,927</b>	<b>198,189,482</b>

These financial schedules have been approved for issue by the Company Directors on 7<sup>th</sup> of May 2021.

General Director



Finance Director



INFORM LYKOS S.A.  
INCOME STATEMENT  
31 DECEMBER 2020  
(In RON unless otherwise stated)

Revenues	Notes	2020	2019
Sales	15	189,217,842	197,351,685
Other operating income	16	4,544,570	4,147,459
<b>Total revenues</b>		<b>193,762,412</b>	<b>201,499,144</b>
<b>Operating expenses</b>			
Materials and merchandise expenses		42,996,290	60,849,216
Mailing		92,594,178	83,185,100
Personnel expenses	17	18,821,899	19,451,692
Depreciation and amortization		5,903,771	5,767,106
Other operating expenses	18	23,860,649	20,498,121
<b>Total operating expenses</b>		<b>185,176,787</b>	<b>189,751,235</b>
<b>Profit from Operations</b>		<b>8,585,625</b>	<b>11,747,909</b>
Finance income		1,907,945	2,263
Finance expenses		(3,379,914)	(2,576,162)
<b>Financial result – net</b>	19	<b>(1,471,969)</b>	<b>(2,573,899)</b>
<b>Profit/(loss) before tax</b>		<b>7,113,658</b>	<b>9,174,010</b>
Income tax credit/(expense)		(2,104,210)	(1,042,975)
<b>Net profit/(loss) for the year</b>		<b>5,009,446</b>	<b>8,131,035</b>

These financial schedules have been approved for issue by the Board of Directors on 7<sup>th</sup> of May 2021.

General Director



Finance Director



INFORM LYKOS S.A.  
STATEMENT OF CASH FLOWS  
31 DECEMBER 2020  
(In RON unless otherwise stated)

	Notes	2020	2019
<b>Profit/(loss) before tax</b>		<b>7,113,656</b>	<b>9,174,010</b>
Depreciation		6,903,771	5,767,106
Provisions:		-	-
-Inventories		220,073	47,646
-Accounts receivable		63,754	255,522
Revaluation of land		-	-
Not recurring items		2,459,933	188,789
Interest income		(1,865,028)	-
Interest expense		2,759,185	2,573,899
<b>Cash flows from operations</b>		<b>17,655,344</b>	<b>18,006,972</b>
Tax Paid		(2,129,337)	(545,847)
Interest paid		(2,059,998)	(2,626,053)
Inventories		2,537,355	806,348
Accounts receivable and prepayments		4,208,308	(4,455,910)
Accounts payable and accrued expenses		3,032,593	2,702,715
<b>Net cash from/(used in) operating activities</b>		<b>23,244,265</b>	<b>13,888,226</b>
Cash flows from investing activities		-	-
Purchase of property, plant and equipment		(2,424,113)	(6,061,656)
Acquisition of subsidiary, net of cash acquired		-	(16,720,592)
Acquisition of other investments		-	(11,900,750)
Proceeds from the sale of property		-	-
Dividend received		1,865,028	-
<b>Net cash from/(used in) investing activities</b>		<b>(559,084)</b>	<b>(34,682,997)</b>
Repayment from long term borrowings		(11,003,702)	-
Proceeds from borrowings		-	26,601,346
Repayment from short term borrowings		-	-
Payments of financial leasing		(1,523,327)	(1,798,756)
Financing assets		-	-
Share capital increase		-	-
Dividends paid to owners of the Company		(7,365,076)	(5,313,958)
<b>Net cash from/(used in) financing activities</b>		<b>(19,892,104)</b>	<b>19,488,631</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>2,793,077</b>	<b>(1,306,140)</b>
Cash and cash equivalents at the beginning of the period		1,311,939	2,618,078
<b>Cash and cash equivalents at the end of the period</b>	<b>9</b>	<b>4,105,015</b>	<b>1,311,938</b>

These financial schedules have been approved for issue by the Board of Directors on 7<sup>th</sup> of May 2021.

INFORM LYKOS S.A.  
STATEMENT OF CHANGES IN EQUITY  
31 DECEMBER 2020  
(In RON unless otherwise stated)

	Share capital	Legal reserves	Revaluation Reserve	Retained Earnings	Total
<b>31-Dec-2018</b>	<b>31,995,714</b>	-	<b>45,670,076</b>	<b>29,030,382</b>	<b>106,696,172</b>
Net profit (loss) for the year	-	-	-	8,131,035	8,131,035
Revaluation of land & building	-	-	-	-	-
Transfers	-	-	-	-	-
Dividend distribution	-	-	-	(5,313,959)	(5,313,959)
<b>31-Dec-2019</b>	<b>31,995,714</b>	-	<b>45,670,076</b>	<b>31,847,457</b>	<b>109,513,247</b>
Net profit (loss) for the year	-	-	-	5,009,446	5,009,446
Revaluation of land & building	-	-	-	-	-
Dividend distribution	-	-	-	(7,365,075)	(7,365,075)
Other movements	-	-	(570,128)	214,674	(355,454)
<b>31-Dec-2020</b>	<b>31,995,714</b>	-	<b>45,099,948</b>	<b>29,706,502</b>	<b>106,802,164</b>

The shareholders decided through decision dated 29.05.2020 to grant and pay the dividends related to the result of 2019 amounting to RON 6,884,418 and decided that the result carried forward to previous financial years representing the surplus from revaluation reserves in the amount of RON 480,657 to be also distributed to dividends, thus a total of RON 7,365,075 was distributed during 2020 as dividends. The statutory financial statements of the Company are the basis for profit distribution and other appropriations.

These financial schedules have been approved for issue by the Board of Directors on 7<sup>th</sup> of May 2021.

## 1. GENERAL INFORMATION

### Description of the business

INFORM LYKOS S.A.'s principal activities include production of business forms, digital printing and mailing and document management solutions. The Company's manufacturing facilities are based in Bucharest.

INFORM LYKOS S.A. ("the Company" or "Inform Lykos") was incorporated as a joint stock Company in Romania in 1996. As at 31 December 2020 the Company employed 192 persons (31 December 2019: 203). The address of the registered office of the Company is Sos. Odai nr. 347-363, 13603 Bucuresti Sector 1.

## 2. REPORTING ENTITY

These financial schedules (the "financial schedules") are presented by INFORM LYKOS S.A. At 31 December 2020, Inform Lykos S.A. owned the majority interest in Next Docs ECM Expert S.R.L. (ex Sistec Next Docs S.R.L.) (65.075%) and Next Docs Confidential S.R.L. (ex Sistec Confidential S.R.L. (65.45%).

## 3. AIM AND POLICIES OF RISK MANAGEMENT

### 3.1 Factors of financial risk

The Company is exposed to financial risks like market risks (changes to foreign exchange rates, interest rates and market-prices), credit risk, and liquidity risk.

The general program of risk management of the Company focuses on the non-predictability of financial markets and seeks to minimize the contingent negative effect on the financial performance of the Company.

Risk management is performed by the central financial service of the Company, which operates by specific rules approved by the Board of Directors. The Board of Directors offers guidelines for the general risk management and also general guidelines for the management of specific risks like foreign exchange rate risk, interest rate risk and credit risk.

The procedure applied is the following:

- Evaluation of risks related to the activities and operations of the Company,
- Methodology planning and selection of the appropriate actions or/and financial products for the reduction of risks and
- Execution/application, according to the approved by the management, procedure of risk management.

The financial means of the Company include mainly bank deposits, bank overdraft rights, trade receivables and creditors, liabilities from loans and leases.

### 3.2 Market risk

Market risk is defined as the risk according to which fair value or the future cash flows of the financial means of the Company is expected to present deviations due to changes on market prices.

This risk regarding the Company focuses on two basic types of risks: foreign exchange rate risks and interest rate risks.

### 3.3 Foreign exchange risk

There is no important risk according to which the fair value or the future cash flows of financial means of the Group or the Company are expected to present remarkable fluctuations due to changes of foreign exchange rates. The main part of trade transactions of the Group companies (Greece, Romania) is denominated to the currency of the main economic environment in which every Company operates (operation currency), while there are no important foreign exchange rate risks for cash, cash equivalents and cash deposits.

### 3.4 Interest rate risk

The loan liabilities of the Company are related to fluctuant rates which depending on the market conditions can remain fluctuant or convert into stable.

The Company does not use derivatives. As in previous year, other financial assets and other financial liabilities are not significantly affected by interest rate prices.

### 3.6 Credit risk

The exposure of the Company concerning the credit risk refers to the financial assets, which are analyzed below:

	2020	2019
Cash and cash equivalents	4,105,015	1,311,939
Customers and Other Commercial Receivables (*)	36,446,194	40,542,662
	2020	2019
Not due	28,372,869	30,375,850
Past due 1 - 30 days	4,185,492	5,490,543
Past due 31 - 90 days	1,021,112	2,429,990
Past due 91 - 120 days	287,034	63,677
Past due more than 120 days	2,579,687	2,182,602
	<b>36,446,194</b>	<b>40,542,662</b>

(\*) The above balances concern receivables after impairment

The Company has set and applies credit control procedures aiming to minimize bad debts and cover directly the receivables by securities. Wholesales are directed mainly to clients with evaluated credit history and there is a wide diversification of balances. The policy of the Company demands to co-

operate only with reliable clients. Impairment provisions are recorded whenever there is indication of bad debt.

The management of the Company considers that any receivables not impaired, are of high credit quality, including delayed receivables.

### 3.7 Liquidity risk

The Company manages its liquidity needs by careful observation of debts, long-term financial liabilities and also payments made daily. Liquidity needs are observed in various time zones, on a daily and weekly basis and also on a rolling period of 30 days. Long-term liquidity needs for the next 6 months and the next year are determined monthly.

### 3.8 Policies and procedures of capital management

The aims of the Company, concerning capital management are the following:

- To ensure the ability of the Company to continue its operations (going-concern)
- To ensure a satisfactory performance to the shareholders and
- To maintain an ideal capital allocation in order to reduce the cost of capital.

The Company in order to maintain or adjust its capital structure can change the dividend to the shareholders, return capital to the shareholders, issue new shares or sell assets to reduce its debt.

According to similar practices of its business sector, the Company observes its capital based on the leverage ratio. This ratio is estimated by dividing net borrowings to the total capital. Net borrowings are estimated as «Total Borrowings» (including «short-term and long-term borrowings» as presented in the Balance Sheet) less «Cash and cash equivalents». Total capital is estimated as «Total Equity» as presented at the Balance Sheet plus Net Borrowings.

	2020	2019
Total Borrowings (banks)	31,318,998	42,938,871
Less: Cash and cash equivalents	4,105,015	1,311,939
<b>Net Borrowings</b>	<b>27,213,983</b>	<b>41,626,932</b>
Equity	106,802,164	109,513,247
<b>Total Capital</b>	<b>134,016,147</b>	<b>151,140,179</b>
Leverage ratio	25,48%	38,01%

#### **4. BASIS OF PRESENTATION OF THE FINANCIAL SCHEDULES**

##### **4.1 Basis of preparation**

These Financial Schedules have been prepared in accordance with accounting policy of Inform P. Lykos S.A. (Greece) group which are based on International Financial Reporting Standards ("IFRS"). The Financial Schedules have been prepared solely to enable Inform Lykos Group, part of Austriacard AG Group, to prepare consolidated financial statements and is not intended to follow all the presentation and disclosures required in accordance with International Financial Reporting Standards.

The Company maintains its accounting records in Romanian Lei ("RON") and prepares its statutory financial statements in accordance with the Regulations on Accounting and Reporting of Romania. These financial schedules are based on the statutory records, with adjustments and reclassifications recorded for the purpose of presentation in accordance with group accounting policy.

The Financial Schedules have been prepared under the historical cost convention except as disclosed in the accounting policies below. The preparation of Financial Schedules in conformity with group accounting policy requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Financial Schedules and the reported amounts of revenues and expenses during the reporting period. Estimates have principally been made in respect to fair values of the impairment provision for property, plant and equipment, deferred taxes and the provision for impairment of receivables and of inventories. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from these estimates.

##### **4.2 Going concern**

The accompanying Financial Schedules have been prepared based on the going concern principle, which assumes that the Company will continue to operate in the foreseeable future. In order to assess the reasonability of this assumption, the management reviews the forecasts of the future cash inflows.

A major Coronavirus outbreak occurred in the first quarter 2020 and continued during 2021, adversely affecting the daily routine of the personnel and its clients, and of the whole business environment in Romania, as a consequence, the Company performance. The Company performance depends on the duration of this outbreak, the effective measures taken by the personnel and the authorities in curbing the outbreak. The economic consequences and uncertainties resulting from the Coronavirus itself or from actions taken by governments and the private sector to respond to the outbreak may have an impact on the personnel of the Company and on various financial indicators, and ultimately on the Company's going concern.

The Company's management will continue to closely monitor the developments and consequences of the epidemic, and their potential impact on the financial indicators, estimates and assumptions used in the reporting process.

#### **5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

The principal accounting policies adopted in the preparation of these consolidated Financial Schedules are set out below:

### **Implications of COVID-19 on significant accounting policies and estimates**

Due to the COVID-19 pandemic, which had a significant impact on economic and financial markets, the Company considered the adequacy of the accounting policies, estimates and assumptions used in 2020 and assessed the impact on its financial position, cash flows and financial performance.

#### **5.1 Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand, cash held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the balance sheet, bank overdrafts are included within borrowings in current liabilities.

#### **5.2 Trade receivables**

Trade receivables are carried at original invoice amount less provision made for impairment of these receivables. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of sale. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the market interest rate available on origination for similar borrowers.

#### *Contract assets*

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

#### **5.3 Leases**

Leases of property, plant and equipment where the Company has substantially all the risks and rewards of ownership and also right of use assets leases as per IFRS 16 are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance costs is charged to the statement of income over the lease period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of income on a straight-line basis over the period of the lease.

#### **5.4 Inventories**

Inventories are recorded at the lower of cost and net realisable value. Cost is determined using the weighted average basis method. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. When necessary, provision is made for obsolete and slow moving inventories.

#### **5.5 Property, plant and equipment**

Items of property and equipment are measured at readjusted values cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in profit or loss.

The Company policy is to capitalize the interest on borrowing costs for construction of buildings. The interest is capitalized only until completion of construction, in accordance with IAS 23.

#### **Tangible assets - Land**

Land used for production, distribution of goods or services, or for the needs of administration services of the Company, is presented at the balance sheet date at its re-adjusted value, minus any impairment provision made. The management re-adjusts the value of land in such time periods, that the figures of the balance sheet do not vary substantially from the fair values at the balance sheet date.

Any re-adjustment premium, (less the appropriate tax) is recorded directly to the capital reserves, except for the cases when the premium is respective to an impairment loss caused by a previous re-adjustment of the same asset that has been recorded to the income statement. In that case the premium is recorded at the income statement, up to the amount of the respective impairment loss recorded at previous years. The impairment loss that may arise by the re-adjustment of an asset is recorded directly at the income statement, if it is not covered by a previously recorded premium for the same asset and is presented as a balance at the account of premium reserve at the time of the re-adjustment.

#### **Investment property**

Investment property owned by the Company includes land possessed mainly for increase of the value of its equity. This land is expected to generate cash flows for the Company mainly apart from the other assets owned by the Company.

Investment property is recorded only in the following cases: (a) it is possible that future economic benefits related to investment property will inflow at the entity and (b) the cost of investment property can be reliably valued.

Investment property is initially valued at cost. The transaction cost is included at the initial measurement. The cost of an acquired by purchase investment property includes the acquiring price and every directly attributable expense. The directly attributable expenses include, for example, professional remuneration for legal advice, tax on real estate transfer and other transaction costs.

After initial recognition, the Company evaluates the investment property by the method of fair value, under the condition that there is rebuttable evidence that the Company is in position to determine the fair value of investment property reliably on a constant basis.

Profit or loss caused by a change of fair value of investment property will be included at the income statement of the period it appears.

At December 31, 2020 the Company does not own any investment property. The management of the Company decided in June 2014 to transfer the investment property to owner occupied tangible assets as the scope of utilization changed.

### **Depreciation**

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

	<u>Useful lives in years</u>
Buildings	25 to 50
Plant and machinery	12 to 20
Equipment and motor vehicles	5 to 10
Computer and related equipment	5 to 6

The residual value of an asset is the estimated amount that the Company would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Company expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

### **Operating leases**

Where the Company is a lessee in a lease that is an exemption according to IFRS 16, short term or low-value assets, the total lease payments, including those on expected termination, are charged to profit or loss on a straight-line basis over the period of the lease.

### **Intangible assets**

All of the Company's intangible assets have definite useful lives and primarily include capitalised computer software, patents, trademarks and licences.

Acquired computer software licenses, patents and trademarks are capitalised on the basis of the costs incurred to acquire and bring them to use.

Development costs that are directly associated with identifiable and unique software controlled by the Company are recorded as intangible assets if inflow of incremental economic benefits exceeding costs is probable.

Development costs are mainly staff payroll costs employed in software development tools that the Group uses to generate economic benefits, either providing services, or by incorporating the technical skills of software used by the Group to produce goods and services. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred.

Intangible assets are amortised using the straight-line method over their useful lives.

If impaired, the carrying amount of intangible assets is written down to the higher of value in use and fair value less costs to sell.

### **Goodwill**

Goodwill represents the difference between the acquisition cost and the fair value at the date of the transaction of the part of the net assets acquired.

Goodwill is recognized on purchase or merger when all or part of the assets and, as the case may be, the debt and equity are transferred. The transfer must be related to a business, represented by an integrated set of activities and assets organized in order to obtain benefits. The recording of assets and liabilities received on the occasion of the transfer is performed at the fair value determined by their individual valuation.

Goodwill is tested for impairment at the end of each year.

### **Customer contracts**

An intangible asset is identifiable if it meets either the contractual-legal criterion or the separability criterion. Customer-related intangible assets might be either contractual or non-contractual. Contractual customer relationships are always recognised separately from goodwill as they meet the contractual-legal criterion. However, non-contractual customer relationships are recognised separately from goodwill only if they meet the separability criterion. Consequently, determining whether a relationship is contractual is critical to identifying and measuring both separately recognised customer relationship intangible assets and goodwill.

## **5.6 Borrowings**

Borrowings are recognised initially at the fair value of the proceeds received (which is determined using the prevailing market rate of interest for a similar instrument, if significantly different from the transaction price), net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective yield method; any difference between fair value of the proceeds (net of transaction costs) and the redemption amount is recognised as interest expense over the period of the borrowings.

## **5.7 Trade and other payables**

Liabilities for trade and other payables are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

### *Contract liabilities*

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract

liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

#### **5.8 Income tax and deferred tax**

Current income taxes include short-term liabilities or receivables from the fiscal authorities that relate to taxes payable on the taxable income of the period and any additional income taxes from previous periods.

Current taxes are measured according to the tax rates and tax legislation in effect during the financial years to which they relate, based on the taxable profit for the year. All changes to the short-term tax assets or liabilities are recognized as part of tax expense in the income statement.

Deferred income tax is estimated using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax assets and liabilities are valued based on the tax rates that are expected to be in effect during the period in which the asset or liability will be settled, taking into consideration the tax rates (and tax legislation) that have been put into effect or are essentially in effect up until the balance sheet date.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit, against which the temporary differences can be utilized, will be available.

#### **5.9 Provisions**

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

#### **5.10 Shareholders' equity**

##### *Legal reserves*

Legal reserves are classified as equity. Legal reserve is an un-distributable reserve. It is to be constituted from the gross profit until it arrives to a level of 20% from the share capital.

##### *Share capital*

Ordinary shares are classified as equity. Incremental external costs directly attributable to the issue of new shares, other than in connection with a business combination, are shown as a deduction in equity from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recognised as a share premium.

##### *Dividends*

Dividends are recognised as a liability and deducted from equity at the balance sheet date only if they are declared before or on the balance sheet date. Dividends are disclosed when they are proposed before the balance sheet date or proposed or declared after the balance sheet date but before the financial schedules are authorised for issue.

### **5.11 Revenue recognition**

Revenue comprises the invoiced value for the sale of goods and services net of value-added tax, rebates and discounts. Revenue from the sale of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer. Revenue from rendering of services is based on the stage of completion determined by reference to services performed to date as a percentage of total services to be performed. Interest income is recognised on an effective yield basis.

### **5.12 Employee benefits**

#### *Pension costs and other post-retirement benefits*

The Company, in the normal course of business, makes payments to the Romanian State on behalf of its employees. All employees of the Company are members of the Romanian State pension plan. All such contributions to the mandatory government pension scheme are expensed when incurred. The Company does not operate any other pension scheme or post-retirement benefit plan and, consequently, has no obligation in respect of pensions. In addition, the Company is not obliged to provide further benefits to current and former employees.

#### *Social costs*

The Company incurs employee costs related to the provision of benefits such as health services. These amounts principally represent an implicit cost of employing production workers and accordingly, have been charged to cost of sales.

### **5.13 Earnings/(loss) per share**

Earnings/(loss) per share is determined by dividing the net income attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the reporting period.

### **5.14 Derivative financial instruments and hedging**

The Company does not make use of any other derivative financial instruments nor does it enter into any hedging activities.

### **5.15 Foreign currency transactions**

Foreign currency transactions during the period have been translated at the exchange rates prevailing at the dates of transactions. Foreign exchange gains and losses arising on the settlement and translation of foreign currency items have been recognised in the income statement.

6. INTANGIBLE AND TANGIBLE ASSETS

TANGIBLE ASSETS

	Land & Buildings	Plant & Machinery	Fixtures and fittings	Construction in Progress	Total
<b>Net book value at 1 January 2019</b>	<b>82,456,404</b>	<b>20,163,312</b>	<b>364,896</b>	<b>407,461</b>	<b>103,392,073</b>
Adjustment/Revaluation	-	-	-	-	-
Additions	478,110	6,603,966	64,689	2,234,793	9,381,558
Transfers	-	1,801,780	-	(1,801,780)	-
Disposals	-	(268,726)	-	(461,231)	(729,957)
Depreciation charge	(868,263)	(3,611,507)	(62,905)	-	(4,542,675)
Effect of movements in exchange rates	-	12,058	-	-	12,058
<b>Net book value at 31 December 2019</b>	<b>82,066,251</b>	<b>24,700,883</b>	<b>366,681</b>	<b>379,243</b>	<b>107,513,059</b>
<b>Net book value at 1 January 2020</b>	<b>82,066,251</b>	<b>24,700,883</b>	<b>366,681</b>	<b>379,243</b>	<b>107,513,059</b>
Adjustment/Revaluation	(355,452)	-	-	-	(355,452)
Additions	171,447	1,379,817	52,621	1,010,406	2,614,291
Transfers	83,909	(83,909)	-	-	-
Disposals	-	(80,800)	-	(1,040,877)	(1,121,677)
Depreciation charge	(939,343)	(4,251,052)	(66,003)	-	(5,256,398)
Effect of movements in exchange rates	-	-	-	-	-
<b>Net book value at 31 December 2020</b>	<b>81,026,812</b>	<b>21,644,939</b>	<b>353,299</b>	<b>348,772</b>	<b>103,393,822</b>

## INTANGIBLE ASSETS

	Goodwill	Software, Patents, Licenses	Development costs	Customer contracts	Total
<b>Net book value at 1 January 2019</b>	-	365,886	178,973	-	544,858
Adjustment/Revaluation	-	-	-	-	-
Additions	1,119,201	1,209,610	-	12,760,177	15,088,988
Internal developed	-	-	685,880	-	685,880
Transfers	-	-	-	-	-
Disposals	-	-	-	-	-
Depreciation charge	-	(465,951)	(64,416)	(425,339)	(955,706)
Impairment	-	-	-	-	-
<b>Net book value at 31 December 2019</b>	<b>1,119,201</b>	<b>1,109,545</b>	<b>800,436</b>	<b>12,334,838</b>	<b>15,364,020</b>
<b>Net book value at 1 January 2020</b>	<b>1,119,201</b>	<b>1,109,545</b>	<b>800,436</b>	<b>12,334,838</b>	<b>15,364,020</b>
Adjustment/Revaluation	-	-	-	-	-
Additions	-	648,064	-	-	648,064
Internal developed	-	-	468,829	-	468,829
Transfers	-	-	-	-	-
Disposals	-	-	-	-	-
Depreciation charge	-	(570,636)	(203,481)	(850,678)	(1,624,796)
<b>Net book value at 31 December 2020</b>	<b>1,119,201</b>	<b>1,186,973</b>	<b>1,065,784</b>	<b>11,484,160</b>	<b>14,856,117</b>

### Tangible assets

Starting with 2008 and by retrospective application for the previous year, the Company applies regarding the valuation of its land, the method of value re-adjustment (alternative method of IAS 16). After the application of this method, land appears at fair value.

The determination of fair value was based on the report of Ing. Dumitrascu Marin in 2010, Ing. Felicia Frunza in 2011, Nicolae Dumitru in 2012 and 2013, Conadi Imob Construct SRL in 2014, 2016, 2018 and Conadi Valuation SRL in 2020 all of them ANEVAR Expert Valuators. These valuers have the appropriate recognized professional skills, and they are also experienced in respective reports on land of the same geographical region where the investments of the Company are.

The method and the main assertions applied for the above mentioned report are the traded sales of land in this area. Therefore fair value has been determined through the direct reference to the current values of an active market. If land were recorded by the method of cost, the analysis and change of land would be the following:

2010	at costs 2.561.268	fair value	38.544.592
2011	at costs 2.561.268	fair value	39.378.195
2012	at costs 2.523.271	fair value	38.870.902 (696 m2 in Investment Property)
2013	at costs 2.523.271	fair value	38.870.902
2014	at costs 3.762.209	fair value	56.911.196 (26.028 m2 transferred from Investment Property into Land)
2016	at costs 3.762.209	fair value	56.218.836
2017	at costs 3.762.209	fair value	56.218.836
2018	at costs 3.762.209	fair value	56.218.836
2019	at costs 3.762.209	fair value	56.218.836
2020	at costs 3.762.209	fair value	56.110.121

The land and buildings were revalued at December 2020. The revaluated net value per 31.12.2020 was 81,026,812 RON (2019: 82,066,251 RON).

The development of technologies in the market that the Company operates as well as the increasing needs of the Companies' customers to receive services that will provide solutions led the Management to launch a plan to restructure the processes and the machinery equipment to support the projects of major organizations such as Banks, Telecommunications, Public Utilities, etc. In this context, a relevant study was carried out and an impairment was recorded.

The Company's line of borrowings from Banca Transilvania (former Bancpost) is guaranteed by a mortgage over 56.051 sq.m and over any building constructed on the the Company's land in Odai Street. (Note 11).

### Investment property

As at December 31, 2020 the Company does not own any investment property.

### Investments in subsidiaries

At 31 December 2020, Inform Lykos S.A. owned the majority interest in Next Docs ECM Expert S.R.L. (ex Sistec Next Docs S.R.L.): 65.075% and Next Confidential S.R.L. (ex Sistec Confidential S.R.L.): 65.45%. The value of investment is of RON 16,720,592.

## 7. INVENTORIES

Inventories consist of the following:

	2020	2019
Raw materials	7,945,183	10,111,375
Work in progress	-	-
Merchandise	354,363	242,825
Finished products (at cost)	342,683	1,024,704
Down payments for stocks	1,382,915	1,403,670
	<b>10,025,144</b>	<b>12,782,574</b>

## 8. TRADE AND OTHER RECEIVABLES

	2020	2019
Trade receivables	37,449,631	41,715,168
Allowance for impairment of other receivables	(1,210,415)	(1,231,142)
Other receivables -Bills of exchange receivable	13,696	125,707
Other receivables	193,282	(67,071)
Income tax receivable	-	-
	<b>36,446,194</b>	<b>40,542,662</b>

## 9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	2020	2019
Cash at hand	6,255	6,491
Cash in banks	4,098,760	1,305,448
	<b>4,105,015</b>	<b>1,311,939</b>

## 10. SHARE CAPITAL

Share capital is presented at nominal value. As at 31 December 2020 share capital amounts to RON 31.995.714 (2019: RON 31.995.714) and is fully paid in.

In 2013 there was registered no change in the share capital of the Company. In 2012 there was registered an increase in share capital in total amount of RON 21.750.000. In 2016 there was a decrease in share capital of RON 7.974.960 by reducing the share capital in order to cover the accumulated net losses from previous years, reducing the nominal value of the shares from 0,8 RON / share to 0.64 RON / share. In 2018 & 2019 & 2020 there was registered no change in the share capital of the Company.

The structure of the shareholders of the Company at 31 December 2020 and 31 December 2019 is as follows:

	2020	2019
Inform Lykos Limited, Cyprus/ Terrane Limited, Cyprus	99.999998%	99.999998%
Other	-	-
Comp-Paper Converting S.A.	0.000002%	0.000002%

On 19.12.2019, the Nicosia Regional Court approved the merger of the majority shareholder Inform Lykos (Romania) Limited with the company TERRANE LIMITED (registration number HE 146462), thus the new shareholder of the Company becomes Terrane Limited. The ultimate parent Company is AUSTRIACARD AG, a limited liability Company incorporated and domiciled in the Austria.

Dividends of 7,365,075 RON were declared and paid during 2020.

The statutory financial statements of the Company are the basis for profit distribution and other appropriations.

## 11. BORROWINGS

Short-term borrowings and long term borrowings by principal lender may be analysed as follows:

The Company's line of borrowings from Banca Transilvania is guaranteed by a mortgage over 56.051 sq.m and over any building constructed on the the Company's land in Odai Street. The facility is divided into three products with different maturities.

Long-term borrowings	2020	2019
Alpha Bank 2.5 mil EUR	6,059,027	8,629,291
Alpha Bank 5 mil EUR	11,758,075	15,703,414
Leasing HP1	2,219,254	3,021,363
Leasing HP2	2,344,107	2,812,721
Leasing Euroweb	-	5,148
Toyota	192,124	-
Autotehnica (IFRS 16 impact)	264,804	355,304
	<b>22,837,391</b>	<b>30,527,242</b>

Short-term borrowings and bank overdrafts	2020	2019
Banca Transilvania	-	7,110,450
Alpha Bank 2.5 mil EUR	2,665,921	2,655,167
Alpha Bank 5 mil EUR	4,149,988	1,024,136
Leasing HP1	859,067	843,171
Leasing HP2	517,259	488,945
Leasing Euroweb	-	1,366
Toyota	50,877	-
Autotehnica (IFRS 16 impact)	238,495	288,395
	<b>8,481,607</b>	<b>12,411,629</b>

**12. TRADE AND OTHER PAYABLES**

	2020	2019
Accounts payables	40,411,953	37,167,404
Other payables	478,795	683,972
Contract liabilities	1,036,970	429,726
	<b>41,927,718</b>	<b>38,281,102</b>

**13. OTHER TAXES PAYABLE**

	2020	2019
Contributions and tax related to salary	539,404	453,185
Current income tax liabilities	394,765	483,519
VAT payable	72,424	-
	<b>1,006,593</b>	<b>936,704</b>

**14. PROVISIONS**

	2020	2019
Litigations	3,826,562	1,366,629
	<b>3,826,562</b>	<b>1,366,629</b>

**15. SALES**

	2020	2019
Revenue from sale of goods	76,870,564	95,333,151
Revenue from services	109,706,358	95,435,087
Revenue from sale of merchandise	2,640,920	6,583,448
	<b>189,217,842</b>	<b>197,351,685</b>

**16. OTHER INCOME**

	2020	2019
Rental income from property & machinery leases	2,623,842	2,239,464
Gain on sale of equipment	42,459	-
Capitalized development cost (Personnel costs)	453,464	747,110
Reversal of previous year accruals & provisions	16,013	864
Subsidies	22,675	-
Other, Other income (re-invoiced)	1,386,117	1,160,021
	<b>4,544,570</b>	<b>4,147,459</b>

**17. PERSONNEL EXPENSES**

	2020	2019
Salaries and meal tickets	17,477,806	18,163,574
Social Security Costs	519,300	513,134
Benefits for personnel (canteen, water, medical, training)	287,261	267,271
Other Expenses related to personnel (e.g. transportation)	537,532	507,712
	<b>18,821,899</b>	<b>19,451,692</b>

**18. OTHER OPERATING EXPENSES**

	2020	2019
Tele-communication, internet	618,363	624,509
Sales Commissions	1,966,679	2,525,679
Other third party services	6,228,543	5,274,771
Taxes	346,948	355,758
Rent	655,982	567,177
Utilities	1,000,410	1,058,170
Transportation	1,921,964	1,936,177
Repairs	1,771,622	1,761,129
Assurance	105,595	106,912
Travel expenses	12,344	111,272
Other expenses	2,392,745	2,621,820
Spare parts and consumables	3,114,915	2,527,143
Expenses for Austria Card	1,264,605	1,027,606
Non-recurring expenses	2,459,934	-
	<b>23,860,649</b>	<b>20,498,121</b>

**19. FINANCIAL RESULT – NET**

	2020	2019
<b>Dividend income</b>	<b>1,906,856</b>	<b>-</b>
<b>Interest income</b>	<b>1,089</b>	<b>2,263</b>
Interest expense	(2,164,931)	(1,903,254)
Bank Commissions	(423,116)	(472,061)
Loss from Foreign exchange differences (financing related)	(791,867)	(200,847)
<b>Finance costs</b>	<b>(3,379,914)</b>	<b>(2,576,162)</b>
<b>Net finance costs recognized in profit or loss</b>	<b>(1,471,969)</b>	<b>(2,573,899)</b>

## 20. INCOME TAX

Profit/ (loss) before taxation for financial reporting purposes is reconciled to tax expense as follows:

	2020	2019
<b>Profit/(loss) before tax</b>	<b>7,113,656</b>	<b>9,174,010</b>
Theoretical tax charge at effective statutory rate	1,138,185	1,467,842
<b>Permanent differences</b>	<b>6,715,981</b>	<b>9,088,941</b>
Tax effect on permanent differences	1,074,557	1,454,231
Temporary difference between IFRS and statutory generating deferred tax	397,674	85,069
<b>Temporary difference between IFRS and statutory income tax due to late statutory postings</b>	<b>698,068</b>	
<b>Deferred income tax expense</b>	<b>63,628</b>	<b>13,611</b>
Statutory result	5,840,445	8,543,281
Other non-deductible expenses	3,096,521	2,367,112
Tax effect of items, which are not deductible or assessable for taxation purposes	1,429,915	1,632,952
Fiscal losses to be recovered Loss to be recovered	-	(603,588)
Incentives for early payments & sponsorships	(87,401)	
<b>Income tax</b>	<b>1,342,514</b>	<b>1,029,364</b>
<b>Corporate income tax</b>	<b>2,104,210</b>	<b>1,042,975</b>

### Income tax expense

The Company was subject to the statutory tax rate of 16% on taxable profits for 2020 (16%). Deferred tax asset/liabilities are measured at the enacted statutory effective tax rate of 16% as at 31 December 2020. The net effect of the change on deferred tax balances recognised as at 31 December 2020 is reflected in the statement of income for the year end.

	2020	Recognition, reversals	2019
<b>Tax effects of deductible temporary differences</b>			
Property, plant and equipment, intangibles	(1,175,210)	(352,013)	(1,527,222)
Deferred tax asset related to provision for impairment of receivables and stock	258,427	(31,895)	226,531
Deferred tax asset for the cumulated fiscal loss	-	-	-
Deferred tax liabilities - other assets	(2,457,175)	447,536	(2,009,643)
<b>Total net deferred tax asset (liability)</b>	<b>(3,373,962)</b>	<b>63,628</b>	<b>(3,310,334)</b>

## 21. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

### Related party transactions

In the normal course of business the Company enters into transactions with its related parties. These transactions are priced predominantly at market rates. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analyses.

For the purposes of these financial schedules, parties are considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding at 31 December 2020 are detailed below.

### i) Balances and transactions with related parties

At 31 December 2020, the outstanding balances with related parties were as follows:

	2020	2019
INFORM P. LYKOS	293,754	2,972,888
AUSTRIA CARD ROMANIA	436,969	826,375
AUSTRIA CARD AUSTRIA	24,691	22,411
ALBANIAN DIGITAL PRINTING SOLUTIONS	-	-
AUSTRIA CARD AG	33,306	185,437
	<b>788,720</b>	<b>4,007,111</b>

	2020	2019
INFORM P. LYKOS	318,342	375,615
COMP PAPER CONVERTING	-	-
AUSTRIA CARD ROMANIA*	457,332	1,286,883
AUSTRIA CARD AUSTRIA	34,997	87,004
SISTEC NEXT DOCS S.R.L.	259,259	93,094
	<b>1,069,930</b>	<b>1,842,595</b>

The income and expense items with related parties for the year 2020 and 2019 were as follows:

<b>Sales to related parties</b>	<b>2020</b>	<b>2019</b>
INFORM P. LYKOS	9,665,035	13,079,461
AUSTRIA CARD AUSTRIA	46,807	22,315
AUSTRIA CARD ROMANIA	4,862,243	4,753,288
ALBANIAN DIGITAL PRINTING SOLUTIONS	42,800	42,800
AUSTRIA CARD AG	88,059	143,450
	<b>14,704,944</b>	<b>18,041,313</b>

<b>Acquisitions from related parties</b>	<b>2020</b>	<b>2019</b>
INFORM P. LYKOS	2,939,118	4,429,985
AUSTRIA CARD AUSTRIA	240,222	86,735
AUSTRIA CARD ROMANIA	11,135	81,638
AUSTRIA CARD POLONIA	-	-
AUSTRIA CARD TURKEY	-	-
SISTEC NEXT DOCS S.R.L.	553,325	20,257
	<b>3,743,800</b>	<b>4,618,615</b>

## ii) Key management and Administration Council members' compensation

Compensation paid to key management and directors for their services in full or part time executive management positions is made up of a contractual salary and a performance bonus depending on operating results.

Additional fees, compensation and allowances may be paid to directors for their services in that capacity, and also for attending board meetings.

## 22. GUARANTEES

### 22.1 GRANTED TO THIRD PARTIES

On 31 December 2020, the Company had letters of guarantee in the amount of RON 9,746,878 (2019: RON 10,177,765) issued by Banca Transilvania.

## **22.2 GRANTED TO BANK**

The company had registered on 31 December 2020 pledged on lands in amount of RON 39,630,892 (31 December 2019: of RON 39,707,677) based on bank loan contracts.

## **23. CONTINGENCIES, COMMITMENTS AND OPERATING RISKS**

### **23.1 Taxation**

The Romanian taxation system is undergoing a process of consolidation and harmonisation with the European Union legislation. However, there are still different interpretations of the fiscal legislation. In various circumstances, the tax authorities may have different approaches to certain issues, and assess additional tax liabilities, together with late payment interest and penalties (respectively 0.06% per day and 0.5% per month of delay). In Romania, tax periods remain open for 5 years. The Company's management considers that the tax liabilities included in these financial schedules are fairly stated.

### **23.2 Transfer pricing**

The Romanian fiscal legislation has included regulations regarding transfer pricing between related parties since the year 2000. The current legislative framework defines the "arm's length" principle for transactions between related parties, as well as the methods for determining the transfer prices. Thus, it is expected that the tax authorities may initiate in depth inspections of the transfer prices, in order to ensure that the taxable profit and/or the customs value of imported goods are not misstated by the effects of transfer prices between related parties. The Company cannot assess the outcome of any such inspection.

### **23.3 Insurance policies**

The Company holds adequate insurance policies in relation to its assets, operations, product liability, and in respect of public liability and other insurable risks.

### **23.4 Environmental matters**

Environmental regulations are developing in Romania and the Company has not recorded any liability at 31 December 2020 for any anticipated costs, including legal and consulting fees, site studies, the design and implementation of remediation plans, related to environmental matters. Management do not consider the costs associated with environmental issues to be significant.

### **23.5 Legal proceedings**

In the opinion of management, there are no current legal proceedings or other claims outstanding which could have a material effect on the result of operations or financial position of the Company and which have not been accrued or disclosed in these consolidated financial schedules.

### **23.6 Operating environment of the Company**

The Romanian economy continues to display some characteristics of an emerging market. These characteristics include, but are not limited to, the existence of a currency that is not freely convertible outside Romania, restrictive currency controls, and relatively high inflation. The tax, currency and customs legislation within Romania is subject to varying interpretations, and changes, which can occur frequently.

Whilst there have been improvements in the economic trends, the future economic direction of Romania is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the government, together with tax, legal, regulatory and political developments.

## **24. SUBSEQUENT EVENTS**

On 16.04.2021 the Board of Directors of the Company acknowledge the transfer of one share held by Comp-Paper Converting SA to Mr. Nikolaos Lykos.

On 16 February 2021, the Board of Directors of the Company decided to acquire shares of Next Docs Ecm Expert SRL resulting in a total share of 80,60% and from Next Docs Confidential SRL resulting in a total share of 80%.

There are no other significant situations to be presented.

## **25. COVID 19**

At the end of 2019, The Coronavirus epidemic broke out in China and spread rapidly around the world, later being recognized by the World Health Organisation as a pandemic. The virus had multiple worldwide consequences, the most significant of which being the public health crisis which is still a threat at this moment. Full effects (health and economic) have not been determined so far. In addition to affecting human health, coronavirus also has a negative impact on certain businesses and economic activities.

At the beginning of 2020, the virus spread rapidly in Europe, Romania being among the first countries affected by this pandemic. In the attempt to stop the spread of pandemics, in March 2020, the Romanian authorities implemented a series of measures to minimize human interaction. This had a negative impact on the economy, as some companies were seriously affected. Our Company followed the measures imposed by authorities, adjusted its activity, transformed service delivery from office work to work-from-home to a large extent, while trying to limit as much as possible any negative consequence to its workforce and business activities.

The Company's management analysed the impact of the coronavirus. Based on the analysis, the management of the company concluded that, as a consequence of active measures taken, the pandemic did not significantly and negatively affect the activity in 2020. The principle of business continuity is relevant in the preparation of the financial statements on 31 December 2020. The management of the company closely monitors developments and takes appropriate decisions regarding staff and clients to support the position and performance of the company.