RECONSTRUCTION CAPITAL II LIMITED

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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DIRECTORS AND COMPANY INFORMATION

Domicile and country of incorporation
Cayman Islands

Legal form
Limited Liability Company

Company number
HL-156549

Non-executive directors
Zoran Melovski
Paolo Bassetti
Martin Derbyshire

Secretary and Registered Office
Ocorian Trust (Cayman) Limited
Windward 3
Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

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

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

Broker
finnCap Ltd
1 Bartholomew Close
London, EC1A 7BL

DIRECTORS AND COMPANY INFORMATION (continued)

Administrator and Custodian
Apex Group Fiduciary Services Limited
IFC 5
St. Helier
Jersey
JE1 1ST

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

ADVISER'S REPORT
For the year ended 31 December 2022

On 31 December 2022, Reconstruction Capital II Limited ("RC2" or the "Company") had a total audited net asset value ("NAV") of €23.8m, or €0.1757 per share. The NAV per share fell by 10.9% over the course of the year.

Private Equity Programme

At the end of December 2022, the investments held under the Private Equity Programme had a total fair value of €23.97m, 8.6% below the 2021 valuation of €26.24m. The valuations of Policolor, Mamaia and Telecredit were all performed by independent valuers. The valuations of the Company's investments in Reconstruction Capital Plc ("RC") and The Romanian Investment Fund Limited ("RIF") were also based on their audited net asset values, but these were in turn based on the same valuation of their main underlying asset, Policolor SA, as adopted by the Company.

	2022 EUR	2021 EUR
Policolor S.A	14,080,000	17,000,000
Mamaia Hotel Resorts SRL ("Mamaia")	4,814,247	4,076,986
Telecredit IFN S.A. ("Telecredit")	3,255,500	1,895,500
The Romanian Investment Fund Limited	1,180,103	1,719,419
Reconstruction Capital Plc	644,777	1,544,540
	23,974,627	26,236,445

In 2022, the outbreak of war across the border in Ukraine triggered a global energy and food crisis, adding fuel to inflationary pressures which were already building up as the world transited out of Covid-induced economic repression, resulting in rising interest rates, and disrupted supply chains, and the erosion of the purchasing power of households and businesses. Mainly due to these difficult circumstances, Policolor fell short of its budgeted targets, whilst Mamaia and Telecredit were able to shrug off the economic headwinds and beat their budgets. The changes in the valuations above reflect future expectations for these businesses, in the light of their trading performance in 2022.

Based on unaudited figures for 2022, the Policolor Group managed to generate a 7.4% year-on-year increase in sales, from € 79.4m in 2021 to € 85.3m in 2022, helped by the resins division whose sales were 24.1% above 2021. However, the Group's gross margin shrank from 28.8% in 2021 to 24.5%, mainly due to the Coatings division not having the pricing power to enable it to implement price increases sufficiently quickly to compensate for the steep increase in raw material and energy prices. Mainly due to this, in spite of significant cost savings in administration and logistics costs, the Group's recurring EBITDA of €2.6m was 37.6% lower year-on-year and 56.2% below budget.

Based on unaudited figures for 2022, Mamaia Resort Hotels achieved record results, with operating revenues of € 4.0m, 29.5% above budget and 32.4% above 2021, driven by a higher occupancy rate as the Hotel managed to secure more group occupancy contracts in the off-season. The Hotel's EBITDA was € 0.7m, 77.3% above budget and 72.1% higher year-on-year.

ADVISER'S REPORT (continued)
For the year ended 31 December 2022

Based on unaudited figures for 2022, Telecredit had another high-growth year. In 2022, the Company deployed € 28.5m in financing products to small and medium-sized enterprises, generating Operating profit before depreciation and interest expenses of € 0.7m, 78% higher than 2021 and 48% above budget.

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 €24.10m, reflects the valuations of the underlying private equity holdings outlined in the above table, plus cash and cash equivalents of €0.14m, and net sundry liabilities of €-0.01m , held by these intermediary holding companies.

Economic Overview

Both the Romanian and Bulgarian economies reported an increase in GDP in 2022 of 4.8% and 3.4%, respectively, despite the Russian invasion of Ukraine. The invasion added fuel to already rising prices, with inflation reaching 16.4% in Romania and 16.9% in Bulgaria at the end of 2022. In spite of the economic headwinds, the European Commission has forecast economic growth of 2.5% in Romania and 1.4% in Bulgaria in 2023.

8 June 2023 New Europe Capital SRL

INVESTMENT POLICY

Investment Objective and Policy of the Company

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

Gearing

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

Distribution Policy

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

REPORT OF THE DIRECTORS
For the year ended 31 December 2022

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 2022.

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

Activities and Business Review
The Company's principal activity is holding and managing investments in Romania and other countries in South-East Europe. A summary of the Company's business review for the year ended 31 December 2022 is contained within the Adviser's report.

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

Share Capital
Details of the Company's authorised and issued share capital as at 31 December 2022 are contained in note 16 of the financial statements.

Results and Dividends
The net investment loss for the year amounted to EUR 2,097,738 (2021: net investment income of EUR 5,972,353) and the net loss for the year amounted to EUR 2,943,590 (2021: net profit of EUR 5,235,299).

The Directors do not recommend the payment of a dividend (2021: EUR nil).

Events after the Reporting Year
Events after the reporting period that require disclosure in the financial statements are detailed in note 22 of the financial statements.

Directors and their Interests
No Director held shares in the Company at 31 December 2022.

The Board of Directors comprised of three Directors during 2022. Two of the Directors, Paolo Bassetti and Martin Derbyshire, are Independent Non-Executive Directors, while Zoran Melovski is also a Director of Portadrix Investments Limited, Reconstruction Capital Plc, The Romanian Investment Fund Limited, RC2 (Cyprus) Limited and New Europe Capital SRL, all of which are related parties of the Company. The Directors have a range of business, financial and asset management skills and experience relevant to the direction and control of the Company.

REPORT OF THE DIRECTORS (continued)
For the year ended 31 December 2022

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

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

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

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

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

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

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

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

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

REPORT OF THE DIRECTORS (continued)
For the year ended 31 December 2022

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

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

Going Concern
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. The ultimate beneficial shareholder and interests connected with him have indicated that they are intending to vote for the continuation of the Company when the vote is held.

The Company has made a loss during the year, which has increased the accumulated deficit of the Company to EUR 86,725,474 (2021: EUR 83,781,884).

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

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

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

REPORT OF THE DIRECTORS (continued)
For the year ended 31 December 2022

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 "Conceptual Framework for Financial Reporting". In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRS.

A fair representation also requires the Directors to:

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

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

On behalf of the Board

Zoran Melovski
Chairman

8 June 2023

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

Opinion

We have audited the non-statutory financial statements of Reconstruction Capital II Limited (the "Company"), which comprise the statement of financial position as at 31 December 2022, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

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.

Grant Thornton

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

Key Audit Matters

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

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

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

The key audit matter

The Company's investment objective is to achieve long term total return for shareholders primarily by investment in a diversified portfolio of unlisted equities in Romania. The investment portfolio as at 31 December 2022 amounted to €5,053,358, being the sum of the carrying values of "Investments in subsidiaries" balance of €3,228,478 and the "Investments in associates" balance of €1,824,880 (2021: €5,274,531, being the sum of the "Investments in subsidiaries" balance of €2,010,572 and the "Investments in associates" balance of €3,263,959) and is the main driver of the Company's performance.

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

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

How the matter was addressed in our audit

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

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

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

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

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

Key observations

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

Grant Thornton

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

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

Refer to Notes 10 and 19.5 of the financial statements.

The key audit matter

The Company has a loan receivable as at 31 December 2022 of €19,050,725 (2021: €21,697,290) from one of its subsidiaries that represents 79% of the Company's total assets. The determination of the fair value estimation of the loan receivable at fair value through profit or loss, was one of the most significant assessed risks of material misstatement, as management estimation and judgement is required in determining the fair value of the subsidiary, including the assumptions used and the evaluation of the subsidiary's business plans, and the fair value of the loan as a result.

How the matter was addressed in our audit

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

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

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

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

Key observations

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

Other information

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

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

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

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

Responsibilities of the Board of Directors for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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.

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

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

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

Other Matter

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

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

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

Nicosia, 8 June 2023

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2022

	Notes	2022 EUR	2021 EUR
Investment income			
Fair value (loss)/gain on financial assets at fair value through profit or loss	**19.5**	(2,615,823)	2,774,875
Interest income	**10.3**	518,085	3,197,478
Net investment (loss)/income		**(2,097,738)**	**5,972,353**
Expenses			
Operating expenses	**4**	(844,981)	(725,459)
Net financial expense	**5**	(871)	(11,595)
Total expenses		**(845,852)**	**(737,054)**
(Loss)/profit for the year		**(2,943,590)**	**5,235,299**
Other comprehensive income		-	-
Total comprehensive (loss)/income for the year attributable to owners		**(2,943,590)**	**5,235,299**
(Loss)/earnings per share			
Basic and diluted (loss)/earnings per share	**7**	(0.0217)	0.0385

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

STATEMENT OF FINANCIAL POSITION
As at 31 December 2022

	Notes	2022 EUR	2021 EUR
ASSETS			
Non-current assets			
Financial assets at fair value through profit or loss	**10**	24,104,083	26,971,821
Total non-current assets		**24,104,083**	**26,971,821**
Current assets			
Trade and other receivables	**11**	15,492	6,027
Cash and cash equivalents	**12**	73,337	11,301
Total current assets		**88,829**	**17,328**
TOTAL ASSETS		**24,192,912**	**26,989,149**
LIABILITIES			
Current liabilities			
Trade and other payables	**13**	124,485	205,685
Total current liabilities		**124,485**	**205,685**
Non-current liabilities			
Borrowings	**14**	250,833	-
TOTAL LIABILITIES		**375,318**	**205,685**
NET ASSETS		**23,817,594**	**26,783,464**
EQUITY AND RESERVES			
Share capital	**16**	1,355,784	1,358,569
Share premium		109,187,284	109,206,779
Accumulated deficit		(86,725,474)	(83,781,884)
TOTAL EQUITY		**23,817,594**	**26,783,464**
Net Asset Value per share			
Basic and diluted net asset value per share	**17**	0.1757	0.1971

The financial statements were approved by the Board of Directors and authorised for issue on 8 June 2023.

Zoran Melovski
Chairman

Martin Derbyshire
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 2022

	Note	Share capital EUR	Share premium EUR	Accumulated deficit EUR	Total EUR
Balance at 1 January 2021		1,358,569	109,206,779	(89,017,183)	**21,548,165**
Income for the year		-	-	5,235,299	**5,235,299**
Total comprehensive income for the year		-	-	**5,235,299**	**5,235,299**
Balance at 31 December 2021		**1,358,569**	**109,206,779**	**(83,781,884)**	**26,783,464**
Loss for the year		-	-	(2,943,590)	**(2,943,590)**
Total comprehensive loss for the year		-	-	**(2,943,590)**	**(2,943,590)**
Repurchase and cancellation of own shares	**16**	(2,785)	(19,495)	-	**(22,280)**
Transactions with owners		(2,785)	(19,495)	-	**(22,280)**
Balance at 31 December 2022		**1,355,784**	**109,187,284**	**(86,725,474)**	**23,817,594**

STATEMENT OF CASH FLOWS
For the year ended 31 December 2022

	Notes	2022 EUR	2021 EUR
Cash flows from operating activities			
(Loss)/profit for the year		(2,943,590)	5,235,299
Adjustments for:			
Fair value loss/(gain) on financial assets at fair value through profit or loss	**19.5**	2,615,823	(2,774,875)
Interest income	**10.3**	(518,085)	(3,197,478)
Interest expense	**14**	833	11,035
Net loss/(gain) on foreign exchange		6	(44)
Net cash outflow before changes in working capital		**(845,013)**	**(726,063)**
(Increase)/decrease in trade and other receivables	**11**	(9,465)	7,573
(Decrease)/increase in trade and other payables	**13**	(81,200)	113,902
Purchase of financial assets	**10.3**	-	(210,000)
Repayments of financial assets	**10.3**	770,000	1,210,085
Net cash (used in)/generated from operating activities		**(165,678)**	**395,497**
Cash flows from financing activities			
Proceeds from borrowings	**14**	250,000	250,000
Repayments of loan	**14**	-	(650,000)
Interest paid		-	(17,313)
Payments to purchase own shares	**16**	(22,280)	-
Net cash generated from/(used in) financing activities		**227,720**	**(417,313)**
Net increase/(decrease) in cash and cash equivalents before currency adjustment		**62,042**	**(21,816)**
Effects of exchange rate differences on cash and cash equivalents		(6)	44
Net increase/(decrease) in cash and cash equivalents after currency adjustment		**62,036**	**(21,772)**
Cash and cash equivalents at the beginning of the year		11,301	33,073
Cash and cash equivalents at the end of the year	**12**	**73,337**	**11,301**

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 2022

1. Establishment

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

Following the annual general meeting of the Company on 22 December 2016, the life of the Company was extended for two years until the end of 2018. At a general shareholder meeting on 21 February 2018, it was decided that the life of the Company would be extended until the end of 2023 when the next continuation vote will be held. The ultimate beneficial shareholder and interests connected with him have indicated that they are intending to vote for the continuation of the Company when the vote is held.

2. Principal accounting policies

2.1 Basis of preparation

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

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

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

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

The Directors have assessed the impact, or potential impact, of all New Accounting Requirements. In the opinion of the Directors, except for the implementation of the amendments to IAS 16, IFRS 3, IAS 37, and Annual improvements to IFRS Standards 2018-2020, as referred to below, there are no mandatory New Accounting Requirements applicable in the current year, that had any material effect on the reported performance, financial position, or disclosures of the Company. Consequently, no other mandatory New Accounting Requirements are listed. The Company has not early adopted any New Accounting Requirements that are not mandatory.

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2022

2. Principal accounting policies (continued)

2.1 Basis of preparation (continued)

- **Amendment to IAS 16 - Property, Plant and Equipment: Proceeds before intended use (effective 1 January 2022)**
- **Amendments to IFRS 3 - Reference to the Conceptual Framework (effective 1 January 2022)**
- **Amendments to IAS 37 - Onerous Contracts - Cost of Fulfilling a Contract for Financial Reporting (effective 1 January 2022)**
- **Annual improvements to IFRS Standards 2018-2020 (effective 1 January 2022)**

The amendment to IAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment.

Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.

Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and to add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date.

The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.

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

Standards issued but not yet effective

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

- IFRS 17 "Insurance Contracts" (originally 1 January 2021, but extended to 1 January 2023).
- Amendments to IFRS 10 and IAS 28 - Sale or contribution of assets between an investor and its associate or joint venture (effective date to be confirmed by IASB).
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021) (effective 1 January 2023).
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021) (effective 1 January 2023).
- Amendments to IAS 12 - "Income Taxes": Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 7 May 2021) (effective 1 January 2023).

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2022

2. Principal accounting policies (continued)

2.2 Revenue recognition

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

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

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

The difference between the fair value of investments at fair value through profit or loss as at 31 December 2022 and the mid cost price represents unrealised gains and losses and is included in the Statement of Comprehensive Income in the year in which it arises.

2.3 Non-consolidated subsidiaries and investment undertakings

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

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

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

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

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

2.4 Foreign currency translation

2.4 a) Functional and presentation currency

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

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2022

2. Principal accounting policies (continued)

2.4 Foreign currency translation (continued)

2.4 b) Transactions and balances

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

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

2.5 Operating segments

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

2.6 Financial assets

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

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

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

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

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

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

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2022

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 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.

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.

2.10 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Comprehensive Income over the period of the borrowings using the effective interest method.

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2022

2. Principal accounting policies (continued)

2.11 Equity

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

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

2.12 Share premium

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

3. Critical accounting estimates and assumptions

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

The fair value of balances for which estimates and assumptions have been made as at 31 December 2022 and 31 December 2021 were as follows:

	2022 EUR	2021 EUR
Financial assets at fair value through profit or loss *(Note 10)*	24,104,083	26,971,821

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

(i) Functional currency

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

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2022

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 19.

Based on the adjusted net asset approach, Management has accepted the fair value estimations of unlisted equity investments as at 31 December 2022, which resulted in a net fair value loss of EUR 2.6m. This loss is comprised of a fair value loss of EUR 2.4m (being the fair value loss on the loan receivable from the unconsolidated subsidiary, RC2 (Cyprus), as described in note 10.3) and a net fair value loss of EUR 0.2m for investments in associates and subsidiaries, respectively, recognised in the Statement of Comprehensive Income (2021: net fair value gain EUR 2.8m) (Note 19.5).

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

(iii) Investment entity status

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

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 2022 and 31 December 2021.

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2022

4. Operating expenses

		2022 EUR	2021 EUR
Advisory fees	(Note 21.1)	584,572	514,614
Legal and professional fees, including transaction fees		152,429	105,531
Administration and custodian fees		61,576	59,299
Audit fees		25,360	24,150
Directors' fees	(Note 21.1)	20,000	21,125
Bank charges		1,044	740
		844,981	725,459

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%. The total performance fee for the year was EUR nil (2021: EUR nil).

Administrator and custodian fees
The current administrator and custodian, Apex Group Fiduciary Services Limited, receives a variable monthly fee based on the Company's Net Asset Value ("NAV"), payable quarterly in arrears. An amount of EUR 29,502 was outstanding at the year end (2021: EUR 15,955), as detailed in Note 13.

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

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2022

4. Operating expenses (continued)

Directors' fees (continued)

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

5. Net financial expense

	2022 EUR	2021 EUR
Net loss on foreign exchange	(38)	(560)
Finance costs	(833)	(11,035)
	(871)	(11,595)

6. Income tax

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

7. (Loss)/earnings per share

	2022 EUR	2021 EUR
(Loss)/earnings		
(Loss)/earnings for the purposes of basic (loss)/earnings per share, being net (loss)/profit attributable to ordinary shareholders of the Company	(2,943,590)	5,235,299
Number of shares (Note 16)	135,578,413	135,856,913
Basic and diluted (loss)/earnings per share	**(0.0217)**	**0.0385**

There are no potentially dilutive instruments.

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2022

8. Subsidiaries

The Company has the following subsidiaries:

	Principal activity	Principal place of business and Country of incorporation	Proportion of ownership interest 2022	2021
Holding company: Reconstruction Capital II Limited				
RC2 (Cyprus) Limited	Investment holding	Cyprus	100%	100%
Glasro Holdings Limited	Investment holding	Cyprus	100%	100%
Holding company: RC2 (Cyprus) Limited				
Mamaia Resort Hotels S.R.L.	Hotel operation	Romania	63%	63%
Holding company: Glasro Holdings Limited				
Telecredit IFN S.A.	Factoring services	Romania	85%	85%

9. Associates

The Company has the following associates:

	Principal activity	Principal place of business and Country of incorporation	Proportion of ownership interest 2022	2021
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 2022

9. Associates (continued)

	Principal activity	Principal place of business and Country of incorporation	Proportion of ownership interest	
			2022	2021
Holding company: RC2 (Cyprus) Limited				
Policolor S.A.	Paint and varnish manufacture	Romania	40%	40%

* The Company's proportion of ownership interest in The Romanian Investment Fund Limited comprises direct and indirect holdings of 11.3% and 16.11%, respectively, and were unchanged as at 31 December 2022.

10. Financial assets at fair value through profit or loss

	2022 EUR	2021 EUR
Non-current investments		
Investments in subsidiaries	3,228,478	2,010,572
Investments in associates	1,824,880	3,263,959
Loan receivable	19,050,725	21,697,290
	24,104,083	26,971,821

10.1 Investments in subsidiaries

	2022 EUR	2021 EUR
Cost	76,653,660	76,653,660
Net unrealised loss on investments	(73,425,182)	(74,643,088)
Fair value of non-current investments	3,228,478	2,010,572

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 (2021: EUR nil).

Also included is an equity investment in the wholly owned subsidiary Glasro Holdings Ltd which was valued at EUR 3,228,478 at 31 December 2022 (2021: EUR 2,010,572), an increase of EUR 1,217,906 from its value at the end of 2021.

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2022

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

10.2 Investments in associates

	2022 EUR	2021 EUR
Cost	3,566,648	3,566,648
Net unrealised loss on investments	(1,741,768)	(302,689)
Fair value of non-current investments	1,824,880	3,263,959

Included in investments in associates are investments in Reconstruction Capital Plc and The Romanian Investment Fund Limited with fair values of EUR 644,777 and EUR 1,180,103, respectively, at the year end (2021: EUR 1,544,540 and EUR 1,719,419 respectively).

10.3 Loan receivable at fair value through profit or loss

	2022 EUR	2021 EUR
Loan to unconsolidated subsidiary	19,050,725	21,697,290

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

On 17 May 2023, the Company signed an addendum to the loan agreement with RC2 (Cyprus) Limited with effective date 31 December 2022, whereby the Company may repay any outstanding balance prior to 31 December 2025.

	2022 EUR	2021 EUR
Changes in loan receivable		
Opening balance	21,697,290	18,982,343
Loan addition	-	210,000
Loan repayments	(770,000)	(1,210,085)
Interest income	518,085	3,197,478
Fair value (loss)/gain on loan receivable	(2,394,650)	517,554
	19,050,725	21,697,290

The valuation of the loan is based on the adjusted net asset value of RC2 (Cyprus) Limited which is available to repay the loan principal and interest payable to the Company (Note 19.5). The value of the loan receivable decreased by EUR 2,646,565 during the year (2021: increased by EUR 2,714,947). The decrease is a result of the accrued interest income of EUR 518,085 (2021: EUR 3,197,478) being added with the fair value loss on the loan receivable of EUR 2,394,650 (2021: fair value gain of EUR 517,554) and offset by net loan repayments of EUR 770,000 (2021: EUR 1,000,085).

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2022

11. Trade and other receivables

	2022 EUR	2021 EUR
Other receivables and prepayments	15,492	6,027

12. Cash and cash equivalents

	2022 EUR	2021 EUR
Cash at bank	73,337	11,301

13. Trade and other payables

Due within one year:		2022 EUR	2021 EUR
Advisory fees	(Note 21.1)	36,069	153,067
Auditor's fees		25,360	24,150
Administration fees		29,502	15,955
Professional fees		24,867	3,826
Valuation fees		8,687	8,687
		124,485	205,685

14. Borrowings

Due in more than one year:	2022 EUR	2021 EUR
Loan from related party	250,833	-

On 6 August 2020, the Company entered into an agreement with Portadrix Investments Limited for a loan facility of EUR 1,000,000, bearing interest of 5% per annum and repayable on or before 6 December 2021. The loan facility was fully repaid in June 2021.

On 15 December 2022, the Company entered into an agreement with Ion Florescu for a loan facility of EUR 800,000, bearing interest of 8% per annum and repayable on or before 15 December 2024. The first drawdown was made on the same date for an amount of EUR 250,000.

	2022 EUR	2021 EUR
Changes in borrowings		
Opening balance	-	406,278
Repayment during the year	-	(667,313)
Loan received	250,000	250,000
Interest expense	833	11,035
Closing balance	250,833	-

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2022

15. Reserves

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

16. Share capital

	2022 Number of shares	2022 EUR	2021 Number of shares	2021 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	135,578,413	1,355,784	135,856,913	1,358,569

	2022 Number of shares	2022 EUR	2021 Number of shares	2021 EUR
Ordinary shares				
Share capital at 1 January and 31 December	135,578,413	1,355,784	135,856,913	1,358,569
	135,578,413	1,355,784	135,856,913	1,358,569

(i) On 10 May 2022 the Company purchased for cancellation 153,500 of its Ordinary Shares of EUR 0.01 each at a price of EUR 0.08 per share.

(ii) On 2 September 2022 the Company purchased for cancellation 125,000 of its Ordinary Shares of EUR 0.01 each at a price of EUR 0.08 per share.

17. Net Asset Value per share

	2022 EUR	2021 EUR
Net assets	23,817,594	26,783,464
Closing number of shares	135,578,413	135,856,913
Basic and diluted net asset value per share	0.1757	0.1971

There are no potentially dilutive instruments.

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2022

18. Financial assets and liabilities

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

		2022	2021
		EUR	EUR
Financial assets at fair value through profit or loss			
Investments in subsidiaries	(Note 10.1)	3,228,478	2,010,572
Investments in associates	(Note 10.2)	1,824,880	3,263,959
Loan receivable	(Note 10.3)	19,050,725	21,697,290
		24,104,083	26,971,821
Financial assets at amortised cost			
Trade and other receivables	(Note 11)	15,492	6,027
Cash and cash equivalents	(Note 12)	73,337	11,301
		88,829	17,328
Financial liabilities at amortised cost			
Trade and other payables	(Note 13)	124,485	205,685
Borrowings	(Note 14)	250,833	-
		375,318	205,685

19. Financial risk management

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

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

19.1 Market risk

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

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

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

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2022

19. Financial risk management (continued)

19.1 Market risk (continued)

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

	2022 EUR	2021 EUR
Sector		
Corporate loans	3,228,478	2,010,572
Other private equity investments	20,875,605	24,961,249
	24,104,083	26,971,821
Other items	88,829	17,328
Geographical analysis		
Corporate loans		
Romania	3,228,478	2,010,572
Other private equity investments		
Romania	20,875,605	24,961,249
Other items		
Jersey	88,829	17,328

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

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

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2022

19. Financial risk management (continued)

19.2 Credit risk

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

	2022 EUR	2021 EUR
Financial assets at fair value through profit or loss	19,050,725	21,697,290
Financial assets at amortised cost	88,829	17,328
	19,139,554	21,714,618

The total credit risk exposure from financial assets at amortised cost is EUR 88,829 (2021: EUR 17,328).

There are no financial assets at amortised cost which are impaired (2021: EUR nil).

The Company's cash and cash equivalents are held with regional and foreign banks and are diversified appropriately. The Moody's credit ratings of the banks where the Company held cash and cash equivalents was A1 (2021: A1).

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

19.3 Liquidity risk

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

The table below sets out the Company's contractual undiscounted cash flows. The fair values of amounts due within 12 months equal their carrying value, as the impact of discounting is not significant. The loan from related party under '1 to 12 months' bears an interest rate of 8% per annum until 15 December 2024.

	Carrying amount EUR	Contractual cash flows EUR	Less than 1 month EUR	1 to 12 months EUR	1 to 2 years EUR
2022					
Trade and other payables	124,485	124,485	99,125	25,360	-
Loan from related party (see Note 14)	250,833	290,011	-	-	290,011
	375,318	414,496	99,125	25,360	290,011

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2022

19. Financial risk management (continued)

19.3 Liquidity risk (continued)

	Carrying amount EUR	Contractual cash flows EUR	Less than 1 month EUR	1 to 12 months EUR	1 to 2 years EUR
2021					
Trade and other payables	205,685	205,685	19,781	185,904	-
	205,685	205,685	19,781	185,904	-

19.4 Capital management and procedures

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

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

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

	2022 EUR	2021 EUR
Equity	23,817,594	26,783,464
Cash and cash equivalents	(73,337)	(11,301)
Capital	23,744,257	26,772,163
Equity	23,817,594	26,783,464
Borrowings	250,833	-
Overall financing	24,068,427	26,783,464
Proportion of capital to overall financing	99%	100%

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 1% (2021: 0%) of gross assets. The increase is as a result of the drawdown of the loan from Ion Florescu (Note 14).

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2022

19. Financial risk management (continued)

19.5 Fair value information

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

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

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

Estimation of fair values - non-consolidated subsidiaries
The Company undertakes valuations of its private equity investments at fair value through profit or loss as at each financial reporting date. In 2022, 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 2022, 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 EUR 644,777 (2021: EUR 1,544,540).

As at 31 December 2022, 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 0.13% or EUR 32,239 and an increase in the Company's post-tax loss of 1.1% or EUR 32,239;
- 5% decrease: decrease in the Company's total assets of 0.13% or EUR 32,239 and a decrease in the Company's post-tax loss of 1.1% or EUR 32,239;

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

- 5% increase: increase in the Company's total assets of 0.29% or EUR 77,227 and an increase in the Company's post-tax profit of 1.48% or EUR 77,227;
- 5% decrease: decrease in the Company's total assets of 0.29% or EUR 77,227 and a decrease in the Company's post-tax profit of 1.48% or EUR 77,227;

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2022

19. Financial risk management (continued)

19.5 Fair value information (continued)

The Romanian Investment Fund Limited

As at 31 December 2022, 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 EUR 1,180,103 (2021: EUR 1,719,419).

As at 31 December 2022, 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 0.24% or EUR 59,005 and an increase in the Company's post-tax loss of 2% or EUR 59,005;
- 5% decrease: decrease in the Company's total assets of 0.24% or EUR 59,005 and a decrease in the Company's post-tax loss of 2% or EUR 59,005;

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

- 5% increase: increase in the Company's total assets of 0.32% or EUR 85,971 and an increase in the Company's post-tax profit of 1.64% or EUR 85,971;
- 5% decrease: decrease in the Company's total assets of 0.32% or EUR 85,971 and a decrease in the Company's post-tax profit of 1.64% or EUR 85,971;

Glasro Holdings Limited

As at 31 December 2022, 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 EUR 3,228,478 (2021: EUR 2,010,572).

As at 31 December 2022, 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 0.67% or EUR 161,424 and an increase in the Company's post-tax loss of 5.48% or EUR 161,424;
- 5% decrease: decrease in the Company's total assets of 0.67% or EUR 161,424 and a decrease in the Company's post-tax loss of 5.48% or EUR 161,424;

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

- 5% increase: increase in the Company's total assets of 0.37% or EUR 100,529 and an increase in the Company's post-tax profit of 1.92% or EUR 100,529;
- 5% decrease: decrease in the Company's total assets of 0.37% or EUR 100,529 and a decrease in the Company's post-tax profit of 1.92% or EUR 100,529;

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2022

19. Financial risk management (continued)

19.5 Fair value information (continued)

RC2 (Cyprus) Limited
At 31 December 2022, 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 EUR 19,050,725 (2021: EUR 21,697,290) 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 2022, 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 3.94% or EUR 952,536 and an increase in the Company's post-tax loss of 32.36% or EUR 952,536;
- 5% decrease: decrease in the Company's total assets of 3.94% or EUR 952,536 and a decrease in the Company's post-tax loss of 32.36% or EUR 952,536;

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

- 5% increase: increase in the Company's total assets of 4.02% or EUR 1,084,865 and an increase in the Company's post-tax profit of 20.72% or EUR 1,084,865;
- 5% decrease: decrease in the Company's total assets of 4.02% or EUR 1,084,865 and a decrease in the Company's post-tax profit of 20.72% or EUR 1,084,865;

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

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

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

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

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2022

19. Financial risk management (continued)

19.5 Fair value information (continued)

Policolor S.A.

Policolor S.A. was valued by an independent valuer as at 31 December 2022. The major assumptions used in the valuation are as follows:

- weighted average cost of capital of 16.4% (2021: 16.2%);
- EBITDA margin rate between 5.4% and 11.5% (2021: 6.6% and 12.8%);
- revenue growth rate between 6.1% and 12.8% (2021: 7.2% and 14.4%); and
- long term growth rate of 2% (2021: 1.7%).

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

	2022		**2021**	
	+0.5%	**-0.5%**	**+0.5%**	**-0.5%**
Weighted average cost of capital	(840,000)	920,000	(920,000)	960,000
	+5%	**-5%**	**+5%**	**-5%**
EBITDA margin rate	1,600,000	(1,560,000)	1,640,000	(1,640,000)
	+5%	**-5%**	**+5%**	**-5%**
Revenue growth rate	1,600,000	(1,560,000)	1,640,000	(1,640,000)
	+0.5%	**-0.5%**	**+0.5%**	**-0.5%**
Long term growth rate	520,000	(480,000)	560,000	(520,000)

Mamaia Resort Hotels S.R.L.

Mamaia Resort Hotels S.R.L. was valued by an independent valuer as at 31 December 2022. The major assumptions used in the valuation are as follows:

- weighted average cost of capital of 12.9% (2021: 10.8%);
- EBITDA margin rate between 12.4% and 21.1% (2021: 15.4% and 20%);
- revenue growth rate between 2.3% and 9.1% (2021: 2.7% and 13.8%); and
- long term growth rate of 2% (2021: 1.7%).

The revenue growth rate in 2022 is estimated at 9.1% compared to that of 2021. Revenue growth rates after 2022 range from 2.3% to 9.1%.

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2022

19. Financial risk management (continued)

19.5 Fair value information (continued)

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

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

	2022		2021	
	+0.5%	**-0.5%**	**+0.5%**	**-0.5%**
Weighted average cost of capital	(214,247)	226,849	(220,548)	245,753
	+5%	**-5%**	**+5%**	**-5%**
EBITDA margin rate	270,959	(277,260)	258,356	(252,055)
	+5%	**-5%**	**+5%**	**-5%**
Revenue growth rate	277,260	(277,260)	258,356	(258,356)
	+0.5%	**-0.5%**	**+0.5%**	**-0.5%**
Long term growth rate	144,932	(132,329)	170,137	(144,932)

Telecredit IFN SA

Telecredit IFN SA was valued by an independent valuer as at 31 December 2022. The major assumptions used in the valuation are as follows:

- weighted average cost of equity of 15.4% (2021: 17.8%);
- EBITDA margin rate between 42.4% and 53.7% (2021: 36.8% and 55.1%) ;
- revenue growth rate between 2.4% and 31.7% (2021: 5.8% and 27.2%); and
- long term growth rate of 2% (2021: 1.7%).

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

	2022		2021	
	+0.5%	**-0.5%**	**+0.5%**	**-0.5%**
Weighted average cost of capital	(136,000)	144,500	(76,500)	68,000
	+5%	**-5%**	**+5%**	**-5%**
EBITDA margin rate	229,500	(238,000)	153,000	(161,500)
	+5%	**-5%**	**+5%**	**-5%**
Revenue growth rate	229,500	(238,000)	161,500	(170,000)
	+0.5%	**-0.5%**	**+0.5%**	**-0.5%**
Long term growth rate	59,500	(59,500)	25,500	(34,000)

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2022

19. Financial risk management (continued)

19.5 Fair value information (continued)

Fair value hierarchy
IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. IFRS 13 establishes a three-tier fair value hierarchy that prioritises the inputs to valuation techniques to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and lowest priority to unobservable inputs (level 3 measurement).

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

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

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

Level 3	2022 EUR	2021 EUR
Investments in subsidiaries	3,228,478	2,010,572
Investments in associates	1,824,880	3,263,959
Loan to subsidiary	19,050,725	21,697,290
	24,104,083	26,971,821

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

	2022 EUR	2021 EUR
Balance at 1 January	26,971,821	21,999,552
Total gains or losses for the year:		
Fair value (loss)/gain	(2,615,823)	2,774,875
Interest income, loan additions and repayments	(251,915)	2,197,394
Balance at 31 December	24,104,083	26,971,821

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 2022

20. Operating segments

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

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

2022	**Private equity programme EUR**	**Other items EUR**	**Total per financial statements EUR**
Reportable segment total assets	24,104,083	88,829	24,192,912
Reportable segment profit/(loss) before tax	(2,097,738)	(845,852)	(2,943,590)
Reportable segment total liabilities	-	(375,318)	(375,318)
Fair value loss on financial assets at FVTPL	(2,615,823)	-	(2,615,823)
Interest income	518,085	-	518,085
Financial costs	-	(833)	(833)
Net loss on foreign exchange	-	(38)	(38)
Operating expenses	-	(844,981)	(844,981)
2021			
Reportable segment total assets	26,971,821	17,328	26,989,149
Reportable segment profit before tax	5,972,353	(737,054)	5,235,299
Reportable segment total liabilities	-	(205,685)	(205,685)
Fair value gain on financial assets at FVTPL	2,774,875	-	2,774,875
Interest income	3,197,478	-	3,197,478
Financial costs	-	(11,035)	(11,035)
Net loss on foreign exchange	-	(560)	(560)
Operating expenses	-	(725,459)	(725,459)

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

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2022

21. Related party transactions

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

21.1 Key management compensation

		2022 EUR	2021 EUR
Advisory fees	(Note 4)	584,572	514,614
Directors' fees	(Note 4)	20,000	21,125
		604,572	535,739

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 EUR 584,572 (2021: EUR 514,614). Total fees outstanding as at 31 December 2022 were EUR 36,069 (2021: EUR 153,067).

There were no performance fees paid or payable in respect of 2022 (2021: EUR nil).

Advisory fees which are unpaid for over a month attract an interest rate of 10% (2021: 10%) on the entire balance. No interest was charged during the year (2021: EUR nil).

b. Directors' fees (Note 4)

	2022 EUR	2021 EUR
Paolo Bassetti	10,000	10,000
Martin Derbyshire	10,000	3,098
Mihai Radoi	-	8,027
	20,000	21,125

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

21.2 Related parties' interests

	2022		2021	
Ordinary shares	**Number**	**% of issued share capital**	**Number**	**% of issued share capital**
Held by other related parties				
Ion Florescu and related parties *	81,862,859	60.38%	81,862,859	60.26%

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2022

21. Related party transactions (continued)

21.2 Related parties' interests (continued)

* As at 31 December 2022, 39,030,555 of the Company's shares were held by Ion Florescu, 42,726,319 shares were owned by Portadrix Investments Limited, which is wholly-owned by The Florescu Family Trust, and 105,985 shares were owned by New Europe Capital SRL, which is the adviser to the Company and is 84% owned by Ion Florescu.

21.3 Loan to unconsolidated subsidiary

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

21.4 Loans to and from related parties

On 11 May 2021, the following parties entered into agreements to provide a total of EUR 1.26m in unsecured loans to Telecredit IFN S.A. ("Telecredit"): Portadrix Investments Limited (a company wholly beneficially-owned by Ion Florescu, a significant shareholder in the Company) EUR 960,000; Mihai Radoi (a director of the Company until 27 July 2021) EUR 140,000; and Cornelia Oancea (CEO of New Europe Capital SRL, Adviser to the Company, and a director of Telecredit) EUR 200,000 (the "May Loans"). The May Loans matured in May 2022 and carried an annual interest rate of 9.75% in addition to a 0.25% arrangement fee.

On 18 October 2021, the following parties entered into agreements to provide a total of EUR 200,000 in unsecured loans to Telecredit IFN S.A ("Telecredit"): Ion Florescu (a significant shareholder in the Company) EUR 120,000, and Mihai Radoi (a former director of the Company) EUR 80,000 (the "October Loans"). The October Loans matured in October 2022 and carried an annual interest rate of 8%.

On 16 November 2021, the following parties entered into agreements to provide a total of EUR 200,000 in unsecured loans to Telecredit IFN S.A ("Telecredit"): Ion Florescu (a significant shareholder in the Company) EUR 100,000, and Cornelia Oancea (CEO of New Europe Capital SRL, Adviser to the Company) EUR 100,000 (the "November Loans"). The November Loans were due to mature in November 2022 and, prior to the extensions mentioned below, carried an annual interest rate of 8%.

On 22 December 2021, Ion Florescu (a significant shareholder in the Company) entered into an agreement to provide a total of EUR 250,000 in unsecured loans to Telecredit IFN S.A. ("Telecredit") (the "December Loan"). The December Loan was due to mature in December 2022 and, prior to the extensions mentioned below, carried an annual interest rate of 8%.

On 10 May 2022, Ion Florescu (a significant shareholder in the company) entered into an agreement to provide a total of EUR 860,000 in unsecured loans to Telecredit IFN S.A ("Telecredit"), replacing part of the loan previously provided by Portadrix Investments Limited, a company wholly beneficially-owned by him. Additionally, Cornelia Oancea (CEO of New Europe Capital SRL, Adviser to the Company, and a director of Telecredit) agreed to extend the loan of EUR 200,000 originally made in May 2021 for a further 12 months (the "May 2022 Loans"). The May 2022 Loans have a maturity date of 10 May 2023 and carry an annual interest rate of 9%.

On 14 November 2022, the maturity of the November loans were extended to 16 February 2024 and the maturity of the December Loan was extended to 22 March 2024. The interest rate for these loans was also modified to 9.2%.

NOTES TO THE AUDITED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2022

21.4 Loans to and from related parties (continued)

On 6 August 2020, the Company entered into an agreement with Portadrix Investments Limited for a loan facility of EUR 1,000,000, bearing interest of 5% per annum and repayable on or before 6 December 2021. The loan facility was fully repaid in June 2021.

On 15 December 2022, the Company entered into an agreement with Ion Florescu for a loan facility of EUR 800,000, bearing interest of 8% per annum and repayable on or before 15 December 2024. The first drawdown was made on the same date for an amount of EUR 250,000.

21.5 Pledges and guarantees

On 30 June 2022 the Company issued a Corporate Guarantee in favour of QAS SICAV RAIF for a maximum amount of EUR 200,000. This Corporate Guarantee was provided in relation to a revolving credit facility granted to Telecredit IFN SA.

21.6 Ultimate controlling party

Ion Florescu along with parties connected to him are the ultimate controlling parties of the Company.

22. Events after the reporting date

(i) The geopolitical situation in Eastern Europe intensified on 24 February 2022, with the commencement of the conflict between Russian and Ukraine. As at the date of authorising these financial statements for issue, the conflict continues to evolve as military activity proceeds and additional sanctions are imposed.

Depending on the duration of the conflict between Russian and Ukraine, and continued negative impact on economic activity, the Company might experience further negative results, and liquidity restraints and incur additional impairments on its assets which relate to new developments that occurred after the reporting period.

(ii) On 9 January 2023, Ion Florescu purchased 122,222 Ordinary shares of EUR 0.001 each of the Company. Following this transaction Ion Florescu is the beneficial owner directly or indirectly of 81,985,081 Ordinary shares, representing 60.47% of the total share capital of the Company with voting rights.

(iii) On 17 May 2023, the Company signed an addendum to the loan agreement with RC2 (Cyprus) Limited with effective date 31 December 2022, whereby the Company may repay any outstanding balance prior to 31 December 2025.