SIF BANAT-CRIȘANA SA

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

prepared in accordance with Rule no. 39/2015 approving the Accounting Regulations compliant with the International Financial Reporting Standards, applicable to entities authorized, regulated, and supervised by the Financial Supervisory Authority in the Financial Instruments and Investments Sector

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This version of the accompanying documents is a translation from the original, which was prepared in Romanian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report prevails over this translation.

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020

(All amounts are presented in RON)

In RON	Note	31-Dec-20	31-Dec-19
Revenues			
Dividend income	8	73,541,249	101,530,735
Interest revenues (FVTOCI, assets at amortised cost)	9	6,657,366	2,700,204
Interest revenues (FVTPL)	9	2,478,903	3,678,040
Other operating revenue	10	24,017,759	30,946,353
Investment gains/(losses)			
Gains/(Loss) from investment property	11	6,696,841	384,618
Net (loss)/ profit from exchange differences		2,259,221	1,885,807
Net profit/(loss) from financial assets at fair value through profit or loss	12	22,890,072	74,073,706
Loss from the sale of assets		48,285	-
Expenses			
Provisions for risks and charges		739,745	(1,615,730)
Impairment allowances for current assets		(252,525)	(32,095)
Interest expenses		(414,063)	(410,275)
Commissions expenses	13	(8,794,811)	(3,322,619)
Other operating expenses	14	(37,163,952)	(31,805,408)
Profit before tax		**92,704,090**	**178,013,337**
Income tax	15	(3,843,663)	(19,271,605)
Net profit of the financial year		**88,860,428**	**158,741,732**
Profit attributable to:			
Parent		88,858,482	158,739,125
Non-controlling interests		1,946	2,607
Total profit of the financial year		**88,860,428**	**158,741,732**
Other comprehensive income			
Items that are or may be transferred to profit or loss			
Amounts transferrable to profit or loss (debt instruments)		(29,465)	41,503
Amount transferred to profit or loss (debt instruments		-	-
Items that are or may be transferred to retained earnings			
The fair value change for financial assets through other comprehensive income	19	(150,921,508)	334,672,032
Changes in revaluation reserve for property, plant and equipment		-	1,071,553
Tax effect on the above reserves		23,596,781	(53,727,177)
Other comprehensive income		**(127,354,192)**	**282,057,911**
Total comprehensive income for the period		**(38,493,764)**	**440,799,644**
Earnings per share			
Basic		0,1727	0,3072
Diluted		0,1727	0,3072

The separate financial statements were authorized for issue by the Board of Directors on 26 March 2021, and were signed on its behalf by:

Bogdan-Alexandru Drăgoi
Chairman and CEO

Dorel Baba
Financial Reporting Manager

Consolidated statement of financial position for the year ended 31 December 2020

(All amounts are presented in RON)

	Note	31 December 2020	31 December 2019
Assets			
Cash and cash equivalents	16	187,639,649	118,938,341
Bank deposits	17	5,453,621	14,998,737
Financial assets at fair value through other comprehensive income (bonds)	19	5,111,504	5,053,634
Financial assets at amortized cost	20	-	43,246,691
Other financial assets	21	9,254,479	12,407,954
Other assets		257,796	260,146
Assets held for sale	11	43,727,212	-
Financial assets at fair value through profit or loss	18	1,394,390,716	1,226,791,566
Financial assets at fair value through other comprehensive income (shares)	19	1,210,525,841	1,419,485,824
Right-of-use assets under lease	22	-	1,950,690
Investment properties	11	28,498,134	71,669,701
Property, plant and equipment	23	6,032,529	5,265,407
Total assets		**2,890,891,482**	**2,920,068,691**
Liabilities			
Current income tax assets		143,012	6,016,671
Other financial liabilities	24	39,296,691	4,302,517
Other liabilities and deferred income		26,797	10,473
Loans	25	15,534,842	11,524,982
Lease liabilities	22	49,965	2,132,985
Provisions for risks and charges		2,181,010	2,920,755
Deferred tax liabilities	26	146,892,044	170,631,789
Total liabilities		**204,124,360**	**197,540,172**
Equity			
Share capital	27	51,542,236	51,746,072
Own shares	27	(2,199,867)	(7,295,461)
Losses from redemption of treasury shares		(40,659)	(134,838)
Shares benefits granted		1,867,063	-
Retained earnings	27	740,422,170	811,806,713
Other reserves	27	1,157,455,631	997,961,099
Reserves on revaluation of property, plant and equipment		1,176,569	1,176,569
Legal reserves		10,568,848	10,609,615
Reserves from revaluation of financial assets at fair value through other comprehensive income	19	725,960,324	856,643,688
Total		**2,686,752,316**	**2,722,513,457**
Non-controlling interests		14,807	15,062

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Consolidated statement of financial position for the year ended 31 December 2020

(All amounts are presented in RON)

	Note	31 December 2020	31 December 2019
Total equity		**2,686,767,122**	**2,722,528,519**
Total liabilities and equity		**2,890,891,483**	**2,920,068,691**

The separate financial statements were authorized for issue by the Board of Directors on 26 March 2021, and were signed on its behalf by:

Bogdan-Alexandru Drăgoi
Chairman and CEO

Dorel Baba
Financial Reporting Manager

Consolidated statement of changes in equity for the year ended 31 December 2020

(All amounts are presented in RON)

<u>2019</u>	Share capital	Treasury Shares	Losses from redemption of shares	Legal reserves	Reserves from revaluation of financial assets FVOCI	Reserves on revaluation of property, plant and equipment	Other reserves	Benefits in Equity Instruments	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January 2020	**51,746,072**	**(7,295,460)**	**(134,838)**	**10,609,615**	**856,643,688**	**1,176,569**	**997,961,098**	**-**	**811,806,713**	**2,722,513,459**	**15,062**	**2,722,528,521**
Profit for current year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	88,858,482	88,858,482	1,946	88,860,428
Changes in reserves from revaluation of property plant and equipment	-	-	-	-	-	-	-	-				
Reserves from revaluation of financial assets transferred to profit or loss	-	-	-	-	-	-	-	-				
Reserve from revaluation of financial assets transferred to retained earnings	-	-	-	-	(3,942,196)	-	-	-	3,942,196	-		-
Changes in reserves	-	-	-	(40,767)	(150,956,585)	-	-	-	908,273	(150,089,080)		(150,089,080)
Deferred income tax	-	-	-		24,215,417	-	-	-	(613,024)	23,602,393		23,602,393
Total comprehensive income for the period	**-**	**-**	**-**	**(40,767)**	**(130,683,365)**	**-**		**-**	**93,095,927**	**(37,628,205)**	**1,946**	**(37,626,259)**
Other reserves – company sources							159.494.532	-	(159.494.532)			
Increase/Decrease in ownership interest in subsidiaries												

Consolidated statement of changes in equity for the year ended 31 December 2020

(All amounts are presented in RON)

	Share capital	treasury Shares	Losses from redemption of shares	Legal reserves	Reserves from revaluation of financial assets FVOCI	Reserves on revaluation of property, plant and equipment	Other reserves	Benefits in Equity Instruments	Retained earnings	Total	Non-controlling interest	Total equity
Dividends prescribed	-	-	-	-	-	-	-	-	-	-	-	-
Changes in subsidiary reserve	-	-	-	-	-	-	-	-			(2,201)	(2,201)
Changes in benefits granted	-	-	-	-	-	-	-	1,867,063		1,867,063		1,867,063
Redemption of treasury shares	-	-	-	-	-	-	-	-				
Cancellation of treasury shares	(203,836)	5,095,594	94,179	-	-	-	-	-	(4,985,937)	-		-
Total transactions with shareholders recognized in equity	**(203,836)**	**5,095,594**	**94,179**	**-**	**-**	**-**	**159,494,532**	**1,867,063**	**(164,480,469)**	**1,867,063**	**(2,201)**	**1,864,862**
Balance as at 31 December 2020	**51,542,237**	**(2,199,867)**	**(40,659)**	**10,568,848**	**725,960,323**	**1,176,569**	**1,157,455,630**	**1,867,063**	**740,422,171**	**2,686,752,315**	**14,806**	**2,686,767,122**

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Dorel Baba
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Consolidated statement of changes in equity for the year ended 31 December 2020

(All amounts are presented in RON)

2019	Share capital	Treasury Shares	Losses from redemption of shares	Legal reserves	Reserves from revaluation of financial assets FVOCI	Reserves on revaluation of property, plant and equipment	Other reserves	Benefits in Equity Instruments	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January 2019	**51,746,072**	**(223,486)**	**(559)**	**10,605,770**	**622,243,796**	**105,016**	**920,774,871**	**2,380,000**	**682,583,150**	**2,290,214,631**	**1,045,677**	**2,291,260,307**
Profit for current year	-	-	-	-	-	-	-	-	158,739,125	158,739,125	2,607	158,741,732
Changes in reserves from revaluation of property plant and equipment	-	-	-	-	-	1,071,553	-	-	-	1,071,553	-	1,071,553
Reserves from revaluation of financial assets transferred to profit or loss	-	-	-	-	-	-	-	-	-	-	-	-
Reserve from revaluation of financial assets transferred to retained earnings	-	-	-	-	(54,738,485)	-	-	-	54,738,485	-	-	-
Changes in reserves	-	-	-	-	334,721,440	-	-	-	-	334,721,440	-	334,721,440
Deferred income tax	-	-	-	-	(45,583,064)	-	-	-	(8,152,018)	(53,735,082)	-	(53,735,082)
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**234,399,892**	**1,071,553**	**-**	**-**	**205,325,591**	**440,797,036**	**2,607**	**440,799,644**
Other reserves – company sources	-	-	-	-	-	-	77,186,227	-	(77,186,227)	-	-	-
Increase/Decrease in ownership interest in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-

Consolidated statement of changes in equity for the year ended 31 December 2020

(All amounts are presented in RON)

	Share capital	treasury Shares	Losses from redemption of shares	Legal reserves	Reserves from revaluation of financial assets FVOCI	Reserves on revaluation of property, plant and equipment	Other reserves	Benefits in Equity Instruments	Retained earnings	Total	Non-controlling interest	Total equity
Dividends prescribed	-	-	-	-	-	-	-	-	-	-	-	-
Changes in subsidiary reserve	-	-	-	3,845	-	-	-	-	1,084,199	1,088,044	(1,033,222)	54,821
Changes in benefits granted	-	3,499,788	64,684	-	-	-	-	(2,380,000)	-	1,184,473	-	1,184,473
Redemption of treasury shares	-	(10,571,763)	(198,963)	-	-	-	-	-	-	(10,770,726)	-	(10,770,726)
Total transactions with shareholders recognized in equity	**-**	**(7,071,974)**	**(134,279)**	**3,845**	**-**	**-**	**77,186,227**	**(2,380,000)**	**(76,102,029)**	**(8,498,209)**	**(1,033,222)**	**(9,531,432)**
Balance as at 31 December 2019	**51,746,072**	**(7,295,460)**	**(134,838)**	**10,609,615**	**856,643,688**	**1,176,569**	**997,961,098**	**-**	**811,806,713**	**2,722,513,459**	**15,062**	**2,722,528,521**

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Financial Reporting Manager

Consolidated statement of cash flows for the year ended 31 December 2020

(All amounts are presented in RON)

	31 December 2020	31 December 2019
Cash flows from operating activities		
Net profit for the period	**88,860,428**	**158,741,732**
Adjustments for:		
Depreciation and impairment of property, plant and equipment and intangible assets	688,393	909,237
(Gain)/Losses on disposal of property plant and equipment	185,950	1,585
(Gain)/Losses from revaluation of investment property (Note 11)	(6,696,841)	(384,617)
(Income)/Expenditure related to impairment allowances of assets		-
Net (income) / expenses with provisions for risks and charges	(739,745)	1,615,730
Net (profit) /loss from sale of assets	-	-
(Net gains)/ Net losses from financial assets at fair value through profit or loss	(22,890,072)	(74,073,706)
Income from dividends (Note 8)	(73,541,249)	(101,530,735)
Interest income	(9,136,269)	(6,378,244)
Interest expenses	414,062	414,596
Benefits in equity instruments	1,867,063	1,414,000
Other adjustments and exchange rate differences	(1,119,282)	(1,156,968)
Income tax (Note 15)	3,843,663	19,271,605
Operating cash flows before working capital changes	**(18,263,899)**	**(1,155,786)**
Changes in assets and liabilities from operating activities		
Changes in other receivables	7,768,456	(8,134,998)
Changes in other payables	35,058,765	1,791,276
Income tax paid	(6,870,839)	(20,232,088)
Interest paid		(169,662)
Net cash from operating activities	**17,692,483**	**(27,901,258)**
Cash flows from investing activities		
Payments for the acquisition of financial assets at fair value through other comprehensive income (shares, bonds) (Note 19)	(7,459,123)	(6,586,167)
Proceeds from sales of financial assets at fair value through other comprehensive income (shares, bonds)	65,497,597	107,323,972
(Placements) / Proceeds from deposits greater than three months	9,513,000	6,772,661
Proceeds from sales / redemption of assets at fair value through profit or loss (fund units, bonds)	9,899,346	84,852,486
Payments for acquisition of financial assets at fair value through profit or loss (fund units, shares, bonds) (Note 19)	(159,436,657)	(123,637,912)
Proceeds / (Payments) for acquisition of financial assets at amortised cost	43,746,000	(42,995,700)
Payments for acquisition or property, plant and equipment and investment property	(5,114,365)	(49,868,681)
Proceeds from sale of property, plant and equipment and investment property	9,636,800	138,460
Proceeds from dividends	71,542,194	96,736,664
Dividends received	9,619,287	5,629,823
Net cash used in investing activities	**47,444,079**	**78,365,606**
Cash flows from financing activities		
Net cash in/out from loans (including leases)	3,567,192	7,560,579
Dividends paid to the Company's shareholders	(2,448)	(8,207)

Consolidated statement of cash flows for the year ended 31 December 2020

(All amounts are presented in RON)

	31 December 2020	31 December 2019
Redemption of treasury shares	-	(10,770,725)
Net cash from financing activities	**3,564,744**	**(3,218,353)**
Net increase/ (decrease) in cash and cash equivalents	**68,701,306**	**47,245,995**
Cash and cash equivalents at the beginning of the year	**118,938,342**	**71,692,348**
Cash and cash equivalents at the end of the year	**187,639,648**	**118,938,342**

Cash and cash equivalents include:

	31 December 2020	31 December 2019
Cash on hand	7,647	8,935
Current accounts at banks (including interest receivable)	41,422,880	31,887,034
Bank deposits with original maturity less than 3 months (including interest receivable)	146,189,161	87,035,157
Other values and cash advances	19,961	7,216
Cash and cash equivalents	**187,639,649**	**118,938,341**

The separate financial statements were authorized for issue by the Board of Directors on 26 March 2021, and were signed on its behalf by:

Bogdan-Alexandru Drăgoi
Chairman and CEO

Dorel Baba
Financial Reporting Manager

Consolidated accounting policies

1. Reporting entity

The Financial Investment Company Banat–Crişana SA („the Company”) was established according to Law no. 133/1996 through the reorganization and transformation of the Private Property Fund Banat-Crişana and it is a trading joint-stock company operating according to Law 31/1990. The Company is established as a self-managed investment company authorised by the Financial Supervisory Authority as Administrator of Alternative Investment Funds (AFIA) – License no. 78/09.03.2018, classified in accordance with the provisions of Law no. 243/2019 as a diverse, closed alternative investment fund, intended for retail investors (FIAIR).

The registered office of SIF Banat–Crişana is situated in Arad, Calea Victoriei, nr. 35 A, judeţul Arad, cod 310158, phone: 0257.234.167, Fax: 0257.250.165. The registration number of the Trade Register Office is: J02/1898/1992, and the Sole Tax Registration Code is: 2761040.

The business object of the Company is:

- management of portfolio;
- risk management;
- other collective management activities associated to an investment fund, as permitted by the legislation in force.

The shares of the Company are listed in the Stock Exchange of Bucharest, starting with November 1st 1999 and are traded on the regulated market within the Premium category, having the indicative SIF1.

Starting 28.11.2019, the depositary company of the Company is BCR. Until that date (since 29.01.2014), BRD Groupe Société Générale held this position and the company providing registry services is Depozitarul Central SA Bucharest.

The consolidated financial statements issued for 2020 comprise the Company, its subsidiaries and associates („the Group”). The subsidiaries and the associates are presented at Note 3. The Company prepares consolidated financial statements as ultimate parent for the group entities.

The activity developed by the Group in 2020 and 2019 is segmented on the main activity, respectively financial.

During the first quarter of 2018, based on the available information as at 31 December 2017, the Company reviewed the fulfilment of the criteria for classification as an investment entity and concluded that they were met, except for the subsidiaries which provides investment-related services (SAI Muntenia Invest, Administrare Imobiliare S.A.). In accordance with IAS 27 and IAS 10, starting with the financial year 2018, the Company measures all its subsidiaries at fair value through profit or loss, except for the subsidiaries that offer investment-related services that will continue to be consolidated. In addition, in May 2019, February 2020 and February 2021, based on the data available as of December 2018, the Company revised its analysis on whether it fulfills the classification criteria for investment entities, concluding that it fulfills such requirements and that it will apply the exception provided by IFRS 10 on investment entities and for the financial statements for 2019, 2020 and 2021.

2. Basis of preparation

a) Statement of compliance

The consolidated financial statements were prepared in accordance with Rule no. 39/2015 approving the Accounting Regulations compliant with the International Financial Reporting Standards, applicable to entities authorized, regulated and supervised by the Financial Supervisory Authority in the Financial Instruments and Investments Sector (the "Rule").

According to the Regulation no. 1606/2002 of the European Parliament and of the European Union Council dated 19 July 2002, as well as to Law no. 24/2017 on issuers of financial instruments and market operations, the financial investments Companies must prepare and submit before the Financial Supervisory Authority (FSA) the annual consolidated financial statements, in accordance with IFRS, within 4 months as of the end of the financial year.

The bookkeeping of the Company and of the subsidiaries is kept in lei.

As not all subsidiaries apply IFRS as accounting basis, the statements issued according to the Romanian Accounting Regulations ("RAR") are reconsidered to emphasize the differences between the accounts compliant with RAR and those compliant with IFRS. Consequently, the statements compliant with RAR are adjusted, as the case may be, in order to harmonize these financial statements, in all significant aspects, with the requirements of IFRS adopted by the European Union by the Regulations 1606/2002 of the European Parliament and of the Council of the European Union in July 2002 and those of the FSA Regulation no. 39/2015.

b) Presentation of consolidated financial statements

The Group has adopted a liquidity based presentation within the consolidated statement of the financial position and a presentation of the income and expenses depending on their nature within the consolidated statement of the global result, considering that these presentation methods supply reliable and more relevant information than that information that would have been presented based on other methods allowed by IAS 1 „Presentation of Financial Statements".

c) Basis of measurement

The consolidated financial statements are issued based on the fair value convention for the financial assets and liabilities at the fair value through the profit and loss and the financial assets at fair value through other comprehensive income.

Other financial assets and liabilities, as well as the non-financial assets and liabilities are presented at amortized cost, revalued amount or cost.

The methods used for the evaluation of the fair value are presented at Note 4.

d) Going concern

The consolidated financial statements have been prepared based on the going concern principle, which assumes that the parent and the trading companies within its portfolio will be able to dispose of assets and to fulfil the obligations during the operational activity.

e) Functional and presentation currency

The Group management considers that the functional currency, as defined by IAS 21 „The Effects of Changes in Foreign Exchange Rates", is the Romanian leu (RON or lei). The consolidated financial statements are presented in lei, rounded to the closest leu, the currency that the Group management chose as presentation currency.

2. Basis of preparation (continued)

f) Use of estimates and judgments

The preparation of consolidated financial statements in accordance with Rule no. 39/2015 approving the Accounting Regulations compliant with the International Financial Reporting Standards, applicable to entities authorized, regulated and supervised by the Financial Supervisory Authority in the Financial Instruments and Investments Sector supposes the use by the Group management of estimates, judgments and hypotheses affecting the application of the accounting policies as well as the reported value of the assets, liabilities, income and expenses.

The estimates and hypotheses associated to these judgments are based on the historical experience as well as on other factors considered reasonable within the context of these estimates.

The results of these estimates form the basis of judgments related to the carrying amounts of the assets and liabilities that cannot be obtained from other sources of information. The results obtained can be different from the value of estimates.

The estimates and hypothesis are reviewed periodically. The review of the accounting estimates is recognized during the period in which the estimation is reviewed, if the review affects only that period or the period in which the estimate is reviewed and the future periods if the review affects both the current period and the future periods.

The judgments carried-out by the Group management in applying IFRS that have a significant aspect on the consolidated financial statements as well as the estimates involving a significant risk of a material adjustment during the future year are presented at Note 6.

g) Changes in accounting policies

The accounting policies adopted are applied consequently for all periods presented within these consolidated financial statements.

Starting with financial year 2018, the Company measures all its subsidiaries at fair value through profit or loss, except for the subsidiaries that offer investment-related services that will continue to be consolidated.

Thus, the Group applied the IFRS 10 Amendments regarding investment entities, starting with the financial year 2018 when, following the review of the criteria presented by the Amendments, the Company's Management concluded that the Company fulfils the conditions for the classification as an investment entity.

Thus, the Company changed the accounting policy for its investments in subsidiaries and associates, these being measured at their fair value through profit or loss. The changes in accounting policies are applied retrospectively from the date of the change, in accordance with IFRS 10.30.

In May 2019 and February 2020, the Company revised its analysis on whether it fulfills the classification criteria for investment entities, concluding that it fulfills such requirements and that it will apply the exception provided by IFRS 10 on investment entities and for the financial statements for 2019 and 2020.

For the purpose of IFRS 10, the date of initial application, the transaction, is the beginning of the annual reporting period in which this IFRS applies for the first time.

(All amounts are presented in RON)

3. Basis of consolidation

a) Subsidiaries and associates

The subsidiaries are entities under the Company control. The control exists when the Company is exposed or has rights on the variable profitability based on its participation in the entity in which it invested and has the capacity to influence that income through its authority over the invested entity. On the control evaluation date, the potential or convertible voting rights exercised on the respective date are taken into account.

The financial statements of the subsidiaries are included in the consolidated financial statements as of the date when it begins exercising the control until its termination. The accounting policies of the subsidiaries were amended in order to harmonize them with the Group's policies.

The list of investments in subsidiaries as at 31.12.2020 and 31.12.2019 is the following:

		Percentage held (%)	
No.	Company name	31 December 2020	31 December 2019
1	SIF Imobiliare PLC Nicosia	100,00	100,00
2	(SIF SPV Two București)	99,99	99,99
3	SAI Muntenia Invest SA Bucharest	99,98	99,98
4	(SIF1 IMGB)	99,92	-
5	Napomar SA Cluj Napoca	99,43	99,43
6	SIF Hoteluri SA Oradea	99,00	99,00
7	Azuga Turism SA Bucureşti	98,94	98,94
8	Administrare Imobiliare SA București	97,40	97,40
9	(Silvana SA Cehu Silvaniei)*	96,28	96,28
10	(Iamu SA Blaj)	76,70	76,70
11	(Vrancart SA Adjud)	75,06	75,06
12	(Somplast SA Nasaud)	-	70,75
13	(Central SA Cluj)	74,53	67,08
14	(Uniteh SA Timișoara)**	36,34	36,34
15	SIFI CJ Logistic**	5,53	-
16	Ario SA Bistriţa ***	93,64	93,64

Note: The subsidiaries shown in brackets in the table above were removed from the consolidation perimeter as an effect of the periodical analysis of the investment entity status as per IFRS 10.
*Silvana SA Cehu Silvaniei submitted an application for initiation of insolvency proceedings, on 17 December 2019, which was admitted by the court on 19 December 2019.
** Uniteh SA and SIFI CJ Logistic are subsidiaries also by indirect control through SIF Imobiliare Plc Nicosia.
*** Ario SA Bistriţa is incurring the bankruptcy procedure, so that the voting rights held by SIF BANAT-CRIȘANA do not grant it the authority over the entity in which it invested and this way, it is excluded from the consolidation perimeter.

(All amounts are presented in RON)

3. Basis of consolidation (continued)

b) Associates

The associates are those entities in which the Company can exercise a significant influence, but not the control over the financial and operational policies.

The companies in which SIF BANAT-CRIȘANA holds between 20-50%, over which it exercises a significant influence and that enter the consolidation field are Biofarm and Gaz Vest.

No.	Company name	31 December 2020	31 December 2019
1	Gaz Vest SA Arad	25.82	25.82
2	Biofarm SA Bucureşti	36.75	36.75

SIF Banat has representatives in the Board of Directors of the two entities Biofarm and Gaz Vest and participates in the issue of their policies. As of 2018, following the application of IFRS 10, the Company evaluates these interests at fair value through profit or loss.

The companies in which SIF BANAT-CRIȘANA holds between 20-50%, over which it does not exercise a significant influence and that do not enter the consolidation field are divided as follows:

- Companies undergoing liquidation, insolvency, bankruptcy etc.

		Percentage held (%)		
No.	Company name	31 December 2020	31 December 2019	Status
1	Comar SA Baia Mare	34,94	34,94	Bankruptcy
2	Mobila Uşi SA Bacău	-	32,45	Bankruptcy
3	Elbac SA Bacău	32,45	32,45	Bankruptcy
4	Petrocart	30,18	30,18	insolvency
5	Agroproduct SA Reşiţa	30,00	30,00	Reorganization
6	Petrocart	30,00	30,00	Bankruptcy
7	Uzina Ardealul Alba Iulia	29,51	29,51	Bankruptcy
8	Commixt SA Ocna Mureş	28,97	28,97	Bankruptcy
9	Mobimet SA Haţeg	-	28,87	Bankruptcy
10	Metalurgica SA Marghita	28,41	28,41	Bankruptcy
11	Sunprod Galda de Jos	27,09	27,09	Dissolution
12	Mebis SA Bistriţa	26,78	26,78	Insolvency
13	Exfor SA Bucureşti	24,23	24,23	Bankruptcy
14	Mopal SA Bistriţa	21,89	21,89	Reorganization
15	Transilvania Aiud	20,19	20,19	Bankruptcy

(All amounts are presented in RON)

3. Basis of consolidation (continued)

b) Associates (continued)

In accordance with IFRS (IAS 28, paragraph 9), an entity loses significant influence over an investee when it loses the power to participate in the financial and operating policy decisions of that investee. It could occur, for example, when an associate becomes subject to the control of a government, court, administrator or regulator.

As the associates in the table above are in bankruptcy / insolvency / dissolution it can be concluded that SIF BANAT-CRIȘANA lost significant influence over the investee entities and so they are excluded from the scope of consolidation.

- Companies over which it does not exercise significant influence:

		Percentage held (%)	
No.	**Company name**	**31 December 2020**	**31 December 2019**
1	Forestiera SA Tîrgovişte	25.75	25.75
2	Agromec Gataia	23.91	23.91
3	CTCE SA Alba Iulia	23.24	23.24
4	Molidul SA Suceava	21.63	21.63

Since the criteria mentioned in IAS 28 ("Criteria significant influence") - paragraph 6 are not met, it can be concluded that SIF BANAT-CRIȘANA does not have significant influence over the associates in the table above, which are excluded from the scope of consolidation.

c) Transactions removed at consolidation

The settlements and the transactions within the Group, as well as the profit not realized resulted from transactions within the Group, are removed wholly from the consolidated financial statements.

The accounting policies presented below have been applied coherently for all periods presented within these consolidated financial statements. The accounting policies have been applied coherently by all the Group entities.

d) Comparative information

Starting with the financial year 2018, the Company reviewed the criteria for classification as an investment entity and concluded that they are being met. Consequently, the Company will remove its subsidiaries from the consolidation perimeter, except those providing investment services (SAI Muntenia Invest, Administrare Imobiliare SA). In accordance with IAS 27 and IFRS 10, starting with the financial year 2018, the Company measures all its subsidiaries at fair value through profit or loss, except for subsidiaries that provide investment-related services that will continue to be consolidated. In February 2021, the compliance with the characteristics of an investment entity was reassessed as per IFRS 10. The conclusions regarding the compliance with the criteria remained the same, the parent will apply the consolidation exemption for 2021 as well.

(All amounts are presented in RON)

4. Significant accounting policies

a) Transactions in foreign currency

The operations expressed in foreign currency are registered in lei at the official exchange rate on the settlement date of the transactions. The monetary assets and liabilities registered in foreign currency on the preparation date of the consolidate statement of the financial position are converted in the functional currency at the exchange rate of the respective day. The earnings or the losses of the monetary items are represented by the difference between the amortized cost expressed in the functional currency at the beginning of the reporting period, adjusted with the actual interest and the payments of the period, and the amortized costs in foreign currency converted in the functional currency at the closing exchange rate of the period.

The non-monetary assets and liabilities denominated in foreign currency that are measured at the fair value are translated in the functional currency at the exchange rate on the date when the fair value was determined.

The gains or losses from settlement are recognized in the profit and loss statement, except for the cases in which the differences of the exchange rate result from the conversion of the financial instruments measured at fair value through other comprehensive income that are included in the reserve resulting from the modification of the fair value of these financial instruments and from the cases in which the differences of exchange rate result from the conversion of financial instruments classified at the fair value through profit and loss that are presented as being earnings or losses from the fair value.

The exchange rates of the main foreign currencies were:

Currency	Spot rate 31 December 2020	Spot rate 31 December 2019
EUR	4.8694	4.7793
USD	3.9660	4.2608

b) Accounting for the effect of hyperinflation

According to IAS 29 („Financial Reporting in Hyperinflationary Economies”) the financial statements of an entity whose functional currency is the currency of a hyperinflationary economy should be presented according to the purchase power terms of the currency on the issuing date of the consolidated statement of the financial position, that is the non-monetary items are reconsidered by applying the general price index on the acquisition or contribution date.

According to IAS 29, an economy is considered to be hyperinflationary if, over and above other factors, the cumulative inflation rate over a three year period exceeds 100%.

The continued fall in inflation rate and other factors related to the economic environment in Romania indicate that the economy whose functional currency was adopted by the Group has ceased to be hyperinflationary with effect on the financial periods beginning on 1 January 2004. Therefore, the provisions of IAS 29 were adopted in the preparation of consolidated financial statements by 31 December 2003.

4. Significant accounting policies (continued)

b) Accounting for the effect of hyperinflation (continued)

Thus, the values expressed in the current measurement unit as at December 31st 2003 are treated as base for the carrying amounts reported in the consolidated financial statements and do not represent evaluated values, replacement cost, or any other measurement of the current value of the assets or of the prices at which the transactions would take place at this moment.

In order to issue the consolidated financial statements as at December 31st 2016, the Group adjusted the following elements to be expressed in the current measurement unit as at 31 December 2003:

- The share capital and the reserve elements (See note 27);
- The available-for-sale financial assets evaluated at cost, for which there was no active market and for which it was possible to determine the fair value under a reliable manner (See note 4 d), as at 31st December 2017;

c) Cash and cash equivalents

The cash comprised the cash on hand and cash at bank and the short-term bank deposits.

The cash equivalents are short-term and very liquid financial investments that are slightly convertible in cash and are referred to a non-significant risk for modifying the value.

When issuing the consolidated statement of the treasury flows, the following were considered cash and cash equivalents: the effective cash, the current accounts at banks and the deposits having an initial due date smaller than 90 days, less the authorized overdraft.

d) The financial instruments according to IFRS 9 include the following:

- Investments in equity instruments (e.g. shares);
- Investments in debt instruments (e.g. titles, bonds, loans);
- Trade receivables and other receivables;
- Cash and cash equivalents;
- Financial derived instruments;
- Participations in subsidiaries, associations and joint ventures.

***(i)* Classification**

Financial instruments held are presented by the Group in accordance with IFRS 9 "Financial Instruments" in financial assets and financial liabilities.

The Group presents the ***financial assets*** at amortized cost, at fair value through other comprehensive income or fair value through profit or loss based on:

(a) the entity's business model for the management of financial assets;

(b) the characteristics of the contractual cash flows of the financial asset.

4. Significant accounting policies (continued)

d) The financial instruments according to IFRS 9 (continued)

(i) Classification (continued)

Business model

- It represents the manner in which an entity manages its financial assets in order to generate cash flows: collection, sale of assets or both of them;
- Its determination is realized by facts, considering: the valuation and reporting modality of their performance, the current risks and the management modality thereof and the management compensation modality (based on fair value or based on cash flows related to these investments);

Model of held-to-collect assets

- Managed in order to carry out the cash flows by collecting the principal and the interest during the lifetime of the instrument;
- The hold-to-maturity is not necessary;
- There are categories of sale transactions compatible to this model: those ones due to the increase of the credit risk, limited or insignificant sales from the value point of view or sales on dates closed to the due date of the instruments;
- Interest income, gains or losses from impairment and the exchange rate differences are recognized in profit or loss;
- The accounting recording of these assets (if the SPPI criterion is also fulfilled and the fair value through profit or loss option was not selected) is made at amortized cost (using the effective interest method).

Model of held-to-collect and held-for-sale assets

- Managed both to realize cash flows from collection and through the (full) sale of assets;
- The sales have high frequency and value compared to the previous model, without mentioning a certain threshold to classify within this model;
- The purpose of these sales can be: managing the current liquidity needs, mentioning certain structure of the output obtained or optimization decisions of the entity's balance sheet (correlation of the term of financial assets with that of financial liabilities).
- The accounting registration of these assets (if the SPPI criterion is also fulfilled and the fair value through profit or loss option was not selected) is made at the fair value through other comprehensive income (using the effective interest method; the interests, earnings or losses from impairment and the exchange rate differences – in profit and loss / variation of the fair value of these instruments – in other comprehensive income, the amounts recognized in other comprehensive income are recycled through profit and loss when the asset is derecognized).

Other business model

- The assets managed in order to carry out the cash flows by means of sale;
- The collection of cash flows related to these investments is incidental, it does not represent the purpose of their holding;
- Assets whose performance is managed and reported based on their fair value;
- The accounting recording of these assets is made at the fair value through profit and loss.

4. Significant accounting policies (continued)

d) The financial instruments according to IFRS 9 (continued)

(i) Classification (continued)

SPPI test

It comprises criteria that evaluates to what extent the structure of the cash flows of a liability instrument classifies within the model of the base credit agreement (interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin).

There are some ratios that indicate the case in which the liabilities instruments held should be evaluated at the fair value through profit and loss:

- some non-standard interest rate;
- presence of the leverage effect;
- some hybrid instruments (including an incorporated derivative).

There are also ratios that, although they would impose a registration at fair value, can comply, under certain circumstances, with the SPPI criterion and so the respective assets should be accounted for at amortized cost:

- the existence of an anticipated reimbursement option or extension of the asset term;
- assets without recourse that should guarantee the debt reimbursement
- contractually related instruments.

Financial assets measured at fair value through profit or loss (FVTPL)

A financial asset must be measured at fair value through profit or loss, except if it is measured at amortized cost or at fair value through other comprehensive income.

Financial assets measured at fair value through other comprehensive income (FVOCI)

A financial asset, such as debt instruments, must be measured at fair value through other comprehensive income if both conditions below are complied with:

a) the financial asset is held within a business model whose goal is achieved by collecting the contractual cash flows and the sale of financial assets and

b) the contractual terms of the financial asset give rise, on certain dates, to cash flows that are exclusively payments of the principal and of the interest corresponding to the principal owed.

The Group can make an irrevocable choice upon the initial recognition in case of certain investments in *equity instruments* that otherwise would have been evaluated at the fair value through profit or loss to present the subsequent changes of the fair value in other comprehensive income (according to paragraphs 5.7.5 and 5.7.6 of IFRS 9 – Financial Instruments).

4. Significant accounting policies (continued)

d) The financial instruments according to IFRS 9 (continued)

(i) Classification (continued)

Financial assets measured at amortized cost

A financial asset must be measured at amortized cost if both conditions below are complied with:

(a) the financial asset is held within a business model whose goal is to hold financial assets in order to collect the contractual cash flows and

(b) the contractual terms of the financial asset give rise, on certain dates, to cash flows that are exclusively payments of the principal and of the interest corresponding to the principal owed.

Financial liabilities

Financial liabilities are measured at FVTPL if:

1) they meet the definition of "held for trading";
2) are designated as FVTPL at the initial recognition (provided that qualifying conditions are met);

Other financial liabilities are measured at amortised cost.

(ii) Recognition

The assets and liabilities are recognized on the date when the Group becomes a contractual party to the conditions of the respective instrument. When the Group recognizes a financial asset for the first time, it must classify it according to paragraphs 4.1.1-4.1.5 (at amortized cost, at fair value through profit or loss or at fair value through other comprehensive income) of IFRS 9 and value it according to paragraphs 5.1.1-5.1.3. (a financial asset or financial liability is measured at fair value adding or subtracting trading costs, directly attributable to the acquisition or issue of the asset or liability).

(iii) Measurement

After the initial recognition, the entity must measure the financial assets according to paragraphs 4.1.1 – 4.1.5 of IFRS 9 at:

a) amortized cost;
b) fair value through other comprehensive income; or
c) fair value through profit or loss.

After initial recognition, the Group must value the financial liabilities according to paragraphs 4.2.1-4.2.2 of IFRS 9. Thus, the Group will classify all financial liabilities at amortized cost, except for:

a) the financial liabilities measured at fair value through profit or loss;
b) the financial liabilities that appear when the transfer of a financial asset does not qualify for derecognition;
c) financial collateral contracts valued at the highest of the loss provision value (Section 5.5 of IFRS 9) and the amount initially recognized less accumulated income (recognized under IFRS 15);
d) commitments to provide a loan at an interest rate below the market value measured at the highest of the loss provision value (Section 5.5 of IFRS 9) and the amount initially recognized less accumulated income (recognized under IFRS 15)
e) contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies.

4. Significant accounting policies (continued)

d) The financial instruments according to IFRS 9 (continued)

(iii) Measurement (continued)

Measurement* at *amortized cost

The amortized cost of a financial asset or of a financial liability is the value at which the financial asset or the financial liability is measured after the initial derecognition minus the reimbursement of principal, plus or minus the accumulated amortization using the effective interest method for each difference between the initial value and the value at due date, and minus any reduction for any expected credit loss.

The effective interest rate represents the rate that updates exactly the future payments and proceeds in cash during the forecasted life of the financial instrument, up to the level of the gross carrying amount of the financial asset or to the amortised cost of a financial liability. For the calculation of the effective interest rate, the entity must estimate the cash flows considering all contractual conditions of the financial instrument, but must not consider the future losses from the changes in credit risk. The calculation includes all fees paid or cashed by the contracting parties that make integral part of the effective interest rate, transaction costs and all the other premiums and discounts.

Measurement at fair value

Fair value represents the price that would be received upon the sale of an asset or paid to extinguish a debt within a transaction developed under normal conditions between the participants in the principal market, on the measurement date, or in the absence of the principal market, on the most advantageous market to which the Group has access at that date.

The group measures the fair value of a financial instrument using the prices quoted on an active market for that instrument. A financial instrument has an active market if for that instrument quoted prices are readily available and regularly. The group measures the instruments quoted on the active markets using the closing price.

A financial instrument is considered as being quoted on an active market when the quoted prices are readily available and regularly from an exchange, dealer, broker, association within the industry, a service for establishing the prices or a regulatory agency, and these prices reflect the transactions occurring actually and regularly, developed under objective market conditions.

Within the category of shares quoted on an active market, all those shares admitted to trading on the Stock Exchange or on the alternative market having frequent transactions are included. The market price used to determine the fair value is the closing price of the market on the last trading day before the measurement date.

The fund units are measured according to the net asset value, calculated by the fund administrator using the closing quotations for the quoted financial instruments. If the Group notices that there is no active market for the fund holding, it recurs for measurement to the public financial statements of the fund holding, respectively to the net asset value. According to the net asset, a corrected Net Asset Value is obtained used to evaluate the units in the financial statements of the Group.

Government securities are measured based on the market quotation available on Bloomberg for the respective item, multiplied by the unit nominal value.

In the absence of a price quotation on an active market, the Group uses measurement techniques. The fair value of the financial assets not traded on an active market is determined by authorized valuators, within the current assessment compartment within the Group.

4. Significant accounting policies (continued)

d) The financial instruments according to IFRS 9 (continued)

(iii) Measurement (continued)

Measurement at fair value (continued)

The valuation techniques include techniques based on the use of observable inputs, such as the quoted price of the identical element held by another party as asset, on a market that is not active, and for the assets for which the observable prices are not available, measurements techniques based on the analysis of the updated cash flows, and other measurement methods used regularly by the market participants. These include the method of comparisons with similar instruments for which there is an observable market price or the percentage method of the net assets of these companies adjusted with a discount for minority ownership and a discount for lack of liquidity, using at maximum the market information, being based at minimum on the specific company information. The Group uses evaluation techniques that maximize the use of observable data and minimize the use of non observable data. The assessment techniques are used regularly.

The value resulted through the use of a measurement model is adjusted depending on the number of factors, because the valuation techniques do not reflect reliably all factors considered by the market participants when closing a transaction. The adjustments are recorded so that to reflect the risk models, the differences between the sale and purchase quotations, the liquidity risks as well as other factors. The Group management considers that these adjustments are necessary to present a faithful measure of the value of the financial instruments held at fair value in the statement of financial position.

(iv) Identification and measurement of value impairment

The Group must recognize an allowance for the expected credit losses corresponding to a financial asset that is measured according to paragraph 4.1.2 or 4.1.2A of IFRS 9 (debt instruments measured at amortized cost or at the fair value through other comprehensive income), a receivable resulting from a leasing agreement, a credit commitment and a financial guarantee agreement.

The Group applies the impairment provisions for the recognition of the impairment losses corresponding to the assets measured at fair value through other comprehensive income (debt instruments that meet the criteria of paragraph 4.1.2A of IFRS 9 – assets held in order to collect the cash flows and sales, whose cash flows represent exclusively principal reimbursement or interest payments). The allowance determined is recognized considering other comprehensive income and does not reduce the carrying amount of the financial asset from the statement of the financial position.

At each reporting day, the Group measures the allowance for credit losses corresponding to an instrument so as to reflect:

- the 12-month expected credit losses, if the credit risk has not increased significantly as of the initial recognition;
- The lifetime expected credit losses, if the credit risk has increased significantly as of the initial recognition.

The Group recognizes in profit or loss, as gains or losses on impairment, the value of expected loss, recognized or reversed, required so as to affect the impairment on the reporting date up to the level imposed by the provisions of IFRS 9.

4. Significant accounting policies (continued)

d) The financial instruments according to IFRS 9 (continued)

(iv) Identification and measurement of value impairment (continued)

The Group assesses the expected credit losses of a financial instrument so that it represents:

- an impartial value, resulted from the weighting of more possible results depending on the probabilities related thereto;
- the time value of money;
- reasonable information available at no cost or disproportionate effort at reporting date.

The Group may assume that the risk credit for a financial instrument has not increased significantly as of the initial recognition if the financial instrument is considered to have a low credit risk on the reporting date. A financial instrument is considered to have a low credit risk if:

- the debtor has a high capacity to meet the obligations associated with short-term contractual cash flow;
- unfavorable changes in the business and the business environment may, but not necessarily, reduce the debtor's ability to meet its obligations.

In the assessment of low credit risk for issuers, no real collateral is taken into account. At the same time, financial instruments are not considered to be low-risk only because they have a lower risk than the other instruments issued by the debtor or in comparison with the credit risk prevailing in the geographical region or the jurisdiction in which it operates.

In the credit risk assessment, the Group uses both external credit risk ratings and internal ratings that are consistent with generally accepted definitions of credit risk.

(v) Derecognition

The Group derecognizes a financial asset when the rights to receive cash flows from that financial asset expires or when the Group transferred the rights to receive the contractual cash flows corresponding to that financial asset in a transaction in which it transferred substantially all risks and benefits of the ownership right.

Any interest in the financial assets transferred retained by the Group or created for the Group is recognized separately as an asset or liability.

The Group derecognizes a financial debt when all contractual obligations ended or when the contractual obligations are cancelled or expired.

Derecognition of financial assets and liabilities is accounted for using the weighted average cost method. This implies that the Group calculates the amount of each item using the weighted average of similar items in stock at the beginning of the period and the amount of similar items purchased during the period.

4. Significant accounting policies (continued)

d) The financial instruments according to IFRS 9 (continued)

(vi) Reclassifications

If the Group reclassifies the financial assets according to paragraph 4.4.1 of IFRS 9 (as a result of changing the business model for the management of its financial assets), then all the affected financial assets will be reclassified. The financial liabilities cannot be reclassified after the initial recognition.

The Group applies the reclassification of financial assets prospectively as of the reclassification date. The eventual earnings, losses or interests recognized before will not be restated.

If a reclassification occurs, the Groups proceeds as follows:

- When reclassifying an asset in the amortized cost category to fair value through profit or loss, the fair value is determined at the date of reclassification. The difference between the amortized cost and the fair value is recognized in profit or loss;

- When reclassifying an asset in the fair value through profit or loss category to the amortized cost, the fair value at the date of reclassification becomes the new gross carrying amount;

- When reclassifying an asset in the amortized cost category to fair value through other comprehensive income, fair value is determined at the date of reclassification. The difference between the amortized cost and the fair value is recognized in other comprehensive income, without adjusting the effective interest rate or the expected loss from the borrowing;

- When reclassifying an asset in the fair value category by other elements of the comprehensive income to the amortized cost, the reclassification is carried at the fair value of the asset from the reclassification date. Amounts previously recognized in other comprehensive income are eliminated in relation to the fair value of the asset, without affecting the profit or loss account. The actual interest rate and the expected loss on credit are not adjusted as a reclassification effect;

- When reclassifying an asset in the fair value through profit or loss category to fair value through other comprehensive income, the asset continues to be measured at its fair value;

- When reclassifying an asset of fair value through other comprehensive income to fair value through profit or loss, the financial asset continues to be measured at fair value. Amounts previously recognized in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment (in accordance with IAS1).

(vii) Gains and losses

Gains or losses resulting from a change in the fair value of a financial asset or of a financial liability that is not part of a hedging relationship are recognized as follows:

a) The gains or losses generated by financial assets or financial liabilities classified as being measured at fair value through profit or loss are recognized in profit or loss;

b) The gains or losses generated by an available-for-sale financial asset are recognized at other comprehensive income, except for impairment losses

4. Significant accounting policies (continued)

d) The financial instruments according to IFRS 9 (continued)

(iv) Identification and measurement of value impairment (continued)

The gains related to shares measured at fair value through other comprehensive income are recognized as follow:

- changes in fair value (including foreign exchange) in other comprehensive income;
- dividend income is recognized in profit or loss.

The gains related to debt instruments (bonds):

- changes in fair value (including foreign exchange) in other comprehensive income;
- interest income is recognized in profit or loss.

When the assets are derecognized, the accumulated losses or gains previously recognized in other comprehensive income:

- are reclassified from equity in profit or loss, in the case of debt instruments;
- are transferred to retained earnings, in case of equity instruments (shares).

When the financial assets accounted for at amortized cost are impaired or derecognized, and through their amortization process, the Group recognizes the gains or the loss in the statement of income.

As regards the recognized financial assets using the settlement date accounting, no change of the fair value of the asset to be received during the period between the trading date and the settlement date is recognized for the assets carried at cost or at amortized cost (except for impairment losses). But for the assets accounted for at fair value, the change in fair value must be recognized in profit or loss or in equity, as the case may be.

e) Other financial assets and liabilities

Other financial assets and liabilities are evaluated at amortized cost using the effective interest method.

f) Property, plant and equipment

(i) Recognition and measurement

The Property, Plant and Equipment recognized as assets are measured initially at cost. The cost of an item of Property, Plant and Equipment is formed of the purchase price, including the non-recoverable taxes, after having deducted any trade discounts and any costs attributable directly to bringing the asset to the premises and under the necessary condition so that this one might be used to the purpose intended by the management, such as: expenses for employees resulting directly from the construction or acquisition of assets, the costs of site preparation, the initial delivery and handling costs, the installation and assembly costs, the professional fees.

The property, plant and equipment are classified by the Group within the following classes of assets of the same nature and with similar uses:

- land and buildings;
- technical plants and transport means;
- other furniture, fittings and equipment.

4. Significant accounting policies (continued)

f) Property, plant and equipment (continued)

(ii) Measurement after recognition

After the recognition as asset, the Property, Plant and Equipment in the form of land and buildings whose fair value can be evaluated are accounted for at a reevaluated value, this one being the fair value on the reevaluation date less any subsequent accumulated depreciation and any accumulated impairment losses. Other Property, Plant and Equipment are measured at cost less accumulated amortization and any impairment losses.

Revaluations are made regularly in order to ensure the fact that the carrying amount is not different from what it would have been determined by using the fair value at the end of the reporting period.

If an item of Property, Plant and Equipment is reevaluated, then the entire class of Property, Plant and Equipment which includes the item is referred to reevaluation. If the carrying amount of an asset is increased following a reevaluation, the increase is recognized in other comprehensive income and accumulated in equity, as reevaluation surplus. However, the increase will be recognized in profit or loss provided that it compensates a decrease from the reevaluation of the same asset recognized before in profit or loss. If the carrying amount of an asset is decreased as a result of a reevaluation, this decrease is recognized in profit or loss.

If the carrying amount of an asset is reduced following a revaluation, this decrease is recognized in the profit or loss.

However, the decrease will be recognized in other comprehensive income to the extent in which the reevaluation surplus presents a credit balance for that asset. The transfers from the reevaluation surplus in the retained earnings are not made through profit or loss.

(iii) Subsequent costs

The subsequent costs corresponding to property, plant and equipment are measured according to the general recognition criteria of the property, plant and equipment, namely:

- if the inflow of future economic rewards associated to the asset is probable;
- if such costs may be reliably measured.

The daily maintenance costs („repairs and maintenance costs”) corresponding to the Property, Plant and Equipment are not accounted for; they are recognized as costs of the period during which they are incurred. These costs consist mainly in expenses for the workforce and with consumables, and may include the cost of the low-value components.

The expenses for the maintenance and repairs of Property, Plant and Equipment are registered in the statement of income when they are incurred, and the significant improvements of the Property, Plant and Equipment, that increase their value or their life, or increase significantly the capacity to generate some economic benefits by these ones, are accounted for.

4. Significant accounting policies (continued)

f) Property, plant and equipment (continued)

(iv) Depreciation

Depreciation is calculated for the cost of the asset or another value replacing the cost, less the residual value. Depreciation is recognized in the statement of income using the straight-line method for the estimate useful live for the Property, plant and equipment.

The estimated useful lives for the current period and for the comparative periods are the following:

Constructions	10-50 years
Equipment, technical installations and machinery	3-30 years
Transport means	4-12 years
Furniture and other tangible assets	3-20 years

The depreciation methods, the estimated useful lives as well as the residual values are reviewed by the Company management at each reporting date.

(v) Sale/disposal of property, plant and equipment

The carrying amount of a property, plant and equipment is derecognized (removed from the statement of financial position) on disposal or when no future economic benefit is expected from its use or assignment.

The property, plant and equipment that are scrapped or sold are removed from the balance sheet together with the corresponding accumulated amortization. Any profit or loss resulted from such an operation is included in the result for the period.

g) Intangible assets

Intangible assets are measured initially at cost. After the initial recognition, an intangible asset is accounted for at cost less the accumulated amortization and any losses from the accumulated depreciation (Note 3k).

(i) Amortization of intangible assets

Amortization is calculated for the cost or the asset or other amount replacing the cost, less the residual value. Amortization is recognized in the statement of income using the straight-line method for the estimated useful life for the intangible assets, as of the date when they are available for use, this modality reflects the most reliable the forecasted modality to consume the economic benefits embedded in the asset.

The estimated useful lives for the current period and for comparative periods are the following:

Computer programs	1-3 years
Other intangible assets	1- 5 years

The amortization methods, the useful lives and the residual values are reviewed at the end of each financial year and adjusted accordingly.

4. Significant accounting policies (continued)

h) Investment property

Investment property is a real estate (land, building or part thereof) held by the Group rather to derive income from rent or to increase the value of the capital, or both of them, rather than to be used to produce or to supply goods or services or to administrative purposes or to be sold during the ordinary course of business.

(i) Recognition

Investment property must be recognized as asset if, and only if there is the probability that the future economic benefits associated to the investment property correspond to the Group and the cost of the investment property can be reliably measured.

(ii) Measurement

Measurement at recognition

Investment property must be measured initially at cost, including transaction costs. The cost of an investment property bought comprises its purchase price plus any directly attributable expenses (for example, professional fees to render the legal services, fees for the transfer of the ownership right and other transaction costs).

Measurement after recognition

Fair value based model

After initial recognition, all investment properties are measured at fair value, unless fair value cannot be determined reliably on a continuing basis.

Under exceptional situations, on the purchase date for the first time of an investment property, there is clear evidence that fair value of the investment property cannot be determined reliably on an ongoing basis, the Group measures that investment property using the cost model.

The residual value of the investment property is assumed to be null. All the other investment properties are measured at fair value. If the Group measured before an investment property at fair value, then it will continue to assess that investment property at fair value until its disposal.

The gains or losses resulted following the changes in the fair value of the investment property are recognized in the statement of income of the period when they occur.

The fair value of the investment property must reflect the market conditions at the end of the reporting period.

(iii) Derecognition

The carrying amount of an Investment property is derecognized (removed from the statement of financial position) on disposal or when the investment is permanently withdrawn from the use and the occurrence of future economic benefits from its disposal is no longer expected.

The gains or the losses generated from the scrapping or disposal of an Investment property must be recognized in the statement of income during the scrapping or disposal period.

4. Significant accounting policies (continued)

i) Leases

At the commencement date, the lessee recognizes the right of use as an asset and the debt as liability. The right-of-use asset is measured at cost. This includes the initial measurement of the liability, net lease payments (minus incentives received) made at the commencement of or prior to, the contract, and any costs incurred by the lessee at the beginning or end of the lease.

The lease liability is measured based on the net present value of future lease payments, using the interest rate applicable under the lease or, if not the case, the cost of an equivalent loan for the lessee. Lease payments include: fixed payments, variable payments (that depend on an index or a rate, depending on their level at the commencement date), the amounts under residual value guarantees, the purchase price (if the option is exercised) and penalties owed in case of early termination of the lease.

At subsequent measurement, the carrying amount means initial cost less any accumulated amortization, accumulated impairment losses, adjusted by any revaluations of the liability. The asset is amortized between the commencement of the lease and the end of the lease/useful life.

The Group subsequently measures the lease liability by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and adjusted according to any lease modifications.

The interest is included in the expenses of the period and is determined based on the financing interest rate provided in the contract, namely the incremental borrowing rate of the lessee, which is the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

j) Impairment of non-financial assets

The carrying amount of the Group non-financial assets, other than deferred tax assets, is reviewed at each reporting date in order to identify whether there is any indication of impairment. If such clues exist, the recoverable value of the respective assets is estimated.

An impairment loss is recognized when the carrying amount of the asset or of the cash generating units exceeds the recoverable value of the asset or of the cash generating unit.

A cash generating unit is the smallest identifiable cash generating group and is independent to other assets and other groups of assets. The impairment losses are recognized in the statement of income.

The recoverable value of an asset or of a cash generating unit is the maximum between the value in use and its fair value less the costs for the sale of that asset or unit. In order to determine the net value in use, the future cash flows are updated using a discount rate before tax that reflects the current market conditions and the risks specific to the respective asset.

The impairment losses recognized during the previous periods are measured each reporting date in order to determine if they decreased or do not exist anymore. The impairment loss is reversed if a change occurred in the estimates used to determine the recoverable value. The impairment loss is reversed only if the carrying amount of the asset does not exceed the carrying amount that would have been calculated, net of amortization and impairment, if the impairment loss had not been recognized.

The non-financial assets, other than the goodwill, that were affected by impairment are reviewed for the eventual resumption of impairment every reporting date.

4. Significant accounting policies (continued)

k) Share capital and treasury shares

The ordinary shares are recognized in equity. The directly attributable incremental costs to an issue of ordinary shares are deducted from the share capital, net of taxation effects.

In order to prepare the financial statements in accordance with IFRS, the Company also applied the provisions of IAS 29 „ Financial Reporting in Hyperinflationary Economies” adjusting, in order to be expressed in the measuring unit current as at 31 December 2003, the share capital.

The Group recognizes buy-backs of own shares at the trading date, as a reduction of equity. The own shares bought back are registered at the purchase value, brokerage fees and other costs directly attributed to the purchase being recognized in a separate account as an equity reduction as well. The annulment of the own shares held requires the shareholders’ approval, in observance of all the legal requirements regarding this operation. Upon derecognition, the Group uses the share capital accounts (for nominal value) and retained earnings accounts (for the difference between acquisition cost and nominal value) in correspondence with the annulled own shares.

l) Provisions for risks and charges

The provisions are recognized in the consolidated statement of financial position when a obligation related to a past event arises and the Group is likely to be required in the future to use economic resources to extinguish this obligation and a reasonable estimate of the obligation can be made. In order to determine the provision, future cash flows are discounted using a discount rate before tax that reflects the current market conditions and the risks specific to the respective liability. The value value recognized as provisions represents the best estimate of the necessary expenses to settle the actual obligation at the end of the reporting period.

m) Interest income and expenses

The interest income and expenses are recognized in the consolidated statement of profit or loss according to the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability.

n) Dividend income

The dividends corresponding to equity instrument classified at fair value through other comprehensive income respectively at fair value through profit or loss are recognized in profit or loss when the entity’s right to receive these amounts is established unless those amounts represents a substantial recovery of the cost of investment in accordance with IFRS 9.

As regards the dividends received as shares as an alternative to the cash payment, the dividends income is recognized at the level of the cash that would have been received, in correspondence with the increase of the corresponding participation. The Group does not register income from dividends corresponding to the shares received when there are distributed proportionally to all shareholders.

The dividend income is registered at the gross value including the dividend tax that is recognized as a current expense for the income tax. Such income is recognized after the registration date, which identifies the shareholders affected by the resolutions of the general meeting of shareholders, given the number of shares held by the group at the registration date and the gross dividend/share approved under such resolutions.

4. Significant accounting policies (continued)

o) Income from lease

The income from lease is generated by the real estate investments rented by the Group as operational leasing contracts and is recognized in the linear profit or loss during the entire contract term.

p) Employee benefits

i) Short-term benefits

The obligations with the short-term benefits granted to employees are not updated and are recognized in the statement of global result while the corresponding service is rendered.

The short-term benefits of the employees include wages, bonuses and social security contributions. The short-term benefits of the employees are recognized as expense when the services are rendered.

ii) Defined contribution plans

The Group makes payments on behalf on its own employees to the Romanian State pension system, health insurance, during the normal course of business. The Group also retains and pays to the private pension funds the amounts with which the employees enrolled in a facultative pension plan.

All Group employees are members and have the legal obligation to contribute (by means of the social contribution) to the pension system of the Romanian State (a State defined contribution plan). All the corresponding contributions are recognized in the statement of income when they are made. The Group has no other supplementary obligations.

The Group is not committed in any independent pension plan and, therefore, it has no other obligations to this purpose. The Group must not render subsequent services to the former or current employees.

iii) Long-term employee benefits

The Group obligation as regards the benefits corresponding to the long-term services is represented by the value of future benefits that the employees earned in exchange of the services rendered by these ones during the current period and previous periods. . According to the collective employment Contract in force, the people who retire at full retirement age may benefit upon retirement of an aid in the amount of five average net salaries in the Group.

The net obligation of the Group as concerns the long-term benefits determined based on the collective employment contract is estimated using the projected unit credit method and is recognized on the profit and loss statement on the commitment accounting principle. The excess or deficit resulted from the modification of the update rate and from other actuarial hypothesis is recognized as income or expense during the working period of the employees participating in this plan.

iv) Share-based payment and share option plans

According to IFRS 2, for equity-settled share-based payment transactions, the entity must measure the goods or services received and the appropriate increase in equity to the fair value of the goods or services received, unless the fair value cannot be reliably estimated. If the entity cannot reliably estimate the fair value of the goods or services received, the entity shall measure their value and the corresponding increase in equity, indirectly, in relation to the fair value of the equity instruments granted.

4. Significant accounting policies (continued)

p) Employee benefits (continued)

iv) Share-based payment and share option plans (continued)

In order to apply these provisions to transactions with employees and other persons providing similar services, the entity shall measure the fair value of services received by reference to the fair value of the equity instruments granted, as it is generally not possible to estimate reliably the fair value of the services received. The fair value of those equity instruments must be measured at the date of issue.

A grant of equity instruments may be conditional on satisfying specific vesting conditions. For example, a share or share option granted to an employee is generally conditional upon the employee remaining in the service of the entity for a specified period of time. It may be necessary to satisfy performance conditions, such as the entity achieving a specified profit growth or a specified increase in the entity's share price. The vesting conditions other than market conditions should not be taken into account when estimating the fair value of shares or share options at the valuation date. Instead, the vesting conditions should be taken into account by adjusting the number of equity instruments included in the transaction value valuation, so that ultimately the value recognized for counterparty goods or services for the equity instruments granted must be based on the number of end-of-life equity instruments. Therefore, on a cumulative basis, no value is recognized for the goods or services received if the equity instruments granted do not qualify due to non-fulfillment of a vesting condition eg the other party does not complete the specified service period or a performance condition is not met.

q) Income tax

Reflected in the statement of financial position

The income tax corresponding to the year comprises the current tax and the deferred tax. The income tax is recognized in profit or loss or in other comprehensive income if the tax corresponds to the equity elements.

The Group recognizes a deferred income tax debt (asset) for temporary taxable fair value differences (deductible) in case of investments in shares measured at fair value through other comprehensive income. The value of such debt (asset) is adjusted accordingly each time the Group recognizes potential taxable (deductible) fair value differences.

Deferred tax is determined using the balance sheet method for those temporary differences occurring between the calculation tax basis for assets and liabilities and their carrying amount used for reporting in the consolidated financial statements.

The deferred tax is not recognized for the following temporary differences: initial recognition of the assets and liabilities resulted from transactions that are not business combinations and do not affect the accounting profit or the tax profit and differences resulting from the investments in subsidiaries and associates, provided that these ones are not reversed in the near future. The deferred tax is calculated based on the taxation rates expected to be applicable to the temporary differences when reversed, according to the legislation in force on the reporting date or on the legislation issued on the reporting date that will come into force subsequently.

The receivable regarding the deferred tax is recognized only if it is probable to obtain a taxable profit in the future after the compensation against the tax loss of the previous years and against the income tax to be recovered. The receivable regarding the deferred tax is reduced if the corresponding tax benefit is improbable to be realized.

The receivables and the debts regarding the deferred tax calculated are presented at the net value in the Group’s financial statements.

4. Significant accounting policies (continued)

q) Income tax (continued)

Reflected in the statement of financial position (continued)

The deferred tax assets and liabilities are compensated if there is a legally enforceable right to compensate the deferred tax receivables and liabilities that relate to taxes levied by the same tax authority, from the same taxable entity, or different tax entities which intend to offset the deferred tax receivables and liabilities on a net base or the tax receivables and liabilities will be realized simultaneously.

Reflected in the statement of profit or loss

The current income tax includes the income tax resulted from dividends recognized at gross value.

The additional taxes that appear from the dividend distribution are recognized at the same date with the payment obligation of dividends.

Current tax is the expected tax payable on the taxable income for the year, determined based on the percentages applied on the balance sheet date and of all adjustments corresponding to the previous periods.

As at 31 December 2020 and 31 December 2019 the income tax amounted to 16%.

r) Earnings per share

The Group presents the basic and diluted share result for the ordinary shares. The basic Earnings per Share are determined by dividing the profit or loss attributable to ordinary shareholders of the Group to the weighted average number of ordinary shares corresponding to the reporting period. The diluted Earnings per Share is determined by adjusting the profit or loss attributable to ordinary shareholders and of the weighted average number of ordinary shares with the dilution effects generated by the potential ordinary shares.

s) Dividends

Dividends are treated as a profit distribution during the period in which they were declared and approved by the General Meeting of Shareholders. The profit available for distribution is the profit of the year registered in the stand alone financial statements issued according to the International Financing Reporting Standards adopted by the European Union.

The dividends not claimed for three years and for which the right to claim has been prescribed are recorded in equity as Other reserves.

t) Segment reporting

A segment is a different component that supplies certain products or services (activity segment) or supplies products and services within certain geographical environment (geographical segment) and that is referred to risks and benefits different from those of the other segments. The management considers the real estate activities of some subsidiaries as financial activity and was therefore these activities were included in the segment of financial activity.

4. Significant accounting policies (continued)

u) Adoption of new or revised standards and interpretations

The following new standards, amendments to the existing standards and new interpretation issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- **Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** - Definition of Material – adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020),

- **Amendments to IFRS 3 "Business Combinations"** - Definition of a Business – adopted by the EU on 21 April 2020 (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period),

- **Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures"** - Interest Rate Benchmark Reform – adopted by the EU on 15 January 2020 (effective for annual periods beginning on or after 1 January 2020),

- **Amendments to IFRS 16 "Leases"** - Covid-19-Related Rent Concessions – adopted by the EU on 9 October 2020 (effective for annual periods beginning on or after 1 June 2020),

- **Amendments to References to the Conceptual Framework in IFRS Standards** - adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020).

The adoption of these new standards, amendments to the existing standards and interpretation has not led to any material changes in the Group's financial statements.

Standards and amendments to the existing standards issued by IASB and adopted by the EU but not yet effective

At the date of authorisation of these financial statements, the following amendments to the existing standards were issued by IASB and adopted by the EU, but are not yet effective:

- **Amendments to IFRS 4 "Insurance Contracts"** – Extension of the Temporary Exemption from Applying IFRS 9 (the expiry date for the temporary exemption from IFRS 9 was extended to annual periods beginning on or after 1 January 2023),

- **Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement", IFRS 7 "Financial Instruments: Disclosures", IFRS 4 "Insurance Contracts" and IFRS 16 "Leases"** - Interest Rate Benchmark Reform — Phase 2 (effective for annual periods beginning on or after 1 January 2021).

4. Significant accounting policies (continued)

u) Adoption of new or revised standards and interpretations (continued)

New standards and amendments to the existing standards issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards and amendments to the existing standards, which were not endorsed for use in EU as at the date of publication of the financial statements:

- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,

- **IFRS 17 "Insurance Contracts"** including amendments to IFRS 17 (effective for annual periods beginning on or after 1 January 2023),

- **Amendments to IAS 1 "Presentation of Financial Statements"** - Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2023),

- **Amendments to IAS 16 "Property, Plant and Equipment"** - Proceeds before Intended Use (effective for annual periods beginning on or after 1 January 2022),

- **Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"** - Onerous Contracts — Cost of Fulfilling a Contract (effective for annual periods beginning on or after 1 January 2022);

- **Amendments to IFRS 3 "Business Combinations"** - Reference to the Conceptual Framework with amendments to IFRS 3 (effective for annual periods beginning on or after 1 January 2022),

- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded),

- **Amendments to various standards due to "Improvements to IFRSs (cycle 2018 -2020)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies and clarifying wording (The amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual periods beginning on or after 1 January 2022. The amendment to IFRS 16 only regards an illustrative example, so no effective date is stated).

The Group anticipates that the adoption of these new standards and amendments to the existing standards will have no material impact on the financial statements of the Group in the period of initial application.

4. Significant accounting policies (continued)

v) Subsequent events

Events that appear after the balance sheet date may provide additional information regarding the reporting period compared to those known at the balance sheet date. If the annual financial statements have not been approved, they must be adjusted to reflect the additional information, if the information relates to conditions (events, operations, etc.) that existed at the balance sheet date.

Events subsequent to the balance sheet date are those events, favorable or unfavorable, that occur between the balance sheet date and the date on which the annual financial statements are approved. Events subsequent to the balance sheet date include all events that occur until the date the annual financial statements are approved, even if those events occur after the public disclosure of financial information.

Two types of events after the balance sheet date can be identified:

- those that prove the conditions that existed at the balance sheet date. These events after the balance sheet date lead to the adjustment of the annual financial statements; and
- those that give indications about conditions that appear after the balance sheet date. These events after the balance sheet date do not lead to the adjustment of the annual financial statements.

In the case of events subsequent to the balance sheet date leading to the adjustment of the annual financial statements, the Group adjusts the amounts recognized in its financial statements, to reflect the events subsequent to the balance sheet date. An event subsequent to the balance sheet date that leads to the adjustment of the annual financial statements and which requires the Group to adjust the amounts recognized in its annual financial statements or the recognition of items that were not previously recognized is the settlement after the balance sheet date of a dispute confirming that the entity has an obligation present at the balance sheet date. The Group adjusts any previously recognized provision related to this dispute or recognizes a new provision.

In the case of events subsequent to the balance sheet date that do not lead to the adjustment of the annual financial statements, the Group does not adjust its recognized amounts in its financial statements to reflect those events subsequent to the balance sheet date.

If the Group receives, after the balance sheet date, information about the conditions that existed at the balance sheet date, the Group updates the disclosures referring to these conditions, in light of the new information.

w) Impact of the Covid-19 pandemic on the Group's financial position

As a result of the adverse impact of the COVID-19 pandemic on global and local economic activities, the Group's management estimates that financial performance (to a greater extent) and financial position (to a lesser extent) were significantly influenced by the effects of the pandemic. These influences may also be manifested in future financial years both in terms of the fair values of the financial assets held, both those reflected in the income statement and those in other comprehensive income, and in the recurring income obtained by the Group from dividends and interest on monetary investments (amid declining interest rates as a result of global and local monetary policy decisions).

In 2020, changes in the fair value of Level 1 investments were recognized in the Group's financial statements on a quarterly basis and those at Level 3 on a half-yearly basis. At the end of December 31, 2020, the fair values of unlisted and listed holdings that do not meet active market conditions were revalued on the basis of valuation reports prepared by authorized appraisers, members of ANEVAR. Detailed information on the evolution of fair values of financial assets is presented in Notes 6, 18 and 19 to the financial statements. The Group's management constantly monitors the main dynamics of the local and international economic environment, but an accurate assessment of the potential impact on future financial position and performance is difficult to achieve. However, the Group's management does not anticipate difficulties in meeting its obligations to third parties in the light of a balanced structure of assets held and the significant value of immediately available cash.

5. Significant risk management

The risk management policy can be found in the Group's organizational structure and it encompasses both general and specific risks, as set forth in the national and European legislation and regulations in force.

The most significant financial risks to which the Group is exposed to are the credit risk, the liquidity risk and the market risk. The market risk included the foreign currency risk, the interest rate risk and the price risk of the equity instruments. This note provides information on the Group's exposure to each of the above-mentioned risks, the Group's objectives and policies, and the risk assessment and risk management processes.

The Group uses a variety of policies and procedures for managing and evaluating the types of risk to which it is exposed. These policies and procedures are presented within the sub-chapter dedicated to each type of risk.

5.1 Financial risk

(a) Market risk

Market risk is the present or future risk of recording losses related balance and off-balance sheet due to adverse movements in market price (such as stock prices, interest rates, foreign exchange rates).

Management sets the limits on the value of risk that may be accepted, which are monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Position risk is associated with financial instruments portfolio held by the Group with intention to benefit from positive evolution of prices of underlined financial assets or potential dividends/coupons issued by entities. The Group is exposed to general position risk as well as specific, due to short term investments made in bonds, shares and fund units.

The management has monitored and is permanently monitoring the reduction of adverse effects related to this financial risk, through an active procedure of diversifying prudently the investment portfolio and by using one or more technics of diminishing of the risk through trading activity or market prices evolution related to financial instruments held by the Group.

Concentration risk

Concentration risk relates to all assets held by the Group, regardless of Group's intention to hold these assets, and through diminishing this risk is intended to avoid large exposure against the same debtor/entity at Group level.

The management policy of diversifying exposures is applied to portfolio structure, business structure as well as structure of financial risks exposure. Thus, this diversifying policy implies: avoiding excessive exposures against the same debtor/issue, or geographical area; diversifying business structure implies avoiding at Group's level excessive exposure against specific type of business/sector; diversifying structure of financial risks intends to avoid excessive exposure against the same financial risk.

The market risk of equity instruments is mainly the result of shares measured at fair value through other comprehensive income and through profit or loss. Entities in which the Group holds shares operate in various industries.

The objective of market risk management is to control and manage market risk exposures in acceptable parameters to the extent that profitability is optimized. The Company's strategy for managing market risk is driven by its investment objective, and market risk is managed in accordance with its policies and procedures. The Company is exposed to the following categories of market risk.

(All amounts are presented in RON)

5. Significant risk management (continued)

5.1 Financial risk (continued)

(a) Market risk (continued)

The Group is exposed to the following categories of market risk:

i) Equity price risk

The price risk is the risk of incurring losses both from the balance entries and from the extra-balance entries, because of the evolutions of the assets prices.

The Group is exposed to the risk that the fair value of the financial instruments held fluctuates following the changes in the market prices, either it is caused by factors specific to the activity of the issuer or factors that affect all instruments traded on the market.

The board of directors follows-up the modality to achieve the market risk management, and the internal procedures dispose that, when the price risks do not comply with the Group investment procedures and principles it must be proceeded to rebalance the portfolio.

A positive variation of 10% of the price of the Financial assets at fair value through profit and loss (shares in subsidiaries, associates, corporate bonds and fund units) would lead to an increase of the profit after taxation, with 130,238,708 RON (31 December 2019: RON 115,285,158), a negative variation of 10% with an equal net impact and with opposite sign.

A positive variation of 10% of the prices of the financial assets at fair value through other comprehensive income, investments in shares and corporate bonds would result in an increase of equity, net of the profit tax, with RON 102,748,567 (December 31, 2019: RON 115,923,898), a negative variation of 10% having a net equal and opposite impact).

As the table below shows, as at 31 December 2020, the Group held mainly shares in companies operating in the banking and insurance field, accounting for 49% of the total portfolio, down from 54.6% at 31 December 2019.

	31 December 2020	%	31 December 2019	%
Financial brokerage and insurance	1,101,539,463	49.0%	1,215,398,031	54.6%
Manufacturing industry	574,531,935	25.5%	348,689,712	15.7%
Hotels and restaurants	100,015,985	4.4%	136,308,329	6.1%
Wholesale and retail trade, repair of motor vehicles	30,964,570	1.4%	32,259,604	1.5%
Production and supply of energy, gas and water	12,951,575	0.6%	15,728,248	0.7%
Extractive industry	13,037,218	0.6%	74,340,858	3.3%
Other activities	3,738,815	0.2%	3,408,584	0.2%
Financial services applicable to real estate	368,782,154	16.4%	327,545,411	14.7%
Constructions	197,061	0.0%	408,679	0.0%
Transport and storage	42,978,421	1.9%	60,662,664	2.7%
Lease of real estate	1,104,583	0.0%	8,572,297	0.4%
Agriculture, forestry and fishing	411,121	0.0%	750,922	0.0%
TOTAL	**2,250,252,901**	**100%**	**2,224,073,340**	**100%**

5. Significant risk management (continued)

5.1 Financial risk (continued)

(a) Market risk (continued)

i) Equity price risk (continued)

As at 31 December 2020 and 31 December 2019, the Group holds fund units worth RON 305,468,130 (31 December 2019: RON 366,420,749) in Closed Asset Investment Funds Plus, Star Value, Optim Invest Certinvest Acțiuni and Romania Strategy Fund. The Group is exposed to price risk in terms of placements made (quoted shares, bonds, bank deposits), with a different degree of risk by these Investment Funds.

The sectorial structure of the Group's holdings was influenced by the impact of Covid-19 in terms of (1) reducing the fair value and share of investments in the financial sector (mainly listed entities), (2) increasing the share of the real estate segment (both by revaluing the fair value and through acquisitions in 2020 (the ownership in IMGB is included in the table above under the Manufacturing line, according to the NACE code existing at 31 December 2020) and (3) decreasing the fair value and share of sectors directly and significantly affected by the pandemic and the measures of combatting it (mainly hotels and restaurants).

ii) Interest rate risk

The interest rate risk represents the risk that the income or expenses, or the value of the Group assets or liabilities fluctuate following the variation of the interest rates on the market.

As concerns the interest bearing financial instruments: the interest rate risk is composed of the fluctuation risk registered in the value of certain financial instruments following the variation of the interest rates and from the risk of the differences between the due date of the interest bearing financial assets and the interest bearing liabilities. But the interest rate risk can also influence the value of the interest bearing assets (for example: bonds), so that an increase of the interest rate on the market will determine the reduction of the future cash flows and can result in the reduction of their price, if they determine the increase of the investor's preference to place their funds in banking deposits or other instruments whose interest increased, and vice-versa – a reduction of the interest rate on the market can determine the increase of the price of shares and bonds and will determine an increase of the fair value of the future cash flows.

With respect to the Group's interest bearing financial instruments, the policy is to invest in profitable financial instruments, with due date over 1 year. With respect to the fixed interest bearing assets or tradable assets, the Group is exposed to the risk that fair value of future cash flows related to financial instruments will fluctuate as a result of changes in market interest rates. However, most financial assets of the Group are in stable currencies whose interest rates are unlikely to vary significantly.

Thus, the Group will be subject to limited exposure to the fair value interest rate risk or to future cash flows due to fluctuations in the prevailing levels of market interest rates.

The Group does not use derivative financial instruments to protect against the interest rate fluctuations.

(All amounts are presented in RON)

5. Significant risk management (continued)

5.1 Financial risk (continued)

(a) Market risk (continued)

ii) Interest rate risk (continued)

The table below shows the annual interest rates obtained by the Group for interest-bearing assets during 2020:

	RON Interval		EUR Interval	
Financial assets	**Min**	**Max**	**Min**	**Max**
Bank deposits	0,60%	2,75%	-	-
Financial assets at fair value through profit or loss	4,15%	5,16%	5,91%	6,00%
Financial assets at fair value through other comprehensive income*	-	-	5,75%	5,75%
Investments measured at amortised cost	-	-	13,00%	13,00%
Loans from affiliated parties	2%	3,5%	1%	1%

* Financial assets at fair value through other comprehensive income include corporate bonds.

The table below shows the annual interest rates obtained by the Group for interest-bearing assets during 2019:

	RON Range		EUR Range	
Financial assets	**Min**	**Max**	**Min**	**Max**
Bank deposits	1.00%	3.00%	-	-
Financial assets at fair value through profit or loss	5.03%	6.00%	5.91%	6.01%
Financial assets at fair value through other comprehensive income *	-	-	5.75%	5.75%
Investments measured at amortised cost	-	-	13.00%	13.00%
Loans from affiliated parties	2.5%	3.5%	1%	1%

* Financial assets at fair value through other comprehensive income includes corporate bonds.

The following table shows a summary of the Group's exposure to the interest rate risks. The table includes the Group's assets and liabilities at the book values, classified depending on the most recent date between the interest rate changing date and the maturity date.

5. Significant risk management (continued)

5.1 Financial risk (continued)

(a) Market risk (continued)

ii) Interest rate risk (continued)

In RON	**2020**	**2019**
Cash and cash equivalents*	146,110,000	86,900,000
Bank deposits	5,445,000	14,958,000
Financial assets at fair value through profit and loss – corporate bonds	48,303,551	54,662,924
Financial assets at fair value through comprehensive income – corporate bonds	5,102,644	5,043,356
Investments measured at amortized cost – corporate bonds	-	43,013,700
Loans from affiliated parties	(14,618,399)	(11,003,172)
TOTAL	**190,342,796**	**193,574,808**

** Cash equivalents include short-term placements in bank deposits (less than 3 months maturity).*

The impact over the net profit of the Group (on interest income/expenses) of a modification of ± 1,00% of the interest rate corresponding to the floating interest bearing assets and liabilities denominated in other currencies, together with a modification of ± 1.00% of the interest rate for floating interest-bearing assets and liabilities denominated in RON is RON 1,598,879 (31 December 2019: RON 1,626,028).

In the case of bonds measured at fair value (level 1 and level 2), a change of +/- 5% of their market price determines a net impact in the amount of +/- RON 2,028,749 (31 December 2019: +/-RON 2,023,532 over the profit or loss statement, respectively in the amount of +/- RON 214,311 (31 December 2019: +/-RON +/- 211.811) over other items of the global result.

At 31 December 2020, the Group does not hold anymore:

- bonds measured at fair value through profit or loss, with level 3 fair values. At 31 December 2019, a variation of +/- 1% of the market average yield would have determined a net impact over the profit or loss statement, in amount of RON -25.391/RON +25.553.
- bonds measured at amortised cost. At 31 December 2019, a variation of +/- 1% of the market average yield would have determined a net impact on the price of the bond, in amount of RON -211.902/RON +213.805.

The impact of Covid-19 on interest rate risk is mainly reflected in the decrease in interest rates, compared to the 2019 average, in bank deposits and investments in floating rate bonds, in the context of decisions to stimulate economic recovery and counteract the effects of the pandemic through monetary instruments (reduction of the reference interest rate, injection of liquidity into global financial markets). These effects may have an adverse impact on future interest income compared to previous financial years.

(All amounts are presented in RON)

5. Significant risk management (continued)

5.1 Financial risk (continued)

(a) Market risk (continued)

iii) Currency risk

The currency risk is the risk of registering some losses or nor achieving the profit estimated following the non favorable fluctuations of the exchange rate. The Group invests in financial instruments and incurs transactions that are denominated in foreign currency, other than the functional currency, so that, it is exposed to the risks that the exchange rate of the national currency related to other foreign currency has adverse effects over the fair value or future cash flows of that part of the financial assets and liabilities denominated in another foreign currency.
The Group carried out transactions during the reporting periods both in the Romanian currency (Leu), and in foreign currency. The Romanian currency fluctuated compared to the foreign currencies, EUR and USD.

The financial instruments used give the possibility to keep the value of the monetary assets held in RON, realizing investments and cashing the interests depending on the due date.

The Group has not entered into any fix derivative transaction during the financial years presented.

The Group's financial assets and liabilities in foreign currencies as at 31 December 2020 and 31 December 2019 may be analyzed as follows:

Financial assets exposed to exchange rate risk

In RON	**2020**	**2019**
Cash and cash equivalent	37,349,250	29,600,696
Financial assets at fair value through profit and loss – (including assets held by investment funds)*	28,483,377	44,435,959
Financial assets at fair value through other comprehensive income **	180,596,402	236,821,963
Investments measured at amortized cost	-	43,246,691
TOTAL	**246,429,029**	**354,105,309**
Loans	(1,120,114)	(1,091,289)
Debts from the lease	(49,965)	(2,132,985)
Total debt	**(1,170,079)**	**(3,224,274)**
Net financial assets	**245,258,951**	**350,881,035**

* Financial assets at fair value through profit or loss include the bonds in EUR and the foreign currency deposits of the closed investment funds, pro rata with the Group's holding in their net assets.

** Financial assets at fair value through other comprehensive income in EUR include the investments held abroad, i.e. Austria - Erste Bank and the Impact corporate bonds.

At 31 December 2020 and 2019, the Group owns fund units in closed investment funds Active Plus, Star Value, Optim Invest, Certinvest Shares and Romania Strategy Fund. The Group is exposed to foreign currency risk in terms of placements made by these Investment Funds (instruments quoted on foreign markets, cash or placements in foreign currency).

(All amounts are presented in RON)

5. Significant risk management (continued)

5.1 Financial risk (continued)

(a) Market risk (continued)

iii) Currency risk (continued)

At 31 December 2020 and 31 December 2019 the assets of closed funds mainly represented placements in shares quoted on a regulated market in Romania or another member state.

The following table presents the profit or loss sensitivity as well as the sensitivity of equity to potential change at the end of the reporting period in the foreign currency exchange rates related to the reporting currency, while maintaining all the other variables constant:

	31 December 2020		31 December 2019	
	Impact over the profit and loss statement	**Impact over other items of the global result**	**Impact over the profit and loss statement**	**Impact over other items of the global result**
EUR increase by 5% (2019: 5%)	2,930,510	7,370,366	5,002,734	9,734,270
EUR decrease by 5% (2019: 5%)	(2,930,510)	(7,370,366)	(5,002,734)	(9,734,270)
Total	**-**	**-**	**-**	**-**

(b) Credit risk

The credit risk is the risk that a counterparty of a financial instrument fails to fulfill an obligation or a financial commitment in which it entered a relation with the Group, resulting a loss for the Group.

The Group is exposed to the credit risk following the investments realized in bonds issued by trading companies or the Romanian State, the current accounts and the bank deposits and other receivables.
The Group management follows closely and constantly the exposure to the credit risk so that it does not incur losses following the concentration of the credit in certain sector or field of activity.

As at 31 December 2020 the Group does not have security interests as insurance nor other credit rating improvements. As at 31 December 2019, the Group holds movable and immovable securities related to the bonds issued by Blue Air Aviation.

As at 31 December 2020 and 31 December 2019, the Group did not register outstanding financial assets, except for outstanding receivables and sundry debtors, which were deemed impaired.

(All amounts are presented in RON)

5. Significant risk management (continued)

5.1 Financial risk (continued)

(b) Credit risk (continued)

The table below presents the financial assets with exposure to credit risk:

31 December 2010	Current accounts	Bank deposits	Bonds (measured at amortized cost)	Bonds (measured at fair value through other comprehensive income)	Bonds (measured at fair value through profit or loss)	Other financial assets	Total
Current and not impaired							
Rating AAA up to A-							
BBB+	38,929,464	118,600,000	-	-	-	-	157,529,464
BBB	141,866	4,517,000	-	-	-	-	4,658,866
BB+	941,635	24,000,000	-	-	-	-	24,941,635
BBB-	1,070	4,438,000	-	-	-	-	4,439,070
Baa1	36,735	-	-	-	-	-	36,735
Baa3	1,422	-	-	-	-	-	1,422
BB-	1,367,644	-	-	-	-	-	1,367,644
NR	283	-	-	5,111,504	49,195,115	9,254,479	63,561,382
TOTAL	**41,420,119**	**151,555,000**	**-**	**5,111,504**	**49,195,115**	**9,254,479**	**256,536,218**

31 December 2019	Current accounts	Bank deposits	Bonds (measured at amortized cost)	Bonds (measured at fair value through other comprehensive income)	Bonds (measured at fair value through profit or loss)	Other financial assets	Total
Current and not impaired							
Rating AAA up to A-							
BBB+	30,335,084	37,000,000	-	-	-	-	67,335,084
BBB	137,751	4,348,000	-	-	-	-	4,485,751
BB+	504,901	54,400,000	6,664,481	-	-	-	61,569,381
BB-	836,737	2,000,000	-	-	-	-	2,836,737
Baa1	36,268	2,660,000	-	-	-	-	2,696,268
Baa3	26,967		-	-	-	-	26,967
NR	7,561	1,450,000	43,246,691	5,053,633	49,118,410	12,407,953	111,284,249
TOTAL	**31,885,269**	**101,858,000**	**49,911,172**	**5,053,633**	**49,118,410**	**12,407,953**	**250,234,437**

(All amounts are presented in RON)

5. Significant risk management (continued)

5.1 Financial risk (continued)

(b) Credit risk (continued)

The Company's maximum exposure to credit risk is RON 256,536,218 as at 31 December 2020 (31 December 2019: RON 250,234,437) and can be analyzed as follows:

Exposure of current accounts and placements with banks (excluding interest accrued)

	Credit rating			**31 Dec 2020**	**31 Dec 2019**
BRD - Groupe Société Générale	BBB+	BRD - Groupe Société Générale	Fitch	36,849,863	29,446,044
Banca Transilvania	BB+	Banca Transilvania	Fitch	24,941,635	54,904,901
Banca Comerciala Romana	BBB+	Banca Comerciala Romana	Fitch	91,103,916	37,191,183
Intesa Sanpaolo Romania*	BBB	Intesa Sanpaolo Italia	Fitch	4,658,866	4,485,751
Procredit	BBB-	Procredit	Fitch	4,439,070	-
Raiffeisen Bank Romania	Baa1	Raiffeisen Bank Romania	Moody's	36,735	2,696,268
Credit Europe Bank	BB-	Credit Europe Bank	Fitch	1,367,644	2,836,737
UniCredit Tiriac	BBB+	UniCredit Tiriac	Fitch	29,575,685	697,857
Libra Bank	Baa3	Libra Bank	Moody's	1,422	26,967
Banca Feroviara	NR			-	1,456,993
Other	NR			283	567
TOTAL (Notes 16 and 17)				**192,975,119**	**93,409,255**

* For banks for which there is no rating, we considered the parent company's rating.

(All amounts are presented in RON)

5. Significant risk management (continued)

5.1 Financial risk (continued)

(b) Credit risk (continued)

The Group's exposure to credit risk and counterparty through corporate bonds held as at December 31, 2020 is presented in the following table:

Issuer		**No.**	**Nominal value**	**Interest rate**	**Value as at Dec 31, 2020 -RON**	**Maturity**
Impact SA**	Eur	210	5,000.00	5,75%	5,102,644	2022
Vrancart SA*	Lei	368,748	100.00	5,04%	37,612,296	2024
Sifi Bh Retail SA**	Eur	1,000	2,000.00	6,00%	10,691,255	2021
Total					**53,406,195**	

*variable interest rate

**fixed interest rate

The Group's exposure to credit risk and counterparty through corporate bonds held as at December 31, 2019 is presented in the following table:

Issuer		**No.**	**Nominal value**	**Interest rate**	**Value as at Dec 31, 2019 -RON**	**Maturity**
Banca Transilvania*	Eur	2,260,999	0.61	5.91%	6,483,596	2020
Blue Air Aviation**	Eur	90	100,000.00	13.00%	43,013,700	2020
Impact SA**	Eur	210	5,000.00	5.75%	5,043,356	2022
Vrancart SA*	Lei	368,748	100.00	5.04%	37,612,296	2024
Sifi Bh Retail SA**	Eur	1,100	2,000.00	6.00%	10,567,032	2021
Total					**102,719,980**	

The impact of Covid-19 in terms of credit risk in 2020 has been limited, given that (1) cash in current accounts and deposits has been placed with the most important banks in the banking system, (2) corporate bonds held are mainly issued by subsidiaries with activities in sectors less exposed to the effects of the pandemic (consumer goods, real estate), and (3) bonds with high credit risk were secured enough, with a high probability of full recovery of the amounts invested and the related coupon. In addition, the bonds issued by Banca Transilvania and Blue Air Aviation (in 2020) and SIFI BH Retail (January 2021) were collected upon maturity. Given the current structure of investments in bank deposits and bonds, management does not estimate a significant impact on the Group's financial position from a credit risk perspective.

Cash and cash equivalents and bank deposits are not overdue or impaired.

The Group did not apply the ECL model since there is not enough historical and statistical information to model a reliable and relevant option to potential credit losses.

The corporate bonds are not overdue or impaired.

(All amounts are presented in RON)

5. Significant risk management (continued)

5.1 Financial risk (continued)

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with short-term financial liabilities, that are extinguished by the cash payment or by other financial means, or such obligations should be extinguished under a non favorable manner for the Group.

The Groups follows the evolution of the liquidity level in order to be able to pay the obligations on the date when these ones become due and analyzes permanently the assets and liabilities, depending on the period remaining until the contractual due dates.

The structure of the assets and liabilities was analyzed based on the period remaining as of the balance sheet date until the contractual date of the due date, both as at 31 December 2020 and as at 31 December 2019, as follows:

In RON	**Carrying amount**	**Less than 3 months**	**3 to 12 months**	**More than 1 year**	**No pre-set maturity**
31 December 2020					
Financial assets					
Cash and cash equivalents	187,639,649	187,639,649	-	-	-
Bank deposits	5,453,621	5,453,621	-	-	-
Financial assets at fair value through profit or loss	1,394,390,716	11,582,819	-	37,612,296	1,345,195,600
Financial assets at fair value through other comprehensive income	1,215,637,345	-	8,860	5,102,644	1,210,525,841
Financial assets measured at amortized cost	-	-	-	-	-
Other financial assets	11,156,829	11,156,829	-	-	-
Total financial assets	**2,814,278,160**	**215,832,919**	**8,860**	**42,714,940**	**2,555,721,441**
Financial liabilities					
Loans	15,534,842		3,624,855	11,909,987	-
Lease liabilities	143,012	143,012	-	-	-
Current income tax liabilities	49,965	5,356	16,476	28,133	-
Other financial liabilities	39,296,691	39,296,691	-	-	-
Total financial liabilities	**55,024,509**	**39,445,059**	**3,641,331**	**11,938,120**	**-**
Liquidity surplus	**2,759,253,651**	**176,387,860**	**(3,632,471)**	**30,776,820**	**2,555,721,441**

(All amounts are presented in RON)

5. Significant risk management (continued)

5.1 Financial risk (continued)

(c) Liquidity risk (continued)

In RON	**Carrying amount**	**Less than 3 months**	**3 to 12 months**	**More than 1 year**	**No pre-set maturity**
31 December 2019					
Financial assets					
Cash and cash equivalents	118,938,341	118,938,341	-	-	-
Bank deposits	14,998,737	11,990,320	3,008,417	-	-
Financial assets at fair value through profit or loss	1,226,791,566	1,119,967	6,483,596	48,179,328	1,171,008,675
Financial assets at fair value through other comprehensive income	1,419,485,824	-	10,277	5,043,356	1,414,432,191
Financial assets measured at amortized cost	43,246,691	-	43,246,691	-	-
Other financial assets	14,057,778	14,057,778	-	-	-
Total financial assets	**2,837,518,937**	**146,106,406**	**52,748,980**	**53,222,685**	**2,585,440,866**
Financial liabilities					
Loans	11,524,982	-	5,191,602	6,333,380	-
Lease liabilities	2,132,985	106,691	320,455	1,705,839	-
Current income tax liabilities	6,016,671	6,016,671	-	-	-
Other financial liabilities	4,302,517	4,302,517	-	-	-
Total financial liabilities	**23,977,156**	**10,425,879**	**5,512,057**	**8,039,219**	**-**
Liquidity surplus	**2,813,541,781**	**135,680,527**	**47,236,923**	**45,183,466**	**2,585,440,866**

The impact of Covid-19 on liquidity risk was not significant in 2020 in terms of the Group's ability to fully and timely meet its obligations towards third parties. The liquidity surplus is slightly decreasing compared to the end of 2019, with the mention that the share of immediately available liquidity (cash and cash equivalents) is increasing YoY. Regardless of the impact of the Covid-19 pandemic, the liquidity risk remains mainly influenced by the liquidity of the local capital market, namely by the ratio between the volume of the Group's main listed holdings and their average daily liquidity.

5. Significant risk management (continued)

5.2 Other risks

By the nature of the business object, the Group is exposed to various types associated to financial instruments and to market on which it invests. The main types of risks the Group is exposed to are:

- taxation risk;
- economic environment risk;
- operational risk.

The risk management takes into account the maximization of the Group profit related to the risk level it is exposed to.

The Group uses various management and measurement policies and procedures for the risk types it is exposed to. These policies and procedures are presented at subchapter dedicated to each type of risk.

(a) Taxation risk

Starting with January 1st 2007, following the joining of Romania to the European Union, the Group has to fulfill the regulations of the European Union, and therefore it prepared for the application of the changes brought by the European legislation. The Group implemented these changes, but the implementation modality remains open to the tax audit during 5 years.

The interpretation of the texts and the practical implementation of the procedures of the new applicable tax regulations, could vary and there is the risk that under certain situations the tax authorities should adopt a different position from that of the Group.

From the profit tax point of view corresponding to 2015, there is the risk of different interpretation by the tax organisms of the accounting treatment determined by the transition to IFRS as accounting basis.

The Company chose to prescribe the dividends distributed and not raised for 3 years by the shareholders and to register it the Other reserves account – distinct analytical. According to the Civil Code, the prescription applies to the right to request forced execution, not to the property right over the amounts. The transfer of these amounts (already taxed in the sphere of income tax and dividend tax) back in equity represents a transaction with shareholders, not a taxable transaction. As a result, the Group did not recognize a deferred tax for these amounts. Under these conditions, there is a risk of a different interpretation from the tax authorities regarding these operations.

Furthermore, the Government of Romania holds a number of agencies authorized to carry-out the audit (control) of the companies operating within the territory of Romania. These controls are similar to the tax audits of other countries, and can cover only tax aspects, and other legal and regulatory aspects that present an interest for those agencies. It is possible that the Group be subject to the tax inspection while new tax regulations are issued.

(b) Economic environment risk

The management of SIF Banat-Crisana cannot predict all the effects of the financial crisis with an impact on the financial sector in Romania, but it believes that in 2020 it adopted the necessary measures for the Group's sustainability and development under the present state of the financial market by monitoring its cash flows and adapting its investment policies.

Risk avoidance and mitigation of their effects is ensured by the company through an investment policy which complies with prudential rules imposed by the applicable laws and regulations in force.

5. Significant risk management (continued)

5.2 Other risks (continued)

(b) Economic environment risk (continued)

SIF Banat-Crisana adopted risk management policies through which risks are managed actively, by implementing specific risk identification, evaluation, measurement and control procedures meant to provide reasonable assurance with respect to the achievement of the Group's objectives, thus seeking a consistent balance between risk and expected profit.

The risk management aims at: (i) identifying and assessing significant risks with major impact in achieving the target investment and developing activities to counter the risk identified; (ii) adapting the risk management policies to the developments in the financial capital market, monitoring performance and improving risk management procedures; (iii) reviewing investment decisions in line with the development of the capital and money market; (iv) compliance with the legislation in force.

The Euro area economy has experienced a significant recovery in recent years, both in terms of GDP growth (with annualized increases of more than 1.5%) and the progressive reduction of unemployment and the return of inflation to the target ECB (2%). However, the ECB has also maintained during the latest period both the benchmark interest rate in absolute historical absolutes (0%) and the commitment to fully reinvest the amounts cashed on the maturity date of the financial instruments acquired in the quantitative easing program, the duration of this program being dependent on the sustainability of the inflation rate to the 2% target set by the ECB. In March 2020, against the background to the global spread of tension related to the COVID -19 virus, the Federal Reserve has reduced key monetary policy interest rate to 0% in two exceptional meetings, along with a $700 billion package for quantitative relaxation operations.

The high volatility of the main capital markets over the past months, the impact and incidence of the US economy recovery plan through the USD 1,900 billion worth plan, as well as the uncertainty of the impact on global growth of the effects of the measures taken to limit the outspread of Covid-19, will be significant challenges in the investment management activity in 2021.

(c) Operational risk

Operational risk is the risk of direct or indirect loss resulting from deficiencies or weaknesses in procedures, personnel, the Group internal systems or from external events that can have an impact over its operations. Operational risks result from all the Group activities.

The Group's objective is to manage the operational risk so as to limit financial loss, not damage its reputation and achieve the investment objective of generating returns for investors.

The primary responsibility for implementation and development of control over the operational risk lies with the Board of Directors. This responsibility is supported by the development of general standards of operational risk management, including controls and processes within service providers and service commitments with service providers.

(d) Capital adequacy

The management policy with respect to capital adequacy focuses on maintaining a sound capital base in order to support the ongoing development of the Group and attain the investment objectives.

The Group equity includes the share capital, different types of reserves, the reported result and the minority interests. The equity amounted to RON 2,686,767,122 as at 31 December 2020 (RON 2,722,528,519 as at 31 December 2019).

6. Accounting estimates and significant judgments

The management discusses the development, selection, presentation and application of the significant accounting policies and estimations. All these are approved within the meetings of the Company Board of Directors.
These presentations complete the information about the financial risk management (see note 5).

Key sources for uncertainties of estimates

The significant accounting judgments for applying the accounting policies of the Group include:

Application of the amendments to IFRS 10 Investment entities

During Q1 2018, the Company reviewed the criteria provided by IFRS 10 for classification as an investment entity and concluded that they were met, namely:

a) it obtains funds from one or more investors for the purpose of providing investment management services to them;

b) it engages its investors that the purpose of its business is to invest funds only for gains from increasing the value of the investment, investment income, or both; and

c) it quantifies and evaluates the performance of almost all of its investments based on fair value (IFRS 10.27).

The Group applies the provisions of IFRS 10 - Investment Entities from the financial year 2018.

The Group has reviewed the analysis regarding the fulfillment of the classification criteria as an investment entity for 2019 and 2020 as well, concluding that they are fulfilled and that it will apply the exception provided by IFRS 10 regarding the investment entities and for the financial statements for 2019 and 2020.

In addition, the parent also has other characteristics specific to an investment entity, namely:

(a) Investment-related services

The parent company is a joint-stock company that functions as a self-managed closed-end financial investment company and is classified under the "Other Collective Investment Undertakings (AOPC) with a diversified investment policy" under the FSA regulations.

The parent company directly provides services related to the management of investments for its investors, the main activity of which is exclusively the activities of the closed-end investment companies.

The parent company has significant investments in two subsidiaries, SAI Muntenia Invest SA and AISA, which provide (directly or indirectly through a subsidiary) investment services or activities. Thus, after the Company becomes an investment entity, SIF Banat - Crişana consolidates SAI Muntenia and AISA in accordance with IFRS 10 as of January 2018.

(b) Purpose of the activity of an investment entity

According to the articles of association, the purpose of the parent company is to carry out lucrative (financial) activities specific to its object of activity and to obtain profit for its distribution to the shareholders and / or to finance the financial investments permitted by the statutory and the legal provisions in force.

6. Accounting estimates and significant judgments (continued)

(b) Purpose of the activity of an investment entity (continued)

The objective of the parent company is to efficiently manage a diversified portfolio of qualitative assets capable of providing a steady flow of income, preservation and medium to long-term capital growth in order to increase the value for shareholders and obtain the highest returns of the invested capital, under the assurance of a reasonable level of risk spreading, in order to offer its shareholders the possibility of obtaining attractive performances, together with the increase of the invested capital.

The parent's investment strategy seeks to maximize portfolio performance in order to increase the value of managed assets and investment income. The investment strategy and the annual investment program of the parent company approved by the General Shareholders' Meeting are public information and are presented on the parent company's official website and can be consulted by potential third party investors to support the decision of the investing in the Company.

At the same time, the parent company frequently monitors the structure and evolution of the investment portfolio and publishes monthly the assets and liabilities situation and publishes together with the Quarterly / Semester / Annual Asset Statement reports.

(c) Exit strategies

SIF Banat - Crişana manages a complex portfolio composed of the following main categories of financial instruments: shares, bonds and fund units. The parent company intends to retain the majority of its investments (financial and non-financial) for a limited period, and for that purpose has an exit strategy defined and implemented for them.

The parent company applies an exit strategy tailored to the specificity of each individual investment, defined on the basis of the following: applied strategy, investment objectives and exit transaction trigger conditions. The Differentiated Approach addressed by the Company for each of its participations aims at capitalizing on an aggregate return (generated by dividend gain and capital gain).

(d) Measurement at fair value

Starting with 1 January 2018, the Company measures the financial investments at fair value, nearly total amount at fair value, the rest of the investments being measured at amortized cost.

The parent owns property classified as "Investment property" which is measured using the fair value model in accordance with IAS 40. The assessment is carried out by internal assessors and assessors authorized by the National Association of Authorized Evaluators in Romania (ANEVAR).

(e) Effects of classification of the Company as an investment entity

From the time that the parent became an investment entity, the Company accounted for the change in its status as a "ceded loss" or "loss of control" over its subsidiaries as presented in the consolidated financial statements under IFRS.

The fair value of the investment at the date of change of the statute should be used as a consideration received when the provisions of IFRS 10 are applied.

Thus, gain or loss in the case of a "ceded loss" must be recognized as a gain or loss in the income statement. The parent company measures all its subsidiaries at fair value through profit or loss, except for the subsidiaries of SAI Muntenia Invest SA and AISA, which will continue to be consolidated.

6. Accounting estimates and significant judgments (continued)

(e) Effects of classification of the Company as an investment entity (continued)

Thus, the Company will prepare two sets of financial statements: individual and consolidated financial statements in accordance with IFRS 10 and IAS 27.

The manner of presenting the investments in the parent's financial statements as an investment entity shall consider both the requirements of IFRS 10 and IFRS 9 for the Classification and Measurement of Financial Instruments held by the Company as required by:

i) Investments in subsidiaries excluded from consolidation are measured at fair value through profit or loss in accordance with IFRS 9;

ii) Investments in subsidiaries (SAI Muntenia and AISA) included in the consolidation perimeter will be measured in accordance with IFRS 9 and measured at fair value through other items of comprehensive income.

iii) Investments in associates are measured at fair value through profit or loss in accordance with IFRS 9;

iv) Investments in equity instruments (other than in subsidiaries and associates) - at fair value through other items of comprehensive income;

v) Investments in debt instruments (bonds) will be classified and measured in accordance with IFRS 9, after analysis of the business model and the SPPI test:

- government and corporate bonds - at fair value through other elements of the global result, as a result of documenting the Hold to collect & sell business model and passing the SPPI test;
- corporate bonds issued by subsidiaries and associates - at fair value through profit or loss, consistently with the method of valuation of subsidiaries and associates, following the provisions of IFRS 10, paragraph 31, and the Company's business model , in line with the exit strategy for those investments; and
- corporate bonds, other than those issued by subsidiaries and associates, at amortized cost consistent with those detailed in Section B.1 (iv) "Investments in debt instruments (bonds)".

vi) Investments in fund units will be classified at fair value through profit or loss, which are ineligible for the irrevocable choice to present them in other changes in the comprehensive income. Under IFRS 9, even if investments in such instruments can be assimilated to equity investments for accounting purposes, they do not meet the definition of equity as set out in IAS 32.

(f) Disclosure

For each subsidiary not consolidated in the financial statements, the parent must disclose information about: the subsidiary name, the place of business and the percentage of ownership in the share capital.

If the parent company or one of its subsidiaries has provided financial or other support to a non-consolidated sheet in the financial statements (eg, purchases of assets, financial instruments issued by that subsidiary), it must provide information on the type and amount of support granted, and the reasons why it has granted this support to the subsidiary.

The information presented above was presented in Note 3.

6. Accounting estimates and significant judgments (continued)

(f) Disclosure (continued)

Allowances for impairment of receivables

The assets registered at amortized cost are tested for impairment according to the accounting policies described in Note 4(d)(iv).

The evaluation for the receivables impairment is carried-out at individual level and is based on the best estimation of the management regarding the current value of the cash flows expected to be received. In order to estimate these flows, the management makes certain estimations related to the financial statement of the counterparty. Each impaired asset is analyzed individually. The precision of the provisions depends on the estimation of the future cash flows for the specific counterparties.

Determining the fair value of financial instruments

The fair value of financial instruments that are not traded on an active market is determined using the evaluation techniques described in the accounting policy 4(d)(iii). For rarely traded financial instruments and for which there is no transparency of prices, the fair value is less objective and is determined suing various levels of estimations regarding the liquidity degree, the concentration degree, the incertitude of the market factors, hypothesis and other risks affecting the respective financial instrument.

The Group uses the following hierarchy of methods to calculate the fair value:

- Level 1: quoted market price on an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs. This category includes instruments valued using: quoted market prices on active markets for similar instruments; quoted prices for similar instruments on markets considered less active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques largely based on unobservable inputs. This category includes all instruments where the valuation technique includes items that are not based on observable data and the unobservable input parameters could have a significant effect on the instrument's valuation. This category includes instruments that are rated based on the quoted prices for similar instruments but for which adjustments are necessary based greatly on unobservable inputs or estimates to reflect the difference between the two instruments.

The concentration risk to which the Group is exposed is presented in Note 5.1 (a) (i), comprising the structure of exposure to the main NACE sectors as of December 31, 2020 and December 31, 2019.

The fair value of financial assets and liabilities that are traded on active markets are based on quoted market prices or on prices quoted by brokers. For all the other financial instruments, the Group determines the fair value using evaluation techniques.

The valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist and other valuation techniques. Assumptions and data used in valuation techniques include the risk free interest rates and reference rates, credit gaps and other premiums used in estimating discount rates, yields on bonds and equity, exchange rates, stock market price indices, volatility and expected correlations. The purpose of the valuation techniques is to determine the fair value to reflect the price of financial instruments on the reporting date, the price that would be determined in objective conditions by market participants.

6. Accounting estimates and significant judgments (continued)

(f) Disclosure (continued)

Determining the fair value of financial instruments (continued)

The Group uses valuation models recognized to determine the fair value of simple financial instruments which use only observable market data and require very few estimates and analysis from management (e.g. instruments that are valued based on quoted prices for similar instruments and which do not require adjustments based on unobservable data or estimates in order to reflect the difference between the two instruments). Observable prices and input parameters are usually available on the market for capital instruments.

Their availability reduces the need for estimates and analyses from management and the uncertainty associated with determining the fair value. The availability of observable market prices and inputs varies depending on products and markets and is subject to changes arising from specific events and general conditions on the financial markets.

For shares that do not have a quoted market price on an active market, the Group Company uses valuation models which are usually derived from known models of valuation. Some or all significant input data of these models may not be observable on the market and are derived from market prices or estimated based on assumptions. The valuation models needing unobservable inputs require from management high level analysis and estimates to determine the fair value. The management analysis and estimates are involved, in particular, in the selection of a suitable valuation model, in the establishment of future cash flows of a financial instrument, in determining the probability of default by the counterparty and of advance payments and in selecting the appropriate discount rates.

The fair value of the financial instruments for which there is no active market (Level 2 and 3) was determined by authorized external valuators and authorized valuators within the Valuation department of the Group, using the strategy set by the management of the issuer and valuation techniques including techniques based on the present net value, the discounted cash flow method, the method of comparisons with similar instruments for which there is an observable market price. Valuation techniques have been used consistently, with no changes in their application.

In 2020, valuation methods have been maintained for unlisted and listed investments that do not meet the criteria to be considered an active market within the meaning of IFRS. In their case, the impact of the Covid-19 pandemic was quantified:

- by adjusting the cash flows from the forecast period, depending on the observable impact on the level of activity in 2020 and the prudent-reasonable estimates of the management of the companies regarding the prospects for the coming years;
- by using the latest available information on the level of discount rates available at sector / industry level, including changing the perception of risk and the remuneration expectations from equity holders;
- by adjusting growth rates in perpetuity, based on reasonable estimates of the long-term prospects of those economic sectors.

At sectorial level, the significant impact on Level 3 fair value at 31 December 2020 was recorded for issuers with hotel and restaurant business, the decrease compared to 2019 being approximately 29%.

(All amounts are presented in RON)

6. Accounting estimates and significant judgments (continued)

(f) Disclosure (continued)

Determining the fair value of financial instruments (continued)

However, the impact of subsequent changes in these assumptions on financial markets in general, and on individually assessed issuers, may be favorable or unfavorable to fair values in future financial years. Given the persistence of uncertainties about the effectiveness of pandemic mitigation measures, it is possible that current assessments, especially those of issuers in the sectors directly exposed to these measures, may not adequately cover the full range of uncertainties and consequences on the fair value resulting from the evaluation models. The Group's management analyzed the situation between the date of completion of the evaluation reports and the date of authorization of the annual financial statements, concluding that there is no publicly available information that could significantly impact the fair values of the holdings presented in these annual financial statements.

An analysis of the financial instruments, investment property and land and buildings recognized at fair value according to the valuation method is presented in the table below:

31 December 2020	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit and loss - shares	277,335,487	-	762,391,983	1,039,727,470
Financial assets at fair value through profit and loss – fund units	305,468,130	-	-	305,468,130
Financial assets at fair value through profit and loss – bonds	37,898,081	11,297,035	-	49,195,115
Financial assets at fair value through other comprehensive income - shares	1,183,689,056	-	26,836,785	1,210,525,841
Financial assets at fair value through other comprehensive income - corporate bonds	5,111,504	-		5,111,504
Investment property	-	-	28,498,134	28,498,134
Assets held for sale			43,727,212	43,727,212
Land and buildings	-	-	3,734,817	3,734,817
TOTAL	**1,809,502,258**	**11,297,035**	**865,188,932**	**2,685,988,224**

31 December 2019	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit and loss - shares	251,475,960	-	553,111,966	804,587,926
Financial assets at fair value through profit and loss – fund units	366,420,749	-	-	366,420,749
Financial assets at fair value through profit and loss – bonds	37,958,535	17,824,356	-	55,782,891
Financial assets at fair value through other comprehensive income - shares	1,390,518,610	-	28,967,214	1,419,485,824
Financial assets at fair value through other comprehensive income - corporate bonds	5,053,633	-	-	5,053,633
Investment property	-	-	71,669,701	71,669,701
Land and buildings	-	-	3,734,818	3,734,818
TOTAL	**2,051,427,487**	**17,824,356**	**657,483,699**	**2,726,735,542**

(All amounts are presented in RON)

6. Accounting estimates and significant judgments (continued)

(f) Disclosure (continued)

Determining the fair value of financial instruments (continued)

In 2020, there were not transfers among the fair value levels.

In 2019, the following assets were transferred among the fair value levels:

- fund units in amount of 295,681,969 lei, from level 3 to level 1 (net asset unit value determined according to observable market data for fund investments) further to changes in the holdings in investment funds, namely the holding of mostly liquid listed shares, bank deposits and cash;
- shares held in 5 companies from level 2 to level 3, worth 12,998,817 lei

The table below presents the reconciliation from the initial balance to the final balance for financial assets measured at fair value and investment property, level 3 of the hierarchy of the fair values:

2020	**Financial assets measured at fair value through other comprehensive income - shares**	**Financial assets measured at fair value through profit or loss – shares**	**Property investment**
Balance as at 1 January 2020	**28,967,215**	**553,111,966**	**71,669,702**
(Gain)/Loss recognized in:			
- statement of income	-	55,223,792	6,696,841
- other comprehensive income	(2,500,232)	-	-
Acquisitions/Inputs	369,803	158,938,967	4,739,481
Value of shares disposed	-	(4,882,742)	(9,789,738)
Transfer to property, plant and equipment and inventory items			(1,336,259)
Transfer from non-current assets in progress			245,319
Transfer to assets held for sale	-	-	(43,727,212)
Balance as at 31 December 2020	**26,836,786**	**762,391,983**	**28,498,134**

2019	**Financial assets measured at fair value through other comprehensive income - shares**	**Financial assets measured at fair value through profit or loss – shares**	**Financial assets measured at fair value through profit or loss – unit funds**	**Property investment**
Balance as at 1 January 2019	**29,668,452**	**561,809,452**	**295,681,969**	**21,122,392**
Reclassification between levels 2 and 3	12,998,817	-	-	-
Reclassification between levels 3 and 1	-	-	(295,681,969)	-
(Gain)/Loss recognized in:	-	-	-	-
- statement of income	-	(8,698,989)	-	384,618
- other comprehensive income	(2,465,903)	-	-	-

Acquisitions/Inputs	1,425,000	1,503	-	50,162,692
Acquisition cost of shares disposed	(12,659,151)	-	-	-
Balance as at 31 December 2019	**28,967,215**	**553,111,966**	**-**	**71,669,702**

(All amounts are presented in RON)

6. Accounting estimates and significant judgments (continued)

(f) Disclosure (continued)

Determining the fair value of financial instruments (continued)

Although the Group considers its fair value estimates as appropriate, the use of other methods or assumptions could result in different amounts of the fair value. For fair values recognized from the use of a significant number of unobservable inputs (Level 3), changing one or more assumptions in order to make possible alternative assumptions would impact the comprehensive income and the current result.

The Group has conducted a sensitivity analysis for the amount resulting from the valuation of investments in shares, estimating the risk of variations on the main valuation factors. The Group used two valuation techniques, namely:

(1) *Valuation based on discounted net cash flow* - thus both EBITDA amounts and the weighted average cost of capital values were changed by +/-5% (2019: +/-5%), considered as limit risk, obtaining values per share and implicitly values of the Group's equity with a deviation from the standard value. These deviations from the standard value affect the statement of profit or loss and the other comprehensive income (net of tax).

2020

Change in variable global items	**Impact on statement of income**	**Impact on other comprehensive income**
Increase in EBITDA by 5%	8,096,056	-
Decrease in EBITDA by 5%	(8,099,653)	-
Increase in WACC by 5%	(10,085,543)	-
Decrease in WACC by 5%	11,899,997	-

2019

Change in variable global items	**Impact on statement of income**	**Impact on other comprehensive income**
Increase in EBITDA by 5%	10,095,902	-
Decrease in EBITDA by 5%	(10,095,249)	-
Increase in WACC by 5%	(12,373,902)	-
Decrease in WACC by 5%	14,501,221	-

(2) *Valuation based on adjusted net asset* – thus both the values of assets and the values of liabilities (debts) were changed by +/-5% (2019: +/-5%), obtaining values per share and implicitly values of the Company's equity with a deviation from the standard value. These deviations from the standard value affect the statement of profit or loss and the other comprehensive income (net of tax).

2020

Change in variable global items	**Impact on statement of income**	**Impact on other comprehensive income**
Increase in assets by 5%	29.620.758	-
Decrease in assets by 5%	(29.621.208)	-
Increase in liabilities by 5%	(433.660)	-
Decrease in liabilities by 5%	463.318	-

2019

Change in variable global items	**Impact on statement of income**	**Impact on other comprehensive income**
	19.018.570	-

(All amounts are presented in RON)

Increase in assets by 5%		
Decrease in assets by 5%	(19.020.175)	-
Increase in liabilities by 5%	(601.490)	-
Decrease in liabilities by 5%	603.740	-

As a result of the valuation of fund units, a sensitivity analysis was performed. These funds generally invest in very liquid stocks and bonds. As such, the sensitivity analysis was carried out considering a variation of +/- 10% in the market prices of the equity instruments. These variations affect profit or loss (net of tax) with the amount of +/- RON 25,659,323 as at 31 December 2020 (31 December 2019: +/- RON 30,779,343).

A sensitivity analysis was conducted for the amount resulting from the valuation of Investment property, estimating the risk of variations on the main influencing factors. Two valuation techniques were used, namely:

- Assessment based on discounted net cash flow – thus, the revenue values to be obtained from these investment properties have been modified +/-5%. These deviations from the standard value affect profit or loss (net of tax).
- Assessment based on market value - thus market price values expected to be obtained from these investment properties have been modified +/-5%. These deviations from the standard value affect profit or loss (net of tax).

2020

Change in variable global items	**Impact on statement of income**
Increase in revenue by 5%	924,030
Decrease in revenue by 5%	(924,517)
Market value increase by 5%	1,196,922
Market Value Decrease by 5%	(1,196,922)

2019

Change in variable global items	**Impact on statement of income**
Increase in revenue by 5%	2,864,589
Decrease in revenue by 5%	(2,863,740)
Market value increase by 5%	3,010,127
Market Value Decrease by 5%	(3,010,127)

Management believes that the presentation as above is useful for determining lines of action useful in managing risk.

Classification of financial assets and liabilities

The Group's accounting policies offer the basis so that the assets and liabilities should be classified, at the initial moment, in various accounting categories. In order to classify the assets and liabilities at the fair value through profit and loss, the Group determined that one or more criteria presented in Note 4(d)(i) were complied with.

Details of the classification of the Group financial assets and liabilities are presented in Note 7.

Determining the fair value of investment property

The fair value of the completed investment property is determined based on the income method with explicit hypotheses regarding the ownership benefits and debts throughout the useful life of the asset, including an exit price or closing value. The income capitalisation on property quotas is accepted as income assessment. To this cash flow series forecasted, a capitalisation rate is added as derived from the market in order to determine the actual value of the cash income associated with the property.

Specific income and the specific input and exist calendar are determined by events such as rent revision, lease agreement renewal, auxiliary lease periods, re-lease, rearrangement or renovation. The corresponding period is usually established by market behaviour. In case of property investments, the income estimated as gross income minus vacant spaces, non-recoverable expenses, collection losses, lease incentives, maintenance costs, costs with agencies and fees, and other operation and management expenses.

For the years ended 31 December 2020 and 2019, the Group has obtained valuation reports on its property investment. The fair value of the property investment relies on these valuations. The Group's property investments are classified as Level 3 of the fair value hierarchy defined in IFRS 13.

For all the property investments, the current utilisation degree is equivalent to the highest and the best utilisation degree. The Group reviews the valuations conducted by the independent valuators for financial and reporting purposes. At each year end, the financial department or the valuation department, as the case may be:

- checks all major aspects related to the independent valuation report;
- appraises the valuation movements of the property investments and compares the same with the evaluation report in the previous year; and
- discusses with the independent valuator.

At the end of the reporting period, the Group portfolio included retail spaces, office spaces and industrial buildings.

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.

(All amounts are presented in RON)

6. Accounting estimates and significant judgments (continued)

(f) Disclosure (continued)

Determining the fair value of investment property (continued)

The Groups currently presents fair values according to a “fair value hierarchy” (according to IFRS 13), which categorizes the inputs used in valuation techniques into three levels. The hierarchy gives the highest priority (Level 1) to quoted prices in active markets for identical assets or liabilities and the lowest priority (Level 3) to unobservable inputs. The various levels of the fair value hierarchy are explained below:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2: Using an input model (other than quoted market prices included within Level 1) that are observable on the market, either directly or indirectly and
- Level 3: Using an input model with inputs that are not based on observable data.

The Group’s property investments are classified at Level 3. There we no transfers between the hierarchy levels during the year.

Information regarding the fair value measurement using significant unobservable inputs (Level 3) for 2020 and 2019 are illustrated in the tables below.

31 December 2020

Segments	**Valuation method**	**Estimated rent value - EUR/sqm**	**Discount rates**
			(%)
Commercial and services – buildings	Income method	EUR 10/sqm	8.5-9%

31 December 2019

Segments	**Valuation method**	**Estimated rent value - EUR/sqm**	**Discount rates**
			(%)
Commercial and services – buildings	Income method	EUR 2-10/sqm	8-11%

7. Financial assets and liabilities

Accounting classifications and fair values

For measurement purposes, IFRS 9 "Financial Instruments", the Group classifies its financial assets in the following categories: (a) loans and receivables; (b) financial assets at fair value through profit or loss; (c) financial assets at amortized cost and (d) financial assets at fair value through other comprehensive income.

(All amounts are presented in RON)

7. Financial assets and liabilities (continued)

Accounting classifications and fair values (continued)

The table below summarizes the carrying amounts and the fair values of the financial assets and liabilities as at 31 December 2020:

	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income	Financial assets and liabilities at amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	-	-	**187,639,649**	**187,639,649**	**187,639,649**
Cash at hand	-	-	27,608	27,608	27,608
Cash in current accounts	-	-	41,422,880	41,422,880	41,422,880
Bank deposits less than 3 months due	-	-	146,189,161	146,189,161	146,189,161
Bank deposits	**-**	**-**	**5,453,621**	**5,453,621**	**5,453,621**
Financial assets at fair value through profit and loss	**1,394,390,716**	**-**	**-**	**1,394,390,716**	**1,394,390,716**
Shares	1,039,727,470	-	-	1,039,727,470	1,039,727,470
Unit funds	305,468,130	-	-	305,468,130	305,468,130
Corporate bonds	49,195,115	-	-	49,195,115	49,195,115
Financial assets at fair value through other comprehensive income	-	**1,215,637,345**	-	**1,215,637,345**	**1,215,637,345**
Shares	-	1,210,525,841	-	1,210,525,841	1,210,525,841
Corporate bonds	-	5,111,504	-	5,111,504	5,111,504
Financial assets-amortized cost	**-**	**-**	**-**	**-**	
Bonds	-	-	-	-	**-**
Other financial assets	-	-	**9,254,479**	**9,254,479**	**9,254,479**
Total financial assets	**1,394,390,716**	**1,215,637,345**	**202,347,749**	**2,812,375,811**	**2,812,375,811**
Current income tax liability	-	-	143,012	143,012	143,012
Loans	-	-	15,534,842	15,534,842	15,534,842
Lease liabilities	-	-	49,965	49,965	49,965
Other financial liabilities	-	-	39,296,691	39,296,691	39,296,691
Total financial liabilities	-	-	**55,024,509**	**55,024,509**	**55,024,509**

(All amounts are presented in RON)

7. Financial assets and liabilities (continued)

Accounting classifications and fair values (continued)

The table below summarizes the carrying amounts and the fair values of the financial assets and liabilities as at 31 December 2019:

	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income	Financial assets and liabilities at amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	**-**	**-**	**118,938,341**	**118,938,341**	**118,938,341**
Cash at hand	-	-	16,151	16,151	16,151
Cash in current accounts	-	-	31,887,034	31,887,034	31,887,034
Bank deposits less than 3 months due	-	-	87,035,157	87,035,157	87,035,157
Bank deposits	**-**	**-**	**14,998,737**	**14,998,737**	**14,998,737**
Financial assets at fair value through profit and loss	**1,226,791,566**	**-**	**-**	**1,226,791,566**	**1,226,791,566**
Shares	804,587,926	-	-	804,587,926	804,587,926
Unit funds	366,420,749	-	-	366,420,749	366,420,749
Corporate bonds	55,782,891	-	-	55,782,891	55,782,891
Financial assets at fair value through other comprehensive income	-	**1,424,539,458**	-	**1,424,539,458**	**1,424,539,458**
Shares	-	1,419,485,824	-	1,419,485,824	1,419,485,824
Corporate bonds	-	5,053,633	-	5,053,633	5,053,633
Financial assets-amortized cost	-	-	**43,246,691**	**43,246,691**	**43,246,691**
Bonds	-	-	43,246,691	43,246,691	43,246,691
Other financial assets		-	**12,407,953**	**12,407,953**	**12,407,953**
Total financial assets	**1,226,791,566**	**1,424,539,458**	**189,591,723**	**2,840,922,746**	**2,840,922,746**
Current income tax liability	-	-	6,016,671	6,016,671	6,016,671
Loans	-	-	11,524,982	11,524,982	11,524,982
Lease liabilities	-	-	2,132,985	2,132,985	2,132,985
Other financial liabilities	-	-	4,302,517	4,302,517	4,302,517
Total financial liabilities	**-**	**-**	**23,977,156**	**23,977,156**	**23,977,156**

(All amounts are presented in RON)

7. Financial assets and liabilities (continued)

Accounting classifications and fair values (continued)

In estimating the fair value of financial assets and financial liabilities measured at amortized cost, the Group has used the following assumptions and has made the following significant judgments:

- For cash and cash equivalents, other financial assets and financial liabilities that are issued or held for very short periods and are generally non-interest bearing or have fixed interest rates, the Group has approximated fair value to their cost.
- For investments held to maturity, the Group used evaluation techniques of the type of the updated cash flows, using the observable inputs on the market (therefore, the evaluation was realized using the techniques at level 3).

8. Dividend income

In accordance with IFRS 9, and as a result of the fact that the Group has opted for the option to measure participations by other comprehensive income, dividends on these interests are recognized in income unless they represent a material recovery of the investment cost .

Dividend income is recorded at gross value. Tax rates on dividends for the financial year ended as at 31 December 2020 from resident and non-resident companies were 5% and nil (2019: 5% and nil). Details of dividend income from the most significant counterparties are presented in the table below:

In RON	**31 December 2020**	**31 December 2019**	**Measurement**
Banca Transilvania	27,387,563	36,980,164	FVTOCI
Biofarm	11,224,994	3,620,966	FVTPL
Vrancart	8,983,226	7,356,953	FVTPL
Uniteh	7,770,077	96,730	FVTPL
Conpet	3,968,618	4,202,445	FVTOCI
IAMU Blaj	3,067,867	2,300,867	FVTPL
SIF Modova	3,005,937	1,539,758	FVTOCI
Romgaz	2,530,384	6,553,851	FVTOCI
SIF Oltenia*	1,160,829	1,741,243	FVTOCI
SNP Petrom	1,111,840	968,377	FVTOCI
Gaz Vest	752,117	1,919,184	FVTPL
Transgaz	678,282	949,683	FVTOCI
Electrica	477,389	479,975	FVTOCI
Antibiotice Iasi	423,328	141,557	FVTOCI
Rompetrol Well Services	242,181	99,754	FVTOCI
Iproeb Bistrita	172,270	344,527	FVTOCI
Erste Group Bank AG	18,343	9,634,942	FVTOCI
BRD	-	22,329,415	FVTOCI
Other	566,004	270,344	FVTOCI
Total, of which:	**73,541,249**	**101,530,735**	
- Companies valued at fair value through profit and loss (FVTPL)	31,798,281	15,294,699	
- Companies valued at fair value through other comprehensive income (FVTOCI)	41,742,968	86,236,036	

** The dividends distributed in 2020 out of the result of 2019, the distribution and payment of which was approved by OGMS Resolutions nos. 5 and 6 of 24.02.2021. OGMS Resolution of 12.10.2020 revoked OGMS Resolution of 28.04.2020 which approved the distribution and payment of dividends out of the result of 2019.*

(All amounts are presented in RON)

9. Interest income

Interest income (assets at amortized cost, assets at fair value through other comprehensive income)

In RON	31 December 2020	31 December 2019
Interest income on deposits and current accounts	2,259,541	1,789,586
Interest income on bonds measured at amortized cost	4,103,958	622,850
Interest income on assets measured through other comprehensive income (government and corporate bonds)	293,867	287,768
	6,657,366	**2,700,204**

Interest income (assets at fair through profit or loss)

In LEI	31 December 2020	31 December 2019
Interest income from bonds	2,478,903	3,678,040
	2,478,903	**3,678,040**

10. Other operating income

In RON	31 December 2020	31 December 2019
Management income (SAI Muntenia and Administrare Imobiliare)	23,009,283	29,118,677
Rental income	461,029	914,410
Other operating income	547,447	913,266
	24,017,759	**30,946,353**

The decrease of such revenues is mainly due to the fact that SAI Muntenia stopped collecting the performance fee for the administration SIF Muntenia.

(All amounts are presented in RON)

11. Gains/(Loss) on Investment property

	31 December 2020	31 December 2019
Balance at 1 January	**71,669,701**	**21,122,392**
Inflows, of which:	4,739,481	50,162,692
Acquisitions	4,555,641	46,925,788
In progress	183,840	3,236,904
Transfer to property, plant and equipment and inventory items	(1,336,259)	
Transfer from non-current assets in progress	245,319	
transfer to assets held for sale	(43,727,212)	-
Outflows	(9,789,738)	-
Effect of changes in fair value	6,696,842	384,617
Balance at 31 December	**28,498,134**	**71,669,701**

Changes in fair value at 31 December 2020 and 31 December 2019 are unfavorable and came as a result of the valuation of investment properties upon sale and at the end of the period.

At the end of 2020, the counter value of a plot of land was transferred from investment property to assets held for sale, as a result of the conclusion of a sale contract therefor.

The valuation of the real estate properties was realized through the income-based method (for buildings + land that constitute standalone cash generating units) and through the market-based approach (for freehold lands).

In the case of buildings and related land, the valuer proceeded to determine the rentable area, to establish the obtainable unit rent, to determine the potential gross income, to estimate the annual occupancy rate, to determine the owner's operating expenses (fixed and variable expenses), to determine the net effective income, to determine the capitalization rate, to determine the potential value of the property, to determine the conversion investments and, finally, to determine the actual value of the property. The sources of information used are represented by market information and the information provided by ANEVAR.

The valuation at 31 December 2020 and 2019 was carried out by valuers authorized by the National Association of Authorized Valuers of Romania (ANEVAR).

During 2020 and 2019, the revenues obtained from investment properties (re-invoiced rents and utilities) amount to RON 1,162.8 thousand (2019: RON 1,245 thousand), and the related expenses (utilities, insurance, local taxes) amount to RON 349.7 thousand (2019: RON 341.1 thousand).

(All amounts are presented in RON)

12. Net gain/ (loss) on financial assets at fair value through profit or loss

In RON	**31 December 2020**	**31 December 2019**
Net gain / (loss) from the measurement / disposal of fund units	(58,119,753)	86,186,393
Net gain / (loss) from measurement of bonds (Vrancart)	(73,494)	(2,897,722)
Net gain / (loss) from measurement of shares at subsidiaries and associates	81,083,319	(9,214,965)
Total	**22,890,072**	**74,073,706**

The loss registered from the measurement of fund units as of 31 December 2020, in amount of RON 58.1 million (2019: RON 86.2 million) includes:

- The unfavorable difference from measurement in the amount of RON 61.4 million (2019: RON 83.7 million);
- The sum of RON 3.3 million (2019: RON 3.3 million) transferred by the Certinvest Fund Unit representing dividends received from the companies in the portfolio, pro rata with the Company's holding ;

A loss of RON 0.8 million was registered in 2019 from the redemption of the fund units by the Omnitrend Closed Investment Fund in amount of RON 21.4 million.

The gains registered from the measurement/disposal of subsidiaries at 31 December 2020 in amount of RON 81.1 million (2019: loss of RON 9.2 million) include:

- A favorable difference from measurement of subsidiaries (Level 1 and Level 3) in amount of RON 52.39 million;
- A favorable difference from measurement of associates (Level 1 and Level 3) in amount of RON 27.77 million;
- A favorable difference recognised upon disposal of a subsidiary (Somplast SA) in amount of RON 0.92 million.

13. Fee expenses

In RON	**2020**	**2019**
FSA fees	2,613,550	2,411,565
Depository fees	795,843	561,346
Fees payable for transactions	5,143,948	118,898
Registry fees	144,000	144,000
Other fees	97,471	86,809
Total	**8,794,811**	**3,322,619**

(All amounts are presented in RON)

14. Other operating expenses

In RON	31 December 2020	31 December 2019
Expenses for other taxes, fees and related payments	821,129	548,535
Expenses for salaries and other personnel expenses	26,027,756	24,146,365
Depreciation expenses	688,393	883,831
Expenses for external services	9,626,674	6,226,677
Total	**37,163,952**	**31,805,408**

Expenses for salaries and other expenses for personnel are detailed as follows:

	2020	2019
Expenses for salaries	25,036,710	23,214,138
Expenses for social security	762,103	686,490
Expenses for meal tickets	228,944	245,738
Total	**26,027,756**	**24,146,365**

The fee paid to the auditor in 2020 for auditing the financial statements amounted to RON 439,735 (2019: RON 413,986), of which for auditing the separate financial statements (parent and subsidiaries) the fee was RON 289,129 (2019: RON 333,197), for the consolidated financial statements the fee was RON 134,065 (2019: RON 14,708), additional expenses in amount of RON 16,541 (2019: RON 19,820) and for non-audit services in amount of RON 41,907 (2019: RON 267,024).

15. Profit tax

	2020	2019
Current profit tax (16%)	992,213	14,458,839
Income tax (1%)	43,354	44,505
Dividends tax (0%, 5%)	2,077,696	3,834,480
Financial assets at fair value through other comprehensive income		
Financial assets at fair value through profit or loss		
Tangible assets /Investment property	612,041	1,192,298
Provisions for risks and expenses and adjustments of receivables	118,359	(258,517)
Total profit tax recognized in the result of the year	**3,843,663**	**19,271,604**

(All amounts are presented in RON)

15 Profit tax (continued)

The reconciliation of the profit before tax with the expenses for profit tax in the statement of income:

	2020	**2019**
Profit before tax	92,704,090	178,013,337
Tax according to the statutory taxation rate	16,377,908	30,405,939
Dividend tax	2,077,696	3,834,480
Effect on the corporate income tax of :		
The non-taxable income	(32,131,432)	(25,144,402)
The non-deductible expenses and assimilated items (*)	15,548,886	10,851,399
The items similar to income	71,867	13,760,497
The items similar to expenses	-	-
Tax loss to recover from the previous years	1,396,849	-
The amounts representing sponsorship within the legal limits and other deductions	(244,791)	(1,614,000)
Tax credit	-	
Tax recognized in retained earnings	-	(13,756,090)
Deferred tax	746,680	933,781
Corporate income tax	**3,843,663**	**19,271,604**

Starting January 1st 2014, the amendments to the Fiscal code come into force, according to which the income from the sale/assignment of the participation titles and income from liquidation are included in the category of non-taxable income for the calculation of the income tax, together the dividend income, regardless if the legal entities in which participation titles are held are Romanian or foreign legal entities, from states with which Romania has celebrated conventions for avoiding the double taxation (including outside the EU). This income is not taxable if certain conditions are fulfilled (if on the date of sale / assignment of the participation title or on the date of beginning the liquidation operation the minimum period of 1 year is fulfilled regarding the continuous holding of a participation of minimum 10%).

(All amounts are presented in RON)

16. Cash and cash equivalents

	31 December 2020	31 December 2019
Cash on hand	7,647	8,935
Current accounts at banks (including interest receivable)	41,422,880	31,887,034
Deposits at bank with initial maturity smaller than 3 months	146,189,161	87,035,157
Other values	19,961	7,216
Total cash and cash equivalents	**187,639,649**	**118,938,341**

There are no current accounts opened with banks or bank deposits pledged in favour of banks.

17. Bank deposits

In RON	31 December 2020	31 December 2019
Deposits at banks with initial maturity more than 3 months	5,445,000	14,958,000
Interest attributable to deposits	8,621	40,737
Total	**5,453,621**	**14,998,737**

18. Financial assets at fair value through profit or loss

	31 December 2020	31 December 2019
Shares evaluated at fair value	1,039,727,470	804,587,926
Units measured at fair value	305,468,130	366,420,749
Corporate bonds (including the interest attributed)	49,195,115	55,782,891
Total	**1,394,390,716**	**1,226,791,566**

Following the application of IFRS 9 as of 1 January 2018, holdings in associates, fund units and bonds held with related parties have been reclassified as assets at fair value through profit or loss.

Shares valued at fair value through profit or loss include unconsolidated subsidiaries of RON 871,798,145 (2019: RON 664,432,818) and related parties RON 167,928,914 (2019: RON 140,154,697).

(All amounts are presented in RON)

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

The fair value of investments in subsidiaries is presented below:

	31 December 2020	**31 December 2019**
1 Measured at fair value through profit or loss		
SIF IMOBILIARE PLC NICOSIA	368,782,154	327,545,411
SIF1 IMGB BUCURESTI	214,790,000	-
NAPOMAR SA CLUJ-NAPOCA	11,395,709	15,083,854
SIF HOTELURI SA ORADEA	57,535,630	84,159,608
AZUGA TURISM SA BUCURESTI	21,623,517	27,335,861
SILVANA SA CEHU SILVANIEI	-	-
IAMU SA BLAJ	43,479,532	46,428,297
CENTRAL SA CLUJ	30,729,283	31,968,859
VRANCART SA ADJUD	122,357,737	120,034,488
SOMPLAST SA BISTRITA	-	3,304,142
SIF SPV TWO	52,531	88,515
UNITEH	163,724	8,483,782
SIFI CJ LOGISTIC	888,329	-
Total	**871,798,145**	**664,432,818**

Statement of investment funds in which units are held:

	31 December 2020	**31 December 2019**
Closed Fund of Active Investment Plus	162,502,921	192,092,702
Closed Investment Fund Optim Invest	35,627,770	43,515,810
Star Value Star Fund	9,803,909	11,382,712
Alternative Investment Fund Certinvest Shares	67,067,871	82,636,065
Alternative Investment Fund Romania Strategy Fund	30,465,660	36,793,460
Total	**305,468,130**	**366,420,749**

(All amounts are presented in RON)

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

Statement of investment funds in which units are held (continued)

The movement of financial assets measured at fair value through profit and loss in year 2020 is presented in the table following table:

In RON	**Shares**	**Fund units**	**Corporate bonds held at subsidiaries**	**Total**
1 January 2020	**804,587,514**	**366,420,749**	**55,782,890**	**1,226,791,154**
Acquisitions	158,938,967	497,690	-	159,436,657
Sales	(4,882,742)	-	(6,568,790)	(11,451,432)
Changes in interest receivable	-	-	(228,402)	(228,402)
Change of fair value (including foreign exchange differences)	81,083,319	(61,450,309)	209,417	19,842,426
31 December 2020	**1,039,727,058**	**305,468,130**	**49,195,115**	**1,394,390,304**

Purchases of shares in 2020 include the shares of Doosan IMGB and SIFI CJ Logistic.

In 2020, the Company purchased fund units from Certinvest Acțiuni in amount of RON 0.5 million.

The sales of shares in amount of RON 4.9 million include the counter value of the shares of Somplast SA.
Sales of corporate bonds include the counter value of the bonds issued by Banca Transilvania bought back upon maturity.

The movement of financial assets measured at fair value through profit and loss in year 2019 is presented in the table following table:

In RON	**Shares**	**Fund units**	**Corporate bonds**	**Total**
1 January 2019	**769,377,891**	**295,681,969**	**40,929,815**	**1,105,989,676**
Acquisitions	44,425,000	8,499,912	70,713,000	123,637,912
Sales	-	(21,455,867)	(60,904,960)	(82,360,827)
Interest	-	-	571,546	571,546
Change of fair value (including foreign exchange differences)	(9,214,965)	83,694,734	(2,190,992)	72,288,778
Reclassification at amortized cost	-	-	6,664,481	6,664,481
31 December 2019	**804,587,926**	**366,420,749**	**55,782,891**	**1,226,791,566**

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

Statement of investment funds in which units are held (continued)

Purchases of shares in 2019 include the shares of Biofarm SA in amount of RON 44.4 million.

In 2019, the Company purchased fund units from Optim Invest Closed Investment Fund in amount of RON 8.5 million.

The buy-back of fund units at a carrying amount of RON 21.5 million was made by Omnitrend Closed Investment Fund. With a loss of RON 0.8 million.

Purchases of corporate bonds in amount of RON 70.7 million include the counter value of 7,500 bonds issued by SIFI BH Retail SA in EUR. The RON 60.9 million represents the early buy-back of 6,400 bonds in SIFI BH Retail SA.

(All amounts are presented in RON)

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

Hierarchy of the fair value of financial instruments

As at 31 December 2020 and 31 December 2019, the financial assets measured at fair value classified as Level 3 are as follows:

31 December 2020

Financial assets	**Fair value as at 31 December 2020**	**Evaluation technique**	**Input data used**		**Unobservable input data**	**The weighted average cost of capital**		**Capitalization rate**		**The relationship between unobservable input data and fair value - sensitivity**
Financial investments, d.c:	789,228,770	-	-	-	-	**Standard values**	**Variations from standard values**	**Standard values**	**Variations from standard values**	-
Non-listed or no active market – majority holdings	164,763,671	income approach – discounted cash flow method	Turnover, EBITDA for each major stake	Variation +/- 5% from standard value	weighted average cost of capital	8 % - 10.86%	Variation +/- 5% from standard value	-	-	Increasing EBITDA (influenced by revenue growth and / or declining costs and wacc decrease in fair value and versus fair value reduces fair value.
No active market - majority holdings	584,676,737	Income approach – corrected net assets method	Corrected net assets for each majority stake of the holding	Variation +/- 5% from standard value of assets and liabilities	Average market rental rates and capitalization rates – used in valuation of real estate holdings – major effect on net assets	-	-	7%-11% for valuation of intangible assets (with majority stake in the total assets)	Variation +/- 5% from standard value	Increasing of net asset (influenced by the increase in the value of real estate investments) brings about the rise in fair value and vice versa to lowering the fair value

(All amounts are presented in RON)

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

Hierarchy of the fair value of financial instruments

As at 31 December 2020 and 31 December 2019, the financial assets measured at fair value classified as Level 3 are as follows:

31 December 2020

Financial assets	**Fair value as at 31 December 2020**	**Evaluation technique**	**Input data used**		**Unobservable input data**	**The weighted average cost of capital**		**Capitalization rate**		**The relationship between unobservable input data and fair value - sensitivity**
Investments in associated entities	12,951,575	income approach – discounted cash flow method	Turnover, EBITDA for each investment in associated entities	Variation +/- 5% from standard value	weighted average cost of capital	11.67 %	Variation +/- 5% from standard value	-	-	Increasing EBITDA (influenced by revenue growth and / or declining costs and wacc decrease in fair value and versus fair value reduces fair value.
Minority holdings without active market	10,999,350	market comparison	historical and half-yearly financial statements		market multiples for the business sector					
	15,837,437	corrected net assets method	historical and half-yearly financial statements	-	discounts for lack of liquidity, minority stake and reduced profitability	-	-	-	-	-
Total	**789,228,770**									

(All amounts are presented in RON)

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

Hierarchy of the fair value of financial instruments (continued)

As at 31 December 2019, the financial assets measured at fair value classified as Level 3 are as follows:

31 December 2019

Financial assets	**Fair value as at 31 December 2019**	**Evaluation technique**	**Input data used**		**Unobservable input data**	**The weighted average cost of capital**		**Capitalization rate**		**The relationship between unobservable input data and fair value - sensitivity**
Financial investments, d.c:	582,079,183	-	-	-	-	**Standard values**	**Variations from standard values**	**Standard values**	**Variations from standard values**	-
Non-listed or no active market – majority holdings	216,852,919	income approach – discounted cash flow method	Turnover, EBITDA for each major stake	Variation +/- 5% from standard value	weighted average cost of capital	8 % - 16.6%	Variation +/- 5% from standard value	-	-	Increasing EBITDA (influenced by revenue growth and / or declining costs and wacc decrease in fair value and versus fair value reduces fair value.
No active market - majority holdings	327,545,411	Income approach – corrected net assets method	Corrected net assets for each majority stake of the holding	Variation +/- 5% from standard value of assets and liabilities	Average market rental rates and capitalization rates – used in valuation of real estate holdings – major effect on net assets	-	-	8,5%-12% for valuation of intangible assets (with majority stake in the total assets)	Variation +/- 5% from standard value	Increasing of net asset (influenced by the increase in the value of real estate investments) brings about the rise in fair value and vice versa to lowering the fair value

(All amounts are presented in RON)

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

Hierarchy of the fair value of financial instruments (continued)

As at 31 December 2019, the financial assets measured at fair value classified as Level 3 are as follows:

31 December 2019

Financial assets	**Fair value as at 31 December 2019**	**Evaluation technique**	**Input data used**		**Unobservable input data**	**The weighted average cost of capital**		**Capitalization rate**		**The relationship between unobservable input data and fair value - sensitivity**
Investments in associated entities	8,713,636	income approach – discounted cash flow method	Turnover, EBITDA for each investment in associated entities	Variation +/- 5% from standard value	weighted average cost of capital	9.30 %	Variation +/- 5% from standard value	-	-	Increasing EBITDA (influenced by revenue growth and / or declining costs and wacc decrease in fair value and versus fair value reduces fair value.
Minority holdings without active market	27,292,349	market comparison	historical and half-yearly financial statements		market multiples for the business sector					
	1,674,868	corrected net assets method	historical and half-yearly financial statements	-	discounts for lack of liquidity, minority stake and reduced profitability	-	-	-	-	-
Total	**582,079,183**									

(All amounts are presented in RON)

19. Financial assets measured at fair value through other comprehensive income

The fair value of the shares for which the Group has chosen the fair value through other items of the global result option as of December 31, 2020 and December 31, 2019 is presented below, structured on the main sectors of economic activity. The Group has chosen this presentation provided by IFRS 9 because it is in accordance with the Group's investment strategy and horizon regarding these investments.

In RON	**31 December 2020**	**%**	**31 December 2019**	**%**
Financial brokerage and insurance	1,101,539,463	91,0%	1,215,398,031	85,6%
Manufacturing industry	27,531,618	2,3%	32,397,870	2,3%
Hotels and restaurants	20,856,838	1,7%	24,812,860	1,7%
Wholesale and retail trade, repair of motor vehicles	235,287	0,0%	290,745	0,0%
Production and supply of energy, gas and water	-	-	7,014,612	0,5%
Extractive industry	13,037,218	1,1%	74,340,858	5,2%
Other activities	3,738,815	0,3%	3,408,584	0,2%
Constructions	197,061	0,0%	408,679	0,0%
Transport and storage	42,978,421	3,6%	60,662,664	4,3%
Agriculture, forestry and fishing	411,121	0,0%	750,922	0,0%
TOTAL	**1,210,525,842**	**100%**	**1,419,485,824**	**100%**

Dividend income from shares measured at fair value through other comprehensive income is presented separately in Note 8.

The movement of the financial assets measured at fair value through other comprehensive income during 2020 is presented in the table below:

In RON	**Shares***	**Corporate bonds****
1 January 2020	**1,419,485,824**	**5,053,633**
Acquisitions	7,459,123	-
Sales	(65,497,597)	-
Changes in interest receivable	-	(1,417)
Changes in fair value (including foreign exchange differences)	(150,921,508)	59,288
31 December 2020	**1,210,525,841**	**5,111,504**

*the fair value measurement through other comprehensive income was exercised in initial recognition

**SPPI and recognised as held to collect and sell business model

The acquisition of shares in 2020, totalling RON 7.5 million include mainly the acquisition of shares in Banca Transilvania in amount of RON 4.4 million and BSE in amount of RON 2.5 million.

Sales of shares in amount of RON 65.5 million, include mainly the sale of shares in Romgaz (RON 45.4 million), Transgaz (RON 12.9 million), and Electrica (RON 7.1 million).

The net result from transactions amounting to RON 3.9 million was recognised in retained earnings.

(All amounts are presented in RON)

19. Financial assets measured at fair value through other comprehensive income (continued)

The movement of the financial assets measured at fair cost through other comprehensive income during the financial year 2019 is presented in the table below

In RON	**Shares***	**Corporate bonds****
1 January 2019	**1,185,551,595**	**4,882,639**
Acquisitions	6,586,167	-
Sales	(107,323,972)	-
Changes in interest receivable	-	248
Changes in fair value (including foreign exchange differences)	334,672,034	170,746
31 December 2019	**1,419,485,824**	**5,053,633**

*the fair value measurement through other comprehensive income was exercised in initial recognition

**SPPI and recognised as held to collect and sell business model

The acquisition of shares in 2019, totalling RON 6.6 million include mainly the acquisition of shares in Intercontinental SA Bucharest in amount of RON 5.1 million and participation in the share capital of CCP.RO (Contrapartea Centrală) in amount of RON 1.43 million.

Sales of shares in amount of RON 107.3 million, include mainly the sale of shares in Erste Bank (RON 93.9 million), Minerva SA (RON 8.9 million), Mobicom SA (RON 1.6 million), Famos SA (RON 1.6 million), SIF Moldova (RON 0.8 million), Nord Constructii (RON 0.5 million), etc.

The gains from transactions amounting to RON 54.7 million was recognised in retained earnings.

Differences from the change of fair value corresponding to financial assets measured through other comprehensive income

In RON	**2020**	**2019**
As at 1 January	**856,643,688**	**622,243,796**
Profit/(Loss) from the measurement at the fair value of financial assets measured at fair value through other comprehensive income	(150,956,585)	334,721,440
Gains/(Loss) transferred to retained earnings corresponding to the financial assets measured at fair value through other comprehensive income out of the portfolio	(3,942,196)	(54,738,484)
(Profit)/Loss transferred to statement of income corresponding to the financial assets measured at fair value through other comprehensive income out of portfolio		-
Transfer of the reserve corresponding to subsidiaries in retained earnings following the application of IFRS 10		-
Effect of deferred income tax	24,215,417	(45,583,064)
As at 31 December	**725,960,324**	**856,643,688**

(All amounts are presented in RON)

20. Financial assets measured at amortized cost

In RON	31 December 2020	31 December 2019
Bonds	-	43,013,700
Interest corresponding to bonds	-	232,991
Total	**-**	**43,246,691**

The outstanding bonds at 31 December 2019 were fully repaid by the end of October 2020, along with related interest.

At 31 December 2019, the bonds held with Banca Transilvania were reclassified to financial assets at fair value through profit or loss.

21. Other financial assets

In RON

	31 December 2020	31 December 2019
Trade receivables - net	2,185,836	10,378,665
VAT recoverable	515,846	439,386
Advances to suppliers	231,251	247,534
Other receivables – net	6,321,546	1,342,369
Total	**9,254,479**	**12,407,954**

(All amounts are presented in RON)

22. Assets representing right of use of underlying assets under the lease contract

In accordance with IFRS 16, applicable as of 2019, the lease contract for a premises, entered into in 2019 was recognised as lease contract. The contract was concluded for a period of 5 years and the Company used a discount rate of 7%.

Assets representing right of use of underlying assets under the lease contract

	31 December 2020	31 December 2019
Balance at 1 January	**1,950,690**	**-**
Recognition of assets		2,384,177
Amortization	(36,124)	(433,487)
Derecognition of assets	(1,914,566)	
Balance at the end of the period	**-**	**1,950,690**

Liabilities under the lease contract recognised in the statement of financial position

	31 December 2020	31 December 2019
Balance at 1 January	**2,063,575**	**-**
Recognition of liability	-	2,384,177
Debts paid	(48,244)	(392,383)
Expenses with foreign exchange differences	(598)	71,782
Derecognition of liability	(2,014,733)	
I. Balance at the end of the period, of which:	**-**	**2,063,575**
- due in less than 1 year	-	406,761
- due in more than 1 year	-	1,656,814

Finance lease liabilities

Lease liabilities are secured once the rights over the leased assets are transferred to the lessor in case of default.

	31 December 2020	31 December 2019
Less than 1 year	21,832	20,385
Between 1 and 5 years	28,133	49,025
Future finance expenses with finance leases		
II. Discount value of finance lease liabilities	**49,965**	**69,410**
Total lease liabilities (I+II)	**49,965**	**2,132,985**

(All amounts are presented in RON)

22. Assets representing right of use of underlying assets under the lease contract (continued)

Expenses related to the lease contract, included in the statement of profit or loss and other comprehensive income

	31 December 2020	31 December 2019
Amortization	36,124	433,487
Interest	21,736	169,662
Foreign exchange expenses/(income)	(598)	71,782
Total	**57,262**	**674,930**

23. Property, plant and equipment

In RON	Land and buildings	Technical installations and transport means	Other plants, equipment and furniture	Advances for tangible assets and tangible assets in progress	Total
Cost					
As at 1 January 2020	**3,734,817**	**3,016,733**	**756,518**	**245,319**	**7.753.387**
Revaluation	-	-	-	-	**-**
Acquisitions/Additions	-	352,514	1,317,617	-	**1.670.131**
Sales	-	(177,049)	(54,138)	(245,319)	**(476.506)**
As at 31 December 2020	**3,734,817**	**3,192,198**	**2,019,997**	**-**	**8.947.012**
Accumulated depreciation and impairment losses					
As at 1 January 2020	-	2,058,201	429,778	-	**2.487.978**
Depreciation related revaluation	-	-	-	-	**-**
Depreciation expenses	132,329	431,633	62,419	-	**626.381**
Sales		(176,691)	(23,187)	-	**(199.878)**
As at 31 December 2020	**132,329**	**2,313,142**	**469,010**	**-**	**2.914.481**
Net carrying amount					
As at 1 January 2020	**3,734,818**	**958,532**	**326,740**		**5.265.408**
As at 31 December 2020	**3,602,488**	**879,055**	**1,550,987**		**6.032.531**

(All amounts are presented in RON)

23. Property, plant and equipment (continued)

In RON	**Land and buildings**	**Technical installations and transport means**	**Other plants, equipment and furniture**	**Advances for tangible assets and tangible assets in progress**	**Total**
Cost					
As at 1 January 2019	**3,819,727**	**2,913,436**	**551,307**	**-**	**7.284.470**
Revaluation	(84,910)	-	-	-	(84.910)
Acquisitions	-	585,477	256,079	245,319	1.086.876
Sales	-	(482,180)	(50,868)		(533.048)
As at 31 December 2019	**3,734,817**	**3,016,733**	**756,518**	**245,319**	**7.753.387**
Accumulated depreciation and impairment losses					
As at 1 January 2019	**1,046,312**	**2,258,701**	**440,233**	**-**	**3.745.246**
Depreciation related revaluation	(1,156,464)	-	-	-	**(1.156.464)**
Depreciation expenses	110,152	281,681	38,774	-	**430.607**
Sales		(482,180)	(49,230)	-	**(531.410)**
As at 31 December 2019	**-**	**2,058,201**	**429,778**		**2.487.979**
Net carrying amount					
As at 1 January 2019	**2,773,415**	**654,735**	**111,073**	**-**	**3.539.223**
As at 31 December 2019	**3,734,818**	**958,532**	**326,740**	**245,319**	**5.265.408**

The latest revaluation of property, plant and equipment in the form of land and buildings was conducted at December 31 2019 by an internal appraiser.

24. Other financial liabilities

In RON	**31 December 2020**	**31 December 2019**
Trade payables	2,671,242	697,673
Amounts owed to employees and related contributions	3,632,509	3,241,080
VAT payable	1,806	11,532
Other liabilities – short-term	32,991,133	319,880
Other liabilities – long-term	-	32,352
Total liabilities	**39,296,691**	**4,302,517**

(All amounts are presented in RON)

The increase in the volume of liabilities is due to the collection of the down payment in a contract for sale of assets held for sale.

25. Deferred income tax liabilities

Deferred tax assets and liabilities as at 31 December 2020 are generated by the elements detailed in the following table:

In RON	**Assets**	**Liabilities**	**Net**
Financial assets at fair value through profit or loss	-	-	-
Financial assets at fair value through other comprehensive income	-	900,346,816	(900,346,816)
Property, plant and equipment and investment property	-	19,943,762	(19,943,762)
Adjustment of assets	-	(34,303)	34,303
Provisions for risks and charges	-	(2,181,009)	2,181,009
Total	**-**	**918,075,266**	**(918,075,266)**
Tax on loss carried forward	-		
Net temporary differences - 16%	-		(918,075,266)
Net temporary differences - 10%	-		
Deferred tax liabilities	-		**(146,892,044)**

Deferred tax assets and liabilities as at 31 December 2019 are generated by the elements detailed in the following table:

In RON	**Assets**	**Liabilities**	**Net**
Financial assets at fair value through profit or loss	-	-	-
Financial assets at fair value through other comprehensive income	-	1,047,839,625	(1,047,839,625)
Property, plant and equipment and investment property	-	21,564,105	(21,564,105)
Adjustment of assets	-	(34,303)	34,303
Provisions for risks and charges	-	(2,920,755)	2,920,755
Total	**-**	**1,066,448,672**	**(1,066,448,672)**
Tax on loss carried forward	-	**-**	**-**
Net temporary differences - 16%	-	-	(1,066,448,672)
Net temporary differences - 10%	-	-	-
Deferred tax liabilities	-	-	**(170,631,789)**

(All amounts are presented in RON)

25. Deferred income tax liabilities (continued)

The changes during the years in deferred tax liabilities are presented below:

	Amount
Deferred tax liability at 1 January 2019	**129,776,547**
Tax with impact on profit or loss	876,250
Impact of valuation reserves for assets measured through other comprehensive income	39,978,991
Deferred tax liability at 31 December 2019	**170,631,789**
Tax with impact on profit or loss	(140,896)
Impact of valuation reserves for assets measured through other comprehensive income	(23,598,849)
Deferred tax liability at 31 December 2020	**146,892,044**

The movement table in respect of deferred tax liabilities is as follows:

	01/01/2020	Charged/ credited to profit or loss	Charged / credited to other comprehensive income	31/12/2020
Financial assets at fair value through other comprehensive income	167,654,340		(23,598,849)	144,055,491
Property, plant and equipment and investment property	3,450,258	(259,255)		3,191,003
Provisions	(472,809)	118,359		(354,450)
	170,631,789	**(140,896)**	**(23,598,849)**	**146,892,044**

	01/01/2019	Charged/ credited to profit or loss	Charged / credited to other comprehensive income	31/12/2019
Financial assets at fair value through other comprehensive income	127,846,796	-	39,807,543	167,654,339
Property, plant and equipment and investment property	2,144,042	1,134,767	171,448	3,450,258
Provisions	(214,292)	(258,517)	-	(472,809)
	129,776,547	**876,250**	**39,978,991**	**170,631,789**

(All amounts are presented in RON)

26. Borrowings

	31 December 2020	31 December 2019
Long-term		
Loans	15,534,842	11,524,982
Total long-term loans	**15,534,842**	**11,524,982**
Short-term		
Finance lease liabilities	-	-
Short-term loans	-	-
Total short-term loans	-	-
Total borrowings	**15,534,842**	**11,524,982**

The fair value of the loans equals to their carrying amount

The distribution of the Group on currency is presented as follows:

Currency	31 December 2020	31 December 2019
EUR (RON equivalent)	1,120,114	1,091,289
RON	14,414,728	10,433,693
Total	**15,534,842**	**11,524,982**

27. Capital and reserves

(a) Share capital

As at 31 December 2020, the share capital SIF Banat Crişana amounted to RON 51,542,236 and is divided into 515,422,363 shares with nominal value of RON 0.1 and is the result of direct subscriptions to the share capital of SIF by converting into shares the amounts due as dividends under law no. 55/1995 and law no. 133/1996. As at 31 December 2020, the number of shareholders was 5,747,126 (31 December 2019: 5,749,444).

Shares issued by SIF Banat Crisana are traded on the Bucharest Stock Exchange since November 1999. The records of shares and shareholders is kept by Depozitarul Central S.A. Bucharest.

All shares are ordinary shares, were subscribed and fully paid as at 31 December 2020 and as at 31 December 2019. All shares have equal voting rights and a nominal value of RON 0.1/share. The number of shares authorized to be issued is equal to the shares issued.

(All amounts are presented in RON)

27. Capital and reserves (continued)

(a) Share capital (continued)

The Extraordinary General Meeting of Shareholders dated 26 April 2018 approved the execution of a program for the redemption of 17,460,724 own shares ("Program I") by the Company for the purpose of reducing its share capital.

The Extraordinary General Meeting of Shareholders dated 26 April 2018 approved the execution of a program of redemption of 1.400.000 own shares ("Program II") by the Company, for distribution free of charge to the members of the management of the Company (administrators, directors) as well as the reward for the activity carried out within the Company, according to the performance criteria to be established by the Board of Directors. In December 2019 the stock option plan program was completed, whereby the directors and officers received 1,400,000 shares under a free title.

The EGMS of April 27, 2020 approved:

- reduction of the share capital of the Company pursuant to Article 207 paragraph (1) letter c) of Law no. 31/1990, from RON 51,746,072.4 to RON 51,542,236.3 as a result of the cancellation of 2,038,361 own shares acquired by the company, within the programs of buy-back of own shares. This operation was completed in December 2020.
- the use of a number of 880,000 shares, owned by the Company and bought back pursuant to the EGMS Decision of April 26, 2018, for free distribution to members of the Company's management (directors, officers), within the Stock Option Plan, approved by the EGMS Decision of April 22, 2019. The Board of Directors of the Company approved the "Share-based Payment Plan" at the end of May 2020, which is in progress.
- the roll-out of a buy-back program of 15,000,000 own shares („Program I") by the Company in order to reduce its share capital and buy back maximum 880,000 shares („Program II"), for purposes of distribution under a free title to the Company's management, for loyalty purposes and to reward them for their activity within the Company, according to the performance criteria to be set by the Board of Directors. In August 2020, the Board of Directors of the Company approved the "Share-based Payment Plan", which is in progress.

In LEI	**31 December 2020**	**31 December 2019**
Share capital*	51,542,236	51,746,072
Total	**51,542,236**	**51,746,072**

* The effect of hyperinflation on the share capital is presented at letter (g).

(All amounts are presented in RON)

27. Capital and reserves (continued)

(b) Retained earnings

In RON	**31 December 2020**	**31 December 2019**
Retained earnings from transition to IAS and IFRS	422.323.709	422,323,709
Retained earnings from the application of IFRS 9 (including gains from transactions)	207.935.766	204,606,593
Profit not allocated	18,874,346	23,860,282
Profit or loss for the year	88,858,482	158,739,125
Other amounts recognized in retained earnings (legal reserves, reserves from revaluation of property, plant and equipment, etc.)	2,429,869	2,277,004
Total	**740,422,170**	**811,806,713**

(c) Other reserves

In RON	**31 December 2020**	**31 December 2019**
Reserves distributed out of net profit	903,715,687	744,221,155
Reserves established further to the application of Law no. 133/1996*	145,486,088	145,486,088
Reserves from prescribed dividends	88,420,910	88,420,910
Reserves from FX differences and investment facilities	19,832,946	19,832,946
Total	**1,157,455,631**	**997,961,099**

* The effect of hyperinflation on the reserve established further to the application of Law no. 133/1996 is presented in letter (g).

The reserve corresponding to the initial portfolio was established following the application of Law no. 133/1996, as difference between the value of the portfolio brought and the value of the share capital subscribed at SIF. Thus, these reserves are assimilated to a contribution premium and are not used to sell the non-current securities.

(d) Legal reserves

According to the legal requirements, the Company establishes legal reserves in the amount of 5% of profits recorded according to applicable accounting standards up to 20% of the share capital according to the Articles of Incorporation. The value of the legal reserve at 31 December 2020 is RON 10,568,848 (31 December 2019: RON 10,609,615). During the financial year 2018, the Company reduced the legal reserve following the reduction of the share capital.

Legal reserves cannot be distributed to shareholders.

(All amounts are presented in RON)

27. Capital and reserves (continued)

(e) Differences from the change of fair value corresponding to financial assets measured through other comprehensive income

This reserve includes cumulative net changes in the fair values of financial assets measured through other comprehensive income from the date of their classification within this category to the date they have been derecognized or impaired.

The reserves are recorded net of related deferred tax. The value of deferred tax is recognized directly as an equity deduction and is presented at Note 25.

The table below shows the reconciliation of the net differences arising from changes in fair value for financial assets measured through other comprehensive income.

In RON	**31 December 2020**	**31 December 2019**
Differences from changes in fair value for financial assets measured through other comprehensive income (bonds)	(8,511)	20,952
Differences from changes in fair value for financial assets measured through other comprehensive income (shares)	725,968,835	856,622,736
Total	**725,960,324**	**856,643,688**

(f) Dividends

The shareholders of the Company did not approve in 2020 to distribute dividends from the profit of 2019.

(g) Effect of hyperinflation (IAS 29)

The effect of hyperinflation on the share capital in amount of RON 642,622,709 (31 December 2019: RON 645,164,114) and on the reserve established further to the application of Law no. 133/1996 in amount of RON 1,960,189,603 was registered through the decrease of retained earnings, resulting in an accumulated loss from the effect of the application of IAS 29 on capital in amount of RON 2,602,812,312 (31 December 2019: RON 2,605,353,717), without affecting the total value of equity.

In RON	**Effect of application IAS 29 on share capital**	**Effect of application of IAS 29 on the reserve established further to the application of Law no. 133/1996**	**Effect in retained earnings of the application of IAS 29 on capital**
Balance at 1 January 2019	**645,164,114**	**1,960,189,603**	**(2,605,353,717)**
Reductions			
Balance at 31 December 2019	**645,164,114**	**1,960,189,603**	**(2,605,353,717)**
Balance at 1 January 2020	**645,164,114**	**1,960,189,603**	**(2,605,353,717)**
Reductions	(2,541,405)		2,541,405
Balance at 31 December 2020	**642,622,709**	**1,960,189,603**	**(2,602,812,312)**

(All amounts are presented in RON)

28. Earnings per share

The calculation of the basic share result was realized based on the profit assignable to ordinary shareholders and to the weighted average number of ordinary shares:

	2020	2019
Profit from continuous activities assignable to parent companies	88,858,482	158,741,732
Average number of ordinary shares issued and outstanding*	514,542,363	516,795,078
Basic earnings per share	**0.1727**	**0.307**

* Given the redeemed treasury shares.

The diluted earnings per share equals to the basic earnings per share, because the Group did not register potential ordinary shares.

In 2020 and 2019, there were no changes in accounting policies or new standards adopted that would affect the earnings per share and would require the disclosure in accordance with IAS 8.

29. Segment reporting

In 2020 and 2019, the Group operated on a single segment, respectively financial activity.

The Group does not report the revenues from external customers, neither in total, nor by country, because the information is not available and the cost of obtaining it is excessive.

The activity of 3 companies was included within the financial activity (2019: 3).

30. Contingent assets and liabilities

(a) *Litigation*

The Group makes the object of a number of actions in court resulted during the normal development of the activity. The management considers that these actions will not have a significant effect over the economic results and the consolidated financial position.

(b) *Transfer pricing*

The tax legislation of Romania comprises since 2000 regulations regarding the transfer prices between affiliates. The current legislative framework defines the “arm’s length value” principle for the transactions between related parties, as well as the methods for establishing the transfer prices. Therefore, we expect the tax authorities to start inspections on the subject of transfer prices. In order to make sure that the tax result and/or the customs value of the imported goods is/are not distorted by the impact of the prices charged between affiliates, the Group cannot anticipate the result of such an inspection.

30. Contingent assets and liabilities (continued)

(c) *Other commitments*

As at 31 December 2020 and 31 December 2019, the Group has obtained loans from banks for which the banks asked collateral guarantees represented by mortgages of non-current assets (lands, buildings) and movable guarantees over the receivables, inventories and cash.

31. Transactions with related parties

The parties are considered related if one of the parties has the capacity to control the other party or to exercise a significant influence over this one in making the financial or functioning decisions.

The Group has identified the following related parties during the development of its activity:

Key management personnel

31 December 2020

- As at 31 December 2020 the Board of directors of SIF BANAT-CRIŞANA SA was formed of 5 members: Bogdan-Alexandru Drăgoi-President, Răzvan-Radu Străuț -Vice-president, Sorin Marica, Marcel Pfister and Ionel Marian Ciucioi.
- As at 31 December 2020 the members of the executive management of SIF BANAT-CRIŞANA SA: Bogdan-Alexandru Drăgoi –General Manager, Răzvan Radu Străuț – Deputy General Manager, Teodora Sferdian – Deputy General Manager and Laurențiu Riviș - Director.

31 December 2019

- As at 31 December 2019 the Board of directors of SIF BANAT-CRIŞANA SA was formed of 5 members: Bogdan-Alexandru Drăgoi-President, Răzvan-Radu Străuț -Vice-president, Sorin Marica, Marcel Pfister and Ionel Marian Ciucioi.
- As at 31 December 2019 the members of the executive management of SIF BANAT-CRIŞANA SA: Bogdan-Alexandru Drăgoi –General Manager, Răzvan Radu Străuț – Deputy General Manager, Teodora Sferdian – Deputy General Manager and Laurențiu Riviș - Director.

During 2019, transactions have not been carried-out and advances and loans have not been granted to the Company's managers and directors, except for the advances for business travels.

During 2020, gross payments of members of the BoD and managers (authorised by the FSA) amounted RON 13,152 (2019: RON 11,765 thousand). In 2020, the amount of RON 1,867 thousand related to the two share-based payments programs approved by the GMS of April 2020, which are ongoing at 31 December 2020, was registered as expenses. In 2019, a share-based payment program ended, through which shares worth RON 3,794 thousand were offered to directors and managers, during 2019 the amount of RON 1,414 thousand is recognized in expenditures.

The Group did not receive and did not grant guarantees in favor of any related party.

(All amounts are presented in RON)

31. Transactions with related parties (continued)

The following transactions were carried out with related parties:

(a) Dividend income

	2020	2019
VRANCART ADJUD	8,983,226	7,356,953
BIOFARM BUCURESTI	11,224,994	3,620,966
IAMU BLAJ	3,067,867	2,300,867
GAZ VEST ARAD	752,117	1,919,184
Uniteh	7,770,077	96,730
Total	**31,798,281**	**15,294,699**

(b) Interest income

	2020	2019
VRANCART ADJUD - bonds	1,681,799	1,903,780
SIFI BH Retail - bonds	643,800	1,774,262
Total	**2,325,599**	**3,678,042**

(c) Purchases of goods and services

	2020	2019
Gaz Vest – supply of natural gas	41,183	46,798

(d) Balances at the end of the year resulting from the sales /acquisitions of products /services

	31 December 2020	31 December 2019
Debts towards related parties	(7,398)	(7,859)
Loans	(15,534,842)	(11,524,982)
Total	**(15,542,240)**	**(11,532,841)**

(All amounts are presented in RON)

31. Transactions with related parties (continued)

(e) Balance of non-current receivables

	2020	2019
VRANCART ADJUD - bonds	37,612,296	37,612,296
VRANCART ADJUD – interest receivable	285,785	346,239
SIFI BH Retail - bonds	10,691,255	10,567,032
SIFI BH Retail – interest receivable	605,780	592,843
Gaz vest – dividend receivable	752,117	-
Total	**49,947,232**	**49,118,411**

32. Subsequent events

Through the OGMS Resolutions of 6 January 2021, the members of the Board of Directors were elected for a mandate of 4 years (Bogdan-Alexandru Drăgoi, Răzvan-Radu Străuț, Sorin Marica, Marcel Pfister and Ionel Marian Ciucioi) and the remuneration policy, the remuneration due to the members of the BoD were approved, as well as the general thresholds of all additional remunerations of the members of the BoD and the general thresholds of the officers' remunerations for 2021. By Authorisation no. 44 of 18 March 2021, the Financial Supervisory Authority authorised the members of the Board of Directors of SIF Banat-Crișana in accordance with the resolution of the Ordinary General Meeting of Shareholders of 06.01.2021.

In January 2021, upon maturity, the counter value of the bonds of SIFIBH Retail SA was received, principal in amount of RON 10.7 million and accumulated coupon in amount of RON 0.6 million;

On 17 February 2021, the sale contract was signed for the package of shares held in Central Cluj. The transaction is due to be completed within maximum 30 months from the signing of the contract. At the date of publication of the financial statements, the Company received an advance of EUR 1.2 million out of the total price of the transaction.