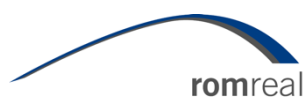


# RomReal Limited Annual 2020 Report

17 April 2020



RomReal is a Company focused on the Romanian real estate market. Established in 2005 it owns a premium portfolio of properties in the Black Sea – Constanta region.

# 2019 Highlights

## **Net Asset Value (NAV)**

Net Asset value was EUR 0.44 (NOK 4.42) per share, being 5.6% lower compared to the end of 2018.

The year-end 2019 valuation was concluded by Knight Frank and resulted in a 5.4% increase of the portfolio's fair value (on a like-for-like basis).

## **Operational highlights**

In November 2019, RomReal signed a sale agreement for 11 plots in Lakeside (No. 1 in the table) for a total price of EUR 550,000. A down-payment of EUR 110,000 was received and the rest spread out over 18 months, starting with 1st of May 2020.

During the first quarter of 2020, the Company entered sale agreement for in total 10 more plots (4 plus 6 plots) in Lakeside, for a total consideration of EUR 820,300. This amount was fully cashed at the beginning of 2020.

The ongoing regulations processes and utilities connections on Lakeside plot (no. 1 on list), Centrepont (no. 4 on list) and Oasis (no. 3 in list) have progressed according to plan.

During 2019 the legal processes have progressed in both the on-going EUR 1.7 million tax dispute and the expropriation claim of land on the Mamaia North plot by the Navodari City Hall. Further legal processes are presently postponed due to Corona virus.

## **Contestation against the Tax Authority Decision no. F-CT 344/29.05.2018**

With regards to the extraordinary tax-bill on the Company, in excess of EUR 1.7m (including penalties), during June 2019, the Company managed to obtain a second Court of Appeal decision confirming the fact that no attachments to the bank accounts and/or lands belonging to Westhouse Group. During the hearing on 13th November 2019 the Court decided, upon the request of Westhouse Group lawyers, that a Constanta judicial sworn specialised tax accountant should examine the whole grounds of the Tax Authority claim. Due to the Corona virus, further legal processes are presently postponed.

## **Financial Results**

At the end of 2019, the Company had a cash position of EUR 2.4 million plus a total of EUR 1.7 million in unsettled receivables related to binding sales agreements, totalling at about EUR 4.1 million or about EUR 0.1 per share.

## Macro and real estate market highlights

The Romanian GDP expanded 4.3 percent year-on-year in the fourth quarter of 2019, following a 3.0 percent growth in the previous period. Considering 2019 full year, the economy expanded 4.1 percent compared with 4.4 percent growth in 2018. Romania GDP Annual Growth Rate was last updated on February 2020 from the National Statistics source. The Ministry or other official bodies have hitherto not released new macro estimates, adjusted for the Corona effect.

In March 2020 the residential apartment prices in Romania witness a 12.9% increase compared with the same month last year reaching EUR 1,391 per meter square; whereas prices in Constanta witness a 9.9% increase compared with the same month last year reaching EUR 1,247 per meter square according to the largest online real estate platform [www.imobiliare.ro](http://www.imobiliare.ro)

## Key Financials

EUR '000	2019	2018
Operating Revenue	608	1,371
Operating Expenses	(690)	(989)
Other operating income/ (expense), net	(568)	(689)
Net financial income/(cost)	(1,204)	(43)
Pre-tax result	(1,854)	(351)
Result for the period	(1,890)	(360)
Total assets	19,013	20,019
Total liabilities	513	417
Total equity	18,501	19,602
Equity %	97.3%	97.9%
NAV per share (EUR)	0.44	0.47
Cash position	2,371	3,469

## Property Portfolio

Total size of the Company's Property Portfolio ("Land Bank") totalled 275,835 sqm at the end of 2019. The Company owns prime location plots in the Black Sea region, County Constanta:

Plot name	Location	Size (m2)
1 Ovidiu Lakeside	Constanta North/Ovidiu	57,324
2 Badulescu plot	Constanta North/Ovidiu	50,000
3 Ovidiu (Oasis)	Constanta North/Ovidiu	24,651
4 Centrepont	Constanta North/Ovidiu	121,672
5 Gunaydin plot	Constanta North/Ovidiu	15,000
6 Balada Market	Central Constanta	7,188
<b>Total</b>		<b>275,835</b>

For further information on the Company's property portfolio, please visit [www.RomReal.com](http://www.RomReal.com)

## Romanian Macro development

The Romanian GDP expanded 4.3 percent year-on-year in the fourth quarter of 2019, following a 3.0 percent growth in the previous period. Considering 2019 full year, the economy expanded 4.1 percent compared with 4.4 percent growth in 2018. Romania GDP Annual Growth Rate was last updated on February 2020 from the National Statistics source. The Ministry has hitherto not released new macro estimates, adjusted for the Corona effect.

Household consumption appears to have spearheaded the expansion, as reflected by robust retail sales growth in the quarter. Turning to 2020, economic sentiment edged up in January–February from Q4 2019 on the back of strengthening confidence in the trade and construction sectors, indicating sustained healthy business conditions. Meanwhile, on 26 February, President Klaus Iohannis appointed acting Finance Minister Florin Cîtu as prime minister-delegate to try to form a government. Romania's Parliament approved the new Government of prime minister Ludovic Orban on March 14, one day after president Klaus Iohannis designated Orban to lead a new cabinet.

On 5 March the European Commission recommended EU finance ministers to open an excessive deficit procedure against the country as it exceeded the 3.0% fiscal deficit threshold last year. The recommendation calls for reducing the budget shortfall below 3.0% by 2022 at the latest, placing structural funds at risk if authorities fail to comply. As for the annual inflation rate in Romania, the European Commission expects this to decline to 3.4% in 2020 and 3.3% in 2021, after a 4.1% peak in 2018 and an annual rate of 3.8% in 2019. Following various Covid-19 Government initiatives in Romania and all other EU countries, excessive deficit procedure against the country is for the time being “frozen”.

Although the economy is expected to slow this year, robust consumer spending—propped up by a tight job market—should nevertheless underpin a healthy pace of expansion. Continued absorption of EU structural funds should also support investment activity. That said, political uncertainty and the country's sizeable twin deficits pose key risks to the outlook. Analysts see growth at 3.2% in 2020, which is up 0.1 percentage points from last month's forecast, and 2.8% in 2021. New flash estimates including Covid-19 effects for the Romanian economy is expected about medio April 2020.

Amid the Covid-19 turmoil, Romania is imposing restrictive mobility measures and is allocating funds in battling the pandemic. This is expected to affect the micro and macroeconomic indicators of the country. The Management is expecting a slow-down on new leads for selling plots until the situation is stabilised.

This is the fastest investment of a Government in Romania in the last 30 years and comes as a response to the coronavirus crisis. Romania now has a Government with full powers to take the necessary measures to contain the Covid-19 epidemic and to limit its negative impact on the local economy.

## RomReal Ethical Policy

### **Introduction**

RomReal is only involved in minor construction or development projects, but aiming to maintain its principles with regards to Ethical Policy since its listing to the Oslo Stock Exchange. These can be found below:

### **Energy**

From initial site surveys, through to the specification of fixtures and fittings, the Company aims to identify the most energy-efficient solutions. The Company is seeking more intelligent and sustainable approaches to design, construction and materials.

### **Water**

All of the developments consider ways in which water usage can be reduced, both during construction and occupancy. Where possible, specifying ways of increasing the efficiency of water usage within the infrastructure of our developments, delivering responsibility and cost-efficiency.

### **Materials**

The Company is aiming to select all construction materials carefully. The aim is to protect natural resources and reduce carbon emissions, thereby contributing to a healthy environment for the residents in all developments.

### **Waste**

RomReal is aware of the need to reduce and manage waste across our operations and is aiming to fulfil all legal requirements. It also supports and encourages residents in their own recycling efforts.

### **Community**

From introducing improvements to the local infrastructure to including spaces for socialising and local amenities, the aim is to contribute to sustainable communities for everyone.

### **Healthy Living**

RomReal recognises our responsibility to support healthy lifestyles and meet the needs and aspirations of residents. RomReal seeks to maximise the natural benefits of sunlight, daylight and open space within each development.

### **Education**

RomReal seeks to deliver sustainable development through its ethical policy and working practices. The terms of reference include requirements for economic and social progress at a local level. The Company has supported educational initiatives, both those that spread best practice in sustainable development, and those that enhance the local educational infrastructure in general.

## Shareholder Overview

Please see below the list of the top 20 shareholders in RomReal as of 01 April 2020:

No	Shareholder	Holding	Holding %
1	SIX SIS AG	10,331,934	24.98%
2	THORKILDSEN, WENCHE SYNNØVE	5,392,985	13.04%
3	GRØNSKAG, KJETIL	4,422,475	10.69%
4	SAGA EIENDOM AS	3,262,976	7.89%
5	AUSTBØ, EDVIN	2,108,500	5.10%
6	Danske Bank A/S	1,477,922	3.57%
7	ENERGI INVEST AS	1,236,948	2.99%
8	ORAKEL AS	1,101,000	2.66%
9	SPAR KAPITAL INVESTOR AS	940,236	2.27%
10	THORKILDSEN INVEST AS	829,478	2.01%
11	PERSSON, ARILD	718,000	1.74%
12	GRØNLAND, STEINAR	707,223	1.71%
13	HOEN, ANDERS MYSSSEN	689,557	1.67%
14	Skandinaviska Enskilda Banken AB	604,861	1.46%
15	JONAS BJERG PENSION PLAN, NTS TRUSTEES LTD	558,306	1.35%
16	SILJAN INDUSTRIER AS	481,480	1.16%
17	MAGDAHL, AKSEL	476,403	1.15%
18	CLEARSTREAM BANKING S.A.	437,967	1.06%
19	BNP Paribas Securities Services	406,856	0.98%
20	FRENICO AS	396,000	0.96%
	TOTAL TOP 20	36,491,349	88.24%

(1) This is the Top 20 Shareholder list as per 01 April 2020

(2) The total issued number of shares issued at end 2019 was 41,367,783.

(3) Thorkildsen Invest AS is a Company controlled by RomReal Kay Thorkildsen family.

(4) Chairman Kjetil Grønskag owns directly and indirectly 4,422,475 shares corresponding to 10.7%. The above list is the 20 largest shareholders according to the VPS (computerized shareholder register) print out; please note that shareholders might use different accounts and account names, adding to their total holding.



## Board of Directors



Mr. Grønskaug holds a master of General Business (siviløkonom) from Handelshøyskolen BI and is a Certified Financial Analyst (CFA) from Norwegian School of Economics and Business Administration. Mr. Grønskaug has a long experience within international banking and Real Estate. Mr Grønskaug has significant Directorship experience from both listed and private companies. He is a Norwegian citizen and resides in London, UK.

### **Kjetil Grønskaug - Chairman of the Board and CEO**



Ileana Lacramioara Isarescu is a corporate professional with over 15 year of international experience in business development in real estate, finance and IT. Having worked in Vienna and New York, Ileana is currently the Governmental Programs Executive for IBM South East Europe, and resides in Bucharest, Romania. Ileana holds a MBA degree from Harvard Business School and a MSc in International Economics from the Academy of Economic Studies Bucharest.

### **Lacramioara Isarescu - Board member**



Mr. Thorkildsen holds a Master of Science (MSc) in International Marketing and Strategy from the Norwegian School of Economics and Business Administration. Mr. Thorkildsen has more than 20 years with varied experience with particular focus on business development/sales (IT). During the last 10 years Mr. Thorkildsen also has held various Directorship including in the real-estate industry. He is a Norwegian ...

### **Bendt Thorkildsen – Board Member**



*Mrs Austbø is a State Authorised Public Accountant from Handelshøyskolen BI in Oslo. Mrs Austbø has 14 years' experience from both audit and Management with Norwegian and global equities, working for KPMG and long equity funds at Terra Fondsforvaltning and Arctic Fund Management. Mrs Austbø also has Directorship and CEO experience from privately held companies. She is a Norwegian citizen and resides in Oslo.*

### **Heidi Sørensen Austbø – Board member**

Today, the Board of Directors and the Chief Executive Officer reviewed and approved the Board of Directors Report and the RomReal Ltd consolidated and annual financial statements as of 31 December 2019. To the best of our knowledge, we confirm that RomReal Ltd and RomReal Group's consolidated annual financial statements for 2019 have been prepared in accordance with IFRSs and IFRICs as adopted by the European Union (EU), IFRSs as issued by the International Accounting Standards Board (IASB).

**The information presented in the financial statements gives a true and fair view of the Company's and the Group's assets, liabilities, financial position and results for the period viewed in their entirety.**

## DIRECTORS REPORT 2019

### RomReal Directors

The Board of Directors of RomReal is responsible for the supervision and administration of the Company's affairs and for ensuring that the Company's operations are organized in a satisfactory manner.

The Directors are shown below together with their interest in the number of shares in the Company per 31 December 2019 and per 31 December 2018:

		31 December 2019	31 December 2018
<b>Kjetil Grønskag</b>	Appointed November 2006	<b>4,422,475</b>	4,414,629
<b>Heidi Sørensen Austbø</b>	Appointed April 2017	<b>Nil</b>	Nil
<b>Bendt Thorkildsen</b>	Appointed April 2016	<b>6,245,234</b>	6,245,234
<b>Lacramioara Isarescu</b>	Appointed April 2014	<b>Nil</b>	Nil
<b>TOTAL</b>		<b>10,667,709</b>	<b>10,659,863</b>

### Operations Update

The Management is focused on divesting plots at commercially profitable prices as well as to increase the attractiveness of land plots and upgrade of its land's planning permits. Below are operational highlights that took place during the year:

- On the Lakeside plot (No.1 on the list) the implementation of roads and utilities are progressing according to plan, and the important main permit from the Gas Company has been obtained. The investment cost of roads & utilities has amounted EUR 1.55 million by end of year 2019. BY 01 April 2020 this amount was EUR 1.85 million
- During April 2019, RomReal signed the sale of 15,834sqm of land of its Centerpoint plot (No.4 on the list) for a total consideration of EUR 630,000. A partial down payment of EUR 63,000 has been received, with the difference to be collected



in the coming quarters, subject to certain milestones. At present, investors are requesting for the return of the partial down payment and probably change of the present agreed location.

- In November 2019, RomReal signed a sale agreement for 11 plots in Lakeside (No. 1 in the table) for a total price of EUR 550,000. A down-payment of EUR 110,000 is received and the rest spread out over 18 months, starting 1st of May 2020.
- During the first quarter of 2020, the Company entered sale agreement for 10 more plots, for a total consideration of EUR 820,300. This amount was fully cashed at the beginning of 2020.
- By year-end 2019, EUR 2.1 million was invested in infrastructure to improve the attractiveness of the land-bank.
- The Balada EUR 2.5 million (No. 6 on the list) sale agreed with latest payment 15th December 2019 did not materialize. The non-refundable down-payment of EUR 150,000 is in the Company's bank account. The project is again marketed for sale.
- Due to a highly uncertain global macro situation, the Board of Directors has implemented an in-house review of the running cost costs to strengthen liquidity, and expect some additional sales processes to be postponed and or cancelled.

#### **Restitution claim, plot of 1,453 sqm, Constanta Court case no. 2567/118/2016**

According to the Order no. 1045 of 20.08.2012 issued by the Mayor of Navodari City, it was ordered that the 1,453 sqm surface of land located in Navodari, Constanta County to be expropriated for the cause of public utility necessary for the achievement of local objectives, namely "Black Sea shore layout in the seaside area of the Navodari town - Development of the public utility infrastructure".

It was also established that Terra del Sol (Romanian subsidiary) should receive an indemnity in the amount of 312,850.66 lei (about EUR 67,155). Given that the local objective has not been and is not expected to be accomplished on the expropriated land, the Company have asked the Court for the restitution of this land. The first instance Court has dismissed our claim based on the higher Court jurisprudence in the sense that the law does not provide such a remedy in case the land is no longer of use to the authorities. The case is presently within the appeal phase of the proceedings in front of Constanta Court of Appeal who requested a law ruling from Romanian High Court of Justice on some specific interpretation of the Romanian law.

A new law in this respect was published in August 2019, ordering local authorities to restore the lands having no plans for public buildings to be built on them. The Company has already served the necessary notifications to Navodari City Hall, and since the request of the Company has been rejected, have commenced legal steps to recover the plot. The case has been on Constanta Court agenda and has been suspended by the Court pending the resolution of the Court of Appeal case. Subject to a final solution with the municipality and subject to solving litigation case, the piece of land is already agreed to be sold to the buyer of the Company's previous Mamaia North plot for about EUR 0.5m, subject to a favourable legal final decision. Due to the Corona virus, further legal process is presently halted.

## **Contestation against the Tax Authority Decision no. F-CT 344/29.05.2018**

In mid-2018, during the latest routine tax audit performed at the level of RomReal Romanian subsidiary Westhouse Group, covering the period 1 January 2011 – 31 December 2016, the tax authorities reassessed the loans granted by RomReal to Westhouse Group as contribution to share capital instead of inter-Company loans. In this respect, the Company received the tax audit report ("Tax Report") and the corresponding tax assessment decision ("Tax Decision"), whereby the tax authorities imposed an extraordinary tax-bill on the Company, in excess of EUR 1.7m (including penalties), as profit tax for the period covered by the tax audit.

Westhouse Group retained the services of E&Y Romania and will continue to pursue all available legal means for challenging the effects of such reassessment, in order to cancel the additional tax liabilities. In July 2018 the Company managed to obtain the suspension of the Tax Authority Decision, until a binding Court decision regarding the contestation is obtained. The Constanta Court of Appeal ordered that no attachments to the bank accounts and/or lands belonging to Westhouse Group should take place in the meantime.

During June 2019, the Company managed to obtain a second Court of Appeal decision confirming the fact that no attachments to the bank accounts and/or lands belonging to Westhouse Group, should take place until a final decision from the Romanian High Court of Justice is concluded in the future. This is the second time the Appeal Court has made an independent decision in favour of the Company.

On 5th of November 2019 High Court of Justice decided to admit the appeal of the Tax Authority against the suspension decision issued by Constanta Court of Appeal during 2018 Court proceedings. Fortunately, there is still in force the second order issued by Constanta Court of Appeal during 2019, and therefore no attachments to the bank accounts and/or lands belonging to Westhouse Group can take place. High Court of Justice in Bucharest will hear the appeal pursued by Constanta Tax Authority on 24th March 2020. In case the appeal pursued by the Tax Authority will be admitted by High Court of Justice, decision will be final and executorial and the Company will need to pay the amount of around 1.7 M Euro. Due to present threat of Covid-19, High Court most likely will suspend hearing of the case.

On 25th September 2019 Constanta Court of Appeal have fixed the first hearing date of the Court proceedings which was thereafter firstly moved to 13th November and subsequently to 11th December, 15th January 2020, 11th March 2020 and 8th of April 2020. During the hearing on 13th November the Court decided, upon the request of Westhouse Group lawyers, that a Constanta judicial sworn specialised tax accountant should examine the whole grounds of the Tax Authority claim. This person is going to be accompanied in its work by a specialised Professor tax expert chosen by the Company. The parties, including Chairman and CEO RomReal has been present in front of the sworn accountant for presenting evidences and discuss the whole matter in late February. Due to the Corona virus, further legal processes are presently postponed.

## Key features of the real estate market

The volume of real estate investments in Romania exceeded the EUR 1 billion threshold in 2019, reaching about EUR 1.06 billion after a 7% annual advance compared to 2018, according to CBRE Romania.

The performance reached in 2019 also marks a record of the last five years in terms of investment transactions on the Romanian real estate market. The office segment generated the largest volume of deals, accounting for almost 75% of the total transactions at national level.

The construction of homes and offices recorded a good year in 2019. With 62,000 new apartments delivered to the market, 2019 passed the previous record of 57,600 from 2018. There was also a record level of transactions in the office sector, with over 450,000 square meters changing owners. In the big cities, 40,000 old apartments and 15,000 new ones were put up for sale. Prices went up by 7 percent in 2019 compared to 2018 for old housing and by 10 percent for new apartments, according to imobiliare.ro data. The price difference in Bucharest between new apartments in the central area versus those the suburbs was EUR 40,000 (EUR 93,000 versus EUR 53,000), up from EUR 30,000 in 2018. For old apartments, the price difference was EUR 16,000 (EUR 77,000 versus EUR 61,000) up from EUR 15,000 in 2018.

The acquisition of land for new developments also reached high levels in 2019. According to data from Cushman & Wakefield Echinox, a number of large real estate developers have secured the land they needed for new projects consisting of over 6,000 homes and 130,000 square meters of offices. The cumulative area of the purchased land amounts to 36 hectares, and the value of transactions is estimated at EUR 170 million, which is equivalent to an average price of EUR 470 per square meter.

In Bucharest, there were 24 major transactions with land intended for the development of residential, office or mixed-use projects, with some projects also potentially including a hotel. An interesting fact is that almost 90 percent of the traded area was located in sectors 1 and 2, as developers are focusing on the central area of the city through purchases made on Calea Victoriei, Dorobanti, Kiseleff or Doamnei, but also on the central-northern area, near the big office hotspots.

Land under former factories seen as good investment opportunity for real estate: among the most important land transactions of 2019 were the purchase of a 2.6-hectare plot from the former Dacia Textile factory in the Bucurestii Noi neighbourhood (where Skanska will build an office project), the two hectares of the Frotierex factory in the Barbu Vacarescu area (where Turkish Caba Grup will develop a mixed-use project) or the 5,000- sqm plot on Doamnei street, in the heart of the Capital, purchased by S + B Gruppe. Developers with Romanian capital, such as One United, were the most active in 2019, having had a share of about 39 percent of the total transaction value.

The demand for industrial and logistics spaces in Romania in 2019 reached a total of about 476,000 sqm, a value comparable to that of 2018, when transactions amounted to a total of 514,000 sqm. Bucharest attracted the largest demand of industrial and

logistics spaces in the country, with nearly 76 percent of total purchases (approximately 360,000 sqm), followed by Slatina, with 13 percent of the demand (62,000 transacted sqm).

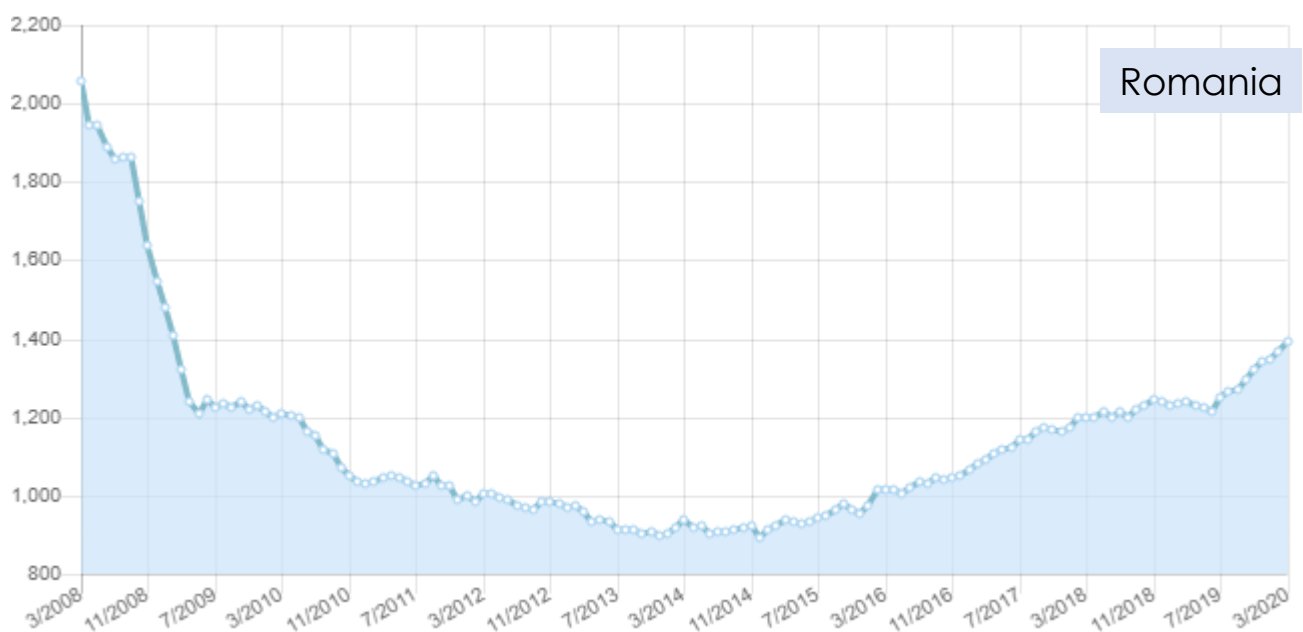
The largest transaction was carried out by JLL Romania, namely the lease of almost 72,000 sqm by Profi in CTP Bucharest West park. Other notable transactions in which JLL was involved in 2019 were the lease of 16,000 square meters to Urgent Cargus in the P3 Bucharest A1 Park and the lease of 8,400 square meters to Marelvi Impex in the MLP Bucharest West Park.

Of all the spaces leased nation-wide over the last year, more than 150,000 square meters (approximately 32 percent) represented transactions concluded directly between owners and tenants.

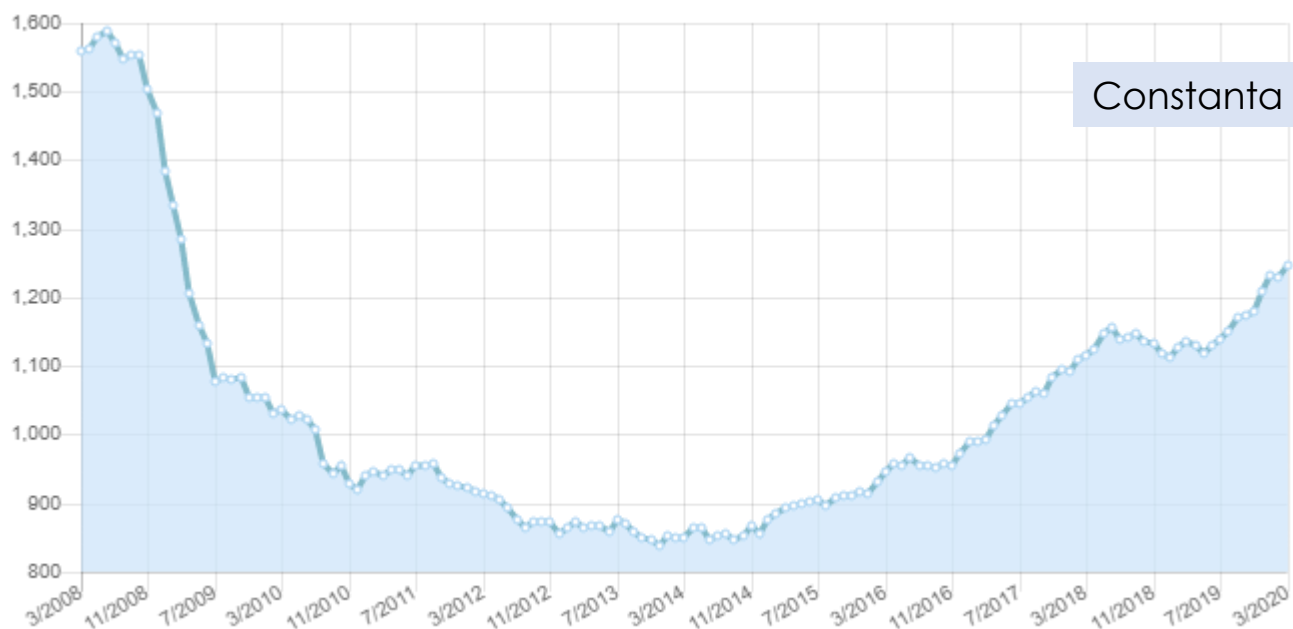
Also noticeable was the increase in production and industrial spaces from companies operating in the automotive sector. However, these types of projects have longer implementation periods, extending by up to 18-24 months from when the first discussions take place. In the case of logistics projects, the implementation period usually lasts up to one year.

In 2019, the stock of modern industrial spaces exceeded 4.3 million square meters, which was double the volume recorded in 2015.

The following graphs indicate the apartment prices trend in Romania and Constanta in March 2020:



According to the largest online broker in Romania imobiliare.ro, apartment prices in Romania have seen an increase of 12.4% to EUR 1,391 per m2 compared with the same period last year. Since the bottom in Dec. 2014, the average price has increased 53%.



Apartment prices in Constanta have seen an increase of 9.9% to EUR 1,247 per m<sup>2</sup> as of March 2020, compared with the same period last year. Since the bottom in Dec. 2013, the average price has increased 47%.

## Accounts and financial position

RomReal has prepared the financial statements as of 31 December 2019, on the basis of going concern. While the industry has faced significant challenges in Romania, RomReal actively seeks to improve liquidity, capitalize on its strong assets base, and take advantage of the future developments of the country's economy.

### **Operating revenues**

RomReal had consolidated operating revenues of EUR 0,6 million in 2019 compared to EUR 1.4 million in 2018. The main revenue streams were rental income from the Balada Market and sales of plots.

### **Operating expenses**

Total consolidated operating expenses were EUR 0.7 million in 2019 compared to EUR 1 million in 2018. RomReal (parent Company) operating losses were EUR 0.3 million in 2019 being at the same level of EUR 0.3 million in 2018.

### **Profit/Loss**

Consolidated profit/loss after tax in 2019 was a loss of EUR 1.9 million compared to a loss after tax of EUR 0.4 million in 2018. RomReal (parent Company) loss after tax was EUR 0.3 million in 2019 being at the same level of EUR 0.3 million loss as in 2018.

The end of year 2019 independent land bank portfolio valuation has shown an average increase of 5.4% on a like for like basis compared to the end of year 2018 valuation representing an increase in value of EUR 0.8 million.

### **Dividends**

The Directors are not proposing any dividends for the period.

### **Balance sheet**

RomReal had on a consolidated basis a total balance sheet of EUR 19 million at 31 December 2019. RomReal (parent Company) had a total balance sheet of EUR 18.6 million. Total consolidated equity at 31 December 2019 amounted to EUR 18.5 million (parent Company EUR 18.5 million) compared with EUR 19.6 million in 2018 (parent Company EUR 19.6 million). The Company has total current liabilities of EUR 0.4 million at 31 December 2019 (parent Company EUR 0.07 million).

Net cash flow from consolidated operations was negative EUR 0.6 million at December 31 2019 compared to negative EUR 1.8 million in 2018 (parent Company negative EUR 0.2 million compared to negative EUR 0.2 million in 2018). Consolidated current assets were EUR 5.9 million at 31 December 2019 compared to EUR 7.4 million at 31 December 2018 (parent Company EUR 1.5 million in 2019 compared to EUR 1.8 million in 2018).

### **Financial risk**

Westhouse Group retained the services of E&Y Romania and will continue to pursue all available legal means for challenging the effects of such reassessment, in order to cancel the additional tax liabilities. In July 2018 the Company managed to obtain the suspension of the Tax Authority Decision, until a binding Court decision regarding the contestation is obtained. The Constanta Court of Appeal ordered that no attachments to the bank accounts and/or lands belonging to Westhouse Group should take place in the meantime.

During June 2019, the Company managed to obtain a second Court of Appeal decision confirming the fact that no attachments to the bank accounts and/or lands belonging to Westhouse Group, should take place until a final decision from the Romanian High Court of Justice is concluded in the future. This is the second time the Appeal Court has made an independent decision in favor of the Company.

On 5th of November 2019 High Court of Justice decided to admit the appeal of the Tax Authority against the suspension decision issued by Constanta Court of Appeal during 2018 Court proceedings. Fortunately, there is still in force the second order issued by Constanta Court of Appeal during 2019, and therefore no attachments to the bank accounts and/or lands belonging to Westhouse Group can take place. The High Court of Justice in Bucharest will hear the appeal pursued by Constanta Tax Authority on 24th March 2020. In case the appeal pursued by the Tax Authority will be admitted by High Court of Justice, decision will be final and executorial and the Company will need to pay the amount of around EUR 1.7million. Due to the threat of Covid 19, the Court session is suspended.



On 25th September 2019 Constanta Court of Appeal have fixed the first hearing date of the Court proceedings which was thereafter firstly moved to 13th November and subsequently to 11th December, 15th January 2020, 11th March 2020 and respectively 8<sup>th</sup> of April 2020. During the hearing on 13th November the Court decided, upon the request of Westhouse Group lawyers, that a Constanta judicial sworn specialized tax accountant should examine the whole grounds of the Tax Authority claim. He is going to be accompanied in his work by a specialized Professor tax expert chosen by the Company. The entire RomReal project team has been present in front of the sworn accountant for presenting evidences and discussed the whole matter on 27th February 2020.

In case the money will be paid to Tax Authority due to a decision issued by High Court and thereafter Constanta Court of Appeal will issue a ruling in favor of the Company (to be confirmed by High Court again), Constanta Tax Authority will need to pay back the money to the Company, as well as legal costs.

## **Organization**

RomReal Ltd operates in Romania through its fully owned subsidiary S.C. Westhouse Group SRL (WHG). WHG holds an office in Constanta, Romania, and a small team of five employees, legal operations of the subsidiary companies being supervised by Cristea & Partners Law office headed by Mr. Adrian Cristea. The employees mainly deal with managing the assets, accounting compliance and reporting as well as sales/marketing.

## **Working Conditions, Equal Opportunities, Health and Environmental issues**

RomReal works continuously on facilitating employee development, good health, enthusiasm and commitment among its employees. The Company also encourages employees to use public transport on travelling to reduce pollution. Women and men in comparable jobs receiving the same pay.

## **Corporate Governance**

RomReal Ltd (RomReal) is with its modest resources trying to focus on practicing good corporate governance, which will strengthen confidence in the Group and thereby contribute to the best possible long-term value creation to the benefit of the shareholders, the employees and other stakeholders. The purpose of its principles for corporate governance is to regulate the division of roles between shareholders, the Board and the Executive Management more comprehensively than is required by legislation.

The Norwegian code of practice for corporate governance (the code) has been issued by the Norwegian Corporate Governance Board (NCGB). It builds on the principle of "comply or explain", whereby companies must either comply with the code or explain why they may have chosen an alternative approach. It also requires the Company's

report on its corporate governance to address all 15 sections of the code. The Oslo Stock Exchange stipulates that listed companies must provide an overall presentation of their corporate governance principles in accordance with the applicable code, and that this must be included in their annual report. RomReal's principles for corporate governance are based on the recommendation of 17 October 2018, which can be found at [www.nues.no](http://www.nues.no).

## **1. Implementation and reporting on corporate governance**

Confidence in its Management and business are crucial for RomReal's present and future competitiveness. The Group practices open Management, and thereby builds trust both in-house and externally.

The Board of RomReal is responsible for implementing sound corporate governance principles in the Group according to Bermuda Corporate Governance standards. RomReal's corporate governance does not deviate from the requirements of the code in a significant way which requires more detailed explanation. Relations between owners and the Group will be characterized by respect for the owners, good and timely information, and equal treatment of shareholders.

## **2. Business**

RomReal owns a portfolio of prime location plots in the Black Sea region, more specifically Constanta and Ovidiu. The plots are well suited for residential and commercial developments. RomReal is involved in several construction or development projects for the time being. The ethical guidelines observed by RomReal reflect its values base; please see separate Ethical Policy Section.

The objective of the Company for 2020 is to:

- Focus on land value enhancing activities in order to improve the shareholder value.
- Key action points are increased & more professional sales & marketing efforts
- Some infra-structure investments and, if necessary, engage more resources into regulation processes.
- Conclude the several on-going court cases in a satisfactory manner.
- Implement Covid-19 cost reductions and liquidity measures, to ensure on-going operations.
- The Company is fully financed without any external debt, and when/if certain additional disposals are realized, tax cases concluded and Covid-19 effects are fading out, a potential re-distribution of cash to the shareholders will reappear on the Board of Directors agenda.

### 3. Equity and dividends

RomReal aims to maintain a solid equity and good liquidity appropriate to its objectives, strategy, and risk profile

#### Dividend

The Company is fully financed without any external debt, and when/if certain additional disposals are realized, tax cases concluded and Covid-19 effects a potential re-distribution of cash to the shareholders will reappear on the Board of Directors agenda.

Under Bermuda law, a Company's Board of Directors may declare and pay dividends from time to time unless there are reasonable grounds for believing that the Company is, or would after the payment be, unable to pay its liabilities as they become due or that the realizable value of its assets would thereby be less than the aggregate of its liabilities and issued share capital and share premium accounts. Under the Company's Bye-Laws, each share is entitled to dividends if, as and when dividends are declared by the Board, subjects to any preferred dividend right of the holders of any preference shares. There are no restrictions on the Company's ability to transfer funds (other than funds denominated in Bermuda dollars) in and out of Bermuda or to pay dividends to Norwegian residents who are holders of the Company's Shares.

### 4. Equal treatment of shareholders and transactions with close associates

#### Share Issues

Only the General Meeting considers Board mandates to increase the share capital for each purpose after assessing the requirements set by the Board.

#### Different Classes of Shares

RomReal has a single share class, and each share carries one vote. Shareholders will be treated equally unless qualified grounds exist for an alternative approach.

Efforts will be made to conduct possible transactions by the Company in its own shares through the stock exchange or in other ways at prevailing stock exchange prices.

#### Transactions with close associates

RomReal's routines specify that, in general, no transactions should be conducted between the Group and its shareholders, Directors, senior executives or their close associates. Should any of these have an interest in a transaction involving the Group, the Board must be informed and take up the matter for consideration if necessary. Unless the transaction is insignificant, the Board will secure third-party assessments of the transaction and otherwise assure itself that no form of unfair treatment of shareholders, elected officers, employees or others is involved. The related parties, including shareholders and close associates, are reported to the stock exchange via [www.newspoint.no](http://www.newspoint.no). During 2019, there was one insider transaction.

## 5. Shares and negotiability

RomReal's articles of association place no restrictions on transferability, and its shares are freely negotiable. RomReal received a listing on the Oslo Stock Exchange's Oslo Axess list on 11 June 2007.

## 6. General Meetings

RomReal facilitates the participation of as many shareholders as possible at the General Meeting and ensures that it functions as much as possible as an effective meeting place for the shareholders and the Board so that the owners can exercise their rights. Notice of the Meeting and supporting documents are prepared no later than 21 days before the Meeting is to take place and posted on the Company's website. The documents are sent to all shareholders with a known address in the Norwegian Central Securities Depository (VPS) in good time before the General Meeting takes place. This is facilitated by RomReal's register keeper DNB, which ensures that documents, including proxies and notifications, are carried by email and/or regular post to all shareholders. The notifications and proxies clearly specify the deadline for returning the proxies which provide the shareholders between 2 to 3 weeks to return their vote depending on their accessibility more i.e. email or post.

The Meeting takes place in our registered office in Bermuda, and it is accessible to all Board members and shareholders. Shareholders unable to attend in person will be given an opportunity to vote by proxy. The Company provides information on the procedure for:

- (a) Appointing a proxy
- (b) appoint a person who can act as proxy for the shareholder
- (c) allowing separate voting instructions for each matter but not for each one of the candidates nominated.

The Board will propose to vote for each individual Board Member as of Ordinary General Meeting scheduled in April 2020.

Representatives of the Board always attend the Annual General Meeting, together with representatives of the Executive Management, and normally a representative from EY auditors either in person or via conference calling.

The Board determines the agenda for the General Meeting. The main items on the agenda comply with the requirements of the Public Limited Companies Act as well as the parent Company's articles of association. As recommended by the code, each General Meeting appoints a person to act as its independent Chair. Minutes of general meetings are published on [www.RomReal.com](http://www.RomReal.com) and on the Oslo Stock Exchange website at [www.newsweb.no](http://www.newsweb.no).

For 2020, the Annual General Meeting of the Company will take place on the 24<sup>th</sup> April at 13:00 (local time), at the Company's registered office in Bermuda.

## **7. Nomination Committee**

RomReal has chosen not to comply with the directive 7 for appointing a Nomination Committee. This is due to the current size, resources and activity of the Company, the Company considers that the cost of running a separate nomination committee should be avoided.

## **8. Board of Directors: composition and independence**

RomReal's Board of Directors consisted at 31 December 2019 of four Directors:

*Kjetil Grønskag*

*Bendt Thorkildsen*

*Lacramioara Isarescu*

*Heidi Sørensen Austbø*

The Directors have long and varied experience in real estate, banking and finance which ensures that the Board can function effectively as a collegiate body. An overview of the Directors expertise, role and attendance can be found on the Company's website, [www.RomReal.com](http://www.RomReal.com).

The composition of the Board ensures that it serves the common interest and that it can operate as independently as possible of special interests. Chairman Kjetil Grønskag holds an executive position as Chief Executive of RomReal following Board approval on the 26 May 2016.

The Chairman of the Board, as well as the Vice Chairman, Secretary, and assistant Secretary are elected by the Board of Directors during the first meeting of the newly elected Board. The term office for members of the Board is one year.

To be proposed as of Ordinary General Meeting in April 2020, the General Meeting should elect the Chairman of the Board as the Company's highest governing body.

## **9. The work of the Board of Directors**

The Board of Directors is the Company's highest body, and answerable only to the General Meeting. It has overall responsibility for planning and execution of the Group's strategy and activities, including its organization, remuneration policy and risk Management.

The Board also has overall responsibility for control and supervision. It produces an annual plan for its work with objectives, strategy and implementation. This is supported by a 2-3-year forecast plan or budget, which is updated on a quarterly basis during Board meetings. During Board meetings decisions are taken and tasks are delegated to

the Executive Management. The Board discusses all matters relating to the Group's activities which are of significant importance or of a special character.

The duties and responsibilities of the Board are dictated by applicable legislation, the parent Company's articles of association, and mandates and instructions adopted by the general meeting. The Board will exercise supervision to ensure that the Group meets its business goals and manages risk in a wise and satisfactory manner. The Board is responsible for appointing the chief executive.

The Chairman is responsible for ensuring that the work of the Board is conducted in an efficient and proper manner and in compliance with applicable legislation. During 2018 nine (9) Board meetings were conducted. In addition to the Chairman, the Board has two independent chairs to lead the discussion on issues where the chair has a conflict of interest or is unable to attend. The Board carries out an annual assessment of its work.

The Board of Directors ensures that members of the board of Directors and executive personnel make the Company aware of any material interests that they may have in items to be considered by the board of Directors, prior to each Annual General Meeting.

The Board does not hold any Independent Committees due to the small size and limited activity of the Company. Four out of five Board members are independent therefore their direct judgement and decision-making during Board meetings, ensures that the Board is aligned to shareholders' value in decisions related to audit and remuneration of the executive personnel.

## **10. Risk Management and internal control**

The Board and Executive Management of RomReal place great emphasis on establishing and maintaining routines for risk Management and internal control. An annual review of the most important risks affecting the business is conducted by the Board.

### *Economic conditions and Emerging markets risk*

*The financial market climate and especially the price of property/plots and general rental levels in Romania represents risk, as it will affect the Group's limited rental income. There is risk associated with the general development of lease levels of commercial property for various segments and the locations where the Group owns properties. This especially applies to the market conditions at the expiration of lease contracts on the Group's properties. The Company aims to reduce this type of fluctuations, by holding tenants' deposits and/or bank guarantees. If fluctuations occur, it will have a negative impact on the Group's earnings and financial position.*

*The risk of market slowdown due to Covid-19 is evaluated and monitored by the Management on a weekly basis.*



### *Financial reporting*

Quarterly operational and accounting reports are prepared for Board approval using International Financial Reporting Standards.

### *Counterparty risk*

RomReal conducts an annual review of both clients and suppliers to identify counterparty risk. New clients are also subject to a thorough assessment to identify any risk they may present.

### *Financial risk*

Westhouse Group retained the services of E&Y Romania and will continue to pursue all available legal means for challenging the effects of such reassessment, in order to cancel the additional tax liabilities. In July 2018 the Company managed to obtain the suspension of the Tax Authority Decision, until a binding Court decision regarding the contestation is obtained. The Constanta Court of Appeal ordered that no attachments to the bank accounts and/or lands belonging to Westhouse Group should take place in the meantime.

During June 2019, the Company managed to obtain a second Court of Appeal decision confirming the fact that no attachments to the bank accounts and/or lands belonging to Westhouse Group, should take place until a final decision from the Romanian High Court of Justice is concluded in the future. This is the second time the Appeal Court has made an independent decision in favor of the Company.

On 5th of November 2019 High Court of Justice decided to admit the appeal of the Tax Authority against the suspension decision issued by Constanta Court of Appeal during 2018 Court proceedings. Fortunately, there is still in force the second order issued by Constanta Court of Appeal during 2019, and therefore no attachments to the bank accounts and/or lands belonging to Westhouse Group can take place. The High Court of Justice in Bucharest was scheduled to hear the appeal pursued by Constanta Tax Authority on 24th March 2020. Due to the Corona virus, further legal processes are presently postponed. In case the appeal pursued by the Tax Authority will be admitted by High Court of Justice, decision will be final and executorial and the Company will need to pay the amount of around EUR 1.7million. The Management team and the advisors will be present in this Court meeting.

On 25th September 2019 Constanta Court of Appeal have fixed the first hearing date of the Court proceedings which was thereafter firstly moved to 13th November and subsequently to 11th December, 15th January 2020 and 11th March 2020. During the hearing on 13th November the Court decided, upon the request of Westhouse Group lawyers, that a Constanta judicial sworn specialized tax accountant should examine the whole grounds of the Tax Authority claim. He is going to be accompanied in his work by an expert Professor tax expert chosen by the Company. The entire RomReal project team has been present in front of the sworn accountant for presenting evidences and discuss the whole matter on 27th February 2020. Due to the Corona virus, further legal processes are presently postponed.

In case the money will be paid to Tax Authority due to a decision issued by High Court and thereafter Constanta Court of Appeal will issue a ruling in favor of the Company (to be confirmed by High Court again) , Constanta Tax Authority will need to pay back the money to the Company, as well as legal costs.

#### *Foreign Exchange risk*

The Company's main reporting currency is the EUR, which is used to facilitate loans to its subsidiaries. At the subsidiary level in Romania, the operational currency is RON. Due to its operational exposure in Romania, the financial reporting currency used to value the Company's assets is the RON. Due to the difference between reporting and operational currency the Company is exposed to foreign exchange risk. To manage this, the Company holds most of its deposits in EUR. The average exchange rate during 2019 was 1.00 EUR to 4.75 RON.

#### *Tax risk*

*Changes in laws and rules regarding tax and duties may involve new and changed parameters for investors and the Company. This may involve a reduction in the profitability of investing in property and the profit after tax for the Company. Tax implications of transactions and dispositions conducted by the Company are to a certain extent based on judgment of applicable tax laws and regulations. Even if the Company is of the opinion that it has assessed tax law in good faith, it could not be ruled out that the authorities are of a different opinion. A change in regulation status in parts or all of the Land Bank may also normally change the applicable tax.*

The Company is required to calculate its current income tax at a flat rate of 16%. Starting 2013, the companies in the Group with turnover below a EUR 65,000 threshold are subject to a 3% tax calculated on total revenue. This is the case for 7 of the Group companies while 3 of them are subject to 16% on taxable profits. In order to simplify and optimize the Romanian sub-holding structure, a number of merger processes of the Romanian subsidiaries is under way.

The new fiscal code implemented 01 Jan 2016 has applied a land tax increase of 500% on idle plots that lack cleaning. The Board has allocated a budget for the Management to maintain all of the Company's idle plots in a clean condition.

#### *Director's Liability risk*

The Company holds a Directors and Officers liability insurance policy with the reputable insurance Company, Chartis.

## 11. Remuneration of the Board of Directors

The General Meeting determines Directors' fees. The remuneration is not linked to the Company's performance in any way.

During 2019, the Directors received the following remuneration:

Lacramioara Isarescu	EUR 6,000
Heidi Sørensen Austbø	EUR 6,000
Bendt Thorkildsen	EUR 6,000

During 2019, Chairman Kjetil Grønskag abstained from receiving any remuneration as a Board Member during the year. There are no outstanding share options. The Company does not grant share options to board members.

During May 2019 the Company replaced the Management Agreement with North Bridge Group Ltd, a Company related to Chairman Kjetil Grønskag, and a direct remuneration of EUR 58,800 per year to Chairman and CEO Kjetil Grønskag was agreed with savings of 8% for the Company from previous terms. The new Chairman and CEO agreement has a yearly remuneration of EUR 58,800 and a variable element of 0.7% of all realized sales.

## 12. Remuneration of the Executive Management

The Board determines the chief executive's terms of employment. The main principle applied by RomReal for determining the pay of the Chief executive and other senior executives is that these persons will be offered competitive terms. In addition, RomReal will offer terms which encourage value creation for the Group and its shareholders, and which strengthen the loyalty of senior employees to the business.

The Executive Management of RomReal comprises three executives with good knowledge within their job functions and with senior Management experience from across the industry. The Executive Management of RomReal currently includes the following persons with the yearly outlined remuneration:

Name	Position	Yearly fees	Benefits/Bonuses
<b>Kjetil Grønskag</b>	CEO RomReal	€58,800	0.7% on asset sales
<b>Adrian Cristea</b>	Board member of Rom subsidiaries and legal advisor	€36,000	2% on asset sales *
<b>Claudia Oprisan</b>	Chief Accountant	€23,000	N/A

\* The incentive lawyer fee is applied on the net proceeds received by RomReal or any of its subsidiaries net of any transactions fees and vat to be added (net proceeds in Euro). These net proceeds have to be approved by the CEO of RomReal's subsidiaries Board of Directors and paid by RomReal's subsidiaries.

### 13. Information and communication

RomReal takes the view that objective, detailed and frequent information to the market is essential for a correct valuation of its share, and accordingly pursues a continuous dialogue with analysts and investors.

Information about important events in RomReal as well as its periodic reporting of results is published in accordance with the guidelines to which the Group became subject through its listing on Oslo Axess. RomReal seeks continuously to publish all relevant information to the market in a timely, efficient and non-discriminatory manner. The Company constantly improves its Investor Relation material by upgrading its reporting format, content, and website.

All stock exchange announcements are made available on [www.RomReal.com](http://www.RomReal.com) and the Oslo Stock Exchange website [www.newsweb.no](http://www.newsweb.no). The Group will provide the same information to all shareholders at the same time. To the extent that analysts or shareholders ask for further details, RomReal and the Board will ensure that only information which has already been made public is provided.

The Group holds quarterly and interim presentations. These provide an overview of operational and financial developments in the previous quarter as well as an overview of market prospects and the outlook for the business. Interim reports, and presentation materials are made available on the Group's website.

The Board determines the Group's financial calendar, which specifies the dates for publication of interim reports, the annual general meeting and the payment of dividends. This calendar is published by the end of December via the Oslo Stock Exchange's information system and on the RomReal website.

#### **2020 Financial Calendar includes the following dates:**

<a href="#">Q4 2019 Reporting and Investor Presentation</a>	28	FEB	2020
<a href="#">2019 Annual General Meeting</a>	24	APR	2020
<a href="#">Q1 2020 Reporting and Investor Presentation</a>	22	MAY	2020
<a href="#">Q2 2020 Reporting and Investor Presentation</a>	28	AUG	2020
<a href="#">Q3 2020 Reporting and Investor Presentation</a>	27	NOV	2020

## **14. Takeovers**

In the event of a bid for the parent Company's shares, the Board and the Executive Management will try to ensure that everyone gets access to sufficient information to be able to reach a decision on the offer. Unless otherwise instructed by the general meeting, the Board will not try to deploy defensive mechanisms to prevent the implementation of the bid.

The Board will provide shareholders with its view of the offer and, providing they have reached a decision on this, Directors are duty-bound to inform shareholders whether they personally intend to accept the bid. Should the Board find that it is unable to recommend whether the shareholders should accept the bid, it will explain the reasons why such a recommendation cannot be given. An explanation must be provided if the Board's decision is not unanimous. The Board will consider whether an assessment should be obtained from an independent expert.

## **15. Auditors and advisors**

RomReal is audited by Ernst & Young AS. Ernst & Young AS, registration number 976 389 387, has been the Company's auditor since its incorporation in 2005. The registered business address of Ernst & Young AS is Thormøhlens gate 53 D, NO-5008 Bergen, Norway, and Ernst & Young AS is a member of the Norwegian Institute of Public Accountants (Nw. "Den Norske Revisorforeningen"). The Group will not use the auditor as a consultant unless this has been approved in advance by the Board or its Chair. A plan for their work is submitted annually by the external auditor to the Board, and this plan will specify planned services other than auditing.

The auditor attends Board meetings which deal with the annual accounts and is also present during the AGM. During these meetings, the auditor will review possible changes to the Company's auditing principles, assessments of significant accounting estimates and all cases where disagreement has arisen between the auditor and the Executive Management.

At least once a year, the auditor will conduct a review of the Company's internal control system and possible weaknesses. The auditor will also propose improvements. In addition, the Board and the auditor will hold at least one meeting a year without the chief executive or other executive personnel being present. A briefing on the audit work and an assessment of the Group's internal control will be provided by the auditor to the general meeting.

The Board of Director's Reports the auditor remuneration to the general meeting, including details of the fee paid for audit work and any fees paid for other specific assignments.

## Prospects

RomReal, according to the strategy, is focusing on land value enhancing activities in order to improve the shareholder value and exit. This includes, among others, increased sales & marketing efforts, and if deemed required some infra-structure investments, and more resources into regulation processes. The ongoing tax dispute adds uncertainty and reduces the financial flexibility. Furthermore, the highly uncertain global macro situation is adding uncertainty to the Romanian real estate markets for the sector including the Company's operations in a short- and medium-term horizon.

Romania is a NATO member. The Romanian parliament approved in January 2020 to upgrade and expand the Mihail Kogalniceanu military base, located in Constanta county. The expanded base should accommodate Romania's fleet of F-16 fighters as well as NATO F-35 and significantly strengthen NATO's presence in the Black Sea area. The costs of the project are estimated at EUR 2.5-3 billion over a period of 20 years. This is a significant project in a local context and should significantly help to underpin the labor and real-estate market in the region. RomReal's nearest project Industrial Park, is located only about 5 kilometers from the expanded base area. Military experts estimate that the base should be able to host up to 10,000 military personnel, during peak times.



Bermuda, 16.04.2020

The Board of Directors of RomReal



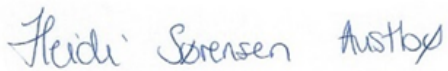
.....

Kjetil Grønskag (Chairman & CEO)



.....

Bendt Thorkildsen (Director)



.....

Heidi Sørensen Austbø (Director)



.....

Lacramioara Isarescu (Director)

# FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

## Income Statement

Figures in EUR	Notes	Consolidated		Parent Company	
		2019	2018	2019	2018
<b>Rent revenue</b>	12	<b>161,328</b>	<b>174,813</b>	-	-
Sales of investment property		447,031	9,217,932		
Cost of sales- investment property	4, 11	(271,991)	(8,022,051)	-	-
<b>Profit / (loss) on sales of investment property</b>		<b>175,041</b>	<b>1,195,881</b>	-	-
<b>Total income</b>		<b>336,369</b>	<b>1,370,694</b>	-	-
Payroll and related expenses	13	(207,890)	(178,525)	(24,000)	(15,000)
Depreciation and amortisation expense	3	(22,859)	(18,288)	-	-
Other operating (losses)/gains	15	(3,584)	33,902	(811,093)	(67,900)
Inventory (write off )/ reversal	5	93,672	(200,271)		
General and administrative expenses	14	(553,087)	(626,349)	(253,538)	(234,173)
<b>Operating expenses</b>		<b>(693,749)</b>	<b>(989,531)</b>	<b>(1,088,631)</b>	<b>(317,074)</b>
Profit/(loss) before other operating items		(357,380)	381,163	(1,088,631)	(317,074)
Net gain/(loss) from revaluation of investment properties	4, 11	(292,348)	(689,037)	-	-
<b>Profit/(loss) from operations</b>		<b>(649,728)</b>	<b>(307,874)</b>	<b>(1,088,631)</b>	<b>(317,074)</b>
Interest income	16	10,867	17,774	3	2
Interest expense	16	(13,586)	(12,455)	(13,586)	(12,455)
Foreign exchange, net	16	(1.201,083)	(48,233)	-	-
<b>Profit/(loss) before taxes</b>		<b>(1,853,529)</b>	<b>(350,789)</b>	<b>(1,102,213)</b>	<b>(329,527)</b>
Tax expense	17	(36,436)	(9,676)	-	-
<b>Result of the period</b>		<b>(1,889,965)</b>	<b>(360,465)</b>	<b>(1,102,213)</b>	<b>(329,527)</b>
Attributable to:					
-Equity holders of the parent		(1,889,965)	(360,465)	(1,102,213)	(329,527)
<b>Basic earnings/(losses) per share from continuing operations</b>	23	<b>(0.05)</b>	<b>(0.01)</b>	<b>(0.03)</b>	<b>(0.01)</b>
<b>Basic earnings/(losses) per share from continuing - diluted</b>	23	<b>(0.05)</b>	<b>(0.01)</b>	<b>(0.03)</b>	<b>(0.01)</b>

## Statement Of Comprehensive Income

Figures in EUR	Consolidated		Parent Company	
	2019	2018	2019	2018
<b>Profit / (loss) for the year</b>	<b>(1,889,965)</b>	<b>(360,465)</b>	<b>(1,102,213)</b>	<b>(329,527)</b>
<b>Other comprehensive income to be reclassified to profit or loss in subsequent periods</b>				
Exchange differences on translation of foreign operations	787,800	33,292	-	-
<b>Other comprehensive income for the year, net of tax</b>	<b>787,800</b>	<b>33,292</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year, net of tax</b>	<b>(1,102,165)</b>	<b>(326,126)</b>	<b>(1,102,213)</b>	<b>(329,527)</b>
Attributable to equity holders of the parent:	(1,102,165)	(326,126)	(1,102,213)	(329,527)

## Statement of Financial Position

Figures in EUR		Consolidated		Parent Company	
ASSETS	Notes	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
<b>Noncurrent assets</b>					
Property, plant & equipment	3	105,301	85,009	-	-
Investment properties	4	3,543,196	10,222,177	-	-
Deferred tax asset	17	118,201	121,126	-	-
Investments in subsidiaries	1	-	-	17,051,087	17,864,283
<b>Total non current assets</b>		<b>3,766,697</b>	<b>10,428,311</b>	<b>17,051,087</b>	<b>17,864,283</b>
<b>Current assets</b>					
Inventories	5	9,572,347	2,504,218	-	-
Trade receivables and other receivables	6	983,953	1,417,710	11,892	43,393
Cash and cash equivalents	9	2,370,645	3,469,377	1,499,062	1,755,186
<b>Total current assets</b>		<b>12,926,945</b>	<b>7,391,305</b>	<b>1,510,954</b>	<b>1,798,579</b>
Assets held for sale	11	2,319,857	2,200,000	-	-
<b>Total assets</b>		<b>19,013,499</b>	<b>20,019,616</b>	<b>18,562,041</b>	<b>19,662,862</b>
<b>Figures in EUR</b>					
LIABILITIES AND EQUITY	Notes	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
<b>Equity</b>					
Issued share capital	7	103,419	103,419	103,419	103,419
Contributed surplus	7	87,117,249	87,117,249	87,117,249	87,117,249
Retained earnings	8	(71,700,239)	(69,810,278)	(68,722,476)	(67,620,262)
Other Reserves		160,221	160,221	-	-
Translation reserve		2,819,948	2,032,148	-	-
<b>Total equity</b>		<b>18,500,597</b>	<b>19,602,810</b>	<b>18,498,193</b>	<b>19,600,406</b>
<b>Non current liabilities</b>					
Deferred tax liability	17	126,298	99,563	-	-
<b>Total non current liabilities</b>		<b>126,298</b>	<b>99,563</b>	<b>-</b>	<b>-</b>
<b>Current liabilities</b>					
Trade and other payables	10	112,074	124,057	63,849	62,457
Income tax payable	17	391	401	-	-
Deferred income	18	274,139	192,782	-	-
<b>Total current liabilities</b>		<b>386,604</b>	<b>317,240</b>	<b>63,849</b>	<b>62,457</b>
<b>Total liabilities and equity</b>		<b>19,013,499</b>	<b>20,019,616</b>	<b>18,562,041</b>	<b>19,662,862</b>

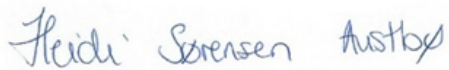
*Signed on behalf of the Board of Directors*



.....  
Kjetil Grønskag (Chairman & CEO)



.....  
Bendt Thorkildsen (Director)



.....  
Heidi Sørensen Austbø (Director)



.....  
Lacramioara Isarescu (Director)



## Consolidated Statement Of Changes in Equity

Figures in EUR	Attributable to equity holders of the parent					
	Share Capital (Note 7)	Contributed Surplus (Note 7)	Retained Earnings (Note 8)	Translation Reserve	Other Reserves	Total
<b>Balance as of 01 January 2018</b>	<b>103,419</b>	<b>87,117,249</b>	<b>(69,449,812)</b>	<b>1,734,269</b>	<b>424,808</b>	<b>19,929,933</b>
Profit / (loss) for the period	-	-	(360,465)	-	-	(360,465)
Other comprehensive income	-	-	-	297,879	(264,587)	33,292
<b>Total comprehensive income and expense for the year</b>						
<b>Balance as of 31 December 2018</b>	<b>103,419</b>	<b>87,117,249</b>	<b>(69,810,278)</b>	<b>2,032,148</b>	<b>160,221</b>	<b>19,602,807</b>
Profit / (loss) for the period	-	-	(1,889,965)	-	-	(1,889,965)
Other comprehensive income	-	-	-	787,800	-	787,800
<b>Total comprehensive income and expense for the year</b>	<b>-</b>	<b>-</b>	<b>(1,889,965)</b>	<b>787,800</b>	<b>-</b>	<b>(1,102,165)</b>
<b>Balance as of 31 December 2019</b>	<b>103,419</b>	<b>87,117,249</b>	<b>(71,700,239)</b>	<b>2,819,948</b>	<b>-</b>	<b>18,500,597</b>

## Parent Company's Statement Of Changes in Equity

Figures in EUR

	Share Capital (Note 7)	Contributed Surplus (Note 7)	Retained Earnings (Note 8)	Total
<b>Balance as of 01 January 2018</b>	<b>103,419</b>	<b>87,117,249</b>	<b>(67,290,736)</b>	<b>19,929,932</b>
Profit for the period	-	-	(329,527)	(329,527)
Other comprehensive income	-	-	-	-
<b>Total comprehensive income and expense for the year</b>	<b>-</b>	<b>-</b>	<b>(329,527)</b>	<b>(329,527)</b>
<b>Balance as of 31 December 2018</b>	<b>103,419</b>	<b>87,117,249</b>	<b>(67,620,262)</b>	<b>19,600,406</b>
Profit for the period	-	-	(1,102,213)	(1,102,213)
Other comprehensive income	-	-	-	-
<b>Total comprehensive income and expense for the year</b>	<b>-</b>	<b>-</b>	<b>(1,102,213)</b>	<b>(1,102,213)</b>
<b>Balance as of 31 December 2019</b>	<b>103,419</b>	<b>87,117,249</b>	<b>(68,722,475)</b>	<b>18,498,193</b>

## Statement Of Cash Flows

Figures in EUR	Notes	Consolidated		Parent Company	
		2019	2018	2019	2018
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>					
<b>Net profit/(loss)</b>		<b>(1,889,965)</b>	<b>(360,465)</b>	<b>(1,102,213)</b>	<b>(329,527)</b>
Adjustments for:					
- Income tax expense/(profit)	17	36,436	9,676	-	-
-Net (gain)/loss from revaluation of investment properties	4,11	292,348	689,037	-	-
-Expenses/(gain) on disposal of investment property	4,11	(175,041)	(1,195,881)	-	-
- Depreciation and amortization	3	22,859	18,288	-	-
- Interest Income	16	(10,867)	(17,734)	-	-
- Interest expense	16	13,586	12,455	13,586	12,455
-Unrealised foreign exchange (gain) / loss	16	1,201,083	48,233	-	-
-Other operating expenses	15	-	-	811,089	67,900
Decrease/(increase) in trade and other receivables		27,556	(102,329)	31,500	14,492
(Decrease)/increase in current payables		(61,983)	87,720	(124)	(6,610)
Decrease/(increase) in inventories		523	(157)	-	-
Cash generated from operations		(543,464)	(816,196)	(246,162)	(241,291)
Income tax paid		(7,087)	(1,002,358)	-	-
<b>Net cash flow from operating activities</b>		<b>(550,551)</b>	<b>(1,818,554)</b>	<b>(246,162)</b>	<b>(241,291)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Purchases of property plant and equipment		(30,718)	-	-	-
Sales of investment property		798,970	2,075,924	-	-
Capital expenditure on investment property		(1,302,073)	(311,467)	-	-
Inter-Company loans (granted) / received, net		-	-	-	194,340
<b>Net cash flow used in investing activities</b>		<b>1,763,456</b>	<b>1,763,456</b>	<b>-</b>	<b>194,340</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>					
Proceeds from borrowings		-	-	-	-
Payment of issue costs		-	-	-	-
Repayment of borrowings		-	-	-	-
Interest paid	16	(13,586)	(12,455)	(9,962)	(10,260)
Interest received		10,867	17,774	-	-
<b>Net cash from financing activities</b>		<b>(2,719)</b>	<b>5,319</b>	<b>(9,962)</b>	<b>(10,260)</b>
Other non-cash expenses/(revenues)		(11,642)	13,773	-	-
<b>Net change in cash and cash equivalents</b>		<b>(1,098,732)</b>	<b>(36,007)</b>	<b>(256,124)</b>	<b>(57,211)</b>
Cash and cash equivalents, beginning of period		3,469,377	3,505,384	1,755,186	1,812,397
<b>Cash and cash equivalents, end of period</b>		<b>2,370,645</b>	<b>3,469,377</b>	<b>1,499,062</b>	<b>1,755,186</b>

## Notes To The Financial Statements

### Note 1 ORGANIZATION AND OPERATIONS

The consolidated financial statements of RomReal Limited and its subsidiaries (collectively the “Group” or the “Company”) for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the Directors on the 16 April 2020.

These financial statements cover RomReal Ltd. and its subsidiaries. RomReal Ltd. is incorporated in Bermuda whereas the subsidiaries Westhouse Group SRL, Concorde Group SRL, Investate SRL, Rofrench Connection SRL, Westhouse Invest SRL, Terra del Sol SRL are incorporated in Romania. RomReal Ltd and its subsidiaries (the Group) are principally engaged in property investments and development in Romania.

Also, for reference, single financial statements of the parent Company, RomReal Ltd. have been prepared. As a general rule, all comments refer to the consolidated financial statements of the Group, unless specifically mentioned otherwise.

Both consolidated financial statements and those of the parent have been prepared on a going concern basis.

The registered office address of RomReal Ltd is located at Burnaby Building, 16 Burnaby street, Hamilton HM11, Bermuda.

Entity	Country of business	Owner’s share	Number of shares
Westhouse Group SRL	Romania	100%	19,392,043
Concorde Group SRL	Romania	100%	222,020
Rofrench Connection SRL	Romania	100%	100
Investate SRL	Romania	100%	351,300
Westhouse Invest SRL	Romania	100%	68,000
Terra del Sol SRL	Romania	100%	15,020

The investment in subsidiaries at the Parent Company have been impaired, mainly as a result of the decrease in land bank valuations after the 2008 crisis as well as due to the ongoing operational expenditure. The vast majority of the impairment is concentrated in Westhouse Group SRL where most of the assets are located.

## Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis for preparation

The consolidated financial statements of the RomReal Group and those of the parent Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), adopted by the EU. All IFRS standards adopted have effective date 1 January 2019 or earlier. The consolidated financial statements and those of the parent Company are presented in euros.

The financial statements have been prepared on the basis of historical cost except for Investment Properties which is presented at fair value and Assets Held for sale which are measured at the lower of carrying amount before the reclassification and the fair value less cost to sell.

### 2.2 Consolidation

The consolidated financial statements comprise the financial statements of RomReal Ltd. and its subsidiaries as of 31 December 2019 and 31 December 2018; the Group was established in the autumn 2005. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting year as the parent Company, using consistent accounting policies. All intra-Group balances, transactions, income and expenses and profits and losses resulting from intra-Group transactions are eliminated in full.

A subsidiary is a Company which the Company controls. The control is typically evidenced if an only if the Company has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

### 2.3 Significant accounting judgements, estimates and assumptions

The preparation of the Group's financial statements requires Management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

### Judgements

In the process of applying the Group's accounting policies, Management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements.

#### *Classification of property*

The Group determines whether a property is classified as investment property, assets held for sale or inventory:

-Investment property comprises land and buildings which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation.

-Assets held for sale comprises property which is available for immediate sale and for which the sale is highly probable and expected to be substantially completed within a year from the date of classification.

-Inventory comprises property that is held for sale in the ordinary course of business. Principally, this is residential property that the Group develops and intends to sell before or on completion of construction.

### Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

#### *Estimate of fair value of investment properties*

Fair values are determined based on an annual evaluation performed by an accredited external, independent valuer that is certified by the Romanian Institute of Valuers. Valuation has been made such, in accordance with the International Valuation Standards, to reflect market value of the properties, namely "The amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties, in an arm's length transaction". No account has been taken of any additional prospective purchaser with a special interest. No allowance has been made with regard to any expenses of realization, or for any taxation arising in case of disposal. The determined fair

value of the investment properties is most sensitive to the degree to which comparable transactions are available, including the degree of judgement and adjustments necessary to make such market transactions comparable to the investment property being valued. The determination of the fair value of investment property may also require the use of estimates such as future cash flows from assets and discount rates applicable to those assets. In addition, development risks (such as construction and letting risks) are also taken into consideration when determining the fair value of investment properties under construction. These estimates are based on local market conditions existing at reporting date.

Taking into account the characteristics of the Group's properties, as well as the features of the local market, the market comparison approach was considered in these circumstances as the most suitable in estimating the market value of the properties. However, there are limitations to this approach as there was a limited number of transactions in 2018 and 2017. In these circumstances, there is a great degree of uncertainty than would exist in a more active market in estimating the market values of investment property.

The Management believes that the valuation assumptions used reflect the best estimate of the investment properties' fair value at the date of the balance sheet. The key assumptions used to determine the fair value of the investment properties are further explained in Note 4.

#### *Estimation of net realisable value for inventory*

Inventory is stated at the lower of cost and net realisable value (NRV). NRV for completed inventory property is assessed with reference to market conditions and prices existing at the reporting date. NRV in respect of inventory property under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction and less the estimated costs to make the sale.

NRV is determined by the Group based on an annual evaluation performed by an accredited external, independent valuer. However, given the limited liquidity of the market, there is a significant degree of uncertainty in estimating the NRV.

#### *Recognition of the deferred tax asset*

When determining the deferred tax liabilities and deferred tax assets, the Group considers, at the balance sheet date, the manner in which it expects to recover or settle the carrying amount of its assets and liabilities. A deferred tax asset is recognised for the carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised. Where the Group considered that it is not probable enough future taxable profits will be

available within the legal time framework of seven years to utilise the tax losses against, the Group has not recognised such deferred tax assets.

#### *Capitalised costs*

Costs are capitalised when future cash generation is expected. Such costs include the construction costs of the inventories. See note 2.9.

## **2.4 Property, plant and equipment**

Plant and equipment is stated at cost net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of such plant and equipment when that cost is incurred if the recognition criteria are met. Depreciation is calculated on a straight-line basis over the useful life of the assets. The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may be impaired.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

IT equipment	Motor vehicles	Other fixtures and fittings
2-4 years	4 years	3-9 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

## **2.5 Investment properties**

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated Group, is classified as investment property. Investment property comprises freehold land and freehold buildings.

Investment properties are measured initially at cost, including transaction costs.

Subsequent to initial recognition, investment properties are stated at fair value which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values are included in the income statement in the year in which they arise. Please see 2.3 above for details about fair values estimations.

Investment properties are derecognised when they have been disposed of or permanently withdrawn from use and no future economic benefit is expected

from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the income statement in the period of derecognition.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefit associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. Property being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as inventory property and is measured at the lower of cost and net realisable value (NRV).

If an item of property, plant and equipment becomes an investment property because its use has changed, any differences resulting between the carrying value and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under IAS 16. However, if it is a fair value gain, such is recognised in the income statement.

## **2.6 Cash and cash equivalents**

Cash includes cash in hand and at bank. Cash equivalents are short-term liquid investments that can be converted into cash within three months and to a known amount, and which contain insignificant risk elements.

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

## **2.7 Financial assets**

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Available for Sale (AFS) financial investments include equity investments and debt securities. Debt

securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions. Interest earned whilst holding AFS financial investments is reported as interest income using the effective interest rate method. The Group evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate.

## **2.8 Inventories**

Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as inventory and is measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less cost to complete development and selling expenses. The cost of inventory recognised in profit or loss on disposal is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold.

## **2.9 Trade and other receivables**

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured using the effective interest rate method, less an allowance for any uncollectible amounts. This is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the effective interest rate. Allowance is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

## **2.10 Non-current assets held for sale**

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for sale in its immediate condition. The sale should be expected within one year from the date of classification as held for sale.

Immediately before classification as held for sale, the assets are remeasured in accordance with the Group's accounting policies. Thereafter, the assets are recognised at the lower of their carrying amount and fair value less cost to sell. Assets classified as held for sale are not depreciated. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are included in the income statement. Gains are not recognised in excess of any cumulative impairment loss. In case conditions for classification of non-current assets are no longer met, classification as held for sale ceases. Non-current assets that ceases



to be classified as held for sale are remeasured at the lower of their carrying amount before classification as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset or disposal Group not been classified as held for sale, and its recoverable amount at the date of the subsequent decision to sell.

### 2.11 Provisions

Provisions are recognised when, and only when, the Company has a valid liability (legal or constructive) as a result of past events and it can be proven probable (more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and that the size of the amount can be measured reliably. Provisions are reviewed on each balance sheet date and their level reflects the best estimate of the liability.

### 2.12 Equity

Transaction costs relating to equity transactions are recognised directly in equity.

### 2.13 Operating lease contracts – the Group as a lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements (such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property), that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

### 2.14 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and sales taxes or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements

Revenue includes rental income, service charges and Management charges from properties, and income from property trading.

*Rental income:* Rental income is recognised over the life of the rental period. Rental income related to rent yielding assets of the Group in respect of properties let to third parties.

*Other income:* Other income is recognised as it is earned.

*Income from sales of investment property plots:* Deposits cashed by the Group for the sale of plots are not recognised as revenue until the Group has transferred to the buyer the significant risks and rewards of ownership of the plots.

### 2.15 Foreign currency translation

The consolidated financial statements are presented in euros, which is the parent Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

The functional currency of the Romanian operations is the Romanian New Leu. As at the reporting date, the assets and liabilities of these subsidiaries are translated into the presentation currency of RomReal Ltd. Group (the euro) at the rate of exchange ruling at the balance sheet date and, their income statements are translated at the average exchange rates for each month unless there have been significant fluctuations in the exchange rate over the applicable period, in which case the exchange rate at each transaction date is applied.

The exchange differences arising on the translation are recognised in other comprehensive income.

	December 31, 2019	December 31, 2018
Closing	4.7773	4.6639

### 2.16 Taxes

RomReal Ltd. is incorporated in the Islands of Bermuda so is not subject to any income, withholding or capital gains taxes under current Bermuda law. The subsidiaries are registered in Romania and are subject to Romanian taxation rules.

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the

reporting date. Current income tax relating to items recognised directly in equity is recognised in equity and not in profit or loss. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses. Deferred income tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

## 2.17 Loans and Borrowings

Borrowing costs generally are expensed as incurred. Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Loan is accounted for at fair value, at the time of disbursement, reduced for any transaction costs. After initial recognition, interest bearing loans and

borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance cost in the income statement.

## 2.18 Operating segments

For Management purposes, the Group is organised into a single business unit and consequently has only one operating segment which the Management monitors in terms of performance assessment.

## 2.19 Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year. The Group applied, for the first time, the amendment below which is effective for annual periods beginning on or after 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative: the amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The Group no longer has any financial liabilities hence no disclosure is applicable.

### *IFRS 16 Leases*

IFRS 16 was issued in January 2016 and it replaces IAS 17, IFRIC 4, SIC-15 and SIC-27.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Considering the Group mainly acts as a lessor and the limited amounts and number of leases, the adopting IFRS 16 is immaterial to its balance sheet (current lease cost is circa EUR 6,800 p.a.).

### *IFRIC Interpretation 23 Uncertainty over Income Tax Treatment*

The Interpretation addresses the accounting for income taxes when tax treatments involve

uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available.

## 2.20 Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

### *Amendments to IFRS 3 – Definition of a Business*

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not.

The amendments mainly include:

- Clarification that, to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs
- Removal of the assessment of whether market participants are capable of replacing any missing outputs or processes and continuing to produce outputs
- Adding guidance and illustrative examples to help entities assess whether a substantive process has been acquired
- Narrowing the definitions of business and outputs by focusing on goods or services provided to customers and by removing the reference to an ability to reduce costs
- Adding an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business

The amendments must be applied to transactions that are either business combinations or asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020. The amendments will, therefore, not impact the Group's consolidated financial statements when they become effective. The Group expects there will be no impact as a result of the above-mentioned changes.

### Note 3 PROPERTY, PLANT AND EQUIPMENT

Figures in EUR - Consolidated

	IT equipment	Other fixtures and fittings	Motor vehicles	Total
<b>Gross book value as at December 31, 2018</b>	<b>52,708</b>	<b>262,437</b>	<b>57,230</b>	<b>372,375</b>
Additions in period	-	30,718	-	30,718
Disposals in period	-	-	-	-
Translation difference	(1,273)	(6,564)	(1,407)	(9,244)
<b>Gross book value as at December 31, 2019</b>	<b>51,435</b>	<b>286,591</b>	<b>55,823</b>	<b>393,849</b>
<b>Accumulated Depreciation as at December 31, 2018</b>	<b>(52,399)</b>	<b>(213,499)</b>	<b>(21,467)</b>	<b>(287,366)</b>
Charge for the period	-	(11,931)	(10,928)	(22,859)
Disposals in the period	-	-	-	-
Translation difference	1,252	19,589	836	21,677
<b>Accumulated Depreciation as at December 31, 2019</b>	<b>(51,147)</b>	<b>(205,841)</b>	<b>(31,559)</b>	<b>(288,548)</b>
<b>Net book Value as at December 31, 2018</b>	<b>309</b>	<b>48,398</b>	<b>35,763</b>	<b>85,009</b>
<b>Net book Value as at December 31, 2019</b>	<b>288</b>	<b>80,750</b>	<b>24,264</b>	<b>105,301</b>
<b>Depreciation method</b>	Linear	Linear	Linear	
<b>Depreciation period (Years)</b>	2-4	3-9	4	

There were no impairment charges in 2019 and 2018.

### Note 4 INVESTMENTS PROPERTIES

Figures in EUR - Consolidated

	2019	2018
Opening balance as at January 1	10,222,177	13,626,714
Additions in period	1,302,073	312,467
Sales	(271,991)	(923,506)
Transfers to Assets Held for Sale (note 11)	-	(2,200,000)
Transfers to Inventories	7,051,000	-
Fair value adjustment during the period	(475,778)	(675,402)
Translation differences	(182,286)	81,904
<b>Carrying amount as at December 31</b>	<b>3,543,196</b>	<b>10,222,177</b>

Investment properties consist of land and buildings at various locations in Romania. The fair value of investment property as at 31 December 2019 is based on a valuation by an independent valuer who holds a recognised and relevant professional qualification in Romania and who has recent experience in the location and categories of the

investment property being valued. Additionally, for those properties where pre-sale agreements were in place, the sale value included in the respective sale agreements has been used for the purposes of the valuation.

Valuation has been made such, in accordance with the International Valuation Standards, to reflect market value of the properties, namely “The amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties, in an arm’s length transaction”. No account has been taken of any additional prospective purchaser with a special interest. No allowance has been made with regard to any expenses of realization, or for any taxation arising in case of disposal.

With regard to the valuation methodology, two approaches were used: (i) the direct market comparison approach and (ii) the residual approach. Both approaches were utilized, and the degree to which either, or both, are relevant depended upon the nature of the specific land plot and the availability of information. When data is available, the market comparison approach is the most direct and systematic approach as it recognizes that property prices are determined by the market. Valuation by comparison is essentially objective since it is based on an analysis of the price achieved or offered for sites with broadly similar development characteristics with the land being valued. The residual approach estimates the land value considering the value of the proposed project upon completion and the deduction of the development costs, including the developer’s profit. This method requires the input of a large amount of data and involves a large number of assumptions. Even small changes in any of the inputs can cumulatively lead to a large change in the land value. Thus, the application of this method requires a high level of expertise, being mainly used as an alternative approach when there are no or limited comparables to apply the direct market comparison approach. In line with the market practice, the valuation of assets is determined and quoted in EUR. While the basis for preparation of accounting records is RON the EUR/RON exchange rate movements result into currency differences which are reflected as an adjustment to the carrying value of the investment property.

Taking into account the characteristics of the Group’s properties, as well as the features of the local market, the market comparison approach was considered in these circumstances as the most suitable in estimating the market value of the properties. For each property, several comparables were selected and the following elements of comparison were considered: price, real property rights transferred, financing terms, conditions of sale, expenditures made immediately after the purchase, location, area, visibility and frontage, utilities, access, public transportation, existing buildings, existing potential building permitting and best use. Land price varies depending on the size of the plot. In case of development sites, the larger the plot, the lower the price per square meter. In terms of size, based on market evidence, land plots were Grouped in several intervals, as follows: smaller than 1,000 sq m, between 1,000 and 5,000 sq m, between 5,000 and 10,000 sq m, between 10,000 and 50,000 sq m and larger than 50,000 sq m. If comparison was made with sites that are in different size intervals, a 5% adjustment was applied.

The properties have been inspected along with the surrounding neighborhood and location from which comparable data was drawn where possible. The limited liquidity of the market has resulted in comparables being mainly based on the most recent asking prices. In such cases, several adjustments ranging on average between 10-30% were applied to the asking prices to adjust for reduced liquidity, difference in size, accessibility, permitting, etc.

Within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement the above described valuation of investment properties is categorized as Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable. In arriving at their estimates of market values the valuers used their market knowledge and professional judgement and did not rely solely on historical transactional comparables. In these circumstances, there was a greater degree of uncertainty than which exists in a more active market in estimating the market values of investment property. Furthermore, given the rapid change on the market, significant alterations of value can be encountered within short periods of time. Unforeseen macroeconomic or political crises can have a sudden and dramatic effect on

markets. This could manifest itself by either panic buying or selling, or simply disinclination to trade until it is clear how prices in the market will be affected in the longer term. There have been no transfers between Levels in the hierarchy as compared to the previous reporting period.

Disposals to investment properties during 2019 relate to the sale of several plots from the land bank portfolio in the town of Ovidiu. The total selling price was higher than the carrying amount resulting in a profit of EUR 175,041. Additionally, the Lakeside plot has been reclassified as inventories as a result of the progress made by the Group in permitting its intentions to slit the land and sell small individual projects.

## Note 5 INVENTORIES

### Figures in EUR - Consolidated

	2019	2018
Opening balance	2,504,218	2,689,652
Additions	-	16,812
Disposals	(15,624)	-
Transfers from Investment Properties	7,051,000	-
Change in provisions	93,777	(200,270)
F/X reserve	(61,024)	(1,976)
<b>Balance as at December 31</b>	<b>2,521,347</b>	<b>2,504,218</b>

Inventories consist of the development projects of the Group. These are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs to make the sale. At year-end 2019, inventories relate mainly to the Oasis project (EUR 2.52 million). The cost for the Oasis project is EUR 5.5 million. The net realisable value test in 2019 resulted in a release of provision.

Within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement the above described estimate of net realisable value is categorised as Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable. In arriving at their estimates of market values the valuers used their market knowledge and professional judgement. The net realisable value was assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction and less the estimated costs to make the sale. There have been no transfers between Levels in the hierarchy as compared to the previous reporting period.

## Note 6 TRADE RECEIVABLES AND OTHER RECEIVABLES

Figures in EUR	Consolidated		Parent Company	
	2019	2018	2019	2018
Trade receivables	631,024	1,049,865	-	-
VAT receivable	284,121	260,520	-	-
Other prepayments	1,145	28,701	11,892	43,393
Other short-term receivables	67,658	78,624		
<b>Total</b>	<b>983,948</b>	<b>1,417,710</b>	<b>11,892</b>	<b>43,393</b>

Trade receivables include mainly receivables related to the sales of plots for which an instalments payment schedule has been agreed by the Group and other receivables resulting in the ordinary course of business in



respect of the lease agreements for some of the rent yielding investment properties and the rest in sundry debtors. As of 31 December, the analysis of trade receivables that are past due is set out below:

	Total	Neither past due nor impaired	Past due but not impaired				
			<30 days	30-60 days	60-90 days	90-120 days	>120 days
2019	983,948	931,832	8,712	43,404	-	-	-
2018	1,417,503	1,373,707	1,656	42,140	-	-	-

## Note 7 SHARE CAPITAL AND PAID-IN CAPITAL

Figures in EUR	Number of shares	Share capital	Contributed Surplus	Paid in share capital
Total share capital				
January 1, 2018	41,367,783	103,419	87,117,249	87,220,668
New issues in the period	-	-	-	-
Reduction in par value of shares	-	-	-	-
<b>Total share capital December 31, 2018</b>	<b>41,367,783</b>	<b>103,419</b>	<b>87,117,249</b>	<b>87,220,668</b>
New issues in the period	-	-	-	-
Reduction in par value of shares	-	-	-	-
<b>Total share capital December 31, 2019</b>	<b>41,367,783</b>	<b>103,419</b>	<b>87,117,249</b>	<b>87,220,668</b>

There were no changes to the share capital or the number of shares during 2019 and 2018.



## Shareholders rights

There are no restrictions on voting rights or the transferability of shares in RomReal Ltd. The below summarised the largest shareholder with shareholdings in excess of 1% as of 01 April 2020.

Ranking	Name	Holding	Percentage
1	SIX SIS AG	10,331,934	24.98%
2	THORKILDSEN, WENCHE SYNNØVE	5,392,985	13.04%
3	GRØNSKAG, KJETIL	4,422,475	10.69%
4	SAGA EIENDOM AS	3,262,976	7.89%
5	AUSTBØ, EDVIN	2,108,500	5.10%
6	Danske Bank A/S	1,477,922	3.57%
7	ENERGI INVEST AS	1,236,948	2.99%
8	ORAKEL AS	1,101,000	2.66%
9	SPAR KAPITAL INVESTOR AS	940,236	2.27%
10	THORKILDSEN INVEST AS	829,478	2.01%
11	PERSSON, ARILD	718,000	1.74%
12	GRØNLAND, STEINAR	707,223	1.71%
13	HOEN, ANDERS MYSSSEN	689,557	1.67%
14	Skandinaviska Enskilda Banken AB	604,861	1.46%
15	JONAS BJERG PENSION PLAN, NTS TRUSTEES LTD	558,306	1.35%
16	SILJAN INDUSTRIER AS	481,480	1.16%
17	MAGDAHL, AKSEL	476,403	1.15%
18	CLEARSTREAM BANKING S.A.	437,967	1.06%
19	BNP Paribas Securities Services	406,856	0.98%
20	FRENICO AS	396,000	0.96%
<b>Total Top 20</b>		<b>36,491,349</b>	<b>88.24%</b>

(1) This is the Top 20 Shareholder list as per 01 April 2020.

(2) The total issued number of shares issued at 01 April 2020 was 41,367,783.

(3) Thorkildsen Invest AS is a Company controlled by RomReal Kay Thorkildsen family.

(4) Chairman Kjetil Grønskag owns directly and indirectly 4,422,475 shares corresponding to 10.7%.

(5) The above list is the 20 largest shareholders according to the VPS print out; please note that shareholders might use different accounts and account names, adding to their total holding.

## Note 8 RETAINED EARNINGS

Movements in retained earnings for the Group can be analysed as follows:

Figures in EUR	Consolidated	Parent Company
<b>Retained earnings as of December 31, 2018</b>	<b>(69,810,278)</b>	<b>(67,620,262)</b>
Net profit in the period	(1,889,965)	(1,102,213)
<b>Retained earnings as of December 31, 2019</b>	<b>(71,700,239)</b>	<b>(68,722,475)</b>

No dividends will be distributed by the Group in respect of 2019.

## Note 9 CASH AND CASH EQUIVALENTS

Cash and cash equivalents amount to EUR 2,370,645 at 31 December 2019 (EUR 3,469,377 at 31 December 2018).

At parent Company level, cash and cash equivalents amount to EUR 1,499,062 at 31 December 2019 (EUR 1,755,186 at 31 December 2018). There are no restrictions on the cash balances.

## Note 10 TRADE AND OTHER PAYABLES

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

Figures in EUR	Consolidated		Parent Company	
	2019	2018	2019	2018
Trade payables	40,025	75,944	-	20,251
Employee taxes	6,822	2,940	-	-
Other payables	65,228	45,173	63,043	42,206
<b>Trade payables</b>	<b>112,075</b>	<b>124,057</b>	<b>63,043</b>	<b>62,457</b>

At 31 December 2019, the balance of EUR 112,075 Other payables for the Group as well as the balance of Other payables of EUR 63,043 for the parent Company, include EUR 40,369 accrued expenses related to the 2019 audit fees.

## Note 11 ASSETS HELD FOR SALE

Figures in EUR - Consolidated	2019	2018
Opening balance as at January 1	2,200,000	7,102,737
Sales	-	(7,098,545)
Transfers from investment Properties (note 4)	-	2,200,000
Fair value adjustment during the period	183,430	(13,635)
Translation differences	(63,572)	9,433
<b>Carrying amount as at December 31</b>	<b>2,319,857</b>	<b>2,200,000</b>

The Group considers the completion of the transactions highly probable while the assets are available for immediate sale in its present condition.

## Note 12 OPERATING INCOME

Figures in EUR - Consolidated	2019	2018
Rent revenue	161,328	174,813
Sales of investment property	4	9,217,932
Cost of sales- investment property	4	(8,022,051)
<b>Total operating income</b>	<b>336,369</b>	<b>1,370,694</b>

Balada market is the main rent generating property. Total rent generated during the year amounted to EUR 161,328 (2018: EUR 174,813). Future minimum rentals receivable under non-cancellable operating leases as at 31 December are, as follows:

**Figures in EUR - Consolidated**

	2019	2018
Within 1 year	161,328	174,813
After 1 year	-	-
<b>Total operating income</b>	<b>161,328</b>	<b>174,813</b>

The Sales of investment property during 2019 relate to the sale of several small plots of land the Group owned in the town of Ovidiu.

**Note 13 PAYROLL EXPENSES AND NUMBER OF EMPLOYEES**

The key Management (which includes the executive officer of the Group and its Directors) received remuneration in amount of EUR 124,170 (2018: EUR 109,550). Mr Kjetil Grønskag' s remuneration as CEO of the Group has been assimilated to the Management Support Agreement (see note 19).

The Directors are shown below together with their interest in the shares of the Company per 31 December 2019 and per 31 December 2018:

		31 December 2019	31 December 2018
Kjetil Grønskag	Appointed November 2006	4,422,475	4,414,629
Heidi Sørensen Austbø	Appointed April 2017	Nil	Nil
Bendt Thorkildsen	Appointed April 2016	6,245,234	6,245,234
Lacramioara Isarescu	Appointed April 2014	Nil	Nil
<b>TOTAL</b>		<b>10,667,709</b>	<b>10,659,863</b>

The average number of employees in Westhouse Group during 2019 was 5. Payroll expenses related to these employees amounted to EUR 207,890 during 2019 (2018: 178,525). All compensations offered by the Group are short term benefits. The Group does not offer a pension plan or other long-term employee benefits to its employees as of December 31, nor are there any post-employment benefits.

**Note 14 GENERAL AND ADMINISTRATIVE EXPENSES**

Figures in EUR	Consolidated		Parent Company	
	2019	2018	2019	2018
Management fee	(100,170)	(102,050)	(100,170)	(102,050)
Legal expenses	(64,449)	(82,392)	(9,661)	-
Rent expenses	(6,694)	(6,806)	-	-
Travel expenses	(1,508)	(3,605)	(1,419)	(3,280)
Professional services	(48,003)	(74,896)	(78,165)	(87,020)
Land and other taxes	(56,911)	(91,074)	-	-
Other expenses	(275,352)	(265,526)	(64,121)	(41,826)
<b>Total</b>	<b>(553,087)</b>	<b>(626,349)</b>	<b>(253,536)</b>	<b>(234,176)</b>

Legal expenses include one off fee related to the legal services in connection with the sales of plots entered into during 2019. For the parent Company, Professional Services include EUR 40,369 accrued expenses related to the 2019 audit fees.

### Note 15 OTHER OPERATING (LOSS) / GAINS

For RomReal (the parent Company) “Other operating (loss)/gains” of EUR 811,093 gain in 2019 (2018: EUR 0.01 million gain) relates mainly to change in the fair value of the investment in subsidiaries).

### Note 16 FINANCIAL INCOME AND EXPENSE

Figures in EUR	Consolidated		Parent Company	
	2019	2018	2019	2018
Interest income from subsidiaries	-	-	3	2
Interest income from banks	10,867	17,744	-	-
<b>Total financial income</b>	<b>10,867</b>	<b>17,744</b>	<b>3</b>	<b>2</b>
Interest expense and other bank fees	(13,586)	(12,455)	(13,586)	(12,455)
Foreign exchange gain	1,604,349	1,504,807		
Foreign exchange loss	(2,805,431)	(1,553,040)	-	-
<b>Total Financial expense</b>	<b>(1,214,668)</b>	<b>(60,688)</b>	<b>(13,586)</b>	<b>(12,453)</b>

During 2019 the RON has fluctuated against the EUR and at year end was 2.5% weaker against the EUR. All Inter-Company loans taken by the Romanian subsidiaries from RomReal Ltd were revalued at the closing rate.

### Note 17 TAXATION

RomReal Ltd. is registered in Bermuda and is consequently not subject to taxation. The subsidiaries are subject to taxation in Romania. The applicable tax rate in Romania is 16 %. The applicable tax rate is the same whether any profits are paid out as dividends or retained in the Company. There have not been any changes to the applicable tax rates in 2019.

Current income tax expense for 2019 was EUR 36,436 (2018: 1,002,813). The major components of the income tax expense for the periods ended December 31, 2019 and December 31, 2018 are:

Figures in EUR - Consolidated	2019	2018
Current income tax charge	7,087	1,002,813
Deferred income tax movement in the period	29,349	(993,137)
<b>Income tax expense/(income) in the consolidated income statement</b>	<b>36,436</b>	<b>9,676</b>

The table below shows the composition of the deferred tax assets and deferred tax liability in the balance sheet:

Figures in EUR - Consolidated	2019	2018
Losses carried forward resulting in deferred tax asset	118,201	121,126
Fair value adjustments of Investment property resulting in deferred tax liability	126,298	99,563

The following table shows the composition of the deferred tax asset per each Company:

	2019	2018
Westhouse SRL	118,201	121,126
<b>TOTAL</b>	<b>118,201</b>	<b>121,126</b>

The deferred tax asset relates to the following:

	2019	2018
Carried forward fiscal losses	118,201	121,126
<b>TOTAL</b>	<b>118,201</b>	<b>121,126</b>

The following table shows the composition of the deferred tax liability per each Company:

	2019	2018
Concorde SRL	116,577	89,601
Investate SRL	9,721	9,962
<b>TOTAL</b>	<b>126,298</b>	<b>99,563</b>

The deferred tax liability relates to the following:

	2019	2018
Revaluation of investment properties to fair value	126,298	99,563
<b>TOTAL</b>	<b>126,298</b>	<b>99,563</b>

The Group measures the deferred tax liabilities and deferred tax assets in order to reflect the tax consequences that would follow from the manner in which the entity expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities. Consequently, where the Group had transactions which are not expected to carry a deferred tax liability or the deferred tax asset, the Group has not recognised such deferred tax. The Group used its judgement to determine whether there will be enough taxable income in the foreseeable future to offset the deferred tax asset against. Where there was not enough conclusive evidence to support that, such deferred tax asset was not recognised/written off.

The following shows a numerical reconciliation between the tax expense and the accounting profit.

	2019	2018
Accounting taxable profits/(loss)	(1,853,529)	(315,529)
Tax at applicable rate of 16%	296,565	50,485
Tax effect of (expenses)/income that are not (deductible)/taxable in determining taxable profit	(333,000)	(60,160)
<b>Tax (expense)/income</b>	<b>(36,436)</b>	<b>(9,676)</b>

The Company has not recognised a deferred tax asset in respect of the carried forward tax losses for which there was not enough evidence to support future taxable income to offset them against. The Group can carry forward the tax losses for a period of 7 years on a rolling basis.

## Note 18 DEFERRED INCOME

Deferred income at the end of 2019 included mainly the payments received in respect of the pre-sales of plots.

## Note 19 TRANSACTIONS WITH RELATED PARTIES

### Transactions with subsidiary

RomReal Ltd. has granted its subsidiary Westhouse Group SRL loans amounting to a total of EUR 49,886,366, interest to 31 December 2019 included. Inter-Group loans are for a term of 11 months. The loans are interest free. The loan has been provisioned in the stand-alone financial statements of the parent. The loans shall be repaid out based on availability of cash flows resulting from the monetization of the land bank assets.

### Transactions with other related parties

On 30 March 2007, the Group entered into an amended Management Support Agreement with North Bridge Group Ltd (“North Bridge Group”). North Bridge Group is controlled by the four shareholders of North Bridge, which include Mr. Kjetil Grønskag. Pursuant to the Management Support Agreement, North Bridge Group was retained as an advisor to the Group, and was responsible for making available resources to support the Group in continuing to develop its real estate portfolio, including North Bridge Group’s principals and recommending to the Group specialists, including secondees where appropriate. For these services North Bridge Group received a monthly fee of about EUR 5,333 up to May 2019 (2018 full year: EUR 64,000). The Management Support agreement with Northbridge expired during May 2019 and was not renewed.

During May 2019 the Company replaced the Management Agreement with North Bridge Group Ltd, a Company related to Chairman Kjetil Grønskag, and a direct remuneration of EUR 58,800 per year to Chairman and CEO Kjetil Grønskag was agreed with savings of 8% for the Company from previous terms. The new Chairman and CEO agreement has a yearly remuneration of EUR 58,800 and a variable element of 0.7% of all realized sales.

The Group’s Investors Relation responsible during 2019, Mr. Harris Palaondas, represents Ancorum Business Services Ltd which has been contracted to serve as Investor Relations for RomReal since May 2019 following the termination of the Investor Relations agreement with North Bridge Group. The fee approved is EUR 14,000 per year. This is a reduction of about 30 per cent from adjusted terms and model from May 2019.

The Group’s Chairman Kjetil Grønskag, holds an executive position as Chief Executive of RomReal following Board approval on the 26 May 2016.

All transactions with related parties have been conducted following the principle of arm’s length.

## Note 20 FINANCIAL RISK

The Group’s principal financial liabilities comprise trade and other payables.

### Fair value

The fair value of the financial assets and liabilities are the amounts at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Cash and short-term deposits, trade receivables, trade payables, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. The fair value of borrowings is estimated by discounting future cash flows using rates currently available for debt or similar terms and remaining maturities. The fair value approximates their carrying values gross of unamortised transaction costs.

The fair value of the Group’s financial assets and liabilities is equal to the carrying amount.

### Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities, from its financial investments and from its deposits with banks.

The carrying amounts of the Group's cash and cash equivalents, other current assets and receivables represented the maximum exposure to credit risk in relation to financial assets. Cash is placed with reputable banks.

As of 31 December 2019, no trade and other receivables were impaired (see note 6).

### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. At 31 December 2019, the Group's had no exposure bearing the risk of changes in market interest rates

### Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank deposits and loans. The objective of the Group is to ensure that sufficient cash is maintained to cover the operating costs until the market recovers. Equally, the Group is actively looking to divest some of smaller plots in order to strengthen its cash position. The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

Year ended 31 December 2019	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Interest bearing loans	-	-	-	-	-	-
Shareholder loan	-	-	-	-	-	-
Other payables	-	112,074	-	-	-	112,074
Deferred income	-	-	274,139	-	-	274,139
Tax payable	-	387	-	-	-	387
<b>Total</b>	-	<b>112,461</b>	<b>274,139</b>	-	-	<b>386,600</b>

Year ended 31 December 2018	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Interest bearing loans	-	-	-	-	-	-
Shareholder loan	-	-	-	-	-	-
Other payables	-	124,057	-	-	-	124,057
Deferred income	-	192,782	-	-	-	192,782
Tax payable	-	401	-	-	-	401
<b>Total</b>	-	<b>317,240</b>	-	-	-	<b>317,240</b>

### Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group is subject to foreign exchange risk as the Romanian subsidiaries have business activities denominated in RON, which is different from the currency of the parent Company and the one in which loans are denominated, EUR. All investment properties are owned by the Romanian subsidiaries and thus denominated in RON. However, it is the market practice that investment properties are valued with reference to EUR denominated values, thus minimising the foreign exchange risk of the Group. From an operational point of view, the Group's policy is to mitigate these effects by retaining as much cash in EUR as possible and also by denominating receivables in EUR. The Group's interest-bearing loans are also denominated in EUR. The Group perceives the risk as moderate on a Group-wide basis and has not entered into any foreign exchange forward contracts to hedge against foreign currency fluctuation. A 10% depreciation of the RON against EUR, with all other variables held constant, would result in a EUR 2 million negative impact in the profit before tax and a EUR 0.2 million decrease in equity. The impact on the Group's profit before tax is due



to changes in the fair value of monetary assets and liabilities of the subsidiaries before they get translated into the functional currency of the Group. The impact on the Group's equity is due to the translation reserves.

### **Capital Management**

The primary objective of the Group's capital Management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions.

The Group monitors capital primarily using a loan to value ratio, which is calculated as the amount of outstanding debt divided by the valuation of the investment property portfolio. The Group's policy is to keep a low average loan to value ratio of the Group and in any event not higher than 70%. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group complies with its target loan to value ratio and no changes were made in the objectives, policies or processes during the years ended 31 December 2019 and 31 December 2018 and had no financial debt.

## **Note 21 CONTINGENT LIABILITIES**

As reported in mid-2018, during the latest routine tax audit performed at the level of RomReal Romanian subsidiary Westhouse Group, covering the period 1 January 2011 – 31 December 2016, the tax authorities reassessed the loans granted by RomReal Ltd. to Westhouse Group as contribution to share capital instead of inter-Company loans. In this respect, the Company received the tax audit report ("Tax Report") and the corresponding tax assessment decision ("Tax Decision"), whereby the tax authorities imposed an extraordinary tax-bill on the Company, in excess of EUR 1.7m (including penalties), as profit tax for the period covered by the tax audit. The Company, with support from external advisors is pursuing all legal means for challenging the effects of such reassessment, in order to cancel the additional tax liabilities.

During June 2019, the Company managed to obtain a second Court of Appeal decision confirming the fact that no restrictions to the bank accounts and/or property belonging to Westhouse Group, should take place until a final decision from the Romanian High Court of Justice is concluded. This is the second time the Appeal Court has made an independent decision in favour of the Company. On 5th of November 2019 High Court of Justice decided to admit the appeal of the Tax Authority against the suspension decision issued by Constanta Court of Appeal during 2018 Court proceedings. The date of the hearing last set for 24<sup>th</sup> of March 2020 has now been postponed until further notice in the context of Covid-19 restrictions.

## **Note 22 GUARANTEE OBLIGATIONS**

The Group has not issued any guarantees on behalf of external parties.

The Directors of the Parent Company have issued a support letter to its operating subsidiaries stating its intentions to continue to support the subsidiaries if issues regarding their viability subsequently arose.

## Note 23 EARNINGS PER SHARE

Basis for calculation of earnings per share	Consolidated		Parent Company	
	2019	2018	2019	2018
The year's earnings from continuing operations	(1,889,965)	(360,465)	(1,102,213)	(329,527)
No. of shares at the balance sheet date	41,367,782	41,367,782	41,367,782	41,367,782
Average of no. of shares	41,367,782	41,367,782	41,367,782	41,367,782
<b>Earnings per share</b>	<b>(0.05)</b>	<b>(0.01)</b>	<b>(0.03)</b>	<b>(0.01)</b>
<b>Adjusted Earnings per share</b>	<b>(0.05)</b>	<b>(0.01)</b>	<b>(0.03)</b>	<b>(0.01)</b>

## Note 24 SUBSEQUENT EVENTS

Based on the developments to date, the Group does not see a major impact of the Covid-19 on its operations. The employees are working remotely and the ongoing projects are currently progressing. Nonetheless, mobility restrictions are slowing down the implementation of the projects as well as decreasing the new leads for the selling of plots. Furthermore, the expected macroeconomic impact could affect the valuations of the Group's investment properties and implicitly the value of the holding in the subsidiaries by the Parent Company.

While the Group has no external debt and has a comfortable cash position, in response to the Covid-19, the Group is further tightening its cost control and liquidity measures as one of key priorities for 2020.

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Statement

*pursuant to Section 5-5 of the Securities Trading Act*

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We hereby confirm that the annual accounts for the Group and the Company for 2019 to the best of our knowledge have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the Company taken as a whole.

The Directors' report gives a true and fair view of the development and performance of the business and the position of the Group and the Company, as well as a description of the principal risks and uncertainties facing the Group.

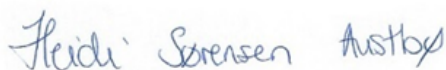
**Bermuda, 16.04.2020**  
**The Board of Directors of RomReal Ltd**



.....  
Kjetil Grønskag (Chairman)



.....  
Bendt Thorkildsen



.....  
Heidi Sorensen (Director)



.....  
Lacramioara Isarescu (Director)

## Company Addresses

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Auditors	Ernst & Young AS, Thormøhlens gate 53 D, PO Box 6163, Postterminalen, Bergen, N5892, Norway
Legal Advisors	Wakefield Quin Limited, Victoria Place, 31 Victoria Street, Hamilton, HM10, Bermuda
Bank in Norway	Nordea Bank Norge ASA, Olav Tryggvasons gt. 39/4, 7005 Trondheim, Norway
Bank in Romania	Alpha Bank Constanta, 175 Mamaia Boulevard, 900540, Constanta, Romania

## IR

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For further information on RomReal, including presentation material relating to this interim report and financial information, please visit [www.RomReal.com](http://www.RomReal.com)

## DISCLAIMER

The information included in this Report contains certain forward-looking statements that address activities, events or developments that RomReal Limited ("the Company") expects, projects, believes or anticipates will or may occur in the future. These statements are based on various assumptions made by the Company, which are beyond its control and are subject to certain additional risks and uncertainties. The Company is subject to a large number of risk factors including but not limited to economic and market conditions in the geographic areas and markets in which RomReal is or will be operating, counterparty risk, interest rates, access to financing, fluctuations in currency exchange rates, and changes in governmental regulations. As a result of these and other risk factors, actual events and our actual results may differ materially from those indicated in or implied by such forward-looking statements. The reservation is also made that inaccuracies or mistakes may occur in the information given above about current status of the Company or its business. Any reliance on the information above is at the risk of the reader, and RomReal disclaims any and all liability in this respect.