

**S.C. MCO CONTAB CONSULT S.R.L**

**Audit and accounting company**

**Member of the Romanian Chamber of Financial Auditors**

Registered at the Romanian Chamber of Financial Auditors with no. 1105/2012

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**INDEPENDENT AUDITOR'S REPORT**

**To the Shareholders of "CONTED" S.A. Dorohoi**

**Report on financial individual statements**

***Opinion***

1. We audited the enclosed financial statements of the trading company CONTED S.A. (hereby referred to as the „Company”), with registered office in Dorohoi, street 1st December 1918 no. 8, unique identification code 622445, which comprise the statement of financial position at 31 December 2021, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

2. The individual financial statement at 31 December 2021 are identified as follows:

1. Net assets/Total shareholder's equity. 8.054.753 lei
2. Total incomes from the basic activi ... 12.746.060 lei
3. The net result of the financial year: ..... -1.824.055 lei

3. In our opinion, the annexed financial situations of SC CONTED SA suply an exact image of the financial position of the Company at the date of 31 December 2021, as well as the result of the operations and the cash flows for the financial year ended at this date, in accordance with the Order of the Public Finances Ministry number 2844/2016 for the Accounting Regulations in conformity with the International Standards of Financial Reports.

### ***The basis of the opinion***

4. We conducted our audit in accordance with International Standards on Auditing (ISAs). REGULATION (EU) No 537 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL (in the following „Regulation”) and Law nr. 162/2017 („ Law”). Our responsibilities under those standards are further described in the „Auditor's Responsibilities for the Audit of the Financial Statements” section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to the audit of the financial statements in Romania, included Regulation and Law, and we have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion .

### **Issues related to uncertainties related to the effects of the crisis due to the COVID-19 virus pandemic**

5. We draw attention to the effects that the crisis due to the COVID-19 virus pandemic has had on society and the environment in which it operates, namely the textile and clothing industry, namely the fact that during the financial year ended 31.12.2021 the company had an operational loss in the amount of 1,824,055 lei. The current situation indicates that the effects of this crisis may be prolonged and it is not possible to estimate a future impact. Our opinion is not changed as a result of this issue.

### **Key audit issues**

6. The key audit issues are those issues that, in our professional reasoning, had the greatest importance to audit the financial statements of the current period. These issues were addressed in the context of the audit of the financial statements as a whole and in forming our opinion, and we do not offer a separate opinion on these issues.

### ***Key audit issues***

### ***Approach taken in the audit***

#### **1. Revenue recognition**

Revenues represent a significant amount of 12.671 thousand lei.

#### **Refer Note 5 „Revenues”**

The income recognition policy is presented in note 3 "Accounting Policies" point. g.–„Revenue

Our audit procedures included, among others:

- evaluating the principles of recognition of revenue in accordance with IAS 18 "Revenue" and in relation to the accounting policies of the company;
- testing the existence and effectiveness of internal controls as well as performing

Recognition. "

According to the International Standards of Audit, there is an implicit risk in recognizing revenue, thanks to the pressure that management can feel in connection with obtaining the results planned.

The company generates income on the basis contractual agreements concluded with its customers for the sale of products and provision of services.

Revenues are recognized at the time delivering products to the customer based on contract conditions.

## ***2. Analysis of depreciation of tangible assets***

According to Note 14 "Stocks", as of December 31, 2021, the total stocks are worth 4,217.59 thousand lei and represent a significant percentage of the total assets of the company, their valuation implying a high level of management judgment. These stocks consist mainly of raw materials, semi-finished products, work in progress and finished products.

Inventory valuation is, in principle, at the lower of cost and net realizable value.

The cost assessment includes various components such as the cost of purchase or the cost of production, including the trade discounts received.

For finished products, the net realizable value is estimated at the cost of production.

detail tests to verify correct recording a transactions;

- examining the accuracy of adjustments made by society to respect the principle of the exercises independence, considering delivery terms and contractual provisions on the modalities of delivery;

-Sample testing of trade receivables on December 31st, 2021 by sending confirmation letters.

-examining the sales record after the end of the financial year to identify significant credit notes issued and inspecting the relevant documentation to assess whether the related income has been accounted for in the corresponding financial period

. Our audit procedures for testing the existence of inventories consisted mainly of, but were not limited to, the participation in the inventory of inventory items according to the Inventory Chart approved by management, including reconciling the auditor's count with that of the company's representatives, any physically / morally depreciated stocks.

In order to validate the valuation of the acquisition / production cost of inventories, we performed detailed tests on the valuation in relation to the requirements of IAS 2 "Inventories".

We checked the estimates of the net realizable value in relation to the sale price and we checked whether there were stocks that were sold with a negative margin by analyzing the recent sales invoices from January and February 2022.

### ***Other information – The Report of the Administrators***

7. Other information shall include the report of the administrators. The administrators are responsible for the preparation and presentation of the directors' report in accordance with the requirements of OMFP no. 2844/2016 Accounting regulations compliant with International Financial Reporting Standards, which do not contain significant misstatements and for that internal control that the management deems necessary to allow the preparation of the directors' report which does not contain significant misstatements due to fraud or error.

The directors' report is not part of the individual financial statements.

Our opinion on the individual financial statements does not cover this other information and, unless explicitly stated in our report, we do not express any assurance about this.

In connection with our audit of the individual financial statements for the year ended 31 December 2021, it is our responsibility to read that other information - the Administrators' report and, in this regard, to assess whether there are significant inconsistencies between the Administrators' report and the financial statements, administrators include, in all material respects, the information required by OMFP 2844/2016, paragraphs 15-19, of accounting regulations that comply with International Financial Reporting Standards, and whether based on our knowledge of the Company and its environment acquired during the audit financial statements, the information included in the Administrators' report is erroneous. We are asked to report on these issues. Based on our ongoing activity, we report that:

- In the administrators' report we didn't identify information that do not correspond , in all significant aspects, with the information described in the annexed individual financial situation;
- The Administrators' report includes, in all its significant aspects, the information requested by OMFP nr. 2844/2016, paragraphs 15-19, from the Accounting Regulations in conformity with the International Standards of Financial Report.

In addition, based on our knowledge and understanding acquired during the audit of the individual financial statements for the financial year ended December 31, 2021 regarding the Company and its environment, we have not identified any information included in the directors' report that would be materially erroneous.

***Responsibilities of management and of the persons responsible for the governance for the financial statements***

8. The management is responsible for the preparation and accurate presentation of the financial statements in accordance with OMFP no. 2844/2016 for the approval of the Accounting Regulations compliant with the International Financial Reporting Standards and for that internal control that the management considers necessary to allow the preparation of financial statements without significant distortions, caused either by fraud or error.

In preparing its financial statements, the management is responsible for assessing the company's ability to continue its operation, setting out, where appropriate, the matters relating to the continuity of activity and using the accounting based on the continuity of the activity unless management either intends to liquidate the Company or cease the operations, or has no other realistic alternative.

The persons responsible for the governance are also responsible for monitoring the financial reporting process of the company..

***Auditor's responsibilities in an audit of financial statements***

9. Our objectives are to obtain reasonable assurance about the extent to which the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but there is no guarantee that an audit conducted in accordance with the International Audit Standards will always detect a significant misstatement, if any. Distortions may be caused by either fraud or error and are considered significant if they can reasonably be expected to have an individual or cumulative effect on the economic decisions of users, based on these financial statements.

10. As part of an ISA audit, we exercise professional judgment and maintain professional skepticism during the audit. Also:

- We identify and assess the risks of the financial statements caused either by fraud or by error, and design and execute audit procedures in response to such risks and obtain sufficient appropriate audit evidence to provide a basis for our opinion. The risk of non-detecting a material misstatement due to fraud is higher than the risk of non-detecting of a material misstatement due to error because fraud may involve collusion, forgery, deliberate omissions, misrepresentations and avoiding internal control;
- We consider the internal control relevant to the audit, in order to design audit procedures appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control of the Company;

- We assess the adequacy of the accounting policies used and the reasonableness of accounting estimations and related presentations made by management;
- We formulate a conclusion regarding the suitability of the accounting used by the management based on the business continuity and we determine, based on the audit evidence obtained, if there is a significant uncertainty relating to events or conditions that could generate significant doubts regarding the company's ability to continue its activity. If we conclude that there is significant uncertainty, we must draw the attention in the auditor's report on the presentations related to the financial statements or, if these presentations are inadequate, we must change our opinion. Our conclusions are based on the audit evidence obtained until the date of the auditor's report. However, future events or circumstances may cause the company to no longer operate on the basis of the principle of the continuity of the business;
  - We generally assess the presentation, structure and content of financial statements, including disclosures, and the extent to which financial statements reflect the underlying transactions and events in a manner that results in a fair presentation.

11. We communicate to the persons responsible for governance, among other things, the planned scope and timing of the audit, as well as the main audit findings, including any internal control weaknesses that we identified during the audit.

12. We are also required to provide the persons responsible for governance, with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all the relationships and other matters that may reasonably be thought to bear our independence, and where applicable, the related safeguards.

13. From the matters communicated with the persons responsible for governance, we are required to determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We are required to describe these matters in our auditor's report unless law or regulation preclude public disclosure about the matter and when, in extremely rare circumstances, we determine that a matter that has not otherwise been publicly disclose should not be communicated in our report in view of the significance of the adverse consequences that can reasonably be expected to arise as a result of such communication.

## **Report on other legal and regulatory provisions**

14. We were appointed by the General Meeting of Shareholders on April 12, 2021 to audit the financial statements of S.C. CONTED S.A. for the financial year ended 31 December 2021.

15. We confirm that we also maintained our independence from the audited entity in conducting our audit.

16. We confirm that we have not provided the Company with the prohibited non-audit services referred to in Article 5 (1) of EU Regulation no. 537/2014

17. This report of the independent auditor is addressed exclusively to the shareholders of the Company as a whole. Our audit was performed in order to be able to report to the Company's shareholders those aspects that we must report in a financial audit report, and not for other purposes. To the extent permitted by law, we accept and assume no liability other than to the Company and its shareholders, as a whole, for our audit, for this report or for the opinion formed.

The partner of the audit mission on the basis of which this independent auditor's report was prepared is Merghidan Constantin-Ovidiu.

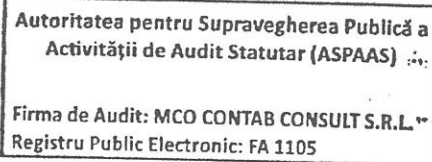
In the name

On behalf of **S.C. MCO CONTAB CONSULT S.R.L.**

registered in the Electronic Public Register of financial auditors and audit firms with no.

FA1105

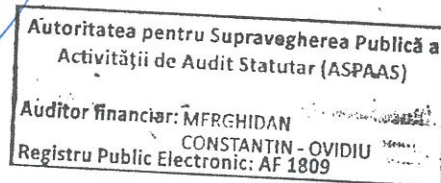
*Financial Auditor,*



**MERGHIDAN CONSTANTIN OVIDIU**

registered in the Electronic Public Register of financial auditors and audit firms with no.

AF1809



Dorohoi, March 18, 2022

1. The first part of the document is a list of the names of the members of the committee who have been appointed to study the problem of the shortage of housing in the city of New York.

2. The second part of the document is a list of the names of the members of the committee who have been appointed to study the problem of the shortage of housing in the city of New York.

3. The third part of the document is a list of the names of the members of the committee who have been appointed to study the problem of the shortage of housing in the city of New York.

4. The fourth part of the document is a list of the names of the members of the committee who have been appointed to study the problem of the shortage of housing in the city of New York.