



# ECOTEH EXPERT SRL BUCURESTI

Audit financiar, audit intern, expertize contabile judiciare si  
extrajudiciare consultanta fiscala, contabilitate  
Autorizatie CAFR nr. 120/2001

Sediu: Bucuresti, sector 3, CP 030712  
str. Lt. Ganovici Dumitru nr. 2, et.1, sector 3  
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## FINANCIAL AUDIT REPORT

***Confidential***

**This report is addressed to shareholders  
SC UZTEL SA**



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**To the Shareholders  
SC UZTEL SA**

## **Independent Auditor's Report**

Report on individual financial statements

### ***Opinion .***

1. S.C. Ecoteh Expert SRL, have audited the accompanying financial statements of SC UZTEL SA. ("The Company"), with its headquarters in Ploiesti Mihai Bravu Street, no. 243 Prahova County, identified by the unique registration code RO1352846, comprising: The financial position statement as of 31 December 2018, the statement of comprehensive income, the statement of changes in equity, cash flows and notes to financial statements that include a summary of significant accounting policies and other explanatory information.
2. The individual financial statements at 31 December 2018 are identified as follows:
  - Total own capitals 62.736.649 lei.
  - Profit the financial year 783.882 lei.
3. In our opinion, the accompanying Financial Statements present fairly in all material respects the financial position and the performance for the financial year and the cash flows for the year then ended. The accompanying financial statements of the Company as of 31 December 2018 were prepared in accordance with OMFP 2844/2016 for the approval of the International Accounting Standards (IFRS) accounting regulations in all material respects, which allows us to express an unchanged opinion without reservation.



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## ***Basics of opinion***

4. We conducted our audit in accordance with the International Standards on Auditing ("ISA"), EU Regulation No 537 of the European Parliament and the European Council (the "Regulation") and Law No 162/2018 ("the Act"). Our responsibilities under these standards are described in detail in the *Auditor's Responsibilities in an Audit of the Financial Statements* in our Report. We are independent of the Company under the Ethics Code of Professional Professionals issued by the International Ethics Standards Board for Accountants (IESBA Code), in accordance with the ethical requirements relevant to the audit of financial statements in Romania, including the Regulations and the Law, and we have fulfilled all other ethical responsibilities according to these requirements and according to the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## ***Uncertainty about business continuity***

5. We draw attention to Note 2 *Basis of preparation of individual financial statements*

By the decision no.129 dated 03.03.2017 pronounced in File no. 4732/105/2010 by the Tribunal Dolj; Section II, Civil, was ordered to close the procedure for the reorganization of Uztel SA as a result of the fulfillment of the payment obligations assumed in the plan confirmed by the Sentinel no. 1282 of 9 October 2012 and the re-entry of Uztel SA into the economic circuit with the continuation of activity.

The objective of the executive management from this date of financial reporting was to maintain a financial balance that would justify the principle of continuity of the Company's activity, and it should be justified and appropriate. In this respect, it must organize the Control Function to evaluate and monitor the risks to which the Company is exposed



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## **Audit key issues**

7. Key audit issues are those aspects that, based on our professional judgment, have had the greatest importance in conducting the audit of the individual financial statements of the current exercise. These issues have been addressed in the context of our audit of the individual financial statements as a whole and in forming an opinion on them and we do not issue a separate opinion on these key issues.

<b>Audit key issues</b>	<b>How did we approach our key aspect in our audit?</b>
<b>Risk management and internal control system</b> - during the financial year 2018, the control system was not organized until the second part of the financial year. The Board of Directors of the Company did not have controlling levers in the Company's activity. The control function is a key element for the Company's activity	Our audit procedures included  -Evaluation of internal control and audit function.  -Testing the control and internal audit plan with control reports to the management and verifying the implementation of the recommendations made  -Collaboration with the Audit Committee, which was set up in the second semester of 2018.



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<p><b>- Revenue recognition</b></p> <p>Accounting treatment, identification, valuation, recognition under IAS 18. In Note 3 (a) on accounting policies</p> <p>Revenues represent a key indicator of performance for the company, influencing directly the majority of the specific objectives and expectations. Of the total operating income of lei 77,683,418, incomes are recorded for the finished products in stock and for the production under execution 16,936,267 lei</p> <p>Note 3 (7)</p>	<p><b>Our audit procedures included:</b></p> <ul style="list-style-type: none"><li>- Ensuring that Sales / Income Accounting policies are in compliance with accounting standards and applicable legislation;</li><li>- Ensuring that earnings are properly classified and processed in the appropriate period</li></ul>
<p><b>- Evaluation of production under execution</b></p> <p>In Note 11, the products in progress at 31 December 2018 are valued at 14.471.881 lei. The valuation refers to the stocks of products in production for sale during normal business activity, in accordance with IAS 2. Production under execution is a key issue in our audit, which is a less controllable stage that accrues direct and indirect costs with buffer effect in shipping deliveries within contractual terms.</p> <p><b>Impairment of fixed assets</b></p> <p>Presented in Note 10, the net assets of the company amounting to lei 43,695,215 represent a key element of our IAS 16 audit. The main aspects of recognizing these assets relate to the determination of the carrying</p>	<p><b>- Our audit procedures included:</b></p> <ul style="list-style-type: none"><li>- Tests on sampling valuation of inventory costs in production so that the cost accounting cost is analyzed on cost elements and the existing production stage IAS 2.36</li><li>- Tests on the length of stay in the production phase up to the finished product stage;</li><li>- Testing for reconciliation between contracts, orders and stocks in production</li></ul> <p><b>Our audit procedures included:</b></p> <ul style="list-style-type: none"><li>- Tests on valuation of depreciation of fixed assets;</li><li>- Tests on the inventory of fixed assets, the correct accounting for the disposal of the fixed assets proposed by the inventory commissions;</li></ul>



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amount, depreciation expense and impairment losses to be recognized related to them. There is precious information for users of the financial statements about the Company's investment in its tangible assets.

### **Evaluation of the application of the accounting policies**

In Note 3 (f) The Company recognizes that it has not applied IFRS 9 which has replaced IAS 39 since 01.01.2018

### **Assessing the Principle of Continuity**

- This principle has the key value in the audit. The company that is just out of insolvency gives this aspect a strategic value. In Note 2 (c) to the IFRS Compliance Statement, the Company assumes responsibility for confirming the continuity of the activity. In 2018 was a growth trend compared to 2017, the net asset and equity are positive, and management believes that there are no uncertainties that may cast doubt on the ability of the company to continue its business, being able to achieve its objectives and performs his / her duties in the course of his / her future activity.

- Testing of valuation policies applied on the cost model or model of reevaluation and tracking of the chosen model to a whole class of in-house equities IAS 16.29

**Our audit procedures** also took into account the situation of the UZT stock market quoted on the capital market. Although the value of the UZT shares increased significantly due to the economic recovery of the Company after the insolvency period, the trading of the shares on the capital market was insignificant

**Our audit procedures** started from the premise that:

- Auditors should test management's views on continuity and solvency. Management's responsibility is continuous, while the auditor's opinion is based on a situation seen at a certain point in time.
- Acceptance of the basis of continuity in operation implies solvency, respectively, if at the time of drawing up the balance sheet the position of the firm was such that it would be able to fulfill its responsibilities as foreseen.



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## Other Information - Administrators' Report

8. Administrators are responsible for compiling and presenting other information. That other information includes the Directors' Report but does not include the financial statements and the auditor's report thereon.

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

With regard to the audit of the financial statements for the year ended 31 December 2018, it is our responsibility to read that information and, in this regard, to assess whether that other information is materially inconsistent with the financial statements or with the knowledge we have obtained during the audit, or if they appear to be materially distorted.

Regarding the Administrators' Report, we read and report that it was drafted in all significant aspects in accordance with the requirements of CAP.3 of O.M.F.P no. 2844/2016 for the approval of Accounting Regulations in accordance with International Financial Reporting Standards.

On the sole basis of the activities carried out during the audit of the financial statements, in my opinion:

- a) The information presented in the Directors' Report for the financial year for which the financial statements were prepared is consistent, in all material respects, with the financial statements as at 31 December 2018;
- b) The administrators' report was drawn up, in all significant aspects, according to O.M.F.P no. 2844/2016, CAP.3, pp. 15-19.

In addition, based on our knowledge and understanding of the Company and its environment acquired during the audit of the financial statements for the year ended 31



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December 2018, we are required to report whether we have identified significant misstatements in the Directors' Report. We have nothing to report on this issue.

## ***Responsibilities of management and those responsible for governance for individual financial statements***

9. Management of the Company is responsible for the preparation and fair presentation of the individual financial statements in accordance with International Financial Reporting Standards and with the OMFP no. 2844/2016 of December 12, 2016 for the approval of Accounting Standards in accordance with International Financial Reporting Standards and for internal control that management considers necessary to enable the preparation of separate financial statements without significant misstatement, whether due to fraud or error.
10. In preparing the separate financial statements, management is responsible for assessing the Company's ability to continue its business, including business continuity and business continuity accounting, unless the management intends to liquidate the Society or stop operations, or have no realistic alternative outside of them.
11. The persons responsible for governance are responsible for overseeing the financial reporting process of the Company.

## ***Auditor's responsibilities in auditing individual financial statements***

12. Our objectives are to obtain reasonable assurance that the individual financial statements as a whole are free of material misstatement, whether due to fraud or error and to the issuance of an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with IAS will always detect significant misstatement, if any.





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13. As part of an IAS audit, we exercise professional judgment and maintain professional skepticism during the audit.

Also:

- We identify and evaluate the risks of material misstatement of individual financial statements, whether caused by fraud or error, design and execute audit procedures in response to those risks, and obtain sufficient and appropriate audit evidence to provide a basis for our opinion. The risk of not detecting significant misstatement caused by fraud is greater than the failure to detect a material misstatement caused by error, as fraud may involve secret, forgery, intentional omissions, false statements, and avoidance of internal control.
- We understand the internal audit relevant to the audit, in order to design the audit procedures appropriate to the circumstances. But without having the purpose of expressing an opinion on the effectiveness of internal control of society.
- We assess the appropriateness of the accounting policies used and the reasonableness of accounting estimates and related disclosures by management.
- We formulate a conclusion on the adequacy of management's use of accruals based on the continuity of activity, and determine, based on the audit evidence we have obtained, whether there is significant uncertainty about events or conditions that could give rise to significant doubts in the company's capacity to continue its activity. If we conclude that there is significant uncertainty, we must draw attention in the auditor's report to the accompanying disclosures in the financial statements or, if these presentations are inappropriate, to change our opinion. Our findings are based on audit evidence obtained by the date of the auditor's report. However, events or future conditions may cause the Company not to continue operating on a going concern basis.



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- We evaluate the presentation, structure and content of the individual financial statements, including disclosures, and the extent to which individual financial statements reflect the underlying transactions and events in a manner that delivers fair presentation.
- 14. We communicate to those responsible for governance, among other things, the planned area and timing of the audit, as well as the main audit findings, including any significant internal control deficiencies that we identify during the audit.
- 15. We also provide to those responsible for governance a statement that we have respected the relevant ethical requirements for independence and that we have communicated to them all relationships and other matters that could reasonably be assumed to affect our independence and, where appropriate, the related protection measures.
- 16. Of the issues we have communicated to those responsible for governance, we determine what are the most important aspects of the audit of the individual financial statements of the current period and which are therefore key audit issues. We describe these issues in the auditor's report, unless laws or regulations prohibit public disclosure of the issue, or where, in extremely rare circumstances, we consider that an issue should not be communicated in our report because it is reasonably expected that the benefits of the public interest are overcome by the negative consequences of this communication.

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

- 17. We have been appointed by the General Meeting of Shareholders to audit the financial statements of UZTEL SA for the financial year ended December 31, 2018. The total uninterrupted duration of our commitment is 3 years, covering the financial years ended 31.12.2018 until 31.12.2020.



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We confirm that:

- Our audit opinion is consistent with the report submitted to the Audit Committee of the Company, which we issued at the same time as we issued this report. Also, in conducting our audit, we have retained our independence from the audited entity.
- We did not provide for the Company the forbidden non-audited services referred to in Article 5 (1) of the EU Regulation no. 537/2014..

In the name of

S.C. ECOTEH EXPERT S.R.L.

Registered Office - BUCURESTI STR. Lt. Dumitru Ganovici nr.2 etaj 1 sector 3

Registered with the Financial auditors Body of Romania at nmb. 120/2001,

Olguța CODESCU

Financial Auditor

Registered with the Financial auditors Body of Romania at mnmb. 947/2001

Bucarest, 20.03.2019