AROBS TRANSILVANIA SOFTWARE S.A.

CONSOLIDATED FINANCIAL STATEMENTS

Prepared in accordance with the Ministry of Finance Order no. 2844/2016 for the approval of accounting regulations compliant with the International Financial Reporting Standards

For the year ended 31 December 2023

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STATEMENT OF CONSOLIDATED INCOME	Note	FY 2023	FY 2022
Turnover:	5	**427,294,137**	**299,815,687**
Software services		344,775,332	239,774,681
Software products		70,537,191	58,113,647
Integrated systems		11,981,615	710,817
Distribution of goods		-	1,216,542
Total cost of sales:		**295,755,657**	**190,210,575**
Cost of sales of software services	6.1	254,215,350	162,025,518
Cost of sales of software products	6.2	31,653,344	26,493,027
Cost of sales of integrated systems	6.3	9,886,963	256,464
Cost of distribution of goods		-	1,435,565
Gross profit		**131,538,480**	**109,605,112**
Other income	11	1,131,751	659,412
Sales and marketing	7	(18,370,931)	(11,157,950)
General and administration	8	(70,739,928)	(45,924,271)
Proft before tax		**43,559,373**	**53,182,303**
Interest income	13	3,300,289	2,019,179
Interest expense	13	(2,595,577)	(1,124,450)
Net Forex Income/(Expenses)	13	(1,222,348)	(812,569)
Proft before tax		**43,041,736**	**53,264,462**
Income tax	14	(11,125,850)	(6,195,378)
Net profit		**31,915,886**	**47,069,084**
Other Comprehensive Income		**280,318**	**(110,517)**
Overall result		**32,196,204**	**46,958,567**
related to parent company		32,116,914	46,868,976
related to NCI		79,290	89,591
Basic earnings per share		**0.0385**	**0.0566**
Diluted earnings per share		**0.0372**	**0.0559**

These financial statements were signed and approved on March 29, 2024, by:

Voicu Oprean
Administrator

Bogdan Ciungradi
Chief Financial Officer

STATEMENT OF FINANCIAL POSITION	Note	FY 2023	FY 2022
Goodwill	18	104,761,369	57,763,288
Customer relationship	17	76,561,802	74,953,751
Other intangible assets	16	23,044,459	18,364,676
Tangible fixed assets	19	35,556,876	19,626,077
Assets related to rights of use of leased assets	21	17,236,489	12,170,189
Loans granted to related parties	31	15,555,506	7,749,356
Financial fixed assets	20	3,700,985	4,557,083
Deferred income tax assets	13	2,129,265	3,131,036
Total fixed assets		**278,546,751**	**198,315,455**
Inventories	22	6,975,925	8,922,718
Trade and other receivables	23	103,338,304	74,925,395
Related parties loans	31	1,413,707	10,787,651
Prepaid expenses	23	2,015,826	1,946,614
Short-term investments		302,033	523,375
Cash and equivalents	24	87,773,888	101,373,631
Total current assets		**201,819,682**	**198,479,384**
Total assets		**480,366,433**	**396,794,840**
Share capital	28	87,129,361	91,139,499
Adjustments of equity capital to hyperinflation		263,971	263,971
Other equity items		23,185,001	23,185,001
Share premium		9,680,545	6,367,437
Reserves		(5,689,379)	(7,535,897)
Own shares		8,352,878	1,805,558
Retained earnings		12,574,918	4,206,340
Gains on equity instruments		139,037,199	110,264,880
Conversion differences from consolidation		(163,971)	101,918
Total capital	**30**	**274,370,522**	**229,798,705**
Non-controlling interest		(683,364)	(75,767)
Total equity		**273,687,158**	**229,722,938**
Non-current liabilities			
Trade and other payables	25	49,746	182,159
Equity liabilities	18	14,686,659	1,122,070
Leasing liabilities	21	11,309,563	7,693,558
Bank loans	26	62,629,398	55,381,056
Deferred income tax liabilities	13	12,200,152	13,077,720
Advance income	5	3,523,269	1,913,309
Grants	6.1	301,940	184,750
Provisions	27	11,789,374	11,227,077
Total non-current liabilities		**116,490,101**	**90,781,700**
Current liabilities			
Trade and other payables	25	39,059,658	30,996,909
Equity liabilities	18	3,763,224	5,473,548
Leasing liabilities	21	7,919,498	6,137,902
Bank loans	26	24,184,008	18,470,922
Income in advance	5	8,796,705	9,685,836
Grants	6.1	158,741	424,284
Provisions	27	6,307,341	4,865,872
Total current liabilities		**89,865,905**	**76,290,204**
Total liabilities		**206,356,276**	**167,071,903**
Total equity and liabilities		**480,366,434**	**396,794,841**

These financial statements were signed and approved on March 29, 2024, by :

Voicu Oprean
Administrator

Bogdan Ciungradi
Chief Financial Officer

STATEMENT OF CHANGES IN EQUITY

	Equity	Equity adjustments for hyperinflation	Share premiums	Legal and other reserves	Own shares	Gains on own held equity instruments	Other equity elements	Retained earnings	Conversion reserves	Total equity	Non-controlling interests	Total equity
Closing balance 31.12.2021	**45,569,749**	**263,971**	**68,754,750**	**3,017,170**	**(4,010,000)**	**-**	**229,123**	**67,174,051**	**40,681**	**181,039,496**	**58,353**	**181,097,849**
Result of the exercise	-	-	-	-	-	-	-	46,993,924	-	46,993,924	75,161	47,069,086
Conversion difference	-	-	-	-	-	-	-	-	110,517	110,517		110,517
Overall result	**-**	**-**	**-**	**-**	**-**	**-**	**-**	***46,993,924***	***110,517***	***47,104,441***	***75,161***	***47,179,603***
Profit sharing	-	-	-	3,345,397	-	-	-	(3,394,091)	-	(48,694)		(48,694)
Retained earnings	-	-	-	-	-	-	-	49,314	-	49,314		49,314
Increase of share capital	45,569,749	-	(45,569,749)	-	-	-	-	-	-	-		-
Employee benefits in the form of equity instruments	-	-	-	-	-	-	6,038,931	-	-	6,038,931		6,038,931
Repurchase of own shares	-	-	-	-	(3,782,054)	-	-	-	-	(3,782,054)		(3,782,054)
Sale of own shares	-	-	-	-	256,156	-	(256,156)	-	-	-		-
Cancellation of shares	-	-	-	-	-	1,805,558	(1,805,558)	-	-	-		-
Adjustments for non-controlling interests	-	-	-	-	-	-	-	(607,600)	-	(607,600)		(607,600)
Non controlling interests	-	-	-	4,869	-	-	-	-	-	4,869	(209,282)	(204,412)
Closing balance 31.12.2022	**91,139,499**	**263,971**	**23,185,001**	**6,367,437**	**(7,535,897)**	**1,805,558**	**4,206,340**	**110,215,599**	**151,199**	**229,798,705**	**(75,767)**	**229,722,938**

	Equity	**Equity adjustments for hyperinflation**	**Share premiums**	**Legal and other reserves**	**Own shares**	**Gains on own held equity instruments**	**Other equity elements**	**Retained earnings**	**Conversion reserves**	**Total equity**	**Non-controllig interests**	**Total equity**
Closing balance 31.12.2022	**91,139,499**	**263,971**	**23,185,001**	**6,367,437**	**(7,535,897)**	**1,805,558**	**4,206,340**	**110,215,599**	**151,199**	**229,798,705**	**(75,767)**	**229,722,938**
Result of the exercise	-	-	-	-	-	-	-	31,851,026	-	31,851,026	64,860	31,915,886
Conversion difference	-	-	-	-	-	-	-	-	(265,889)	(265,889)	14,430	(251,459)
Overall result	**-**	**-**	**-**	**-**	**-**	**-**	**-**	***31,851,026***	***(265,889)***	***31,585,137***	***79,290***	***31,664,427***
Profit sharing	-	-	-	3,362,572	-	-	-	(3,362,572)	-	-	-	-
Retained earnings	-	-	-	(49,464)	-	-	-	49,465	(49,281)	(49,280)	-	(49,280)
Employee benefits in the form of equity instruments	-	-	-	-	-	-	19,131,306	-	-	19,131,306	-	19,131,306
Repurchase of own shares	-	-	-	-	(6,379,028)	-	-	-	-	(6,379,028)	-	(6,379,028)
Sale of own shares	-	-	-	-	8,225,546	-	(8,225,546)	-	-	-		-
Cancellation of shares	(4,010,138)	-	-	-	-	-	4,010,138	-	-	-	-	-
Gains on equity instruments	-	-	-	-	-	8,772,946	(8,772,946)	-	-	-		-
Adjustments for non-controlling interests	-	-	-	-	-	-	-	283,682	-	283.682	(283,682)	-
Expense related to the distribution, repurchase, sale, free distribution or cancellation of shares	-	-	-	-	-	(2,225,627)	2,225,627	-	-	-	-	-
Non controlling interests	-	-	-	-	-	-	-	-		-	(403,205)	(403,205)
Closing balance 31.12.2023	**87,129,361**	**263,971**	**23,185,001**	**9,680,545**	**(5,689,379)**	**8,352,878**	**12,574,918**	**139,037,199**	**(163,971)**	**274,370,522**	**(683,364)**	**273,687,158**

CASH FLOW STATEMENT	Note	FY 2023	FY 2022
Cash flows from operating activities:			
Gross profit		**43,041,736**	**53,264,462**
Adjustments for:			
Amortization expenses	6	20,711,679	11,158,537
Expenditure on assets sold		(503,221)	46,781
(Income) from assets sold		(835,138)	(209,820)
Expenditure relating to SOP employee benefits	9	19,131,306	6,038,931
Expenditure/(Income) related to adjustments for inventory write-downs		(30,041)	(921,178)
Expenditure/(Income) related to adjustments on receivables		2,196,790	3,206,523
Expenditure/Income on provisions for risks and charges		923,727	4,586,656
(Income) from subsidies and grants		(148,353)	(165,362)
Expenditure with interest and other financial expenses	13	2,629,077	1,113,987
(Income) from interest and other financial income	13	(3,126,355)	(1,968,688)
Expenditure/(Income) relating to value adjustments on tangible and intangible fixed assets		127,551	200,562
Adjustments for non-controlling interests		(265,889)	(607,600)
Operating profit before changes in working capital		**83,852,869**	**75,743,789**
Change in trade and other receivables balances	24	(29,934,716)	(39,736,919)
Change in inventories balances	23	1,976,834	(3,977,351)
Change in trade payable and other debt balances	27	8,345,988	33,774,795
Changes in prepaid expenditure balances	24	(69,212)	(122,455)
Change in advance income balances	5	720,828	857,841
Interest paid		(2,629,077)	(1,113,987)
Interest earned		2,859,430	3,560,998
Cash generated from operating activities	25	**65,122,944**	**68,986,711**
Income tax paid		(10,567,650)	(6,276,246)
Net cash from operating activities		**54,555,295**	**62,710,465**
Cash flow from investing activities			
Loans (granted) to/repayments from affiliated entities		3,017,607	1,292,385
(Payments) related to the acquisition of subsidiaries		(45,775,455)	(104,330,588)
(Payments) related to the acquisition of tangible and intagible asstes, including customer relationship	17,20	(31,087,866)	(26,228,854)
Repurchase of own shares		(6,379,028)	(3,782,054)
(Payments)/Cash in from other investments in financial assets		221,342	(523,375)
Net cash from investing activities		**(80,003,402)**	**(133,572,485)**
Cash flow from financing activities:			
Cash in/(Repayments) of bank loans	22	12,961,428	71,625,333
(Payments) of finance lease liabilities		(1,113,067)	(1,602,506)
Net cash from financing activities		**11,848,362**	**70,022,827**
Net increase in cash and cash equivalents		**(13,599,744)**	**(839,192)**
Cash and cash equivalents at the beginning of the financial year		**101,373,631**	**102,212,824**
Cash and cash equivalents at the end of the financial year		**87,773,887**	**101,373,632**

These financial statements were signed and approved on March 29, 2024, by:

Voicu Oprean	**Bogdan Ciungradi**
Administrator	Chief Financial Officer

1. FINANCIAL REPORTING PRESENTATION

AROBS Transilvania Software is listed on the main market of the Bucharest Stock Exchange starting September 25 2023, under the symbol AROBS.

These are the consolidated financial statements of AROBS Transilvania Software S.A („Company" sau „AROBS" sau „the Parent Company") and its subsidiaries together AROBS Group ("Group").

These consolidated financial statements of the AROBS Group are prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed by the European Union. Accordance with the Ministry of Finance Order no. 2844/2016, the companies listed on the main market of the Bucharest Stock Exchange prepares financial statements in accordance with IFRS, as endorsed by European Union. These financial statements are the responsibility of the Parent Company Arobs Transilvania Software S.A.

INFORMATION ABOUT AROBS

INFORMATION ABOUT THE PARENT COMPANY

The parent company, AROBS TRANSILVANIA SOFTWARE S.A. was incorporated on 18.12.1998, under Law no. 31/1990, with tax code RO 11291045, registered at the Trade Register under no. J12/1845/1998. The company's main field of activity is custom software with high expertise in software services: software engineering for automotive, aerospace, medical, maritime and more but also software development in IoT, hospitality and tourism, clinical trials, enterprise and FinTech solutions. Arobs added also expertise in Intelligent Automation for processes optimisation in banking, health and logistics.

AROBS creates software solutions and products – for which AROBS owns the intellectual property – such as fleet management and GPS tracking solution, business optimization solution (SFA, WMS, CRM, mobile contactless payments and others), human resources management and payroll solution, channel management for the hotel industry and much more.

Since its establishment, AROBS Transilvania Software has relied on excellent specialists and well-adjusted yet flexible processes to consistently deliver high quality custom software, products and software applications, that the company has retains ownership of.

The excellence of the services and the commitment of the company's specialists have helped to establish strong, long-term partnerships with over 10,000 companies in Romania and Central and Eastern Europe, and hundreds of international companies.

EXECUTIVE MANAGEMENT

The issuer's management for the 2023 Fiscal Year has been carried out by the Board of Directors, which was comprised of 3 members until the 29th of September 2023. At that date, as a result of the General Shareholders Meeting, 2 new members have been elected. As such, in accordance with the requirements of the Governence Code of The Bucharest Stock Exchange (BVB) which apply to all emittents listed on the BVB stock exchange main market, the Board of Directors is comprised of 5 members: 2 executive members, 3 non executive members of which 2 independent.

In accordance with the law no. 31/1990, o part of the attributions of the Board of Directors have been delegated to the Chief Executive Officer and the 2 Executive Directors.

Mr. Voicu Oprean holds the following positions within the company: executive member and chairman of the Board of Directors, Chief Executive Officer and chairman of the Nominalization and Remuneration Committee;

Ms. Cleja Mihaela-Stela holds the following positions within the company: non executive member of the Board of Directors, member of the Audit Committee and member of the Nominalization and Remuneration Committee;

Mr. Gârbacea Răzvan-Dimitrie holds the following positions within the company: non executive and independent member of the Board of Directors, member of the Audit Committee and member of the Nominalization and Remuneration Committee;

Mr. Nistor Alin holds the following positions within the company: non executive and independent member of the Board of Directors, member of the Audit Committee and member of the Nominalization and Remuneration Committee;

Mr. Aurelian Deaconu holds the following positions within the company: executive member of the Board of Directors and Executive Director of Software Services Divisions.

Mr. Bojan Ovidiu hold the position of Executive Director of the Track GPS Divisions.

Information related to the remuneration of the members of the Executive Management is presented in note 9 and in the remuneration report attached to the financial statements.

The Company is headquartered in Cluj Napoca, Street Donath No.11, Apt. 28 and has the following regional operational offices:
În Cluj-Napoca:

- Str. Minerilor, Nr. 63;
- P-ța Cipariu, Nr. 9; Ap. 69;
- Str. Săpătorilor, Nr.5;
- Str. Henri Barbusse, Nr. 44-46, în incinta Cluj Business Center, et. 2 și 3;
- Str. Trifoiului; Nr. 22;
- Str. Constantin Brâncuși nr. 55-59, Clădirea ABC Incubator, et. 6;

In Iași – Str. Palat, Nr. 3E, Building United Business Center 1, parter;
In Tg. Mureș – Str. Georghe Doja, Nr. 64-68, Building Multinvest Business Center 2 (MBC2);
In Suceava – Str. Universității, Nr. 15A, et.1;
In București – Sector 4, Calea Șerban Vodă, Nr. 133, Central Business Park, Corp A, et. 1
In Baia Mare – B-dul. Unirii, Nr. 18, Building Centrul de Afaceri Baia Mare, Et. 1;
In Arad – B-dul. Revoluției, Nr. 52-54, Building Arad Plaza, Sc. C, Et. 3, ap. 12.

Shareholding structure as of 31.12.2023:

	2023			**2022**		
Shareholder	**Number of Shares**	**Value**	Percent	**Number of Shares**	**Value**	Percent
Oprean Voicu	578,278,772	57,827,877	66.3701%	576,778,772	57,677,905	63.285%
Companies	128,051,806	12,805,181	14.6967%	186,979,523	18,697,997	20.516%
Private individuals	164,963,031	16,496,303	18.9331%	147,636,693	14,763,687	16.199%
Total	**871,293,609**	**87,129,361**	**100%**	**911,394,988**	**91,139,499**	**100%**

AROBS has 25 years of experience in developing custom software solutions for customers in 14 countries in Europe, Asia, and America. Excellence in services delivery together with the engagement from the Company specialists lead to strong partnerships with more than 10,000 companies in România and Central Eatsern Europe and hundred of international companies.

Since 2003, the Company has been developing its own solutions and products, the most important of which are:

- **TrackGPS** – Solution for managing and monitoring car fleets;
- **Optimall –** Sales force automation solution;
- **RateWizz** – Channel manager for the hotel industry;
- **School textbook digitization solution;**
- **MonePOS –** Contactless and paperless solution for the mobility industries

AROBS Transilvania Software is a member of ARIES - Romanian Association for Electronics and Software Industry and ANIS - Employers' Association of Software and Services Industry and holds numerous certifications, among which we mention:

- ISO 27001 Certificate
- ISO/IEC 27001:2013 Certificate
- TISAX – Trusted Information Security Assessment Exchange
- ORDA Certificate – Certificate issued by the Romanian Copyright Office
- HU-GO Certificate - National Toll Payment Services Plc. 2020 - Hungary
- ISO 9001:2015 Quality Management System
- ISO/IEC 27001:2013 (SR EN ISO/IEC 27001:2018) Information Security Management System
- ISO 14001:2015 Environmental Management system
- ISO 45001:2018 Occupational Health and Safety Management System

The Company’s activity is mainly structured on services and software products. Since its establishment, AROBS Transilvania Software has relied on excellent specialists and well-adjusted yet flexible processes to consistently deliver high quality custom software services, products and software applications, that the company has ownership of.

The excellence of the services and the commitment of the company's specialists have helped to establish strong, long-term partnerships with over 10,000 companies in Romania and Central and Eastern Europe, and hundreds of international companies.

Our passion for technology, combined with intense efforts to acquire new skills and aligning with market trends, has made AROBS one of the leading Romanian software development companies. The company's software services division is the largest within the Group and is structured around two pillars: Automotive and High-Level Industries. The High-Level Industries specialization consists of the Travel & Hospitality, IoT, Life Sciences, Enterprise Solutions and Fintech divisions.

- ***Automotive*** - the Issuer's Software and Engineering solutions are an integral part of its DNA and are based on extensive expertise in the field gained through long-term projects with leading global companies.
- ***Travel Technology*** - Combining niche know-how and technical skills has helped the company to build long-lasting and strong partnerships with customers. To date, end-to-end solutions have been created and delivered for companies in the US, France, Spain, Germany and the Netherlands.
- ***Life Sciences*** – The Issuer has built a solid expertise over the past years in working with large US companies in the pharmaceutical industry. During this time, medical software solutions have been developed that simplify the clinical trial process for new medicines launched in the niche market.
- ***IoT*** - The IoT systems that the Issuer develops define the 10+ years of expertise in finding the perfect solutions for its customers.
- ***Enterprise Solutions*** - High competence in developing cloud-based applications, real-time or reactive applications, Big Data, and more. The portfolio is built around projects for clients in countries such as US, UK, Germany, Finland, Norway and the Netherlands.
- ***Fintech*** - Built on knowledge and experience, in partnership with leading banks and financial institutions.

The most important software products offered by the Company are:

- ***Track GPS – Solution for managing and monitoring car fleets***

TrackGPS, the car fleet management and monitoring solution, has seen a positive development in terms of turnover and number of customers in 2023. TrackGPS continued its development in the Romanian market, with more than 850 new customers choosing TrackGPS solutions in 2023. Thus, more than 5,500 new vehicles were enrolled in the TrackGPS platform.

The TrackGPS division focused on improving the fleet management platform, increasing adoption and completing customer migration to the new platform. Investments continued in 4G and 5G based solutions, on adding new video telematics solutions, for consumption monitoring, driver behaviour improvement and electric vehicle monitoring. The years 2022 and 2023 brought the strengthening of the partnership with Orange Business Services, a partnership that is extremely important for the promotion of TrackGPS solutions, through the operator's portfolio of services and products, on a SaaS model.

AROBS Transilvania Software S.A. is the market leader in Romania in this sector. Track GPS is a complete car fleet monitoring and management solution, offering real-time GPS tracking, special devices and customized services.

With a high-performance GPS tracking system of special devices and a web and mobile application, Track GPS offers personalized services at the highest level, services such as driver behavior analysis, fuel consumption, driver communication, automatic toll payment in Hungary, controlled temperature and humidity, secure transport and much more.

The platform provided by TrackGPS can be accessed from anywhere, anytime with just an internet connection and is designed to easily manage fleet activity. It hosts the units' information in its own cloud and is available in 6 languages: Romanian, English, Russian, French, Hungarian and Indonesian.

Track GPS has over 11 years of experience in the telematics solutions market. The solutions they offer are aimed at small, medium and large companies operating in areas such as Public Services, Banking & Insurance, Courier, Transport & Logistics, Healthcare, Distribution and other areas that want to reduce their costs and optimise their business.

- ***Innovative Projects Division***

This division was created in 2014 with dedicated resources to research and develop new ideas and technologies. The areas of product development include Real Estate & Construction, Education, Cluster Management Platforms, Learning Management Systems, Telematics & Fleet Management Platform Add-Ons, Map Management Portal. Among the products of this business line we mention:

- School textbook digitization solution;
- RateWizz Channel Management - an innovative property management product used by hoteliers in Finland;
- MedControl Solution – platform for personal healthcare;
- Fleet4Share – Car Sharing Management Solution;
- Cluj Parking – public parking automation systems;

The AROBS solution for textbook digitisation involves the continuous development of educational software products and contributes to the performance of the Romanian education system. In 2023, the Digital Textbooks project continues to offer teachers and students the opportunity to improve the overall learning process. Together with strategic partner Aramis, the team has won 5 out of the 7 digital textbook tenders they have participated in, and the print run for new 2023 textbooks and reprints is over 250,000. The project team wants to continue growing in the E-learning segment in 2024.

RateWizz is a stable product, connected with the main OTAs. Offering premium support, a differentiating factor in the market, RateWizz has stable partnerships. There is growing interest from the small hotel segment. RateWizz has also identified new partnerships in the Romanian market, where there is a real need for customised solutions. In addition to the stability of the product and the superior support services we offer, the existing connectivity with the major sales channels makes this product comparable to the major Channel Managers systems on the market.

- ***Optimall – Solution for Business Optimization***

In 2023, Optimall by AROBS celebrated its 20th anniversary, which it marked with the launch of the new Optimall SFA Android mobile app. By refactoring the app, innovative functionalities were proposed to customers to support the automation of sales processes in the distribution and production business. We also developed four additional modules of the Optimall SFA app: Sell Sheet Module (viewing sales history), Supervisor Module (monitoring sales agents' activity), Target Module (monitoring sales targets) and Promotions Module (creating attractive promotional packages for customers).

The Optimall division continues its consolidation in the manufacturing and distribution industries, where it has benefited from new partnerships with companies in these industries, and is making significant strides in increasing market share in other sectors, such as public administration, with the Optimall SMIS product, an asset and inventory management solution for private companies and public authorities.

AROBS Transilvania Software S.A. is among the largest employers in Cluj County and in the top 5 employers on the local IT market, having been active on this market for 25 years.

AROBS Transilvania Software debuted in December 2021 on the AeRO market of the Bucharest Stock Exchange, the shares being traded under the stock symbol AROBS. The AROBS listing comes after the completion of a private placement of shares in the second half of October 2021 through which AROBS raised a record 74 million lei in a share capital increase. This placement attracted huge interest from both retail and professional investors, so that it was closed early from the first day of the placement, showing once again the high investor appetite for Romanian entrepreneurial companies. The funds attracted supported the company's expansion strategy through the acquisition of IT companies, both nationally and internationally, the opening of new subsidiaries in important markets in Europe and the United States, as well as the development of the company's expertise and specialisations. On 25 September 2023, AROBS made its debut on the main market of the Bucharest Stock Exchange.

2. GROUP STRUCTURE

The consolidation perimeter includes subsidiaries in which the parent company (AROBS Transilvania Software S.A.) holds at least 50% of the share capital. Also, the criteria for exclusion from the consolidation perimeter were analyzed, according to the accounting regulations in force. The holding percentages taken into account aggregate the participations held by the parent company, directly or indirectly, through other companies owned by it.

As of 31.12.2023, the AROBS Group is composed of the parent company and 27 subsidiary companies in 9 countries on 3 continents, with software development services and software products such as GPS fleet monitoring and HR solutions as its core business.

The objective at group level is the continuous development of technological solutions and products for the most complex industries globally. Further, we develop new areas with great demand on the global software services market, through acquisitions, but also organically, while continuously diversifying knowledge internally within AROBS teams, to cover a wider range of projects. In terms of research and innovation, within AROBS we constantly aim to improve our exposure to various projects, in line with market demands, as well as to increase our existing product portfolio.

At the same time, AROBS aims to strengthen the group's business in the North American and European markets by increasing the number of customers and strengthening partnerships with existing customers. Globally, demand for software products and services continues to be on an upward trend, even though there is pressure on rates and a prospect of stagnating demand. Companies and organisations continue to need to digitise their processes and AROBS is very well positioned in the market.

In the area of software products specifically addressed to the Romanian market, such as fleet management, business optimization, digital payments, HR solutions, or implementation of digitalization projects in the public sector, the market is also experiencing moderate growth due to the challenges and the economic and social context. In fleet management, AROBS is continuing its campaign to acquire companies in Romania and Eastern Europe with a view to consolidating in this market and expanding into other markets with the TrackGPS solution.

The companies included in the consolidation, as at 31.12.2023, are as follows:

- AROBS TRANSILVANIA SOFTWARE SA, Romania, Cluj-Napoca, Donath Str, no. 11/28, Cluj county
- AROBS DEVELOPMENT & ENGINEERING SRL (previous ENEA Services Romania), Romania, Bucuresti, sect. 6, Splaiul Independentei, no. 319
- AROBS ETOLL SOLUTIONS SRL, Romania, Cluj-Napoca, Minerilor Str., no 63C, Cluj county
- AROBS PANNONIA SOFTWARE Kft, Hungary, 1191 Budapest, Üllői str., no.206
- AROBS POLSKA (SYDERAL POLSKA), Poland, Gdansk, ul. Trzy Lipy 3B/ 3.11.5
- AROBS SOFTWARE SOLUTIONS GmbH, Germany, Leopold Strasse 23, 80801, Munchen
- AROBS SOFTWARE SRL, Moldova, Renașterii Naționale Str. no. 12, of. 401-405
- AROBS SYSTEMS SRL, Romania, Cluj-Napoca, Minerilor Str, no 63, Cluj county
- AROBS TRACKGPS SRL, Moldova, str. Puskin no. 26A, of. 301
- ATS ENGINEERING LLC, SUA, 1200 South Pine Island Road, Plantation, Florida, 33324
- BERG COMPUTERS SRL, Romania, Com.Ghiroda, Lugoj Str., no.4, Timis county
- CABRIO INVEST B.V., The Netherlands,Tolweg 7, 4851SJ, Ulvenhout
- CENTRUL DE SOFT GPS SRL, Romania, Ilfov County, Chiajna, Rezervelor Str. no. 46A
- COSO TEAM UK LTD, United Kingdom, 10 Bridge Street Christchurch Dorset BH23 1EF, UK
- COSO BY AROBS BVBA, Belgium, De Vis 20, cod 2930, Brasschaat
- COSO BY AROBS B.V., The Netherlands, Tolweg 7, 4851SJ, Ulvenhout
- FUTURE WORKFORCE SA, Romania, Cluj-Napoca, Serpuitoare Str. No. 53A, Ap. 1, Cluj County
- FUTURE WORKFORCE SRL, Romania, Cluj-Napoca, Strada Serpuitoare, Nr. 53A, Ap. 1, Cluj County
- FUTURE WORKFORCE GmbH – Germany, Münchner Str. 191 85757 Karlsfeld
- FUTURE WORKFORCE Limited, United Kingdom, 45 Fitzroy St, London, W1T 6EB
- NORDLOGIC SOFTWARE, Romania, Cluj-Napoca, Descartes Rene Str. no 10-12 C, Cluj County
- NORDLOGIC USA, Inc., SUA, 137 NW 145th Street, Seattle, Washington 98177
- PT AROBS SOLUTIONS, Indonezia, Puri Indah Financial Tower, et. 8 809-810, Jalan Puri Lingkar Dalam Blok T8, Jakarta Barat
- SAS FLEET TRACKING SRL (SAS GRUP), Romania, Bucuresti, sect. 6, Bld. Ghencea, no. 43B, Ghencea Business Center, et. 5
- SILVER BULLET SRL, Romania, Cluj-Napoca, Descartes Rene Str. 10-12, Cluj county
- SKYSHIELD Kft, Hungary, 1191 Budapest, Üllői Str. no.206
- SOFTMANAGER S.R.L, Romania, Ploiesti, Zmeului Str, no. 21, Prahova County
- UCMS GROUP ROMANIA S.R.L., Romania, Cluj-Napoca, Campului Str. No. 84-86 Cluj County

Group’s structure as of 31.12.2023 is presented in the following table:

No.	Company	Percent of control (AROBS)	Perceent held by minority interests	Acquisition/establishment date
1	AROBS DEVELOPMENT & ENGINEERING SRL (ENEA)	100%	0%	30 June 2022
2	AROBS ETOLL SOLUTIONS SRL	100%	0%	3 March 2022
3	AROBS PANNONIA SOFTWARE KFT	100%	0%	1 July 2023

4	AROBS POLSKA (SYDERAL POLSKA)	94%	6%	1 February 2023
5	AROBS SOFTWARE SOLUTIONS GMBH	60%	40%	6 August 2020
6	AROBS SOFTWARE SRL	100%	0%	1 February 2023
7	AROBS SYSTEMS SRL	100%	0%	2 May 2022
8	AROBS TRACKGPS SRL	100%	0%	1 February 2023
9	ATS ENGINEERING LLC	100%	0%	30 June 2022
10	BERG COMPUTERS S.R.L.	100%	0%	31 December 2021
11	CABRIO INVEST B.V.	90%	10%	28 February 2018
12	CENTRUL DE SOFT GPS SRL	100%	0%	31 December 2022
13	COSO TEAM UK LTD	90%	10%	31 March 2018
14	COSO BY AROBS BVBA	90%	10%	30 June 2018
15	COSO BY AROBS B.V.	90%	10%	28 February 2018
16	FUTURE WORKFORCE S.A.	100%	0%	1 May 2023
17	FUTURE WORKFORCE SRL	100%	0%	1 May 2023
18	FUTURE WORKFORCE GmbH	65%	35%	1 May 2023
19	FUTURE WORKFORCE Limited	80%	20%	1 May 2023
20	NORDLOGIC SOFTWARE S.R.L	100%	0%	31 July 2022
21	NORDLOGIC USA, Inc.	100%	0%	31 July 2022
22	PT AROBS SOLUTIONS INDONESIA	70%	30%	13 March 2017
23	SAS FLEET TRACKING SRL	100%	0%	11 November 2019
24	SILVER BULLET SRL	100%	0%	31 July 2022
25	SOFTMANAGER S.R.L.	70%	30%	01 July 2019
26	SKYSHIELD MAGYARORSZAG KFT	100%	0%	01 July 2023
27	UCMS GROUP ROMANIA S.R.L.	97,67%	2,33%	31 May 2019

Changes in Group structure in 2023

AROBS acquired Syderal Polska at the end of January 2023. The financial performance (income and expenses) of this subsidiary is reflected, within the Group, from February 2023.

At the beginning of February 2023, AROBS acquired the entire share capital of AROBS Software SRL and AROBS Trackgps SRL, both in the Republic of Moldova, whose financial performance (income and expenses) is reflected, within the group, from February 2023.

At the end of April 2023, AROBS acquired the Future WorkForce Global (FWF) group, whose financial performance (revenues and expenses) is reflected, within the group, from May 2023.

At the beginning of July 2023, AROBS acquired in full AROBS Pannonia Software Kft and its subsidiary Skyshield Magyarorszag Kft. The financial performance (income and expenses) of these subsidiaries is reflected, within the Group, from July 2023.

3. BASIS OF PREPARATION

3.1. Statement of compliance

These consolidated financial statements of the Group are the responsibility of the management of the Parent Company and have been prepared in accordance with the applicable International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB) and adopted by the European Union (EU) and in accordance with OMFP 2844/2016, which are applicable to companies whose shares are admitted to trading on a regulated market.

The consolidated financial statements have been prepared on a historical cost basis, except for situations in which fair value replaces the historical cost for assets and liabilities acquired in business combinations. The fair value is the price that could be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Group considers the characteristics of the asset or liability in the market that participants would consider when pricing the asset or liability at the measurement date. The consolidated financial statements prepared in accordance with IFRS are presented in Romanian Leu (RON), the amounts being presented at the nearest whole number,

Significant accounting policies used by the Group in consolidated financial statements preparation are presented in Note 32.

3.2. The going concern principle

The consolidated financial statements have been prepared based on the going concern principle, which assumes that the Group will be able to continue its activity in the foreseeable future.

The budget prepared by the Group's management for the year 2023 and approved by the Board of Directors indicates positive cash flows from operating activities, an increase in sales and a net profitability of 40,832,000 RON.

The management believes that the Group will be able to continue its activity in the foreseeable future, therefore, application of the going concern principle in preparation of the financial statements is justified.

3.3. Basis of consolidation

Control

The consolidated financial statements comprise the financial statements of the mother Company and its subsidiaries.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group 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;
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that most voting rights results in control. To support this presumption even when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Group’s voting rights and potential voting rights.

These consolidated financial statements are the responsibility of the management of the Parent Company and have been prepared in accordance with the consolidation requirements provided by IFRS-EU, including IFRS 3 Business Combinations.

Non-controlling interests

The Group determines any non-controlling interests held in an entity at its proportionate share of the identifiable net assets of the acquired entity at the acquisition date. Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as transactions with shareholders. Adjustments to non-controlling interests are based on the subsidiary's share of net assets.

3.4. Business combinations and goodwill

Acquisition method

Business combinations are accounted for using the acquisition method when control over the acquired business is transferred to the Group. Purchase consideration on acquisition is measured at fair value, same as net assets acuired. Any goodwill is tested for impairment. Any gain from a bargain purchase is recognized in the profit or loss

Transaction value is measured as the sum of the consideration transferred at the fair and non-controlling interests value.

The consideration transferred in a business combination is measured at the fair value of the assets transferred by the acquirer, the liabilities incurred or assumed, and the equity instruments issued.

Goodwill is measured by deducting the identifiable net assets acquired from the aggregate of the consideration transferred, any non-controlling interests in the acquired entity and the fair value at the acquisition date of the equity participation in the acquired entity previously held by the acquiring entity. If the acquirer obtains a gain from a bargain purchase, this gain is recognized in the profit or loss after the management reassesses whether all the assets were acquired, and all liabilities and contingent liabilities were assumed based on appropriate measurement.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group’s cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

When the Group lost the control in a subsidiary, it derecognise subsidiary’s assets and liabilities together with non-controlling interest. Any gain or loss as a result of lost control is recognised in profit and loss except for the elements previously recognised in other comprehensive income whiuch are accounted as the Company had sold directly these asstes and liabilities. Any ionterest kept is measured and fair value when control is lost.

3.5. Fair value measurement

Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarized in the relevant notes.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability Or,
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilize the asset in its highest and best use.

3.6. Tranzactions in foreign currencies

Foreign exchange transactions

Foreign exchange transactions are converted into the functional currency at the exchange rate on the date of each transaction.

Monetary assets and liabilities denominated in foreign currency are converted into the functional currency at the exchange rate on the reporting date communicated by the National Bank of Romania.

Non-monetary assets and liabilities, measured at fair value in a foreign currency, are translated into the functional currency at the exchange rate at the date the fair value was determined. Exchange differences are recognised in the statement of profit or loss. Non-monetary items denominated in a foreign currency and measured on a historical cost basis are not translated.

Transactions and balances in foreign currency

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot rate at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates 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 consolidation, the assets and liabilities of foreign operations are translated into RON at the rate of exchange prevailing at the reporting date. For practical reasons, the Group considers the average rate for the period in translating income and expense items of its foreign operations, since exchange rates used have not fluctuated significantly within a reporting period. The exchange differences arising on translation for consolidation are recognised in OCI.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

The exchange rates as of 31 December 2023 and 31 December 2022 were:

	FY 2023	**FY 2022**
RON – EUR	4.9746	4.9474
RON – USD	4.4958	4.6346
RON – GBP	5.6871	5.5878

The average exchange rates for 2023 and 2022 were:

	FY 2023	**FY 2022**
RON – EUR	4.9464	4.9313
RON – USD	4.5758	4.6923

RON – GBP	5.7225	5.7858

Operations abroad

Assets and liabilities of foreign operations, including goodwill and fair value adjustments resulting from the acquisition of subsidiaries, are translated into LEI at the exchange rate on the reporting date.

Income and expenses from foreign operations are converted into LEI at the exchange rate on the date of the transactions.

Foreign exchange differences are recognised as 'Other comprehensive income' and accumulated in 'Foreign exchange translation differences'. If a foreign operation is disposed of in whole or in part so that control, significant influence or joint control is lost, the cumulative amount of 'Foreign exchange translation differences' is reclassified to the statement of profit or loss as part of the gain or loss on disposal.

3.7. Operating segments (IFRS 8)

The Management Board monitors separately the operational results of the operating segments to be able to take decisions on the resource allocation and performance assessment. Segment performance is measured in terms of Gross Profit.

An operating segment is a component of an entity:
- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity),
- whose operating results are regularly reviewed by the entity’s chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and
- for which discrete financial information is available.

AROBS Group reports separately information about an operating segment that meets any of the following quantitative thresholds:
- Its reported revenue, including both sales to external customers and intersegment sales or transfers, is 10 per cent or more of the combined revenue, internal and external, of all operating segments.
- The absolute amount of its reported profit or loss is 10 per cent or more of the greater, in absolute amount, of (i) the combined reported profit of all operating segments that did not report a loss and (ii) the combined reported loss of all operating segments that reported a loss.
- Its assets are 10 per cent or more of the combined assets of all operating segments.

AROBS Group’s operational segments are: Software Services, Software Products,Integrated Systems and Distribution of goods and Other Services.

The amount of each segment item reported shall be the measure reported to the chief operating decision maker for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing an entity’s financial statements and allocations of revenues, expenses, and gains or losses shall be included in determining reported segment profit or loss only if they are included in the measure of the segment’s profit or loss that is used by the chief operating decision maker. Similarly, only those assets and liabilities that are included in the measures of the segment’s assets and segment’s liabilities that are used by the chief operating decision maker shall be reported for that segment. If an entity changes the structure of its internal organisation in a manner that causes the composition of its reportable segments to change, the corresponding information for earlier periods, including interim periods, shall be restated unless the information is not available and the cost to develop it would be excessive. Following a change in the composition of its reportable segments, the entity discloses whether it has restated the corresponding items of segment information for previous periods.

If the entity has changed the structure of its internal organisation in a manner that causes the composition of its reportable segments to change and if segment information for earlier periods, including interim periods, is not restated to reflect the change, the entity shall disclose in the year in which the change occurs segment information for the current period on both the old basis and the new basis of segmentation, unless the necessary information is not available and the cost to develop it would be excessive.

Segmentation was performed for the income statement down to the gross profit level by presenting revenue and cost of sales for the following relevant segments: software services, software products, merchandise distribution and other services. Expenses related to the sale of products and services as well as marketing expenses have been considered as overheads. For assets and liabilities, the Group does not track these items by segment, as they are not relevant to the Group's business.

3.8. New IFRS standards and amendments

a) Initial application of new amendments to existing standars for current reporting period

The following amendments to existing standards issued by International Accounting Standards Board (IASB) and adopted by EU are effective for reporting periods beginning on or after January 1, 2023:

- **Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements** – Presentation of accounting policies (effective for reporting periods beginning on or after January 1, 2023). The Group reviewed the accounting policies and applied the concept of „materiality" in the presentation of the accounting policies;
- **New Standard – IFRS 17 Insurance Contracts,** including amendments to IFRS 17 issued by IASB effective on and after January 1, 2023 – without effects on the Group's financial statements;
- **Amendments to IAS 8 Accounting Policies, changes in Accounting Estimates and Errors –** Definition of accounting estimates (effective for reporting periods beginning on or after January 1, 2023) – without significant impact on the Group's financial statements;
- **Amendment to IAS 12 Income Taxes** – Deffered tax related to Assets and Liabilities arising from a single transaction (effective for reporting periods beginning on or after January 1, 2023) - without significant impact on the Group's financial statements;

b) Standards and amendments to existing standards issued by IASB and adopted by the EU, but which are not yet effective

- **Amendments to IFRS 16 Leases** – Liability in sale and leaseback (mandatorily effective for periods beginning on or after January 1, 2024);
- **Amendments to IAS 1 Presentation of Financial Statements -** Classification of Liabilities as Current or Non-Current (mandatorily effective for periods beginning on or after January 1, 2024);

c) Standards and amendments to existing standards issued by IASB, but which were not adopted by the EU

Currently, IFRS as adopted by the EU do not differ significantly from the regulations adopted by the International Accounting Standards Board (IASB), with the exception of the following new standards and amendments to existing standards, which were not approved for use in the EU on the publication of the consolidated financial statements (the effective dates mentioned below are for the IFRS standards issued by the IASB):

- **Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments** – Supplier Finance Agreemnts (effective date established by the IASB: January 1, 2024)
- **Amendments to IAS 21 The Effects of Changes in Foregn Exchange Rates** (effective date established by the IASB: January 1, 2025)
- **Amendments to IFRS 14 – Regulatory Deferral Accounts** (effective date established by the IASB: January 1, 2026)
- **Amendments to IFRS 10 and IAS 28** The sale of assets or the contribution with assets between an investor and the entities with which he is associated and subsequent amendments (the effective date has been postponed indefinitely by IASB. The anticipated implementation of the standard is allowed)

The company aniticpates that, by applying these new standards and amendments to the existing standards, the Financial Statements of the Group will not be significantly impacted during the initial implementation period.

4. APPLYING PROFESSIONAL JUDGEMENT, ESTIMATES AND ASSUMPTIONS

In preparing the Group's consolidated financial statements, management made professional judgements, estimates and assumptions that affect the application of the accounting policies and the reported value of revenues, expenses, assets, and liabilities. The actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively.

The Group based its assumptions and estimates on information available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Main judgements on financial statementes preparation are:

- **Revenue recognisition from selling Track GPS monitoring solution –** presented in Note 32 and Note 5
- **Revenue recognisition from HR application license selling -** presented in Note 32
- **Revenue recognistion on a gross/net basis, based on the Group method of seeling as Principal or Agent –** presented in Note 32

Significant estimates on financial statemente preparation are:

- **Fair value measurement on business combinations** – presented in Note 17 „Mergers & Acquisitons";
- **Fair value measurement on goodwill** - presented in Note 18 „Goodwill"
- **Estimation of the recoverable value of development costs** - presented in Note 16 „Intangible Assets"
- **Leasing contract duration and discount rate** – presented in Note 21 „Leasing";
- **Loss on financial assets measurments –** presented in Note 20
- **Recongnistion and measurment on share options programs –** presented in Note 9

5. TURNOVER

	FY 2023	FY 2022
Turnover:		
Software services	344,775,332	239,774,681
Software products	70,537,191	58,113,647
Integrated systems	11,981,615	710,817
Distribution of goods	-	1,216,542
Total turnover	**427,294,137**	**299,815,687**

Turnover – geographic regions	**FY 2023**	**FY 2022**
Romania*	243,152,981	175,033,071
Europa (excluding Romania)	105,024,477	62,693,298
USA	76,687,606	59,809,632
Asia & The Middle East	2,429,074	2,279,687
Total turnover	**427,294,137**	**299,815,687**

*Software revenues billed in Romania represent services provided to customers in Europe but for tax reasons are billed in Romania because these customers have a local subsidiary. These software services revenues represent 80% of the total turnover recorded in Romania.

Globally, the demand for software products and services continues to be on an upward trend as companies and organisations continue to need to digitise their processes. To perform in a competitive market, the software development industry constantly requires access to excellent resources in increasing numbers. In the area of software products such as fleet management, business optimisation, digital payments, HR solutions, implementation of digitisation projects in the public sector, the market is also growing due to the challenges and the economic and social context of recent years.

As a result of the AROBS strategy of acquiring companies with which there were synergies or which had additional skills in new technologies and new areas of software development services, turnover grew strongly compared to the previous year, with an increase of 43% in 2023 compared to 2022. A favourable contribution to the increase in turnover was also made by expanding collaboration with existing customers.

The "Software Services" segment recorded an increase in turnover of RON 105.1 million (44%) at consolidated level during 2023 compared to 2022. The contribution of companies acquired from 2022 onwards to this increase was RON 67.9 million. Revenue from software services is predominantly recorded at a point in time when the service is provided to the customer.

Revenue generated by the "Software Products" segment increased by 11.8 million lei (20%) at consolidated level compared to the previous year. The contribution of companies acquired from 2022 onwards to this increase was 6.6 million lei. Revenues from software products are mainly recorded as services are provided to the customer.

The "Integrated Systems" segment is developed by one of the Group's subsidiaries, AROBS Systems, which is responsible for the implementation of hardware and software solutions and software products for public sector contracting authorities. This company has a team of public sector professionals and its technical expertise covers the integration of complex systems and technologies such as ORACLE, HP, DELL and Microsoft. The revenue and expenses, recorded within this segment, have been restated following the application of IFRS accounting policies, i.e. the revenue and related expenses corresponding to the partners under joint venture contracts and the revenue and related expenses corresponding to the contracts where AROBS Systems acted as agent have been adjusted. The impact of the adjustment on both revenue and related expenses was RON 21.8 million. Revenue from integrated systems is recognised at a point in time when the service is provided to the customer.

The contribution of the newly acquired companies from 2022 onwards (AROBS Development & Engineering, Nordlogic Group, Centrul de Soft GPS SRL, AROBS Software SRL, AROBS TrackGPS SRL, Syderal Polska, Future WorkForce Global Group, AROBS Pannonia Software Kft,) was a significant one of 109.6 million lei (26%) to the consolidated turnover of 2023 and of 35.2 million lei to the consolidated turnover of 2022.

Globally, the demand for software products and services is constant, as companies and organisations continue to need to digitise their processes. In the area of software products, such as fleet management, business optimisation, digital payments, HR solutions, implementation of digitisation projects in the public sector, the market is also growing, due to the challenges and the economic and social context in recent years.

At the beginning of 2022, the activity of merchandise distribution, within the Products segment of AROBS, was transferred to an entity outside the Group as it was not one of the strategic development directions of AROBS.

The following table shows the structure of significant customers by business segment:

Business segments	Top clients 2023	% of turnover	Top clients 2022	% of turnover
Software Services	Client 1	25.82%	Client 1	29.13%
	Client 2	5.93%	Client 2	6.16%
	Client 3	4.35%	Client 3	3.13%
	Client 4	4.21%	Client 4	4.13%
	Client 5	3.23%	Client 5	1.99%
Software products	Client 6	0.41%	Client 6	0.28%
	Client 7	0.31%	Client 7	0.54%
	Client 8	0.14%	Client 8	0.23%

	Client 9	0.09%	Client 9	0.14%
	Client 10	0.03%	Client 10	0.11%
Integrated Systems	Client 11	1.71%	Client 11	
	Client 12	0.40%	Client 12	
	Client 13	0.08%	Client 13	

Cost of carrying out contracts with customers

Cost **of carrying out contracts with customers** – HR licensing

	OB 2022	CAPITALISATION 2023	DEPRECIATION 2023	CB 2023
HR Licences	394,650	467,506	302,617	559,539

Cost **of carrying out contracts with customers** – GPS monitoring services

	OB 2022	CAPITALISATION 2023	DEPRECIATION 2023	CB 2023
GPS Monitoring services	804,855	1,264,339	1,299,056	770,138

Deffered revenue – contract performance obligations

	Balance at 31.12.2023	Balance at 31.12.2022
Deffered revenue, out of which:	**12,319,973**	**11,599,145**
Long term	3,523,269	1,913,309
Short term	8,796,705	9,685,836

Deffered revenue was recorded on the basis of medium and long term customer contract agreements and mainly relates to fleet monitoring services and HR licensing.

6. COST OF SALES

6.1 Cost of sales - Software services

	FY 2023	FY 2022
Salary Expeneses	158,211,644	70,128,731
Employee stock ownership plan costs	10,002,179	3,550,942
Third paty expenses	74,077,853	82,085,735
Property plant and equipment depreciation expeneses	7,494,359	4,675,789
Other operating expenses	4,429,316	1,584,321
Cost of sales Software Services	**254,215,350**	**162,025,518**

The cost of sales of software services consists of salaries and benefits (including remuneration in equity instruments) of directly productive staff involved in the delivery of these services, the cost of services performed by third parties related to software services projects, depreciation of equipment used and other operating expenses necessary for the delivery of software services: rent and energy and water costs, travel expenses, insurance and commissions and fees.

Cost of sales of software services increased by 94.1 million lei compared to the previous year, mainly due to the increase in salary expenses of 92.24 million lei, followed by the increase in ESOP which had an impact of 6.46 million lei.

Expenditure on services contracted from third parties decreased in 2023 compared to the previous year by 7.67 million lei. Services contracted from third parties represented, during 2023, mainly expenditure on software and IT consulting services, recruitment services, participation in fairs and conferences.

The increase in salary expenses in the software services area was driven by increased employee costs to maintain competitiveness in the market through salary increases and stock options offered under ESOP programmes during the year.

Other operating expenses also include subsidy income. In 2023, income from subsidies was recorded by the parent company - in the amount of 0.8 million lei for the SMIS Project, down from the previous year by 0.4 million lei, and by the company AROBS Polska which joined the group in 2023 in the amount of 0.9 million lei. The grants received by AROBS Polska were for the project to develop a self-calibrating electronic controller of the satellite quantum cross source, a project supported by the Polish National Research and Development Centre.

6.2 Cost of sales - Software products

	FY 2023	FY 2022
Salary Expeneses	11,951,806	8,463,173
Employee stock ownership plan costs	688,342	503,245
Property plant and equipment depreciation expeneses	6,605,960	3,797,151
Third paty expenses	6,139,601	5,330,909
Cost of goods sold	1,993,038	4,461,904
Other operating expenses	4,274,598	3,936,646
Cost of sales software products	**31,653,344**	**26,493,027**

The cost of sales of software products consists of salaries and benefits (including remuneration in equity instruments) of directly productive personnel involved in the delivery of these products and the provision of related services, the cost of equipment sold, depreciation of equipment used and other operating expenses necessary for the delivery of software products and the provision of related services: telecommunication services, rent and energy and water costs, travel expenses, fuel, maintenance and repairs. Services contracted from third parties during 2023 mainly represented services with installations of monitoring devices and software services.

Cost of sales of software products increased by 5.2 million lei compared to 2022. A significant impact in the variation of these costs is due to salary expenses which increased compared to the previous year by 3.5 million lei, followed by an increase in expenses with depreciation of tangible fixed assets and right to use assets by 2.8 million lei.

The increase in salary expenses in the area of software services and software products was generated by increased employee costs in order to maintain competitiveness in the market through salary increases and stock options offered under ESOP programmes during the year, as well as from the work of newly acquired companies.

The increase in expenditure on services performed by third parties is in line with the expansion of the business and the development of new internal products.

6.3 Cost of sales – Integrated Systems

	FY 2023	FY 2022
Cost of goods sold	6,960,379	-
Third paty expenses	2,462,299	14,097
Salary Expeneses	446,579	236,582
Property plant and equipment depreciation expeneses	17,706	5,335
Other operating expenses	-	450

Cost of sales of integrated Systems	**9,886,963**	**256,464**

AROBS Systems was established in 2022 and the most significant projects were completed in 2023. Some of these projects were started in 2022, but their realization took place in 2023, with the related income and expenses reflected in the income statement in 2023. The revenues and expenses, recorded under this segment, have been restated following the application of IFRS accounting policies, i.e. the related revenues and expenses corresponding to the partners under the joint venture contracts and the related revenues and expenses corresponding to the contracts where AROBS Systems acted as agent have been adjusted. The impact of the adjustment on both revenue and related expenses was RON 21.8 million.
The expenses shown in the above table are those remaining after the application of IFRS accounting policies. Thus, in 2023, expenses on equipment sold of 6.97 million lei, expenses on services performed by third parties of 2.46 million lei and expenses on staff salaries of 0.45 million lei were recorded. Salary expenses increased compared to the previous year due to the increase in the average number of employees from 2.68 in 2023 to 4.82 in 2023.

7. SALES AND MARKETING EXPENSES

	FY 2023	FY 2022
Salary Expeneses	11,599,150	6,652,843
Employee stock ownership plan costs	542,918	219,679
T & E and advertising expenses	4,129,722	2,534,647
Third paty expenses	1,028,605	955,884
Property plant and equipment depreciation expeneses	736,556	631,325
Other operating expenses	333,979	163,571
Sales and marketing expenses	**18,370,931**	**11,157,950**

Sales and marketing expenses consist of salaries and benefits (including remuneration in equity instruments) of sales and marketing staff, protocol, advertising and publicity expenses and services performed by third parties generated by the Group's promotional activities. Sales and marketing expenses increased in 2023 by 7.2 million lei compared to the previous year. The largest increase of 4.94 million lei comes from salary expenses, related to the sales staff of the companies that joined the Group, following the acquisitions in 2022 and 2023 respectively, followed by an increase in protocol, advertising and publicity expenses of 1.6 million lei.

8. GENERAL & ADMINISTRATION EXPENSES

	FY 2023	FY 2022
Salary Expeneses	23,878,623	18,381,643
Employee stock ownership plan costs	7,895,972	1,765,065
Property plant and equipment depreciation expeneses	13,692,801	7,639,111
Third party expenses	11,911,958	8,231,454
Other operating expenses	7,318,611	7,648,175
Transportation expenses	2,462,561	1,761,529
Depreciation adjustment expenses	2,196,790	(103,170)
Subsidiary acquisitions expenses	1,382,611	600,464
General & Administration expenses	**70,739,928**	**45,924,271**

General and administrative expenses comprise salaries and benefits (including remuneration in equity instruments) of staff in the management, administrative, procurement, finance, legal, management, labour protection, human resources and IT support departments and of expenses for services performed by third parties, consultancy expenses, rental expenses and other expenses incurred in the administration of the Group. General and administrative expenses increased in 2023 with 24.8 million lei compared to the previous year.

The increase in general and administration expenses was generated by the increase in employee costs, with the aim of maintaining competitiveness in the market through salary increases and stock options offered under ESOP programmes carried out during the year. Another significant contribution to the increase in expenditure was made by the costs of services contracted from third parties. This increase in expenditure is in line with the expansion of the business, the surplus related to acquired companies and the development of internal products.

9. EMPLOYEE BENEFITS EXPENSES

	FY 2023	FY 2022
Salary Expeneses	200,296,348	98,563,935
Employee social security contributions	6,756,839	3,311,970
Meal ticket expenses	4,955,328	2,558,876
Capitalization	(6,844,440)	(3,964,706)
Untaken holidays provision	923,727	3,392,898
Subtotal personnel expenses	**206,087,802**	**103,862,972**
Employee stock ownership plan costs	19,129,411	6,038,932
Total personnel expenses	**225,217,213**	**109,901,904**

The average number of employees during the financial year ended 31 December 2023 and 31 December 2022 was as follows:

	FY 2023	FY 2022
Management	31	32
Administrative	40	22
Purchasing	3	2
Financial	44	27
Legal	4	4
Warehouse keepers	6	6
Marketing	19	13
Research & Development	935	577
Health & safety	3	1
Human resources	36	25
Service – Installations	40	27
IT support	27	16
Sales	66	45
Total	**1,254**	**796**

Salary expenditure during the financial year ended 31 December 2023 and 31 December 2022 was as follows:

	FY 2023	FY 2022
Management	8,056,610	5,544,046
Administrative	3,325,174	2,216,079
Purchasing	388,616	194,604
Financial	5,089,290	2,982,927
Legal	638,085	494,450
Warehouse keepers	457,342	595,892
Marketing	1,896,677	1,670,959
Research & Development	160,088,733	71,132,681
Health & safety	859,992	97,302
Human resources	3,575,022	2,697,111
Service – Installations	2,917,612	2,988,851
IT support	4,171,349	2,489,465

Sales	8,831,845	5,459,568
Total salary exepenses	**200,296,347**	**98,563,935**

Expenses with benefits in the form of the entity's own shares (or other equity instruments) during financial year ended 31 December 2023 and 31 December 2022, respecively were:

	FY 2023	FY 2022
Management	12,249,871	2,234,643
Administrative	93,522	90,870
Purchasing	14,822	17,376
Financial	135,649	129,431
Legal	50,437	18,616
Warehouse keepers	18,792	8,779
Marketing	68,313	48,111
Research & Development	5,856,849	3,100,120
Health & safety	1,146	6,447
Human resources	117,801	96,366
Service – Installations	52,958	121,556
IT support	72,895	60,660
Sales	396,356	105,958
Total	**19,129,411**	**6,038,933**

Salary expenses increased from the previous year due to the increase in the average number of employees at group level from 796 in 2022 to 1,254 in 2023. Salary expenses have also increased with the aim of maintaining competitiveness in the market and providing the necessary resources for ongoing projects through salary increases and stock options offered under ESOP programmes run during the year. Staff entitlements are recorded in the accounts with the deduction of the related contributions and taxes established in accordance with the legislation in force. Staff settlements comprise salary entitlements, bonuses, allowances for rest leave and temporary incapacity for work paid from the salary fund, and other entitlements in cash and/or in kind owed by the company to staff for work performed.

Gross salaries in the year 2023 for the Executive Management of the Group have totalled 1,565,478 lei and the expense recorded in 2023 for the shares awarded to management totals 6,022,091.

ESOP – Employee Stock Option Plan

ESOP value is established on the date the stock option is granted. The expense recorded is based on the market price from the date of granting the stock option and is recognized systematically as the services are rendered and until the vesting criteria are met. The vesting criteria for ESOPs are seniority within the company and employee status.

Benefits in the form of the entity's own shares (or other equity instruments) granted to employees are recognized separately in the equity accounts at the fair value of those equity instruments at the date those benefits are granted. Recognition of expenses relating to employees' work occurs when the work is performed. The grant date is the date on which the entity and the employee beneficiaries of those instruments understand and accept the terms and conditions of the transaction, except that if the arrangement is subject to a subsequent approval process (for example, by shareholders), the grant date is the date on which that approval is obtained. For equity instruments granted that vest immediately on the grant date, employees are not required to complete a specified period of service before becoming unconditionally entitled to those equity instruments and, in the absence of evidence to the contrary, the entity shall treat the services rendered in exchange for the equity instruments as already having been received. In this case, the related expenses shall be recorded in full against the equity accounts at that time. For equity instruments granted that vest only after employees have completed a specified period of service, the related expenses are recognised as the services are rendered, over the vesting period, against the equity accounts. The amount recognised as an expense shall be based on an estimate of the number of equity instruments that will vest, and this estimate shall be revised if subsequent information indicates that the number of equity instruments expected to vest is different from previous estimates so that, at vesting date, that estimate equals the number of equity instruments that vest.

In the steps concerning the repurchase of own shares in order to implement the Stock Option Plan, the provisions of Law 31/1990 presented below were also taken into account:

Art. 1031.- (1) A company may acquire its own shares, either directly or through a person acting in his own name but on behalf of that company, subject to the following conditions:

a. Authorization to aquire own shares shall be granted by the Extraordinary General Meeting of Shareholders, which shall determine the conditions of such acquisition, in particular the maximum number of shares to be aquired, the duration for which the authorization is granted, which may not exceed 18 months from the date of registration in the Commercial Register and in the case of aquisition for consideration, the minimum and maximum value of the shares.
b. The nominal value of own shares aquired by the company, including those already in its portofolio, may not exceed 10% of the subscribed share capital;
c. The transaction may only relate to fully paid shares;
d. Payment for the shares so aquired shall be made only out of the distributable profits or available reserves of the company shown in the last approved annual financial statements, excluding legal reserves.

If own shares are aquired for distribution to company's employees, the shares so acquired must be distributed within 12 months of the date of acquisition.

Article 104. – (1) Restrictions provided in art. 1031 do not apply to:

a. Shares acquired in accordance with art. 207, par. (1), let.c), following a decision of the general meeting to reduce the share capital;
b. Shares aquired through a transfer of shares with universal title
c. Fully paid-up shares acquired by virtue of a court judgment in an enforcement procedure against a shareholder who is a debtor of the company;
d. Fully paid-up shares acquired free of charge

(2) The restrictions laid in article 1031, except for the restriction lade in article 1031, paragraph 1 letter d), do not apply to shares aquired in accordance with article 134.

Art. 1041. - (1) Shares acquired in violation of Articles 1031 and 104 must be disposed of within one year of acquisition.

(2) If the nominal value of own shares aquired by the company according to provisions of Art. 104, par. (1), let. b)-d), directly or through an agent acting in its own name, but on behalf of the company, including the nominal value of existing own shares in the company;s portofolio, is grater than 10% of the subscribed share capital, the shares that exceed this percentage will be disposed within 3 years from aquisition.

(3) If the shares are not disposed of in the time limits established in par. (1) and (2), then these have to be cancelled, and the company has to reduce its subscribed share capital accordingly.

10. CATEGORIES OF EXPENSES

	FY 2023	FY 2022
Salary Expeneses	206,087,802	103,862,972
Employee stock ownership plan costs	19,129,411	6,038,932
Third paty expenses	95,620,316	96,618,079
Property plant and equipment depreciation expeneses	28,547,381	16,748,710
Other operating expenses	16,356,504	13,336,674
Cost of goods sold	8,953,417	5,893,958
T & E and advertising expenses	4,129,722	2,534,647

Adjustments for the depreciation of noncurrent assets (expense)	2,196,790	(103,170)
Transportation expenses	2,462,561	1,761,529
Subsidiary acquisitions expenses	1,382,611	600,464
Total	**384,866,516**	**247,292,796**

11. OTHER REVENUE

	FY 2023	FY 2022
Other operating revenues	799,834	496,372
Net revenue from the sale of current assets	331,917	163,039
Total	**1,131,751**	**659,412**

12. REVENUE AND EXPENSES RECONCILIATION BY BUSINESS SEGMENTS

	SOFTWARE SERVICES		SOFTWARE PRODUCTS		INTEGRATED SYSTEMS		DISTRIBUTION OF GOODS		TOTAL	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Revenue from software services	344,775,332	239,774,681	-	-	-	-	-	-	344,775,332	239,774,681
Revenue from software products	-	-	70,537,191	58,113,647	-	-	-	-	70,537,191	58,113,647
Revenue from integrated systems	-	-	-	-	11,981,615	710,817	-	-	11,981,615	710,817
Revenue distribution of goods	-	-	-	-	-	-	-	1,216,542	-	1,216,542
Total Turnover	**344,775,332**	**239,774,681**	**70,537,191**	**58,113,647**	**11,981,615**	**710,817**	**-**	**1,216,542**	**427,294,137**	**299,815,687**
Salary Expeneses	158,211,644	70,128,731	11,951,806	8,463,173	446,579	236,582	-	-	170,610,029	78,828,486
Employee stock ownership plan costs	10,002,179	3,550,942	688,342	503,245	-	-	-	-	10,690,520	4,054,187
Third paty expenses	74,077,853	82,085,735	6,139,601	5,330,909	2,462,299	14,097	-	-	82,679,753	87,430,741
Cost of goods sold - merchandise	-	-	-	-	-	-	-	-	-	-
Cost of goods sold - equipment	-	-	1,993,038	4,461,904	6,960,379	-	-	1,432,054	8,953,417	5,893,958
Property plant and equipment depreciation expeneses	7,494,359	4,675,789	6,605,960	3,797,151	17,706	5,335	-	-	14,118,024	8,478,274
Other operating expense	4,429,316	1,584,321	4,274,598	3,936,646	-	450	-	3,511	8,703,913	5,524,928
Revenue from subventions/grants	-	-	-	-	-	-	-	-	-	-
Total cost of sales	**254,215,350**	**162,025,518**	**31,653,344**	**26,493,027**	**9,886,963**	**256,464**	**-**	**1,435,565**	**295,755,657**	**190,210,575**
Gross margin	**90,559,982**	**77,749,163**	**38,883,847**	**31,620,620**	**2,094,652**	**454,352**	**-**	**(219,023)**	**131,538,480**	**109,605,112**
Gross margin %	**26%**	**32%**	**55%**	**54%**	**17%**	**64%**	**0%**	**-18%**	**31%**	**37%**

Sales and marketing and general administration expenses are unallocated costs.

13. INCOME TAX, MICROENTERPRISE TAX AND DEFERRED TAX

	2023	2022
Income tax	11,040,173	8,341,543
Microenterprise income tax	1,449,439	28,927
Subtotal – impozit current	**12,489,612**	**8,370,470**
Deferred income tax	(1,363,962)	(2,175,092)
Total	**11,125,850**	**6,195,378**

The amounts presented relate to revenue and expenditure for each financial year.

	2023	2022
Profit before tax	43,041,736	53,264,462
Current period income tax	(11,040,173)	(8,341,543)
Current period microenterprise income tax	(1,449,439)	(28,927)
Impozit curent	**(12,489,612)**	**(8,370,470)**
Revenue as a result of deferred income tax	1,363,762	2,175,092
Recalculated net profit	**31,915,886**	**47,069,084**

Theoretical rate and effective rate reconciliation	**FY 2023**	**FY 2022**
Result before tax	**54,927,016**	**60,356,543**
Restated or adjusted income	(90,156,977)	(19,064,582)
Restated or adjusted expenses	65,803,133	19,614,648
Profit or loss before tax	**79,280,859**	**59,806,477**
Profit or loss microenterprise	**2,495,792**	**(594,262)**
Non taxable income	(21,600,070)	(3,564,276)
Non taxable expenses for tax calculation	20,048,409	14,652,603
Legal reserves	(2,760,718)	(2,403,522)
Fiscal loss carried forward	**72,472,688**	**69,085,543**
Fiscal loss carried forward/Taxable income	**72,472,688**	69,188,620
Profit tax	**14,068,703**	**11,379,536**
Income tax deductions for sponsorships	**2,198,594**	**3,009,066**
Income tax deduction 15%, 16%, 20%	**619,503**	
Income tax correction for previous year	**12,489,612**	**8,370,470**

* Tax rates applicable to profit generated in the USA are 21% and 25%

Deferred income tax

	FY 2023	FY 2022
Deferred income tax - receivable	2,129,265	3,131,036
Total	**2,129,265**	**3,131,036**

Deferred tax receivables are generated by temporary tax differences related to trade and other receivables, inventories, lease liabilities recognized following restatements according to IFRS 16 and provisions for untaken holiday.

The deferred income tax receivable will be recovered based on future profits earned by the Group.

	FY 2023	FY 2022
Deferred income tax - liability	12,200,152	13,077,720
Total	**12,200,152**	**13,077,720**

14. EBITDA

EBITDA (Earning Before Interest, Taxes, Depreciation and Amortization) is one of the most widely used indicators of corporate profitability. This indicator helps to show the cash profit generated by the company before depreciation, amortisation, taxes and debt related to the capital structure.

EBITDA is one of the main performance indicators monitored by the Group's management. Consolidated EBITDA is reconciled to the Group's consolidated income statement as follows:

	2023	2022
Operating revenue	430,399,492	301,630,925
Operating expenses	356,910,127	231,099,448
EBITDA	**73,489,365**	**70,531,477**
EBITDA Margin	**17%**	**23%**
ESOP	19,129,411	6,038,932
Normalized EBITDA*	**92,618,775**	**76,570,408**
Normalized EBITDA margin*	**22%**	**25%**
Depreciation&Provision	28,547,381	16,748,710
Incidental expenses	1,382,611	600,464
Financial result	517,637	(82,159)
Profit before tax	**43,041,736**	**53,264,462**
Tax	11,125,850	6,195,378
Net profit	**31,915,886**	**47,069,084**
Net profit margin	**7%**	**16%**
Normalized net profit**	**51,045,297**	**53,108,016**
Normalized net profit margin**	**12%**	**18%**

*Normalized EBITDA = EBITDA less SOP expense
**Normalized net profit excludes the non-cash effect of the Stock Option Plans

15. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the following amounts of profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding:

Basic	2023	2022
Profit	31,851,024	46,993,924
Regular shares in circulation	827,332,139	830,351,947
Basic earnings per share	**0.0385**	**0.0566**

Diluted	2023	2022
Profit	31,851,024	46,993,924
Diluted regular shares in circulation	856,620,812	840,951,673

Diluted earnings per share	**0.0372**	**0.0559**

16. INTANGIBLE ASSETS

	Goodwill	Clients	Research & development expenses	Other noncurrent assets	Total
Cost					
31-Dec-21	**12,948,328**	**17,999,655**	**2,741,436**	**20,798,223**	**54,487,642**
Purchases/Transfers	-	-	5,824,720	2,793,239	**8,617,959**
Purchases (CI)	45,607,242	65,211,243	-	-	**110,818,485**
Disposals	-	-	(239,014)	(764,559)	**(1,003,573)**
31-Dec-22	**58,555,570**	**83,210,898**	**8,327,142**	**22,826,903**	**172,920,513**
Purchases/Transfers	47,084,335	10,631,638	5,386,715	1,607,752	**64,710,440**
Purchases (CI)	-	-	(5,402,708)	5,404,931	**2,223**
Disposals	-	-	-	-	**-**
Purchases/Transfers	-	-	-	(1,450,609)	(1,450,609)
31-Dec-23	**105,639,905**	**93,842,536**	**8,311,149**	**28,388,976**	**236,182,566**
Depreciation/Adjustments					
31-Dec-21	**662,458**	**3,425,325**	**-**	**9,626,595**	**13,714,378**
Period cost	129,824	4,831,822	189,036	3,129,589	**8,280,271**
Disposals	-	-		(155,850)	**(155,850)**
31-Dec-22	**792,282**	**8,257,147**	**189,036**	**12,600,334**	**21,838,799**
Depreciation/Adjustments					
Period cost	86,254	9,023,587	-	2,307,752	**11,417,593**
Disposals	-	-	-	(1,441,457)	**(1,441,457)**
31-Dec-23	**878,536**	**17,280,734**	**189,036**	**13,466,629**	**31,814,935**
Net value					
31-Dec-23	**104,761,369**	**76,561,802**	**8,122,113**	**14,922,347**	**204,367,631**
31-Dec-22	**57,763,288**	**74,953,751**	**8,138,106**	**10,226,569**	**151,081,714**

The value of the goodwill increased in 2023 to 105.6 million lei from 58.6 million lei in 2022. The increase in value of goodwill, is due to the acquisition of shares in AROBS POLSKA (SYDERAL POLSKA), AROBS SOFTWARE SRL, AROBS TRACKGPS SRL, AROBS PANNONIA SOFTWARE Kft, SKYSHIELD MAGYARORSZAG KFT and FUTURE WORKFORCE Group. Goodwill in the net amount of 105,639,905 lei as of 31 December 2023 resulted as the positive difference between the acquisition cost and the value, on the transaction date, of the part of the net assets acquired.

In order to determine goodwill, the Parent Company has valued, through independent licensed valuers, the identifiable assets acquired and liabilities assumed at their fair values as of the date of acquisition of the above mentioned companies as well as those acquired in prior years. Following impairment testing based on the DCF method, goodwill is not impaired at December 31, 2022 and 2023.

In respect of customer relationships recognised on acquisition, these are amortised over 10 years. The impairment tests performed concluded that no additional impairment of customer relationships is required.

Development expenses mainly relate to the development project of a new HR solution, and other internal products.

17. MERGERS & ACQUISITIONS

In order to strengthen its position on the market, the company has been pursuing an acquisition policy in recent years. It has transformed itself into an international company, forming partnerships and collaborations with partners and customers in the United States, Canada, Germany, Finland, Switzerland, the Netherlands, Belgium and Italy.

2023 Acquisitions

Fair vlaue	**Future Worforce**	**Pannonia**	**Software**	**Polska**	**Track GPS**	**Total**
Client relations	6,632,459	2,550,180	-	-	1,449,000	10,631,639
Net current Assets/(liabilities)	2,723,536	2,671,964	2,980,742	(1,337,985)	1,194,065	8,263,322
Deferred tax	(1,069,450)	(229,516)	-	-	(189,000)	(1,487,966)
Total net assets	**8,286,545**	**4,992,628**	**2,980,742**	**(1,337,985)**	**2,485,065**	**17,406,995**
Fixed contribution	26,754,582	6,006,210	14,522,225	811,784	2,508,570	50,603,370
Contingent obligation	14,197,369	-	-	-	-	14,197,369
Noncontrolling interests	(327,743)	-	-	(74,462)	-	(403,205)
Goodwill	**32,337,663**	**1,013,582**	**11,541,483**	**2,074,306**	**23,505**	**46,990,539**

Future Workforce Global SA

At the ned of April 2023 Arobs fully acquire Future Workforce Global SA și and its subsidiaries: 100% Future Workforce SRL (Romania), 80% Future Workforce UK (United Kingdom) și 65% Future Workforce Gmbh(Germany). FWF by AROBS continued to strengthen its position in intelligent automation and digital transformation with significant increases in the number of new partnerships. One of FwF's success pillars remains its specialization in the financial banking sector, which uses RPA technologies and low-code solutions to deliver complex operations digitization programs. Another remarkable development in 2023 was the increased interest from the public sector in the company's solutions. They have secured their first contract in this sector, an important recognition of their expertise and value in digital transformation in the public sector.

Arobs Pannonia Software Kft

In July 2023, the complete acquisition of Arobs Pannonia Software Kft, based in Budapest, Hungary, a company specialized in fleet management and custom software development, was completed. The acquisition of AROBS Pannonia Software marks a new development perspective in Central Europe, starting with more than 1,000 customers in Hungary.

AROBS Software SRL

The acquisition of AROBS Software SRL was completed in the begining of February 2023, a transaction with strategic value for software services division development within the Group.

AROBS Polska

For AROBS Polska, were the Group acquired 94% of shareholding, 2023 was a year marked by significant events. The company joined the AROBS group and strengthened its position in the European space market. In 2023, AROBS Polska developed quantum communication – especially in a project for the European Space Agency. In addition, the company continued to expand its competencies in controlling mechanisms for space missions, with plans to introduce a dedicated product to this market by the end of 2025. Another significant milestone was the initiation of the first services for the automotive industry. significant project in 2023 that brings AROBS Polska closer to a new technological niche involves the development of Time Sensitive Networking (TSN) for space applications. TSN has significant potential for widespread use by the European Space Agency and the private sector.

AROBS TrackGPS SRL

Arobs TrackGPS SRL from the Republic of Moldova joined the Group in February 2023; it is a company with experience in fleet management for companies in all industries, with an active client portfolio of around 450 companies with around 5,000 monitored vehicles. The company's integration into the group meant consolidating its presence in the Central and Eastern European markets for AROBS's fleet management business line.

2022 Acquisitions

Fair vlaue	**AROBS Engineering**	**Nordlogic**	**CDS**	**Total**
Client relations	54,052,989	7,900,957	3,257,296	65,211,243
Net current Assets/(liabilities)	13,857,511	(7,333,431)	394,399	6,918,479
Deferred tax	(10,110,045)	(343,928)	(570,627)	(11,024,600)
Total net assets	**57,800,459**	**223,598**	**3,081,068**	**61,105,122**
Fixed contribution	87,327,172	14,834,648	4,934,766	107,096,586
Contingent obligation	-	90,936	-	90,936
Noncontrolling interests	-	-	-	-
Goodwill	**29,526,716**	**14,701,986**	**1,853,698**	**46,082,400**

Berg Software Timișoara

In December 2021 Arobs fully acquired Berg Software, a Romanian software development company,with offices in Timișoara, Lugoj și Oradea. Purchase price was paid in two tranches,the first one in amount of 2,848,800 EUR, being paid upon signing, and the difference of 20%being paid in 18 from contract signing subject to certain conditions fullfiment. Following the transaction AROBS Transilvania Software stregthen its presence in the West part of Romania.

At Berg Software acquisition, it was agread that part of the negociated purchase prices will be paid subject to EBITDA growth target for 2022. This contingent payment was estimated at 312 thousand EURO at signing based on its 2022 financial forecast. Subsequently, in May 2022, the parties renegociated the final price and the contingent liability was set at 125 thousand Euro, payable to employees and not to the seller. Following this price adjustment, in accordance with IFRS 3, goodwill was recalculatedand the above mentioned amount was recognised as payable to employees. At the end of 2023 this amount was paid in full.

AROBS Development & Engineering (ENEA Software Services România)

In 2022, AROBS Transilvania Software fully acquired ENEA Software Services Romania (currently AROBS Development & Engineering), which was also the largest transaction in the company's history, with a final value of 17.6 million euros. ENEA provides software design and architecture, development, porting, integration, validation and quality assurance services, with expertise in embedded systems - software and hardware, as well as outsourced R&D in various fields such as medical, maritime and embedded devices. At the date of acquisition, no contingent liabilities were recognised.

Nordlogic

Also in 2022, AROBS Transilvania Software continued its expansion by acquiring Nordlogic group specialized in the development of custom software products and platforms. Following this transaction, the company expanded its team in the Software Services division by integrating more than 60 programmers, testers and software development consultants. At transaction signing it was agreed that part of the negociated price will be paid subsequently subject to certain EBITDA growth target. The formula for this amount was based on an 2022 EBITDA multiple. The continget payment was estimated to 0 at transaction date based on available financial forecast of the subsidiary for 2022 and on actual performance. At the date of acquisition, no contingent assets or liabilities were recognised.

Deferred tax computed on non-deductible provisions registered in Nordlogic financial statements was deducted from goodwill calculation. At the end of 2023 purchase price amount was paid in full.

Centrul de Soft GPS

At the end of 2022, AROBS Transilvania Software acquired the GPS Centru de Soft, known on the market under the CDS brand, a Romanian company specialized in providing solutions for fleet management. CDS had in its portfolio a number of approximately 1000 clients, which are added to the existing portfolio of AROBS Group. Through this acquisition, AROBS Transilvania Software has consolidated its leading position on the fleet management market. At the acquisition date, no contingent obligations were recognised.

The cost related to subsidiaries acquistion transactions were recognised in profit and loss in accordance with IFRS 3, in amount of 137 thousand RON in 2021, 600 thousand RON in 2022, and 198 thousnad RON in 2023.

Amounts payable for subsidiaries acquisitions are the unpaid amounts related to transactions made in 2023 and partially in 2022 and they are conditional on certain criteria achievement from share purchasse agreements.

Fair value on business combinations – signifcant estimates

In the separate annual financial statements, goodwill can only be recognized in the case of the transfer of all assets or a part of them and of liabilities and equity, regardless of whether it is realized because of the purchase or because of some merger operations. For goodwill to be accounted for separately, the transfer must be related to a business, represented by an integrated set of activities and assets organized and managed for the purpose of obtaining profits, recording lower costs or other benefits. For the accounting recognition of the assets and liabilities acquired in a business combination, AROBS proceeded to evaluate the fair value of the items acquired/transferred. This operation was carried out by authorized evaluators.

18. GOODWILL

	31.12.2023	**31.12.2022**
AROBS DEVELOPMENT & ENGINEERING SRL (ENEA)	29,526,716	29,526,716
BERG COMPUTERS S.R.L.	11,337,454	11,246,518
NORDLOGIC SOFTWARE	14,701,986	14,701,986
CENTRUL DE SOFT GPS	1,853,698	1,853,698
COSO BE & NL	350,976	434,370
AROBS TRACKGPS	23,505	-
AROBS SOFTWARE	11,541,483	-
AROBS POLSKA (SYDERAL POLSKA)	2,074,306	-
FUTURE WORKFORCE	32,337,663	-
AROBS PANNONIA SOFTWARE	1,013,582	-
Total	**104,761,369**	**57,763,288**

The Group is required to test, on an annual basis, whether goodwill is impaired. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of discounted future cash flows and the determination of a discount rate to calculate the present value of the cash flows. Recoverable amounts for cash-generating units ("CGUs") that hold a significant proportion of the total goodwill balance were determined from value-in-use calculations based on cash flow forecasts in formally approved budgets covering a five-year period through December 31, 2028.

The main assumptions are the following:

2023	**%**	**%**	**%**	**%**	**%**
Main assumptions	**ENEA**	**Berg Computers**	**Nordlogic Software**	**ArobsSoftware**	**FutureWorkforce**
Revenue increase rate	13	10.5	12.4	9.9	15.4
EBITDA average rate	21.7	20	17.5	21	16.7
WACC	16.7	17.4	16.7	23.9	16.4
Perpetuity rate	2	2	2	2.5	2

Main assumptions:

The revenue growth rate for each entity took into account the history of revenue development but also the dynamics of the markets where each company's customers are.

The average EBITDA growth rate for each entity was estimated based on the historical evolution but also taking into account the estimated evolution of the main categories of expenses, in particular salaries.

The WACC rate was calculated taking into account both the risk of the industry in which each company operates, the country risk taking into account the place of service provision as well as the country where the customer of the services is located and the specific risk of each entity.

Sensitivity analysis

If any of the following changes were made to the key assumptions above, for cash-generating units holding a significant proportion of the total goodwill balance, the carrying amount and recoverable amount would be equal:

2023	**p.%**	**p.%**	**p.%**	**p.%**	**p.%**
Sensitivity analysis	**ENEA**	**Berg Computers**	**Nordlogic Software**	**Arobs Software**	**Future Workforce**
Revenue increase rate	**-11**	**-16.5**	-2.5	**-2.5%**	**-5**
EBITDA average rate	**-6**	**-10**	-1.2	**-1.5%**	**-3**
WACC	**6**	**13**	+1.3	**+1.5%**	**3**

19. TANGIBLE ASSETS

	Buildings	**Plant, machinery and motor vehicles**	**Other instalations and fixtures and fittings**	**WIP Tangible assets**	**Total**
Cost					
31-Dec-21	**5,068,109**	**18,218,116**	**4,300,853**	**496,790**	**28,083,868**
Purchases/Transfers	482,354	5,053,005	2,447,682	9,328,880	**17,311,921**
Disposals	(9,498)	(395,260)	(254,615)	(1,729,435)	**(2,388,807)**

31-Dec-22	**5,540,966**	**22,875,861**	**6,493,920**	**8,096,236**	**43,006,982**
Purchases	347,159	10,633,144	1,533,521	16,597,851	**29,111,674**
Transfers	54,979	-	20,925	698,653	**2,321,442**
Disposals	(183,377)	(4,696,316)	(222,968)	(2,802,819)	**7,905,480**
31-Dec-23	**5,759,727**	**30,359,573**	**7,825,398**	**22,589,921**	**66,534,619**
Depreciation/Adjustments					
31-Dec-21	**4,067,109**	**11,746,616**	**3,225,249**	**-**	**19,038,975**
Period cost	546,139	3,157,126	1,582,229	-	**5,285,494**
Disposals	(9,661)	(469,773)	(464,129)	-	**(943,563)**
31-Dec-22	**4,603,587**	**14,433,970**	**4,343,349**	**-**	**23,380,905**
Depreciation/Adjustments					
Period cost	753,833	8,034,736	1,719,508	-	**10,508,078**
Disposals	(183,377)	(2,207,526)	(520,338)	-	**(2,911,240)**
31-Dec-23	**5,174,044**	**20,261,180**	**5,542,520**	**-**	**30,977,743**
Net value					
31-Dec-23	**585,684**	**10,098,393**	**2,282,878**	**22,589,921**	**35,556,876**
31-Dec-22	**937,378**	**8,441,891**	**2,150,571**	**8,096,235**	**19,626,077**

The net value of tangible fixed assets increased in 2023 by 81%. This increase is mainly due to the investment in a new building, which increased by 15.1 million lei during 2023.

Other recorded purchases include the purchase of laptops, switches and other workstations. Equipment leased in the fleet monitoring activity is included in the technical installations and machinery category.

20. FINANCIAL ASSETS

Cost	Balance at 31.12.2022	Increase	Decrease	Reclassification	Balance at 31.12.2023
Affiliated company shares	10,181	-	-	-	10,181
Loans to related parties	10,559,430	1,818,873	1,984,411	7,920,449	18,314,341
Other long term investments	2,331,043	-	110,495	-	2,220,548
Guarantees and other financial assets	2,215,861	482,804	1,228,410	-	1,470,255
Total	**15,116,514**	**2,264,233**	**3,323,316**	**7,920,449**	**22,015,324**

Value adjustments	Balance at 31.12.2022	Increase	Decrease	Balance at 31.12.2023
Loans to related parties	2,810,074	158,761	210,000	2,758,835
Total	**2,810,074**	**158,761**	**210,000**	**2,758,835**
Net value	**12,306,440**			**19,256,489**

From the amount of 10,180 lei related to the shares held in affiliated entities and jointly controlled entities, 9,000 lei represents the contribution to the assets held by Cluj IT Association.

At Group level, long-term loans are granted to non-affiliated entities and affiliated individuals in the amount of 18,314,341 lei. The increase in the amount of loans in 2023 compared to the previous year is mostly due to the reclassification of some loans from short-term to long-term as a result of the renegotiation of the terms of collection with the related parties to whom these loans were granted.

Part of these loans granted to related parties have been fully adjusted, the amount of the adjustments at 2023 being 2,758,835 lei.

Long term loans granted are presented below:

Loan granted by AROBS to ONLINE SOFTWARE SYSTEMS	**31.12.2023**	**31.12.2022**
Loan value	1,190,697	1,304,187
Interest value	111,521	118,031
Total	**1,302,218**	**1,422,218**

The loan was granted for investment opportunities and working capital. At December 31, 2023, the loan amount is fully adjusted.

Loan granted by AROBS to INVESTO CORP	**31.12.2023**	**31.12.2022**
Loan value	1,004,945	1,039,450
Interest value	132,936	138,431
Total	**1,137,881**	**1,177,881**

The loan was granted to cover immediate investment needs in developing an online platform that incorporates the main processes, entities and working tools that ensure the monitoring, collection, transmission, localization and processing of data and information so as to provide optimal and efficient solutions for investment management. As of December 31, 2023, the loan amount is fully adjusted.

Loan granted by AROBS to INOVO FINANCE	**31.12.2023**	**31.12.2022**
Loan value	148,904	158,090
Interest value	41,618	42,432
Total	**190,522**	**200,522**

This loan was granted for immediate working capital needs. As of 31 December 2023 the loan amount is fully adjusted.

Guarantees granted and guarantees received

The guarantees in balance as of 31 December 2023, amounting 1.470.255 lei, are detailed below:

Guarantees	**2023**	**2022**
Building lease	1,320,532	1,174,728
Guarantees for adequate execution	3,984	5,802
Economic mission EC	-	-
Auctions	66,183	102,657
Other	79,556	120,890
Total	**1,470,255**	**1,404,077**

21. LEASING

Company as lessee

The Group has lease agreements for various elements of buildings and vehicles used in its operations. Building leases generally have rental terms between 3 and 15 years, while cars and other equipment generally have rental terms between 3 and 5 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from divesting and subletting leased assets, and some contracts require the Group to maintain certain financial indicators.

There are several leases that include extension and termination options and variable lease payments, which are further disclosed below.

The carrying amounts of recognised right-of-use assets and movements during the period are shown below:

	Land and buildings	Transport vehicles
Balance at 31.12.2022	**18,370,470**	**3,744,414**
Purchases	11,348,780	2,161,539
Accumulated depreciation	(15,659,595)	(2,729,119)
Balance at 31.12.2022	**14,059,655**	**3,176,834**

The right-of-use liabilities recognised and movements during the period are listed below:

Balance at 31.12.2022	Leasing payments	Additions	Interest	Net exchange difference	Balance at 31.12.2023
13,831,460	(9,894,326)	14,652,813	534,870	104,243	**19,229,060**

Commitments and contingencies - Leasing

Future lease obligations for the right to use assets (including interest) under IFRS 16 that fall due after the reporting date are presented as follows:

	31.12.2023	31.12.2022
T0 (Under 1 year)	8,587,590	6,358,161
TL 1 (1-5 years)	11,955,271	7,838,545
TL 2 (Over 5 years)	-	76,732
Total	**20,542,861**	**14,273,439**

Lease contracts term and discount rate – significant estimates:

AROBS Group applied the following provisions in accordance with IFRS 16 and IFRS 1:

- applying a single discount rate to a leasing portfolio with reasonably similar characteristics
- the application of the requirements regarding leasing contracts for which the leasing term ends within 12 months from the date of transition to IFRSs, namely their non-classification as leasing contracts.
- the application of the requirements regarding leasing contracts for which the underlying asset is of low value, i.e. not classifying them as leasing contracts.
- exclusion of initial direct costs from the measurement of the right to use asset at the date of transition to IFRS.
- Recognition of a right to use asset at the same value as the leasing liability form the date of transition to IFRS.

AROBS Group rents office spaces and cars for a period between 2 and 7 years. Leasing contracts are concluded both in RON and in EUR.

The Group determined the discount rate used to apply the provisions of IFRS 16 based on the interest rate applied by financial institutions in credit agreements with Group Companies for loans with the same characteristics as leasing agreements, in terms of the asset used, currency and maturity.

22. INVENTORIES

	Balance at 31.12.2023	Balance at 31.12.2022
Raw materials	278,398	405,601
Work in progress - services	4,265,587	2,038,331
Goods purchased for resale	1,983,850	6,232,473
Advances to suppliers	448,090	246,313
Total	**6,975,925**	**8,922,718**

The decrease in the balance of inventories at 31.12.2023, compared to 2022, is mainly due to giving up to the business segment related to the distribution of goods.

Inventory adjustments are calculated according to age, namely: 30% of the entry value for stocks between 181 and 365 days old and 100% of the value of stocks older than one year and with slow movement. The value of adjusted stocks for 2023 is 1,045,248 lei, being at a similar level to the previous year.

Work in progress services refer to contracts that run for longer periods of time. Within this asset, the direct costs involved in providing these services were recognized, mainly salaries, taking into account the degree of completion of projects until 31.12.2023. In the case of projects that had an uncertain evolution at the date of the financial statements, a depreciation adjustment amounting to 907 thousand lei was established.

23. TRADE AND OTHER RECEIVABLES

	Balance at 31.12.2023	Balance at 31.12.2022
Trade receivables	95,581,994	67,511,024
Customers - invoices to be issued	7,306,443	1,486,549
Adjustments for trade receivables	(6,380,867)	(3,989,307)
Trade receivables – affiliated entities	2,964,133	4,064,077
Adjustments for claims from affiliated entities	(2,243,781)	(1,459,361)
Subsidies	84,542	490,661
Other receivables	5,021,610	4,731,613
Advances to suppliers	680,961	2,090,140
Total	**103,015,034**	**74,925,395**
Loans granted – affiliated entities	1,413,707	10,787,651
Deferred expenses, out of which:	**2,015,826**	**1,946,614**
Long term	153,355	4,635
Short term	1,862,471	1,941,979
Total deferred income and revenue	**106,444,567**	**87,659,660**

The increase in the total value of receivables from 87.7 million lei in 2022 to 106.4 million lei in 2023 is mainly due to the increase in trade receivables, which increased by 42%, due to the increase in activity at Group level, through organic development and the acquisition of companies.

At the end of each financial year, bad debts are analysed and adjusted 100%.

At the end of 2023, impairment adjustments related to customer receivables amounted to 6,380,867 lei, the increase being due both to the newly acquired entities and to the application of the accounting policy established under IFRS 9, which involves recording impairment adjustments for receivables based on impairment rates, calculated by age intervals.

Receivables ageing	**Balance at 31.12.2023**	**Balance at 31.12.2022**
Not due	55,785,966	44,054,736
0-30	18,353,793	10,314,180
31-90	12,363,440	7,914,047
91-360	3,742,309	1,752,835
Over 360	5,336,481	3,475,226
Total	**95,581,990**	**67,511,024**

Software services	**Expected average loss rate**	**2023**	**2022**
Not due	0.24%	52,491,852	41,451,849
1-30	0.32%	16,742,655	9,071,543
31-60	2.08%	10,660,585	4,914,243
61-90	3.96%	1,432,895	2,440,070
91-180	5.92%	3,093,255	1,123,156
181-270	48.94%	461,612	55,926
271-360	59.18%	25,709	164,132
Over 360	99.62%	5,122,624	3,395,826
Total		**90,031,187**	**62,616,744**

Software products – GPS tracking	**Expected average loss rate**	**2023**	**2022**
Not due	0.55%	1,736,402	1,450,145
1-30	1.00%	828,387	858,459
31-60	4.81%	133,863	335,595
61-90	14.96%	72,650	102,103
91-120	25.91%	37,058	91,131
Over 120	33.34%	228,640	367,143
Total		**3,037,001**	**3,204,575**

Software products – HR services	**Expected average loss rate**	**2022**	**2021**
Not due	0.18%	1,532,498	1,164,935
1-30	0.30%	783,085	392,907
31-60	0.80%	59,533	117,038
61-90	2.04%	4,273	4,932
91-120	3.81%	23,136	-
121-180	6.43%	49,645	3,840
181-270	9.22%	9,175	7,158
271-360	13.49%	-	11,771
Over 360	25.45%	43,484	4,023
Total		**2,504,828**	**1,706,606**

Impairment losses related to trade receivables and assets related to contracts with customers as well as related to loans granted.

To estimate the potential losses related to trade receivables and assets related to contracts with customers, the AROBS Group used a calculation model based on the analysis of revenue collection behavior by aging periods in the last three financial years. Trade receivables and assets related to contracts with customers were grouped by category according to the services provided, namely: software services and other services, software products – GPS monitoring, software products – HR solution licensing. Based on the analysis, a historical weighted average rate of impairment was determined for each aging period, which was applied to the outstanding balance of receivables at December 31, 2023 for each category of receivables mentioned above.

Contractual assets are initially recognised for revenue from services provided by the Group, since receipt of consideration is conditional on successful completion of services and delivery of goods. Upon completion of services, delivery of goods and acceptance by the customer, amounts recognised as contract assets are reclassified into trade receivables.

24. CASH AND CASH EQUIVALENTS

	Balance at 31.12.2023	Balance at 31.12.2022
Cash at bank and deposits in lei	20,781,961	38,149,459
Cash at bank and deposits in foreign currencies	66,777,196	62,955,585
Petty cash	160,563	119,818
Bonds and deposits	302,033	523,375
Other short term financial investments	35,345	20,359
Accrued interest on debentures and short term investments	-	14,985
Amounts under settlement	5,047	105,089
Other cash equivalents	13,776	8,335
Total	**88,075,920**	**101,897,006**

Balance of foregin and domestic currencies Current account	Balance at 31.12.2023	Balance at 31.12.2022
RON	20,781,961	38,149,459
EUR	46,558,865	48,803,406
USD	16,591,938	13,783,453
GBP	864,329	14,595
Other currencies	2,762,065	354,131
Total	**87,559,158**	**101,105,044**

Cash and cash equivalents varied during 2023 as a result of the normal conduct of business, as well as the raising of additional funds from bank loans to meet the acquisition target proposed by the parent company.

Cash in the bank bears interest at the daily interest rate when deposits are made. Short-term deposits are made for different periods of time between 1 day and 3 months, depending on the cash needs of the parent company and subsidiaries and accrue interest at the coresponding interest rates.

25. TRADE AND OTHER PAYABLES

	Balance at 31.12.2023	Balance at 31.12.2022
Suppliers	11,645,527	12,323,505
Client advances	3,834,033	704,150
Fixed asset suppliers	37,987	40,837
Suppliers - invoices to be received	2,172,434	3,609,062
Suppliers – affiliated entities	519,650	1,519,168

Loans to shareholders	109,751	192,550
Employees - salaries payable	9,799,019	5,541,526
Company's contribution to social security	5,820,426	3,953,600
Other debts payable to the Treasury	4,162,989	2,340,412
Sundry debtors	181,370	240,642
Other payables	826,217	948,544
Total	**39,109,404**	**31,413,997**

The total amount of debt increased in 2023 compared to the previous year by 25%. This increase follows the same upward trend as the expansion of the business, through organic growth and the contribution of new companies acquired during 2023.

The most significant increases were recorded on the side of amounts owed to staff of 4.2 million lei and debts on social contributions and insurace and other debts to the state budget in the total amount of 3.7 million lei. Also, a significant increase of 3.1 million lei was registered on the side of advances received from customers for various projects, according to contractual agreements with them.

26. BANK LOANS

	Balance at 31.12.2023	Balance at 31.12.2022
Long terms bank loans	84,760,637	71,089,051
Short term bank loans	2,052,769	2,762,927
Total	**86,813,406**	**73,851,978**

Bank loans by due date:

	Balance at 31.12.2023	Balance at 31.12.2022
Bank loans due up to 1 year	24,184,008	18,470,922
Bank loans due between 1 and 5 years	62,629,398	53,854,941
Bank loans due over 5 years	-	1,526,114
Total	**86,813,406**	**73,851,978**

At the end of 2023, the value of bank loans increased by 13 million lei, compared to the end of 2022, reaching a total value of 86.8 million lei. The increase is due to the contracting of new bank loans to finance the acquisitions of new companies made in 2023.

Bank loans contingencies

As of December 31, 2023, AROBS TRANSILVANIA SOFTWARE SA ("the Company") has a loan in the amount of EUR 2,137,500 (10,633,208 lei) due on February 27, 2026, a loan in amount of EUR 9,583,334 (47,673,253 lei) due on May 31, 2027 and a loan in the amount of EUR 4,350,000 (21,639,510 lei) due on August 14, 2028, contracted from Citi Bank. The interest related to these loans is according to the contracts negotiated between the parties. The loans are guaranteed by the company through:

- Mortgage on bank accounts with Citi;
- Assignment of third party claims acceptable to Citi;
- Mortgage on the entire stock of goods;
- Mortgage on all shares of the Joint Debtor S.A.S FLEET TRACKING SRL (former S.A.S GRUP SRL), entirely owned by the Company;

- Mortgage on bank accounts of S.A.S FLEET TRACKING SRL (former S.A.S GRUP SRL) opened with Citi;
- Mortgage on the entirety of receivables to be received by S.A.S FLEET TRACKING SRL (former S.A.S GRUP SRL) from third parties acceptable to Citi;
- A mortgage on a generality of claims relating to the following two types of activities: GPS Tracking services (GPS Track Monitoring), wholesale of GPS navigation systems and „software outsourcing" services;
- Mortgage on all shares of BERG COMPUTERS SRL, entirely owned by AROBS TRANSILVANIA SOFTWARE;
- Mortgage on the bank accounts of the Joint Debtor BERG COMPUTERS SRL;
- Mortgage on the entirety of receivables to be received by BERG COMPUTERS SRL from third parties;
- Mortgage on all shares of AROBS DEVELOPMENT & ENGINEERING SRL entirely owned by the Borrower AROBS TRANSILVANIA SOFTWARE SA;
- Mortgage on the bank accounts of AROBS DEVELOPMENT&ENGINEERING SRL (formerly ENEA SERVICES ROMANIA SRL), opened with Citi;
- Mortgage on the entirety of receivables to be received by AROBS DEVELOPMENT&ENGINEERING SRL from third parties acceptable to Citi.
- Mortgage on the entirety of receivables to be received by AROBS SYSTEMS SRL;
- Mortgage on the entirety of receivables to be received by FUTURE WORK FORCE SRL;
- Mortgage on the entirety of receivables to be received by FUTURE WORK FORCE SRL from third parties acceptable for Citi;
- Mortgage on all shares of FUTURE WORKFORCE SRL, entirely owned by FUTURE WORKFORCE GLOBAL SA;
- Mortgage on all FUTURE WORKFORCE GLOBAL SA shares, fully owned by the Borrower AROBS TRANSILVANIA SOFTWARE SA and CABRIO INVESTMENTS SRL;

Obligations:

- The company undertakes to run through its bank accounts an amount of money that is equivalent to at least 80% of its business volume, i.e. the receipts from third parties on its bank accounts must represent the equivalent of at least 80% of its turnover, but not less than the equivalent of €3,300,000 per month. If this condition is not met, the bank charges a fee of 0.25% per quarter of the maximum amount of the facility contracted.
- The Company undertakes not to distribute and/or pay dividends without the Bank's prior written consent for amounts exceeding EUR 1,000,000 cumulatively during a calendar year.
- The Company undertakes to maintain the "Debt Service" ratio greater than or equal to 1.5x for the duration of its obligations under the contract.
- The Company undertakes to maintain a "Financial Leverage Ratio" of less than 3.5x for the duration of its contractual obligations.
- The Borrower undertakes to notify the Bank if it takes out Bank Loans from other financial-banking institutions.
- The Company undertakes to notify the Bank in the event that it considers a transaction of acquisitions of shares in another company that exceeds 10% of the value of the assets of this Borrower on 31.12.2022 as soon as there is reasonable assurance regarding the materialization of the transaction. The information may be provided under a Confidentiality Agreement before the information becomes public and will contain as a minimum: company name, details regarding the scope of activity and number of employees, motivation behind the acquisition / strategy, shareholding.
- Specific obligations arising from the use of the type of credit provided for in the contract negotiated between the parties;
- In the event that the company FUTURE WORKFORCE GLOBAL SA (the sole associate of the Borrower FUTURE WORK FORCE SRL) will dissolve (including through absorption by the Borrower AROBS TRANSILVANIA SOFTWARE SA), the latter undertakes to promptly establish a new mortgage in the Bank's favor over all the shares of FUTURE WORK FORCE SRL, as they will be transferred, if necessary,

to the Borrower AROBS TRANSILVANIA SOFTWARE SA. In the situation where the dissolution / liquidation of FUTURE WORKFORCE GLOBAL SA will result in the transfer of the shares owned by it to the Borrower FUTURE WORK FORCE SRL and to other entities, the express prior consent of the Bank will be necessary, and its absence will be considered a case of non-execution of obligations according to art. 9.2 of Part II.A of the Contract.

- The debtor S.A.S FLEET TRACKING SRL (formerly S.A.S GRUP S.R.L.), undertakes to run through its bank accounts opened at CITI an amount of money that is equivalent to at least 90% of its volume of activity, respectively the receipts from third parties in its accounts opened at the Bank to represent the equivalent of at least 90% of its turnover, but not less than the equivalent of EUR 200,000 per month.
- The debtor BERG COMPUTERS SRL undertakes to run through its accounts opened at the Bank an amount of money that is the equivalent of at least 90% of its volume of activity, respectively the receipts from third parties in its accounts opened at the Bank represent the equivalent of the a little over 90% of its turnover, but not less than the equivalent of €250,000 per month.
- The AROBS DEVELOPMENT&ENGINEERING SRL debtor undertakes to run through its accounts opened at the Bank an amount of money that is equivalent to at least 90% of its volume of activity, respectively the receipts from third parties in its accounts opened at the Bank represent the equivalent of the a little over 90% of its turnover, but not less than the equivalent of €900,000 per month.
- The borrower AROBS SYSTEMS SRL undertakes to run through its accounts opened at the Bank an amount of money that is equivalent to at least 90% of its volume of activity, respectively the receipts from third parties in its accounts opened at the Bank represent the equivalent of the a little over 90% of its turnover.
- Borrower FUTURE WORK FORCE SRL undertakes to run through its accounts opened at the Bank an amount of money that is equivalent to at least 90% of its volume of activity, respectively the receipts from third parties in its accounts opened at the Bank represent the equivalent of at least 90% of its turnover, but not less than the equivalent of EUR 350,000 per month.

In addition to the above, the company UCMS GROUP ROMANIA S.R.L, part of the group, has a non-revolving, committed term loan granted by Raiffeisen Bank S.A. in the amount of EUR 3,500,000 (with a balance of RON 14,797,033 as of 31.12.2023) maturing on 30.09.2030. The interest on this loan is in accordance with the contract negotiated between the parties. The loan is granted for the purpose of financing/refinancing a maximum of 70% of the cost, excluding VAT, of the investment project on a plot of land over which a surface right is established for a period of 8 years, located in Cluj Napoca, 78-78A Constantin Brâncuși Street, with an area of 991 sq.m, consisting of "Construction of an office building, with a height of S+P+5E+Er, fencing and external improvements". In order to guarantee the loan, UCMS GROUP ROMANIA S.R.L. provided the following guarantees in favour of the bank:

- Mortgage on current accounts opened with the Bank and on claims on third parties to be collected through these current accounts
- Mortgage on all collections on any commercial contracts with eligible debtors approved by the Bank
- Real estate mortgage on the building located in Cluj-Napoca, Constantin Brâncuși str.78-78A, Cluj-Napoca, Jud. Cluj - intravilan land in the area of 925 sqm

Obligations:

- UCMS GROUP ROMANIA S.R.L. undertakes to make any change in the shareholder structure only with prior written notification to the Bank, unless the beneficial owner does not maintain its 50+1% shareholding, in which case the Bank's prior consent shall be required, otherwise all amounts due in relation to the loan may be subject to mandatory early repayment;
- The Company undertakes to achieve through its current accounts opened with the Bank a minimum annual turnover in proportion to the share of the facilities granted by Raiffeisen Bank S.A. in the total bank debts;
- The Company undertakes to incur other loans or similar indebtedness from banks with the prior consent of the Bank;
- The Company undertakes to make dividend payments to shareholders with the prior consent of the Bank;

- All liabilities of the Company to shareholders or other non-bank entities will be subordinated to the obligations of the Company arising under the Facility pursuant to a Sobordination Deed on the form of the Bank;
- The Company will honour its commitments under the facility agreement;
- The Company will allow Bank representatives access to the construction site to check the progress of the Project and the quality of the works carried out. The Company will submit to the Bank the Project Manager's Quarterly Progress Report
- The Company undertakes to maintain valid leases, the value of which will enable it to service its debt to the Bank and carry out its current activity at the same time;
- Additional costs (green spaces, access road, parking, etc.) compared to the initial estimate will be borne by the company/shareholders from their own sources;
-
- By 30.09.2023 the company will set up a DSRA (Debt Service Reserve Account) with the bank into which it will deposit the equivalent of at least 3 monthly instalments of principal and interest;
- The company will comply with the financial indicator Debt Service Coverage Ratio = min 1.2x;
- The BREEAM/EDGE Certificate will be submitted to the Bank immediately after obtaining;
- All proceeds from the lease of the Project will be collected in the collector account opened with the Bank and mortgaged to the Bank. The Company will only be able to dispose of the rental income on a monthly basis to the collector account after monthly payment of the amount due to the Bank (principal, interest and commissions). At the request of the Company, the surplus on the collector account will be transferred to the current account;
- Leases will have a Rent Payment Guarantee in the form of a collateral deposit or bank guarantee amounting to the estimated rent for 3 months, unless the tenants are intra-group companies.
- The company undertakes to conclude with the bank an additional deed to the facility contract and the mortgage contract within 30 days after the construction has been registered in the Land Register in order to extend the mortgage to the construction;
- Within 30 days after the land register registration of the construction of the Project, the Company undertakes to submit the insurance policy, by which the material guarantees will be insured against all risks with an insurance company approved by the Bank;
- The company undertakes to enter into lease agreements with a minimum contract term of 3 years;
- A financial obligation of the company/group of which it is a part to the Bank under this contract and any other credit agreements, or a financial obligation of the company/group of which it is a part to third parties is not paid when due or becomes payable or may become payable before it is due, shall constitute an event of default or fault;
- The company and the guarantor undertake to seek the bank's approval for the amendment of the building lease.

Contingent liabilities

The group has the following contingent liabilities – bank guarantee letters:

Amount	Currency	Date of document that certifies the start of the obligation	Payment/due date
15,497.64	**EUR**	**08 May 2023**	**03 May 2024**
275,000	**EUR**	**10 May 2022**	**23 February 2024**
9,918	**EUR**	**10 March 2023**	**08 March 2024**

27. PROVISIONS

The Group has recorded provisions for untaken holidays, performance bonuses and other charges for contractual employment relationships.

	Balance at 31.12. 2022	In the acccont	From the accont	Balance at 31 12.2023 belonging to subsidiaries absorbed in 2023	Balance at 31.12. 2023
Provisions	16,092,950	6,336,312	5,301,009	967,590	18,095,843
Total	**16,092,950**	**6,336,312**	**5,301,009**	**967,590**	**18,095,843**

28. CAPITAL AND RESERVES

The share capital of the Group consists of the share capital held by the parent company. Shareholdings held by Group companies in other Group companies, obtained either through shareholdings at incorporation or through acquisitions from other Group companies, have been written off in consolidation, together with the value of the participating interests.

In the case of acquired companies, reserves existing at the date of formation of the Group, together with retained earnings and other equity items were taken into account in the calculation of goodwill and eliminated in consolidation together with the interests held in Group companies.

In 2022 the share capital was increased through the issue of new shares assignable to shareholders in the ratio of 1:1 by incorporating share premiums.

In July 2023 the share capital decreased following the cancellation of 40,101,379 of own shares. As at 31 December 2023, the share capital of the Parent Company is of LEI 87,129,361, divided into 871,293,609 registered shares with a nominal value of 0.1 lei per share. The share capital is fully subscribed and paid up on 31 December 2022. The parent company was transformed into a public limited company on 5 September 2014.

During June 2022 – June 2023 the Company ran a program to buy back its own shares in order to implement ESOP programs. As of 31 december 2023 the total number of redeemed shares in balance is 35,203,467 shares.

Legal reserves are established in accordance with the regulations in place at Group company level. The legal reserve has been established in accordance with the terms of the Law on Commercial Companies. As at 31 December 2023, the value of the legal reserves amounts RON 7,853,780.

On December 31, 2023, differences resulting from the conversion of transactions of foreign entities under consolidation were recognized in capital.

	31.12.2023	31.12.2022
Number of shares	871,293,609	911,394,988
Subscribed and paid capital	87,129,361	91,139,499
TOTAL	**87,129,361**	**91,139,499**

29. RISK MANAGEMENT FOR FINANCIAL INSTRUMENTS

The Group's financial liabilities comprise loans and borrowings, including finance leases, derivative financial instruments, trade and other payables and contract liabilities. The main purpose of these financial liabilities is to finance the Group's operations.
The Group's financial assets are represented by trade and other receivables and contract assets, cash and short-term deposits, restricted cash, available-for-sale financial assets and derivative financial instruments.

The Group is exposed to interest rate risk, foreign exchange rate risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. The Group's senior management ensures the Group's financial risk activities are performed under appropriate procedures and that financial risks are identified, measured and managed in accordance with Group risk appetite.

29.1 Interest rate fluctuation risk rate

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.

Trade and other receivables and payables are non-interest bearing financial assets and liabilities. The borrowings are exposed to cash flow interest rate risk through market value fluctuations of interest-bearing long-term and short-term credit facilities, as the interest rates on the Group's loans and borrowings are variable. Management's policy is to resort mainly to fixed rate financing in order to reduce the risk. In addition, at the time of rising new loans or borrowings management uses its judgment to decide whether it believes that fixed or variable rate would be more favorable to the Group over the expected period until maturity.

29.2 Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on loans and borrowings. With all other variables held constant, the Group's profit before tax and equity are affected through the impact on floating rate borrowings without considering the CAPs effect, as follows:

	31.12.2023	**31.12.2022**
Fixed rate financial instruments		
Financial liabilites (loans and leasing)	103,989,697	84,920,511
Variable rate financial instruments		
Financial liabilites (loans and leasing)	2,052,769	2,762,927

	Base point increase	Impact on profit before tax
2023	1%	24,078
2022	1%	63,029

The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment. An equal decrease of the interest rate would have the same effect but of opposite impact.

29.3 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's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's financing activities, as part of the financing contracted by the Group is Euro based and to cash balances denominated in foreign currencies,

For the Group, the majority of revenues and expenses, trade and other receivables and payables is in RON, and the rest in EUR or linked to EUR. For the Group, the majority of revenues and trade receivables are linked to EUR or USD, being settled in RON equivalent.

The Group monitors the currency risk by following changes in exchange rates in currencies in which its external debts are denominated.

29.4 Foreign currency sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in the EUR or USD exchange rate. The Group's exposure to foreign currency changes for all other currencies is not material. With all other variables held constant the Group's profit before tax and equity are affected as follows:

	Exchange rate increase	Effect on profit before tax
2023 – EUR	1%	1,924,755
2022 – EUR	1%	1,638,560
2023 – USD	1%	319,438
2022 – USD	1%	300,960

An equal decrease of the EUR rate would have the same effect but of opposite impact.

31.12.2023	**EUR**	**RON**	**USD**	**GBP**	**Other currencies**	**Total**
Cash and cash equivalents	46,578,619	21,156,637	16,600,807	873,391	2,866,465	88,075,920
Commercial Accounts receivable	24,087,263	59,620,770	14,750,444	3,750,473	679,488	102,888,437
Loans to affiliated and non-affiliated entities	15,683,719	4,044,328	-	-	-	19,728,047
Long term bank loans	(62,629,398)	-	-	-	-	(62,629,398)
Short term bank loans	(23,582,492)	(601,517)	-	-	-	(24,184,008)
Leasing	(17,859,070)	(935,737)	-	(37,457)	(396,796)	(19,229,060)
Commercial liabilities	(2,054,910)	(9,459,752)	(592,561)	(1,275,262)	(473,464)	(13,855,948)
Net result of financial exposure	**(19,776,267)**	**73,824,730**	**30,758,690**	**3,311,145**	**2,675,692**	**90,793,990**

31.12.2022	**EUR**	**RON**	**USD**	**GBP**	**Other currencies**	**Total**
Cash and cash equivalents	48,831,164	38,867,821	13,814,841	29,032	354,148	101,897,006
Commercial Accounts receivable	10,761,632	41,746,885	15,527,797	-	961,258	68,997,572
Loans to affiliated and non-affiliated entities	15,550,586	5,796,497	-	-	-	21,347,082
Long term bank loans	(55,381,056)	-	-	-	-	(55,381,056)
Short term bank loans	(18,470,922)	-	-	-	-	(18,470,922)
Leasing	(13,831,461)	-	-	-	-	(13,831,461)
Commercial liabilities	(1,029,145)	(14,169,593)	(753,313)	(7,991)	(13,363)	(15,973,404)
Net result of financial exposure	**(13,569,202)**	**72,241,610**	**28,589,325**	**21,042**	**1,302,044**	**88,584,818**

29.5 Credit risk

The Group's credit risk is primarily attributed to trade and other receivables, contract assets and balances with banks. The carrying amount of trade and other receivables and contract assets, net of allowances for expected credit losses plus balances with banks, represent the maximum amount exposed to credit risk. Management believes that there is no significant risk of loss to the Group beyond the allowances already recorded. For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). The Group does not track changes in credit risk for trade receivables and contract assets, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. In this respect, the Group has established a provision policy to measure expected credit losses that is based on historical credit loss experience, that demonstrates that the credit risk has not increased significantly since initial recognition even though the contractual payments are more than 30 days past due but no more than 90 days past due.

a. Categorized financial assets – exposure to credit risk

31.12.2023	Note	Gross accounting value	Depreciation	Net accounting value
Loans granted to affiliated an non affiliated parties	31	19,728,047	(5,002,616)	14,725,431
Commercial receivables	23	102,888,437	(6,380,867)	96,507,570
Total		**122,616,485**	**(11,383,483)**	**111,233,001**

31.12.2022	Note	Gross accounting value	Depreciation	Net accounting value
Loans granted to affiliated an non affiliated parties	31	21,347,081	(2,810,074)	18,537,007
Commercial receivables	23	68,997,573	(5,448,668)	63,548,905
Total		**90,344,654**	**(8,258,742)**	**82,085,912**

b. Categorized financial liabilities - exposure to credit risk

31.12.2023	Note	Net accounting value	Total	Less than 1 year	1 - 5 years	Over 5 years
Bank loans		86,813,406	86,813,406	24,184,008	62,629,398	-
Leasing		19,229,061	19,229,060	7,919,498	11,309,563	-
Commercial debt		13,855,948	13,855,948	13,855,948	-	-
Total		**119,898,415**	**119,898,415**	**45,959,454**	**73,938,960**	**-**

31.12.2022	Note	Net accounting value	Total	Less than 1 year	1 - 5 years	Over 5 years
Bank loans		73,851,978	73,851,978	18,470,922	53,854,941	1,526,114
Leasing		13,831,461	13,831,460	6,137,902	7,617,799	75,760
Commercial debt		15,791,769	15,791,769	15,791,769	-	-
Total		**103,475,207**	**103,475,207**	**40,400,593**	**61,472,740**	**1,601,874**

29.6 Liquidity risk

The Group has adopted a prudent financial liquidity management approach, assuming that sufficient cash and cash equivalents are maintained and that further financing is available from guaranteed funds from credit lines. The tables below summarizes the maturity profile of the Group's financial liabilities, including principal amounts and interests according to contractual terms, at 31 December 2023 and 31 December 2022 based on contractual undiscounted payments.

	31.12.2023	31.12.2022
Non-current assets	201,496,412	198,479,384
Short term liabilites	89,865,905	76,290,204
Current liquidity ratio	**2.24**	**2.60**

	31.12.2023	31.12.2022
Non-current assets	201,496,412	198,479,384
Inventories	6,975,925	8,922,718
Short term liabilites	89,865,905	76,290,204
Immediate liquidity ratio	**2.16**	**2.48**

29.7 Capital management

Capital includes the equity attributable to the equity holders of the parent.

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 maximize shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the requirements of the financial covenants, 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 monitors capital, among other things, by using a gearing ratio, which is net debt divided by total capital plus net debt, The Group does not have a target gearing ratio, The Group includes within net debt, interest bearing loans and borrowings, trade and other payables and contract liabilities, less cash and cash equivalents.

	31.12.2023	**31.12.2022**
Long term debt	116,490,101	90,781,700
Capital	273,687,158	229,722,938
Gearing ratio	30%	28%

The Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements.

No changes were made in the objectives, policies or processes for managing capital during the year ended at 31 December 2023 and 31 December 2022.

30. RELATED AND AFFILIATED PARTIES

The transactions carried out by the Group with related parties are the following:

Related parties – Receivables	**Balance at 31.12.2023**	**Balance at 31.12.2022**
AROBS BUSINESS CENTER SRL	150,289	688,951
AROBS BUSINESS SERVICES SRL	19,927	15,589
AROBS PANONIA SOFTWARE	-	549,959
AROBS TRACKGPS SRL	-	38,746
AROBS TRADING & DISTRIBUTION GMBH	469,881	466,134
AROBS TRADING & DISTRIBUTION SRL	1,495,259	1,352,292
AROBS TURKEY YAZILIM LIMITED	283	-
CABRIO INVEST SRL	5,718	20,851
CABRIO INVESTMENT SRL	-	118
AROBS SOFTWARE SRL	-	18,346
MED CONTROL SOLUTION SRL	102,531	102,531
NEWCAR4FUTURE SRL	220,825	217,603
OOMBLA TRAVEL MANAGEMENT SRL	454	54,598
SMAIL COFFEE SRL	140,866	180,258
TRANSILVANIA SOFTWARE RECRUITMENT SRL	308,485	308,485
VISION PLUS MOBILE SRL	49,616	49,616
Total	**2,964,133**	**4,064,077**

Related parties – Payables	**Balance at 31.12.2023**	**Balance at 31.12.2022**
AROBS BUSINESS CENTER SRL	8,988	-
AROBS BUSINESS SERVICES SRL	233,433	65,232
AROBS TRACKGPS SRL	-	1,734
AROBS TRADING & DISTRIBUTION GMBH	5,726	-
AROBS TRADING & DISTRIBUTION SRL	-	693
CABRIO INVEST SRL	7,509	12,559
AROBS SOFTWARE SRL	-	1,328,952
IKON SOFT	63,544	40,624
OOMBLA TRAVEL MANAGEMENT SRL	39,119	61,624
SMAIL COFFEE SRL	7,148	7,751
TRANSILVANIA SOFTWARE RECRUITMENT SRL	154,176	-
Total	**519,653**	**1,519,168**

Related parties - Sales	**FY 2023**	**FY 2022**
AROBS BUSINESS CENTER SRL	125,799	21,262
AROBS BUSINESS SERVICES SRL	100,704	55,065
AROBS PANNONIA SOFTWARE	-	840,003
AROBS TRACK GPS SRL	-	795,494
AROBS TRADING & DISTRIBUTION GMBH	1,177	1,068
AROBS TRADING & DISTRIBUTION SRL	134,778	1,136,380
AROBS TURKEY YAZILIM LIMITED	2,496	-
CABRIO INVEST SRL	48,921	54,611
MANAGIS SERV SRL	120	-
MED CONTROL SOLUTION SRL	-	12,464
NEWCAR4FUTURE SRL	2,551	21,858
OOMBLA TRAVEL MANAGEMENT SRL	6,916	21,344
SMAIL COFFEE SRL	76,862	65,872
TRANSILVANIA SOFTWARE RECRUITMENT SRL	-	308,485
Total	**500,324**	**3,333,906**

Sales to related parties include the provision of software services, sales of GPS equipment, tablets, car sales and subletting of premises.

Related parties - Purchases	**FY 2023**	**FY 2022**
AROBS BUSINESS CENTER SRL	1,528,966	-
AROBS BUSINESS SERVICES SRL	387,405	488,558
AROBS PANNONIA SOFTWARE	-	642,217
AROBS TRACKGPS SRL	-	1,731
AROBS TRADING & DISTRIBUTION GMBH	5,694	-
AROBS TRADING & DISTRIBUTION SRL	11,811	-
AROBS TURKEY YAZILIM LIMITED	1,616,287	-
CABRIO INVEST SRL	98,491	95,934
AROBS SOFTWARE SRL	-	17,903,597
IKON SOFT SRL	495,567	471,168

MED CONTROL SOLUTION SRL	-	4,875
OOMBLA TRAVEL MANAGEMENT SRL	1,048,430	713,848
SMAIL COFFEE SRL SRL	545,142	535,462
TRANSILVANIA SOFTWARE RECRUITMENT SRL	129,560	-
Total	**5,867,353**	**20,857,390**

The purchases from the affilitated entieties mainly represent software services and miscellaneous services with the exception of Cabrio Invest which offers hotel services.

The transactions and balances of 2023 related to AROBS PANNONIA SOFTWARE, AROBS TRACKGPS SRL and AROBS SOFTWARE SRL have not been presented due to the fact that these companies have been acquired by AROBS Transilvania Software SA and have been integrated in the AROBS Group starting with the year 2023. As a result, the transactions and balances of these companies have been eliminated during the consolidation.

Loan granted by AROBS to TRANSILVANIA SOFTWARE RECRUITMENT SRL

	31.12.2023	31.12.2023
Loan value	-	676,000
Interest value	-	95,517
Total	-	**771,517**

The amount borrowed was granted toc over operational needs.

Loan granted by AROBS to AROBS Trading & Distribution GmbH

	31.12.2023	31.12.2023
Loan value	5,074,092	5,778,563
Interest value	1,416,816	1,168,775
Total	**6,490,908**	**6,947,338**

The loan to AROBS Trading & Distribution GmbH is to support working capital needs. AROBS Trading & Distribution GmbH is a trading and distribution company for premium electronics and household appliances with an international guarantee. Products are purchased with full payment in advance from distributors and manufacturers all over Europe and sold in Turkey, Dubai, France, Germany, Denmark.

Loan granted by AROBS to CABRIO INVESTMENT SRL

	31.12.2023	31.12.2023
Loan value	822,497	1,629,482
Interest value	591,209	661,674
Total	**1,413,706**	**2,291,156**

The loan has been granted to cover the sort term needs of the company.

Loan granted by AROBS to AROBS BUSINESS CENTER

	31.12.2023	31.12.2023
Loan value	7,252,468	6,883,363
Interest value	1,124,412	841,617
Total	**8,376,880**	**7,724,980**

The loan granted to AROBS BUSINESS CENTER was used for the development of the "Business Incubator" project carried out through the absorption of European funds and for working capital. AROBS Transilvania Software S.A. is the administrator of this company.

Loan granted by Coso by AROBS B.V. to Voicu Oprean

	31.12.2023	31.12.2023
Loan value	815,932	811,471
Total	**815,932**	**811,471**

31. FAIR VALUE

The financial instruments that are not recorded at fair value in the financial statements also include trade receivable and other receivables, contractual assets, cash and cash equivalents, restricted cash, trade payables, and other contractually derived payables. The value of these financial instruments is considered to approximate their fair value due to their short term nature (for the majority of them) and due to the low cost of transaction pertaining to these instruments (level 3).

31.1 Financial assets

	Depreciated cost	
	31.12.2023	31.12.2022
Trade receivables and other receivables	103,015,034	74,925,395
Cash and cash equivalents	87,773,888	101,373,631
Total	**190,788,922**	**176.299.26**

31.2 Short term investments

	Category	Value at 31.12.2023	Fair value assesment at 31.12. 2023
Short term investments	Shares	302,033	Level 1
Total		**302,033**	

31.3 Financial liabilities

	Depreciated cost	
	31.12.2023	31.12.2022
Leasing debt	19,229,061	13,831,461
Bank loans	86,813,406	73,851,978
Trade payables and other payables	56,892,573	37,107,972
Deferred revenue	24,639,946	23,198,291

Subisidies	921,362	1,218,067
Dividends payable	666,714	666,714
Tax payables	(323,270)	234,930
Total	**188,839,792**	**150,109,413**

32. ACCOUNTING PRINCIPLES, POLICIES AND METHODS

The following paragraphs describe the significant accounting policies applied by the Group in preparing its Cosolidated Financial Statements:

32.1 IFRS 15 Revenue from contracts with customers

In accordance with IFRS 15, revenue is recognized when or as the customer acquires control of the goods or services provided, at an amount that reflects the price the Group expects to be entitled to receive in exchange for those goods or services.

Revenues from contracts with customers are recognised when the control over the goods or services delivered is transffered for an amount ecqual to consideration expected by the Group for the good and services delivered to the customers.

When (or as) a performance obligation is satisfied, the Group will recognize as revenue the amount of the transaction price that is allocated to that performance obligation. The Group takes into consideration the terms of the contract and its customary business practices to determine the transaction price. The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties (for example, some sales taxes). The consideration promised in a contract with a customer may include fixed amounts, variable amounts, or both. For the purpose of determining the transaction price, an entity shall assume that the goods or services will be transferred to the customer as promised in accordance with the existing contract and that the contract will not be cancelled, renewed or modified.

In determining the transaction price, the entity will adjust the promised amount of consideration for the effects of the time value of money if the timing of payments agreed to by the parties to the contract (either explicitly or implicitly) provides the customer or the entity with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

The objective when allocating the transaction price is for an entity to allocate the transaction price to each performance obligation (or distinct good or service) in an amount that depicts the amount of consideration to which the entity expects to be entitled in exchange for transferring the promised goods or services to the customer.

To allocate the transaction price to each performance obligation on a relative stand-alone selling price basis, the entity will determine the stand-alone selling price at contract inception of the distinct good or service underlying each performance obligation in the contract and allocate the transaction price in proportion to those stand-alone selling prices.

A customer receives a discount for purchasing a bundle of goods or services if the sum of the stand-alone selling prices of those promised goods or services in the contract exceeds the promised consideration in a contract. Except when an entity has observable evidence that the entire discount relates to only one or more, but not all, performance obligations in a contract, the entity shall allocate a discount proportionately to all performance obligations in the contract. The proportionate allocation of the discount in those circumstances is a consequence of the entity allocating the transaction price to each performance obligation on the basis of the relative stand-alone selling prices of the underlying distinct goods or services.

The Group will recognise as an asset the incremental costs of obtaining a contract with a customer if the entity expects to recover those costs. When either party to a contract has performed, the Group will present the contract in the statement of financial position as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment. The Group must present any unconditional rights to consideration separately as a receivable.

The recognition and measurement requirements of IFRS 15 are also applicable to the recognition and measurement of any gains or losses arising from the disposal of non-financial assets (such as property, plant and equipment and intangible assets) when such disposal is not in the ordinary course of business. However, upon transition, the effect of these changes is not significant for the Group.

A. Revenue from software services

The Group's services are generally performed under time-and-material based contracts (where materials consist of travel and out-of-pocket expenses) and fixed-price contracts. The vast majority of our contracts are relatively short term in nature and have a single performance obligation.

Under time-and-materials based contracts, the Group charges for services based on daily or hourly rates and bills and collects monthly in arrears. The Company applies the practical expedient and revenue from time-and-materials contracts is recognised based on the right to invoice for services performed, with the corresponding cost of providing those services reflected as expenses when incurred.

Under fixed-price contracts, the Group bills and collects periodically throughout the period of performance. Revenue is recognised in the accounting periods in which the associated services are rendered. In limited instances where final acceptance of a milestone deliverable is specified by the client and there is risk or uncertainty of acceptance, revenue is deferred until all acceptance criteria have been met. For multi-year contracts, any deferral of revenue recognition does not generally span more than one accounting period.

The Group accounts for a contract when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable. The Group identifies its distinct performance obligations under each contract. A performance obligation is a promise in a contract to transfer a distinct product or service to the customer. The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring products or services to a customer. With respect to all types of contracts, revenue is only recognised when the performance obligations are satisfied and the control of the services is transferred to the customer, either over time or at a point in time, at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services. The Group considers the majority of its contracts to have a single performance obligation. In cases in which there are other promises in the contract, a separate price allocation is done based on relative stand alone selling prices.

Receivables are considered fully impaired when they exceed 365 days. The analysis regarding the impairment of receivables is carried out in Note 23. TRADE RECEIVABLES AND OTHER RECEIVABLES.

B. Revenue from sale of the Track GPS monitoring solution and other monitoring and fleet management

The Group's secondary source of revenue is the provision of its proprietary fleet tracking solution based on GPS technology, a special device and accesible from web and mobile interfaces, Track GPS. The Group offers a complex solution for the management and monitoring of car fleets that helps companies reduce their maintenance and operation costs, improve their efficiency in the allocation and use of resources, increase the professionalism of drivers, safety behind the wheel, as well as improve the services provided. Considering that the provision of the monitoring service is made by making available to the customer of an equipment that ensures the transmition of data, AROBS Group concluded that the equipment and the monitoring service cannot be regarded separately due to the contract and represents a single provision of obligations to the client. This assesment was based on articles 27a and 29c from IFRS 15:

- 27a: the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer
- 29c: the goods or services are highly interdependent or highly interrelated. In other words, each of the goods or services is significantly affected by one or more of the other goods or services in the contract. For example, in some cases, two or more goods or services are significantly affected by each other because the entity would not be able to fulfil its promise by transferring each of the goods or services independently.

As for the equipment, it is essential to the provision of the monitoring service, so that if the customer opts out of these services, then the benefits obtained through the use of the equipment are significantly diminished. In view of this assesment, the provisions of article 27 of IFRS 15 were taken into account: *A good or service that is promised to a customer is distinct if both of the following criteria are met: (a) the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer (ie the good or service is capable of being distinct); and (b) the entity's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (ie the promise to transfer the good or service is distinct within the context of the contract).* Revenue is recognized accoring to provisions of IFRS 15, paragraph 35 a: *the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs.* The customer consumes the benefits as the services are delivered, so that the performance obligation is fulfilled over time. The cost of the equipment has been capitalized and is expensed as income is realized.

C. Revenue from sale of the HR application license

Licensing of the HR solution involves the provision of the following services: license sale/rental, implementation and provision of techical support and platform maintenance services. Given that the implementation of the HR solution is done only by the company providing this service and that without this implementation adapted to the specific needs and requirements of the client, the HR solution is not functional. AROBS Group concluded that the HR software and the implementation service cannot be seen as distinct due to the contract and represent a single performance of obligation to the client. This assesment was made based on articles 27a and 29c of IFRS 15:

- 27 (a): the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer

- 29 (c): the goods or services are highly interdependent or highly interrelated. In other words, each of the goods or services is significantly affected by one or more of the other goods or services in the contract. For example, in some cases, two or more goods or services are significantly affected by each other because the entity would not be able to fulfil its promise by transferring each of the goods or services independently.

As for the maintenance services and updates of the HR solution, they are essential for the operation of the platform, so if the customer opts out of these services, then the benefits obtained from the use of the HR solution are significantly diminished. Taking into account the provisions of Article 27 of IFRS 15 *A good or service that is promised to a customer is distinct if both of the following criteria are met: (a) the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer (ie the good or service is capable of being distinct); and (b) the entity's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (ie the promise to transfer the good or service is distinct within the context of the contract)* and that the company that provides the HR solution does not offer access to the platform without ensuring maintenance services, then AROBS Group concluded that the maintenance services are part of the same contractual promise together with the HR license and implementation services. *).* Revenue is recognized accoring to provisions of IFRS 15, paragraph 35 a: *the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs.* The customer consumes the benefits as the services are delivered, so that the performance obligation is fulfilled over time. The salary expense related to the implementation service has been capitalized in an asset account and is expensed as the revenue is realized.

D. Revenue from sales of goods

The Group also operates the sale of own brand goods / finished products and also other third party goods through its dedicated e-commerce sites: softcare.ro, soundon.ro and gps-auto.ro. The Group also sells its goods on third-party websites, online and offline: Altex, Emag, Flanco, Carrefour, Auchan, Cel.ro, Evomag.ro being its main distribution partners.

Revenue form the sale of goods is recognized when the performance obligation established through a contract with a customer is fulfilled, being the actual delivery and transfer of control over that good sold to the customer. The payment terms are between 30 and 90 days from the fulfillment of the performance obligation.

E. Principal versus agent framework

The Group performs the services or supply the goods derived form it's obligations by it's own means or can employ the services of a third party (agent) to partially or completely execute these obligations on behelf of the Group.

An agent might satisfy its performance obligation (arranging for the transfer of specified goods or services) before the end consumer receives the specified good or service from the principal in some situations. For example, an agent that promises to arrange for a sale between a vendor and the vendor's customer in exchange for a commission will generally recognize its commission as revenue at the time a contract between the vendor and vendor's customer is executed (that is, when the agency services are completed). In contrast, the vendor will not recognize revenue until it transfers control of the underlying goods or services to the end consumer.

Indicators that an entity controls the specified good or service before it is transferred to the customer (and is therefore a principal…) include, but are not limited to, the following:

a. The entity is primarily responsible for fulfilling the promise to provide the specified good or service. This typically includes responsibility for acceptability of the specified good or service (for example, primary responsibility for the good or service meeting customer specifications). If the entity is primarily responsible for fulfilling the promise to provide the specified good or service, this may indicate that the other party involved in providing the specified good or service is acting on the entity's behalf.
b. The entity has inventory risk before the specified good or service has been transferred to a customer, or after transfer of control to the customer (for example, if the customer has a right of return). For example, if the entity obtains, or commits to obtain, the specified good or service before obtaining a contract with a customer, that may indicate that the entity has the ability to direct the use of, and obtain substantially all of the remaining benefits from, the good or service before it is transferred to the customer.
c. The entity has discretion in establishing the prices for the specified goods or service. Establishing the price that the customer pays for the specified good or service may indicate that the entity has the ability to direct the use of that good or service and obtain substantially all of the remaining benefits. However, an agent can have discretion in establishing prices in some cases. For example, an agent may have some flexibility in setting prices in order to generate additional revenue from its service of arranging for goods or services to be provided by other parties to customers.

32.2 Property, Plant and Equipment

Initial recognition

Property, plant and equipment are initially measured at historical cost, net of accumulated depreciation and/or accumulated impairment losses, if any.

This cost includes the replacement cost of the tangible asset in question at the time of replacement and the borrowing cost for long-term construction projects if the recognition criteria are met.

All other repair and maintenance costs are recognised in the income statement when incurred The present value of the expected costs of casing the asset after use is included in the cost of that asset if the criteria for recognition of a provision are met.

Usefull life

Average usefull life for each fixed assets category are as follows:

Buildings	40 - 50 years
Investments in leased buildings	1 - 15 years
Monitoring equipment	3 years
Installations and equipment	3 - 8 years
Vehicles	3 - 6 years
Offices equipment	1 - 13 years
Stationary	4 - 9 years
Protection systems	8 - 16 years

The carrying amount of an item of property, plant and equipment shall be derecognized on disposal; or when no future economic benefits are expected from its use or disposal.The gain or loss arising from the derecognition of an item of property, plant and equipment (calculated as the difference between the net proceeds on disposal and the carrying amount of the item) shall be included in profit or loss when the item is derecognized.

As at 31 December 2023, management has completed its assessment of the estimated useful lives and has decided that no revision is required as the consumption pattern of its assets is consistent with the current best estimate of the period over which these assets will generate future economic benefits.

32.3 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets recognized following a business combination is their fair value at acquisition date, as determined through the purchase price allocation exercise. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any.

Internally generated intangible assets, excluding capitalised development costs, are not capitalised and the expense is reflected in the income statement when the expense is incurred.

The useful lives of intangible assets are assessed as finite.

Intangible assets with an indefinite useful life are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The useful life of an intangible asset that is not being amortised is reviewed each period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate.

The gain or loss arising from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset. It is recognised in profit or loss when the asset is derecognised.

Research and development expenditure

An intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, the entity can demonstrate all of the following:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- Its intention to complete the intangible asset and use or sell it and its ability to use or sell the intangible asset;

- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development;
- Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

The Group's intangible assets are mainly represented by: internally generated applications (Track GPS, Optimall) and software licences.

Average usefull life for each fixed assets category are as follows:

Computer programs, software, licenses, other intangible assets	3 years or contractual duration
Customers relationship	10 years

32.4 Assets relating to rights to use leased assets

At inception of a contract, an entity shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Assets relating to rights to use leased assets

The determination of whether an agreement is or contains a lease is based on the commitment made at the inception of the agreement. The commitment is or contains a lease :

- if performance of the commitment is dependent on the use of a specific asset or assets
- or if the commitment confers a right to use the asset or assets, even if that right is not explicitly specified in a commitment.

Under IFRS 16, at the commencement date of the lease contract, the entity measures a right-of-use asset (as of the date on which the underlying asset is available for use). The right-of-use asset are evaluated at cost, less any accumulated depreciation and accumulated impairment losses and adjusted for any revaluation of lease liabilities. The cost of the right-of-use asset comprises the amount of the initial measurement of the lease liability, any initial direct costs incurred by the lessee and any lease payments made at or before the commencement date, less any lease incentives received.

Lease liability related to right-of-use asset

Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For such leases, at inception, a lessee must recognise a right-of-use asset and an interest-bearing liability under the lease.

At the commencement date, the lessee measures the lease liability at the present value of the lease payments that has to be paid during the contract period. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate and amounts expected to be payable by the lessee under residual value guarantees. The lease payments include the payments of penalties for terminating the lease, if the lease term reflects the entity exercising an option to terminate the lease.

Variable lease payments that are not dependent on an index or rate are recognised as an expense in the period in which the triggering event or event occurs.

In calculating the present value of lease payments, the Group uses the marginal borrowing rate at the lease inception date if the interest rate cannot be determined immediately from the lease contract. After the commencement date, the amount of lease liabilities is increased to reflect interest and reduced by the amount of lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (for example, changes in future lease payments resulting from a change in an index or the rate used to determine those payments) or a change in the valuation of a call option on the underlying asset.

32.5 Impairment of non-financial assets

Further disclosures relating to impairment of non-financial assets are also provided in the following notes:

- Property, plant and equipment Note 19
- Intangible assets Note 16

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually as at 31 December at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

32.6 IFRS 9 Financial instruments

Financial assets

Initial recognition and measurement

Group financial assets consist of loans granted and receivables (trade receivables, contractual assets, other receivables), cash and cash equivalents.

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

Subsequent measurement

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding.This assessment is referred to as the SPPI test and is performed at an instrument level.

Impairment of financial assets

The Group recognizes an allowance for expected credit losses (ECLs) for debt instruments not held at fair value through profit or loss. For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs, Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group analyses claims individually and takes into account the effect of financial guarantees received from insurers in the calculation of expected credit losses. For more information, see Note 14 - Trade and other receivables.

Financial liabilities

Initial recognition

Financial liabilities are classified, at initial recognition, as financial liabilities subsequently measured at amortized cost, except for financial liabilities at fair value through profit or loss, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, financial guarantee contracts or contingent consideration recognised by the Group as acquirer in a business combination to which IFRS 3 applies.

All financial liabilities are recognised initially at fair value and, in the case of financial liabilities not recorded at fair value through profit or loss, net of directly attributable transaction costs, on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

Subsequent measurement

The Company evaluates financial liabilities according to their classification as follows:

- Interest bearing loans and borrowings: Interest bearing loans and borrowings and trade and other payables are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognized as well as through the effective interest rate method (EIR) amortization process Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance costs in profit or loss.

- Financial collateral contracts: The Company initially recognises financial collateral contracts as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

De-recognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset with the net amount reported in the statement of financial position only if there is a current enforceable legal right to offset the recognised amounts and an intent to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

The Group's financial statements are presented in Romanian New Lei (''RON''), which is also the parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

32.7 Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

When loans or similar assistance are provided by governments or related institutions, with an interest rate below the current applicable market rate, the effect of this favorable interest is regarded as a government grant.

32.8 IAS 19 Employee Benefits

Short term employee benefits

Short-term employee benefits are measured on an undiscounted basis and are recognized as an expense as the related services are rendered. A liability is recognized at the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount for services previously provided by the employee and the obligation can be reliably estimated.

Defined benefit plans

In the normal course of business, the Group makes payments on behalf of its employees to public pension schemes and public health insurance, which are calculated according to the rates in force during the year. Meal allowances, travel expenses, bonuses and holiday allowances are also calculated in accordance with the legislation applicable to each Group company.

The cost of these payments is recognized in profit or loss in the same period as the related salary cost. Provision is made for unused leave if there are any unused days, in accordance with local legislation.

All Group employees are members of state-administered pension schemes.

The Group does not operate any other pension scheme or post-retirement benefit plan and therefore has no pension liabilities.

In order to retain employees, the Company has implemented a Stock Option Plan, which offers employees stock options based on seniority and performance criteria in the Group's business.

32.9 Income tax

Income tax expense includes current tax and deferred tax. Income tax expense is recognized in the statement of profit or loss unless it relates to business combinations or items recognized directly in equity or other comprehensive income.

Current income tax

Current tax includes tax expected to be paid or received on taxable profit or tax loss realized in the current year and any adjustment for tax payable or recoverable in respect of previous years.

Current income tax relating to items recognized directly in equity is recognized in equity and not in profit or loss.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date

Deferred tax liabilities are recognized for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

- The initial recognition of goodwill; or
- The initial recognition of an asset or a liability in a transaction which: -is not a business combination, and at the time of the transaction affects neither accounting profit nor taxable profit or loss and at the time of transaction does not give rise to equal taxable and deductible temporary differences.

Deferred tax assets are recognized for: all deductible temporary differences and the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax reflects the tax consequences that would result from the way the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

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

If the carrying amount of goodwill arising in a business combination is less than its tax base, the difference gives rise to a deferred tax asset. The deferred tax asset arising from the initial recognition of goodwill shall be recognized as part of the accounting for a business combination to the extent that it is probable that taxable profit will be available against which the deductible temporary difference could be utilized.

For deductible temporary differences associated with investments in subsidiaries, branches and associates and interests in joint arrangements, a deferred tax asset must be recognized.

The reversal of deductible temporary differences results in deductions in determining taxable profits of future periods. However, economic benefits in the form of reductions in tax payments will flow to the entity only if it earns sufficient taxable profits against which the deductions can be offset. Therefore, an entity recognizes deferred tax assets only when it is probable that taxable profits will be available against which the deductible temporary differences can be utilized.

At the end of each reporting period, an entity reassesses unrecognized deferred tax assets. The entity recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

32.10 *Inventories and work in progress*

Goods and work in progress are valued at the lower of cost and net realizable value. The Group's management analyses inventory age, product quality and potential non-conformity issues, products that cannot be sold further or are rejected based on quality issues and considers their implications in determining the net realizable value of old inventory. Net realizable value is the selling price, in the normal course of business, less costs of completion, marketing and distribution, considering the future evolution of selling prices. Also it is analysed the recoverability of ongoing work in progress projects registered at the end of the year..

Management analyzed the net realizable value of the goods and work in progress annually, considering market selling prices as well as regulations specific to the industry in which it operates.

All assumptions are reviewed annually.

32.11 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

32.12 Equity

Share capital

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares are shown as a deduction in equity from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recognised as additional paid-in capital.

Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in other reserve. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented in share premium. When treasury shares are cancelled the excess of cost above nominal value is debited to retained earnings.

Dividends

The Group recognizes a liability to make cash or non-cash distributions to owners of equity when the distribution is authorized and the distribution is no longer at the discretion of the Group. As per the corporate laws of Romania, a distribution is authorized when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

32.13 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset, All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

32.14 Provisions and contigent liabilities

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain, The expense relating to a provision is presented in profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Contingent liabilities recognised in a business combination

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognised in accordance with the requirements for provisions above or the amount initially recognised less (when appropriate) cumulative amortisation recognised in accordance with the requirements for revenue recognition.

Fees, taxes, and provisions for taxes

Uncertainties exist regarding the interpretation of complex fiscal regulations, changes in tax legislation and the value and timing of future taxable profit.

The Group is subject to income tax in several jurisdictions. There are several transactions and calculations for which the final tax determination is uncertain. Therefore, the Group will constitute provisions, if applicable, for possible consequences of future tax inspections. If the final fiscal result of these matters is different from the amounts initially recorded, the respective differences will have an impact on the current and deffered income tax assets and liabilities in the period in which the respective differences occur.

33. OTHER INFORMATION

Environment

Romania is currently in a period of rapid harmonization of environmental legislation with the European Economic Community legislation in force. As at 31 December 2023, the Group has not recorded any liabilities relating to anticipated costs, including legal and consultancy fees, studies, design and implementation of environmental remediation plans. The Group does not consider costs associated with environmental issues to be significant.

Transfer price

Romanian tax legislation has contained rules on transfer pricing between related persons since 2000. The current legislative framework defines the "market value" principle for transactions between related persons, as well as the transfer pricing methods. Under the relevant tax legislation, the tax valuation of a related party transaction is based on the concept of the market price of that transaction. Based on this concept, transfer prices must be adjusted to reflect market prices that would have been established between unrelated entities acting independently on the basis of "normal market conditions". As a result, it is expected that the tax authorities will initiate thorough transfer pricing verifications to ensure that the tax result and/or the customs value of imported goods are not distorted by the effect of prices charged in dealings with related persons. It is likely that transfer price verifications will be carried out in the future by the tax authorities to determine whether these prices comply with the "arm's length" principle and that the Romanian taxpayer's tax base is not distorted. The Group cannot quantify the outcome of such a verification. The Group considers that the transactions with related parties were carried out at arm's length values.

The parent company is a large taxpayer and the group entities are small and medium taxpayers. In view of the size criteria laid down in the law, Group entities are not required to prepare a transfer pricing file.

At the date of preparation of the consolidated financial statements, the transfer pricing file for the Parent Company is in progress.

Russia - Ukraine conflict

The invasion of Ukraine by the Russian Federation and the subsequent global response to these military actions could have a significant impact on a number of companies, in particular companies with physical operations on the territory of Ukraine, Russia and Belarus, but also entities with indirect interests (with suppliers, customers, investments and creditors with operations on the territory of these countries).

We assessed the impact of the ongoing military operation in Ukraine and the related targeted sanctions against the Russian Federation. This may require revisions to certain assumptions and estimates which may result in significant adjustments to the carrying value of certain assets and liabilities in the next financial year. At this stage, we cannot reliably estimate the impact as events unfold on a daily basis.

Based on the information available to date, the Group's management has not identified any concrete potential risks related to the Russia-Ukraine conflict, and thus at this time does not expect a significant impact on the conduct of current operations. The Group has no direct exposure to third parties affected by the sanctions imposed since the conflict began (customers, suppliers, banking institutions with which the Group collaborates). Indirect exposure (customers, suppliers, with whom the Group collaborates, with links to third parties affected by sanctions), as well as risks related to future volatility of commodity prices, foreign exchange rates, or possible cyber attacks, are currently unquantifiable, as the Group's management has so far given no indication of any significant impact on the Group's business.

Audit expenses

The fees for the audit of the Group's financial statements in accordance with the International Reporting Standards adopted by the European Union for the financial years ending 31 December 2023, 31 December 2022 and 31 December 2021 were in accordance with the contract concluded with BDO Auditors & Accountants S.R.L.

34. SUBSEQUENT EVENTS

Infobest acquisition

On 27 February 2024, the Company informed the market about the full acquisition of Infobest Group, which specializes in the development of custom software solutions, with offices in Timisoara and Leverkusen, Germany. Through this acquisition AROBS wants to consolidate Group position in Germany, and also in the DACH regeion. The transaction is subject to legal approval.

These financial statements were signed and approved on March 29, 2024, by:

Voicu Oprean	**Bogdan Ciungradi**
Administrator	Chief Financial Officer