

**LOULIS INTERNATIONAL FOODS
ENTERPRISES (BULGARIA) LIMITED**

FINANCIAL STATEMENTS
31 December 2019

LOULIS INTERNATIONAL FOODS ENTERPRISES (BULGARIA) LIMITED

FINANCIAL STATEMENTS

For the year ended 31 December 2019

CONTENTS	PAGE
Board of Directors and other officers	1
Independent auditor's report	2 - 3
Statement of comprehensive income	4
Statement of financial position	5
Statement of changes in equity	6
Statement of cash flows	7
Notes to the financial statements	8 - 19

LOULIS INTERNATIONAL FOODS ENTERPRISES (BULGARIA) LIMITED

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:

A.T.S. Directors Limited
A.T.S. Managers Limited
Constantinos Loulis
Nikolaos Fotopoulos
Dimitrios Foutsis

Company Secretary:

A.T.S. Services Limited

Independent Auditors:

Baker Tilly Klitou and Partners Ltd
Certified Public Accountants and Registered Auditors
Corner C. Hatzopoulou & 30 Griva Digheni Avenue
1066 Nicosia
Cyprus

Registered office:

1 Agapinoros & Arch. Makariou,
JNT Business Center, Flat 204,
1076 Nicosia,
Cyprus

Bankers:

Hellenic Bank Public Company Ltd
Piraeus Bank S.A.
Bulgarian Post Bank AD

Independent Auditor's Report

To the Members of Loulis International Foods Enterprises (Bulgaria) Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of parent company Loulis International Foods Enterprises (Bulgaria) Limited (the "Company"), which are presented in pages 4 to 19 and comprise the statement of financial position as at 31 December 2019, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of parent company Loulis International Foods Enterprises (Bulgaria) Limited as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent Auditor's Report (continued)

To the Members of Loulis International Foods Enterprises (Bulgaria) Limited

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

Andreas Pittakas
Certified Public Accountant and Registered Auditor
for and on behalf of

Baker Tilly Klitou and Partners Ltd
Certified Public Accountants and Registered Auditors

Corner C. Hatzopoulou & 30 Griva Digheni Avenue
1066 Nicosia
Cyprus

Nicosia, 10 March 2020

LOULIS INTERNATIONAL FOODS ENTERPRISES (BULGARIA) LIMITED

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Note	2019 €	2018 €
Other operating income	7	130.026	122.698
Administration expenses	8	(175.713)	(174.844)
Net impairment profit/(loss) on financial and contract assets		-	(4.759)
Other expenses	9	(2.217)	(5.626)
Operating loss		(47.904)	(62.531)
Finance income		18.507	24.862
Finance costs		(1.670)	(1.673)
Net finance income	11	16.837	23.189
Loss before tax		(31.067)	(39.342)
Tax	12	-	-
Net loss for the year		(31.067)	(39.342)
Other comprehensive income		-	-
Total comprehensive income for the year		(31.067)	(39.342)

The notes on pages 8 to 19 form an integral part of these financial statements.

LOULIS INTERNATIONAL FOODS ENTERPRISES (BULGARIA) LIMITED

STATEMENT OF FINANCIAL POSITION

31 December 2019

	Note	2019 €	2018 €
ASSETS			
Non-current assets			
Property, plant and equipment	13	282	407
Investment in subsidiary	14	3.561.774	3.561.774
Loans receivable	15	35.357	60.000
		<u>3.597.413</u>	<u>3.622.181</u>
Current assets			
Receivables	16	727.414	700.661
Cash and cash equivalents	17	53.424	86.454
		<u>780.838</u>	<u>787.115</u>
Total assets		<u>4.378.251</u>	<u>4.409.296</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	18	1.637.539	1.637.539
Share premium		1.850.971	1.850.971
Translation reserve		(3.546.389)	(3.546.389)
Retained earnings		4.420.903	4.451.970
Total equity		<u>4.363.024</u>	<u>4.394.091</u>
Current liabilities			
Other payables	19	2.507	2.485
Current tax liabilities	20	12.720	12.720
Total liabilities		<u>15.227</u>	<u>15.205</u>
Total equity and liabilities		<u>4.378.251</u>	<u>4.409.296</u>

On 10 March 2020 the Board of Directors of Loulis International Foods Enterprises (Bulgaria) Limited authorised these financial statements for issue.

.....
A.T.S. Directors Limited
Director

.....
A.T.S. Managers Limited
Director

The notes on pages 8 to 19 form an integral part of these financial statements.

LOULIS INTERNATIONAL FOODS ENTERPRISES (BULGARIA) LIMITED

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Share capital €	Share premium €	Translation reserve €	Retained earnings €	Total €
Balance at 1 January 2018 as previously reported	1.637.539	1.850.971	(3.546.389)	4.512.452	4.454.573
Effect of initial application of IFRS 9	-	-	-	(21.140)	(21.140)
Balance at 1 January 2018 as restated	1.637.539	1.850.971	(3.546.389)	4.491.312	4.433.433
Comprehensive income					
Total comprehensive income for the year	-	-	-	(39.342)	(39.342)
Balance at 31 December 2018/ 1 January 2019	1.637.539	1.850.971	(3.546.389)	4.451.970	4.394.091
Comprehensive income					
Total comprehensive income for the year	-	-	-	(31.067)	(31.067)
Balance at 31 December 2019	1.637.539	1.850.971	(3.546.389)	4.420.903	4.363.024

Companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defence at 17% will be payable on such deemed dividends to the extent that the ultimate shareholders are both Cyprus tax resident and Cyprus domiciled. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defence is payable by the Company for the account of the shareholders.

The notes on pages 8 to 19 form an integral part of these financial statements.

LOULIS INTERNATIONAL FOODS ENTERPRISES (BULGARIA) LIMITED

STATEMENT OF CASH FLOWS For the year ended 31 December 2019

	Note	2019 €	2018 €
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(31.067)	(39.342)
Adjustments for:			
Depreciation of property, plant and equipment	13	125	92
Impairment charge - investments in subsidiaries	14	-	4.759
Interest income	11	(18.507)	(24.862)
		(49.449)	(59.353)
Changes in working capital:			
(Increase)/decrease in receivables		(26.753)	53.603
Increase/(Decrease) in other payables		22	(114.287)
Cash used in operations		(76.180)	(120.037)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchase of property, plant and equipment	13	-	(499)
Loans granted		-	(60.000)
Loans repayments received		24.643	-
Interest received		18.507	24.862
Net cash generated from/(used in) investing activities		43.150	(35.637)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net decrease in cash and cash equivalents		(33.030)	(155.674)
Cash and cash equivalents at beginning of the year		86.454	242.128
Cash and cash equivalents at end of the year	17	53.424	86.454

The notes on pages 8 to 19 form an integral part of these financial statements.

LOULIS INTERNATIONAL FOODS ENTERPRISES (BULGARIA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. Incorporation and principal activities

Country of incorporation

The Company Loulis International Foods Enterprises (Bulgaria) Limited (the "Company") was incorporated in Cyprus on 1st April 2000 as a private limited liability company under the provisions of the Cyprus Companies Law, Cap. 113. Its registered office is at 1 Agapinoros & Arch. Makariou, JNT Business Center, Flat 204, 1076 Nicosia, Cyprus .

Principal activities

The principal activities of the Company, which are unchanged from last year, are the provision of financing and holding of investments in companies operating in the production and marketing of flour and related products.

2. Basis of preparation

The Company has prepared these parent's separate financial statements for compliance with the requirements of the Cyprus Income Tax Law.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap.113.

The Company is not obliged by the Companies Law, Cap. 113, to prepare consolidated financial statements because the ultimate parent publishes consolidated financial statements according to IFRSs and the Company does not intend to issue consolidated financial statements for the year ended 31 December 2018. The consolidated financial statements can be obtained from Loulis Port, Sourpi Magnesia, 37008, Greece.

The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires Management to exercise its judgment in the process of applying the Company's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on Management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

3. Adoption of new or revised standards and interpretations

During the current year the Company adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2019. This adoption did not have a material effect on the accounting policies of the Company.

4. Significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented in these financial statements unless otherwise stated.

Subsidiary companies

Subsidiaries are entities controlled by the Company. Control exists where the Company 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.

Investments in subsidiary companies are stated at cost less provision for impairment in value, which is recognised as an expense in the period in which the impairment is identified.

LOULIS INTERNATIONAL FOODS ENTERPRISES (BULGARIA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

4. Significant accounting policies (continued)

Revenue

Recognition and measurement

Revenue represents the amount of consideration to which the Company expects to be entitled in exchange for transferring the promised goods or services to the customer, excluding amounts collected on behalf of third parties (for example, value-added taxes); the transaction price. The Company includes in the transaction price an amount of variable consideration as a result of rebates/discounts only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Estimations for rebates and discounts are based on the Company's experience with similar contracts and forecasted sales to the customer.

The Company recognises revenue when the parties have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations, the Company can identify each party's rights and the payment terms for the services to be transferred, the contract has commercial substance (i.e. the risk, timing or amount of the Company's future cash flows is expected to change as a result of the contract), it is probable that the Company will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer and when specific criteria have been met for each of the Company's contracts with customers.

The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. In evaluating whether collectability of an amount of consideration is probable, the Company considers only the customer's ability and intention to pay that amount of consideration when it is due.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimates are reflected in the statement of comprehensive income in the period in which the circumstances that give rise to the revision become known by management.

Identification of performance obligations

The Company assesses whether contracts that involve the provision of a range of goods and/or services contain one or more performance obligations (that is, distinct promises to provide a service) and allocates the transaction price to each performance obligation identified on the basis of its stand-alone selling price. A good or service that is promised to a customer is distinct if 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 (that is the good or service is capable of being distinct) and the Company's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (that is, the good or service is distinct within the context of the contract).

- **Financing component**

The Company does not have any material contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company elects to use the practical expedient and does not adjust any of the transaction prices for the time value of money.

Finance income

Interest income is recognised on a time-proportion basis using the effective method.

Finance costs

Interest expense and other borrowing costs are charged to profit or loss as incurred.

LOULIS INTERNATIONAL FOODS ENTERPRISES (BULGARIA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

4. Significant accounting policies (continued)

Tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax liabilities and assets are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and laws that have been enacted, or substantively enacted, by the reporting date.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Financial assets - Classification

From 1 January 2018, the Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification and subsequent measurement of debt financial assets depends on: (i) the Company's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset. On initial recognition, the Company may irrevocably designate a debt financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

For investments in equity instruments that are not held for trading, classification will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

Financial assets - Recognition and derecognition

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date when the Company commits to deliver a financial instrument. All other purchases and sales are recognised when the entity becomes a party to the contractual provisions of the instrument.

LOULIS INTERNATIONAL FOODS ENTERPRISES (BULGARIA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

4. Significant accounting policies (continued)

Financial assets - Recognition and derecognition (continued)

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Financial assets - Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Financial assets - impairment - credit loss allowance for ECL

For trade receivables including trade receivables with a significant financing component and contract assets and lease receivables the Company applies the simplified approach permitted by IFRS 9, which uses lifetime expected losses to be recognised from initial recognition of the financial assets.

Financial assets -Reclassification

Financial instruments are reclassified only when the business model for managing those assets changes. The reclassification has a prospective effect and takes place from the start of the first reporting period following the change.

Financial assets - write-off

Financial assets are written-off, in whole or in part, when the Company exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Company may write-off financial assets that are still subject to enforcement activity when the Company seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

Financial assets - modification

The Company sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Company assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: any new contractual terms that substantially affect the risk profile of the asset (e.g. profit share or equity-based return), significant change in interest rate, change in the currency denomination, new collateral or credit enhancement that significantly affects the credit risk associated with the asset or a significant extension of a loan when the borrower is not in financial difficulties.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Company derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Company also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

LOULIS INTERNATIONAL FOODS ENTERPRISES (BULGARIA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

4. Significant accounting policies (continued)

Financial assets - modification (continued)

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Company compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Company recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate, and recognises a modification gain or loss in profit or loss.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash at bank and in hand. Cash and cash equivalents are carried at AC because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

Financial assets at amortised cost

These amounts generally arise from transactions outside the usual operating activities of the Company. These are held with the objective to collect their contractual cash flows and their cash flows represent solely payments of principal and interest. Accordingly, these are measured at amortised cost using the effective interest method, less provision for impairment. Financial assets at amortised cost are classified as current assets if they are due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current assets.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

Share capital

Ordinary shares are classified as equity. The difference between the fair value of the consideration received by the Company and the nominal value of the share capital being issued is taken to the share premium account.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Company expects 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.

LOULIS INTERNATIONAL FOODS ENTERPRISES (BULGARIA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

5. Financial risk management

Financial risk factors

The Company is exposed to interest rate risk, liquidity risk and capital risk management arising from the financial instruments it holds. The risk management policies employed by the Company to manage these risks are discussed below:

5.1 Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Company's income and operating cash flows are substantially independent of changes in market interest rates as the Company has no significant interest-bearing assets. The Company is exposed to interest rate risk in relation to its non-current borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. The Company's Management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

5.2 Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Company has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

5.3 Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Company's overall strategy remains unchanged from last year.

Fair value estimation

The fair values of the Company's financial assets and liabilities approximate their carrying amounts at the reporting date.

6. Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires Management to exercise its judgment in the process of applying the Company's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on Management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- **Income taxes**

Significant judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

LOULIS INTERNATIONAL FOODS ENTERPRISES (BULGARIA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

6. Critical accounting estimates and judgments (continued)

• Impairment of investments in subsidiaries

The Company periodically evaluates the recoverability of investments in subsidiaries whenever indicators of impairment are present. Indicators of impairment include such items as declines in revenues, earnings or cash flows or material adverse changes in the economic or political stability of a particular country, which may indicate that the carrying amount of an asset is not recoverable. If facts and circumstances indicate that investment in subsidiaries may be impaired, the estimated future discounted cash flows associated with these subsidiaries would be compared to their carrying amounts to determine if a write-down to fair value is necessary.

• Impairment of loans receivable

The Company periodically evaluates the recoverability of loans receivable whenever indicators of impairment are present. Indicators of impairment include such items as declines in revenues, earnings or cash flows or material adverse changes in the economic or political stability of a particular country in which the borrower operates, which may indicate that the carrying amount of the loan is not recoverable. If facts and circumstances indicate that loans receivable may be impaired, the estimated future discounted cash flows associated with these loans would be compared to their carrying amounts to determine if a write-down to fair value is necessary.

7. Other operating income

	2019 €	2018 €
Consultancy fees	120.000	120.000
Reversal of expected credit loss	10.026	2.698
	<u>130.026</u>	<u>122.698</u>

8. Administration expenses

	2019 €	2018 €
Staff costs	127.389	127.288
Other professional fees	14.216	16.554
Overseas travelling	14.186	10.676
Right of use space	6.600	6.750
Auditor's remuneration	6.580	8.150
Legal fees	5.573	4.500
Courier expenses	464	-
Annual levy	350	350
Telephone and postage	230	25
Depreciation	125	92
Stationery and printing	-	259
Municipality taxes	-	200
	<u>175.713</u>	<u>174.844</u>

9. Other expenses

	2019 €	2018 €
Prior year's expenses	2.217	5.626
	<u>2.217</u>	<u>5.626</u>

LOULIS INTERNATIONAL FOODS ENTERPRISES (BULGARIA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

10. Staff costs

	2019	2018
	€	€
Salaries	120.000	120.000
Wages	6.508	6.508
Social security costs	881	780
	<u>127.389</u>	<u>127.288</u>
Average number of employees (including Directors in their executive capacity)	<u>1</u>	<u>1</u>

11. Finance income/(costs)

	2019	2018
	€	€
Loan interest income	18.507	24.862
Finance income	<u>18.507</u>	<u>24.862</u>
Sundry finance expenses	(1.670)	(1.673)
Finance costs	<u>(1.670)</u>	<u>(1.673)</u>
Net finance income	<u>16.837</u>	<u>23.189</u>

12. Tax

The tax on the Company's results before tax differs from theoretical amount that would arise using the applicable tax rates as follows:

	2019	2018
	€	€
Loss before tax	(31.067)	(39.342)
Tax calculated at the applicable tax rates	(3.883)	(4.918)
Tax effect of expenses not deductible for tax purposes	2.089	2.015
Tax effect of allowances and income not subject to tax	(1.263)	(13)
Tax effect of tax loss for the year	3.057	2.916
Tax charge	<u>-</u>	<u>-</u>

The corporation tax rate is 12,5%.

Under certain conditions interest income may be subject to defence contribution at the rate of 30%. In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 17%.

Due to tax losses sustained in the year, no tax liability arises on the Company. Under current legislation, tax losses may be carried forward and be set off against taxable income of the five succeeding years.

LOULIS INTERNATIONAL FOODS ENTERPRISES (BULGARIA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

13. Property, plant and equipment

	Furniture, fixtures and office equipment €
Cost	
Additions	499
Balance at 31 December 2018/ 1 January 2019	499
Balance at 31 December 2019	499
Depreciation	
Charge for the year	92
Balance at 31 December 2018/ 1 January 2019	92
Charge for the year	125
Balance at 31 December 2019	217
Net book amount	
Balance at 31 December 2019	282
Balance at 31 December 2018	407

14. Investment in subsidiary

	2019 €	2018 €
Balance at 1 January	3.561.774	3.566.533
Impairment charge	-	(4.759)
Balance at 31 December	3.561.774	3.561.774

The details of the subsidiary is as follows:

<u>Name</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	Holding %	2019 €	2018 €
Loulis Mel Bulgaria EAD	Bulgaria	Trade	100	3.561.774	3.561.774
				3.561.774	3.561.774

During 2017, the Company contributed the amount of €3.540.853 as a consideration of the 532.000 shares of the new shares issued by Loulis Mel Bulgaria EAD. The Company holds 100% of Loulis Mel Bulgaria EAD.

LOULIS INTERNATIONAL FOODS ENTERPRISES (BULGARIA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

15. Loans receivable

	2019	2018
	€	€
Balance at 1 January	60.000	-
New loans granted	-	60.000
Repayments	<u>(24.643)</u>	<u>-</u>
Balance at 31 December	<u>35.357</u>	<u>60.000</u>
	2019	2018
	€	€
Loan to related party (Note 21.3)	<u>35.357</u>	<u>60.000</u>
	<u>35.357</u>	<u>60.000</u>

The fair values of loans receivable approximate to their carrying amounts as presented above.

16. Receivables

	2019	2018
	€	€
Receivables from related parties (Note 21.2) (1)	449.082	504.355
Receivables from subsidiary (Note 21.2)	198.000	120.305
Other receivables	44.833	46.603
Refundable VAT	31.999	25.898
Deposits and prepayments	<u>3.500</u>	<u>3.500</u>
	<u>727.414</u>	<u>700.661</u>

(1) The balance of receivables from related parties for the amount of €449.082, represents the net balance after the provision for expected credit losses under IFRS9 for the amount of €8.417 (2018: €18.443).

The fair values of receivables due within one year approximate to their carrying amounts as presented above.

17. Cash and cash equivalents

Cash balances are analysed as follows:

	2019	2018
	€	€
Cash in hand	209	209
Cash at bank	<u>53.215</u>	<u>86.245</u>
	<u>53.424</u>	<u>86.454</u>

18. Share capital

	2019	2019	2018	2018
	Number of shares	€	Number of shares	€
Authorised				
Ordinary shares of €1,71 each	<u>1.167.625</u>	<u>1.996.639</u>	<u>1.167.625</u>	<u>1.996.639</u>
Issued and fully paid				
Balance at 1 January	<u>957.625</u>	<u>1.637.539</u>	<u>957.625</u>	<u>1.637.539</u>
Balance at 31 December	<u>957.625</u>	<u>1.637.539</u>	<u>957.625</u>	<u>1.637.539</u>

LOULIS INTERNATIONAL FOODS ENTERPRISES (BULGARIA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

19. Other payables

	2019	2018
	€	€
Accruals	2.201	-
Social insurance and other taxes	246	105
Other creditors	60	2.380
	<u>2.507</u>	<u>2.485</u>

The fair values of other payables due within one year approximate to their carrying amounts as presented above.

20. Current tax liabilities

	2019	2018
	€	€
Special contribution for defence	12.720	12.720
	<u>12.720</u>	<u>12.720</u>

21. Related party transactions

The Company is controlled by Myloi Louli S.A., incorporated in Greece, which owns 100% of the Company's shares.

The following transactions were carried out with related parties:

21.1 Directors' remuneration

The remuneration of Directors and other members of key management was as follows:

	2019	2018
	€	€
Directors' remuneration	120.000	120.000
	<u>120.000</u>	<u>120.000</u>

21.2 Receivables from related parties (Note 16)

<u>Name</u>	<u>Nature of transactions</u>	2019	2018
		€	€
Bikecor Services Ltd (3)	Trade and finance	457.499	513.740
Loulis Mel Bulgaria EAD (2)	Consulting fees	198.000	120.305
Marry Lane Ltd (1)	Consulting fees	-	9.057
Provision for credit loss		<u>(8.417)</u>	<u>(18.443)</u>
		<u>647.082</u>	<u>624.659</u>

(1) On 14th September 2018 the Company entered into an agreement with Marry Lane Ltd, to off set a liability of €110.943 that Marry Lane Ltd has to Loulis International Foods Enterprises (Bulgaria) Limited, with a payable of €110.943 that Loulis International Foods Enterprises (Bulgaria) Limited has to Marry Lane Ltd. The receivable balance was recovered during the year.

(2) On 31st October 2018 the Company entered into an agreement with Loulis Mel Bulgaria EAD for consulting services for the amount of €120.000.

(3) On 4 January 2010, the Company entered into an agreement with Bikecor Services Ltd to grant an amount of €900.000 with interest 5% annually (Note 11).

LOULIS INTERNATIONAL FOODS ENTERPRISES (BULGARIA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

21. Related party transactions (continued)

21.3 Loan to related party (Note 15)

	2019	2018
	€	€
Constantinos Loulis (1)	<u>35.357</u>	<u>60.000</u>
	<u><u>35.357</u></u>	<u><u>60.000</u></u>

(1) On 1st October 2018 the Company entered into an agreement with Mr. Konstantinos Loulis, which was amended on 24th October 2018, to provide him with a loan facility received by him in drawdowns of a total of €250.000.

22. Events after the reporting period

There were no material events after the reporting period, which have a bearing on the understanding of the financial statements.

Independent auditor's report on pages 2 to 3

LOULIS INTERNATIONAL FOODS ENTERPRISES (BULGARIA) LIMITED

COMPUTATION OF WEAR AND TEAR ALLOWANCES

For the year ended 31 December 2019

	Year	%	COST				ANNUAL ALLOWANCES				Net value 31/12/2019 €
			Balance 01/01/2019 €	Additions for the year €	Disposals for the year €	Balance 31/12/2019 €	Balance 01/01/2019 €	Charge for the year €	On disposals €	Balance 31/12/2019 €	
<u>Furniture, fixtures and office equipment</u>											
Computers	2019	20	407	-	-	407	-	81	-	81	326
			407	-	-	407	-	81	-	81	326

LOULIS INTERNATIONAL FOODS ENTERPRISES (BULGARIA) LIMITED

COMPUTATION OF CORPORATION TAX

For the year ended 31 December 2019

	Page	€	€
Net loss per income statement	4		(31.067)
<u>Add:</u>			
Depreciation		125	
Registrar of Companies annual levy		350	
Notional interest on loans to related parties		1.097	
Audit fees paid for other companies		4.180	
Notional interest on receivables from related parties		10.965	
			<u>16.717</u>
			(14.350)
<u>Less:</u>			
Annual wear and tear allowances	21	81	
Reversal of expected credit loss		10.026	
			<u>(10.107)</u>
Net loss for the year			<u>(24.457)</u>
Loss brought forward			<u>(104.123)</u>
Loss			(128.580)
Unutilised loss of the year 2014 not carried forward			<u>51.314</u>
Net loss carried forward			<u><u>(77.266)</u></u>

CALCULATION OF TAX LOSSES FOR THE FIVE YEAR PERIOD

Tax year	2014	2015	2016	2017	2018	2019
	€	€	€	€	€	€
Profits/(losses) for the tax year	(51.314)	29.127	(29.482)	34.497	(23.327)	(24.457)
Gains Offset (€)	-	-	-	-	-	-
- Year						
Gains Offset (€)	-	-	-	-	-	-
- Year						
Gains Offset (€)	-	-	-	-	-	-
- Year						
Gains Offset (€)	-	-	-	-	-	-
- Year						
Gains Offset (€)	-	-	-	-	-	-
- Year						

Net loss carried forward (77.266)