LOULIS MEL BULGARIA EAD

AUDITOR’S REPORT
AND FINANCIAL STATEMENTS

December 31, 2019

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LEGAL STATUS AND ORGANIZATION

“Loulis Mel Bulgaria” EAD (the “Company”) is a share stock company, registered on 22 February 2016 and existing under the law of Republic of Bulgaria. The sole owner of the Company is Loulis International Foods Enterprises (Bulgaria) Limited, company registered and existing under the law of Republic of Cyprus, registration No. 110334. The shares of the Company are not publicly traded.

The company has the following Scope of activity:
Holding of roller mill and in general of industrial and commercial undertakings reducible to flour industry, cereals, mixtures, raw materials and chemicals for the manufacture of bakery and confectionery, manufacture of animal feed, agricultural products in general, and foodstuffs and agricultural supplies, fertilizers etc.

Production, purchase and resale, import, export and generally the distribution and marketing of cereal products or other land products, agricultural products and foodstuffs in general and agricultural supplies, fertilizers, mixtures, raw materials and chemicals for the manufacture of bakery and confectionery etc.

c) Manufacture or purchase and holding by any way of facilities and means of storage, packaging and distribution of the aforesaid products and the operation of transport means of such products owned by the company or third parties.

d) Provision of all types of services, intermediary or other, in the course of trade and generally the movement of the aforesaid products.

e) Production, marketing, processing, holding, working, preservation, handling of all foodstuffs, raw materials of which are such products are manufactured, or of derived products thereof and the pursuit of any relevant activity.

f) Manufacture and trading of machinery for production and processing of kataifi pastry sheet, bakery wares, confectionary and food, mixtures, raw materials and chemicals for the manufacture of bakery and confectionery and all kinds of machinery and equipment.

g) Transaction of imports and exports with regard to the above or related items, raw materials and derivatives or by-products or packaging, maintenance or handling movement materials thereof.

h) Provision of know-how and consultancy services in the field of food and food technology applications

RESEARCH AND DEVELOPMENT ACTIVITIES

The company has no activities in the research and development fields.

BRANCHES
The company has no branches.

FINANCIAL PERFORMANCE

The company prepares its financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), as adopted by the European Union (EU).

Selected items from the Statement of financial position as of 31.12.2019 are presented below in EUR:

Balance sheet items	**2 019**	**2 018**	**Change**
Non-current assets	7 330 976	5 148 848	2 182 128
Inventory	3 431 132	529 969	2 901 163
Cash and cash equivalents	342 960	119 439	223 521
Equity	2 326 621	3 080 584	(753 963)
Current liabilities	(4 820 895)	(2 766 366)	(2 054 529)

Selected items from the Statement of comprehensive income for the year ended 31.12.2019 are presented below:

P&L Items	**2019**	**2018**	**Change**
Net sales	971 053	1 255 890	(284 837)
COS	(958 069)	(1 014 314)	56 245
Total operating costs	(619 386)	(431 198)	(188 188)
Operating loss	(606 402)	(189 622)	416 780
Net loss	(753 963)	(213 185)	540 778

Financial ratios:

	2019	**2018**	**Change**
Profitability of sales ratio	-0.78	-0.17	-0.61
Profitability of the equity ratio	-0.32	-0.07	-0.25
Profitability of the liabilities ratio	-0.08	-0.08	-0.00
Assets capitalization ratio	-0.07	-0.04	-0.03
Cost efficiency ratio	0.56	0.85	-0.29
Revenue efficiency ratio	1.78	1.17	0.61
Current ratio	0.86	0.25	0.61
Quick liquidity ratio	0.14	0.06	0.08
Immediate liquidity ratio	0.14	0.06	0.08
Absolute liquidity ratio	0.07	0.04	0.03
Financial autonomy ratio	0.25	1.11	-0.86
Debt ratio	3.92	0.90	3.02
Return on equity ratio	-0.32	-0.07	-0.25
Return on assets ratio	-0.07	-0.04	-0.03

FINANCIAL RISK MANAGEMENT

Company's activity is exposed to the following financial risks: market risk (including currency and price risk), credit risk and liquidity risk. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

A) Market risk

Risk from exchange rate movements
The Company operates in Bulgaria and it is not exposed to currency risk as transactions in foreign currency are denominated in Euro. Currently the Euro exchange rate is fixed to the Bulgarian lev as the value of 1 EUR = 1.95583 BGN.
The Company's management does not expect the rate BGN/EUR to change over the next 12 months and therefore no analysis of the effects on financial results related to currency risk has been performed.

Price risk
The Company monitors the price risk in the context of expected future operating income. Considering the specifics of the company's activity, management assesses this risk as insignificant.

B) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. According to the specifics of the company's activities the credit risk is minimal, since almost all significant sales are insured against credit insurance and the management does not give a large exposure to individual companies, if not insured.

C) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to manage liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

INFORMATION IN ACCORDANCE WITH THE REQUIREMENTS OF THE COMMERCIAL ACT

a) The Board of Directors was given no share-based payments.

b) The members of the Board of Directors of the Company did not receive compensation for the financial 2019 year.

c) In the financial 2019 year the members of the Board of Directors neither acquired, nor held or transferred shares of the Company, or had the right to acquire such shares. All shares of the Company are an exclusive property of their holders. The Company has not issued debentures.

d) None of the members of the Board of Directors signed contracts in the financial 2019 in accordance with the provisions of Art. 240b of the Commercial Act.

SUBSEQUENT EVENTS

Important information in regards to the Pandemic "Covid-19"

On March 11, 2020, the World Health Organization declared a coronavirus pandemic (Covid 19), and on March 13, 2020, the Bulgarian government declared a state of emergency.

Measures have been introduced to limit the outbreak of infection, including work from home, temporary closing of schools, universities, restaurants, cinemas, theaters, museums and sports facilities, retailers with the exception of food retailers, grocery stores and pharmacies.

The Company's management carefully analyzes the potential effects of the pandemic and the restrictions imposed by the government, expecting an overall reduction in economic activity and liquidity for the country's economy, which will also affect the Company's activities.

Based on publicly available information at the date of the financial statements, management has taken action to mitigate the adverse effects of the pandemic, which include: a) a work from home regime (tele-working) for those employees that this is possible, b) the postponement of all business meetings and relevant company events, c) the reduction of employees movement and finally, d) the regular disinfection of the working place. Additionally, the Company’s management has ensured the daily support and guidance of its employees, aiming the better adoption of the new reality.

The Company’s management believes that based on the current information, the effects of the pandemic will not affect materially the business activity and financial position of the Company. Particularly, the Company is not included in the list of business that were ordered to postpone their activity. Accordingly, the company does not have clients that were forced to postpone their operations due too the pandemic and does not have any contract with companies that were forced to claim force majure and could not execute. In regards to the accounts receivables, the Company does not experience any material delay that could result in a cash flow challenge. Its loans repayments are conducted normally without any delay and all loan performance indicators are properly observed. The Company’s inventory is considered sufficient and there is no indication for any supply chain default.

Last, the management is monitoring the situation constantly, assesses the risks and adapts the required actions to ensure the minimization of the pandemic effect.

For the period after the reporting date until the date of the preparation of these financial statements no other significant and /or material adjusting or non-adjusting events took place concerning the activities of the Company, the non-disclosure of which could influence the true and fair presentation of the financial statements.

MANAGEMENT RESPONSIBILITY FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

Management is required by Bulgarian law to prepare financial statements each financial year that give a true and fair view of the financial position of the Company as at the year end and of its financial performance and cash-flows for the year.

Management confirms that appropriate accounting policies have been applied and the financial statements are prepared using the prudence concept for the recognition and valuation of the assets, liabilities, income and expenses. The financial statements are prepared based on the going concern concept.

Management also confirms that applicable accounting standards have been used and the financial statements are prepared based on the going concern assumption.

Management is responsible for the proper maintaining of the Company's financial records, for the proper use and safeguarding of the assets and for taking proper measures to avoid any mistakes and fraud.

Nikolaos Loulis
Executive Director

LOULIS MEL BULGARIA EAD
STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2019
All amounts are in EUR, except otherwise stated

	Notes	As of 31.12.2019	As of 31.12.2018
Assets			
Non-current assets			
Property, plant and equipment	4.1.	7 307 263	5 148 848
Right-of-use Assets	4.2.	23 713	-
Total Non-current assets		**7 330 976**	**5 148 848**
Current assets			
Inventory	5	3 431 132	529 969
Trade and other receivables	6.1	318 811	37 779
Receivables from related parties	6.2,15	33 716	10 915
Cash and cash equivalents	7	342 960	119 439
Total Current assets		**4 126 619**	**698 102**
TOTAL ASSETS		**11 457 595**	**5 846 950**
EQUITY AND LIABILITIES			
Equity			
Share capital	8	297 572	297 572
Share premium reserves	8	3 264 087	3 264 087
Prior year retained loss		(481 075)	(267 890)
Net loss for the year		(753 963)	(213 185)
Total Equity		**2 326 621**	**3 080 584**
Non-current liabilities			
Bank long term loan	10	4 294 852	-
Lease liabilities	17	15 227	
Total Non-current liabilities		**4 310 079**	**-**
Current liabilities			
Short term loans due to related parties	15	2 300 000	1 967 889
Bank short term loan	10	637 128	
Trade and other payables	9	360 586	33 477
Trade payables to related parties	15	1 514 613	765 000
Lease liabilities	17	8 568	
Total Current liabilities		**4 820 895**	**2 766 366**
TOTAL EQUITY AND LIABILITIES		**11 457 595**	**5 846 950**

These financial statements have been approved by the management on 13/05/2020
Nikolaos Loulis
Executive Director

Certified according to the auditor's report: BDO Bulgaria OOD

Stoyanka Apostolova,
Manager
Registered Auditor, responsible for the audit

Nedyalko Apostolov,
Manager

The accompanying notes are an integral part of these financial statements.

LOULIS MEL BULGARIA EAD
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019
All amounts are in EUR, except otherwise stated

	Notes	**Period ended 31.12.2019**	**Period ended 31.12.2018**
Revenue from contracts with customers	11	971 053	1 255 890
Cost of goods sold		(958 069)	(1 014 314)
Gross Profit		**12 984**	**241 576**
Selling and distribution costs	12	(188 309)	(273 904)
Administration expenses	13	(431 077)	(157 294)
Operating profit		**(606 402)**	**(189 622)**
Finance costs	14	(147 561)	(23 563)
Finance income/(costs), net		**(147 561)**	**(23 563)**
Profit before income tax		**(753 963)**	**(213 185)**
Income tax expense		-	-
Profit for the period		**(753 963)**	**(213 185)**
Other comprehensive income for the period		-	-
Total comprehensive income for the period		**(753 963)**	**(213 185)**

These financial statements have been approved by the management on 13/05/2020

Nikolaos Loulis
Executive Director

Certified according to the auditor's report: BDO Bulgaria OOD

Stoyanka Apostolova,
Manager
Registered Auditor ,responsible for the audit

Nedyalko Apostolov,
Manager

The accompanying notes are an integral part of these financial statements.

LOULIS MEL BULGARIA EAD
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019
All amounts are in EUR, except otherwise stated

	Year ended 31.12.2019	Year ended 31.12.2018
Cash flows from operating activities		
Profit before tax	(753 963)	(213 185)
Adjustments for:	-	-
Depreciation	73 209	7 142
Interest expenses	108 756	17 889
Cash flows from operating activities before changes in working capital	**(571 997)**	**(188 154)**
(Increase)/decrease in inventory	(2 901 163)	486 655
(Increase)/decrease in trade and other receivables	(303 833)	44 202
Increase/(decrease) in trade and other payables	1 071 769	729306
Cash flows from operating activities	**(2 705 225)**	**1 072 009**
Interest received/(paid)	(126 645)	-
Income tax paid	-	-
Net cash flows (used in)/ from operating activities	**(2 831 870)**	**1 072 009**
Cash Flows from investing activities		
(Purchase)/Sale of property, plant and equipment	(2 226 589)	(2 966 037)
Net Cash Flow used in investing activities	**(2 226 589)**	**(2 966 037)**
Cash Flows from financing activities		
Proceeds from loans to related parties	4 050 000	1 950 000
Repayment of loans to related parties	(3 700 000)	-
Proceeds from Bank Loans	4 931 980	
Net Cash Flow from financing activities	**5 281 980**	**1 950 000**
Increase/(decrease) in cash and cash equivalents	**223 521**	**55 972**
Cash and cash equivalents as of January 01, 2019	119 439	63 467
Cash and cash equivalents as of December 31, 2019	**342 960**	**119 439**

These financial statements have been approved by the management on 13/05/2020

Nikolaos Loulis
Executive Director

Certified according to the auditor's report: BDO Bulgaria OOD

Stoyanka Apostolova,
Manager
Registered Auditor, responsible for the audit

Nedyalko Apostolov,
Manager

The accompanying notes are an integral part of these financial statements.

	Share capital	Share premium reserves	Retained earnings/ (loss)	Net profit (loss) for the year	Total
BALANCE AT 01 JANUARY 2018	**297 572**	**3 264 087**	**(73 372)**	**(194 518)**	**3 293 769**
Transfer to Retained Earnings	-	-	(194 518)	194 518	**-**
Total comprehensive income for the year ended 31.12.2018	-	-	-	(213 185)	**(213 185)**
BALANCE AT 31 DECEMBER 2018	**297 572**	**3 264 087**	**(267 890)**	**(213 185)**	**3 080 584**

	Share capital	Share premium reserves	Retained earnings/ (loss)	Net profit (loss) for the year	Total
BALANCE AT 01 JANUARY 2019	**297 572**	**3 264 087**	**(267 890)**	**(213 185)**	**3 080 584**
Transfer to Retained Earnings	-	-	(213 185)	213 185	-
Total comprehensive income for the year ended 31.12.2019	-	-	-	(753 963)	**(753 963)**
BALANCE AT 31 DECEMBER 2019	**297 572**	**3 264 087**	**(481 075)**	**(753 963)**	**2 326 621**

These financial statements have been approved by the management on 13/05/2020

Nikolaos Loulis
Executive Director

Certified according to the auditor’s report: BDO Bulgaria OOD

Stoyanka Apostolova,
Manager
Registered Auditor, responsible for the audit

Nedyalko Apostolov,
Manager

The accompanying notes are an integral part of these financial statements.

1 Legal status

"Loulis Mel Bulgaria" EAD (the "Company") is a share stock company, registered on 22 February 2016 and existing under the law of Republic of Bulgaria. The shares of the Company are not publicly traded.

As of 31 December 2019, the sole owner of the Company is Loulis International Foods Enterprises (Bulgaria) Limited, company registered and existing under the law of Republic of Cyprus, registration No. 110334.

The Company operates in the Republic of Bulgaria and has the following headquarters: 57, "Treti Mart" str., 9500 General Toshevo, Dobrich Municipality, Bulgaria

Managing Directors of the Company are Nikolaos Loulis and Dimitrios Tarnaras.

The company has the following scope of activity:

a) Holding of roller mill and in general of industrial and commercial undertakings reducible to flour industry, cereals, mixtures, raw materials and chemicals for the manufacture of bakery and confectionery, manufacture of animal feed, agricultural products in general, and foodstuffs and agricultural supplies, fertilizers etc.

b) Production, purchase and resale, import, export and generally the distribution and marketing of cereal products or other land products, agricultural products and foodstuffs in general and agricultural supplies, fertilizers, mixtures, raw materials and chemicals for the manufacture of bakery and confectionery etc.

c) Manufacture or purchase and holding by any way of facilities and means of storage, packaging and distribution of the aforesaid products and the operation of transport means of such products owned by the company or third parties.

d) Provision of all types of services, intermediary or other, in the course of trade and generally the movement of the aforesaid products.

e) Production, marketing, processing, holding, working, preservation, handling of all foodstuffs, raw materials of which are such products are manufactured, or of derived products thereof and the pursuit of any relevant activity.

f) Manufacture and trading of machinery for production and processing of kataifi pastry sheet, bakery wares, confectionary and food, mixtures, raw materials and chemicals for the manufacture of bakery and confectionery and all kinds of machinery and equipment.

g) Transaction of imports and exports with regard to the above or related items, raw materials and derivatives or by-products or packaging, maintenance or handling movement materials thereof.

h) Provision of know-how and consultancy services in the field of food and food technology applications

2 Basic for preparation of the financial statements

2.1 General financial reporting framework

The company prepares its financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), as adopted by the European Union (EU).

2.2 Accounting principles and going concern assumption

The financial statements are prepared for general purposes on accrual basis and under the going concern assumption and the historical cost convention, and provide information about the Company's financial position, operations and cash flows for the year ended December 31, 2019.

2.3 Functional and presentation currency

In accordance with the Bulgarian accounting legislation, the Company keeps its records and prepares its financial statements in the national currency of the Republic of Bulgaria – Bulgarian lev (BGN), which was pegged to the Euro at BGN 1.95583 = EUR 1 on January 1, 1999.
These financial statements are in EURO, unless otherwise stated.

2.4 Foreign currency

All transactions in foreign currency are initially recorded by applying the central exchange rate of the National Bank of Bulgaria (BNB) on the day of the transaction to the amount in foreign currency. The exchange rate differences, arising from

3. Significant Accounting Policies

the settlement of receivables and liabilities in foreign currency or from revaluation at exchange rates that are different from those at which they were initially recorded, are reported as finance income or finance costs for the period in which they arise. Cash, receivables and liabilities in foreign currency are calculated at the BNB closing exchange rate at December 31, 2019.

3.1. Revenue

Recognition of revenue under contracts with customers

Revenue in the Company is recognized when control over the goods and / or services promised to the customer is transferred to the customer. Control is transferred to the client when the contract obligations are met by transferring the promised goods and / or performing the promised services.

Assessment of a contract with a customer
A contract with a customer exists when:

- the parties have approved it;
- the rights of each party can be identified;
- the payment arrangements can be identified;
- the contract has a commercial substance;
- it is probable that the entity will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer

A contract for which any of the above criteria has not yet been met is subject to a reassessment of each reporting period. Remuneration received under such a contract is recognized as a liability (contract liability) in the statement of financial position until all criteria for recognition of a customer contract are met and the company has fulfilled its performance obligations. In the initial assessment of contracts with client, the company further analyzes and assesses whether two or more contracts are to be considered in their combination and to be reported as one. Any promise to transfer goods and / or services that are identifiable or series of identifiable goods or services, which are essentially the same are reported as a performance obligation. The Company recognizes revenue for each separate performance obligation at the level of the individual contract with a client by analyzing the type, timing and terms of each particular contract

Measurement of revenue under contracts with customers
Revenue is measured based on the transaction price specified for each contract. The transaction price is the amount of the consideration the company expects to be entitled to, except for amounts collected on behalf of third parties. In determining the transaction price, the company takes into account the terms of the contract and its usual business practices, the influence of variable remuneration, the existence of a significant financial component, non-monetary remuneration and remuneration owed to the client. For contracts with more than one performance obligation, the transaction price is allocated to each performance obligation based on the individual sales prices of each commodity and service.

The change in the scope and the price of the contract is recorded as a separate contract or as part of the existing contract depending on whether the change is related to the addition of identifiable goods and services, and the determined price for them.

Performance obligations under contracts with customers
The revenue generated in the company is from the sale of goods and services. Overall, the company has come to the conclusion that it acts as a principal in its dealings with customers as the company usually controls the goods and services before transferring them to the customer.

Revenue from rendering of services
The control over the services is transferred at the time it is delivered. Revenue is recognized over time by

Summary of significant accounting policies (continued)

measuring the degree of performance of the company's liabilities (stage of completion). To measure the stage of completion, the company uses the linear method. Revenue, cost and completion estimates are reviewed if circumstances change.
Any subsequent increase or decrease in expected revenue and expense is reflected in profit or loss in the period in which the circumstances that led to the review become known to the management.

Price and payment terms
Sales prices are usually fixed on a general or customer price list and different forms of variable remuneration. Determining the transaction price also takes into account amounts due to the client, non-monetary remuneration and the existence of a significant financial component.

Variable remuneration
Variable remuneration is included in the transaction price only to the extent that it is highly probable that no material adjustment will occur to the amount of the cumulative gain recognized.

Significant financial component
The company has analyzed and determined that the length of time between the moment the customer pays for the promised goods and services and the moment of transfer of control over those goods and services is within twelve months and the agreed remuneration does not have a significant financial component. The collected prepaid payments by the client are presented in the statement of financial position as contract liabilities.

Costs from contracts with customers
As contract costs with customers, the Company recognizes:

- the additional and directly related costs that it assumes when signing a contract with a customer and expects these costs to be reimbursed over a period of more than 12 months (*costs of obtaining a contract with a customer*) and
- The costs incurred in executing a contract with a customer and directly related to the specific contract help to generate resources for use in the actual execution of the contract and are expected to be reimbursed over a period of more than twelve months (*costs for performance of such contracts*).

Balances on contracts with customers
Trade receivables and contract assets
The contract asset is the right of the company to receive remuneration in return for the goods or services it has transferred to the client but which is not unconditional (the charge for the receivable). If, through the transfer of the goods and the provision of the services, the company fulfills its obligation before the client pays the relevant remuneration and before the payment becomes due, a contract asset is recognized for the earned remuneration (which is conditional). Recognized contract assets are reclassified as a trade receivable when the right to remuneration becomes unconditional. The right to remuneration is considered to be unconditional, if the only condition for payment of the remuneration to be due is the expiration of a certain period of time.

Contract liabilities
As a contract liability, the company presents the payments received by the client or an unconditional right to receive a payment before fulfilling its contractual obligations. Contract liabilities are recognized as income when performance obligations are fulfilled.

Contract assets and liabilities are presented as part of the other receivables and payables in the statement of financial position and disclosed separate in the notes.

After initial recognition, trade receivables and contract assets are assessed for impairment in accordance with IFRS 9 *Financial Instruments*.

Summary of significant accounting policies (continued)

3.2. Taxation

Income tax expense comprises the amount of current and deferred taxes. The current taxes due are calculated based on the annual taxable profit. The taxable annual profit is different from the profit reported in the financial statements since some revenue and expenditure items, taxable or deductible in other periods, as well as some items that are not taxable or deductible, are excluded from its amount. The Company's current tax liability is determined based on the tax rate effective at the date of the statement of financial position.

Deferred taxes arise from differences between the tax base of assets and liabilities, used to calculate the taxable profit, and their carrying amount specified in the financial statements by applying the balance sheet liability method. Deferred tax liabilities are recognized in respect to all taxable temporary differences, and deferred tax assets are recognized to the extent that it is probable that taxable profit will be available, against which deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred taxes are calculated at the tax rates that are expected to be applicable for the accounting period in which the tax assets are realized or the tax liabilities paid. Deferred taxes are included in the profit or loss except when the taxes arise from transactions or events which are credited or charged directly to equity. In such cases deferred taxes are recognized directly in equity. Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority.

3.3. Property, plant and equipment

The properties plant and equipment are presented at acquisition cost. The acquisition cost includes the purchase price, including import duties and non-refundable purchase taxes, and any directly attributable costs for bringing the asset to working condition for its intended use. The value of the assets constructed by the company includes the cost of materials, direct labor and the appropriate proportional share of production overheads, plus the costs directly attributable to bringing the asset to a working condition for its intended use. Purchased software without which the functioning of the purchased equipment is impossible, is capitalized as part of such equipment.

When the property, plant and equipment contain elements of different duration of economic useful life, they are reported separately.

Gains and losses on disposal of property, plant and equipment are determined by comparing eventual proceeds from them with their balance value and are recognized at net value under "Other income" or "Other expenses" in the statement of comprehensive income.

After the initial recognition the property, plant and equipment is presented at cost less any accumulated depreciation and any accumulated impairment losses.

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Derecognition of property, plant and equipment from the balance sheet is carried out when selling the asset or when the asset is completely out of use and no other economic benefit is expected to flow. Gains or losses arising from the derecognition of an item of property, plant and equipment is determined as the difference

Summary of significant accounting policies (continued)

between the net disposal proceeds, if any, and the carrying amount of the item and is included in comprehensive income.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives are as Group policy as follows:

Buildings	40 years
Computers	5 years
Telecommunication equipment	10 years
Furniture and fixtures	10 years
Vehicles	6.25 years
Machinery	35 years
Equipment	8.33 years
Trucks	8.33 years
Software	5 years

The accrual of the accounting depreciation starts from the beginning of the month following the month when the depreciable asset was put into operation.

The accrual of the tax depreciation starts from the beginning of the month following the month when the depreciable asset was put into operation.

When the residual value of the depreciable asset is an insignificant amount or as a percentage compared to its book value, it can be ignored. In these cases, the depreciable cost of the asset is equal to its book value.

The carrying values of fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may differ from their recoverable amount. If such indications exist that the estimated recoverable amount is lower than its carrying amount, the latter is adjusted to the recoverable amount of the assets. The recoverable amount of fixed assets is the higher of the fair value less costs to sell or value in use. 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 conditions and assessments of the time value of money and the risks specific to the asset. Impairment losses are recognized in the statement of comprehensive income.

3.4. ***Intangible assets***

Intangible assets are initially presented at acquisition cost, which includes the purchase price (including duties and taxes recovered) and all direct costs. The materiality threshold is BGN 700, under which the non-current assets are recognised in profit or loss for the period.
Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets.
Estimated useful life of software is 2 years. Intangible assets with indefinite useful lives are not amortized.
The carrying value of intangible assets is subject to review for impairment when events or changes in circumstances indicate that the carrying amount may exceed their recoverable amount. Impairment losses are then included as an expense in profit or loss.
Costs related to the maintenance of intangible assets are capitalized only when it increases the future economic benefits embodied in the asset. All other costs are recognized as an expense in profit or loss as incurred.

Summary of significant accounting policies (continued)

3.5. Leases

Accounting policy applicable from 01.01.2019

Lessee

Identifying 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.

Initial recognition and measurement
At the commencement date of the lease (the date on which the underlying asset is available for use) the Company recognizes a "right-of-use" asset and a lease liability.
The cost of the right-of-use asset includes:
- the amount of the lease liability as initially measured;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the lessee;
- an estimate of costs to be incurred in dismantling and removing the underlying asset.

The Company depreciates the right-of-use assets on a straight-line basis for the shorter of: the useful life of the right-of-use asset and the lease term.

The right-of-use assets are presented on a separate line in the statement of financial position, and their depreciation – in Depreciation expense in the statement of comprehensive income.

The lease liability includes the net present value of the following lease payments:
- fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option;
- payments of penalties for terminating the lease;
- amounts expected to be payable by the lessee under residual value guarantees.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined or with the Company's incremental borrowing rate, which is the rate of interest that would apply if the entity had to borrow the funds over a similar term, with a similar security, in a similar economic environment.

Lease payments are comprised of a certain portion of the finance costs (interest) and a corresponding portion of the lease liability (principal). Finance costs are charged to the statement of comprehensive income on a systematic basis during the period of the lease so as to achieve a constant interest rate on the remaining outstanding part of the principal of the lease liability.

3. Summary of significant accounting policies (continued)

Subsequent measurement
The company has selected to apply the cost model for all of its right-of-use assets. The assets are measured at cost less accumulated depreciation and accumulated impairment losses and adjusted for any remeasurements of the lease liability.

The Company subsequently measures the lease liability by:
- increasing the carrying amount to reflect the accrued interest;
- reducing the carrying amount to reflect the lease payments made;
- remeasuring the carrying amount to reflect any reassessments or lease modifications.
-

Accounting for lease reassessments and lease modifications
Following lease reassessment, the lessee recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is lower, any remaining amount of the remeasurement is recognized in profit or loss.

A lessee shall account for a lease modification as a separate lease if both:
- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

Payments in relation to short-term leases and leases of low value assets, as well as variable lease payments, which are not included in the lease liability, are directly expensed in the statement of comprehensive income on a straight-line basis over the period of the lease.

Lessor
IFRS 16 does not introduce significant changes in the accounting treatment of leases by the lessors. They continue to classify every lease agreement as either a finance or operating lease, applying rules similar to those in IAS 17, which are essentially transferred to the new IFRS 16.

Accounting policy applicable until 31.12.2018
Payments on operating lease agreements are recognized as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

3.6. Trade and other receivables

Trade receivables are the unconditional right of the company to receive remuneration from contracts with customers.

Initial measurement
Trade receivables are initially measured and presented at fair value based on the amount of the transaction. The Company does not have trade receivables with significant financing component.

Subsequent measurement
The Company holds trade receivables solely for the purpose of collecting contractual cash flows and subsequently measures them at amortized cost less the amount of accumulated impairment for expected credit losses.

Impairment

The Company applies the lifetime expected credit losses approach for all trade receivables using the simplified approach required by IFRS 9.

Expected credit losses from receivables are presented in "other expenses" in the statement of comprehensive income.

3.7. Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise of cash at banks and at hand and short-term deposits with an original maturity of three months or less. Accordingly, these are subsequently measured at their nominal value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalent and short-term deposits as defined above.

Cash and cash equivalents in banks are subsequently presented at amortized cost. The Company estimates the expected credit losses of cash equivalents as insignificant.

3.8. Interest-bearing loans and other borrowings

In the statement of financial position, all loans and other borrowed funds are initially stated at cost (nominal amount), which is assumed to be the fair value of the amount received under the transaction net of the direct costs associated with these loans and borrowed funds. After initial recognition, interest-bearing loans and other borrowed funds, are subsequently measured and presented in the statement of financial position at amortized cost determined using the effective interest rate method. Amortized cost is calculated by taking into account all types of charges, commissions and other costs, incl. discount or premium associated with these loans. Gains and losses are recognized in the statement of comprehensive income as finance income or finance cost during the amortization period.

Interest expenses are recognized for the period of the financial instrument on the basis of the effective interest rate method. Interest-bearing loans and other borrowed funds are classified as current except for the part for which the Company has an unconditional right to settle its obligation within more than 12 months of the end of the reporting period.

3.9. Trade and other payables

Trade and other current liabilities in the statement of financial position are presented at acquisition cost, which is considered as the fair value of the transaction and the amount that will be paid in the future for the goods and services received. In the case of payments deferred over the normal credit terms, where no additional interest payment is expected, or the interest differs significantly from the usual market rate, the liabilities are initially measured at fair value on the basis of their present value using discounted rate inherent for the company, and subsequently - at amortized cost.

3.10. Financial instruments

Initial recognition and subsequent measurement

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets
Initial recognition, Classification, and Measurement

Upon initial recognition, financial assets are classified in three groups, according to which they are subsequently measured at amortized cost, at fair value through other comprehensive income, and at fair value through profit or loss.

The Company initially measures financial assets at fair value and, in the case of financial assets not reported at fair value through profit or loss, plus any direct transaction costs. Exceptions are trade receivables that do not contain a significant financing component - they are measured at the transaction amount determined in accordance with IFRS 15.

Purchases or sales of financial assets, the terms of which require delivery of assets over a period of time normally established by statute or common practice (regular purchases), are recognized on the trading date (transaction), i.e. on the date that the company has committed to purchase or sell the asset.

The classification of financial assets upon initial recognition depends on the characteristics of the contractual cash flows of the respective financial asset and the business model within which the asset is held. In order to be classified and measured at amortized cost or at fair value through other comprehensive income, the contractual terms of the financial asset should give rise to cash flows that are solely payments of principal and interest (SPPI) on the outstanding amount of the principal. For this purpose, a SPPI test is performed on an instrument by instrument basis.

The entity's business model reflects how it manages its financial assets in order to generate cash flows. The business model determines whether the cash flows result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement
For the purpose of subsequent measurement the financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through other comprehensive income with the "recycling" of cumulative gains or losses (debt instruments)
- Financial assets at fair value through other comprehensive income without "recycling" of cumulative gains and losses (equity instruments)
- Financial assets at fair value through profit or loss (debt and equity instruments)

<u>Classification groups</u>

Financial assets at amortized cost (debt instruments)
The Company measures financial assets at amortized cost when both of the following conditions are met:

- the financial asset is held and used within a business model that is designed to hold it in order to collect the contractual cash flows from it, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest rate method. They are subject to impairment. Gains and losses are recognized in the statement of comprehensive income.

The company's financial assets at amortized cost include: cash and cash equivalents at banks, trade receivables, loans granted to third and related parties.

Financial assets at fair value through other comprehensive income (debt or equity instruments)
The Company does not have such assets.

Summary of significant accounting policies (continued)

Financial assets at fair value through profit or loss
The Company does not have such assets.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised from the statement of financial position of the company when:

- the rights to the cash flows from the assets have expired, or
- the entity has transferred the contractual rights to receive the cash flows from the asset, or the entity has assumed a contractual obligation to remit those cash flows without significant delay to a third party under a transfer arrangement wherein: a) the company has transferred substantially all the risks and rewards of ownership of the asset; or b) the company has neither transferred nor retained substantially all the risks and rewards of ownership of the asset but has not retained control of it.

When the company has transferred its rights to receive cash flows from the asset or has entered into a transfer agreement, it assesses whether and to what extent it retains the risks and rewards of ownership. When the Company has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset nor transferred control of the financial asset, it continues to recognize the transferred asset to the extent of its continuing involvement in the asset. In this case, the company also recognizes the related obligation. The transferred asset and the related liability are measured on a basis that reflects the rights and obligations that the Company has retained.
Continuing involvement in the form of a guarantee on the transferred asset is measured at the lower of: the initial carrying amount of the asset and the maximum amount of remuneration that the company may be required to pay.

Expected credit loss
The Company recognizes a loss allowance for expected credit losses on all debt instruments that are not measured at fair value through profit or loss. Expected credit losses are calculated as the difference between the contractual cash flows due under the terms of the contract and all cash flows that the company expects to receive discounted at the original effective interest rate. Expected cash flows also include the cash flows from the sale of the collateral held or other credit enhancements that form an integral part of the terms of the contract.

For the calculation of the expected credit losses on *loans granted to third and related parties* and *cash and cash equivalents at banks*, the Company applies the general approach for impairment set by IFRS 9. Under this approach, the Company applies a "three stage" impairment model based on changes in the credit quality of the financial asset subsequent to initial recognition.

<u>Expected credit losses are recognized in two stages:</u>

a. A financial asset that is not credit impaired at its initial origination / acquisition is classified in Stage 1. From its initial recognition, its credit risk and qualities are subject to continuous monitoring and analysis. Expected credit losses on financial assets classified in Stage 1 are determined on the basis of expected credit losses that arise from possible events of default that could occur within the next 12 months of the life of the asset (12-month expected credit loss for the instrument).

b. In the event that the credit risk of a financial instrument has increased significantly since initial recognition and as a result its performance deteriorates, it is classified in Stage 2. The expected credit losses of the financial assets classified in Stage 2 are determined for the total remaining life of the asset (lifetime expected credit losses).
The management of the company has developed a policy and a set of criteria for analyzing, identifying and assessing the occurrence of "significant increase in the credit risk".

Summary of significant accounting policies (continued)

In the event where the credit risk of a financial asset increases to the point indicating that a default event has occurred, the financial asset is considered impaired and is classified in Stage 3. At this stage, the loss incurred for the respective asset is calculated for its entire remaining life (term).

The management of the company has performed relevant analyzes, on the basis of which it has defined a set of criteria for non-performing events. One of these is contractual payments that are 90 days past due, unless there are circumstances that render this claim rebuttable for certain financial instruments. Other events, based on internal and external information, are also monitored for indications that the debtor is not in a position to repay all outstanding contractual amounts, incl. after taking into account all credit reliefs provided by the company.

The Company adjusts the expected credit losses, determined based on historical data, with estimated macroeconomic indicators that are found to be correlated and are expected to affect the amount of expected credit losses in the future.

The Company applies a simplified approach for calculating expected credit losses of *trade receivables, contract assets and lease receivables* under which it does not need to monitor subsequent changes in credit risk. Under this approach, it recognizes the lifetime expected credit losses for the receivables as an impairment allowance at each reporting date.

Financial liabilities
Initial recognition, Classification, and Measurement
Upon initial recognition, financial liabilities are classified as financial liabilities at fair value through profit or loss or as loans and borrowings, trade or other payables.

Initially, all financial liabilities are recognized at fair value and, in the case of loans and borrowings and trade and other payables, net of directly related transaction costs.

The financial liabilities of the Company include trade and other payables, loans, finance lease liabilities, and other borrowed funds.

Subsequent measurement
The subsequent measurement of the financial liabilities depends on their classification.

Classification groups
Financial liabilities at fair value through profit or loss
The Company does not have such liabilities.

Loans received and other borrowed funds
Subsequent to initial recognition, the Company measures interest-bearing loans and borrowings at amortized cost using the effective interest rate method. Gains and losses are recognized in the statement of comprehensive income when the relevant financial liability is derecognized, as well as through amortization on an effective interest rate basis.

Amortized cost is calculated by taking into account any discounts or premiums on acquisition, as well as fees or charges that are an integral part of the effective interest rate. The amortization calculated based on the effective interest rate is included in the "finance costs" in the statement of comprehensive income (in profit or loss for the year).
Derecognition
A financial liability is derecognized when, and only when the obligation specified in the contract is either discharged or cancelled or expires. Where there has been an exchange between an existing borrower and lender of debt instruments with substantially different terms, or there has been a substantial modification of the terms of an existing financial liability, this transaction is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. A gain or loss from extinguishment of the original financial liability is recognised in the statement of comprehensive income (in profit or loss for the year).

Summary of significant accounting policies (continued)

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is recognized in the statement of financial position when, and only when, the entity currently has a legally enforceable right of set-off and intends either to settle on a net basis or to realize the financial asset and settle the financial liability simultaneously.

This requirement stems from the idea for the real economic substance of a company's relationship with a counterparty and that, in the presence of these two requirements, the expected actual cash flow and the benefits for the enterprise are the net cash flow, i.e. the net amount reflects the actual right or obligation of the company regarding these financial instruments - in all circumstances to receive or pay only the net amount. If these conditions are not simultaneously met, it is assumed that the company's rights and obligations in respect of such balances (financial instruments) are not exhausted in all situations solely by the receipt or payment of the net amount.

The offsetting policy also relates to the assessment, presentation and management of the actual credit and liquidity risk associated with these balances.

The criteria that apply in establishing that the entity "currently has a legally enforceable right of set-off" are:

- the right to set-off must be available today rather than being contingent on a future event;
- it must be exercisable and legally enforceable, both in the normal course of business and in the event of:
    - default,
    - insolvency or
    - bankruptcy.

IFRS 13 Fair Value Measurement

The Company applies at each balance sheet date IFRS 13 Fair value measurement regarding financial instruments and non-financial assets measured at fair value.

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 to by the Company.

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 by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Summary of significant accounting policies (continued)
For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

At each reporting date, the management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The management, in conjunction with the valuation experts, also compares each the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

3.11. Inventories

Inventories are valued at the lower of cost and net realizable value using identification method on a single item basis. Costs incurred in bringing each product to its present location and condition, are included in the cost of acquisition.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

3.12. Issued capital

Issued capital represents the par value of shares issued and paid by the shareholders. Any proceeds in excess of par value are recorded in share premium reserves.

3.13. Adoption of new and revised standards

Certain new standards and amendments to existing standards, which will become effective for financial periods beginning after 1 January 2019, were not adopted earlier in these financial statements. The effects from these new standards and amendments are presented below:

Standards and amendments, issued by IASB/IFRIC and endorsed by EU, but not yet effective and not early adopted

Standards and amendments issued by IASB/IFRIC but not yet effective and not early adopted up to the date of issuance of the Company's financial statements are listed below. The Company intends to adopt those standards and amendments when they become effective.

Amendments to IAS 1 "Presentation of financial statements" and IAS 8 "Accounting policies, changes in accounting estimates and errors": Definition of Material (in force for annual periods beginning on or after 1 January 2020) - The management does not expect the adoption of these amendments to have a significant effect on the financial statements of the Company.

Amendments to References to the Conceptual Framework in IFRS Standards (in force for annual periods beginning on or after 1 January 2020) - The management does not expect the adoption of these amendments to have a significant effect on the financial statements of the Company.

Summary of significant accounting policies (continued)
3.13. Adoption of new and revised standards (continued)

Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform (in force for annual periods beginning on or after 1 January 2020) - The management does not expect the adoption of these amendments to have a significant effect on the financial statements of the Company.

Standards and amendments, issued by IASB but not yet endorsed by the EU
At present, the IFRS endorsed by EU are not materially different from those approved by the IASB, with the exception of the following new standards and amendments to existing standards, which have not yet been endorsed by EU as at the date of these financial statements (the effective dates stated below refer to full IFRS):

IFRS 17 "Insurance Contracts" (in force for annual periods beginning on or after 1 January 2021) - The management does not expect the adoption of this standard to have a significant effect on the financial statements of the Company.

Amendments to IFRS 3 "Business Combinations" (in force for annual periods beginning on or after 1 January 2020) - The management does not expect the adoption of these amendments to have a significant effect on the financial statements of the Company.

The Company expects that the adoption of these standards and amendments to existing standards will not have a material effect on the Company’s financial statements in the year of their first-time application.

Significant accounting judgments, estimates and assumptions

The preparation of the Company’s financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting period end. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting period end 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.

3.14. Calculation of expected credit losses for loans granted, trade receivables and contract assets

Estimating the expected credit loss for financial assets measured at amortized cost (loans granted, receivables and contract assets) is an area that requires the use of significant assumptions about future economic conditions and credit performance of customers and debtors (for example, the probability that the counterparties will not meet their obligations and the resulting losses).

For the application of these requirements, the management of the Company makes a number of material judgments, such as:

(a) setting criteria to identify and assess a significant increase in credit risk;

(b) selecting appropriate models and assumptions for measuring expected credit losses;

(c) formation of groups of similar financial assets (portfolios) for the purposes of measuring the expected credit losses;

(d) establishing and assessing the correlation between historical past due rates and the behavior of certain macro indicators in order to reflect the effects of future forecasts when calculating the expected credit losses.

Approximate estimates - revenue from contracts with customers
When recognizing revenue and preparing the annual financial statements, management makes various judgments, estimates and assumptions that affect the reported revenue, expense, assets and liabilities under contracts and their corresponding disclosures. Although the uncertainty regarding these assumptions and estimates, the Company

does not expect material adjustments to be made to the carrying amount of the assets and liabilities concerned in the future and, respectively, reported expenses and revenues.

Useful lives of property, plant and equipment and intangible assets
The recognition and measurement of property, plant and equipment and intangible assets require management to use significant accounting judgments based on estimates for their useful lives and residual values.

Impairment of trade receivables
Impairment on trade receivables is recognized when there is evidence that the Company will not be able to collect the full amount of the receivable in accordance with original contract terms. Considerable financial difficulties of the creditor, possibility for the creditor to enter into liquidation procedures or other financial reorganizations, non-fulfillment or deferral of payment (as mentioned below) are taken in consideration by the management when deciding whether to classify a receivable for impairment.

The estimate for doubtful or uncollectable debts is made at the end of each year end by the management on an individual basis depending on the overdue period, expectations and estimates for actual cash flows by each of these receivables.

Effects from the initial application of IFRS 16 Leases
IFRS 16 Leases, adopted by the EU on October 31, 2017, applicable for annual periods beginning on or after 1 January 2019, introduces a detailed model for identification of leases and their treatment in the financial statements of both lessors and lessees. IFRS 16 replaces IAS 17 Leases and the related interpretations IFRIC 4 Determining whether an arrangement contains a lease, SIC 15 Operating leases – Incentives, and SIC 27 Evaluating the substance of transactions involving the legal form of a lease. IFRS 16 removes the distinction between operating and finance lease in the accounting of the lessee and requires the recognition of right of use assets and lease liabilities for all lease contracts. The accounting requirements for lessors are essentially unchanged. The purpose of the standard is to improve the comparability of the financial statements and to provide information to users about the risks related to lease contracts.

The Company has selected to adopt IFRS 16 Leases using the modified retrospective approach. In line with this approach the comparative information for 2018 has not been restated. Instead the cumulative effect of the first time adoption of the standard has been recognized as an adjustment to the opening balance of retained earnings as of 01.01.2019. On the date of the initial application the Company has recognized lease liabilities under IFRS 16 equal to the present value of all outstanding lease payments discounted at the interest rate implicit in the lease or the incremental borrowing rate of the lessee.

The average incremental borrowing rate applied in the initial recognition of the lease liabilities as of 01.01.2019 is 2 %. In terms of leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at the date of initial application of IFRS 16 Leases is the carrying amount of the lease asset and lease liability immediately before that date as measured under IAS 17.

The Company has applied the following exemptions and practical expedients upon the initial application of IFRS 16 Leases:

- Short term leases and leases where the underlying asset is of low value are not recognized;
- The right of use assets are recognized at the same amount as the lease liabilities after adjusting for prepaid/accrued lease payments, recognized in the statement of financial position right before the date of initial application;
- All lease agreements existing as of 01.01.2019 in accordance with IAS 17 are recognized as leases under IFRS 16;
- The Company has applied IFRS 16 Leases to portfolios of leases with similar characteristics when the effect on the financial statements does not differ materially was the standard applied to the individual leases within the portfolios;
- The Company has made an assessment of whether the lease agreements are onerous applying IAS 37 Provisions, contingent liabilities and contingent assets immediately before the date of initial application

Effects from the initial application of IFRS 16 Leases (continued)

as an alternative to performing an impairment review of the right of use assets per IAS 36 Impairment of assets;

- Initial direct costs are excluded in the recognition of the right of use assets;
- The Company has used hindsight in determining the term of the leases.

Total right of use assets and lease liabilities recognized in the statement of financial position as of 01.01.2019 is presented in the table below:

In EUR	**EUR**
Operating lease liabilities before discounting	7 248
Effect of discounting using the incremental borrowing rate	(155)
Operating lease liabilities	7 093
Finance lease liabilities as of 31.12.2018	-
Total lease liabilities recognized per IFRS 16 on 01.01.2019	**7 093**
incl.	
within one year	3 368
over one year	3 725

The cumulative effect from the initial application of IFRS 16 for each item in the statement of financial position as of 1 January 2019 is as follows:

	Notes	**As of 31.12.2018**	**Effect from application**	**As of 1.1.2019**
Assets				
Non-current assets				
Property, plant and equipment	4.1	5 148 848		5 148 848
Right-of-use Assets	4.2		7 093	7 093
Total Non-current assets		**5 148 848**	**7 093**	**5 155 941**
Current assets				
Inventory	5	529 969		529 969
Trade and other receivables	6.1	37 779		37 779
Receivables from related parties	6.2, 15	10 915		10 915
Cash and cash equivalents	7	119 439		119 439
Total Current assets		**698 102**		**698 102**
TOTAL ASSETS		**5 846 950**	**7 093**	**5 854 043**
EQUITY AND LIABILITIES				
Equity				
Share capital	8	297 572		297 572
Share premium reserves	8	3 264 087		3 264 087
Prior year retained loss		(267 890)		(267 890)
Net loss for the year		(213 185)		(213 185)
Total Equity		**3 080 584**		**3 080 584**
Non-current liabilities				
Liase liabilities			3 725	3 725
Total Non-current liabilities			**3 725**	**3 725**
Current liabilities				
Short term loans due to related parties	15	1 967 889		1 967 889
Trade and other payables	9	33 477		33 477
Trade payables to related parties	15	765 000		765 000
Lease liabilities	17	-	3 368	3 368
Total Current liabilities		**2 766 366**		**2 769 734**
TOTAL EQUITY AND LIABILITIES		**5 846 950**	**7 093**	**5 854 043**

4. Property, plant and equipment

4.1. Movement of property, plant and equipment in 2019 is, as follows:

	Furniture & Fittings	Machinery & Equipment	Transportation equipment	Buildings and Installations	Fixed assets in progress	Land	Total
Balance at 01 January 2019	1 193	32 300	-	-	4 375 808	753 754	5 163 055
Additions for the period	58 086	24 041	276 255	-	1 942 465	-	2 300 847
Transfers for the period	33 833	3 463 597	49 930	1 666 197	(5 495 083)	281 526	0
Disposals for the period	-	(74 258)	-	-		-	(74 258)
Balance at 31 December 2019	93 112	3 445 680	326 185	1 666 197	823 190	1 035 280	**7 389 644**
Accumulated depreciation as of 01 January 2019	(1 193)	(13 014)	-	-	-	-	(14 207)
Depreciation during the year	(2 701)	(43 637)	(10 115)	(12 251)	-	-	(68 704)
On disposals for the period	-	530	-	-	-	-	530
Accumulated depreciation as of 31 December 2019	(3 894)	(56 121)	(10 115)	(12 251)	-	-	(82 381)
BALANCE AS OF 31 December 2019	**89 218**	**3 389 559**	**316 070**	**1 653 946**	**823 190**	**1 035 280**	**7 307 263**
BALANCE AS OF 31 December 2018	**-**	**19 286**	**-**	**-**	**4 375 808**	**753 754**	**5 148 848**

Under the land purchase contract, the company undertakes to execute an investment project within the time period described in note 18. If the clauses entered in the contract are not fulfilled, the land will be returned to the Seller.
Property and machinery are pledged as collateral for bank loans disclosed in Note 10.

4.2. Right-of-use Assets

	Transportation equipment	**Total**
	EUR	EUR
Cost:		
At 31 December 2018	**-**	**-**
Recognition of right-of-use assets on 01.01.2019	7 093	7 093
At 01 January 2019 (restated)	**7 093**	**7 093**
Additions	21 125	21 125
At 31 December 2019	**28 218**	**28 218**
Depreciation:		
At 31 December 2018	**-**	**-**
At 01 January 2019 (restated)	**-**	**-**
Charge for the year	4 505	4 505
At 31 December 2019	**4 505**	**4 505**
Net book value:		
At 31 December 2019	**23 713**	**23 713**
At 31 December 2018	**-**	**-**

Additional information about the right-of use-assets is presented in the table below:

In EUR	Net book value as of 01.01.2019	Additions in the current year	Depreciation charge for the year	Carrying amount as of 31.12.2019
Transportation equipment	7 093	21 125	(4 505)	23 713
Total	**7 093**	**21 125**	**(4 505)**	**23 713**

The Company has included the right of use assets in the same category where the underlying assets would have been included if these were its own.

5. Inventory

	As of 31.12.2019	As of 31.12.2018
Finished/Semi-finished products	245 754	-
Wheat	2 758 072	529 969
Raw and auxiliary materials	368 282	-
Spare parts	59 024	-
TOTAL	**3 431 132**	**529 969**

6. Trade and other receivables and receivables from related parties

6.1 Trade and other receivables

	As of 31.12.2019	As of 31.12.2018
Trade receivables	39 466	6 970
VAT receivables	143 233	18 972
Other receivables	136 112	11 837
TOTAL	**318 811**	**37 779**

6.2 Receivables from related parties

	As of 31.12.2019	As of 31.12.2018
Intercompany receivables (note 15)	33 716	10 915
TOTAL	**33 716**	**10 915**

7. Cash and cash equivalents

	As of 31.12.2019	As of 31.12.2018
Cash in hand in BGN	1 008	-
Cash at bank in BGN	37 212	15 798
Cash at bank in Foreign currencies	304 740	103 641
TOTAL	**342 960**	**119439**

8. Share capital

As of 31 December 2019 and 31 December 2018 the registered share capital of the Company is 297 572 EUR or 582 000 BGN, distributed by 1 BGN per share. The sole shareholder is Loulis International Foods Enterprises (Bulgaria) Limited.

Associates	**Ownership**	**Number of Shares**	**Nominal value per share**	**Total amount in EUR**
Loulis International Foods Enterprises (Bulgaria) Limited	100%	582 000	1 BGN	297 572

Share premium of EUR 3 264 087 arises in 2017 as a result of increase in share capital from BGN 50,000 to BGN 582 000 and as a difference between the issue and nominal value of the newly issued shares.

9. Trade and other payables

	As of 31.12.2019	**As of 31.12.2018**
Liabilities to suppliers	360 586	33 477
TOTAL	**360 586**	**33 477**

10. Bank loans

	As of 31.12.2019	**As of 31.12.2018**
Non-current liabilities		
Bank long term loans	4 294 852	-
Current liabilities		
Bank overdraft	637 128	-
	4 931 980	**-**

Bank Long Term Loans
Loan 1
On March 6, 2019, the Company concludes an investment loan contract with Eurobank Bulgaria AD at the amount of BGN 4 500 000 with maturity date 6.3.2027, which is fully utilizied as of 31.12.2019.
Loan collateral:
Property №1 in General Toshevo and Property №2 Snop Village; a special pledge on machines and equipment and present and future receivables

Loan 2
On November 26th 2019 a second long term bank loan has been signed with Eurobank Bulgaria AD at the amount of 3 900 000 BGN which is fully utilized as at 31.12.2019. The maturity date is 30.09.2027

Bank overdraft
On March 6, 2019 the Company signs an overdraft contract with a maximum authorized amount of BGN 1 955 830 and a deadline for payment on 03/06/2020. As per additional agreement 1, dated 26.11.2019 the term of the overdraft has been extended to 05.03.2021. The utilized amount as of 31.12.2019 is BGN 1,246 114 (EUR 637 128).
Collateral:
Property №1 in General Toshevo and Property №2 Snop Village; a special pledge on machines and equipment and present and future receivables

11. Revenue from contracts with customers

	2019	2018
Income from sale of wheat	876 853	1 239 666
Income from sale of Production	90 200	
Income from sale of goods KenFood	-	7 081
Other Income	4 000	9 143
TOTAL	**971 053**	**1 255 890**

12. Selling and distribution costs

	2019	2018
Grain warehouse rent and related costs	36 293	73 721
Transportation costs	82 377	170 767
Depreciation	15 401	-
Salaries and wages	35 110	29 416
Loss of sale of FA and Inventory	8 818	
Other	10 310	-
TOTAL	**188 309**	**273 904**

13. Administration expenses

	2019	2018
Fuel	3 759	5 463
Office and other materials	4 212	930
Office accomodation and support	44 034	23 909
Consulting services	166 046	82 477
State fees	17 453	9 276
Insurances	2 026	1 206
Office rent	21 788	1 760
Salaries and wages	32 345	546
Rent of cars	2 254	6 891
Depreciation	22 726	7 142
Advertising expenses	10 818	-
Costs of natural wastage/Stock take results	57 786	3 591
Business trips	3 447	4 148
Other expenses	42 383	9 955
TOTAL	**431 077**	**157 294**

14. Finance costs

	2019	2018
Interest expenses on intercompany loan (Note 15)	(74 367)	(17 889)
Bank loan interests	(34 183)	-
Lease interests	(206)	-
FX losses and bank charges	(38 805)	(5 674)

Finance costs	**(147 561)**	**(23 563)**

15. Related parties

The company has the following related parties:

Company /commercial name/	**Type of relation**
Loulis International Foods Enterprises (Bulgaria) Limited	Parent company
Loulis Mills S.A.	Sister company
Kenfood S.A.	Sister company

The Company has transactions and balances with related parties as follows:

Transactions during 2019 and 2018:

Purchase of services to related parties:

	2019	**2018**
Loulis International Foods Enterprises (Bulgaria) Limited	120 000	120 000
TOTAL	**120 000**	**120 000**

Purchase of goods to related parties:

	2019	**2018**
Loulis Mills S.A.	339 913	800
Kenfood S.A.	-	481
TOTAL	**339 913**	**1 281**

Sales and advance payments of finished goods to related parties

	2019	**2018**
Loulis Mills S.A.	923 527	1 034 792
TOTAL	**923 527**	**1 034 792**

Sales of services to related parties

	2019	**2018**
Kenfood S.A.	-	9 143
Loulis Mills S.A.	4 000	-
TOTAL	**4 000**	**9 143**

Interests to related parties

	2019	2018
Loulis Mills S.A.	74 367	17889
TOTAL	**74 367**	**17889**

Balances with related parties are as follows:

Trade receivables from related parties

	As of 31.12.2019	As of 31.12.2018
Kenfood S.A.	-	10 915
Loulis Mills S.A.	33 716	-
TOTAL	**33 716**	**10 915**

Trade payables to related parties

	As of 31.12.2019	As of 31.12.2018
Loulis Mills S.A.	1 316 613	645 000
Loulis International Foods Enterprises (Bulgaria) Limited	198 000	120 000
TOTAL	**1 514 613**	**765 000**

Short term loan payable to related parties

The borrowings from related parties are denominated in euro and are not secured.
The Company has signed loan agreements as follows:

Loan 1:

Contract date	Lander	Principal	Annual interest rate	Maturity
24.10.2018	Loulis Mills SA	EUR 2 500 000	5%	24.09.2019

As of 31st of December the amount utilized and repaid is split as follows:

	As of 31.12.2019	As of 31.12.2018
Loulis Mills SA – principal - 1 350 000 EUR – 24.10.2018		1 350 000
Loulis Mills SA – principal - 400 000 EUR – 26.10.2018		400 000
Loulis Mills SA – principal - 200 000 EUR – 08.11.2018		200 000
Loulis Mills SA – principal – 300 000 EUR – 09.01.2019	300 000	
Loulis Mills SA – principal – 250 000 EUR – 06.08.2019	250 000	
Loulis Mills SA – principal – (1 750 000) EUR – 01.04.2019	(1 750 000)	
Loulis Mills SA – principal – (750 000) EUR – 10.09.2019	(750 000)	
TOTAL	**(1 950 000)**	**1 950 000**

Loan 2:

Contract date	Lander	Principal	Annual interest rate	Maturity
05.08.2019	Loulis Mills SA	EUR 3 500 000	4%	05.07.2020

As of 31st of December the amount utilized and repaid is split as follows:

	As of 31.12.2019	**As of 31.12.2018**
Loulis Mills SA – principal - 500 000 EUR – 21.08.2019	500 000	
Loulis Mills SA – principal - 800 000 EUR – 05.09.2019	800 000	
Loulis Mills SA – principal - 800 000 EUR – 16.09.2019	800 000	
Loulis Mills SA – principal - 300 000 EUR – 09.10.2019	300 000	
Loulis Mills SA – principal - 300 000 EUR – 21.10.2019	300 000	
Loulis Mills SA – principal - 600 000 EUR – 13.11.2019	600 000	
Loulis Mills SA – principal - 200 000 EUR – 18.11.2019	200 000	
Loulis Mills SA – principal – (1 200 000) EUR – 04.12.2019	(1 200 000)	
TOTAL	**2 300 000**	

The outstanding loan balance is as follows:

	As of 31.12.2019	**As of 31.12.2018**
Loulis Mills SA – principal	2 300 000	1 950 000
Loulis Mills SA – interest	-	17 889
TOTAL	**2 300 000**	**1 967 889**

Reconciliation of the movement in financial liabilities which are included in the cash flows from financing activity

	1.1.2019	*Received/Paid Cash*	*Interest Accrued*	*Interest Paid*	*31.12.2019*
Loans from related parties	1 967 889	350 000	74 367	(92 256)	**2 300 000**
Bank Loans	-	4 931 980	34 183	(34 183)	**4 931 980**

	1.1.2018	*Received/Paid Cash*	*Interest Accrued*	*Interest Paid*	*31.12.2018*
Loans from related parties	-	1 950 000	17 889	-	**1 967 889**
Reserves	3 264 087	-	-	-	**3 264 087**
Share capital	297 572	-	-	-	**297 572**

Management remuneration

In the period ended 31 December 2019 the managing directors of the Company have not received remuneration.

16. Financial Instruments

The company's financial instruments are as follows:

Financial assets at amortized cost

	As of 31.12.2019	**As of 31.12.2018**
	EUR	EUR
Trade receivables	73 182	29 722
Cash and cash equivalents	342 960	119 439
Total financial assets	**416 142**	**149 161**

Financial liabilities at amortized cost

	As of 31.12.2019	**As of 31.12.2018**
	EUR	EUR
Trade payables	1 875 199	798 477
Lease liabilities	23 795	-
Intercompany loan	2 300 000	1 967 889
Bank loans	4 931 980	-
Total financial liabilities	**9 130 974**	**2 766 366**

Financial risk management

In the normal course of its economic activity the Company may be exposed to various financial risks, the most important of which are the interest rate risk, credit risk, liquidity risk and currency risk. The financial risks are identified, measured and monitored on a regular basis using various controls to determine their effect on the Company's assets and liabilities and to assess the forms in which the free liquid resources are maintained without allowing unnecessary concentration of a given risk.

Interest rate risk
Interest rate risk is the risk that the fair value of the future cash flows of the financial instruments may fluctuate due to changes in market interest rates. The Company's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

Credit risk
Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from available financial assets. The Company closely monitors any concentration of credit risk. Cash balances are held with high credit quality financial institutions and the Company has policies to limit the amount of credit exposure to any counterparty.

Liquidity risk

Liquidity risk is the risk that arises when the maturities of assets and liabilities do not match. A mismatched position potentially enhances profitability, but can also increase the risk of losses. The Company has procedures for minimizing such losses by maintaining sufficient cash and other highly liquid current assets.

31 December 2019

In EUR	*Up to 1 month*	*1-3 months*	*3-12 months*	*Over 1 year*	*Total*
Financial assets					
Trade and other receivables	-	73 182	-	-	73 182
Cash and cash equivalents	342 960	-	-	-	342 960
	342 960	**73 182**	**-**	**-**	**416 142**
Financial liabilities					
Trade and other payables	-	1875 199	-		1875 199
Lease liabilities		-	8 568	15 227	23 795
Intercompany loan	-	-	2 300 000	-	2 300 000
Bank loans	-	-	637 128	4 294 852	4 931 980
		1875 199	**2 945 696**	**4 310 079**	**9 130 974**

31 December 2018

In EUR	*Up to 1 month*	*1-3 months*	*3-12 months*	*Over 1 year*	*Total*
Financial assets					
Trade receivables		48 694			48 694
Cash and cash equivalents	119 439	-	-		119 439
	119 439	**48 694**	**-**		**168 133**
Financial liabilities					
Trade and other payables	-	798 477	-		798 477
Intercompany loan			1 967 889		1 967 889
	-	**798 477**	**1 967 889**		**2 766 366**

The Company relies on the financial support of its owners for the finalization of the construction of the flour mill.

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in currency different than the Company's functional currency. The Company is not exposed to foreign exchange risk arising from various currency exposures as its assets and liabilities are denominated in EUR or BGN which is pegged to the EUR. The Company's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

Fair value

Fair value is generally the amount for which an asset could be exchanged, or a liability settled in an arm's length transaction between independent, willing and knowledgeable parties.

With regard to trade receivables and payables, the Company expects to realize these financial assets and liabilities through their repayment in full. The Company’s management considers that the fair value of financial instruments approximates their carrying amount.

17. Lease liabilities

	31.12.2019	**31.12.2018**
	EUR	**EUR**
Lease liabilities due:		
Between 2 and 5 years	16 138	-
Incl. * Principal	*15 227*	-
* Interest	*911*	-
Up to 1 year	8 774	-
Incl: * Principal	*8 568*	-
* Interest	*206*	-
Total liabilities	**24 912**	-
Future finance costs under lease contracts	**(1 117)**	-
Lease liabilities	**23 795**	-

As of 31.12.2019 the Company has lease liabilities due to third parties in relation to contracts for rent of cars.

18. Contingent liabilities

On May 11, 2017 the company acquires land under a notary deed for the purchase of land. According to the deed, in case of non-commencement of work on the Investment project within two years from the signing of the deed, the Seller is entitled to terminate this contract, in which case the Seller shall not owe a refund. The implementation deadline for the project is three years. During the second half of 2019, the company's management decided to amend the scope and after an application to the Seller, it has managed to receive an extension for the Investment project implementation deadline. The implementation deadline is now set on November 09, 2021.

19. Events after balance sheet date

Important information in regards to the Pandemic "Covid-19"
On March 11, 2020, the World Health Organization declared a coronavirus pandemic (Covid 19), and on March 13, 2020, the Bulgarian government declared a state of emergency.

Measures have been introduced to limit the outbreak of infection, including work from home, temporary closing of schools, universities, restaurants, cinemas, theaters, museums and sports facilities, retailers with the exception of food retailers, grocery stores and pharmacies.

The Company's management carefully analyzes the potential effects of the pandemic and the restrictions imposed by the government, expecting an overall reduction in economic activity and liquidity for the country's economy, which will also affect the Company's activities.

Based on publicly available information at the date of the financial statements, management has taken action to mitigate the adverse effects of the pandemic, which include: a) a work from home regime (tele-working) for those employees that this is possible, b) the postponement of all business meetings and relevant company events, c) the reduction of employees movement and finally, d) the regular disinfection of the working place. Additionally, the Company’s management has ensured the daily support and guidance of its employees, aiming the better adoption of the new reality.

The Company’s management believes that based on the current information, the effects of the pandemic will not affect materially the business activity and financial position of the Company. Particularly, the Company is not included in the list of business that were ordered to postpone their activity. Accordingly, the company does not have clients that were forced to postpone their operations due too the pandemic and does not have any contract with companies that were forced to claim force majure and could not execute. In regards to the accounts receivables, the Company does not experience any material delay that could result in a cash flow challenge. Its loans repayments are conducted normally without any delay and all loan performance indicators are properly observed. The Company’s inventory is considered sufficient and there is no indication for any supply chain default.

Last, the management is monitoring the situation constantly, assesses the risks and adapts the required actions to ensure the minimization of the pandemic effect.

The Company’s Management believes that the going concern principle is appropriate to these financial statements as the Company has sufficient liquid resources to continue in the foreseeable future.

No other significant events occurred after the reporting date which should impose any additional disclosures in the financial statements.

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TO
THE OWNER OF
LOULIS MEL BULGARIA EAD
SOFIA

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the financial statements of LOULIS MEL BULGARIA EAD, which comprise the statement of financial position as at 31 December 2019 and the statement of profit and loss and other comprehensive incomes, statement of changes in equity and statement of 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 the Company 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 (EU).

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' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Independent Financial Audit Act (IFAA), that are relevant to our audit of the financial statements in Bulgaria, and we have fulfilled our other ethical responsibilities in accordance with the requirements of the IFAA and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

As stated in Statement of financial position of the financial statements, current liabilities of the company exceed the amount of its current assets by BGN 1,358 thousand BGN. Our opinion is not qualified on these matters.

We draw attention to the Note No.19 Subsequent events to the financial statements, which discloses a material non-adjusting event related to the spread of the coronavirus pandemic (COVID-19). The disruption of normal economic activity in the Republic of Bulgaria as a result of COVID-19 may adversely affect the operations of the Loulis Mel Bulgaria EAD, the expectations are for interruptions in the supply and demand of raw materials. Due to the unpredictable dynamics of COVID-19, it is virtually impossible at this stage to make a reliable assessment and measurement of the potential impact of the pandemic. Our opinion has not been modified on this point.
Our opinion is not qualified on these matters.

Other information, different from the financial statements and the Auditor's report thereon

Management is responsible for the other information. The other information comprises the information included in the activity report, prepared by the Management in accordance with

Chapter seven from the Accountancy Act, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, unless explicitly noted in our report and to the extent stated.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.
We have nothing to report in this regard.

Additional information required to report on according to the Accountancy Act

In addition to our responsibilities and the reporting under ISAs with regard to the activity report we have performed also the procedures supplemented to the ones required by ISAs in accordance with the Instructions of the Professional Organization of the Certified Public Accountants and Registered Auditors – Institute of the Certified Public Accountants in Bulgaria (ICPA). These procedures concern verification of presence, as well as verification of the form and contents of this other information with the purpose of helping us form a standpoint whether the other information includes the disclosures and reporting envisaged in Chapter seven of the Accountancy Act applicable in Bulgaria.

Opinion in connection with art. 37, para 6 of the Accountancy Act

Based on the procedures performed our standpoint is that:

a) The information included in the activity report for the financial year the financial statements have been prepared for corresponds with the financial statements.
b) The activity report is prepared in accordance with the requirements of Chapter seven of the Accountancy Act.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, adopted by EU and for such internal control as management 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, management 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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.

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As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism 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 to the auditor, 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 management.
- Conclude on the appropriateness of management's 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 fair presentation.

We communicate with the management, 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.

BDO Bulgaria OOD

SOFIA, 08/06/2020

Stoyanka Apostolova,
Registered auditor
Responsible for the audit
Manager

Nedyalko Apostolov,
Manager