

LOULIS MEL-BULGARIA EAD

AUDITOR'S REPORT
AND FINANCIAL STATEMENTS

December 31, 2020

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Management Report

LEGAL STATUS AND ORGANIZATION

"Loulis Mel-Bulgaria EAD" (the "Company") is a sole owned share stock company, registered on 22 February 2016, in accordance with the legislation of the Republic of Bulgaria, entered in the Commercial Register and the Register of Non-Profit Legal Entities with UIC 203936355. As of 31 December 2020, the sole owner of the Company is "Loulis International Foods Enterprises (Bulgaria) Limited", a company registered and existing under the laws of the Republic of Cyprus, registration No. HE110334 The shares of the Company are not publicly traded.

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 kadaifi pastry sheet, bakery wares, confectionery 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.

ACTIONS IN THE FIELD OF RESEARCH AND DEVELOPMENT

The Company does not have actions in the field of research and development.

BRANCHES

The Company does not have any open branches.

FINANCIAL STATEMENTS

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 data from the Balance Sheet of the Company as of 31.12.2020 are presented in the table below in EUR:

	2020	2019	Change
Non-current assets	9 055 064	7 353 913	1 701 151
Inventories	3 855 910	3 431 132	424 778
Cash and cash equivalents	954 837	342 003	612 834

Equity	9 512 055	2 326 621	7 185 434
Current liabilities	(1 640 366)	(4 842 184)	3 201 818

Selected data from the Statement of Comprehensive Income for the year ended 31.12.2020 are presented below in EUR:

	2020	2019	Change
Net sales	6 879 470	971 053	5 908 417
COS	(6 270 772)	(958 069)	(5 312 703)
Total operating costs	(367 323)	(619 386)	(252 063)
Operating loss	(599 679)	(606 402)	6 723
Net loss	(618 678)	(753 963)	135 285

Financial Ratios

	2020	2019	Change
Profitability of sales ratio	-0.09	-0.78	0.69
Profitability of the equity ratio	-0.07	-0.32	0.25
Profitability of the liabilities ratio	-0.11	-0.08	-0.03
Assets capitalization ratio	-0.04	-0.07	0.03
Cost efficiency ratio	0.92	0.56	0.36
Revenue efficiency ratio	1.09	1.78	-0.69
Current ratio	3.73	0.85	2.88
Quick liquidity ration	1.38	0.14	1.24
Immediate liquidity ratio	1.38	0.14	1.24
Absolute liquidity ratio	0.58	0.07	0.51
Financial autonomy ratio	1.68	0.25	1.43
Debt ratio	0.60	3.93	-3.33
Return on equity ratio	-0.07	-0.32	0.25
Return on assets ratio	-0.04	-0.07	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 2020 year.

c) In the financial 2020 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. In the financial year 2020 the Company generates new 1,090,751 shares with a nominal value of BGN 1 each, which are subscribed to Loulis International Foods Enterprises (Bulgaria) Limited. The company has not issued bonds.

d) None of the members of the Board of Directors signed contracts in the financial 2020 in accordance with the provisions of Art. 240b of the Commercial Act.

SUBSEQUENT EVENTS

On January 27, 2021, a new member of the Board of Directors, Kalin Evgeniev Yonov, was admitted.

For the period after the reporting date to the date of preparation of these financial statements no other significant and / or significant adjusting or non-adjusting events related to the Company's activities have occurred, the non-disclosure of which may affect the truthfulness and fair presentation of the financial statements.

MANAGEMENT RESPONSIBILITY FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

According to the Bulgarian legislation, the management should prepare a financial statement for each financial year, which should give a true and fair view of the financial condition of the Company at the end of the year and of its financial results and cash flows for the year.

Management confirms that appropriate accounting policies have been applied in the preparation of the financial statements and has made reasonable and prudent estimates, assumptions and estimates of assets, liabilities, income and expenses. The financial statements are prepared on a going concern basis.

Management also confirms that the applicable accounting standards have been used and that the financial statements have been prepared on a going concern basis.

Management is responsible for the proper maintenance of the Company's accounting records, for the proper use and protection of assets and for taking appropriate measures to avoid errors and fraud.

Kalin Yonov
Executive Director

Dimitrios Tarnaras
Executive Director

Statement of Financial Position

(All amounts are in EUR)

ASSETS	<i>Notes:</i>	<u>31.12.2020</u>	<u>31.12.2019</u>
Non-Current Assets			
Property, Plant and Equipment	4	8.944.534	7.307.263
Right of Use Assets	5	18.666	23.713
Investment Property	4	19.992	0
Other Intangible Assets	6	46.521	0
Other Non-Current Assets	7	25.352	0
		<u>9.055.065</u>	<u>7.330.976</u>
Current Assets			
Inventories	8	3.855.910	3.431.132
Trade Receivables	9	1.098.067	73.182
Other Receivables	10	211.332	279.345
Cash and Cash Equivalents	11	954.837	342.960
		<u>6.120.146</u>	<u>4.126.619</u>
Total Assets:		<u>15.175.211</u>	<u>11.457.595</u>
EQUITY AND LIABILITIES			
Equity			
Share Capital	12	855.264	297.572
Share Premium	12	9.956.394	3.264.087
Other Reserves		555.615	0
Retained Earnings		(1.855.219)	(1.235.038)
		<u>9.512.054</u>	<u>2.326.621</u>
Non-Current Liabilities			
Long-Term Bank Loans	13	3.924.165	4.294.852
Long-Term Lease Liabilities	14	10.019	15.227
Employee Benefit Liabilities	15	8.040	0
Deferred Tax Liability	16	80.567	0
		<u>4.022.791</u>	<u>4.310.079</u>
Current Liabilities			
Trade Payables	17	1.230.977	1.875.199
Short-Term Bank Loans	13	370.687	637.128
Short-Term Lease Liabilities	14	8.732	8.568
Taxes and Levies Payable		10.074	0
Other Short-Term Liabilities	18	19.896	2.300.000
		<u>1.640.366</u>	<u>4.820.895</u>
Total Equity and Liabilities:		<u>15.175.211</u>	<u>11.457.595</u>

These financial statements have been approved by the management on 21 April 2021

 Dimitrios Tarnaras
 Executive Director

 Kalin Yonov
 Executive Director

 Kalin Slavov
 Preparer

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

Stoyanka Apostolova, Manager
 Registered Auditor, responsible for the audit

Nedyalko Apostolov,
 Manager

Statement of Comprehensive Income

(All amounts are in EUR)

	<i>Notes:</i>	<u>31.12.2020</u>	<u>31.12.2019</u>
Net Sales	<i>19</i>	6.879.471	967.053
Cost of Sales		<u>(6.270.773)</u>	<u>(958.069)</u>
Gross Profit		608.698	8.984
Other Operational Income		28.910	4.000
Administration Expenses	<i>20</i>	(261.681)	(431.077)
Distribution Expenses	<i>21</i>	(743.250)	(188.309)
Other non Operational Income/(Expense)	<i>22</i>	(21.071)	0
Net Financial Income/(Expense)	<i>23</i>	<u>(211.286)</u>	<u>(147.561)</u>
Profit/(Loss) Before Tax		(599.680)	(753.963)
Tax Expense	<i>24</i>	<u>(18.999)</u>	<u>0</u>
Profit/(Loss) After Tax (a)		<u>(618.679)</u>	<u>(753.963)</u>
Profit/(Loss) from Revaluation of Assets		617.350	0
Actuarial Gain/(Losses)		(1.669)	0
Deferred Tax from Other Comprehensive Income		<u>(61.568)</u>	<u>0</u>
Other Comprehensive Income (b)		<u>554.113</u>	<u>0</u>
Total Comprehensive Income (a + b)		<u>(64.566)</u>	<u>(753.963)</u>

These financial statements have been approved by the management on 21 April 2021

 Dimitrios Tarnaras
 Executive Director

 Kalin Yonov
 Executive Director

 Kalin Slavov
 Preparer

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

Stoyanka Apostolova, Manager
 Registered Auditor, responsible for the audit

Nedyalko Apostolov,
 Manager

Statement of Changes in Equity

(All amounts are in EUR)

	Share Capital	Share Premium	Own Shares	Properties Revaluation Reserve	Other Reserves	Retained Earnings	Total	Total Equity
Balance at 1st January 2019	297.572	3.264.087	0	0	0	(481.075)	3.080.584	3.080.584
Profit/(Loss) for the Year	0	0	0	0	0	(753.963)	(753.963)	(753.963)
Balance at 31st December 2019	297.572	3.264.087	0	0	0	(1.235.038)	2.326.621	2.326.621
Balance at 1st January 2020	297.572	3.264.087	0	0	0	(1.235.038)	2.326.621	2.326.621
Profit/(Loss) for the Year	0	0	0	0	0	(618.679)	(618.679)	(618.679)
Gain/(Loss) from Revaluation of Assets	0	0	0	555.615	0	0	555.615	555.615
Actuarial Gain/(Loss)	0	0	0	0	0	(1.502)	(1.502)	(1.502)
Issue of Share Capital	557.692	6.692.307	0	0	0	0	7.249.999	7.249.999
Balance at 31st December 2020	855.264	9.956.394	0	555.615	0	(1.855.219)	9.512.054	9.512.054

These financial statements have been approved by the management on 21 April 2021

 Dimitrios Tarnaras
 Executive Director

 Kalin Yonov
 Executive Director

 Kalin Slavov
 Preparer

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

Stoyanka Apostolova, Manager
 Registered Auditor, responsible for the audit

Nedyalko Apostolov,
 Manager

Statement of Cash Flows

(All amounts are in EUR)

	<u>31.12.2020</u>	<u>31.12.2019</u>
<u>Cash Flow from Operating Activities</u>		
Profit/(Loss) Before Tax	(599.680)	(753.963)
<i>Adjustments for:</i>		
Depreciation	260.263	73.209
Provisions	25.223	0
Gain/(Loss) on Sale of Property, Plant and Equipment	0	0
Interest Expenses	211.286	108.756
Adjustments for change in Working Capital or relating Operating Activities:		
(Increase)/Decrease In Inventories	(438.164)	(2.901.163)
(Increase)/Decrease In Receivables	(510.387)	(303.833)
(Decrease) / Increase In Payables (excluding Loans)	(2.942.207)	1.421.769
less:		
Interest Paid	(206.341)	(126.645)
Tax Paid	0	0
Net Cash from Operating Activities (a)	<u>(4.200.007)</u>	<u>(2.481.870)</u>
<u>Cash Flow from Investing Activities</u>		
Purchase of Tangible and Intangible Assets	(1.793.659)	(2.226.589)
Net Cash from Investing Activities (b)	<u>(1.793.659)</u>	<u>(2.226.589)</u>
<u>Cash Flow from Financing Activities</u>		
Proceeds/(Payments) from Increase/Decrease of the Share Capital	7.249.999	0
Disposal/(Purchase) of Own Shares	0	0
Proceeds/(Payments) from Bank Borrowings	(637.128)	4.931.980
Interest Paid for Operational Leases	(7.328)	0
Net Cash used in Financing Activities (c)	<u>6.605.543</u>	<u>4.931.980</u>
Net Increase/(Decrease) in the Cash and Cash Equivalents (a+b+c)	<u>611.877</u>	<u>223.521</u>
Cash and Cash Equivalents at Beginning of the Year	<u>342.960</u>	<u>119.439</u>
Cash and Cash Equivalents at the End of the Year	<u>954.837</u>	<u>342.960</u>

These financial statements have been approved by the management on на 21 April 2021

 Dimitrios Tarnaras
 Executive Director

 Kalin Yonov
 Executive Director

 Kalin Slavov
 Preparer

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

Stoyanka Apostolova, Manager
 Registered Auditor, responsible for the audit

Nedyalko Apostolov,
 Manager

Notes to the Financial Statements

1 Legal status

"Loulis Mel-Bulgaria EAD" (the "Company") is a sole owned share stock company, registered on 22 February 2016, in accordance with the legislation of the Republic of Bulgaria, entered in the Commercial Register and the Register of Non-Profit Legal Entities with UIC 203936355. The shares of the Company are not publicly traded.

As of 31 December 2020, the sole owner of the Company is "Loulis International Foods Enterprises (Bulgaria) Limited", a company registered and existing under the laws of the Republic of Cyprus, registration No. HE110334.

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 Mr. Dimitrios Tarnaras and Mr. Kalin Evgeniev Yonov.

The company has the following scope of activity:

- c) 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.
- d) 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 kadaifi 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, 2020.

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 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, 2020.

2.5 Changes in Accounting Policies

New and amended standards adopted by the Company

IFRS	IASB Effective Date
IAS 1 <i>Presentation of Financial Statements</i> and IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> (Amendment – Definition of Material)	1 January 2020
IFRS 3 <i>Business Combinations</i> (Amendment – Definition of Business)	1 January 2020
<i>Conceptual Framework for Financial Reporting</i> (Amendments to References to the Conceptual Framework in the IFRS Standards)	1 January 2020
IBOR Reform and its Effects on Financial Reporting – Phase 1	1 January 2020
Covid-19-Related Rent Concessions – Amendment to IFRS 16	1 June 2020

Other new and amended standards and Interpretations issued by the IASB that will apply for the first time in the next annual financial statements are not expected to impact the Group as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies.

Changes in accounting policies

Amendments to IFRS 16: COVID-19-Related Rent Concessions

Effective 1 June 2020, IFRS 16 was amended to provide a practical expedient for lessees accounting for rent concessions that arise as a direct consequence of the COVID-19 pandemic and satisfy the following criteria:

- a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change,
- b) The reduction in lease payments affects only payments originally due on or before 30 June 2021, and
- c) There is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with the practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of a lease modification. Lessees apply other requirements in IFRS 16 in accounting for the concession.

Accounting for the rent concessions as lease modifications would have resulted in A Layout remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset.

The amendments do not affect the Company's Financial Statements.

New standards, amendments to standards and interpretations issued not yet effective, nor early adopted

	Mandatorily effective for periods beginning on or after
IBOR reform and its effects on financial report – phase 2	1 January 2021
Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9	1 January 2021
Annual Improvements to IFRSs - 2018-2020 cycle	1 January 2022
IAS 16 Property, Plant and Equipment (Amendment – Proceeds before Intended Use)	1 January 2022
IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendment – Onerous Contracts – Cost of Fulfilling a Contract)	1 January 2022
IFRS 3 Business Combinations (Amendment – Reference to the Conceptual Framework)	1 January 2022
IFRS 17 Insurance Contracts	1 January 2023
IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Classification of Liabilities as Current or Non-current)	1 January 2023

The Company does not believe these standards and interpretations will have a material impact on the Financial Statements once adopted.

2.6 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.

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-fulfilment 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.

3 Significant Accounting Policies

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 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.

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 are 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 recognized 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 recognized 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 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:

<u>Fixed Assets Category</u>	<u>Useful Life in Years</u>
Buildings	40 years
Machinery	35 years
Vehicles	6.25 years
Trucks	8.33 years
Furniture and Fixtures	10 years
Computers	5 years
Telecommunication Equipment	10 years
Equipment	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 Investment Property

Investment Property is held to generate rental income or profit from their resale. Property used for the operating activities of the Company is not considered to be investment property but operating property. This is also the criteria that differentiates investment property from operating property.

Investment Property as non-current assets is presented at fair value, which is determined in-house annually, based upon similar transactions that have taken place close to the Balance Sheet date. Any change in fair value

which represents the free-market value is charged in the other operating income account of the income statement.

Following their initial recording, the investment in property is recorded at fair value.

3.5 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 5 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.

3.6 Leases

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.

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 recognizes 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.

3.7 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.

3.8 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.

3.9 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.

3.10 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.

3.11 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)

Classification Groups

a. 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.

b. Financial assets at fair value through other comprehensive income (debt or equity instruments)

The Company does not have such assets.

c. 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 derecognized 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.

Expected credit losses are recognized in two stages:

- 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".

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

a. Financial liabilities at fair value through profit or loss

The Company does not have such liabilities.

b. 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 recognized in the statement of comprehensive income (in profit or loss for the year).

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 categorized 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.

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 categorization (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.

3.12 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.

3.13 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.

4 Property, Plant and Equipment & Investment Property

Movement of Property, Plant and Equipment & Investment Property in 2020 is, as follows:

Property, Plant and Equipment

	Land	Buildings	Machinery	Transportation Equipment	Furniture and Other Equipment	Assets Under Construction	Total
Cost or Valuation at 31.12.2019	1.035.280	1.666.197	3.445.680	326.185	93.112	823.191	7.389.645
Accumulated Depreciation at 31.12.2019	0	(12.250)	(56.121)	(10.115)	(3.894)	0	(82.380)
Net Book Value at 31.12.2019	1.035.280	1.653.947	3.389.559	316.070	89.218	823.191	7.307.265
Additions	0	9.853	350.976	110.437	12.421	1.299.472	1.783.159
Transfers and Disposals - Cost or Valuation	(19.992)	6.279	(383.880)	0	435.064	(558.759)	(521.288)
Transfers and Disposals - Accumulated Depreciation	0	(2.392)	27.679	(718)	(24.039)	0	530
Revaluations	149.365	467.985	0	0	0	0	617.350
Depreciation	0	(41.952)	(95.940)	(48.816)	(55.774)	0	(242.482)
Net Book Value at 31.12.2020	1.164.653	2.093.720	3.288.394	376.973	456.890	1.563.904	8.944.534

Investment Property

	Investment Property
Cost or Valuation at 31.12.2019	-
Accumulated Depreciation at 31.12.2019	-
Net Book Value at 31.12.2019	-
Additions	-
Transfers and Disposals - Cost or Valuation	19.992
Transfers and Disposals - Accumulated Depreciation	0
Revaluations	0
Depreciation	0
Net Book Value at 31.12.2020	19.992

It is noted that the latest valuation of the Company's land, buildings and investment property at fair value has been conducted on December 31st, 2020. The valuation has been conducted by a qualified valuator based on the institutional rules (categorized as Level 2 within the fair value hierarchy).

Under the land purchase contract, the company undertakes to execute an investment project within the time period described in note 28. 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 13.

5 Right-of-Use Assets

Movement of Right-of-Use Assets in 2020 is, as follows:

	Land	Buildings	Machinery	Transportation Equipment	Furniture and Other Equipment	Total
Cost or Valuation at 31.12.2019	0	0	0	28.218	0	28.218
Accumulated Depreciation at 31.12.2019	0	0	0	(4.505)	0	(4.505)
Net Book Value at 31.12.2019	0	0	0	23.713	0	23.713
Additions	0	0	0	23.057	0	23.057
Transfers and Disposals - Cost or Valuation	0	0	0	(28.217)	0	(28.217)
Transfers and Disposals - Accumulated Depreciation	0	0	0	7.444	0	7.444
Revaluations	0	0	0	0	0	0
Depreciation	0	0	0	(7.331)	0	(7.331)
Net Book Value at 31.12.2020	0	0	0	18.666	0	18.666

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.

6 Other Intangible Assets

Movement of Other Intangible Assets in 2020 is, as follows:

	Software	Trademarks	Other Intangible Assets	Total
Cost at 31.12.2019	0	0	0	0
Accumulated Amortization at 31.12.2019	0	0	0	0
Net Book Value at 31.12.2019	0	0	0	0
Additions	10.500	0	0	10.500
Transfers and Disposals - Cost	47.001	0	0	47.001
Transfers and Disposals - Accumulated Amortization	(530)	0	0	(530)
Impairment Losses	0	0	0	0
Amortization	(10.450)	0	0	(10.450)
Net Book Value at 31.12.2020	46.521	0	0	46.521

7 Other Non-Current Assets

	31.12.2020	31.12.2019
Other Long-Term Receivables	4.500	0
Long-Term Guarantees	20.852	0
Total:	25.352	0

8 Inventories

	31.12.2020	31.12.2019
Merchandises	0	0
Finished and Semi-Finished Products	183.300	245.754
Raw and Secondary Materials	3.618.201	3.114.191
Packaging Materials	8.771	12.163
Spare Parts	59.024	59.024
less: Write-Down of Inventory	(13.386)	0
Total:	3.855.910	3.431.132

9 Trade Receivables

	<u>31.12.2020</u>	<u>31.12.2019</u>
Trade Receivables	1.101.865	73.182
less: Bad Debt Provisions	(3.798)	0
Total:	<u>1.098.067</u>	<u>73.182</u>

10 Other Receivables

	<u>31.12.2020</u>	<u>31.12.2019</u>
Sundry Debtors	1.188	0
Other Short-Term Receivables	0	136.112
Advance Payments to Suppliers	108.988	0
Taxes and Levies Receivables	99.431	143.233
Provisions	1.725	0
less: Bad Debt Provisions of Other Receivables	0	0
Total:	<u>211.332</u>	<u>279.345</u>

11 Cash and Cash Equivalents

	<u>31.12.2020</u>	<u>31.12.2019</u>
Cash in Hand in BGN	15.477	1.008
Cash at Bank in BGN	289.401	37.212
Cash at Bank in Foreign Currencies	649.959	304.740
Total:	<u>954.837</u>	<u>342.960</u>

12 Share Capital & Share Premium

Share Capital

As of 31 December 2020, the registered Share Capital of the Company is BGN 1.672.751 (EUR 855.264), divided into 1.672.751 ordinary registered shares, each of them with nominal value BGN 1 (one). The sole shareholder of the Company is Loulis International Foods Enterprises (Bulgaria) Limited.

	Number of Shares	Nominal Value per share	Total amount in BGN	Total amount in EUR
Balance at 01.01.2019	582.000	1 BGN	582.000	297.572
Issue of Shares	0	1 BGN	0	0
Balance at 31.12.2019	582.000		582.000	297.572
Balance at 01.01.2020	582.000	1 BGN	582.000	297.572
Issue of Shares	1.090.751	1 BGN	1.090.751	557.692
Balance at 31.12.2020	1.672.751		1.672.751	855.264

The Share Capital of the Company is fully subscribed and paid as follows:

- i. BGN 50.000 (EUR 25.564,59) with a cash contribution of the Sole Owner upon the establishment of the Company dated 22 February 2016.
- ii. BGN 532.000 (EUR 272.007,28) with a non-monetary contribution of the Sole Owner dated 11 October 2017, as described in Article 6, paragraph 2, item 1 of the Company's Articles of Association.
- iii. BGN 440.441 (EUR 225.193,91) with a non-monetary contribution of the Sole Owner dated 21 October 2020, as described in Article 6, paragraph 2, item 2 of the Company's Articles of Association.
- iv. BGN 650.310 (EUR 332.498,22) with a cash contribution of the Sole Owner dated 21 October 2020.

Share Premium

As of 31 December 2020, the Share Premium of the Company is BGN 19.473.014 (EUR 9.956.393,96) and is formed as follows:

- i. BGN 6.384.000 (EUR 3.264.087,37) as the difference between the issue and nominal value of the 532.000 newly issued shares at a price of BGN 13 (thirteen) each, at a premium of BGN 12 (twelve) per share, according to the Resolution for the Sole Owner of the capital of the Company dated 11 October 2017.
- ii. BGN 13.089.014 (EUR 6.692.306,59) as the difference between the issue and nominal value of the 1.090.751 newly issued shares at a price of BGN 13 (thirteen) each, at a premium of BGN 12 (twelve) per share, according to the Resolution for the Sole Owner of the capital of the Company dated 21 October 2020.

13 Bank Loans

The analysis of the Long-Term and Short-Term Bank Loans is presented in the table below:

	31.12.2020	31.12.2019
Short-Term Bank Loans		
Current Portion of Long-Term Liabilities	370.687	0
Short-Term Bank Loans	0	637.128
Total:	370.687	637.128
Long-Term Bank Loans		
Long-Term Bond Loans	3.924.165	4.294.852
Total:	3.924.165	4.294.852
Total Bank Loans:	4.294.852	4.931.980

The maturity periods of the Long-Term Bank Loans are presented in the table below:

	Repayment of Long-Term Loans
Within 2021	370.687
Within 2022	715.809
Within 2023	715.809
Within 2024	715.809
Within 2025	715.809
Within 2026	715.809
Within 2027	345.120
Total:	4.294.852

Long-Term 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 (EUR 2.300.814) with maturity date 6.3.2027, which is fully utilized as of 31.12.2019.

Loan collateral: Property №1 in General Toshevo and Property №2 Snop Village, a special pledge on General Toshevo's electromechanical equipment and present and future receivables.

Long-Term 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 (EUR 1.994.038) which is fully utilized as at 31.12.2019. The maturity date is 30.09.2027.

Loan collateral: Property №1 in General Toshevo and Property №2 Snop Village, a special pledge on General Toshevo's electromechanical equipment and present and future receivables.

Bank Overdraft

On March 6, 2019, the Company signs an overdraft contract with a maximum authorized amount of BGN 1.955.830 (EUR 1.000.000) 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 31.12.2020 is BGN 0 (EUR 0).

Loan collateral: Property №1 in General Toshevo and Property №2 Snop Village, a special pledge on General Toshevo's electromechanical equipment and present and future receivables.

The change in the total Bank Loans for the Company is presented in the table below:

	Short-Term Bank Loans	Long-Term Bank Loans	Total
Balance at 01.01.2019	0	0	0
Cash Flow:			
- Proceeds/(Payments) from Bank Borrowings	637.128	4.294.852	4.931.980
- Payment of Long-Term Bank Borrowings	0	0	0
Non-Cash Flow:			
- Reclassification from Long-Term to Short-Term Bank Loans	0	0	0
Balance at 31.12.2019	637.128	4.294.852	4.931.980
Balance at 01.01.2020	637.128	4.294.852	4.931.980
Cash Flow:			
- Proceeds/(Payments) from Bank Borrowings	(637.128)	0	(637.128)
- Payment of Long-Term Bank Borrowings	0	0	0
Non-Cash Flow:			
- Reclassification from Long-Term to Short-Term Bank Loans	370.687	(370.687)	0
Balance at 31.12.2020	370.687	3.924.165	4.294.852

14 Lease Liabilities

	31.12.2020	31.12.2019
Lease Liability due:		
between 2 and 5 years	10.189	16.138
Incl. * Principal	10.019	15.227
* Interest	170	911
Up to 1 year	9.005	8.774
Incl. * Principal	8.732	8.568
* Interest	273	206
Total Liabilities	19.194	24.912
Future Finance Costs under Finance Leases	(443)	(1.117)
Lease Liabilities	18.751	23.795

As of 31.12.2020 the Company has Lease Liabilities due to third parties in relation to contracts for rent of cars.

15 Employee Benefit Liabilities

The liability for retirement benefits is included in the Financial Statements according to IFRS 19 and it is based on an actuarial study with date December 31, 2020.

For the calculations of the study the following actuarial assumptions have been used:

Financial Assumptions

Discount Rate:	0,60%
Expected Salary Increase:	1,50%
Inflation:	1,50%

Demographic Assumptions

Mortality:	EVK2000
Disability:	50% EVK2000
Retirement Age Limits:	as given by the Company (estimate)

Turnover:

- from 0 years to 1 years	1,50%
- from 1 years to 5 years	1,00%
- from 5 years to 10 years	0,50%
- over 10 years	0,00%

The amounts recognized in the Statement of Comprehensive Income are as follows:

	<u>31.12.2020</u>	<u>31.12.2019</u>
Current Cost Service	6.359	0
Interest Cost	12	0
Settlement/Curtailment Impact	2.346	0
Past Service Cost	0	0
Amounts charged in Profit & Loss Statement:	8.717	0
Actuarial (Profit)/Loss for the period	(266)	0
Actuarial (Profit)/Loss for the Previous Year	1.935	0
Total amounts charged in the Statement of Comprehensive Income:	<u>10.386</u>	<u>0</u>

The change in the Net Liability, recognized in the Statement of Financial Position is presented in the table below:

	<u>31.12.2020</u>	<u>31.12.2019</u>
Net Liability - Opening Balance:	0	0
Total Expense	8.717	0
Actuarial (Profit)/Loss for the Period	(266)	0
Actuarial (Profit)/Loss for the Previous Year	1.935	0
Benefits Paid	(2.346)	0
Net Liability - Closing Balance:	<u>8.040</u>	<u>0</u>

16 Deferred Tax Liability

	<u>31.12.2020</u>	<u>31.12.2019</u>
Deferred Tax Asset	4.397	0
Deferred Tax Liability	(84.964)	0
Total:	<u>(80.567)</u>	<u>0</u>

Deferred Tax - Opening Balance 2019

Deferred Tax Asset from Inventory Impairment	0
Deferred Tax Asset from Bad Debts	0
Deferred Tax Asset from Tax Employee Benefits	0
Deferred Tax Asset from Other	0
Deferred Tax Liability from Assets	0
Deferred Tax Liability from Other Intangible Assets	0
Deferred Tax Liability from Right of Use Assets	0
Deferred Tax - Closing Balance 2019	<u>0</u>

Deferred Tax - Opening Balance 2020

Deferred Tax Asset from Inventory Impairment	1.339
Deferred Tax Asset from Bad Debts	380
Deferred Tax Asset from Tax Employee Benefits	804
Deferred Tax Asset from Other	1.875
Deferred Tax Liability from Assets	(83.089)
Deferred Tax Liability from Other Intangible Assets	(9)
Deferred Tax Liability from Right of Use Assets	(1.867)
Deferred Tax - Closing Balance 2020	<u>(80.567)</u>

17 Trade Payables

	<u>31.12.2020</u>	<u>31.12.2019</u>
Trade Payables	629.398	895.199
Advance Payments from Receivables	601.579	980.000
Total:	<u>1.230.977</u>	<u>1.875.199</u>

18 Other Short-Term Liabilities

	<u>31.12.2020</u>	<u>31.12.2019</u>
Creditors	446	0
Short-Term Non Bank Loans	0	2.300.000
Employee Benefits Payable	89	0
Social Security and Other Contributions	11.982	0
Provisions	7.379	0
Total:	<u>19.896</u>	<u>2.300.000</u>

19 Net Sales

	<u>2020</u>	<u>2019</u>
Net Sales of Produced Goods	6.487.858	90.200
Net Sales of Wheat	380.619	876.853
Net Sales of Other Goods	10.994	0
Total:	<u>6.879.471</u>	<u>967.053</u>

20 Administration Expenses

	<u>2020</u>	<u>2019</u>
Consumption of Materials	0	0
Employees Benefits	(84.467)	(32.345)
Fees for Services	(92.535)	(223.832)
Energy and Water	(2.207)	0
Telecommunications	(453)	0
Rents	(5.585)	(68.076)
Insurance	(8.330)	(2.026)
Transportation Expenses	(2.161)	0
Consumables	(1.056)	(4.212)
Repairs and Maintenance	(2.044)	0
Marketing and Advertising	0	(10.818)
Other Expenses	(43.823)	(49.589)
Taxes and Levies	(5.887)	(17.453)
Depreciation	(13.133)	(22.726)
Total:	<u>(261.681)</u>	<u>(431.077)</u>

21 Distribution Expenses

	<u>2020</u>	<u>2019</u>
Consumption of Materials	0	0
Employees Benefits	(151.957)	(35.110)
Fees for Services	(8.019)	0
Energy and Water	(26)	0
Telecommunications	(738)	0
Rents	(2.808)	(36.293)
Insurance	(10.606)	0
Transportation Expenses	(449.338)	(82.377)
Consumables	(11.404)	0
Repairs and Maintenance	(17.229)	0
Marketing and Advertising	(8.274)	0
Other Expenses	(14.948)	(19.128)
Taxes and Levies	(1.366)	0

Depreciation	(66.537)	(15.401)
Total:	(743.250)	(188.309)

22 Other non-Operational Income/(Expense)

	2020	2019
Profit from Sale of Assets	1.230	0
Foreign Exchange Differences (Credit)	8	0
Profit from Reversal of Receivables and Investments	2.112	0
Profit from Other Income	1.161	0
Foreign Exchange Differences (Debit)	(6.286)	0
Impairment of Inventory	(13.386)	0
Impairment of Receivables and Investments	(5.910)	0
Total:	(21.071)	0

23 Net Financial Income/(Expense)

	2020	2019
Interest Income	0	0
Bank Interest Expense	(82.521)	(108.756)
Other Interest Expense	(128.765)	(38.805)
Total:	(211.286)	(147.561)

24 Tax Expense

	2020	2019
Income Tax	0	0
Deferred Income Tax	(18.999)	0
Total:	(18.999)	0

25 Transactions with Related Parties

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

		2019	
	Type of Relation	Sales of Good and Services	Purchases of Goods and Services
Loulis International Foods Enterprises (Bulgaria) Ltd	Parent Company	0	120.000
Loulis Mills SA	Sister Company	927.527	339.913
Kenfood SA	Sister Company	0	0
Total:		927.527	459.913

		2020	
	Type of Relation	Sales of Good and Services	Purchases of Goods and Services
Loulis International Foods Enterprises (Bulgaria) Ltd	Parent Company	0	0
Loulis Mills SA	Sister Company	440.689	96.472
Kenfood SA	Sister Company	0	0
Total:		440.689	96.472

	31.12.2019		
	Type of Relation	Trade Receivables	Trade Payables
Loulis International Foods Enterprises (Bulgaria) Ltd	Parent Company	0	198.000
Loulis Mills SA	Sister Company	33.716	1.316.613
Kenfood SA	Sister Company	0	
Total:		33.716	1.514.613

	31.12.2020		
	Type of Relation	Trade Receivables	Trade Payables
Loulis International Foods Enterprises (Bulgaria) Ltd	Parent Company	0	198.000
Loulis Mills SA	Sister Company	0	695.853
Kenfood SA	Sister Company	0	0
Total:		0	893.853

Loans Payable to Related Parties

Loan 1

On 24 October 2018, Loulis Mills SA (Lender) entered into an agreement to grant a loan of EUR 2.500.000 to Loulis Mel-Bulgaria EAD (Borrower) with an interest of 5%. The maturity date was 24 September 2019, and the loan was fully repaid until 10 September 2019.

Loan 2

On 05 August 2019, along with its "Amendment 1" dated 01 September 2019, "Amendment 2" dated 08 November 2019, "Amendment 3" dated 27 February 2020 and "Amendment 4" dated 01 June 2020, Loulis Mills SA (Lender) entered into an agreement to grant a loan of EUR 4.500.000 to Loulis Mel-Bulgaria EAD (Borrower) with an interest of 4%. The maturity date was 01 May 2021, and the loan was fully repaid until 04 November 2020.

Loan 3

On 29 April 2020, Loulis International Foods Enterprises (Bulgaria) Ltd (Lender) entered into an agreement to grant a loan of EUR 4.500.000 to its subsidiary Loulis Mel-Bulgaria EAD (Borrower) with an interest of 4%. As a result, Loulis Mel-Bulgaria EAD had a payable with Loulis International Foods Enterprises (Bulgaria) Ltd for the total amount of EUR 2.927.522 (BGN 5.725.735) (principal amount EUR 2.900.000 and interest amount of EUR 27.522).

On 18 September 2020, Loulis International Foods Enterprises (Bulgaria) Ltd decided to make a non-monetary contribution of EUR 2.927.522 (BGN 5.725.735) to Loulis Mel-Bulgaria EAD which was set off in exchange with the loan receivable balance.

	Balance at 01.01.2019	Received Cash	Paid Cash	Interest Accrued	Interest Paid	Balance at 31.12.2019
Loan 1	1.967.889	550.000	(2.500.000)	40.667	(58.556)	0
Loan 2	0	3.500.000	(1.200.000)	33.700	(33.700)	2.300.000
Total:	1.967.889	4.050.000	(3.700.000)	74.367	(92.256)	2.300.000

	Balance at 01.01.2020	Received Cash	Paid Cash	Interest Accrued	Interest Paid	Balance at 31.12.2020
Loan 1	0	0	0	0	0	0
Loan 2	2.300.000	700.000	(3.000.000)	86.133	(86.133)	0
Loan 3	0	2.900.000	(2.900.000)	27.522	(27.522)	0
Total:	2.300.000	3.600.000	(5.900.000)	113.655	(113.655)	0

26 Financial Instruments

The Company's Financial Instruments are as follows:

Financial Assets at Amortized Cost

	<u>31.12.2020</u>	<u>31.12.2019</u>
Trade Receivables	1.098.067	73.182
Cash and Cash Equivalents	954.837	342.960
Total:	<u>2.052.904</u>	<u>416.142</u>

Financial Liabilities at Amortized Cost

	<u>31.12.2020</u>	<u>31.12.2019</u>
Trade Payables	1.230.977	1.875.199
Bank Loans	4.294.852	4.931.980
Lease Liabilities	18.751	23.795
Total:	<u>5.544.580</u>	<u>6.830.974</u>

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.

	<u>31.12.2020</u>				
	<i>Up to 1 month</i>	<i>1-3 months</i>	<i>3-12 months</i>	<i>Over 1 year</i>	<i>Total</i>
Financial Assets					
Trade Receivables	313.313	774.896	7.788	2.070	1.098.067
Cash and Cash Equivalents	954.837	0	0	0	954.837
Total:	<u>1.268.150</u>	<u>774.896</u>	<u>7.788</u>	<u>2.070</u>	<u>2.052.904</u>
Financial Liabilities					
Trade Payables	0	1.230.977	0	0	1.230.977
Lease Liabilities	0	0	8.732	10.019	18.751
Bank Loans	0	0	370.687	3.924.165	4.294.852
Total:	<u>0</u>	<u>1.230.977</u>	<u>379.419</u>	<u>3.934.184</u>	<u>5.544.580</u>

	31.12.2019				Total
	<i>Up to 1 month</i>	<i>1-3 months</i>	<i>3-12 months</i>	<i>Over 1 year</i>	
Financial Assets					
Trade Receivables	0	73.182	0	0	73.182
Cash and Cash Equivalents	342.960	0	0	0	342.960
Total:	342.960	73.182	0	0	416.142
Financial Liabilities					
Trade Payables	0	1.875.199	0	0	1.875.199
Lease Liabilities	0	0	8.568	15.227	23.795
Bank Loans	0	0	637.128	4.294.852	4.931.980
Total:	0	1.875.199	645.696	4.310.079	6.830.974

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.

27 Management Remuneration

In the period ended 31 December 2020 the managing directors of the Company have not received remuneration.

28 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. The company has a class A investment certificate with number A-93 dated 09/11/2016 with a term until 09/11/2019 and extended with a certificate with number A-93-1 dated 09/11/2019 with which the term of the investment project is until 09/11/2021.

29 Events after Balance Sheet Date

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. The effects on the Company's operations as a result of the above events may include.

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:

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.

**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 2020 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 2020, 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

We draw attention to the Note No.29 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. 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

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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.

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, 28/04/2021

Stoyanka Apostolova,
Registered auditor
Responsible for the audit
Manager

Nedyalko Apostolov,
Manager