LOULIS MEL BULGARIA EAD

AUDITOR’S REPORT
AND FINANCIAL STATEMENTS

December 31, 2018

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LEGAL STATUS AND ORGANIZATION

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

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

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

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

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

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

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

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

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

RESEARCH AND DEVELOPMENT ACTIVITIES

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

BRANCHES
The company has no branches.

FINANCIAL PERFORMANCE

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

Selected items from the statement of financial position at 31.12.2018 are presented below in EUR:

Balance sheet items	**2 018**	**2 017**	**Change**
Non-current assets	5 148 848	2 189 953	2 958 895
Inventory	529 969	1 016 624	(486 655)
Cash and cash equivalents	119 439	63 467	55 972
Equity	3 080 584	3 293 769	(213 185)
Current liabilities	(2 766 366)	(69 171)	(2 697 195)

Selected items from the statement of comprehensive income for the year ended 31.12.2018 are presented below:

P&L Items	2018	2017	Change
Net sales	1 255 890	2 092 114	(836 224)
COS	(1 014 314)	(1 625 295)	610 981
Total operating costs	(431 198)	(618 839)	187 641
Operating loss	(189 622)	(152 020)	(37 602)
Net loss	(213 185)	(194 518)	(18 667)

Financial ratios:

	2018	2017	Change
Profitability of sales ratio	-0.17	-0.09	-0.08
Profitability of the equity ratio	-0.07	-0.06	-0.01
Profitability of the liabilities ratio	-0.08	-2.84	2.76
Assets capitalization ratio	-0.04	-0.06	0.02
Cost efficiency ratio	0.85	0.91	-0.06
Revenue efficiency ratio	1.17	1.09	0.09
Current ratio	0.25	17.12	-16.87
Quick liquidity ratio	0.06	2.29	-2.23
Immediate liquidity ratio	0.06	2.29	-2.23
Absolute liquidity ratio	0.04	0.93	-0.89
Financial autonomy ratio	1.11	48.07	-46.96
Debt ratio	0.90	0.02	0.88
Return on equity ratio	-0.07	-0.06	-0.01
Return on assets ratio	-0.04	-0.06	0.02

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 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, 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 the specifics of the company's activities the credit risk is minimal, since almost all sales are paid in cash.

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 managing 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 2018 year.

c) In the financial 2018 year the members of the Board of Directors neither acquired, nor held or transferred shares of the Company, or had the right to acquire such shares. All shares of the Company are an exclusive property of their holders. The Company has not issued debentures.

d) None of the members of the Board of Directors signed contracts in the financial 2018 in accordance with the provisions of Art. 240b of the Commercial Act.

SUBSEQUENT EVENTS

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

MANAGEMENT RESPONSIBILITY FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

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

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

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

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

Baker Tilly Klitou and Partners BS
Krasimira Radeva
Proxy of the GM Giorgios Nicolaides

Nikolaos Loulis
Executive Director

LOULIS MEL BULGARIA EAD
STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2018
All amounts are in EUR, except otherwise stated

	Notes	As of 31.12.2018	As of 31.12.2017
Assets			
Non-current assets			
Property, plant and equipment	4	5 148 848	2 189 953
Total Non-current assets		**5 148 848**	**2 189 953**
Current assets			
Inventory	5	529 969	1 016 624
Trade and other receivables	6.1	37 779	59 434
Receivables from related parties	6.2,14	10 915	33 462
Cash and cash equivalents	7	119 439	63 467
Total Current assets		**698 102**	**1 172 987**
TOTAL ASSETS		**5 846 950**	**3 362 940**
EQUITY AND LIABILITIES			
Equity			
Share capital	8	297 572	297 572
Share premium reserves	8	3 264 087	3 264 087
Prior year retained loss		(267 890)	(73 372)
Net loss for the year		(213 185)	(194 518)
Total Equity		**3 080 584**	**3 293 769**
Current liabilities			
Short term loans due to related parties	14	1 967 889	-
Trade and other payables	9	33 477	63 991
Trade payables to related parties	14	765 000	5 180
Total Current liabilities		**2 766 366**	**69 171**
TOTAL EQUITY AND LIABILITIES		**5 846 950**	**3 362 940**

These financial statements have been approved by the management on 22.03.2019

Baker Tilly Klitou and Partners BS
Krassimira Radeva,
Proxy of the GM Giorgios Nicolaides

Nikolaos Loulis
Executive Director

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

Stoyanka Apostolova,
Managing Partner
CPA, Registered Auditor, responsible for the audit

Nedyalko Apostolov,
Manager

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

LOULIS MEL BULGARIA EAD
STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 DECEMBER 2018
All amounts are in EUR, except otherwise stated

	Notes	Period ended 31.12.2018	Period ended 31.12.2017
Revenue from contracts with customers	10	1 255 890	2 092 114
Cost of goods sold		(1 014 314)	(1 625 295)
Gross Profit		**241 576**	**466 819**
Selling and distribution costs	11	(273 904)	(443 585)
Administration expenses	12	(157 294)	(175 254)
Operating profit		**(189 622)**	**(152 020)**
Finance costs	13	(23 563)	(42 498)
Finance income/(costs), net		**(23 563)**	**(42 498)**
Profit before income tax		**(213 185)**	**(194 518)**
Income tax expense		-	-
Profit for the period		**(213 185)**	**(194 518)**
Other comprehensive income for the period		-	-
Total comprehensive income for the period		**(213 185)**	**(194 518)**

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LOULIS MEL BULGARIA EAD
STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 DECEMBER 2018
All amounts are in EUR, except otherwise stated

	Period ended 31.12.2018	Period ended 31.12.2017
Cash flows from operating activities		
Profit before tax	(213 185)	(194 518)
Adjustments for:	-	-
Depreciation and amortization	7 142	6 657
Interest expenses & Foreign Exchange losses	17 889	42 498
Cash flows from operating activities before changes in working capital	**(188 154)**	**(145 363)**
(Increase)/decrease in inventory	486 655	(548 995)
(Increase)/decrease in trade and other receivables	44 202	(43 784)
Increase/(decrease) in trade and other payables	729306	(255 953)
Cash flows from operating activities	**1 072 009**	**(994 095)**
Interest received/(paid)	-	(9 687)
Income tax paid	-	
Net cash flows from operating activities	**1 072 009**	**(1 003 782)**
Cash Flows from investing activities		
Purchase of property, plant and equipment	(2 966037)	(1 998 904)
Net Cash Flow used in investing activities	**(2 966037)**	**(1 998 904)**
Cash Flows from financing activities		
Issued Share Capital	-	272 007
Proceeds from loans	1 950 000	(538 600)
Other reserves	-	3 264 087
Net Cash Flow (used in)/ from financing activities	**1 950 000**	**2 997 494**
Increase/(decrease) in cash and cash equivalents	**55 972**	**(5 192)**
Cash and cash equivalents as of January 01, 2018	63 467	68 659
Cash and cash equivalents as of December 31, 2018	**119 439**	**63 467**

These financial statements have been approved by the management on 22.03.2019

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Krassimira Radeva,
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Nikolaos Loulis
Executive Director

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Stoyanka Apostolova,
Managing Partner
CPA, Registered Auditor, responsible for the audit

Nedyalko Apostolov,
Manager

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

	Share capital	Other reserves	Retained earnings/ (loss)	Net profit (loss) for the year	Total
BALANCE AT 01 JANUARY 2017	25 565	-	-73 372	-	-47 807
Movement in Share Capital	272 007	-	-	-	272 007
Total comprehensive income for the period ended 31.12.2017	-	3 264 087	-	-194 518	3 069 569
BALANCE AT 31 DECEMBER 2017	**297 572**	**3 264 087**	**-73 372**	**-194 518**	**3 293 769**

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

These financial statements have been approved by the management on 22.03.2019

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

1 Legal status

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

As of 31 December 2018, the sole owner of the Company is Loulis International Foods Enterprises (Bulgaria) Limited, company registered and existing under the law of Republic of Cyprus, registration No. 110334
The Company operates in the Republic of Bulgaria and has the following headquarters:
5, "Stara Planina" str., fl.5, 1000 Sofia, Bulgaria
Managing Directors of the Company are Nikolaos Loulis and Dimitrios Tarnaras.

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 kataifi pastry sheet, bakery wares, confectionary and food, mixtures, raw materials and chemicals for the manufacture of bakery and confectionery and all kinds of machinery and equipment.

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

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

2 Basic for preparation of the financial statements

2.1 General financial reporting framework

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

2.2 Accounting principles and going concern assumption

The financial statements are prepared for general purposes on accrual basis and under the going concern assumption and the historical cost convention, and provide information about the Company's financial position, operations and cash flows for the year ended December 31, 2018.

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, 2018.

3. Significant Accounting Policies

3.1. Revenue

Accounting policy applicable from 1 January 2018

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 on the basis of 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.

Summary of significant accounting policies (continued)

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*.

Accounting policy up to 31 December 2017

Income is measured at fair value of the consideration received or receivable in the form of cash or cash equivalents, net of value-added tax and discounts granted. Income from services provided is recognized in the reporting period in which the services are performed on the basis of the stage of completion, determined as a percentage share of the services already delivered of the total amount of services to be provided. Expenses are recognized on accrual basis in the period to which they relate. Interest income and expense are recognized by using the effective interest method.

Summary of significant accounting policies (continued)

3.2. Taxation

Income tax expense comprises the amount of current and deferred taxes. The current taxes due are calculated on the basis of 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 on the basis of the tax rate effective at the date of the statement of financial position.

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

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

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

3.3. Property, plant and equipment

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

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

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

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

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

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

Summary of significant accounting policies (continued)

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

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

Computers	2 years
Furniture and fixtures	6.7 years
Vehicles	4 years

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

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

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

The carrying values of fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may differ from their recoverable amount. If such indications exist that the estimated recoverable amount is lower than its carrying amount, the latter is adjusted to the recoverable amount of the assets. The recoverable amount of fixed assets is the higher of the fair value less costs to sell or value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market conditions and assessments of the time value of money and the risks specific to the asset. Impairment losses are recognized in the statement of comprehensive income.

3.4. ***Intangible assets***

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

3.5. 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.

Summary of significant accounting policies (continued)

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
Accounting policy applicable from 1 January 2018

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.

Accounting policy applicable up to 31 December 2017
Impairment of trade receivables is estimated based on the pattern of losses incurred. Estimates of losses on doubtful and uncollectible receivables are estimated when there is a high uncertainty about the collection of all or part of the amount.

After initial recognition, trade and other receivables are accounted for by an initial recognition amount less impairment allowance, if necessary.

3.6. 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.

3.7. 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.

Summary of significant accounting policies (continued)

3.8. 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.

3.9. Financial instruments

Initial recognition and subsequent measurement

Accounting policy applicable from 1 January 2018

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)

Summary of significant accounting policies (continued)

<u>Classification groups</u>

Financial assets at amortized cost (debt instruments)
The Company measures financial assets at amortized cost when both of the following conditions are met:
- the financial asset is held and used within a business model that is designed to hold it in order to collect the contractual cash flows from it, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised from the statement of financial position of the company when:
- the rights to the cash flows from the assets have expired, or
- the entity has transferred the contractual rights to receive the cash flows from the asset, or the entity has assumed a contractual obligation to remit those cash flows without significant delay to a third party under a transfer arrangement wherein: a) the company has transferred substantially all the risks and rewards of ownership of the asset; or b) the company has neither transferred nor retained substantially all the risks and rewards of ownership of the asset but has not retained control of it.

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

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

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

Summary of significant accounting policies (continued)

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

Financial liabilities at fair value through profit or loss

The Company does not have such liabilities.

Summary of significant accounting policies (continued)

Loans received and other borrowed funds

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

Amortized cost is calculated by taking into account any discounts or premiums on acquisition, as well as fees or charges that are an integral part of the effective interest rate. The amortization calculated based on the effective interest rate is included in the "finance costs" in the statement of comprehensive income (in profit or loss for the year).

Derecognition

A financial liability is derecognized when, and only when the obligation specified in the contract is either discharged or cancelled or expires. Where there has been an exchange between an existing borrower and lender of debt instruments with substantially different terms, or there has been a substantial modification of the terms of an existing financial liability, this transaction is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. A gain or loss from extinguishment of the original financial liability is recognised in the statement of comprehensive income (in profit or loss for the year).

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.

Accounting policy applicable up to 31 December 2017

Financial assets

Initial recognition

Financial assets within the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, available for sale financial assets or as derivatives designated as hedging instruments in an effective hedge. The Company determines the classification of its financial assets at initial recognition.

Summary of significant accounting policies (continued)

All financial assets are recognized initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

The Company's financial assets include cash and short-term deposits, and trade and other receivables.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification.

Financial liabilities

Initial recognition
Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowing, or as derivatives designated as hedging instruments in an effective hedge. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, directly attributable transaction cost.

The Company's financial liabilities include short-term loans and trade and other payables.

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Derecognition of financial instruments

Financial assets
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced with another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the income statement.

Summary of significant accounting policies (continued)

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 minimising the use of unobservable inputs.
All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:
Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

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

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

3.10. 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.

Summary of significant accounting policies (continued)

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.

3.11. 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.

New standards, amendments and interpretations effective as of 1 January 2018

The following amendments to the existing standards issued by the International Accounting Standards Board and adopted by the EU are effective for the current period:

- IFRS 15 Revenue from Contracts with Customers (issued on 28 May 2014) including amendments to IFRS 15: Effective date of IFRS 15 (issued on 11 September 2015), endorsed by the EU on 22 September 2016, published in the Official Journal on 29 October 2016
- IFRS 9 Financial Instruments (issued on 24 July 2014), endorsed by the EU on 22 November 2016, published in the Official Journal on 29 November 2016
- Clarifications to IFRS 15 Revenue from Contracts with Customers (issued on 12 April 2016), endorsed by the EU on 31 October 2017, published in the Official Journal on 9 November 2017
- Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (issued on 12 September 2016), endorsed by the EU on 3 November 2017, published in the Official Journal on 9 November 2017
- Annual Improvements to IFRS Standards 2014-2016 Cycle (issued on 8 December 2016), endorsed by the EU on 7 February 2018, published in the Official Journal on 8 February 2018
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (issued on 20 June 2016), endorsed by the EU on 26 February 2018, published in the Official Journal on 27 February 2018
- Amendments to IAS 40: Transfers of Investment Property (issued on 8 December 2016), endorsed by the EU on 14 March 2018, published in the Official Journal on 15 March 2018
- IFRIC 22 Foreign Currency Transactions and Advance Consideration (issued on 8 December 2016), endorsed by the EU on 28 March 2018, published in the Official Journal on 3 April 2018

The adoption of these amendments to the existing standards has not led to any changes in the Company's accounting policies.

Standards, interpretations and amendments in standards that are issued by IASB and endorsed by EU but not yet effective

- IFRS 16 Leases (issued on 13 January 2016), endorsed by the EU on 31 October 2017, published in the Official Journal on 9 November 2017
- Amendments to IFRS 9: Prepayment Features with Negative Compensation (issued on 12 October 2017), endorsed by the EU on 22 March 2018, published in the Official Journal on 26 March 2018
- IFRIC 23 Uncertainty over Income Tax Treatments (issued on 7 June 2017), endorsed by the EU on 23 October 2018, published on the Official Journal on 24 October 2018

Documents issued by the IASB / IFRIC not yet endorsed by the EU

These new or revised standards, new interpretations and amendments to existing standards that at the reporting date are already issued by the International Accounting Standards Board have not yet been endorsed by the EU and therefore are not taken into account by the Company in preparing these financial statements.

Summary of significant accounting policies (continued)

- IFRS 17 Insurance Contracts (issued on 18 May 2017), effective 1 January 2021
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (issued on 12 October 2017), effective 1 January 2019
- Annual Improvements to IFRS Standards 2015-2017 Cycle (issued on 12 December 2017), effective 1 January 2019
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement (issued on 7 February 2018), effective 1 January 2019
- Amendments to References to the Conceptual Framework in IFRS Standards (issued on 29 March 2018), effective 1 January 2020
- Amendment to IFRS 3 Business Combinations (issued on 22 October 2018), effective 1 January 2020
- Amendments to IAS 1 and IAS 8: Definition of Material (issued on 31 October 2018), effective 1 January 2020

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.

<u>Accounting policy applicable from 1 January 2018</u>

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.

<u>Accounting policy applicable until 31 December 2017</u>

Useful lives of property, plant and equipment and intangible assets

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

Impairment of trade receivables

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

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

Effects from the initial application of IFRS 9 and IFRS 15

The Company presents comparative information in these financial statements for one prior year. When necessary, comparative figures are reclassified (and restated), so that there is comparability in presentation of the current year.

An exception to this rule is the presentation of the effects of the initial application of IFRS *15 Revenue from contracts with customers* and IFRS 9 *Financial instruments*. The Company has selected the modified retrospective approach when initially applying IFRS *15 Revenue from contracts with customers.* When adopting IFRS 9 *Financial instruments* the Company has applied all exemptions for initial application. All changes, resulting from the initial application of the two new standards, are not material and are not recognized in the financial statements for 2018. The comparative information for 2017 is not restated. It is presented and disclosed in accordance with the requirements of IAS 39 *Financial instruments: Recognition and Measurement* (replaced), IFRS 7 *Financial instruments: Disclosures*, IAS 18 *Revenue* (*replaced)* and *IAS 11 Construction* contracts (replaced) and the related interpretations.

4. Property, plant and equipment

Movement of property, plant and equipment in 2018 is, as follows:

	Furniture & Fittings	Machinery & Equipment	Fixed assets in progress	Land	Total
Balance at 01 January 2018	1 193	30 300	1 411 771	753 754	2 197 018
Additions for the period	-	2 000	2 964 037	-	2 966 037
Disposals for the period	-			-	-
Balance at 31 December 2018	1 193	32 300	4 375 808	753 754	**5 163 055**
Accumulated depreciation as of 01 January 2018	(944)	(6 121)	-	-	(7 065)
Accumulated depreciation during the period	(249)	(6 893)	-	-	(7 142)
Disposals for the period	-	-	-	-	-
Accumulated depreciation as of 31 December 2018	(1 193)	(13 014)	-	-	(14 207)
BALANCE AS OF 31 December 2018	**-**	**19 286**	**4 375 808**	**753 754**	**5 148 848**
BALANCE AS OF 31 December 2017	**249**	**24 179**	**1 411 771**	**753 754**	**2 189 953**

Under the land purchase contract, the company undertakes to execute an investment project within the time period described in note 15. If the clauses entered in the contract are not fulfilled, the land will be returned to the Seller.

5. Inventory

	As of 31.12.2018	As of 31.12.2017
Wheat	529 969	1 008 170
Goods KenFood	-	8 454
TOTAL	**529 969**	**1 016 624**

6. Trade and other receivables and receivables from related parties

6.1 Trade and other receivables

	As of 31.12.2018	As of 31.12.2017
Trade receivables	6 970	9 479
VAT receivables	18 972	47 538
Other receivables	11 837	2 417
TOTAL	**37 779**	**59 434**

6.2 Receivables from related parties

	As of 31.12.2018	As of 31.12.2017
Intercompany receivables (note 14)	10 915	33 462
TOTAL	**10 915**	**33 462**

7. Cash and cash equivalents

	As of 31.12.2018	As of 31.12.2017
Cash at bank in BGN	15 798	15 052
Cash at bank in Foreign currencies	103 641	48 415
TOTAL	**119 439**	**63 467**

8. Share capital

As of 31 December 2018 and 31 December 2017 the registered share capital of the Company is 297 572 EUR or 582 000 BGN, distributed by 1 BGN per share. The sole shareholder is Loulis International Foods Enterprises (Bulgaria) Limited.

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

By decision of the sole owner of the capital from 11.10.2017. The Company's capital is increased by a non-cash contribution representing the receivables from the loans granted to the Company which together with the accrued on them at the date of the decision - 01.09.2017. For a total value of EUR 3 540 853. The value of the non-cash contribution is determined on the basis of the elaborated triple valuation expertise according to the Act on the appointment of experts No 20170915200425 / 21.09.2017 of the Registry Agency and amounts to BGN 6 925 307. According to this capital of the company increased from BGN 50 000 to BGN 582 000 by subscribing to new 532 000 shares and the difference between the issue and nominal value of the newly issued shares at the amount of BGN 6 384 000 (EUR 3 264 087) has been assigned to the Share premium reserve.

9. Trade and other payables

	As of 31.12.2018	As of 31.12.2017
Liabilities to suppliers	33 477	63 991
TOTAL	**33 477**	**63 991**

10. Revenue from contracts with customers

	As of 31.12.2018	As of 31.12.2017
Income from sale of wheat	1 239 665	2 069 140
Income from sale of goods KenFood	7 081	22 919
Other Income	9 143	55
TOTAL	**1 255 890**	**2 092 114**

11. Selling and distribution costs

	As of 31.12.2018	**As of 31.12.2017**
Grain warehouse rent and related costs	73 721	88 716
Transportation costs	170 767	308 353
Salaries and wages	29 416	46 516
TOTAL	**273 904**	**443 585**

12. Administration expenses

	As of 31.12.2018	**As of 31.12.2017**
Fuel	5 463	5 536
Office and other materials	930	1 199
Office accomodation and support	23 909	
Consulting services	82 477	99 079
State fees	9 276	17
Insurances	1 206	1 329
Office rent	1 760	7 779
Salaries and wages	546	-
Rent of cars	6 891	6 498
Depreciation	7 142	6 358
Advertising expenses	-	21 813
Costs of natural wastage	3 591	22 561
Business trips	4 148	-
Other expenses	9 955	3 085
TOTAL	**157 294**	**175 254**

13. Finance costs

	As of 31.12.2018	**As of 31.12.2017**
Interest expenses on intercompany loan (Note 14)	(17 889)	(32 811)
FX losses and bank charges	(5 674)	(9 687)
Total finance costs	(23 563)	(42 498)
Finance costs	**(23 563)**	(42 498)

14. Related parties

The company has the following related parties:

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

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

Transactions during 2018 and 2017:

Purchase of services:

	31.12.2018	31.12.2017
Loulis International Foods Enterprises (Bulgaria) Limited	120 000	-
	120 000	-

Purchase of goods

	As of 31.12.2018	As of 31.12.2017
Loulis Mills S.A.	800	17942
Kenfood S.A.	481	28 647
TOTAL	**1 281**	**46 589**

Sales of finished goods to related parties

	31.12.2018	31.12.2017
Loulis Mills S.A.	1 034 792	2 069 135
	1 034 792	**2 069 135**

Sales of services to related parties

	31.12.2018	31.12.2017
Kenfood S.A.	9 143	-
	9 143	**-**

Balances with related parties as follows:

Trade receivables from related parties

	As of 31.12.2018	As of 31.12.2017
Kenfood S.A.	10 915	33 462
TOTAL	**10 915**	**33 462**

Trade payables to related parties

	As of 31.12.2018	As of 31.12.2017
Loulis Mills S.A.	645 000	-
Loulis International Foods Enterprises (Bulgaria) Limited	120 000	-
Kenfood S.A.	-	5 180
TOTAL	**765 000**	**5 180**

Short term loan payable to related parties

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

Contract date	Lander	Principal	Annual interest rate	Maturity
24.10.2018	Loulis Mills SA	EUR 1,950,000	5%	24.09.2019

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

	As of 31.12.2018	**As of 31.12.2017**
Loulis Mills SA – principal - 1 350 000 EUR – 24.10.2018	1 350 000	-
Loulis Mills SA – principal - 400 000 EUR – 26.10.2018	400 000	-
Loulis Mills SA – principal - 200 000 EUR – 08.11.2018	200 000	-
TOTAL	**1 950 000**	**-**

The outstanding loan balance is as follows:

	As of 31.12.2018	**As of 31.12.2017**
Loulis Mills SA - principal	1 950 000	-
Loulis Mills SA - interest	17 889	-
TOTAL	**1 967 889**	**-**

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

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

	1.1.2017	***Received/Paid Cash***	***Interest Accrued***	***Interest Paid***	***Other changes***	***31.12.2017***
Loans from	600 000	(538 600)	(40 853)	(9 687)	(10 860)	**-**
Reserves	-	3 223 234	40 853	-		**3 264 087**
Share capital	25 565	272 007	-			**297 572**

Management remuneration

In the period ended 31 December 2018 the managing directors of the Company have not received remuneration.

15. Financial Instruments

The company's financial instruments are as follows:

Financial assets at amortized cost

	31.12.2018	31.12.2017
	EUR	EUR
Trade receivables	29 722	45 358
Cash and cash equivalents	119 439	63 467
Total financial assets	**149 161**	**108 825**

Financial liabilities at amortized cost

	31.12.2018	31.12.2017
	EUR	EUR
Trade payables	798 477	69 171
Intercompany loan	1 967 889	-
Total financial liabilities	**2 766 366**	**69 171**

Financial risk management

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

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

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

Liquidity risk

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

31 December 2018 ***In EUR***	***Up to 1 month***	***1-3 months***	***3-12 months***	***Total***
Financial assets				
Trade and other receivables	-	48 694	-	48 694
Cash and cash equivalents	119 439	-	-	119 439
	119 439	**48 694**	**-**	**168 133**
Financial liabilities				
Trade and other payables	-	798 477	-	153 477
Intercompany loan	-		1 967 889	1 967 889
	-	**798 477**	**1 967 889**	**2 766 366**

31 December 2017 ***In EUR***	***Up to 1 month***	***1-3 months***	***3-12 months***	***Total***
Financial assets				
Trade receivables		92 896		92 896
Cash and cash equivalents	63 467	-	-	63 467
	63 467	**92 896**	**-**	**156 363**
Financial liabilities				
Trade payables	-	69 171	-	69 171
	-	**69 171**	**-**	**69 171**

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

Currency risk

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

Fair value

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

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

16. 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.

17. Events after balance sheet date

There are events subsequent to the balance sheet date which may require adjustments in these financial statements.
On the 6th of March 2019, there were 2 loans signed with Eurobank Bulgaria AD - One Investment loan amounting BGN 4 500 000,00 and one Overdraft of BGN 1 950 000,00. With part of the amount will be repaid loan from Loulis Mills SA. Partial repayment of the loan during 2019 is with amount of 1 750 000,00 EUR on 01st of April 2019.
Also the company's operational fund are provided by the commercial activity - sale of wheat.

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TO
THE OWNER OF
LOULIS MEL BULGARIA EAD
SOFIA

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the financial statements of LOULIS MEL BULGARIA EAD, which comprise the statement of financial position as at 31 December 2018 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 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

Basis for Opinion

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

Emphasis of matter

As stated in Statement of financial position of the financial statements, current liabilities of the company exceed the amount of its current assets by BGN 4,045 thousand leva.
As stated in note 16. Contingent commitments he company has the obligation to execute a investments project within a certain period of time. The Company is in a process of discussion to changing scope and extending the investment project.
Our opinion is not qualified on these matters.

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

Management is responsible for the other information. The other information comprises the information included in the activity report, prepared by the Management in accordance with Chapter seven from the Accountancy Act, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other

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

Additional information required to report on according to the Accountancy Act

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

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

Based on the procedures performed our standpoint is that:

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, adopted by EU and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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, 10.04.2019

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Registered audiot
Responsible for the audit

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