

ANNUAL FINANCIAL STATEMENT
FOR THE YEAR 2019
OF
SARANTIS BULGARIA LTD.

CONTENTS:

- ***Annual Report***
- ***Annual Financial Statements with Report of an independent Auditor***

ANNUAL REPORT OF BULGARIA Ltd Sarantis.

For the Year ended 31.12.2019

This report of Sarantis Bulgaria Ltd refers to the financial period from 01.01.2019 to 31.12.2019 and is in accordance with Art. 39 of the Act of Accounting and Art. 247 of the Commercial Code.

1. Company Info:

"Sarantis Bulgaria" Ltd. is a sole-owner limited liability company registered in the Registrar of Trading companies of the City Court in a judgment of 05.07.1994 years in act 13376 / in Volume 223, p.92, lot 17912.

The owner of the company is a legal entity "GR. SARANTIS CYPRUS" LIMITED - CYPRUS.

Headquarters and registered office of the company is Sofia, Botevgradsko shose 247, 4th floor.

The main activity of the company includes: sales and distribution activities of perfume and cosmetics products, with household goods and such for face care, body and personal hygiene products.

2. Financial position.

2.1. Summarized financial information of the annual financial statements as of 31/12/2019

	2019	2018
Sales revenue	27 369	27 664
Gross profit before taxation	3 820	4 196
Net profit for the period	3 435	3 775
Sum of Assets	31 426	14 916
Share capital	4 756	4 756

The total as of 31.12.2019 of the non-current assets of the company is 16 397 thousand BGN, including equipment, vehicles and other tangible assets, and intangible assets of 606 thousand BGN, ROU of 1 061 thousand BGN, financial assets of 14 669 thousand BGN and deferred tax assets in the amount of 61 thousand BGN. The Company does not own any real property and buildings and primarily uses buildings and warehouse spaces on rent.

2.2. Basic financial ratios of the company

	Ratios	2019	2018
Net Profit Margin (%)		12,47	11,28
Return of Equity (%)		41,95	45
Return on Assets (%)		10,96	25,31
Current Ratio		1,88	2,7
Quick Ratio		1,39	1,59
Cash Ratio		0,26	0,29
Debt to Equity		2,83	0,78
Inventory turnover (days)		61,83	48,59
Days Sales Outstanding (days)		81,69	73,82

2.3 Human resources and social policy. Security and work safety.

As of 31.12.2019 the company employs 95 people under an employment relationship. The company policy regarding wages of staff reflects the ability and skills of each individual employee. The levels of remuneration are set according to individual contracts of employment on the grounds of responsibilities, obligations and requirements, qualifications and work experience. In 2019, in order to improve work efficiency and encourage employees, the company applied a system of evaluation and control of personnel according to which bonuses are allocated to active employees. In order to optimize and facilitate the payment of remuneration, the same is done by bank transfer, while respecting the confidentiality of the information for each employee. In respect of personnel policy, the company regularly performs recruitment and appointment of young and skilled workers from the Sofia region and the rest of the country. There is a contract with a health service that performs yearly health tests on staff. Furthermore, trainings are organized and the employees pass testes to ensure safe working conditions, preventive control in compliance with the rules of safety at work, risk assessment of all jobs in the company and search for ways to mitigate the risk. Employees are instructed regularly on the rules for safety and

health at work. Maintenance of qualification and further training of personnel are carried out periodically in the company as well as in trainings organized by external organizations for the company.

2.4. Financial instruments and financial risk exposures:

In the reporting year 2019, Sarantis Bulgaria Ltd. has one loan for four years (as part of a total subsidized loan of three related companies), which should be finally repaid according to a predefined schedule by September 2023.

Sarantis Bulgaria Ltd mainly distributes its goods in the internal market and generates revenue in BGN. Suppliers of the company are mainly from countries of the European Union, generating liabilities in euro. Another Part is from China and it generates obligations in United States dollars. Concerning the obligations in euro, the currency risk is minimal because the BGN is attached to the EUR, and the risk from obligations in United States dollars - the exchange rate differences are negligible.

Cash flows generated in 2019 were enough in volume not only to finance current operations, but also for the payment of dividends.

The credit risk of the company in 2019 comes mainly from receivables from customers, where the exposure to this risk is due to the individual characteristics of each customer. This exposure depends mostly on the condition of intercompany indebtedness on the domestic market, which the company operates.

The Company has no pending lawsuits, brought claims for opening and insolvency proceedings and judgments, therefore requests for winding up and Liquidation announcement. There are no pending administrative or arbitration proceedings and decisions in the event of a merger, acquisition or restructuring.

3. Managing the equity:

3.1. Amount of Registered capital and changes:

In the reporting 2019 there was no change in the amount of registered capital.

3.2. Structure of the company (branch offices, subsidiaries), related parties:

The Company has no direct or indirect interest in another company. There are no branches of the company in the country and / or abroad.

During 2019 the company operates through a Head office and warehouse in Sofia and offices in Varna, Plovdiv and Pleven.

In 2019 the company granted a bond loan to GR. Sarantis S.A.

3.3. Policy of the company:

Maintaining a strong capital base is the main policy of the company in order to be able to provide conditions for the development of the company in the future.

For the reporting 2019 the company is not subject to specific capital requirements imposed by contract or regulatory framework.

4. Important events after the date of the financial statements:

On December 30,2019 "GR. SARANTIS CYPRUS" LIMITED has merged into GR. Sarantis S.A. As a result of above merger GR. Sarantis S.A. became sole shareholder of Sarantis Bulgaria Ltd. based on the Minutes/23.01.2020

5. Forecast for the future development of the company:

Sarantis Bulgaria Ltd is planning development of its existing activities, despite the negative economic situation in the country. The company expects a slow recovery in the sector of fast moving consumer goods in which it will continue to operate within the next year.

6. Actions on Research & Development activities:

During the year the company has not carried out research and development activities.

7. Management responsibilities:

Under the Bulgarian law the management has to prepare a report on the activities and financial statements for each financial year which has to give a true and fair view of the financial position of the company at the end of the year, its financial performance and cash flows in accordance with applicable accounting framework. The company is applying for the Purpose of reporting the International Financial Reporting Standards (IFRS), adopted by the European Union. Management confirms that it has acted in accordance with their responsibility and the financial statements for 2019 have been prepared in accordance with International Financial Reporting Standards adopted by the European Union. The management also confirms that in the preparation of this report it has presented in a true and fair manner the development and results of the company for the past period as well as its state and the main facing risks.

Sofia
07/02/2020

General Manager:



/ Deana Stefanova /


***ANNUAL FINANCIAL STATEMENTS
OF
"SARANTIS BULGARIA" Ltd.
for the period from 1 January to 31 December 2019 year***

STATEMENT OF FINANCIAL POSITION OF SARANTIS BULGARIA LTD. AS OF DECEMBER 31, 2019

ASSETS	Note	31/12/2019 (‘000 BGN)	31/12/2018 (‘000 BGN)
NON-CURRENT ASSETS			
Equipment, transportation means and other assets	(4.10.1)	106	125
Intangible assets	(4.10.2)	500	548
ROU	(4.11)	1 061	
Financial assets	(4.12)	14 669	
Deferred tax assets	(4.13)	61	50
TOTAL NON-CURRENT ASSETS		16 397	723
CURRENT ASSETS			
Inventories	(4.14)	3 923	3 792
Trade and other receivables	(4.15)	9 043	8 518
Cash	(4.16)	2 063	1 883
TOTAL CURRENT ASSETS		15 029	14 193
TOTAL ASSETS		31 426	14 916
EQUITY			
Authorised capital	(4.17)	4 756	4 756
Reserves		1	1
Profit carried forward	(4.17)	3 435	3 616
TOTAL EQUITY		8 192	8 373
LIABILITIES			
LONG-TERM LIABILITIES			
Long- term lease liabilities	(4.18)	554	-
Loans	(4.19)	14 669	-
TOTAL LONG-TERM LIABILITIES		15 223	-
SHORT-TERM LIABILITIES			
Trade and other liabilities	(4.20)	7 150	6 228
Short- term lease liabilities	(4.18)	520	
Net current tax liabilities	(4.21)	236	211
Provisions	(4.22)	105	104
TOTAL SHORT-TERM LIABILITIES		8 011	6 543
TOTAL LIABILITIES		23 234	6 543
TOTAL EQUITY AND LIABILITIES		31 426	14 916

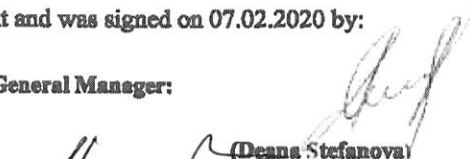
The financial statement has been approved for issue by the management and was signed on 07.02.2020 by:

Prepared by:


(Diana Dishkova)
Stoyanka Apostolova, Registered Auditor
Responsible for the audit, Manager

BDO Bulgaria OOD

General Manager:


(Deana Stefanova)
Nedjalko Apostolov,
Manager

The Statement of financial position should be read in conjunction with the notes to and forming part of the Annual financial statements.



**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
OF SARANTIS BULGARIA LTD. FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2019**

	Note	2019 (,000 BGN)	2018 (,000 BGN)
Revenue	(4.1)	27 369	27 664
Cost of sales	(4.3)	(16 873)	(16 843)
Expenses for materials	(4.4)	(813)	(754)
Expenses for external services	(4.5)	(2 416)	(3 138)
Expenses for personnel	(4.6)	(2 677)	(2 502)
Depreciation expenses		(628)	(85)
Other operating income	(4.2)	186	171
Other operating expenses	(4.7)	(273)	(284)
Operating profit		3 875	4 229
Net financial income/expenses	(4.8)	(55)	(33)
Profit before taxes		3 820	4 196
Income tax expense	(4.9)	(385)	(421)
Profit for the year after tax		3 435	3 775
Other comprehensive income			(159)
Total comprehensive income for the year		3 435	3 616

The financial statement has been approved for issue by the management and was signed on 07.02.2020 by:

Prepared by:

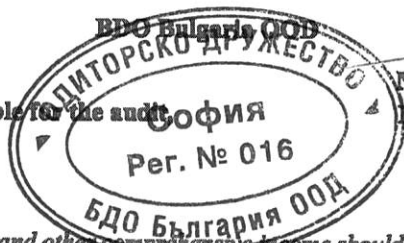
(Diana Dishkova)

General Manager:

(Deana Stefanova)

Stoyanka Apostolova,
Registered Auditor responsible for the audit
Manager

Nedyalko Apostolov,
Manager



The Statement of profit or loss and other comprehensive income should be read in conjunction with the notes to and forming part of the Annual financial statements.

**STATEMENT OF CHANGES IN EQUITY OF SARANTIS BULGARIA LTD.
FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2019**

All amounts are in thousand BGN

	Authorised capital	Other reserves	Retained profit	Total equity
Balance at 01.01.2018	4 756	1	3 749	8 506
An effect due to applying of IFRS 9			(159)	(159)
Restated balance as of 01.01.2018	4 756	1	3 590	8 347
Net profit for the period			3 775	3 775
Dividends			(3 749)	(3 749)
Balance at 31.12.2018	4 756	1	3 616	8 373
<hr/>				
Balance at 01.01.2019	4 756	1	3 616	8 373
Changes in equity for 2019:				
Net profit for the period			3 435	3 435
Dividends			(3 616)	(3 616)
Balance 31.12.2019	4 756	1	3 435	8 192


The financial statement has been approved for issue by the management and was signed on 07.02.2020 by:

Prepared by:

(Diana Dishkova)

General Manager:

(Deana Stefanova)


Stoyanka Apostolova,
Registered Auditor responsible for the audit,
Manager



The Statement of changes of equity should be read in conjunction with the notes to and forming part of the Annual financial statements

**CASH FLOWS REPORT OF SARANTIS BULGARIA LTD.
FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2019**

	2019 ('000 BGN)	2018 ('000 BGN)
Cash flows from operating activities		
Cash receipts from customers	31 347	31 276
Cash paid to suppliers	(20 264)	(20 432)
Cash paid to employees and social security institutions	(2 579)	(2 389)
Paid taxes (except income taxes)	(4 212)	(4 169)
Income taxes from previous period refund		44
Income taxes paid	(420)	(445)
Interest paid	(35)	(36)
Net cash from operating activities	3 837	3 849
Cash flows from investment activities		
Proceeds from sale of equipment		2
Purchase of property, plant and equipment	(13)	(32)
Net cash from investing activities	(13)	(30)
Cash flows from financing activities		
Dividends paid	(2 967)	(3 518)
Lease obligations paid	(641)	
Loans received	14 669	
Loans granted	(14 669)	
Interest receipts	42	
Interest paid	(78)	
Net cash from financing activities	(3 644)	(3 518)
Net change in cash	180	301
Cash at beginning of period	1 883	1 582
Cash at end of period	2 063	1 883

The financial statement has been approved for issue by the management and was signed on 07.02.2020 by:

Prepared by:

(Diana Dishkova)

General Manager:

(Deana Stefanova)

Stoyanka Apostolova,
Registered Auditor responsible for the audit,
Manager

BDO Bulgaria OOD

Nedyalko Apostolov
Manager



The cash flow statement should be read in conjunction with the notes to and forming part of the Annual financial statements.

**TO
THE OWNER OF
SARANTIS BULGARIA EOOD
SOFIA**

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the financial statements of SARANTIS BULGARIA EOOD, which comprise the statement of financial position as at 31 December 2019 and the statement of profit and loss and other comprehensive incomes, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the the International Ethical Code of Professional Accountants (including International Standards of Independence) of the International Accounting Standards Board (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 Explanatory Note No. 4.25 Events after the reporting date to the separate 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 Sarantis Bulgaria EOOD, in particular commercial activities. Measurement of the potential impact of the pandemic of which is disclosed in Explanatory Note No. 4.25. Our opinion has not been modified on this point.

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 33 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, 01.04.2020


Stoyanka Apostolova,
Registered Auditor
responsible for the audit,
Manager




Nedyalko Apostolov,
Manager

1. Explanatory note to the financial statements:

1.1. Legal Status

"Sarantis Bulgaria" Ltd. is a sole-owner limited liability company registered in the Registrar of Trading companies of the City Court in a judgment of 05.07.1994 years in act 13376 / in Volume 223, p.92, lot 17912. The company is listed in the Trade Register with Identity Number 831542220.

"Sarantis Bulgaria" Ltd. is a sole-owner limited liability company registered in the Registrar of Trading companies of the City Court in a judgment of 05.07.1994 years in act 13376 / in Volume 223, p.92, lot 17912.

The owner of the company is a legal entity "GR. SARANTIS CYPRUS" LIMITED - CYPRUS.

The parent company and final owner of the group of enterprises, part of which are "GR.SARANTIS CYPRUS" LIMITED-Cyprus and ""Sarantis Bulgaria" Ltd", is GR.SARANTIS S.A. – Greece.

1.2. Scope of activity

The main activity of the company includes: sales and distribution activities of perfume and cosmetics products, household goods and such to face care, body and personal care products.

There was no change to the core activity of the company over the previous fiscal year.

2. Basis of preparation of the financial statements:

2.1. Compliance with IFRS

The present individual financial statement with general purpose is prepared in accordance with The Accountancy Act and International Financial Reporting Standards (IFRS), adopted by the European Union (EU).

2.1.1. As of 31 December 2018, IASs include International Accounting Standards (IAS), International Financial Reporting Standards (IFRS), Interpretations of the Standing Interpretations Committee and Interpretations of the Committee for Interpretations of the IFRS. The IAS Committee reissues annually the standards and interpretations to them which, after approval by the European Union, are valid for the year for which they were issued. However, many of them are not applicable to the company's activities due to the specific issues which they deal with.

Because of that, the Company's management has adopted the approach that it is not necessary to disclose in the Annual Financial Statements the names of these International Accounting Standards and their interpretations (where changes have been made but are not applicable to the Company's activities) because their detailed citing could lead to misunderstanding and misleading the users of the information from the company's Annual Financial Statements.

2.1.2. New standards and interpretations not yet adopted

2.1.2.1. IFRS 16 *Leases*

Nature of change

IFRS 16 supersedes IAS 17 *Leases*.

It will result in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

Impact

The new requirements affect the Company as lessees especially with regard to the leases of buildings and vehicles.

The Company applied IFRS 16 on 1st January 2019 by utilizing the simplified transition approach. According to this method the standard is applied retrospectively and the cumulative effect arising from its adoption is recognized on 1st January 2019 without restating the comparative items. During the transition into the IFRS 16, the liabilities emanating from the existing operating leases are being discounted according to the relevant discount rate (incremental borrowing rate) and are recognized as liabilities from leasing. The utilization rights of the assets on 1st January 2019 are being recognized via an amount equivalent with the liability from leases, adjusted for the amount of prepaid or accrued leases.

During the first adoption of IFRS 16, the Company used the following practical options provided by the standard:

- Use of the previous evaluations, performed at the adoption of IAS 17 and of IFRIC 4, for determining whether a contract contains a lease or whether a contract is a lease at the date of initial adoption.
- Utilization of a single discount rate in a portfolio of leases with similar characteristics.
- Utilization of the previous evaluations for determining the existence of any burdensome leases.
- Use of the accounting treatment of operating leases for leases which have a term of less than 12 months from the 1st January 2019.
- Exception of the initial direct expenses for the measurement of the utilization rights of the fixed assets at the date of initial adoption.
- Use of subsequent knowledge for the determination of the term of leases with an agreement referring to a condition for the extension or termination of the contract.

Furthermore, the Company selected to use the recognition exceptions of the standard concerning the lease contracts which at their opening date had a term of 12 months or lower and did not include a redemption right (short-term leases), as well as for the leasing of fixed assets with insignificant value (fixed assets of insignificant value) such as for example office equipment (photocopy machines). The payments for the short-term leases and the leasing of fixed assets of insignificant value are being recognized in the results for the year as an expense based on the straight line method. In addition, the Company selected not to separate the elements which are irrelevant to the leasing from the ones that are relevant.

During the 1st January 2019, the average weighted discount rate that was applied for the Company is settled at 2.5%.

The lease liabilities are initially measured at the present value of leases which were not paid at the commencement of lease. They are discounted with the implied lease rate or, if this particular rate cannot be determined from the agreement, via the interbank rate (IBR). The latter is defined as the cost which the lessor would have to pay in order to borrow the necessary capital and then purchase an asset of similar value with the leased asset in a similar financial environment and with similar terms and conditions.

Following their initial measurement, the lease liabilities are increased due to their financial cost or are reduced due to the payment of the leases. Finally, they are re-measured whenever there is a change: a) in the leases due to the change of an indicator, b) in the measurement of the residual value which is expected to be paid or c) in the evaluation of a buy or extension option when is relatively certain that the particular option will not be exercised.

The lease liabilities include the net present value of the following:

- Fixed leases (including the ones that are essentially fixed leases)
- Variable leases which are not dependent on any indicator
- Residual value which is expected to be paid
- Exercise price of a buy option if the lessor is almost certain regarding the exercise of the option
- Charges relating to the termination of a lease if the lessor selects the particular option.

The utilization rights relating to assets are initially being measured at cost and then are reduced by the amount of the cumulative amortization and impairment. Finally, they are adjusted after certain re-measurements of the respective lease liability take place. When the utilization rights relating to assets fulfill the definition of the investment property, then they

are initially estimated according to their cost and subsequently according to their fair value. The initial measurement of the utilization rights for assets consists of the following:

- The amount of the initial measurement of the lease liability
- The payment of leases that occurred at the opening date or prior to this, reduced by the amount of the offered discounts or other incentives
- The initial expenses which are directly linked to the lease payment
- The recovery costs.

Each lease payment is allocated between the lease liability and the interest expense, which is charged against results throughout the entire leasing period, so that a fixed interest rate is achieved with regard to the balance of the financial liability in each period. The utilization right relating to an asset is amortized at the shortest period between the economic life of the asset and the term of its leasing, based on the straight line method.

2.2. Basis of preparation

The financial statement has been prepared based on a going concern basis, assuming that the company will continue to operate for the foreseeable future.

The historical cost is used as bases for evaluation during the preparation of the financial statement.

2.2.1. Consistency of presentation

The presentation and classification of the items in the financial statement of the current period is retained from the previous reporting periods.

2.2.2. Form, structure and content of the financial statement.

The company has retained the form, structure and content of the financial statement from the previous reporting periods.

- **Statement of the financial position as at the end of the period**

Each material group of similar positions is presented separately in the statement of financial position. The assets and liabilities are presented as current and non-current, compensation between assets and liabilities is not allowed.

Current assets are assets that the company expects to realize, or intends to sell or consume in the normal operational cycle, which doesn't exceed 12 months after the end of the reporting period. Current assets are also receivables and cash or cash equivalents, unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

The company classifies a given liability as current when it expects to settle the liability in its normal operating cycle, which doesn't exceed 12 months after the end of the reporting period. Current are also liabilities for which the company does not have an unconditional right to defer settlement for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

The company classifies as part of its equity the following elements:

- Registered capital, comprising of one share with a nominal value of 4 756 210 BGN
- Reserves
- Retained Earnings, comprising of net profit of the current and prior reporting periods

- **Statement of profit or loss and other comprehensive income for the period**

The company does not present separately the statement of profit or loss from the statement presenting the other comprehensive income.

The classification of expense line items recognized in profit or loss and other comprehensive income is based on their nature and not on their function within the entity.

The company presents additional line items, headings and subtotal, when such presentation is relevant to an understanding of its financial performance. The company does not present any items of income or expense as extraordinary items, in the statement presenting profit or loss and other comprehensive income or in the notes.

The company recognizes all items of income and expense in a period in profit or loss unless IFRS requires or permits otherwise.

The company presents separately each material class of similar items.

The company offsets its financial income and expenses (on a net basis) because of that they are immaterial. Despite of that, in point 4.8 of the notes to the annual financial statement, accurate and correct information is presented regarding their size and nature.

- **Statement of changes in equity for the period**

The company presents separately each material class of similar items in the statement of changes in equity providing reconciliation between the carrying amounts at the beginning of the period and at the end of the period. Separately are disclosed changes resulting from:

- Profit or loss
- Other comprehensive income
- Transactions with owners in their capacity as owners, showing separately contributions from owners and returning these contributions back to the owners; distribution to the owners (dividends paid).

- **Statement of cash flows for the period**

The company reports cash flows from operating activities using the direct method, whereby major classes of gross cash receipts and gross cash payments are disclosed. The statement of cash flows reports cash flows during the period classified by operating, investing and financing activities.

Operating activity is the main activity of the company that generates income as well as any other activity, which is not classified as investment or financial. Cash flows, arising from taxes on income are disclosed separately and categorized as cash flows from operating activity.

Investing activity are the acquisition and disposal of long-term assets and other investments not included in cash equivalents.

Financing activities are activities that result in changes in the size and composition of the contributed equity and borrowings of the company. Cash flows from interest and dividends received and paid are disclosed separately.

The components of cash and cash equivalents are: cash and bank accounts as well as advances to employees. The total of cash in the cash flows report is equal to the sum of cash, presented in the Statement of Financial Position and part of the trade and other receivables, correlating to the amount (if and when there is such) of advances to employees.

Investing and financing transactions that do not require the use of cash or cash equivalents are excluded from the statement of cash flows.

2.3. Approval

Financial statements prepared for the year ended 31 December 2018, was approved by Management of the company on 07.02.2020.

2.4. Period

The present financial statement covers the period from 1 January 2019 to 31 December 2019.

2.5. Functional currency and presentation currency

The Bulgarian lev is the functional currency, in which the financial statements of the company are presented.

2.6. Estimates and Assumptions by the Management

The preparation of the Financial Statements in accordance with International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, incomes and expenses. Although the accounting estimates and assumptions are based on information available to management as of the date of preparation of the financial statements, actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed regularly. Changes to accounting estimates are recognized in the period of change, or in the period of change and future periods, when they are affected by them.

The management of the company has complied with all standards and clarifications that are applicable to its operations and are officially adopted for use by the European Union on the date of preparation of these financial statements. In the absence of an IFRS that specifically applies to a transaction, other event or condition, management uses its judgment in developing and applying an accounting policy that results in information that is relevant to the economic decision-making needs of users.

2.7. Others

The annual financial statement of the company is subject to an independent financial audit by a registered auditor. The registered auditor Mrs, Stoyanka Apostolova has provided the company with a service only related to the audit of the annual financial statement.

3. Significant accounting policies:

Significant accounting policies set out below have been applied consistently to all periods presented in these financial statements.

3.1 Transactions in foreign currencies

The operations of foreign currencies are translated into the functional currency at the official exchange rate applicable at the date of the transaction. Gains and losses from exchange rate differences resulting from the settlement of transactions and such from the translation of monetary items in foreign currencies at the end of the period are recognized in the Statement of profit or loss and other comprehensive income.

3.2 Property, plant and equipment

Property, plant and equipment are valued at its initial acquisition cost. The cost includes the purchase price, including import duties and non-refundable taxes and purchase, as well as any directly attributable costs of the asset to bringing working condition about its intended for use.

When plant and equipment comprises of major components having different useful lives, they are depreciated with different depreciation rate.

Subsequent expenditure relating to specific fixed asset is capitalized in the asset only when they respond to the criteria for acknowledgement, as pointed at IAS 16. All other subsequent expenditure is as an expense recognized in the period in which are they incurred.

Depreciation of non-current tangible assets is calculated in the Statement of profit or loss and other comprehensive income in line "Depreciation/amortisation expenses", using the straight-line method over the expected useful lives of assets as follows:

- machinery and equipment up to 5 years;
- Computers 2-4 years;
- Furniture 6,7 years;
- Other Buildings and equipment up to 25 years.

The company implements a policy of capitalization of assets in the event that their cost is equal to or exceeds the materiality level of 700 BGN.

The company accepts that the remaining value of an asset as of properties, plants and equipments are insignificant if the remaining value is up to 10% from the initial value of acquiring.

At the end of each reporting period the company tests the assets for impairment comparing whether their balance sheet value differs substantially from their fair value, taking into consideration their moral and physical wear.

3.3 Intangible Assets

For intangible assets acquired by the company only expenses are capitalized, which respond to the criteria intangible asset and for acknowledgement, as pointed at IAS 38. From the Licenses for Windows operation system are expected not to increase substantially the future economic benefits of investments and therefore not capitalized. On the applicable accounting criteria these expenses are recognized as incurred.

The company defines as separate comprehensive asset the intangible asset which is ERP system SAP and connected peripheral systems, which are acknowledged in the Statement of finance position.

Subsequent expenditure relating to specific intangible asset is capitalized in the asset only when they respond to the criteria for acknowledgement, as pointed at IAS 38. All other subsequent expenditure is as an expense recognized in the period in which are they incurred.

Depreciation of intangible assets is calculated in the Statement of profit or loss and other comprehensive income in line "Depreciation/amortisation expenses", using the straight-line method over the expected useful lives of assets.

The company implements a policy of capitalization of assets in the event that their cost is equal to or exceeds the materiality level of 700 BGN.

The company accepts that the remaining value of an intangible asset is insignificant if the remaining value is up to 10% from the initial value of acquiring.

At the end of each reporting period the company tests the assets for impairment comparing whether their balance sheet value differs substantially from their fair value, taking into consideration their moral and physical wear.

3.4 Leased Assets

Leasing contracts under which the company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon the initial recognition leased asset are reported on the lower among the fair value and the present value of the minimum lease payments. After initial recognition, the asset is depreciated according to the applicable accounting policy for that asset.

All other leases are classified as operating leases (according IFRS 16).

The leases are being recognized in the statement of financial position as a utilization right of the assets and as a leasing liability at the date when the leased fixed asset becomes available for use except for

- Short-term leases and
- Leases of fixed assets with insignificant value

Operating lease payments for the above exceptions are recognized as an expense on a straight-line basis over the period of the lease contract. Subsequent costs associated with maintenance and insurance of the leased assets, are reflected in the comprehensive income statement when they originate.

3.5 Inventories

Tangible commodity inventories are stated at the lower among cost and net realizable value and include expenditure incurred in acquiring, processing and other direct costs, associated with delivery to their present location and condition.

At the end of each reporting period, inventories are valued at lower of the cost and net realizable value. The amount of the devaluation of the inventories to their net realizable value as an expense is recognized in the period of devaluation.

Net realizable value represents the estimated selling price for inventories less estimated costs for selling. If inventories have already been written down to net realizable value in a subsequent period and if it appears that conditions leading to its devaluation are no longer present, it is a new net realizable value that is adopted. Amount of the refund may be only to the extent of the balance amount before inventories depreciation.

Inventories at their consumption are written out using the average - weighted value.

On sale of inventories, their balance amount is recognized as an expense in the period in which the related revenue is recognized in line "cost of goods and other assets sold" in the statement of profit or loss and other comprehensive income.

3.6 Financial Instruments

The Company's financial instruments mainly consist of cash on hands and bank accounts, trade and other receivables and liabilities and investments in securities.

The Company recognises a financial asset or a financial liability in its statement of financial position when, and only when, it becomes party to the contractual provisions of the instrument.

The company's trade receivables do not contain a financing component. By this reason, at initial recognition the Company measures trade receivables at their transaction price (as defined in IFRS 15).

The Company derecognises a financial asset when, and only when the contractual rights to the cash flows from the financial asset expire.

On derecognition of a financial asset the difference between the carrying amount (measured at the date of derecognition) and the consideration received (including any new asset obtained less any new liability assumed) shall be recognised in profit or loss.

The Company removes a financial liability (or a part of a financial liability) from its statement of financial position when, and only when, it is extinguished—ie when the obligation specified in the contract is discharged or cancelled or expires.

The financial assets of the company are not encumbered with weights.

3.7 Cash and Cash equivalents

Cash and cash equivalents consist of cash amounts in cash safes, bank balances and bank deposits, and letters of credit.

3.8 Amounts owed to employees

Current incomes

The current incomes of staff, in the form of remuneration, bonuses and social benefits, are recognized as expense in the Statement of Profit or Loss and other comprehensive income, in the period the work for them is done or the requirements for receiving them are present and as current liability (after deduction of all already paid amounts and necessary deductions). The liabilities of the company regarding social and health insurance are recognized as current expense and liability in their undiscounted amount, together and in the period of accrual of the respective incomes to which they relate.

The company considers short-term compensated absences liabilities arising on the basis of unused annual leave in cases when they are expected to occur within one year after the date of the reporting period in which the employees performed the work, associated with these holidays. Current liabilities to the personnel include payables for wages and social security. Current employee benefits, including legal holidays are included in current liabilities to staff on undiscounted value, expected to be paid to employees in return for their labor for the period.

Incomes after termination of contract

The entity recognises termination benefits as a liability and an expense when, and only when, the entity is demonstrably committed to either:

- (a) terminate the employment of an employee or group of employees before the normal retirement date; or
- (b) provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

As of 31.12.2019 there is no detailed formal plan for the termination without a realistic possibility of withdrawal.

The entity is not committed, by legislation, by contractual or other agreements with employees or their representatives or by a constructive obligation based on business practice, custom or a desire to act equitably, to make payments (or provide other benefits) to employees when it terminates their employment.

The company is not a participant in post-employment benefit plans - formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

3.9.1. Capital

The company's equity structure is as follows:

- Registered capital, comprising of one share with a nominal value of 4 756 210 BGN
- Reserves, representing additional capital
- Retained Earnings, comprising of net profit of the current and prior reporting periods

The equity of the company is not subject to externally imposed requirements. The company retains an optimal amount of registered capital, which allows it to do business normally without a need for using external financing. The Retained earnings consist of net profit from the current and prior reporting periods. The trend is that net profit from the previous reporting period is distributed in full amount as dividend payment to the sole shareholder. The dividend distribution is done with a resolution from the sole shareholder after the sole shareholder accepts the annual financial statement report. The amount of the distributed dividend is presented in the statement of changes in equity in line "dividend", and the sum of the paid dividend is presented in the statement of cash flows in section "cash flows from financial activity", line "dividend payments". Non-cash assets are not distributed as dividends.

3.9.2. Financial liabilities

As of 31/12/2019 there are no changes in the classification of the financial liabilities of the company, due to the changes of their balance sheet.

The current liabilities, along with current receivables, represent financial instruments for the company. Due to their short-term nature, balance sheet value of the liabilities is reasonably close (approximated) to their fair value.

Financial liabilities of the company are mainly trade and other payables.

Financial liabilities are recognized when there is a contractual obligation to deliver cash or another financial asset to another entity, or a contractual obligation to exchange financial instruments with another entity on potentially unfavorable terms.

Trade payables are recognized initially at their nominal value and are subsequently reduced by settlement payments.

3.10 Provisions, contingent liabilities and contingent assets

Provisions are recognized when it is probability present obligations resulting from past events to lead to an outflow of resources from the company and can be made reliable estimate of the amount of the obligation. Present obligation arises from the presence of a legal or constructive obligation as a result of past events, such as guarantees, litigation and onerous contracts.

The amount recognized as a provision is calculated based on the most reliable estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties, including those related to current debt. The company applies the method of "provision, based on a specific base", according to the period of overdue payments.

Provisions are discounted when the effect of the time value of money is significant. In cases where it cannot be made reliable estimate of the amount of the obligation, it is disclosed as a potential liability. The company does not recognize their contingent assets recognition since it may result in the recognition of income that may never be realized.

3.11 Income and Expenses

Revenues include revenue from the sale of goods, provision of services and other revenue.

Revenues are measured at the fair value of the consideration received or receivable payment or compensation, after deduction of any trade discounts and volume rebates.

On sale of goods, the revenue is recognized when the conditions are fulfilled on that, that the significant risks and rewards of the ownership are transferred to the buyer, it is not retained continuing involvement in the management of the goods, effective control over the amount of revenue can be reliably measured, it is likely that the economic benefit from the transaction will be obtained and the associated costs can be estimated reliably.

Revenue from rendering of services is recognized when the outcome of the transaction can be properly assessed. Completion of the stage is usually determined by analysis of the work.

The gain or loss on disposal of an asset is determined as the difference of the proceeds and the balance sheet value of the asset and is recognized in the Statement of profit or loss and other comprehensive income.

Current expenses are recognized in the Statement of profit or loss and other comprehensive income upon the criteria from IAS.

3.12 Financial expenses and income

Finance income includes interest income on funds invested in bank deposits and gains from foreign currency transactions. Interest income is accounted for using the effective interest method.

Financial expenses include commission fees and bank taxes, losses on transactions in foreign currency, interest expense on borrowings and finance lease (if and when such are present). Expenses for bank taxes, commissions and interest are recorded on an accrual basis.

3.13 Income taxes

Taxes that are recognized in the Profit or loss and other comprehensive income statement include the amount of deferred tax and current tax expense, which are not recognized directly in equity.

The current tax expense is calculated in accordance with the applicable tax rates and tax rules for income tax for taxation for the period to which they relate, based on transformed financial result for tax purposes.

Current income tax assets or liabilities comprise of those claims or liabilities to the budget which are relating to the current period and which are unpaid at the date of Statement of financial position.

Deferred taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their respective tax bases.

The amount of deferred tax assets and liabilities are calculated not discounted, using tax rates that are expected to be valid for the period of their realization and which are in force and are known at the date of Statement of financial position.

Deferred tax liabilities are recognized in their full size. Deferred tax assets are recognized only to the extent that they are likely to be offset against future tax income. Deferred tax assets are reduced to the size of those for future benefits which is more likely to be realized. Deferred tax asset and deferred tax liabilities are not compensated in the statement of financial position.

Significant part of the changes in deferred tax assets or liabilities are recognized as tax expenses in the Statement of profit or loss and other comprehensive income. Changes in deferred tax assets or liabilities due to changes in the fair value of assets or liabilities that are recognized in equity are recognized directly in the equity.

4. Explanatory notes to the financial statements

The company applies approved by management accounting policies. Presented information in the financial statements is based on current accounting and ERP software through system "SAP".

4.1. Gross sales revenue in the Statement of profit or loss and other comprehensive income:

	2019 thousand BGN	2018 thousand BGN
Revenue from Sale of Goods	27 136	27 437
Revenue from other services	233	227
	27 369	27 664

4. 2. Other income:

	2019 thousand BGN	2018 thousand BGN
Reintegration provision charged for annual unused leaves	104	103
Excess of commodity material goods	3	3
Other revenues	79	65
	186	171

4.3. Cost of goods sold:

Cost of goods sold and other assets in the Statement of profit or loss and other comprehensive income for 2019 is 16 873 thousand BGN and for 2018 is 16 843 thousand BGN. The carrying amount of the fixed asset sold is one thousand BGN.

4. 4. Cost of materials:

Material costs for the year 2019 are 813 thousand BGN and for the year 2018 amount to 754 thousand BGN and include:

	2019 thousand BGN	2018 thousand BGN
Fuels and lubricants	118	126
Vehicle Parts	1	1
Electricity and water	46	43
Stationery and supplies	41	53

Advertising materials	606	529
Other Materials	1	2
	<hr/>	<hr/>
	813	754

4.5. Expenses for outside services:

Hired services for 2019 are 2 416 thousand BGN and for 2018 years amounted to 3 138 thousand BGN and include:

	2019 thousand BGN	2018 thousand BGN
Rent	22	613
Transport and courier services	480	510
Software and hardware support	95	91
Advertising services	1 520	1 618
Repair and maintenance of vehicles	14	10
Insurance	13	13
Security	3	3
Telecommunication services and internet	38	41
Repair and maintenance of office and office equipment	12	8
Legal and consulting services	82	97
Merchandising services and commissions	71	54
Other external services	66	80
	<hr/>	<hr/>
	2 416	3 138

4.6. Expenses for the personnel:

The costs of short-term employee benefits for 2019 in total are 2 677 thousand BGN and for 2018 in the total amount of 2 502 thousand BGN include:

	2019 thousand BGN	2018 thousand BGN
Salaries	2 308	2 155
Social security	369	347
	<hr/>	<hr/>
	2 677	2 502

The average number of employees in the company as on 31.12.2019 is 95 persons and as on 31.12.2018 is 92 persons, allocated as follows:

2019	2018
------	------

Managers	10	9
Specialists	26	25
Technicians and dedicated specialists	26	25
Support administration staff	21	21
Stuff, occupied with services for the people, trade and security	12	12

4.7. Other Expenses:

The other expenses for 2019 amount to 273 thousand BGN and for 2018 amount to 284 thousand BGN and include:

	2019 thousand BGN	2018 thousand BGN
Business trips	26	32
Entertainment expenses	21	25
Impairment of current assets	160	155
Missing inventory and write-off of damaged goods (incl. VAT)	63	68
Expenses for insurance claims		1
Local taxes and tax on expenses	3	3
	<u>273</u>	<u>284</u>

4.8. Net financial expenses:

The net financial expenses for 2019 amount to 55 thousand BGN and for 2018 amount to 33 thousand BGN and include:

In decrease:	2019 thousand BGN	2018 thousand BGN
Interest expenses	96	
Negative exchange differences	19	20
Bank fees and commissions	16	16
	<u>55</u>	<u>33</u>
In increase:	2019 thousand BGN	2018 thousand BGN
Interest income	76	
Positive exchange differences		3
	<u>76</u>	<u>3</u>

4.9. Income tax expenses:

The Company is subject to taxation. The corporate income tax is calculated at the rate of 10% applied to the tax base. The tax base (profit) is calculated by increasing the accounting profit with all tax differences (permanent and temporary) and decreasing with the reversible tax differences and all incomes, which are not recognized for tax purposes in the year of their accounting recognition. In addition, when determining the tax base, all other amounts, which according to the current legislation participate in the formation of the taxable result for the period, are taken into consideration. Advance payments done for 2019 amounted to 408 thousand BGN and tax overpaid is of 16 thousand BGN.

Corporate tax in the Statement of profit or loss and other comprehensive income:	2019 thousand BGN	2018 thousand BGN
Tax profit for the period	3 962	4 205
Tax at the applicable tax rate of 31.12.2019	396	420
Amount of deferred tax , related to origination of temporary differences	(26)	(26)
Amount of deferred tax , related to reversal of temporary differences	15	27
Income tax expense on the profit	385	421

4. 10. Non-current assets:

4. 10.1 Tangible fixed assets

All acquired and controlled by the company's tangible fixed assets are valued at cost and classified as depreciable, having in mind the limited duration of their practical use. Balance sheet value of fixed assets at 31.12.2019 is 106 thousand BGN.

Fixed assets in thousand BGN	Machinery, equipment and computers	Other fixed mater. Assets	Total
Cost			
Balance 01.01.2019	325	139	464
Additions	7	7	14
Disposals			
Balance 31.12.2019	332	146	478
Depreciations			
Balance 01.01.2019	241	98	339
Depreciation charge for the year	29	4	33
Depreciation of assets written off			
Balance 31.12.2019	270	102	372

Carrying amount

01.01.2019	84	41	125
31.12.2019	62	44	106

At the end of the reporting period the company performed a test for impairment of non-current assets comparing if their book value differs substantially from their fair value, taking into consideration their moral and physical wear. During this test no indications for impairment was present. The book value of all fully depreciated assets, which are still in use, is 270 thousands BGN. There are no assets, temporary out of usage, as well as such that are not being depreciated due to any possible reason.

As of 31.12.2019 there is no limitation on the ownership rights of the tangible non-current assets of the company, and no part of them is pledged as collateral in any possible way.

4.10.2. Intangible fixed assets:

The company does not have integrally developed or fully depreciated intangible fixed assets. All of the acquired and controlled by the company intangible fixed assets are reported at acquisition value and defined as depreciable, based on the limited term of their practical usage. As of 31.12.2019 the book value of the intangible fixed assets amounts to 500 thousands BGN.

Fixed assets in thousand BGN	SAP software	SAP software rights	Total
Cost			
Balance 01.01.2019	575	206	781
Additions			
Disposals			
Balance 31.12.2019	575	206	781
Depreciations			
Balance 01.01.2019	122	111	233
Depreciation charge for the year	26	22	48
Depreciation of assets written off			
Balance 31.12.2019	148	133	281
Carrying amount			
01.01.2019	453	95	548
31.12.2019	427	73	500

At the end of the reporting period the company performed a test for impairment of assets comparing if their book value differs substantially from their fair value, taking into consideration their moral and physical wear. During this test no indications for impairment was present.

The book value of all fully depreciated assets, which are still in use, is 76 thousands BGN. There are no assets, temporary out of usage, as well as such that are not being depreciated due to any possible reason.

As of 31.12.2019 there is no limitation on the ownership rights of the intangible non-current assets of the company, and no part of them is pledged as collateral in any possible way.

4.11. Right of use:

The statement of profit or loss and other comprehensive income of the Company in 2019 includes an amount concerning the amortization of utilization rights of 548 thousands BGN and financial expenses for leasing liabilities amounting to 32 thousands BGN.

As of 31.12.2019 the book value of the Right of use amounts to 1 061 thousands BGN.

Assets in thousand BGN	Buildings	Vehicles	Total
Cost			
Balance 01.01.2019	0	0	0
IFRS 16 – Transition adjustments	905	704	1 609
Restated 01.01.2019	905	704	1 609
Additions			
Disposals			
Balance 31.12.2019	905	704	1 609
Depreciations			
Balance 01.01.2019	0	0	0
Depreciation charge for the year	323	225	548
Depreciation of assets written off			
Balance 31.12.2019	323	225	548
Carrying amount			
01.01.2019	905	704	1 609
31.12.2019	582	479	1 061

The lease payment for the short-term leases and leases of assets with insignificant value, booked as expense during the current accounting period 2019 amounts to 17 thousand BGN.

4.12. Financial assets:

On 25.09.2019 Sarantis Bulgaria Ltd. acquires from the parent company – Gr. Sarantis S.A. 7 500 thousand bonds with a total value of 14 669 thousands BGN.

The Issuer shall repay in full the Nominal Amount of the Bonds on the payment date pursuant to the terms and conditions of this Programme, as follows:

Installment no.	Repayment Dates	Percentage of Principal Amount to be repaid	Amount BGN
1	18 months after the date of acquisition	10%	1 466 872,50
2	24 months after the date of acquisition	10%	1 466 872,50
3	30 months after the date of acquisition	10%	1 466 872,50
4	36 months after the date of acquisition	10%	1 466 872,50
5	42 months after the date of acquisition	10%	1 466 872,50
6	Maturity Date	50%	7 334 362,50
TOTAL		100%	14 668 725,00

Interest Period in respect of the Bonds shall be the period starting from the first Issue Day of the Loan and ending on the respective date after the lapse of three months or any other period, at the election of the Issuer to be communicated to the Bondholders. Thereafter, each subsequent Interest Period shall commence on the day after the expiry of the previous Interest Period and shall be for a period of three months

On the last business day of the Interest Period the Issuer will pay interest to the Bondholders on the unpaid Nominal Amount of the Bonds at the rate of Euribor of the relevant interest period (and if negative, Euribor shall be deemed equal to zero) plus a margin of 2,475% per annum. The interest for the Interest Period will be calculated on the basis of actual-days-passed in the respective period and on a 360-day-long year.

4.13. Deferred tax assets:

Deferred tax assets were formed at the rate of corporate tax of 10%. They are formed by the following temporary differences and have a balance as follows:

	2019 thousand BGN		2018 thousand BGN	
	sum of difference	sum of asset	sum of difference	sum of asset
An effect due to applying of IFRS 9	147	15	176	18
Difference between accounting and tax balance sheet value of non-current assets	79	8	50	5
Expenses on provisions for unused compensated annual leaves and social security on them	105	11	104	10
Expenses for impairment of current assets	276	27	167	17
Total	607	61	497	50

4.14. Inventories:

In this group are reported the goods presented at net realizable value.

Net realizable value of inventories at 31.12.2019 amounts to 3 923 thousand BGN and at 31.12.2018 amounted to 3 792 thousand BGN. The book value of the goods sold during the reporting period 2019 is 16 873 thousand BGN and for the

previous reporting period 2018 was 16 842 thousand BGN. The amount of the impairment of inventory (stock), booked as expense (in line "other operating expense" in the statement of profit or loss and other comprehensive income) and in corrective account ("impairment of inventories" in the statement of financial position) for the current reporting period 2019 is 60 thousand BGN. For the previous reporting period 2018 the amount of the impairment of inventories, reported in the same way, was 50 thousand BGN.

The company has no inventories pledged as collateral.

4.15. Trade and other receivables.

Trade and other receivables at 31.12.2019 amounted to 9 043 thousand BGN and at 31.12.2018 amounted to 8 518 thousand BGN and are split as follows:

	2019 thousand BGN	2018 thousand BGN
Receivables from customers	8 658	8 114
Advances paid to Suppliers	3	7
Prepaid Expenses	34	100
Guarantees	38	40
Receivables on court claims	281	257
Interest	29	
	9 043	8 518

Receivables from customers

Short-term receivables in BGN are measured at the nominal value of the receivables, less any impairment losses for doubtful debts. Claims in foreign currency are valued at the closing exchange rate of Bulgarian National Bank (BNB) on 31.12.2019, less the value of any accumulated impairment losses. Impairment is calculated on an aging analysis of receivables from due date until 31.12.2019.

The basic risk, coming from the financial instruments (financial assets) for the company is the credit risk. The policy, which the company applies for management of these risks is disclosed below. From the company point of view, the following risks did not occur during 2019 – risk of cash flow and price risk, including currency, interest and market risk.

Credit risk – the risk, that one part of the financial instrument will cause financial loss to the other should it default on their payment.

The company works mainly with established and solvent customers. The company policy is that all clients, requesting delayed payment, are subject to procedures for check of their solvency and each one is awarded an individual credit limit. In addition, the balances of these customers are continuously monitored, as a result of which the company does not have material exposition in uncollectable receivables. There is no concentration in the company of credit risk. The amount of overdue receivables over 90 days at 31.12.2019 is 512 thousand BGN (5.56 % of all receivables) and although a provision is set aside for them, the company is taking all possible measures to collect them.

The overdue and uncollectable receivables are not concentrated in one client. They are also not influenced by geographical region or market.

4.16. Cash:

Cash funds as of 31.12.2019 amount to 2 063 thousand BGN and as of 31.12.2018 amount to 1 883 thousand BGN as follows:

	2019 thousand BGN	2018 thousand BGN
Cash in cash case	8	3
Cash at bank	1 833	567
Bank deposits		1 089
Letter of credit	222	224
	2 063	1 883

4.17. Registered capital and retained earnings:

The capital structure of the Company is as follows:

Components of equity	2019 thousand BGN	2018 thousand BGN
Registered capital	4 756	4 756
Additional reserve	1	1
An effect due to applying of IFRS 9		(159)
Net profit for the period	3 435	3 775
Total equity	8 192	8 373

4.18. Lease liabilities:

Lease liabilities at 31.12.2019 amount to 1 074 thousand BGN are split as follows:

	2019 thousand BGN	2018 thousand BGN
Short-term lease liabilities:	520	
- buildings	324	
- vehicles	196	
Long-term lease liabilities:	554	
- buildings	266	
- vehicles	288	
Total lease liabilities	1 074	

4.19. Loans:

Loans at 31.12.2019 amount to 14 669 thousand BGN as follows:

A bank loan

- Lender – Credit Suisse AG
- Credit – up to 14 669 thousand BGN
- The amount due as 31.12.2019 is 14 669 thousand BGN
- Deadline repayment: 25.09.2023
- Interest rate – quarterly Euribor plus a margin (2,075)

4.20. Trade and other payables:

Trade and other payables at 31.12.2019 amount to 7 150 thousand BGN and at 31.12.2018 amounted to a total of 6 228 thousand BGN and are split as follows:

	2019 thousand BGN	2018 thousand BGN
Liabilities to suppliers	4 097	3 848
Liabilities for dividends	3 029	2 380
Interest	24	
	<hr/> 7 150	<hr/> 6 228

The basic risk, coming from the financial instruments (financial liabilities) for the company is the liquidity risk. The policy, which the company applies for management of this risk is disclosed below.

Liquidity risk – the risk that the company will experience difficulties to serve its obligations regarding financial liabilities, settled with cash or cash equivalents or other financial asset.

The effective management of the liquidity of the company requires the maintenance of sufficient working capital, mainly through timely collection of receivables from customers in order to pay the financial liabilities. At the end of the period the company does not have overdue liabilities to suppliers.

Trade liabilities are liabilities of the company to suppliers and liability to the sole shareholder for dividend payments.

There is no premature option of the liabilities in the contracts with suppliers.

The company is maintaining such a balance of cash and cash equivalents and receivables from customers with approaching maturity, so that they are enough to cover current liabilities (financial liabilities as well as tax liabilities) and will not cause a negative effect on its financial result and/or equity in the next reporting period.

4.21. Net current taxes:

Net current tax liabilities at 31.12.2019 amounted to 236 thousand BGN and at 31.12.2018 amounted to 211 thousand BGN and represent:

	2019 thousand BGN	2018 thousand BGN
Amounts owed on VAT	249	196
Liabilities on Corporate tax	(16)	12
Other liabilities to the fisk	3	3
	<hr/> 236	<hr/> 211

4.22. Provisions

In the company as liabilities on provisions are reported the undiscounted amount of the paid annual leave to employees in return for work for the period as follows:

	2019 thousand BGN	2018 thousand BGN
The cost of accumulating compensated absences	88	87
Social security expense on these amounts	17	17
Used amounts during the current reporting period of provisions accrued in previous reporting periods	105	104

The accrued in the current reporting period provisions are expected to be used, causing outgoing flows of economic benefits, in the next reporting period in their full amount.

4.23. Related parties

The owner of "Sarantis Bulgaria EOOD" is the legal entity "GR. SARANTIS CYPRUS" LIMITED - CYPRUS.

The parent company and final owner of the group of enterprises, part of which are "GR.SARANTIS CYPRUS" LIMITED-Cyprus and "Sarantis Bulgaria" Ltd" is GR.SARANTIS S.A. – Greece. The parent company is the final controlling enterprise, which presents a consolidated financial statement for public use.

The content of the Group and the characteristics of the relations (connections) between the enterprises in the Group are displayed in the below table:

Controlled enterprise	Controlling enterprise	Characteristics of relationship	COUNTRY
SARANTIS BELGRADE D.O.O	GR. SARANTIS S.A.	100% - SUBSIDIARY	SERBIA
SARANTIS BANJA LUKA D.O.O	SARANTIS BELGRADE D.O.O	100% - SUBSIDIARY	BOSNIA
SARANTIS SKOPJE D.O.O	SARANTIS BELGRADE D.O.O	100% - SUBSIDIARY	NORT MACEDONIA
<u>SARANTIS BULGARIA L.T.D.</u>	<u>GR. SARANTIS S.A.</u>	<u>100% - SUBSIDIARY</u>	<u>BULGARIA</u>
SARANTIS ROMANIA S.A.	GR. SARANTIS S.A.	100% - SUBSIDIARY	ROMANIA
SARANTIS FRANCE S.A. R.L.	GR. SARANTIS S.A.	100% - SUBSIDIARY	FRANCE
SARANTIS POLSKA S.A.	GR. SARANTIS S.A.	100% - SUBSIDIARY	POLAND
POLYPACK	SARANTIS POLSKA S.A.	80% - SUBSIDIARY	POLAND
SARANTIS CZECH REPUBLIC sro	GR. SARANTIS S.A.	100% - SUBSIDIARY	CZECH REPUBLIC
SARANTIS PORTUGAL Lda	GR. SARANTIS S.A.	100% - SUBSIDIARY	PORTUGAL
ASTRID TM A.S.	GR. SARANTIS S.A.	100% - SUBSIDIARY	CZECH REPUBLIC
SARANTIS HUNGARY Kft.	GR. SARANTIS S.A.	100% - SUBSIDIARY	HUNGARY
ELODE FRANCE S.A.R.L	GR. SARANTIS S.A.	100% - SUBSIDIARY	FRANCE

ZETAFIN LTD	GR. SARANTIS S.A.	100% - SUBSIDIARY	CYPRUS
ZETA COSMETICS L.T.D.	ZETAFIN LTD	100% - SUBSIDIARY	CYPRUS
ELCA COSMETICS L.T.D.	ZETA COSMETICS LTD	49% - ASSOCIATE	CYPRUS
ESTEE LAUDER HELLAS	ELCA COSMETICS L.T.D.	49% - ASSOCIATE	GREECE
ESTEE LAUDER BULGARIA	ELCA COSMETICS L.T.D.	49% - ASSOCIATE	BULGARIA
ESTEE LAUDER ROMANIA	ELCA COSMETICS L.T.D.	49% - ASSOCIATE	ROMANIA
WALDECK L.T.D.	ZETAFIN LTD	100% - SUBSIDIARY	CYPRUS
SARANTIS UKRAINA LLS	GR. SARANTIS S.A.	100% - SUBSIDIARY	CYPRUS
SARANTIS SLOVAKIA SRO.	ASTRID TM A.S.	100% - SUBSIDIARY	SLOVAKIA
IVYBRIDGE VENTURES L.T.D.	GR SARANTIS CYPRUS L.T.D.	90% - SUBSIDIARY	CYPRUS
ERGOPACK LLC	IVYBRIDGE L.T.D.	90% - SUBSIDIARY	UKRAINE
HOZTORG L.T.D.	IVYBRIDGE L.T.D.	90% - SUBSIDIARY	RUSSIA

Intra-group sales/purchases:

	2019 thousand BGN	2018 thousand BGN
Purchases from:		
GR. SARANTIS S.A. GREECE	3 845	3 870
ERGOPACK LLC UKRAINA	12	
SARANTIS ROMANIA S.A. ROMANIA	25	6
SARANTIS POLSKA S.A. POLAND	1 615	1 410
POLIPAK SP. Z.O.O.		8
Total intra-group purchases	5 497	5 294

	2019 thousand BGN	2018 thousand BGN
Sales to:		
GR. SARANTIS S.A. GREECE	7	
SARANTIS ROMANIA S.A. ROMANIA	66	33
SARANTIS POLSKA S.A. POLAND		6
SARANTIS BELGRADE D.O.O. SERBIA	2	20
SARANTIS BANJA LUKA D.O.O BOSNIA	5	
SARANTIS CZECH REPUBLIC S.R.O. CZECH REPUBLIC	3	2
Total intra-group sales	83	61

	2019 thousand BGN	2018 thousand BGN
Interest income from:		
GR. SARANTIS S.A. GREECE	76	
Total intra-group interest income	76	

In 2019 in accordance with proposal of the Company, the sole shareholder decides that the net balance profit of the company for 2018 in the amount of 3 616 thousand BGN, shall be distributed as dividend. Dividends paid in 2019 amounted to 2 967 thousand BGN

Intra-group outstanding balances:

	2019 thousand BGN	2018 thousand BGN
Liabilities to:		
GR. SARANTIS S.A. GREECE	320	212
ERGOPACK LLC UKRAINA	3	
POLIPAK SP. Z.O.O.		8
SARANTIS POLSKA S.A. POLAND	347	273
Total intra-group liabilities	670	493

	2019 thousand BGN	2018 thousand BGN
Receivables from:		
SARANTIS POLSKA S.A. POLAND		6
Total intra-group receivables		6

	2019 thousand BGN	2018 thousand BGN
Receivables from bond loan and interest:		
GR. SARANTIS S.A. GREECE		
- bond loan	14 669	
- interest	29	
Total intra-group receivables from bond loan and interest	14 698	

Related parties transactions were made on terms equivalent to those that prevail in arm's length transactions where such terms are substantiated.

Related parties transactions do not include requirements and conditions, necessitating a security or guarantee regarding their execution. During the current reporting period no expenses are incurred/booked, which are due to bad or doubtful intra-company debt, as well as no provision is set aside for receivables from intra-company partners.

The personal income paid to the key management staff for the period amounts to 186 thousand BGN. At the end of the reporting period, there are no unsettled balances with key management staff.

4.24. Events after the financial statement date:

After the date on which the financial statements were authorized for issue, there were no corrective events to be disclosed and any corrective been reflected in the financial statements.

In 2020 the world is facing the increasing rate of spread of the coronavirus epidemic (COVID-19). The global economy has entered a period of health crisis. The crisis is causing major global disruption both in the country's business and in people's daily lives. Many countries have taken extraordinary economic measures that, in some cases, require the restriction or even suspension of normal business operations in some companies, as well as travel restrictions and strict quarantine measures.

Industries such as tourism, hotels, restaurants and the entertainment business are already heavily affected by the restrictive measures that have been put in place, and in trade we are still expecting the effect of demand and supply of goods. Prolonged restriction on the movement of people and closed shopping malls will have a negative impact on the sales of the company in the short term only in the part of our selective goods business. On the other hand, there is an increased demand for certain groups of goods in our mass business, which will offset the decline in selective sales. We also do not experience difficulties and do not expect to experience difficulties in the supply chain to us.

Given the above circumstances, which are rapidly expanding and due to the high level of uncertainty caused by the unpredictable result, we are not able to accurately assess the financial impact that the current crisis can have on the global economy and all business activities.

General Manager:


/ Deana Stefanova /

Prepared by:


/ Diana Dishkova /

07/02/2019

Sofia