



Unless otherwise stated, all amounts are in BGN thousand.

## TABLE OF CONTENT

<b>1.</b>	<b><u>Information about the group</u></b> .....	10
<b>1.1.</b>	<b><u>Legal status</u></b> .....	10
<b>1.2.</b>	<b><u>Ownership and Management</u></b> .....	10
<b>1.3.</b>	<b><u>Scope of business activity</u></b> .....	11
<b>1.4.</b>	<b><u>Group structure</u></b> .....	11
<b>2.</b>	<b><u>Basics of accounting policies of the Group</u></b> .....	12
<b>2.1.</b>	<b><u>Basis for Preparation of the Annual Consolidated Financial Statements</u></b> .....	12
<b>2.2.</b>	<b><u>Initial application of new and amended IFRSs in force for the current accounting period</u></b> .....	12
<b>2.3.</b>	<b><u>New Accounting standards and interpretations, not yet implemented by the Group</u></b> .....	13
<b>2.4.</b>	<b><u>Basis of preparation of the consolidated financial statements</u></b> .....	15
<b>2.5.</b>	<b><u>Comparative data</u></b> .....	15
<b>2.6.</b>	<b><u>Functional currency and recognition of currency exchange rate differences</u></b> .....	16
<b>2.7.</b>	<b><u>Transactions and balances</u></b> .....	16
<b>2.8.</b>	<b><u>Estimates</u></b> .....	17
<b>2.9.</b>	<b><u>Subsidiaries</u></b> .....	17
<b>2.10.</b>	<b><u>Non-current assets classified as held for sale and assets included in disposal groups for release classified as held for sale</u></b> .....	18
<b>2.11.</b>	<b><u>Minority interest</u></b> .....	20
<b>2.12.</b>	<b><u>Consolidation</u></b> .....	20
<b>2.13.</b>	<b><u>Revenues</u></b> .....	21
<b>2.14.</b>	<b><u>Expenses</u></b> .....	23
<b>2.15.</b>	<b><u>Property, plant and equipment</u></b> .....	24
<b>2.16.</b>	<b><u>Other long-term capital investments</u></b> .....	26
<b>2.17.</b>	<b><u>Lease</u></b> .....	27
<b>2.18.</b>	<b><u>Provisions</u></b> .....	28
<b>2.19.</b>	<b><u>Inventory</u></b> .....	29
<b>2.20.</b>	<b><u>Pension and other payables to staff</u></b> .....	29
<b>2.21.</b>	<b><u>Share capital</u></b> .....	30
<b>2.22.</b>	<b><u>Cash and cash equivalents</u></b> .....	32
<b>2.23.</b>	<b><u>Financial instruments</u></b> .....	33
<b>2.24.</b>	<b><u>Judgments that are crucial in applying accounting policies of the Group. Key high uncertainty estimates and assumptions made by the management.</u></b> .....	36
<b>2.25.</b>	<b><u>Fair value</u></b> .....	37
<b>3.</b>	<b><u>Notes to the consolidated statement of financial position</u></b> .....	38
<b>3.01.</b>	<b><u>Property, plant and equipment</u></b> .....	38

Unless otherwise stated, all amounts are in BGN thousand.

<a href="#">3.02. Intangible assets</a>	39
<a href="#">3.03. Assets with right of use</a>	40
<a href="#">3.04. Goodwill</a>	41
<a href="#">3.05. Other long-term capital investments</a>	42
<a href="#">3.06. Deferred tax assets</a>	42
<a href="#">3.07. Inventory</a>	42
<a href="#">3.08. Trade receivables</a>	42
<a href="#">3.09. Other receivables</a>	43
<a href="#">3.10. Cash and cash equivalents</a>	43
<a href="#">3.11. Prepaid expenses</a>	44
<a href="#">3.12. Bank loans</a>	44
<a href="#">3.13. Lease</a>	47
<a href="#">3.14. Trade payables</a>	47
<a href="#">3.15. Payables to personnel</a>	47
<a href="#">3.16. Tax liabilities</a>	48
<a href="#">3.17. Other liabilities</a>	48
<a href="#">3.18. Registered capital</a>	48
<a href="#">3.19. Retained earnings</a>	50
<a href="#">4. Notes to the consolidated statement of comprehensive income</a>	50
<a href="#">4.01. Sales revenue and direct cost</a>	50
<a href="#">4.02. Other operating income</a>	50
<a href="#">4.03. Administrative expenses</a>	51
<a href="#">4.04. Other operating expenses</a>	51
<a href="#">4.05. Financial income</a>	51
<a href="#">4.06. Financial expenses</a>	51
<a href="#">5. Contingent liabilities and commitments</a>	53
<a href="#">6. Transactions with related entities</a>	55
<a href="#">7. Financial instruments by category</a>	56
<a href="#">8. Financial risk management</a>	57
<a href="#">9. Fair value</a>	65
<a href="#">10. Events after the date of financial statements</a>	66

Unless otherwise stated, all amounts are in BGN thousand.

## 1. Information about the group

### 1.1. Legal status

Allterco JSCo (Parent-company), city of Sofia is entered in the Commercial Register of the Registry Agency with UIC as per Bulstat (Unified Identification Code as per the Bulgarian Statistical Register): 201047670. The Parent-company with seat and address of management in Sofia 1407, 103, Cherni Vrah Blvd. The Company is registered with a share capital of 5,488,000 (five million four hundred eighty-eight thousand) BGN, distributed in 5,488,000 ordinary registered voting shares with par value of BGN 1.00 each. The registered share capital of Allterco JSCo is fully paid up. At the end of 2015, the capital was increased to BGN 13,500 thousand through cash and non-cash contributions. At the end of 2016, the capital was increased to BGN 15,000 thousand after the successful initial public offering on the Bulgarian Stock Exchange.

### 1.2. Ownership and Management

The Allterco Group includes Allterco JSCo (the parent-company) and its subsidiaries, in which the parent-company has a direct or indirect controlling interest. Allterco JSCo is a public company under the Public Offering of Securities Act.

The distribution of the share capital of the company Allterco JSCo at the end of the last two financial years is as follows:

Name	% in the capital
Svetlin Todorov	38.51 %
Dimitar Dimitrov	38.51 %
Victor Atanasov	7.47 %
Other individuals and legal entities	15.51 %
<b>Total</b>	<b>100.00%</b>

Allterco JSCo is managed and represented by Svetlin Todorov and Dimitar Dimitrov.

Members of the Board of Directors as of December 31, 2018 is as follows:

1. Dimitar Stoyanov Dimitrov
2. Nikolay Angelov Martinov
3. Svetlin Iliev Todorov

By a resolution of the Extraordinary General Meeting of Shareholders held on 20.12.2018, the Board of Directors was reduced from 5 to 3 members.

Unless otherwise stated, all amounts are in BGN thousand.

### 1.3. Scope of business activity

The main activity of Allterco JSCo is the acquisition, management, evaluation and sale of holdings in Bulgarian and foreign companies; acquisition, management and sale of bonds; acquisition, evaluation and sale of patents, assignment of licenses for use of patents of companies in which the Company participates; financing of companies in which the Company participates.

The group companies' portfolios include the following main groups of services or products:

- Production and trade in IoT (Internet of Things) devices
- Value added services for mobile phone owners

### 1.4. Group structure

As of December 31, 2019 and in 2018, the Group includes and controls Allterco JSCo and the following subsidiaries, in the country and abroad.

Name of the companies in which there are participations	December 31, 2019 Percentage of participation	December 31, 2018 Percentage of participation
<b><i>In the country</i></b>		
TERA COMMUNICATIONS AD (PLC)	-	99.98%
TERA VOICE EAD (Solely-owned PLC)	-	100%
ALLTERCO TRADING OOD (Ltd.)	100%	67%
ALLTERCO ROBOTICS EOOD (Solely-owned LLC)	100%	100%
ALLTERPAY EOOD (Solely-owned LLC)	-	100%
ALLTERCO PROPERTIES EOOD (Solely-owned LLC)	100%	100%

Name of the companies in which there are participations	December 31, 2019 Percentage of participation	December 31, 2018 Percentage of participation
<b><i>On abroad</i></b>		
TERA COMMUNICATIONS DOOEL N. Macedonia	-	100%
TERACOMM RO SRL, Romania	-	100%
ALLTERCO PTE LTD., Singapore	100%	100%
ALLTERCO SDN LTD., Malaysia	100%	100%
ALLTERCO CO. LTD, Thailand	49%	49%
GLOBAL TERACOMM INC., USA	100%	67%

The explanatory notes attached constitute an integral part of the accompanying consolidated financial statements.

*Unless otherwise stated, all amounts are in BGN thousand.*

## **2. Basics of accounting policies of the Group**

The accounting policy defines the initial assumptions, principles, rules, bases and procedures adopted by Allterco JSCo and its subsidiaries, hereinafter referred to as the Companies (the Group), for accounting the activities of the companies and for presenting the information in the consolidated financial statements.

The accounting policy is applied by the Group for the preparation of the interim and annual financial statements for the year.

The accounting policy has been developed in accordance with the requirements of International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS), issued by the International Accounting Standards Board (IASB), and the interpretations on their application developed by the IFRS Interpretation Committee (IFRIC) adopted by the European Union.

### **2.1. Basis for Preparation of the Annual Consolidated Financial Statements**

The Group meets the criterion of a public interest entity and these consolidated financial statements have been prepared in accordance with International Accounting Standards, an issue of the International Accounting Standards Board, and adopted by the European Union.

As of December 31, 2019, IASs include International Accounting Standards (IAS), International Financial Reporting Standards (IFRSs), Interpretations of the Standing Interpretation Committee and Interpretations of the IFRS Interpretation Committee. The IAS Board reissues annually the standards and explanations thereof, which, after being formally approved 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 business because of the specific issues that are addressed in them.

### **2.2. Initial application of new and amended IFRSs in force for the current accounting period**

Management has reviewed the changes in existing accounting standards effective from January 01, 2019 and believes that they do not require significant changes to the accounting policies applied this year, with the exception of IFRS 416 Leases.

#### **Application of IFRS 16 Leases**

The Group applies IFRS 16 Leasing for the first time. The nature and outcome of the changes resulting from the application of this new accounting standard are described below.

IFRS 16 was issued in January 2016 and replaces IAS 17 Leases, IFRIC 4 Determining Whether an Agreement Contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluation the

*The explanatory notes attached constitute an integral part of the accompanying consolidated financial statements.*

*Unless otherwise stated, all amounts are in BGN thousand.*

Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 establishes the principles for recognizing, measuring, presenting and disclosing of a lease, and requires lessees to report all leases under the same balance sheet model, similar to accounting for finance leases in accordance with IAS 17.

The Group has decided to apply IFRS 16 using the modified retrospective method of application, with effect from 1 January 2019. According to this method, the standard is applied retrospectively and the cumulative effect of its initial application is recognized on the date of initial application.

When adopting IFRS 16, the Group has applied a single approach to recognition and measurement for all leases, except for short-term leases and leases of low-value assets.

The standard provides for specific transitional requirements and practical measures that are applied by the group accordingly.

Leases that have previously been reported as operating leases, the Group recognizes right-of-use assets and lease liabilities for those leases that were previously classified as operating leases, except for short-term leases and leases of low-value assets.

The Group has also implemented the following practical appropriate measures:

- a uniform discount rate is used for a portfolio of leases with similar characteristics;
- It has relied on its assessment of whether leases are onerous immediately preceding the date of the initial application;
- the recognition exemption for short-term leases is applied to the leases with a term that ends within 12 months from the date of initial application of the standard;
- initial direct costs are excluded from the valuation of the right-of-use asset at the date of initial application;
- when determining the lease term, when the contract contains options for extension or termination of the lease, the available information is used

### **2.3. New Accounting standards and interpretations, not yet implemented by the Group**

As of December 31, 2019, there are some new standards, amendments to some of the existing ones, as well as interpretations that have been published and approved for implementation by the European Union in future accounting periods. The Group's management believes that in terms of its activity the following may be essential:

*Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Materiality.*

*The explanatory notes attached constitute an integral part of the accompanying consolidated financial statements.*

*Unless otherwise stated, all amounts are in BGN thousand.*

The amendments are effective for annual periods beginning on or after January 1, 2020, and their earlier application is permissible. The amendments clarify the definition of materiality and how it should be applied by providing practical guidance that has been previously included in other IFRSs. The amendments also explain that materiality depends on the nature and significance of the information. The Group will analyse and evaluate the effects of the changes on the financial position or results of business activity.

#### *Conceptual framework for financial reporting*

On March 29, 2019, the IAS Board published the Amended Conceptual Framework for Financial Reporting, which is effective for annual periods beginning on or after January 1, 2020. The conceptual framework presents the concepts of financial reporting, development of standards, guidelines for the development of consistent accounting policies and guidelines for the understanding and interpretation of standards. The main changes introduced in the revised Conceptual Framework for Financial Reporting are related to the concept of valuation, including the factors that should be taken into account when choosing a valuation basis, as well as the concept of presentation and disclosure, including which income and expenses are classified in other comprehensive income. The conceptual framework also provides updated definitions of asset and liability and criteria for their recognition in the financial statements. The Group will analyse and evaluate the effects of the changes on the financial position or results of business activity.

#### **IFRS 3 (amended) - Business Combinations**

Effective for annual periods beginning on or after 01.01.2020, not adopted by the European Commission. The change relates to the definition of "business" given in the appendices to the standard and relates to the difficulties that the acquiring entity encounters in assessing whether to acquire a business or an aggregation of assets. The amendment aims at the following: (a) clarify that the acquired set of activities and assets, in order to be defined as a business, must include at least the resources and operational processes involved, which together lead to the creation of a product; b) narrow the definitions of "business" and "product" by focusing on the goods and services provided to the customer and taking away the focus on the ability to reduce costs;

(c) add guidance and illustrative examples to assist the entities in assessing whether an operating process has been acquired; (d) remove the requirement to assess whether market participants are able to replace the missing resources and operational processes in the acquired entity in order to continue to create a product, and e) to add the option for the so-called concentration test that allows a simplified assessment of whether or not a set of activities and assets is a business.

*The explanatory notes attached constitute an integral part of the accompanying consolidated financial statements.*

*Unless otherwise stated, all amounts are in BGN thousand.*

In addition to the above, the Group's management does not consider it necessary to disclose in the consolidated financial statements the name and interpretation of these International Accounting Standards that have been modified and formally approved or disapproved by the European Union that will be effective in the future but which will not have serious impact on its activities. Such citation of standard names and explanations to them that are not implemented in the Group's operations could lead to misunderstanding and misleading the readers of financial statements.

#### **2.4. Basis of preparation of the consolidated financial statements**

These consolidated financial statements have been prepared on a historical cost basis and in accordance with the requirements of the accrual basis, going concern, prudence, comparability of revenue and expenses, consistency of presentation.

##### ✓ Current accrual

The financial statements, except for the cash flow statement, are prepared on an accrual basis. On this basis, the effects of transactions and other events are recognized at the time of their occurrence and not when the cash or cash equivalents will be paid. They are recorded in the accounting records and accounted in the financial statements for the periods to which they relate.

##### ✓ Principle of going concern

The financial statements of the Group companies are prepared on a going concern basis, assuming that the Company has neither the intention nor the need to proceed with the liquidation or reduction of the volume of its operations, and intends to continue its operations for the foreseeable future. When the annual financial statements have been prepared in accordance with this principle, but there are known data and circumstances leading to uncertainty about the ability of the company to continue its business, those data and circumstances should be disclosed.

Items (elements of the financial statements) should be recognized as assets, liabilities, equity, income and expenses when they meet the definitions and criteria set out in the General Standards for their recognition.

Assets and liabilities or income and expenses are not compensated unless it is required or permitted by an IFRS.

#### **2.5. Comparative data**

Under Bulgarian accounting law, the financial year ends on December 31, and entities are required to submit annual financial statements as of the same date, together with comparative data for the previous year. If necessary, some of the items in the consolidated statement of

*The explanatory notes attached constitute an integral part of the accompanying consolidated financial statements.*

*Unless otherwise stated, all amounts are in BGN thousand.*

financial position, in the consolidated statement of comprehensive income and in the consolidated statement of cash flows presented in the financial statements for 2018, which are comparative data, are reclassified in this statement in order to get better comparability with the data for 2019.

As disclosed in item 2.10, in 2019 in connection with the Group's Management intentions for sale of investments in subsidiaries, related assets, liabilities and financial results, as part of the consolidated financial statements are presented in *Non-current assets classified as held for sale and assets included in disposal groups classified as held for sale, respectively Profit from discontinued operations*. As a result of this change, no recalculation of comparable information in the consolidated statement of financial position as of December 31, 2018, respectively in the consolidated statement of comprehensive income for 2018 has occurred.

## **2.6. Functional currency and recognition of currency exchange rate differences**

### **Functional and Reporting Currency**

The accounting currency for the presentation of the elements of the consolidated financial statements is the Bulgarian Lev (BGN), which is the functional currency of Allterco JSCo.

The data in the elements of the financial statements and the notes thereto are presented in thousands of BGN, unless explicitly stated otherwise. When presented in the financial statements and the explanatory notes, amounts over BGN 500 are rounded to BGN 1 thousand.

The Group's companies keep their accounting records in the functional currency of the country in which they operate. The effects of exchange rate differences related to the settlement of foreign currency transactions or the accounting of foreign exchange transactions at rates other than those at which they were initially recognized are included in the statement of comprehensive income at the time they occur, are treated as "other operating income and loss" and are presented net, except for those related to investments and loans denominated in foreign currency, which are presented as "investment income" and "financial expenses". Non-monetary assets and liabilities initially denominated in foreign currencies should be translated to the functional currency using the historical exchange rate at the date of the transaction and subsequently not revalued at the closing exchange rate.

## **2.7. Transactions and balances**

A transaction with foreign currency is recognized initially in the functional currency by applying the foreign currency exchange rate (spot) between the functional currency and the foreign currency at the time of the transaction or operation.

At each date of financial statement preparation:

*The explanatory notes attached constitute an integral part of the accompanying consolidated financial statements.*

*Unless otherwise stated, all amounts are in BGN thousand.*

(a) monetary positions, receivables and payables denominated in foreign currency are recalculated into the functional currency using the exchange rate published by the BNB on the last business day of the month of the report;

(b) non-monetary items held at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction, if an exchange rate other than that of the transaction (average monthly, daily or other) is applied; and

(c) non-monetary items held at fair value in a foreign currency are translated using the exchange rates from the date when the fair value was determined.

Foreign currency exchange differences are recognized in accordance with IAS 21 the Effects of Changes in Foreign Exchange Rates.

The items of the statement of financial position and statement of comprehensive income of foreign companies of the Group, used a functional currency other than Bulgarian lev, are recalculated into BGN to be included in the consolidated statement of the group as follows

- All monetary and non-monetary assets and liabilities (including comparative information) are recalculated at the BNB closing exchange rate at the date of the relevant statement of financial position;
- The income and expense items of each comprehensive income statement are recalculated at the accounting date at the weighted average exchange rate for the accounting year;
- All exchange rate differences obtained are recognized in the statement of other comprehensive income.

The cumulative amount of these exchange rate differences is presented in a separate component of equity until the foreign operation is released.

## **2.8. Estimates**

The presentation of financial statements in accordance with International Financial Reporting Standards requires management to make the best estimates, accruals and reasonable assumptions that have an effect on the reported values of assets and liabilities, of income and expenses, and of the disclosure of contingent receivables and liabilities at the date of preparation of the financial statements. These estimates, accruals and assumptions are based on information available at the date of preparation of the financial statements, and therefore future actual results may differ. Some estimates may involve a higher degree of subjective judgment or complexity or where the assumptions and the accounting estimates are material to the consolidated financial statements.

## **2.9. Subsidiaries**

*The explanatory notes attached constitute an integral part of the accompanying consolidated financial statements.*

Unless otherwise stated, all amounts are in BGN thousand.

Subsidiaries are the entities on which Allterco JSCo exercises control as defined in IFRS 10 Consolidated Financial Statements.

The parent-company (the investor) controls the investee company if the investor has:

- Powers on the company;
- Rights on the returns from participation in the company;
- Ability to use its powers over the entity in order to influence the size of return on investment.

Subsidiaries are controlled from the date on which control is acquired by the Group and they cease to consolidate from the date on which control is assumed to have been lost.

#### **2.10. Non-current assets classified as held for sale and assets included in disposal groups classified as held for sale**

In 2019 and 2018, the Group's management has decided to sell certain subsidiaries. The carrying amounts of assets and liabilities, as well as the results of operations related to the companies that are offered for sale are presented below. In accordance with the requirements of IFRS 5 *Non-current assets held for sale* in the accompanying consolidated financial statements the assets, related liabilities and financial results are presented as subject to immediate sale. The Group did not recognize impairment in respect of assets held for sale and related liabilities presented as assets held for sale as management believes that the expected proceeds received on a current and prospective basis, reduced by the expected costs of the sale, will exceed their book value.

Assets	December 31, 2019 (in BGN thousands)
Property, plant and equipment	3
Intangible non-current assets	857
Trade receivables	2,424
Other receivables	494
Cash and cash equivalents	514
<b>Total assets</b>	<b>4,292</b>

Liabilities	December 31, 2019 (in BGN thousands)
Trade payables	2,708
Payables to personnel	65

The explanatory notes attached constitute an integral part of the accompanying consolidated financial statements.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 AS OF DECEMBER 31, 2019

Unless otherwise stated, all amounts are in BGN thousand.

Tax payables	158
Other liabilities	3
<b>Total liabilities</b>	<b>2,934</b>

## 2019 (in thousand BGN)

Sales revenue	10,652
Cost of sales	(9,975)
Gross profit	677
Other operating income	11
Sales expenses	(55)
Administrative expenses	(490)
Other operating expenses	(627)
Operating loss	(484)
Financial expenses	(1)
Tax expenses	(123)
Loss from operations	(608)

Assets	December 31, 2018 (in BGN thousands)
--------	--------------------------------------------

Property, plant and equipment	292
Intangible non-current assets	1,103
Deferred tax assets	36
Inventory	7
Current receivables	5,135
Prepaid expenses	73
Other receivables	107
Cash and cash equivalents	2,105
<b>Total assets</b>	<b>8,858</b>

Liabilities	December 31, 2018 (in BGN thousands)
-------------	-----------------------------------------

Financial lease	46
Bank loans	233
Trade payables	4,835
Payables to personnel	108
Social-security payables	45

The explanatory notes attached constitute an integral part of the accompanying consolidated financial statements.

Unless otherwise stated, all amounts are in BGN thousand.

Tax payables	340
Other payables	2
<b>Total liabilities</b>	<b>5,609</b>

	2018 (in thousand BGN)
Sales revenue	23,043
Cost of sales	(18,478)
Gross profit	4,565
Other operating income	364
Sales expenses	(53)
Administrative expenses	(4,088)
Other operating expenses	(29)
Operating profit	759
Financial expenses	(104)
Tax expenses	(142)
Net profit	513

### 2.11. Minority interest

Minority interest are valued at the proportionate share of identifiable net assets at the acquisition date.

### 2.12. Consolidation

The consolidated financial statements of the group include the financial statements of the parent company and the financial statements of subsidiaries prepared as at December 31, 2019. All assets, liabilities, capital, income, expenses and cash flows of the group companies are presented as such, belonging to one enterprise.

Subsidiaries are those entities that are controlled by the parent company. Control occurs when the parent company exercises its rights arising from its participation in the subsidiary's capital and has the ability to influence its return from investment through its power. The consolidated financial statements have been prepared following the same accounting policies with respect to similar transactions and business facts of all companies in the group. All mutual interests, as well as significant internal transactions, balances and unrealized gains in the Group are eliminated and the financial statements are prepared using the full consolidation method. The results of operations of the subsidiaries are included in the consolidated financial statements from the date of acquisition of control over them and cease to be consolidated from the date on which such control is lost. When a subsidiary is acquired as a result of an internal group restructuring, its net assets and financial result are included from the beginning of the earliest accounting period presented in the financial statements.

*The explanatory notes attached constitute an integral part of the accompanying consolidated financial statements.*

### 2.13. Revenues

Revenue from sales and operating expenses have been accrued at the time of their occurrence, regardless of cash receipts and payments. The accounting and recognition of revenue and expenses should be carried out in compliance with the requirement for a causal connection between them.

Revenue is measured at the fair value of the value of the consideration received or to be received or paid remuneration, less any discounts provided.

The Group recognizes revenue when the amount of revenue can be measured reliably, when it is possible for the Group to obtain future economic benefits, and when it meets specific criteria for each of the Group's activities, as specified below.

Amounts collected on behalf of third parties, such as sales taxes and value added tax, are excluded from revenue.

- ***Revenue recognition under customer contracts***

Revenues in the Group are recognized when the control over the goods and/or services promised in the contract with the customer is transferred to the customer. The control is transferred to the customer upon fulfilment of the contractual obligations by transferring the promised goods and/or rendering the promised services.

As a whole, the Group has come to the conclusion that it is the principal in its revenue arrangements, as the Group generally controls the goods or services before transferring them to the customer.

The Group recognizes revenue when it meets its obligations under the terms of the contract, by transferring the promised service to the customer. An asset (good or service) is recognized as transferred after the customer obtains control over that asset.

- ***Evaluation of a contract with a customer***

A contract with a customer is only available when, upon its entry into force, it:

- ✓ has a commercial nature and motive;
- ✓ the parties have approved it (verbally, in writing or on the basis of "established and generally recognized business practice") and have committed themselves to implement it;
- ✓ the rights of each party may be identified with respect to the goods or services to be transferred;
- ✓ payment terms can be identified; and
- ✓ there is a high probability that the remuneration to which the company is entitled in

*The explanatory notes attached constitute an integral part of the accompanying consolidated financial statements.*

Unless otherwise stated, all amounts are in BGN thousand.

the performance of their contractual duties will be received.

In assessing collectability, all relevant facts and circumstances of the transaction should be taken into account, incl. past experience, customary business practices, published rules and statements made by the Company, collaterals and satisfaction opportunities.

A contract for which any of the above mentioned criteria has not yet been fulfilled shall be re-evaluated each accounting period. Remuneration received under such a contract is recognized as a liability (*liability under a contract*) in the statement of financial position until:

- ✓ all criteria for recognition of a contract with a customer are not met;
- ✓ the company fulfilled its obligations and received all or almost all of the remuneration (non-recoverable); and/or
- ✓ when the contract is terminated and the remuneration received is not recoverable.

In the initial evaluation of its contracts with customers, the Company makes an additional analysis and assessment of whether two or more contracts should be considered as one deal and respectively whether the goods and/or services promised in each separate and/or combined contract should be accounted for as one and/or more performance obligations to fulfil.

Any promise to transfer goods and/or services that are separately identifiable (by themselves and in the context of the contract) is accounted as one performance obligations to fulfil.

The Company recognizes revenue for each *individual obligation to fulfil* at the level of an *individual contract with a customer* by analysing the type, term and conditions for each specific contract.

- ***Measuring revenue under customer contracts***

Revenue is measured on the basis of the *transaction price* set for each contract.

The *transaction price* is the amount of the remuneration the Company expects to receive, except for the amounts collected on behalf of third parties. In determining the price of the transaction, the Company takes into account the terms of the contract and its usual commercial practices.

- ***Transaction price and payment terms***

The transaction price typically includes a fixed sale price, according to a common or customer price list.

- ***Variable remuneration***

The variable remuneration is included in the transaction price only in so far as it is probable that no material adjustment will be made to the amount of recognized cumulative revenue.

### ***Revenues from services***

*The explanatory notes attached constitute an integral part of the accompanying consolidated financial statements.*

Unless otherwise stated, all amounts are in BGN thousand.

The Company reports revenue from services, in compliance with the contractual commitments. Revenues from services are recognized upon completion of the services (by sites).

#### *Other revenue/income*

Other income and revenue are recognized when the right to receive it is established. These include rental income, interest dividends, benefits. Rental income/operating lease/is recognized for a period equal to the term of the contract.

The Company's management has carefully evaluated its trading practices for possible changes in the timing of revenue recognition, performing a thorough analysis of the contracts concluded, except for the simplest ones, to determine the impact that the application of IFRS 15 will have on the financial statements. Attention was focused on the new model of transfer of title over goods and services based on controls, which would change the timing of recognition of revenue in accordance with IFRS 15. As a result, management has determined that the new revenue recognition framework will not change the accounting policies applied to date. There has been no change in the performance obligations and the allocation of contract costs and revenue recognition.

Depending on the nature of the business and the contracts with customers, management has assessed the breakdown categories of revenue and disclosed them in *Explanatory Note 4.01*.

#### **2.14. Expenses**

The expenses of the Group shall be recognized at the time of their occurrence and of the basis of the accrual principles and comparability. Expenses are recognized when there is a decrease in future economic benefits associated with a decrease in an asset or an increase in a liability that can be measured reliably. Recognition of expenses for the current period is made when revenue is accrued. An expense is recognized immediately in the income statement when the expense does not create future economic benefits or when and to the extent that future economic benefits do not meet the requirements or cease to meet the requirements for recognition of an asset in the balance sheet. Expenses are accounted for on an accrual basis and are comparable to recognized revenue. They are measured at the fair value of the consideration paid or pending for payment.

Expenses for future periods shall be deferred for recognition as current expenses in the period in which the obligations under the contracts to which they refer, were performed.

Financial expenses consist of interest expenses and other direct costs related to loans.

Unless otherwise stated, all amounts are in BGN thousand.

## 2.15. Property, plant and equipment

Property, plant and equipment (non-current tangible assets) are presented in the financial statements at acquisition cost (cost) less accumulated depreciation and impairment losses.

### Initial measurement

Upon initial acquisition, property, plant and equipment are valued at acquisition cost (cost price), which includes the purchase price, customs charges and any directly attributable costs of bringing the asset to working condition. The direct costs are as follows: costs of site preparation, costs of initial delivering and handling, installation costs, costs for personnel remuneration fees related to the project, non-refundable taxes, etc.

When acquiring property, plant and equipment on a deferred payment basis, the purchase price is equivalent to the present value of the liability, discounted based on the interest rate on the borrowed resources of the company with a similar maturity and purpose. The difference between the cash price equivalent and the general payment is recognized as interest over the course of the loan unless it is capitalized in accordance with IAS 23.

### Measurement after recognition

The approach chosen by the Group for the subsequent balance sheet measurement of property, plant and equipment is the acquisition cost model - less any subsequent depreciation and any accumulated impairment losses.

For all other classes of non-current tangible assets, the company has applied the acquisition cost model.

### Depreciation Methods

The Company uses a straight-line depreciation method for non-current tangible assets. Depreciation of assets begins when they are available for use. The useful life of groups of assets are determined in accordance with: physical wear and tear, the specifics of the equipment, future intentions for use and expected obsolescence. The useful lives of asset classes are as follows:

Transportation vehicles	4 years
Computer equipment	2-5 years
Office equipment	3- 6,67 years
Other non-current tangible assets	6,67 years

The useful life of non-current tangible assets is reviewed at the end of each year and, if significant deviations are found against future expectations for the useful life of the assets, it is adjusted prospectively.

*The explanatory notes attached constitute an integral part of the accompanying consolidated financial statements.*

*Unless otherwise stated, all amounts are in BGN thousand.*

### **Derecognition of non-current tangible assets**

The carrying amount of an item of property, plant and equipment is derecognised on disposal, when no other economic benefits are expected from its use, or if the asset is not available for some reason.

Gains or losses from the derecognition of an item of property, plant and equipment are included in the statement of comprehensive income when the asset is derecognised (unless IAS 17 requires otherwise in the sale and leaseback). Gains and losses on disposal of non-current assets are determined by reducing the proceeds from the sale (disposal) by the carrying amount of the asset and the costs associated with the sale. They are reported net in Other operating income in the statement of comprehensive income. The portion of the revaluation reserve relating to the derecognised asset is transferred directly to retained earnings.

The receivable from disposal of an item of property, plant and equipment is initially recognized at fair value.

### **Intangible assets**

#### ***Goodwill***

Goodwill represents the excess of the acquisition cost (the consideration transferred) over the fair value of the group's share of the net identifiable assets of the acquired company as of the date of acquisition (the business combination). In the consolidated financial statements, it is initially measured at acquisition cost (cost price) and subsequently at acquisition cost less accumulated impairment losses. Goodwill is not subject to depreciation.

Goodwill arising on the acquisition of a subsidiary is presented in the consolidated statement of financial position in the group of intangible assets.

The recognized goodwill on the acquisition of subsidiaries on its own is obligatorily tested for impairment at least once a year. Impairment losses on goodwill are not reversed. Gains or losses on the sale (disposal) of a subsidiary of the Group also include the carrying amount of the goodwill, the deductible for the (disposed) company.

Each recognized goodwill is identified as belonging to a cash-generating unit proceeds when a business combination is effected, and this unit is applied when carrying out the impairment tests. In determining the cash-generating units, the units from which the future benefits from the business combination were expected and for which the goodwill itself arose.

Impairment losses on goodwill are presented in the consolidated statement of comprehensive income (in profit or loss for the year) under the item Other operating expenses (impairment of non-current assets).

*The explanatory notes attached constitute an integral part of the accompanying consolidated financial statements.*

Unless otherwise stated, all amounts are in BGN thousand.

### ***Other intangible assets***

Intangible assets are presented in the financial statements at acquisition cost (cost price) less the accumulated depreciation and impairment losses. Improvements to leased assets are included in the costs.

The Group applies a straight-line method of depreciation of intangible assets over a specified useful life of 2 years for software products, 6.67 years for the software platform, 3 years for the ISO certificates.

The carrying amount intangible assets is reviewed for impairment when there are events or changes in circumstances that indicate that the carrying amount could exceed their recoverable amount. Then the impairment is included as an expense in the statement of comprehensive income

### **Initial measurement**

Externally created intangible assets are valued at acquisition cost, which includes the purchase price, import duties, non-recoverable taxes and costs of preparing the asset for its intended use. Direct expenses are as follows: expenses for preparation (the place where the asset will be used), initial delivery costs, installation costs, project related personnel fees, non-recoverable taxes, etc.

Intangible assets are recognized if they meet the definition of intangible assets set out in IAS 38 Intangible Assets, namely:

- Meets the definition of an intangible asset;
- It's cost can be measured reliably upon acquisition;
- The use of the asset is expected to bring economic benefits that are demonstrated by the availability or plan to acquire sufficient resources, to enable the entity to obtain the expected economic benefits; the ability to effectively perform its functional role in accordance with the enterprise's intention to use it or have clearly defined and specified technical feasibility.

### **Subsequent expenses**

Costs related to the maintenance of initial standard functionalities incurred after the intangible non-current assets are commissioned are recognized as current at the time they are incurred. Costs that increase the expected future economic benefits of using an intangible asset over the standard functionalities adjust the carrying amount of the intangible asset.

## **2.16. Other long-term capital investments**

*The explanatory notes attached constitute an integral part of the accompanying consolidated financial statements.*

Unless otherwise stated, all amounts are in BGN thousand.

Other long-term financial investments are non-derivative financial assets in the form of shares and units of other companies (minority interest) held with a long-term perspective.

#### *Initial measurement*

Capital investments are initially recognized at acquisition cost, which is the fair value of the consideration paid, including direct acquisition cost of the investment (the financial asset). All purchases and sales of capital investments are recognized on the “trading date” of the transaction, i.e. the date on which the company commits to purchase or sell the asset.

#### *Subsequent valuation*

Capital investments owned by the Group are subsequently measured at fair value. The results of the subsequent valuation to fair value are presented in the statement of comprehensive income (in other components of comprehensive income) and respectively in the reserve related to financial assets at fair value, through other comprehensive income. These results are transferred to retained earnings on disposal (sale) of the respective investment.

## **2.17. Lease**

### **Operating lease**

#### *Policy applicable from January 1, 2019*

At the inception of the contract, the Group assesses whether the contract represents or contains a lease. A contract represent or contains elements of a lease if, under that contract, the right to control the use of an asset for a specified period of time is transferred in exchange for consideration. The assessment includes an assessment of the following factors:

- Whether the contract involves the use of an identified asset, this may be stated explicitly or by default, and must be physically identifiable or represent essentially the entire capacity of a physically separate asset. If the supplier has a substantial right of replacement, then the asset is not identified;
- Whether the Group is entitled to receive substantially all the economic benefits from the use of the asset throughout the useful life; and
- Whether the Group has the right to direct the use of the asset. The Group has this right when it has decision-making rights concerning the change in the manner and purpose of using the asset. In the rare cases where it is predetermined how and for what purpose the asset will be used, the Group has the right to direct the use of the asset if:
  - ✓ The Group has the right to operate the asset; or
  - ✓ The Group has designed the asset in a way that determines in advance how and for what purpose it will be used

*The explanatory notes attached constitute an integral part of the accompanying consolidated financial statements.*

*Unless otherwise stated, all amounts are in BGN thousand.*

This policy applies to contracts that have entered into force or have been amended on or after January 1, 2019.

### ***Policy applicable before January 1, 2019***

Leases where the lessor keeps a substantial part of all risks and economic benefits incidental to the ownership of the specific asset are classified as operating leases.

Operating lease payments are recognized as an expense in the statement of comprehensive income, as an "administrative expense" on a straight-line basis over the lease term based on the straight-line method over the lease term. The initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the assets leased out and recognized on a straight-line basis over the lease term.

### **Finance lease**

The lease under which all risks and rewards of ownership of the asset are transferred to the company is classified as a finance lease and the leased asset is capitalized in the consolidated statement of financial position of the lessee and presented as property, plant and equipment. Upon initial recognition, leased assets are carried at the lower value of their current fair value or the present value of the minimum lease payments. The minimum lease payments are apportioned between the finance charge (interest) and the reduction of the lease liability (principal). Financial expenses are allocated to each period over the lease term so that a constant interest rate is reached on the remaining outstanding portion of the principal on the lease liability. Interest expenses are included in the consolidated statement of comprehensive income as "Financial expenses".

Assets acquired under a finance lease are depreciated based on the useful life of the asset and within the lease term.

## **2.18. Provisions**

Provisions are recognized when the Group has a present (constructive or legal) liability as a result of a past event, and it is probable that the discharge/settlement of that liability is related to a drain of resources. The provisions are measured based on management's best estimate as of the date the financial statements are prepared for the expenses required to settle the relevant liability. The estimate is discounted when the liability is long-term. When part of the resources that will be used to settle the liability to be recovered from a third party is expected, the company recognizes a receivable if there is a high degree of certainty that this receivable will be collected, its value can also be reliably determined within the same item in the statement of comprehensive income, where the provision is presented.

*Unless otherwise stated, all amounts are in BGN thousand.*

## **2.19. Inventory**

Inventories are accounted at the lower of the following: acquisition cost (cost price) and net realizable value.

The costs incurred to bring an inventory to its present condition and location are included in the cost of acquisition (cost) as follows:

- Materials - the purchase price and all related costs of delivery;
- Goods - the purchase price and all related costs of delivery, customs duties, transport costs, non-recoverable taxes and other costs incurred in order to bring the goods in ready for use state.

In the use (sale) of inventory, the first-in-first-out method is used.

## **2.20. Pension and other payables to staff**

The employment and social security relations with the employees of the Group are based on the provisions of the Labour Code and the provisions of the existing social security legislation in the Republic of Bulgaria and the law of the country in which a subsidiary is incorporated. The Group accrues and realizes staff income by type, as follows:

### **Short-term income**

Short-term are those staff benefits in the form of remuneration, bonuses and social allowances and benefits that are due within 12 months as of the end of the accounting period in which the staff have worked for them or fulfilled the necessary conditions for their receipt. They are recognized as current expense in the Statement of Comprehensive Income in the accounting period in which the work is performed and as a current liability in the Consolidated Statement of Financial Position (after deducting any amounts and deductions already paid).

At the date of preparation of the financial statements, the Group estimates the amount of accumulated unused paid leave, which is expected to be paid to employees. The estimate includes the non-discounted amount of the remuneration due, as well as the cost of the compulsory state social security contributions paid by the employer on these amounts. The amount of estimated unused paid leave is recognized as current expense in the consolidated statement of comprehensive income. The Group recognizes as a current liability in the consolidated statement of financial position the non-discounted amount of estimated expenses for unused paid leave for previous accounting periods.

### **Program with defined social security contributions**

*The explanatory notes attached constitute an integral part of the accompanying consolidated financial statements.*

*Unless otherwise stated, all amounts are in BGN thousand.*

The insurance and retirement plans implemented by the Group in their capacity as an employer are based on the Bulgarian social security legislation and are defined contribution plans. According to them, the employer pays certain social security contributions on a monthly basis, based on statutory rates, and there is no legal liability to pay future insurance contributions to the insurance funds in cases where they do not have sufficient cash to pay to the respective persons the amounts earned by them for their work experience. The liabilities with respect to health insurance are similar.

The amounts of the social security contributions are approved specifically by the State Social Insurance Budget Act and the Budget of the National Health Insurance Fund Act for the respective year. Social security and health insurance contributions payable by the employer are recognized as current expense in the statement of comprehensive income in the accounting period of accrual of the related income to which they relate and as a current liability in the statement of financial position at non-discounted amount.

The companies included in the consolidated statement operating in countries outside Bulgaria, the insurance and pension plans are based on the legislation of the respective country.

There is no established and functioning private voluntary insurance within the Companies.

### **Long-term employee benefits**

According to the Labour Code, Companies operating in Bulgaria are obliged to pay compensation to employees at retirement age, depending on their work experience. By their characteristics, these schemes are "defined benefit plans". Provision of long-term employee benefits for retirement benefits are not recognized in the consolidated statement of comprehensive income, as there are no employees who will retire in the next 5 years.

### **2.21. Share capital**

The Group has adopted the financial concept of reporting the capital. The capital is presented in nominal monetary units. Profit for the accounting period is considered to be acquired only if the total equity amount at the end of the period exceeds the amount at the beginning of the period, after deducting profit distributions to owners or investments in capital during the period.

Allterco JSCo is a joint-stock company and is obliged to register in the Commercial Register its statutory share capital, which shall serve as a security for the creditors of the Company. The shareholders are responsible for the liabilities of the Company up to the amount of their shareholding in the capital and may claim the return of that holding only in bankruptcy or liquidation proceedings.

**Equity** is the residual value of an entity's assets after deducting all its liabilities. This includes:

**Registered capital** - is presented in the Statement of financial position according to the number of issued shares multiplied by par value per share.

**Financial result** - is formed as the difference between the revenue and expenses. This includes:

- a) undistributed profit;
- b) uncovered loss;
- c) the balance sheet profit or loss for the current year, which is presented in the statement of financial position after deduction of tax expense.

Equity is decreased by the dividends paid to the shareholders during the period in which they are distributed (voted by the General Meeting).

In accordance with the requirements of the Commercial Law and the Statute of Allterco JSCo is obliged to form reserves at the expense of:

- at least one-tenth of the annual profit, until the funds accumulated reach 25 per cent of the share capital;
- the funds received above the nominal value of the shares issued (premium reserve);

**Currency exchange rate reserve formed from the translation of financial statements of foreign subsidiaries** - arises from the net effects of foreign currency translation of subsidiaries from their functional currencies into Bulgarian leva for the purpose of consolidation.

### **Income tax**

Income tax for the year represents the sum of current and deferred taxes.

Current income taxes are determined in accordance with the requirements of the relevant legislation. The nominal tax rate in Bulgaria for 2019 and 2018 is 10%, for Singapore - 17%; in Malaysia, for profit up to the MYR 500,000 is 20% and for the excess is 25%, for the United States of America: 15 - 35% and for Thailand 20%.

Deferred income taxes are determined using the balance sheet liability method with respect to any temporary differences that exist between the carrying amounts and the tax bases of the individual assets and liabilities at the date of preparation of the financial statements.

Deferred tax liabilities are recognized for all taxable temporary differences:

Deferred tax assets shall be recognized for all deductible temporary differences and for unused tax losses, to the extent that it is probable they will reverse when sufficient taxable profit or taxable temporary differences is expected to be generated in the future, which can offset these deductible differences.

*Unless otherwise stated, all amounts are in BGN thousand.*

The carrying amount of all deferred tax assets is reviewed at each financial statement date and if necessary it is reduced to the extent that it is probable that they will reverse and generate sufficient taxable profit from which they can be deducted.

Deferred taxes relating to items that are accounted for directly in equity or other balance sheet item are also accounted for directly in the respective equity component or the balance item.

Deferred tax assets and liabilities are estimated at the tax rates that are expected to apply to the period during which the assets will be realized and the liabilities will be settled (repaid), based on the tax legislation that is in force or is expected with a high degree of certainty and are shown offset in a separate line in the statement of financial position.

As of December 31, 2019, December 31, 2018 there are deferred income taxes only for Bulgarian companies and they are estimated at a tax rate of 10%.

### **Earnings per share**

The basic earnings per share are calculated by dividing the net profit or loss for the period that is subject to distribution among shareholders of ordinary shares, by the average weighted number of ordinary shares held during the period.

The weighted average number of shares represent the number of shares of common stock hold at beginning of the period, adjusted by the number of repurchased ordinary shares issued during the period multiplied by a time-weighting factor. This factor represents the number of days in which specific shares have been held relative to the total number of days in the period.

Diluted earnings per share should not be calculated because there are no dilutive potential shares issued.

### **2.22. Cash and cash equivalents**

Cash includes cash on hand and amounts in current accounts, and cash equivalents are short-term deposits with banks whose original maturity is less than 3 months.

The cash flow statement is presented using the direct method.

For the purpose of preparing the cash flow statement:

- ✓ Cash inflows from customers and cash payments to suppliers are presented gross, including VAT;
- ✓ VAT on purchases and sales of non-current assets is stated in the cash flows from operating activities, to the extend it participates and is recovered in the operating cash flows of the Company for the relevant accounting period.
- ✓ Interest on loans and deposits granted/received is included as part of cash flow from financing activities.

*The explanatory notes attached constitute an integral part of the accompanying consolidated financial statements.*

Unless otherwise stated, all amounts are in BGN thousand.

Cash and cash equivalents are subsequently presented at amortized cost, without any accumulated adjustments for expected credit losses.

## 2.23. Financial instruments

### Financial assets

A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity instrument in another enterprise.

#### *Initial recognition, classification and measurement*

Upon initial recognition, financial assets are classified into 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 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 of the Group.

The business model of the Group for management of financial assets reflects how the Group manages its financial assets to generate cash flows. The business model determines whether cash flows are the result of contractual cash flows, the sale of financial assets, or both.

#### *Measurement*

The Group initially evaluates financial assets at fair value, and in the case of financial assets that are not carried at fair value through profit or loss, the direct transaction costs are added. An exception is trade receivables that do not contain a material financing component - they are estimated based on the transaction price determined in accordance with IFRS 15 and the invoices issued.

#### *Subsequent measurement*

For the purposes of Subsequent valuation, financial assets are classified into four categories:

- Debt instruments measured at amortized cost
- Debt instruments measured at fair value through other comprehensive income (reclassified to profit or loss);
- Equity instruments carried at fair value through other comprehensive income (without reclassification in profit or loss);
- Financial assets (debt instruments, equity instruments and derivatives) measured at fair value through profit or loss.

During the current period, the Group reports financial assets in one of these categories - financial assets at amortized cost.

*The explanatory notes attached constitute an integral part of the accompanying consolidated financial statements.*

**Financial assets at amortized cost (debt instruments)**

This category is the most significant for the Group.

The Group measures financial assets at amortized cost when both of the following conditions are satisfied:

- the financial asset is held and used within a business model that aims to hold the asset in order to obtain contractual cash flows from it, and
- the terms of the contract of the financial asset generate cash flows at specific dates, which represent only principal payments and interest on the principal outstanding.

The Group's management has assessed that financial assets representing cash in banks, interest-bearing receivables from related parties, trade receivables and other receivables (i.e. trade receivables and others) are held by the Group in order to obtain the agreed cash flows and it is expected to result in cash flows that represent solely principal and interest payments under the business model applied.

Financial assets at amortized cost are subsequently measured using the effective interest rate method (EIR). They are subject to impairment. Gains and losses are recognized in the statement of comprehensive income (in profit or loss for the year) when the asset is written off, modified or impaired.

*Derecognition*

A financial asset is derecognized in the statement of financial position of the Group when:

- the rights to obtain cash flows from the asset have expired, or
- the rights to receive cash flows from the asset have been transferred or the Group has assumed an obligation to pay in full the received cash flows, without material delay, to a third party through an agreement. In this case, the Group recognizes the liability associated with it. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement, which is in the form of a guarantee on the transferred asset, is measured at the lower of the two values: the initial carrying amount of the asset and the maximum amount of consideration that the Group may be required to pay.

*Impairment of financial assets*

The Group recognizes an adjustment (impairment allowance) for expected credit losses on all debt instruments that are not carried at fair value through profit or loss. Expected credit losses are calculated as the difference between the contractual cash flows payable under the terms of

Unless otherwise stated, all amounts are in BGN thousand.

the contract and all the cash flows that the Group expects to receive discounted at the original effective interest rate.

At each accounting date, the Company determines whether the debt instrument is assessed as such with low credit risk using all reasonable information that is available without incurring unnecessary expense or effort. In making this assessment, the Group reviews the internal credit rating of the debt instrument. In addition, the Group assesses whether there is a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial instrument as default when contractual payments are overdue for more than 60 days. However, in certain cases, it may treat a financial asset as default when internal or external information provides an indication that it is unlikely that the Group will receive the full amount of the outstanding contractual amounts before taking into account any credit enhancements held by it. Financial assets are written off when there is no reasonable expectation for collection of contractual cash flows.

To calculate the expected credit losses of *trade receivables and assets under customer contracts*, the Group has chosen and applies a simplified matrix-based approach to calculating expected credit losses and does not track subsequent changes in their credit risk. In this approach, it recognizes an adjustment (impairment allowance) based on the expected credit loss for the entire receivable period at each reporting date. The Group has developed and applies a provisioning matrix based on historical experience with respect to credit losses, adjusted for debt-specific and economic environment, and correlated with the percentage of credit losses.

Financial assets are written-off when there is no reasonable expectation of collection of contractual cash flows.

## **Financial liabilities**

### *Initial recognition, classification and measurement*

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.

### *Subsequent valuation*

Subsequent valuation of financial liabilities depends on their classification as described below.

### *Financial liabilities measured at amortized cost*

This category is essential for the Group. Subsequent to their initial recognition, the Group measures interest-bearing loans and borrowings at amortized cost using the effective interest method. Gains and losses are recognized in the statement of comprehensive income (in profit or loss for the year) when the corresponding financial liability is derecognized, as well as through amortization at the effective interest rate method.

*The explanatory notes attached constitute an integral part of the accompanying consolidated financial statements.*

Unless otherwise stated, all amounts are in BGN thousand.

Amortized cost is calculated by taking into account any discounts or acquisitions, as well as fees or expenses, which are an integral part of the effective interest rate. Depreciation is included as a “financial expense” in the statement of comprehensive income (in profit or loss for the year).

#### *Derecognition*

Financial liabilities are derecognized when the liability is discharged, terminated or expires. When an existing financial liability is replaced by another of the same lender under substantially different conditions, or the terms of an existing liability are substantially altered, such exchange or modification shall be treated as extinguishment of the original liability and recognition of a new one. The difference with the carrying amount of a financial liability settled or transferred to another party in cash and/or non-monetary assets is recognized in profit or loss for the period.

#### **2.24. Judgments that are crucial in applying accounting policies of the Group. Key high uncertainty estimates and assumptions made by the management.**

In the process of applying accounting policies, the Group's management makes judgments that have a material effect on these financial statements. Such judgments by definition are rarely equal to actual results.

As a result of their nature, they are subject to constant review and updating and include historical experience and other factors as expectations for future events, that management believes are reasonable in the current circumstances.

The estimates and assumptions that carry a significant risk of a material adjustment in the carrying amounts of assets and liabilities in the next financial year are set out below.

##### ***Useful life of property, plant and equipment and intangible assets***

The financial statements of property, plant and equipment and intangible assets include the use of estimates of their useful lives and carrying values, which are based on judgments made by the Group's management.

##### ***Impairment of receivables***

Management estimates the amount and timing of expected future cash flows related to receivables based on experience in current circumstances in the following groups: individual accounts, households and other small consumers and legal claims. Due to the inherent uncertainty of this assessment, the actual results may differ from those expected. The Group's management reviews the estimates from previous years against the actual results from the previous year.

In connection with the implementation of IFRS 9 Financial Instruments, the Group have used their accumulated experience in the area of credit losses, and have taken into account current conditions and their forecasts to estimate the expected credit losses on their trade receivables.

*The explanatory notes attached constitute an integral part of the accompanying consolidated financial statements.*

Unless otherwise stated, all amounts are in BGN thousand.

## 2.25. Fair value

Fair value is the price that could be obtained from the sale of an asset or could be paid for the transfer of a liability in the ordinary course of trade between market participants at the date of assessment (starting price). Fair value assessment is based on the assumption that the transaction to sell an asset or transfer a liability has been carried out:

- on the principal market of the respective asset or liability, or
- in the absence of a principal market, most advantageous market for the asset or liability.

The access to the principal or the most advantageous market should be available for the Company.

The fair value of an asset or liability is estimated by making the assumptions that market participants would make when establishing the price of the asset or liability, assuming that they act in their best economic interest.

All assets and liabilities that are measured at fair value or for which fair value disclosure is required in the financial statements, are grouped into categories according to the fair value hierarchy, as described below, based on the lowest level of input used, which has a significant impact on fair value measurement in general:

- Level 1 - quoted (unadjusted) prices in active markets for identical assets or liabilities are used
- Level 2 - appraisal methods are applied in which the lowest level of used input data essential for fair value assessment have been observed either directly or indirectly
- Level 3 - appraisal techniques are used where the lowest level of used input data essential for fair value assessment are unobservable

For the assets and liabilities that are regularly measured at fair value the Company shall review their categorization at the appropriate level of the fair value hierarchy (based on the lowest level of used input data, that have a significant impact on the fair value measurement as a whole) to the end of the reporting period and determine whether there is a need to make a transfer (s) from one level to another.

Unless otherwise stated, all amounts are in BGN thousand.

## EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3. Notes to the consolidated statement of financial position

#### 3.01. Property, plant and equipment

	Lands	Buildings	Facilities	Plant and equipment	Transportation vehicles	Computer equipment	Office equipment	Non-current assets, acquired under financing contracts	Others	Expenses for acquisition of fixed tangible assets	Total
<b>January 01, 2018</b>											
Cost	465	3,056	-	14	734	268	176	436	155	31	5,335
Depreciation	-	-	-	(4)	(412)	(168)	(156)	(7)	(112)	-	(859)
Book value	465	3,056	-	10	322	100	20	429	43	31	4,476
<b>Acquisitions (at cost)</b>											
Purchase	-	67	-	641	101	420	11	646	3	127	2,016
Finance lease	-	-	-	-	82	-	-	-	-	-	82
Self-constructed	-	-	-	-	-	7	-	-	-	-	7
Overhaul repair	-	67	-	-	-	-	-	-	-	-	67
<b>Reductions (book value)</b>											
Sale	-	-	-	-	(24)	(24)	-	(1,075)	-	(98)	(1,221)
Put into operation	-	-	-	-	-	-	-	(1,075)	-	(67)	(1,142)
Reclassification	-	-	-	-	-	(24)	-	-	-	(31)	(55)
Depreciation for the period	-	(84)	-	(18)	(107)	(113)	(6)	-	(17)	-	(345)
<b>Changes in depreciation</b>											
Depreciation on derecognized assets	-	-	-	-	86	95	-	-	-	-	181
Derecognized depreciation of sold investments	-	-	-	(7)	-	-	-	-	-	-	(7)
Book value at the end	465	3,039	-	633	292	383	25	-	29	60	4,926
<b>December 31, 2018</b>											
Cost	465	3,123	-	662	725	569	187	7	158	60	5,956
Depreciation	-	(84)	-	(29)	(433)	(186)	(162)	(7)	(129)	-	(1,030)
Assets intended for sale	-	-	-	(1)	(58)	(204)	(15)	-	(14)	-	(292)
Book value	465	3,039	-	632	234	179	10	-	15	60	4,634
<b>01.01.2019</b>											

The explanatory notes attached constitute an integral part of the accompanying consolidated financial statements.

Unless otherwise stated, all amounts are in BGN thousand.

Cost	465	3,123	-	662	725	569	187	7	158	60	5,956
Depreciation	-	(84)	-	(29)	(433)	(186)	(162)	(7)	(129)	-	(1,030)
Book value	465	3,039	-	633	292	383	25	-	29	60	4,926
<b>Acquisitions (at cost)</b>	-	-	131	60	163	4	29	-	38	61	486
Purchase	-	-	131	60	128	4	29	-	38	61	451
Put into operation	-	-	-	-	35	-	-	-	-	-	35
<b>Reductions (book value)</b>	-	-	-	-	(59)	(206)	(13)	-	(15)	(35)	(328)
Put into operation	-	-	-	-	-	-	-	-	-	(35)	(35)
Assets of sold investments	-	-	-	-	(59)	(206)	(13)	-	(15)	-	(293)
<b>Depreciation for the period</b>	-	(125)	(16)	(210)	(94)	(72)	(4)	-	(11)	-	(532)
<b>Changes in depreciation</b>	-	-	-	3	326	141	61	-	30	-	561
Derecognized depreciation of sold investments	-	-	-	3	326	141	61	-	30	-	561
<b>Book value at the end</b>	465	2,914	115	483	302	109	37	-	41	86	4,552
<b>December 31, 2019</b>											
Cost	465	3,123	131	719	503	226	142	7	151	86	5,553
Depreciation	-	(209)	(16)	(236)	(201)	(117)	(105)	(7)	(110)	-	(1,001)
Assets held for sale	-	-	-	-	-	(1)	(2)	-	-	-	(3)
Book value	465	2,914	115	483	302	108	35	-	41	86	4,549

### 3.02. Intangible assets

	Software platform and internally generated platforms	Software products	ISO certificates and intellectual property rights	Patents, licenses, trademarks, prototypes	Internally developed Products and other similar	Expenses for acquisition of intangible fixed assets	Total
<b>January 01, 2018</b>							
Cost	909	292	893	1,951	31	-	4,076
Depreciation	(429)	(54)	(22)	(54)	(1)	-	(560)
Book value	480	238	871	1,897	30	-	3,516
<b>Acquisitions (at cost)</b>	-	-	-	804	693	2,351	3,848
Purchase	-	-	-	-	220	495	715
Internally generated	-	-	-	-	362	1,154	1,516
Put into operation	-	-	-	804	111	-	915
Reclassification	-	-	-	-	-	702	702
<b>Reductions (book value)</b>	-	-	-	(702)	-	(1,497)	(2,199)
Put into operation	-	-	-	-	-	(1,265)	(1,265)

The explanatory notes attached constitute an integral part of the accompanying consolidated financial statements.

Unless otherwise stated, all amounts are in BGN thousand.

Reclassification	-	-	-	(702)	-	-	(702)
Other manner	-	-	-	-	-	(232)	(232)
<b>Depreciation for the period</b>	<b>(78)</b>	<b>(31)</b>	<b>(82)</b>	<b>(229)</b>	<b>(45)</b>	<b>-</b>	<b>(465)</b>
<b>Book value at the end</b>	<b>402</b>	<b>207</b>	<b>789</b>	<b>1,770</b>	<b>678</b>	<b>854</b>	<b>4,700</b>
<b>December 31, 2018</b>							
Cost	909	292	893	2,053	724	854	5,725
Depreciation	(507)	(85)	(104)	(283)	(46)	-	(1,025)
Assets held for sale	(401)	(207)	-	(495)	-	-	(1,103)
<b>Book value</b>	<b>1</b>	<b>-</b>	<b>789</b>	<b>1,275</b>	<b>678</b>	<b>854</b>	<b>3,597</b>
<b>01.01.2019</b>							
Carrying amount	909	292	893	2,053	724	854	5,725
Depreciation	(507)	(85)	(104)	(283)	(46)	-	(1,025)
<b>Book value</b>	<b>402</b>	<b>207</b>	<b>789</b>	<b>1,770</b>	<b>678</b>	<b>854</b>	<b>4,700</b>
Acquisitions (at cost)	-	-	-	77	193	1,075	1,345
Purchase	-	-	-	77	38	7	122
Internally generated	-	-	-	-	-	1,223	1,223
Put into operation	-	-	-	-	155	(155)	-
<b>Reductions (book value)</b>	<b>(402)</b>	<b>(207)</b>	<b>-</b>	<b>(422)</b>	<b>(494)</b>	<b>-</b>	<b>(1,525)</b>
Derecognition of assets of sold investments	(402)	(207)	-	-	(494)	-	(1,103)
Other manner	-	-	-	(422)	-	-	(422)
<b>Depreciation for the period</b>	<b>-</b>	<b>-</b>	<b>(82)</b>	<b>(245)</b>	<b>(105)</b>	<b>-</b>	<b>(432)</b>
<b>Changes in depreciation</b>	<b>507</b>	<b>85</b>	<b>22</b>	<b>47</b>	<b>21</b>	<b>-</b>	<b>682</b>
Depreciation on derecognized assets	-	-	-	47	-	-	47
Derecognized depreciation of assets of sold subsidiaries	507	85	22	-	21	-	635
<b>Carrying value at the end</b>	<b>-</b>	<b>-</b>	<b>707</b>	<b>1,180</b>	<b>272</b>	<b>1,929</b>	<b>4,088</b>
<b>December 31, 2019</b>							
Cost	-	-	871	1,661	402	1,929	4,863
Depreciation	-	-	(164)	(481)	(130)	-	(775)
Assets held for sale	-	-	(705)	-	(152)	-	(857)
<b>Book value</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>1,180</b>	<b>120</b>	<b>1,929</b>	<b>3,231</b>

### 3.03. Right-of-use-assets

	Transportation vehicles	Buildings	Total
<b>01.01.2019</b>			
Cost	-	-	-
Depreciation	-	-	-
<b>Book value</b>	<b>-</b>	<b>-</b>	<b>-</b>
Acquisitions (at cost)	127	9	136
Operating lease	127	9	136
<b>Reductions (book value)</b>	<b>-</b>	<b>-</b>	<b>-</b>

The explanatory notes attached constitute an integral part of the accompanying consolidated financial statements.

Unless otherwise stated, all amounts are in BGN thousand.

<b>Depreciation for the period</b>	<b>(42)</b>	<b>(3)</b>	<b>(45)</b>
<b>Book value at the end</b>	<b>85</b>	<b>6</b>	<b>91</b>
<b>December 31, 2019</b>			-
<b>Cost</b>	<b>127</b>	<b>9</b>	<b>136</b>
<b>Depreciation</b>	<b>(42)</b>	<b>(3)</b>	<b>(45)</b>
<b>Book value</b>	<b>85</b>	<b>6</b>	<b>91</b>

IFRS 16 Lease was adopted by the EU on October 31, 2017 and enters into force on January 1, 2019. The Group has applied a simplified retrospective approach, making no adjustments for previous periods.

The Group has concluded lease agreements for renting office spaces and vehicles used in its activity. The terms are between 1 and 4 years with extension options.

### 3.04. Goodwill

<b>Name</b>	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Tera Communications AD	-	7,396
Global Teracomm Inc., USA	34	34
Allterco SDN, Malaysia	30	30
Allterco PTE Ltd, Singapore	3,091	7,995
Allterco Properties EOOD (Solely-owned LLC)	126	126
<b>Total:</b>	<b>3,281</b>	<b>15,581</b>

#### *Impairment of goodwill*

The Group's management has undertaken the necessary procedures to perform the mandatory impairment test of the goodwill recognized in the consolidated statement of financial position for the acquisition of the subsidiaries. For this purpose, it is assumed that each individual company appears as a "cash-generating unit". The calculations are made by the management, based on a detailed review of whether events and facts have occurred, which are indicators of changes in the assumptions and estimates made as of December 31, 2019 and December 31, 2018.

The financial budgets developed by the management of the respective companies and of the Group as a whole have been used as a basis for the cash flow (before taxes) forecasts, covering a period of three to five years, as well as other medium- and long-term plans and intentions for the development and restructuring of the activities within the Group. The recoverable amount of each cash-generating unit is determined on the basis of its "value in use".

Unless otherwise stated, all amounts are in BGN thousand.

The key assumptions used in the calculations are determined specifically for each company to which goodwill is allocated, treated as a separate cash-generating unit and according to its specifics of activity, business environment and risks. The tests and judgments of the Group's management for impairment of recognized goodwill are made in the context of its forecasts and intentions regarding the future economic benefits that the Group expects to receive from its subsidiaries, including expectations for future sales and restructuring of the activity, etc.

As a result of the analyses performed by the Group's management as of December 31, 2019, an impairment of the reported goodwill in the amount of BGN 4,904 thousand was recognized. (December 31, 2018: none)

### 3.05. Other long-term capital investments

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Ordinary registered shares - Victory Partners VII Norway Holding AS	3,053	-

### 3.06. Deferred tax assets

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Impairment of an investment	390	2
Provisions for liabilities	20	38
Accruals for unused leave	9	17
Assets intended for sale	-	(36)
<b>Total deferred tax assets</b>	<b>419</b>	<b>21</b>

### 3.07. Inventory

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Goods	1,285	969
Materials	-	2
Assets intended for sale	-	(7)
<b>Total:</b>	<b>1,285</b>	<b>964</b>

### 3.08. Trade receivables

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
--	------------------------------	------------------------------

The explanatory notes attached constitute an integral part of the accompanying consolidated financial statements.

Unless otherwise stated, all amounts are in BGN thousand.

Receivables from customers (net) incl.	7,553	11,598
- up to one year	4,498	11,598
- more than one year	3,055	-
Advances to suppliers	3,357	1,189
Assets held for sale	(2,424)	(5,135)
<b>Total:</b>	<b>8,486</b>	<b>7,652</b>

### 3.09. Other receivables

	<b>December 31,</b>	<b>December 31,</b>
	<b>2019</b>	<b>2018</b>
<b>TAX RECEIVABLES</b>	<b>117</b>	<b>275</b>
Corporate tax	-	43
VAT refund receivable	98	280
Customs fees	19	1
Withholding tax	434	-
Assets intended for sale	(434)	(49)
<b>OTHER RECEIVABLES</b>	<b>121</b>	<b>155</b>
Receivables on court disputes and out-of-court agreements	100	146
Receivables from insurance policies	-	22
Deposits in trading companies and guarantees	50	37
Other receivables	31	8
Assets held for sale	(60)	(58)
<b>Total:</b>	<b>238</b>	<b>430</b>

### 3.10. Cash and cash equivalents

	<b>December 31,</b>	<b>December 31,</b>
	<b>2019</b>	<b>2018</b>
Cash in current accounts	11,400	2,276
Cash on hand	43	82
Other cash funds - debit cards	2	-
Restricted cash (guarantees)	-	290
Assets held for sale	(514)	(2,105)
<b>total:</b>	<b>10,931</b>	<b>543</b>

The Group's cash funds are in bank accounts with banks with stable long-term ratings. Management has assessed the expected credit losses on cash funds and cash equivalents. The estimated value is less than 0.3% of the gross value of cash funds deposited with financial

The explanatory notes attached constitute an integral part of the accompanying consolidated financial statements.

Unless otherwise stated, all amounts are in BGN thousand.

institutions, therefore it is determined as insignificant and is not accrued in the consolidated financial statements of the Group as of December 31, 2019.

### 3.11. Prepaid expenses

	December 31, 2019			December 31, 2018		
	up to one year	More than one year	Total	up to one year	More than one year	Total
<b>Operating activity</b>						
Insurances	6	-	6	3	-	3
Training		-		28	-	28
Others	29	-	29	59	-	59
Assets held for sale				(73)	(73)	(73)
<b>Total</b>	<b>35</b>		<b>35</b>	<b>17</b>	<b>-</b>	<b>17</b>

### 3.12. Bank loans

The amortizable portion of bank loans is as follows:

	December 31, 2019	December 31, 2018
Raiffeisenbank EAD (Solely-owned PLC), including:	2,931	4,132
<input type="checkbox"/> up to one year	416	1,206
<input type="checkbox"/> more than one year	2,515	2,926
DSK Bank EAD (Solely-owned PLC)	-	233
<input type="checkbox"/> up to one year	-	233
<input type="checkbox"/> more than one year	-	-
Liabilities related to assets intended for sale	-	(233)
<b>Total bank loans - non-current portion:</b>	<b>2,515</b>	<b>2,926</b>
<b>Total Bank Loans - current portion:</b>	<b>416</b>	<b>1,206</b>

Unless otherwise stated, all amounts are in BGN thousand.

<b>Bank</b>	<b>Raiffeisenbank EAD (Solely-owned PLC)</b>
Date of conclusion of the contract:	August 25, 2017
Borrower	Allterco JSCo
Agreed loan amount:	1,620,000
Original currency	EUR
Purpose	Financing up to 90% (excluding VAT) of the purchase price of all company shares representing 100% of the capital of the jointly-owned debtor Allterco Properties EOOD (Solely-owned LLC), designated in the concluded between the Borrower and JFC Developments OOD (Ltd.) Share Purchase Agreement
Term	10.05.2029 Mortgage on real estate, owned by Allterco Properties EOOD (Solely-owned LLC), joint debtor -
Collaterals	Allterco Properties EOOD (Solely-owned LLC), pledge of all bank accounts of Allterco JSCo with the bank
<b>Creditor</b>	<b>Raiffeisenbank (Bulgaria) EAD (Solely-owned PLC)</b>
Date of the cash loan agreement	October 06, 2017
Borrower	Allterco Robotics EOOD (Solely-owned LLC)
Contractual amount	BGN 1,140 thousand)
Original currency	BGN
Maturity	25.09.2022
Purpose	Investment
<b>Creditor</b>	<b>Raiffeisenbank (Bulgaria) EAD (Solely-owned PLC)</b>
Date of the cash loan agreement	November 09, 2018
Borrower	Allterco Robotics EOOD (Solely-owned LLC)
Contractual amount	BGN 1,600 thousand
Original currency	BGN
Maturity	October 25, 2021
Purpose	Investment

The explanatory notes attached constitute an integral part of the accompanying consolidated financial statements.

Unless otherwise stated, all amounts are in BGN thousand.

<b>Creditor</b>	<b>Raiffeisenbank (Bulgaria) EAD (Solely-owned PLC)</b>
Date of the cash loan agreement	September 28, 2018
Borrower	Allterco Robotics EOOD (Solely-owned LLC)
Contractual amount	BGN 750 thousand
Original currency	BGN
Maturity	September 25, 2020
Purpose	Working Capital
<b>Bank</b>	<b>DSK Bank EAD (Solely-owned PLC)</b>
Date of conclusion of the contract:	November 24, 2017
Borrower	Tera Communications AD (Solely-owned PLC)
Agreed loan amount:	BGN 279 thousand)
Original currency	BGN
Purpose	Financing the costs of the implementation of the project "Improvement of the management and organization model and creation of growth capacity of the company under a grant contract under the Innovation and Competitiveness Operational Program 2014-2020"
Term	May 24, 2019
<b>Creditor</b>	<b>Raiffeisenbank (Bulgaria) EAD (Solely-owned PLC)</b>
Date of contract	August, 2015
Borrower	Allterco Robotics EOOD (Solely-owned LLC)
Total amount	up to EUR 500,000 thousand
Purpose	Working Capital
Currency	EUR
Fixed maturity	31.07.2018
Collaterals	Pledge of receivables

Unless otherwise stated, all amounts are in BGN thousand.

### 3.13. Lease

	December 31, 2019			December 31, 2018		
	up to one year	More than one year	Total	up to one year	More than one year	Total
Finance lease liabilities	79	67	<b>146</b>	80	144	<b>224</b>
Operating lease liabilities	47	44	<b>91</b>	-	-	-
Liabilities related to assets held for sale	-	-	-	(19)	(27)	<b>(46)</b>
<b>Lease liabilities</b>	<b>126</b>	<b>111</b>	<b>237</b>	<b>61</b>	<b>117</b>	<b>178</b>

Liabilities under lease agreements presented in the consolidated statement of financial position also include the liabilities of the Group under rental agreements for offices and vehicles (BGN 91 thousand as at December 31, 2019), which are recognized in accordance with the requirements of IFRS 16 Leasing (see also item 2.17 and item 3.03).

The equation of the movement of liabilities arising from financing activities (non-current and current)

Types of loans	Balance 01.01.2019	Cash flow, net	Interests	Non-cash movements	Balance 31.12.19
Bank loans	4,132	(1,202)	(96)	-	2,931
Leasing contracts	178	59	(6)	-	237

### 3.14. Trade payables

	December 31, 2019	December 31, 2018
Suppliers	3,669	6,891
Advances from clients	448	75
Liabilities related to assets intended for sale	(2,708)	(4,835)
<b>Total:</b>	<b>1,409</b>	<b>2,131</b>

### 3.15. Payables to personnel

	December 31, 2019	December 31, 2018
Payables to personnel	72	100
Unused paid leave	87	142
Liabilities related to assets intended for sale	(65)	(108)
<b>Total:</b>	<b>94</b>	<b>134</b>

The explanatory notes attached constitute an integral part of the accompanying consolidated financial statements.

Unless otherwise stated, all amounts are in BGN thousand.

### 3.16. Tax liabilities

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Corporate tax	919	432
Value Added Tax and GST	167	184
Dividend tax	129	-
Income tax	41	47
Personal use tax	7	12
Tax on representation expenses	6	8
Tax on social expenses	1	2
Other taxes	5	3
Liabilities related to assets held for sale	(158)	(340)
<b>Total:</b>	<b>1117</b>	<b>348</b>

### 3.17. Other liabilities

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Liabilities for acquisition of shares, incl.	675	705
- up to 1 year	675	705
- over 1 years	-	-
Guarantees/deposits for rent	94	66
Advances to employees	-	6
Other liabilities	3	3
Liabilities related to assets held for sale	(3)	(2)
<b>Total other liabilities - non-current portion:</b>	<b>-</b>	<b>-</b>
<b>Total other liabilities - current portion:</b>	<b>769</b>	<b>778</b>

### 3.18. Equity

Allterco JSCo was incorporated in 2010. The Company's share capital as of December 31, 2018 is BGN 15,000,000 (fifteen million) and is divided in 15,000,000 (fifteen million) ordinary registered shares with a nominal value of BGN 1 each. The share capital is fully paid in by four contributions:

The first issue was made at the incorporation of the Company in the form of a non-monetary contribution of BGN 50,000. Dimitar Stoyanov Dimitrov has made an in-kind contribution in the amount of BGN 25,000, consisting of ordinary registered voting shares with a nominal value of BGN 1 for each share of the capital of Teravoice EAD. Svetlin Iliev Todorov has made an in-

*The explanatory notes attached constitute an integral part of the accompanying consolidated financial statements.*

Unless otherwise stated, all amounts are in BGN thousand.

kind contribution in the amount of BGN 25,000, consisting of ordinary registered voting shares with a nominal value of BGN 1 for each share of the capital of Teravoice EAD (PLC).

In 2010, a second non-monetary contribution amounting to BGN 5,438,000 was made, and the contributors are Dimitar Stoyanov Dimitrov and Svetlin Iliev Todorov. The non-monetary contribution represents shares, with monetary valuation, prepared according to prepared by the Registry Agency - Commercial Register. Appointment of Experts N20100325163625-26.03.2010 pursuant to Art. 72, Paragraph 2 of the Commercial Act, for a total value of BGN 5,438,000. Dimitar Stoyanov Dimitrov has made a non-monetary contribution to the value of BGN 2,719,000, consisting of 1,500 ordinary registered voting shares of Tera Communications AD's capital. Svetlin Iliev Todorov has made a non-monetary contribution amounting to BGN 2,719,000, consisting of 1,500 ordinary registered voting shares of the capital of Tera Communications AD.

At the end of 2015, a new issue of 8,012,000 (eight million and twelve thousand) ordinary registered voting shares was issued, with a par value of BGN 1 (one) each.

At the end of 2016 the capital of "ALLTERCO" JSCo was increased by a new issue in the amount of 1,500,000 (one million and five hundred thousand) shares based on the successfully conducted IPO, as stipulated in the Prospectus for public offering of shares, confirmed by the Financial Supervision Commission by Decision No. 487-E dated 08.07.2016 entered in the Commercial Register under No. 20161108100414 on November 08, 2016.

At the end of the accounting periods the shareholders of the company are:

Name	Number of shares:	% in the capital
Svetlin Todorov	5,776,120 pcs.	38.51 %
Dimitar Dimitrov	5,776,120 pcs.	38.51 %
Victor Atanasov	1,120,500 pcs.	7.47 %
Other individuals and legal entities	2,327,260 pcs.	15.51 %
<b>Total</b>	<b>5,000,000 pcs.</b>	<b>100.00%</b>

Earnings per share	<b>2019</b>	<b>2018</b>
Net profit for the accounting period in BGN thousands (incl. Minority interest)	7,305	2,606
Average number of shares:	15,000,000	15,000,000
<b>Earnings per share in BGN:</b>	<b>0.487</b>	<b>0.174</b>

The explanatory notes attached constitute an integral part of the accompanying consolidated financial statements.

Unless otherwise stated, all amounts are in BGN thousand.

### 3.19. Retained earnings

	December 31, 2019	December 31, 2018
<b>Opening balance</b>	<b>12,227</b>	<b>9,576</b>
Change in minority interest	-	3
Coverage of a losses	-	-
Net profit (to owners of parent-company)	7,777	2,648
Loss for the period from discontinued operations	(608)	-
Transfer of emissions reserve	104	-
Profit distribution incl. for:	(2,947)	-
- reserves	(247)	-
- distribution of dividends	(2,700)	-
Reduction on sale of investments	(3,039)	-
Foreign exchange rate differences from translation of financial statements of foreign operations of sold investments	17	-
<b>Retained earnings</b>	<b>13,531</b>	<b>12,227</b>

## 4. Notes to the consolidated statement of comprehensive income

### 4.01. Sales revenue and direct cost

	2019			2018		
	Goods	Service s and rentals	Total:	Goods	Service s and rentals	Total:
<b>Sales revenue</b>	21,039	12,279	33,318	10,949	33,931	44,880
Cost of goods sold	(9,042)	-	(9,042)	(4,666)	-	(4,666)
Cost of services rendered	-	(10,583)	(10,583)	-	(27,464)	(27,464)
<b>Cost of sales</b>	(9,042)	(10,583)	(19,625)	(4,666)	(27,464)	(32,130)
<b>Gross profit</b>	<b>11,997</b>	<b>1,696</b>	<b>13,693</b>	<b>6,283</b>	<b>6,467</b>	<b>12,750</b>

### 4.02. Other operating income

	2019	2018
Profit from sale of fixed assets	-	23
Profit from sales of materials	-	11
Rent and utility costs	23	2
Written off liabilities	11	155

The explanatory notes attached constitute an integral part of the accompanying consolidated financial statements.

Unless otherwise stated, all amounts are in BGN thousand.

Deferred tax reversal	29	83
Insurance contract income	2	11
Interest income, including:	-	23
- on loans granted	-	-
- other interest	-	23
Foreign exchange rate differences gains	40	82
Other operating income	77	1
<b>Total:</b>	<b>182</b>	<b>391</b>

#### 4.03. Administrative expenses

	<u>2019</u>	<u>2018</u>
Salary and social security expenses	3,294	5,424
External services	2,102	1,929
Materials	862	387
Depreciation	819	700
Other administrative expenses	678	873
<b>Total:</b>	<b>7,755</b>	<b>9,313</b>

#### 4.04. Other operating expenses

	<u>2019</u>	<u>2018</u>
Impairment of goodwill	4,904	-
Written-off receivables	617	-
Bank fees	82	92
Foreign exchange related expenses	-	50
<b>Total:</b>	<b>5,603</b>	<b>142</b>

#### 4.05. Financial income

	<u>2019</u>	<u>2018</u>
Profit from sale of financial assets, incl.	8,475	-
- Sales revenue	16,316	-
- Carrying value of sold investments	(7,509)	-
- Expenses related to the sale of investments	(332)	-

#### 4.06. Financial expenses

<u>2019</u>	<u>2018</u>
-------------	-------------

The explanatory notes attached constitute an integral part of the accompanying consolidated financial statements.

Unless otherwise stated, all amounts are in BGN thousand.

Foreign exchange losses	120	89
Interest on loans	96	152
Bank fees	24	26
Interest on finance lease	6	13
Interest expense on factoring	-	1
Commissions factoring	-	4
<b>Total:</b>	<b>246</b>	<b>285</b>

#### 4.07. Tax expenses

The equalization of expenses/(revenues) for income taxes is presented in the following table:

	2019	2018
Accounting profit	8,318	3,079
Applicable tax rate	10%	10%
Income tax at the applicable tax rate	832	308
Net tax effect of permanent differences	181	165
<b>Expenses/(income) for tax</b>	<b>1,013</b>	<b>473</b>

The components of costs/(income) for income taxes are as follows:

	2019	2018
Current tax expenses	1,411	473
Tax effect of temporary tax differences	398	-
<b>Expenses/(income) for income tax</b>	<b>1,013</b>	<b>473</b>

Unless otherwise stated, all amounts are in BGN thousand.

## 5. Contingent liabilities and commitments

### Guarantees and collaterals:

Contract	Annex	Creditor	Debtor	Joint debtor/Guarantor	Amount /Limit	Financial conditions	Term	COLLATERAL provided by the borrower
Factoring 09.11.2016	Annex 1 dated 27.07.2017 Annex 2 dated 12.11.2018 Annex 3 dated 28.10.2019	Raiffeisenbank Bulgaria EAD (Solely-owned PLC)	Allterco Robotics EOOD (Solely- owned LLC)	Tera Communications AD, (replaced)  Allterco JSCo - joint debtor, replacing Tera Communications AD pursuant to Annex 2 dated 12.11.2018.	BGN 600,000	Reference interest rate and a margin of 2 points but not less than 2% of the aggregate annual interest rate;  Annual management fee;  Fee for invoices processing	09.02.2020	Contract for special pledge of receivables on bank accounts;  Promissory note for the value of the limit plus 10% interest per annum on the amount from the date of issue, with a deadline for submission 09.03.2021;
Investment (term) loan 06.10.2017  Contract pursuant to Art. 114, para. 10 of the Public Offering of Securities Act	Annex 1 dated 31.10.2018	Raiffeisenbank Bulgaria EAD (Solely-owned PLC)	Allterco Robotics EOOD (Solely- owned LLC)	Tera Communications AD (PLC), (replaced) Teravoice EAD (Solely-owned PLC) (replaced)  Allterco JSCo - guarantor pursuant to Art. 114, para. 10 of the Public Offering of Securities Act, according to Annex 1 dated 31.10.2018	EUR 1,139,590	Reference interest rate and a margin of 2.7points but not less than 2.7 % of the aggregate annual interest rate;  Management fee;  Commitment fee	25.09.2022	Pledge of subsidy on project;  Pledge of receivables on Current accounts of the Borrower;  Pledge of machinery and equipment subject to the project subsidy;
Investment credit 06.10.2017	Annex 1 dated 31.10.2018	Raiffeisenbank Bulgaria EAD (Solely-owned PLC)	Allterco JSCo	Tera Communications AD (PC), - joint debtor (dropped out)	EUR 1,620,000	Fixed interest rate for the whole period 3% annually;  Management	10.05.2029	Mortgage on real estate, owned by Allterco Properties EOOD;

The explanatory notes attached constitute an integral part of the accompanying consolidated financial statements.

Unless otherwise stated, all amounts are in BGN thousand.

Contract pursuant to Art. 114, para. 10 of the Public Offering of Securities Act				Allterco Properties EOOD (Solely-owned LLC)- joint debtor		fee		Pledge of receivables on all accounts of the group opened with the bank;  Pledge under Financial Collateral Contracts Act;
A revolving bank loan 12+12+12 dated 09.11.2018  Contract pursuant to Art. 114, para. 10 of the Public Offering of Securities Act	Annex 1 dated 30.09.2019	Raiffeisenbank Bulgaria EAD (Solely-owned PLC)	Allterco Robotics EOOD (Solely-owned LLC)	n/a	BGN 1,600,000	short-term BNB interest rate, increased by 2.7 percentage points on an annual basis, but not less than 2.7% of the aggregate annual interest rate Management fee; Commitment fee	25.10.2021	Term bank loan dated 28.09.2018 A contract according to art.
Term bank loan 28.09.2018  Contract pursuant to Art. 114, para. 10 of the Public Offering of Securities Act	n/a	Raiffeisenbank Bulgaria EAD (Solely-owned PLC)	Allterco Robotics EOOD (Solely-owned LLC)	n/a	BGN 750,000	short-term BNB interest rate, increased by 2.5 percentage points on an annual basis, but not less than 2.5 % of the aggregate annual interest rate; Management fee; Commitment fee	25.09.2020	Pledge of subsidy on project;  Pledge of receivables on Current accounts of the Borrower

Unless otherwise stated, all amounts are in BGN thousand.

Overdraft dated 30.09.2019 - contract in accordance with Art. 114, para. 10 of the Public Offering of Securities Act	n/a	Raiffeisenbank Bulgaria EAD (Solely-owned PLC)	Allterco Robotics EOOD (Solely-owned LLC)	Allterco JSCo - guarantor pursuant to Art. 114, para. 10 of the Public Offering of Securities Act	EUR 1,000,000	interest for the used overdraft - the 1-month EURIBOR, increased by 2.5 percentage points per annum, but not less than 2.5% of the aggregate annual interest	31.08.2022	Pledge of receivables on bank accounts;
----------------------------------------------------------------------------------------------------------------------	-----	------------------------------------------------	-------------------------------------------	---------------------------------------------------------------------------------------------------	---------------	--------------------------------------------------------------------------------------------------------------------------------------------------------------	------------	-----------------------------------------

### Court Cases

During the reporting period, Allterco JSCo and any of its subsidiaries is not a party to any initiated and there is no information on the possibility of initiating any state, legal or arbitration proceedings, which may have or have had a material impact on the Issuer and/or the financial condition or profitability of the Group.

In the last 12 months, companies sold by Allterco JSCo in July 2019 were parties to legal and arbitration proceedings, with a total value of BGN 319 thousand and creditors in enforcement cases for collection of receivables amounting to a total value of BGN 24 thousand. There are no legal and/or enforcement cases initiated by and/or against the other companies in the Allterco JSCo Group, including the latter.

### **6. Transactions with related entities**

The companies included in the Group are disclosed in item 1.4. During the year, the Group did not engage in transactions with related parties outside the Group, which should be disclosed in the consolidated financial statements.

### **Information on the amount of remuneration, awards and/or benefits to each of the members of the Board of Directors for the reporting financial year**

In 2019, the members of the Board of Directors received cash remunerations (gross) from Allterco JSCo in the amount of BGN 79 thousand, distributed as follows:

- Dimitar Stoyanov Dimitrov - BGN 36,000.06
- Svetlin Iliev Todorov - BGN 36,000.11
- Nikolay Angelov Martinov - BGN 7,200.00

The members of the Board of Directors did not receive any non-cash benefits in 2019.

*The explanatory notes attached constitute an integral part of the accompanying consolidated financial statements.*

Unless otherwise stated, all amounts are in BGN thousand.

During the reporting year, some of the members of the Board of Directors received from the subsidiaries remuneration for other functions performed by them, other than their functions as members of the Board of Directors of Allterco JSCo.

## 7. Financial instruments by category

The accounting policies for financial instruments are applied to the items listed below  
 Structure of financial assets and liabilities as of December 31 by category:

	December 31, 2019				Total
	Cash	Financial assets measured at amortized cost	Financial assets measured at fair value through other comprehensive income	Financial assets measured at fair value through profit and loss;	
<i>Financial assets according to the statement of financial position</i>					
Cash and cash equivalents	10,931	-	-	-	10,931
Loans granted	-	-	-	-	-
Trade receivables		5832	-	-	7,553
Deposits in trading companies and guarantees		20	-	-	20
<b>TOTAL FINANCIAL ASSETS</b>	<b>10,931</b>	<b>5,852</b>	<b>-</b>	<b>-</b>	<b>16,783</b>

	December 31, 2019			Total
	Financial liabilities measured at amortized cost	Financial liabilities at specific value (pooled category)	Financial liabilities measured at fair value through profit and loss;	
<i>Financial liabilities according to the statement of financial position</i>				
Lease	237	-	-	237
Bank loans	2,931	-	-	2,931
Trade payables	1048	-	-	1048
Liabilities for acquisition of shares	675	-	-	675
Guarantees	94	-	-	94
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>4,985</b>	<b>-</b>	<b>-</b>	<b>4,985</b>

December 31, 2018\*

The explanatory notes attached constitute an integral part of the accompanying consolidated financial statements.

Unless otherwise stated, all amounts are in BGN thousand.

	Cash	Financial assets measured at amortized cost	Financial assets measured at fair value through other comprehensive income	Financial assets measured at fair value through profit and loss;	Total
<i>Financial assets according to the statement of financial position</i>					
Cash and cash equivalents	2,648	-	-	-	2,648
Loans granted	-	-	-	-	-
Trade receivables		11,598	-	-	11,598
Deposits in trading companies and guarantees		37	-	-	37
<b>TOTAL FINANCIAL ASSETS</b>	<b>2,648</b>	<b>11,635</b>	<b>-</b>	<b>-</b>	<b>14,283</b>

\* Data as of December 31, 2018 also include assets classified as held for sale.

	December 31, 2018*			
	Financial liabilities measured at amortized cost	Financial liabilities at specific value (pooled category)	Financial liabilities measured at fair value through profit and loss;	Total
<i>Financial liabilities according to the statement of financial position</i>				
Financial lease	224	-	-	224
Bank loans	4,365	-	-	4,365
Trade payables	6,891	-	-	6,891
Liabilities for acquisition of shares	705	-	-	705
Guarantees	66	-	-	66
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>12,251</b>	<b>-</b>	<b>-</b>	<b>12,251</b>

\* Data as of December 31, 2018 include liabilities related to assets classified as held for sale.

## 8. Financial risk management

In the course of their normal business, the Group companies may be exposed to various financial risks, the most significant of which are: market risk (currency risk, risk of changes in fair value and price risk), credit risk, liquidity risk and interest rate risk. Overall financial risk management is focused on forecasting the performance of certain areas of the financial markets to minimize potential adverse effects that could affect the financial performance. Financial risks are currently identified, measured and monitored through various control mechanisms to determine the adequate prices of the materials, goods and services used by the Group companies and the borrowed capital, as well as to adequately assess the market circumstances, the investments made and the forms of maintaining liquidity reserves without exposure to unjustified concentration of a financial risk.

The explanatory notes attached constitute an integral part of the accompanying consolidated financial statements.

Unless otherwise stated, all amounts are in BGN thousand.

Financial risk management is currently carried out under the direct management of the Group's management and financial experts in accordance with a policy established by the Board of Directors of the Parent-company, which has developed the basic principles of general financial risk management, on the basis of which the specific procedures for managing the individual specific financial risks, such as currency, price, interest, credit and liquidity risk and risks arising from usage of derivative and non-derivative instruments.

The various types of financial risks to which Group companies are exposed in the course of their business operations are described below, as well as the approach taken to mitigate them.

### Market Risk.

#### a. Currency risk

##### a. Currency risk

The Group companies carry out their transactions locally, some in the European Union and others in third countries (Asia). The biggest portion of purchases made by Group companies are denominated in Bulgarian lev (BGN), Euro, Singapore dollars, Romanian lei, Serbian dinars and US dollars. There are also small portion of supplies in Australian dollars, Macedonian Denars and Malaysian Ringgit. In order to control foreign exchange risk, a system for planning of deliveries from countries inside and outside the European Union was introduced, as well as procedures for daily monitoring of movements in foreign exchange rates of foreign currencies and control of forthcoming payments.

The tables below summarize the exposure to currency exchange rates:

	in EUR	in USD	in another foreign currency	in BGN	total
<b>December 31, 2019</b>					
Cash and cash equivalents	5372	444	-	5115	10931
Trade receivables	4869	73	-	890	5832
Deposits and guarantees	-	20	-	-	20
<b>TOTAL ASSETS</b>	<b>10241</b>	<b>537</b>	<b>-</b>	<b>6005</b>	<b>16783</b>

	in EUR	in USD	in another foreign currency	in BGN	total
<b>December 31, 2019</b>					
Lease liabilities	169	-	-	68	237
Bank loans	2774	18	-	139	2931
Trade payables	349	172	-	527	1048
Liabilities for acquisition of	-	-	-	675	675

The explanatory notes attached constitute an integral part of the accompanying consolidated financial statements.

Unless otherwise stated, all amounts are in BGN thousand.

shares					
Guarantees	-	-	-	94	94
<b>TOTAL LIABILITIES</b>	<b>3292</b>	<b>190</b>	<b>-</b>	<b>1503</b>	<b>4985</b>

December 31, 2018*	in EUR	in USD	in another foreign currency	in BGN	total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Cash and cash equivalents	84	28	1,170	1,366	2,648
Trade receivables	1,714	940	4,480	4,464	11,598
Deposits in trading companies and guarantees	-	23	4	10	37
<b>TOTAL ASSETS</b>	<b>1,798</b>	<b>991</b>	<b>5,654</b>	<b>5,840</b>	<b>14,283</b>

\* Data as of December 31, 2018 also include assets classified as held for sale.

December 31, 2018*	in EUR	in USD	in another foreign currency	in BGN	total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Finance lease	158	-	5	61	224
Bank loans	3,369	2	-	994	4,365
Trade payables	523	230	4,277	1,861	6,891
Liabilities for acquisition of shares	-	-	-	705	705
Guarantees	-	-	5	61	66
<b>TOTAL LIABILITIES</b>	<b>4,050</b>	<b>232</b>	<b>4,287</b>	<b>3,682</b>	<b>12,251</b>

\* Data as of December 31, 2018 include liabilities related to assets classified as held for sale.

### Currency sensitivity analysis

The Group companies are not exposed to foreign exchange risk with respect to their euro transactions.

Currency risk is associated mainly to payments in US dollars and other foreign currency. As of December 31, 2019, 3% of the Group's financial assets are in US dollars.

As of December 31, 2018, 6.94% of the Group's financial assets are in US dollars, 39.59% in other foreign currency.

The explanatory notes attached constitute an integral part of the accompanying consolidated financial statements.

*Unless otherwise stated, all amounts are in BGN thousand.*

#### **b. Price risk**

Group companies are exposed to a specific price risk with respect to the prices of the services provided. Minimizing the risk of negative changes in the prices of services subject to business transactions is achieved by periodically analysing and discussing contractual relations in order to review and update prices in the light of market changes.

The Group companies do not hold investments in subsidiaries, the shares of which are listed on stock exchanges - accordingly, they are not exposed to financial risks from negative changes in the stock markets. The Group does not have a portfolio of available-for-sale short-term financial investments.

#### **Risk of interest-bearing cash flows**

There is no significant concentration of interest-bearing assets in the Group companies, except for loans granted, deposits and free cash on current accounts with banks. For this reason, income and operating cash flows are largely independent of changes in market interest rates.

At the same time, the cash outflows of the Group companies for 2019 and 2018 are exposed to interest rate risk due to the use of bank loans in EUR agreed at a variable interest rate.

Cash in current accounts with banks is subject to interest at interest rates according to the tariffs of the respective banks, which are kept relatively constant over a longer period of time.

The exposure of the Group companies to changes in market interest rates is constantly monitored and analysed. Different scenarios of refinancing, renewal of existing interest rates and alternative financing are simulated. The simulations cover only significant positions bearing interest rate.

Unless otherwise stated, all amounts are in BGN thousand.

December 31, 2019	interest-free	with floating interest rate	with fixed interest	Total
	BGN'000	% BGN'000	rate % BGN'000	
Cash and cash equivalents	3696	-	7235	10931
Trade receivables	5832	-	-	5832
Deposits and guarantees	20	-	-	20
<b>TOTAL ASSETS</b>	<b>9548</b>	<b>-</b>	<b>7235</b>	<b>16783</b>
Lease liabilities	-	19	218	237
Bank loans	18	139	2774	2931
Trade payables	1048	-	-	1048
Liabilities for acquisition of shares	675	-	-	675
Guarantees	94	-	-	94
<b>TOTAL LIABILITIES</b>	<b>1835</b>	<b>158</b>	<b>2992</b>	<b>4985</b>

December 31, 2018*	interest-free	with floating interest	with fixed interest	Total
	BGN'000	rate % BGN'000	rate % BGN'000	
Cash and cash equivalents	423	1,042	1,183	2,648
Loans granted	-	-	-	-
Trade receivables	11,598	-	-	11,598
Deposits and guarantees	37	-	-	37
<b>TOTAL ASSETS</b>	<b>12,058</b>	<b>1,042</b>	<b>1,183</b>	<b>14,283</b>

\* Data as of December 31, 2018 also include assets classified as held for sale.

December 31, 2018*	interest-free	with floating interest	with fixed interest	Total
	BGN'000	rate % BGN'000	rate % BGN'000	
Finance lease	-	106	118	224
Bank loans	-	1340	3,025	4,365
Trade payables	6,891	-	-	6,891
Liabilities for acquisition of shares	705	-	-	705
Guarantees	66	-	-	66
<b>TOTAL LIABILITIES</b>	<b>7,662</b>	<b>1446</b>	<b>3,143</b>	<b>12,251</b>

\* Data as of December 31, 2018 include liabilities related to assets classified as held for sale.

*Unless otherwise stated, all amounts are in BGN thousand.*

### **Credit Risk**

The financial assets of the Group companies are concentrated in two groups - cash (cash on hand and in bank accounts) and receivables from customers.

Credit risk is basically the risk that the customers of the Group companies will not be able to pay the amounts due in full and in the usual terms. Receivables from customers are presented in the Consolidated statement of financial position at fair value. An impairment charge for doubtful and difficult-to-collect receivables has been accrued since, according to previous experience, there were events leading to losses from uncollectibility.

The Group companies do not have a significant concentration of credit risk. Their policy is to negotiate a credit period that is longer than 60 days only with customers who have a long history and commercial cooperation with them. Payments from customers are made both in cash and by bank transfer.

Most of the Group's revenue is generated by mobile operators, which in most cases are large companies with very good credit ratings.

The collectability and concentration of trade receivables is monitored on an ongoing basis, in accordance with the established policy of the Group companies. For this purpose every day the Finance and Accounting Departments review the open positions on customers and receipts, and make an analysis of outstanding amounts.

As of December 31, 2018, cash and banks transfers are allocated to several banks, which limits the risk with respect to cash and cash equivalents.

### **Liquidity Risk**

Liquidity risk is the risk that the companies face difficulties in meeting their obligations in respect of financial liabilities. Most customers of the Group companies are mobile operators that have a very good credit rating and meet payment deadlines.

The Group's companies maintain a conservative liquidity management policy aimed at constantly maintaining an optimum cash reserve and ability to finance their business. They also use borrowed credit resources.

To control liquidity risk, Group companies control the timely payment of liabilities and the accumulated old ones are repaid by clients on the basis of individual settlement agreements.

The Group companies monitor and control the actual and projected cash flows for future periods and try to match the maturities of assets and liabilities. On an ongoing basis the maturity and timely payment are monitored from financial and accounting department and daily information on available cash and future payments is provided to the management.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 AS OF DECEMBER 31, 2019

Unless otherwise stated, all amounts are in BGN thousand.

	up to 1 month	1-3 months,	3-6 months,	6-12 months,	1-2 years	2-5 years	more than 5 year	with no maturity	total
December 31, 2019	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Cash and cash equivalents	-	-	-	-	-	-	-	10931	10931
Trade receivables	1859	918	-	-	3055	-	-	-	5832
Deposits and guarantees	-	-	-	20	-	-	-	-	20
<b>TOTAL ASSETS</b>	<b>1859</b>	<b>918</b>	<b>-</b>	<b>20</b>	<b>3055</b>	<b>-</b>	<b>-</b>	<b>10931</b>	<b>16783</b>

	up to 1 month	1-3 months,	3-6 months,	6-12 months,	1-2 years	2-5 years	more than 5 year	with no maturity	total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Lease liabilities	12	24	36	83	54	28	-	-	237
Bank loans	21	76	103	216	267	801	1447	-	2931
Trade payables	1048	-	-	-	-	-	-	-	1048
Liabilities for acquisition of shares	675	-	-	-	-	-	-	-	675
Guarantees	-	12	-	-	21	-	-	61	94
<b>TOTAL LIABILITIES</b>	<b>1756</b>	<b>112</b>	<b>139</b>	<b>299</b>	<b>342</b>	<b>829</b>	<b>1447</b>	<b>61</b>	<b>4985</b>

December 31, 2018*	up to 1 month	1-3 months	3-6 months	6-12 months	1-2 years	2-5 years	more than 5 year	with no maturity	total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Cash and cash equivalents	-	-	-	-	-	-	-	2,648	2,648
Loans granted	-	-	-	-	-	-	-	-	-
Trade receivables	7,441	2,132	1,305	720	-	-	-	-	11,598
Deposits and guarantees	-	-	-	-	-	-	-	37	37
<b>TOTAL ASSETS</b>	<b>7,441</b>	<b>2,132</b>	<b>1,305</b>	<b>720</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,685</b>	<b>14,283</b>

\* Data as of December 31, 2018 also include assets classified as held for sale.

December 31,	up to 1	1-3	3-6	6-12	1-2	2-5	more than	with no	total
--------------	---------	-----	-----	------	-----	-----	-----------	---------	-------

The explanatory notes attached constitute an integral part of the accompanying consolidated financial statements.

Unless otherwise stated, all amounts are in BGN thousand.

2018*	month	months,	months,	months,	years	years	5 year	maturity	BGN'
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	000
Finance lease	6	14	20	38	76	70	-	-	224
Bank loans	285	100	151	1,098	383	1,016	1,332	-	4,365
Trade payables	4,294	1,928	669	-	-	-	-	-	6,891
Liabilities for acquisition of shares	-	-	-	705	-	-	-	-	705
Guarantees	-	-	-	-	-	-	-	66	66
<b>TOTAL LIABILITIES</b>	<b>4,585</b>	<b>2,042</b>	<b>840</b>	<b>1,841</b>	<b>459</b>	<b>1,086</b>	<b>1,332</b>	<b>66</b>	<b>12,251</b>

\* Data as of December 31, 2018 include liabilities related to assets classified as held for sale.

### Capital risk management

The Parent-company manages its capital in a way that is aimed at ensuring that it will continue to function as a going concern, will maintain optimal capital structure and will provide appropriate return on investment to its shareholders and economic benefits for all stakeholders.

Allterco JSCo monitors the security and structure of capital on an ongoing basis based on the ratio of indebtedness. This is the ratio between net debts to total capital. Net debt is defined as the difference between all borrowings (current and non-current) as reported in the Consolidated Statement of Financial Position and Cash and Cash Equivalents. The total amount of committed capital is equal to the sum of equity capital and net debt capital.

The strategy of the Company's management is to maintain a debt ratio that is not higher than 50%.

The table below shows the ratios of indebtedness based on capital structure as of:

	December 31, 2019	December 31, 2018*
Total debt capital, incl.:	9,555	13,373
- Bank loans	2,931	4,365
- Lease liability	237	224
Reduced by cash and cash equivalents	11,445	2,648
<b>Net debt capital</b>	<b>(1,890)</b>	<b>10,725</b>
Total equity	31,344	28,924
<b>Total capital</b>	<b>29,454</b>	<b>39,649</b>
<b>Ratios of indebtedness</b>	<b>0.00%</b>	<b>27.05%</b>

The explanatory notes attached constitute an integral part of the accompanying consolidated financial statements.

Unless otherwise stated, all amounts are in BGN thousand.

\* Data as of December 31, 2019 and December 31, 2018 include liabilities related to assets classified as held for sale.

The group has no indebtedness for 2019, as cash fund is more than total debt capital.

## 9. Fair value

Usually external independent appraisers are used for the assessment of fair value of significant assets. The need of external appraisers is assessed annually by the management of the Company. External appraisers are selected based on their professional experience, qualities and reputation. After discussions with the appraisers, the Management have to decide which appraisal techniques and input data are most appropriate to be used in each particular case.

The Group's policy is to disclose in its financial statements the fair value of financial assets and liabilities for which market prices are quoted.

For the purpose of fair value disclosure, the Company determines different classes of assets and liabilities, depending on their nature, characteristics and risk, and on the relevant level in the fair value hierarchy set out in Significant Accounting Policies.

The Company's management has estimated that the fair values of cash and cash equivalents, trade receivables, trade payables, finance lease and bank loans are close to their book values due to the short-term nature of these instruments and their timely repayment over time.

The table below shows the book value and fair values of financial assets and liabilities, including their levels in the fair value hierarchy. Fair value information is not presented if the book value is reasonably close to fair value.

<b>December 31, 2019 do not include assets classified as held for sale</b>	<b>Book value</b>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
<b>Financial assets</b>				
Cash and cash equivalents	10,931	-	-	-
Trade receivables	5832	-	-	-
Deposits and guarantees	20	-	-	-
<b>TOTAL ASSETS</b>	<b>16783</b>	-	-	-
<b>Financial liabilities - do not include liabilities classified as held for sale</b>				
Lease	237	-	-	-
Bank loans	2,931	-	2,321	-
Trade payables	1048	-	-	-
Liabilities for acquisition of shares	675	-	-	-

The explanatory notes attached constitute an integral part of the accompanying consolidated financial statements.

Unless otherwise stated, all amounts are in BGN thousand.

Guarantees	94	-	-	-
<b>TOTAL LIABILITIES</b>	<b>4985</b>		<b>2,321</b>	
<b>as of December 31, 2018*</b>	<b>Book value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Financial assets</b>				
Cash and cash equivalents	2,648	-	-	-
Trade receivables	11,598	-	-	-
Deposits and guarantees	37	-	-	-
<b>TOTAL ASSETS</b>	<b>14,283</b>	-	-	-
<b>Financial liabilities</b>				
Finance lease	224	-	-	-
Bank loans	4,365	-	3,542	-
Trade payables	6,891	-	-	-
Liabilities for acquisition of shares	705	-	-	-
Guarantees	66	-	-	-
<b>TOTAL LIABILITIES</b>	<b>12,251</b>	-	<b>3,661</b>	-

\* Data as of December 31, 2018 include assets and liabilities related to assets classified as held for sale.

## 10. Events after the date of financial statements

- a) Based on a decision of the Board of Directors dated 24.01.2020 for capital increase and its parameters, the Company has submitted for approval and with Decision № 148 of 18.02.2020, the Financial Supervision Commission has approved a Prospectus for capital increase by offering of shares in the amount of up to 3,000,000 (three million) ordinary, dematerialized, registered, freely transferable shares with a nominal value of BGN 1 (one) and price value of BGN 3 (three) each, with ISIN code BG1100003166, as the same is published on the website of the issuer and the investment intermediary. As of the date of preparation of this report, the public offering has not started, and the company will publish an additional special announcement under Art. 92a of the Public Offering of Securities Act regarding the start and end date of trading of rights and subscription of shares, as well as other essential information for the investors in relation to the terms of the offer.
- b) After the end of the reporting period, significant liabilities have arisen for one of the subsidiaries of Allterco JSCo in connection with a concluded Preliminary agreement for purchase of real estate by Allterco Properties EOOD (Solely-owned Limited Liability Company). Through the preliminary agreement, the company incurred a contractual obligation to conclude a final agreement, and subsequently to pay the purchase price in the amount of EUR 500,000 excluding VAT. At present, the conditions for concluding a

The explanatory notes attached constitute an integral part of the accompanying consolidated financial statements.

Unless otherwise stated, all amounts are in BGN thousand.

final agreement have not been met, respectively Allterco Properties EOOD (Solely-owned Limited Liability Company) has paid only the deposit agreed in the preliminary contract in the amount of 10% of the price, or EUR 50,000 excluding VAT. As of the date of preparation of this report, no final agreement has been concluded between the parties and Allterco Properties EOOD (Solely-owned Limited Liability Company) has not acquired ownership in the property subject to the transaction, and by agreement between the parties the date for concluding a final agreement has been postponed.

- c) On March 13, 2020, the National Assembly of the Republic of Bulgaria declared a state of emergency in the country due to the coronavirus epidemic (COVID-19) and intensified anti-epidemic measures and restrictions were introduced. The state of emergency was lifted on May 13, 2020, but most of the anti-epidemic measures remained in force, and at the moment their gradual lifting has begun.

The spread of COVID-19 is already assessed as an event that has a significant impact on the global supply and demand of economic and financial resources, and which causes significant uncertainty in the economic activity of many businesses and economic entities. For the purposes of these consolidated financial statements for 2019, the management assesses the situation as a non-adjusting event that occurred after the balance sheet date. At this stage of the coronavirus situation, given the dynamics with which it develops, it is practically impossible to make a reliable assessment and measure the possible effects of the pandemic on the activities, assets and economic development of the Company and its subsidiaries, especially in long-term perspective.

#### ***Potential risks:***

The overall economic impact of COVID-19 could also affect the company's performance, such as:

- Decreased purchasing power of the population and declining consumer demand as a result of the general economic crisis could have a negative effect on companies' revenues.
- There is a limited risk of declining sales associated with the cancellation of trade fairs and conferences;

These risks cannot be calculated and valued as there is currently insufficient information.

#### ***Impact on the business activities:***

In connection with the declared state of emergency in the Republic of Bulgaria in the period 13.03.2020 - 13.05.2020 and the related measures to fight the pandemic of COVID 19, the company took appropriate measures to limit the impact of this situation on business and ensure the continuity of work and production processes, as well as the supply chain.

*The explanatory notes attached constitute an integral part of the accompanying consolidated financial statements.*

Unless otherwise stated, all amounts are in BGN thousand.

#### *Production and supply:*

- Following the declaration of a state of emergency, Allterco resolved all problems in production and supply from China in a short period of time, with the products being delivered on time;
- In order to ensure the continuity of the whole process, Allterco started production in Bulgaria as well;
- The company has ensured the shipment of goods to end customers through contracts with new logistic companies and currently there are no restrictions or delays in deliveries.
- Orders from end customers, both during the emergency period and at the date of this report, are executed on time and without delay, with Allterco fully ensuring the timely supply of goods and their delivery to end customers without restriction or delay, through contracts with new logistic companies.

#### *Operating income*

In order to prevent revenue decrease and to limit the potential effects of declining purchasing power of the population in some countries in Europe, Allterco has taken necessary measures to maintain sales levels, as follows:

- Launching of new products in the market, some of which related to the reducing of the risk of infection and improving air purity, remote diagnosis of patients with COVID-19, as well as personal diagnostic means;
- Successful registration of the subsidiary of Allterco JSCo - Allterco Trading EOOD (Solely-owned Limited Liability Company) as a wholesaler of medical devices with the Executive Agency for Medicines;
- Continuing active work on the medical certification of products from the MyKi Care series;
- Using the existing group of customers and without investing significant funds for advertising, the subsidiary of Allterco JSCo - Allterco Robotics EOOD (Solely-owned Limited Liability Company) has offered its customers promotional conditions for the purchase of new devices, which according to preliminary data would lead to a significant increase in revenue and the profit of Allterco Robotics EOOD (Solely-owned Limited Liability Company) compared to the first quarter of 2019, and the management expects this trend to continue in the second quarter of 2020.

#### *Other factors*

Based on the actions taken and the business trends so far, the management of the Company expects that the pandemic of COVID-19 and the measures introduced in connection with it on

*The explanatory notes attached constitute an integral part of the accompanying consolidated financial statements.*

Unless otherwise stated, all amounts are in BGN thousand.

an international and national level will not have a significant impact on the business activities and the financial position of Allterco JSCo and the companies from the group.

Next, as shown by Decree № 55 dated March 30, 2020 for determining the terms and conditions for payment of compensation to employers in order to maintain the employment of employees in an emergency situation, the IoT sector in which operate companies from the group, is not or will be significantly less affected than other sectors of the economy. It is true that the retail trading occupies a significant part of the business of the companies in the group, but as its activity is carried out mainly on-line, a significant negative effect on it from the state of emergency regarding COVID-19 and its consequences is not expected. Moreover, on-line commerce is the preferred, and sometimes the only way to shop under the restrictions imposed by the state of emergency - a trend that persists after its lifting.

Last but not least, in case of need, Allterco JSCo has sufficient financial resources to cover its expenses in the short term. At present, the companies in the group do not report delays in the fulfilment of payment obligations to suppliers, as well as delays in payments by customers.

---

*I, the undersigned Djeylian Ahmed Mancheva certify herewith the fidelity of the translation performed from Bulgarian into English of the attached document. The translation consists of 64 (sixty-four) pages.*

Sworn translator: *See official translation* 

---

*Djeylian Ahmed Mancheva*