TRADE ESTATES BULGARIA EAD
216 Okolovrasten pat Str. 1797 Sofia, Bulgaria

ANNUAL FINANCIAL STATEMENTS
AND MANAGEMENT REPORT

31 December 2021

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GENERAL INFORMATION

Board of Directors

Apostolos Petalas, member
Georgios Alevizos, member
Ioannis Zakopoulos, member

Registered address

216 Okolovrasten pat Str. 1797 Sofia, Bulgaria

Registration Number

The Company is registered with the Commercial Register under Unified Identification Code: 205789473

Legal Advisors

Karastoyanov, Mitkov & Associates Law Firm

Servicing Banks

Eurobank Bulgaria AD
Unicredit Bulbank AD
DSK Bank AD

Auditor

Ernst and Young Audit OOD
Poligraphia Office Center
47/A Tsarigradsko Shose, floor 4
1124 Sofia

TRADE ESTATES BULGARIA EAD
ANNUAL MANAGEMENT REPORT
FOR THE PERIOD 1/1 – 31/12/2020
TO THE GENERAL ASSEMBLY OF SHAREHOLDERS OF YEAR 2020

(All amounts are expressed in BGN thousand, unless otherwise stated)

Dear Shareholders,

Please find below, for your approval, the Annual Financial Report of Trade Estates Bulgaria EAD for the period 1/1/ - 31/12/2021.

1. The Company

Trade Estates EAD is a member of Fourlis Group, Greece, and a 100% subsidiary of Trade Estates Joint Stock Company for Investments in Real Estate, Greece.

The Company was established on the 2/8/2019 and registered with the Bulgarian Commercial Register on 19/8/2019 with Unified Identification Code 205789473 with VAT number BG205789473.

The administrative address of the Company is 216 Okolovrasten Pat Str. (Ring Road 216), Vitosha District 1, Malinova Dolina – Bunkera and is located at the south east part of the road ring of Sofia.

2. Information required under the Commerce Act

In light of the broader activation of FOURLIS Group in real estate segment, House Market Bulgaria EAD proceeded on 2/8/2019 to the establishment of a new company in Bulgaria, Trade Estates Bulgaria EAD. This resulted from the approved by the Board of Directors plan for the reorganisation of House Market Bulgaria EAD. More specifically, on the accounting date of 31/8/2019, House Market Bulgaria EAD contributed to the newly established company the owned real estate property of House Market Bulgaria EAD which is used for the operation Home Furniture and Household Goods Retail (IKEA) at a fair value of BGN 86,044 thousand, as well as part of its bank liabilities amounting to BGN 35,205 thousand in exchange to 100% of the shares of the newly established company.

On 19/8/2019 House Market Bulgaria EAD and Trade Estates Bulgaria EAD signed a lease agreement for the contributed real estate property with the former being the lessee and the latter the lessor.

House Market Bulgaria EAD was the only shareholder of Trade Estates Bulgaria EAD on 31 December 2020. The ultimate parent of the Company is Fourlis Holdings S.A., which owns 100% of the shares of Housemarket S.A., which is the sole owner of House Bulgaria EAD. Fourlis Holdings S.A. is listed in the Athens Stock Exchange. The share capital of the new company Trade Estates Bulgaria EAD on 31/12/2021 and 31/12/2020 amounted to BGN 52,758,203, divided into 52,758,203 nominal shares, of nominal value BGN 1.00 each.

By decision of April 2021, the Board of Directors of TRADE ESTATES BULGARIA EAD commenced a procedure for contributing the shares held by House Market Bulgaria EAD in a newly incorporated company - TRADE ESTATES JOINT STOCK COMPANY FOR INVESTMENTS IN REAL ESTATE. As of this date, the TRADE ESTATES BULGARIA EAD share capital of BGN 52,758,203, divided into 52,758,203 nominal shares with nominal value of BGN 1 each, is owned by TRADE ESTATES JOINT STOCK COMPANY FOR INVESTMENTS IN REAL ESTATE, Greece.

2. Information required under the Commerce Act (continued)

On 5/12/2019 House Market Bulgaria EAD, Trade Estates Bulgaria EAD and the lending banks signed Annex 2 to the syndicated loan agreement 98 of 11/7/2016 of House Market Bulgaria EAD. Annex 2 defined Trade Estates Bulgaria EAD as a co-borrower and liable to the amount of BGN 35,205 thousand whereas House Market Bulgaria EAD remained liable to the amount of BGN 23,959 thousand. Annex 2 also defined the repayment schedule of the outstanding at that time loan principal (BGN 59,164 thousand). Finally, Annex 2 defined Trade Estates Bulgaria as the pledgor for movable assets of value BGN 3,991 thousand and its receivables.

Following the Decision No. 807-22/11/2018 by Sofia Council and Ordinance No. PA50-325-16/4/2018 and RD 50-350-10/5/2019 by the Chief Architect of Sofia municipality, the resolution of the Company's Board of Directors and the consent of the lending banks, on 11/11/2019 the Company signed an agreement with Sofia municipality for the establishment of free of charge and indefinite servitude right of the latter to pass through the property of the Company to the new passenger lift and construction of its installations. The agreement, referring to 5% or 3,153 square meters of the land plot owned by the Company, was registered with the Property Register on 26/11/2019.

Information about the members of the Company's Board of Directors pursuant to art. 247, par. 2 of the Trade Act

There were no remunerations paid to the members of the Board of Directors of the Company for the financial year 2021.

During the year 2021 the members of the Board of Directors of the Company have not acquired, owned or transferred Company's shares nor did they have rights to acquire Company's shares.

All shares of the Company are exclusive ownership of the owners of the shares. The Company has not issued debentures.

There is no entry in the minutes of the meetings of the Board of Directors of the Company that consent has been given to members of the Board of Directors to participate in trade companies as general partners or to own more than 25 per cent of the capital of other company. There is no entry in the minutes of the meetings Board of Directors that consent has been given to members of the Board of Directors to participate in the Managing of other companies or cooperatives as procurators, general managers or board members.

There is no entry in the minutes of the meetings of the Board of Directors for 2021 in accordance with Art. 240b, Para 2 of the Commercial Act, stating that in 2021 the members of Board of Directors have concluded contracts under Art. 240b of the Commercial Act.

3. Financial data – important facts and figures

In an effort to present a complete and real view of the Company's performance, we report on the annual results for fiscal year 2021 and the comparative period - year 2020 in the following tables.

(All amounts are expressed in BGN thousand, unless otherwise stated)

3. Financial data – important facts and figures (continued)

Basic Figures of Comprehensive Income	01.01 – 31.12.2021	01.01 – 31.12.2020
Rental income	6,611	6,532
EBITDA	6,405	6,330
Profit/(Loss) before Tax	7,015	5,919

Financial Structure Indicators	2021	2020
Current Assets/ Total Assets	4.2%	3.9%
Total Liabilities/ Total Equity & Liabilities	30.3%	36.2%
Total Equity/ Total Equity & Liabilities	69,7%	63.8%
Current Assets/ Short Term Liabilities	70.5%	69.7%

Performance & Efficiency basic Indicators	2021	2020
Operating Profit/(Loss) / Revenue	120.1%	105.9%
Profit/(Loss) before tax/ Total Equity	10.9%	10.3%

The COVID-19 pandemic – influence, effects, actions and measures taken

On 11 March 2020 the World Health Organization declared A COVID-19 pandemic and on 13 March 2020, the National Assembly declared a state of emergency in Bulgaria and a number of restrictive measures were imposed.

The Company operates in the sector of real estate management and its operating results were not significantly affected by the so-imposed restrictive measures.

Detailed information about the effects of the pandemic and the restrictive measures for the Company is disclosed in *Note 1 Corporate information* to the accompanying financial statements of the Company for the year ended 31 December 2021.

4. Branches of the Company

The Company does not have any branch offices abroad.

5. Scope of activity

The Company has the following scope of activity: real estate management, brokerage and other real property related services, as well as any other activity permitted under the Bulgarian legislation in force, subject to compliance with any licensing, registration or other requirements that may be in place.

6. Major threats and uncertainties

a) Financial risk management

The Company is exposed to financial risks such as interest rate risk and liquidity risk. The management of risk is achieved by the Treasury department of Fourlis Group, which operates using specific guidelines set by the Board of Directors of the ultimate parent.

The Board of Directors of the ultimate parent provides written instructions and directions for the general management of the risk, as well as specific instructions for the management of specific risks such as interest rate risk.

Interest rate risk:

The Company is subject to cash flow risk which in the case of possible variable interest rates fluctuation, may affect positively or negatively the cash inflows or outflows related to the Company's assets or liabilities.

On 5/12/2019 the Company entered into an Interest Rate Swap (IRS) for the notional amount of BGN 24,643 thousand to partially cover the interest rate risk of its loan. As of the balance sheet date of 31/12/2021 the notional amount of the IRS was BGN 15,676 thousand and the present value, according to the bank's valuation, was BGN 158 thousand (31/12/2020: the notional amount of IRS was 19,509 thousand and the present value, according to the bank's valuation, was BGN 340 thousand), which was incorporated in the Company's liabilities.

a) Cash flow risk analysis:

The Company has positive Net Cash flow from Operating activities in the amount of BGN 5,193 thousand (2020: positive Net Cash flow from Operating activities in the amount of BGN 4,777 thousand).

The Company is subject to cash flow risk which in the case of possible variable interest rates fluctuation, may affect positively or negatively the cash inflows or outflows related to the Company's assets or liabilities.

(All amounts are expressed in BGN thousand, unless otherwise stated)

6. Major threats and uncertainties (continued)

Liquidity risk:

Liquidity risk is retained at low levels by maintaining adequate cash and cash equivalents which on 31 December 2021 amounted to BGN 3,834 thousand (31 December 2020: BGN 3,530 thousand).

Credit risk:

The carrying value of the Company's Trade receivables and cash and cash equivalents as presented in the accompanying financial statements represents the maximum exposure to credit risk, was as follows:

	31.12.2021	**31.12.2020**
Trade and other receivables	3	3
Bank deposits	3,834	3,530

There were no impaired receivables as of 31 December 2021 and 31 December 2020.

b) Legal matters

There are no litigations or legal matters that might have a material impact on the Company's financial statements for the period 1/1 - 31/12/2021.

7. Human resources of the Company

The Company did not have employees on 31/12/2021.

8. Related party balances

The analysis of the related party receivables and payables as of 31 December 2021 and 31 December 2020 is as follows:

Amounts due to related parties	**31.12.2021**	**31.12.2020**
House Market Bulgaria EAD	3	2
Fourlis Holdings S.A.	10	9
Total current	**13**	**11**

(All amounts are expressed in BGN thousand, unless otherwise stated)

8. Related party balances (continued)

Related party transactions in 2021 and 2020 are as follows:

Income	**01.01 – 31.12.2021**	**01.01 – 31.12.2020**
Rental Income	6,611	6,532
Reinvoiced expenses	331	308
Total	**6,942**	**6,840**

Expenses	**01.01 – 31.12.2021**	**01.01 – 31.12.2020**
Operating expenses	18	18
Total	**18**	**18**

9. Board of Directors

According to the Commercial Act effective in Bulgaria, as of 31 December 2021 and 31 December 2020 Trade Estates Bulgaria EAD was a single owner joint stock company.

As of 31 December 2021 and 31 December 2020, the Board of Directors consisted of the following members:

- Apostolos Petalas, member
- Georgios Alevizos, member
- Ioannis Zakopoulos, member

10. Management responsibilities

Under the Bulgarian legislation the Directors should prepare financial statements for each financial year giving a true and fair view of the financial position of the Company as of the year-end and of its financial performance and cash flows for the year then ended.
The Directors confirm that in preparing the annual financial statements as of 31 December 2021 the Company has applied appropriate adequate accounting policies and has made reasonable and prudent judgements, estimates and assumptions.

Management confirms also that appropriate accounting standards have been applied and the financial statements are prepared in compliance with the going concern principle.

The Directors are responsible for the proper keeping of the accounting books, the appropriate asset management and the undertaking of the measures required to avoid and establish possible fraud and other irregularities.

11. Research and development activities

The Company does not perform any research and development activities.

12. Subsequent events

The conflict in Ukraine

Detailed information on the effects of the conflict in Ukraine is disclosed in Note 16 *Subsequent events* to the accompanying financial statements of the Company for the year ended 31 December 2021.

No subsequent events, besides those disclosed above, were established as of the date of approval of these financial statements that could have an impact on the disclosed assets, liabilities and operating results of the Company as of 31 December 2021, and that could require adjustments or disclosures.

26 April 2022

Georgios Alevizos

General Manager

Independent auditors' report

To the sole shareholder of

Trade Estates Bulgaria EAD

TRADE ESTATES BULGARIA EAD
STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2021

(In thousands BGN, unless otherwise stated)

ASSETS	Notes	31.12.2021	31.12.2020
Non-current assets			
Investment property	6	88,306	86,773
Total non-current assets		**88,306**	**86,773**
Current assets			
Trade and other receivables	7	3	3
Advance corporate income tax receivable		4	-
Cash and cash equivalents	8	3,834	3,530
Total current assets		**3,841**	**3,533**
Total assets		**92,147**	**90,306**
SHAREHOLDERS EQUITY & LIABILITIES			
Shareholders' equity			
Share capital	9	52,758	52,758
Reserves	9	(2,061)	(2,225)
Retained earnings		13,516	7,047
Total shareholders' equity		**64,213**	**57,580**
Liabilities			
Non-current liabilities			
Non-current loans & borrowings	11	21,710	26,991
Other long term liabilities	12	158	340
Deferred tax liabilities	14	614	326
Total non-current liabilities		**22,482**	**27,657**
Current liabilities			
Current portion of non-current loans and borrowings	11	5,280	4,890
Trade and other payables	13	171	179
Total current liabilities		**5,451**	**5,069**
Total liabilities		**27,933**	**32,726**
Total equity and liabilities		**92,147**	**90,306**

Iva Spasova	Milena Dimanova	Georgios Alevizos
Chief Accountant	*Finance Manager*	*General Manager*

The financial statements have been approved for issue by virtue of decision of the Board of Directors dated 26 April 2022.
The accompanying notes on pages 9 to 38 are an integral part of these financial statements.

TRADE ESTATES BULGARIA EAD
STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD 1/1 to 31/12/2021

(In thousands BGN, unless otherwise stated)

	Notes	01.01-31.12.2021	01.01-31.12.2020
Rental income	**5a**	**6,611**	**6,532**
Other income	5б	331	308
Operating expenses	5в	(536)	(510)
Gain on revaluation at fair value	6	1,533	588
Operating profit		**7,938**	**6,918**
Total finance cost	5г	(923)	(999)
Profit before Tax		**7,015**	**5,919**
Income tax	14	(546)	(526)
Net profit		**6,469**	**5,393**
Other comprehensive income			
Other comprehensive income to be reclassified to profit and loss in subsequent periods			
Net movement on cash flow hedges	12	182	39
Income tax effect		(18)	(4)
Net other comprehensive income to be reclassified to profit and loss in subsequent periods		**164**	**35**
Other comprehensive income for the year, net of tax		**164**	**35**
Total comprehensive income for the year, net of tax		**6,633**	**5,428**

Iva Spasova	Milena Dimanova	Georgios Alevizos
Chief Accountant	*Finance Manager*	*General Manager*

The financial statements have been approved for issue by virtue of decision of the Board of Directors dated 26 April 2022.
The accompanying notes on pages 9 to 38 are an integral part of these financial statements.

(In thousands BGN, unless otherwise stated)

	Share capital	Other reserves	Hedge reserve	Accumulated profits	Total
Notes	*9.1*	*9.2*	*9.2*		
Balance at 31.12.2019	**52,758**	**(1,919)**	**(341)**	**1,654**	**52,152**
Total comprehensive income for 2020					
Net profit for the period	-	-	-	5,393	**5,393**
Other comprehensive income	-	-	35	-	**35**
Total comprehensive income	**-**	**-**	**35**	**5,393**	**5,428**
Balance at 31.12.2020	**52,758**	**(1,919)**	**(306)**	**7,047**	**57,580**
Total comprehensive income for 2021					
Net profit for the period	-	-	-	6,469	**6,469**
Other comprehensive income	-	-	164	-	**164**
Total comprehensive income	**-**	**-**	**164**	**6,469**	**6,633**
Balance at 31.12.2021	**52,758**	**(1,919)**	**(142)**	**13,516**	**64,213**

Iva Spasova	Milena Dimanova	Georgios Alevizos
Chief Accountant	*Finance Manager*	*General Manager*

The financial statements have been approved for issue by virtue of decision of the Board of Directors dated 26 April 2022.
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TRADE ESTATES BULGARIA EAD
STATEMENT OF CLASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021
(In thousands BGN, unless otherwise stated)

	Notes	2021	2020
Operating activities			
Profit before tax		**7,015**	**5,919**
Adjustments to reconcile profit before tax to net cash flow:			
Net finance costs	5г	923	999
Working capital adjustments:			
Revaluation at fair value		(1,533)	(588)
Decrease/(Increase) in trade and other receivables		1	4
(Decrease)/Increase in trade and other payables		(8)	(308)
Finance costs paid		(922)	(999)
Income tax paid		(282)	(250)
Net cash flow from operating activities		**5,194**	**4,777**
Financing activities			
Repayment of borrowings	11	(4,890)	(2,346)
Net cash flow used in financing activities		**(4,890)**	**(2,346)**
Net increase in cash and cash equivalents		**304**	**2,431**
Cash and cash equivalents at 1 January		**3,530**	**1,099**
Cash and cash equivalent at 31 December	8	**3,834**	**3,530**

Iva Spasova	Milena Dimanova	Georgios Alevizos
Chief Accountant	*Finance Manager*	*General Manager*

The financial statements have been approved for issue by virtue of decision of the Board of Directors dated 26 April 2022.
The accompanying notes on pages 9 to 38 are an integral part of these financial statements.

1. Corporate information

1.1 General information

In light of the broader activation of FOURLIS Group in real estate segment, House Market Bulgaria EAD proceeded on 2/8/2019 to the establishment of a new company in Bulgaria, Trade Estates Bulgaria EAD. This resulted from the approved by the Board of Directors plan for the reorganisation of House Market Bulgaria EAD. More specifically, on the accounting date of 31/8/2019, House Market Bulgaria EAD contributed to the newly established company the owned real estate property of House Market Bulgaria EAD which is used for the operation Home Furniture and Household Goods Retail (IKEA) at a fair value of BGN 86,044 thousand, as well as part of its bank liabilities amounting to BGN 35,205 thousand in exchange to 100% of the shares of the newly established company.

On 19/8/2019 House Market Bulgaria EAD and Trade Estates Bulgaria EAD signed a lease agreement for the contributed real estate property with the former being the lessee and the latter the lessor.

House Market Bulgaria EAD was the only shareholder of Trade Estates Bulgaria EAD on 31 December 2020. By decision of April 2021, the Board of Directors of TRADE ESTATES BULGARIA EAD commenced a procedure for contributing the shares held by House Market Bulgaria EAD in a newly incorporated company - TRADE ESTATES JOINT STOCK COMPANY FOR INVESTMENTS IN REAL ESTATE, which was registered on 12 July 2021. As of this date, the TRADE ESTATES BULGARIA EAD share capital of BGN 52,758,203, divided into 52,758,203 nominal shares with nominal value of BGN 1 each, is owned by TRADE ESTATES JOINT STOCK COMPANY FOR INVESTMENTS IN REAL ESTATE, Greece. The ultimate parent of the Company is Fourlis Holdings S.A., which owns 100% of the shares of TRADE ESTATES JOINT STOCK COMPANY FOR INVESTMENTS IN REAL ESTATE. Fourlis Holdings S.A. is listed in the Athens Stock Exchange.

Trade Estates Bulgaria EAD was registered with the Bulgarian Commercial Register on 19/8/2019 with Unified Identification Code 205789473 with VAT number BG205789473. TRADE ESTATES JOINT STOCK COMPANY FOR INVESTMENTS IN REAL ESTATE, Greece, is the sole owner of Trade Estates Bulgaria EAD.

On 5/12/2019 House Market Bulgaria EAD, Trade Estates Bulgaria EAD and the lending banks signed Annex 2 to the syndicated loan agreement 98 of 11/7/2016 of House Market Bulgaria EAD. Annex 2 defined Trade Estates Bulgaria EAD as a co-borrower and liable to the amount of BGN 35,205 thousand whereas House Market Bulgaria EAD remained liable to the amount of BGN 23,959 thousand. Annex 2 also defined the repayment schedule of the outstanding at that time loan principal (BGN 59,164 thousand). Finally, Annex 2 defined Trade Estates Bulgaria as the pledgor for movable assets of value BGN 3,991 thousand as of the date of the Annex and its receivables.

Following the Decision No. 807-22/11/2018 by Sofia Council and Ordinance No. PA50-325-16/4/2018 and RD 50-350-10/5/2019 by the Chief Architect of Sofia municipality, the resolution of the Company’s Board of Directors and the consent of the lending banks, on 11/11/2019 the Company signed an agreement with Sofia municipality for the establishment of free of charge and indefinite servitude right of the latter to pass through the property of the Company to the new passenger lift and construction of its installations. The agreement, referring to 5% or 3,153 square meters of the land plot owned by the Company, was registered with the Property Register on 26/11/2019.

1.2 Object of activity

The Company has the following scope of activity: real estate management, brokerage and other real property related services, as well as any other activity permitted under the Bulgarian legislation in force, subject to compliance with any licensing, registration or other requirements that may be in place.

1.3. The COVID-19 pandemic – influence, effects, actions and measures taken

On 11 March 2020 the World Health Organization declared A COVID-19 pandemic and on 13 March 2020, the National Assembly declared a state of emergency in Bulgaria and a number of restrictive measures were imposed.

On 24 March 2020, an Act on the State of Emergency was promulgated, which adopted measures to apply during the time of the pandemic state of emergency in various areas, such as employment relations and social security payments, taxation and annual closure of accounts, non-compliance and enforcement, deadlines, etc. Decisions and orders of the Council of Ministers and the Ministry of Health were adopted to introduce anti-epidemic measures on the territory of the country with the aim to protect and preserve life and health of the population; such measures included: ban on entering the country and taking measures (either quarantine or provision of a negative laboratory result from a PCR test carried out before entering the territory of the country) to countries with an established increased incidence of COVID-19 and a significant epidemic spread; compliance with requirements for physical distance, hand hygiene, disinfection and wearing face masks in closed public areas; temporary suspension or restriction of the operation or the mode of operation of public facilities and / or other facilities or services provided to citizens, etc.

On 10 April 2020, the Bulgarian National Bank (BNB) approved a Procedure for Deferral and Settlement of Liabilities Payable to Banks and Their Subsidiaries - Financial Institutions in Relation to the State of Emergency Enforced by the National Assembly on 13March 2020 (the Procedure) as a Result of the COVID-19 Pandemic and its consequences. The Procedure enabled borrowers affected by the restrictive measures taken to defer the repayment of their debts to financial institutions. Initially, the Procedure allowed for deferral of liabilities for a period of up to 6 months expiring on 31 December 2020. Subsequently, the Procedure was amended and this term was extended until 31 March 2021. With a new decision of BNB dated 10 December 2020, the validity of the Procedure was extended until 31 December 2021, and borrowers were given the opportunity to defer the repayment of their debts to financial institutions for up to 9 months.

As a result of the restrictions imposed in our country and in most countries around the world, the normal functioning of businesses in a number of economic sectors was disrupted. Supplies of raw materials and materials by suppliers, expeditions to customers and labour supply experienced difficulties. Almost all entities, although to varying degrees, were forced to take certain actions and implement measures to readjust the organization of their operations, the employees' work process, business communication, and other aspects of their relationships with contractors, partners and government institutions.

1.3. The COVID-19 pandemic – influence, effects, actions and measures taken (continued)

Effects on the Company's operations and financial performance

The Company operates in the real estate management sector whose normal functioning was affected partially by the restrictive measures imposed; however these measures have not had a material impact on the Company's operations. The Company continues to carry out its business operations without facing significant difficulties, including in respect of its liquidity.

At this stage, no indicators that could have affected certain assets and / or have led to the cessation or significant reduction of the Company's operations have been identified, nor are such measures scheduled, and no significant circumstances have been identified that would require such measures to be imposed or actions to be taken by the Company's management.

2. Basis of presentation of the financial statements

2.1 Basis of preparation

These financial statements of the Company were prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union. The Board of Directors of the Company approved the financial statements for the year ended 31 December 2021, on 26 April 2022. These financial statements are subject to the approval of the General Assembly of the Company's Shareholders.

The financial statements have been prepared on the historical cost basis, except for certain data of Assets and Liabilities (risk hedge financial instruments and investment property) that have been measured at fair value, and assuming that the Company will continue as a going concern.

The preparation of financial statements in conformity with IFRS requires the use of certain significant accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are separately disclosed.

All amounts are presented in thousands of BGN, unless otherwise stated and any differentiations in sums are due to rounding.

2.2 Significant accounting judgments and estimates

The preparation of financial statements based in IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates. Estimates are based on management's previous experience including expectations of future events under normal conditions. The aforementioned judgments, estimates and assumptions are periodically re - assessed in order to be in line with current available data and reflect current risks.

2. Basis of presentation of the financial statements (continued)

When applying the Company accounting policies, Management has made the following judgments, estimates and assumptions that may have a significant impact on the items reported in the financial statements:

Estimates

Revaluation of property, plant and equipment and investment properties

The Company carries its investment properties at fair value, with changes in fair value being recognised in the profit and loss. For investment properties, a valuation methodology based on a discounted cash flow (DCF) model is used. The Company engaged an independent valuation specialist to assess fair values as of 31 December 2021 and 31 December 2020 for the investment property.

Judgements

Property lease classification – Company as lessor

The Company has entered into commercial property lease on its investment property portfolio. The Company has determined, based on an evaluation of the terms and conditions of the arrangement, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains substantially all the risks and rewards incidental to ownership of these properties and accounts for the contracts as operating leases.

3. Summary of significant accounting policies

The financial statements have been prepared in accordance with the following accounting principles:

3.1 Foreign currency translation

(a) Functional currency and reporting currency

The Company maintains its books in Bulgarian Leva (BGN), which is the currency of the financial environment in which the Company operates (functional currency).

(b) Transactions and balances

Transactions in foreign currencies are converted to the functional currency according to the foreign exchange rates ruling at the date of the transaction. Foreign exchange differences arising on translation of monetary assets and liabilities denominated in foreign currencies at the reporting date are recognized in the profit and loss.

The closing exchange rate of BGN against the major foreign currency relevant to the Company's operations for the reporting periods of the financial statements is as follows:

1 Euro = 1.95583 BGN

3. Summary of significant accounting policies (continued)

3.2 Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a debt financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

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

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

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

3. Summary of significant accounting policies (continued)

3.2 Financial assets (continued)

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Company's financial assets at amortised cost includes trade receivables.

Impairment of financial assets

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are 30 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

3. Summary of significant accounting policies (continued)

3.2 Financial assets (continued)

Trade receivables are recognized initially at fair value and they are subsequently valuated at the amortized cost by using the effective interest rate method, less provision for impairment.

When there is evidence of impairment of receivables, the carrying value is reduced to its recoverable amount, which is the present value of expected future cash flows discounted at the initial effective interest rate. Then, the interest is calculated at the same rate on the impaired (new book) value.

3.3 Cash and cash equivalents

Cash and cash equivalents include cash at banks and on hand.

3.4 Investment property

Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is stated at fair value, which is evaluated annually. In case of owner occupation, the investment property is derecognized and transferred to property, plant and equipment at fair value on the transfer date. The carrying value of investment property reflects the market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment property are recognized in the Income Statement of the period they occur.
Investment properties are derecognised either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. In determining the amount of consideration from the derecognition of investment property the Company considers the effects of variable consideration, existence of a significant financing component, non-cash consideration, and consideration payable to the buyer (if any).

3.5 Share capital

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

3. Summary of significant accounting policies (continued)

3.6 Financial instruments/liabilities

Initial recognition
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, payables to related parties, retentions payable, loans and borrowings, and derivative financial instruments.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as of fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Gains or losses on liabilities held for trading are recognised in the income statement.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

Loans and borrowings
This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the profit or loss. This category generally applies to interest-bearing loans and borrowings.

3. Summary of significant accounting policies (continued)

3.6. Financial instruments/liabilities (continued)

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the profit or loss.

Offsetting of financial assets and liabilities

Financial assets and liabilities are not offset in The financial statements unless there is a legal right of set - off and intention for settlement of the net amount or settlement of the asset and liability simultaneously.

3 Summary of significant accounting policies (continued)

3.7 Derivative financial instruments and hedge accounting

The company uses derivative financial instruments to mitigate the risk arising from fluctuations in interest rates. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value. Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to the income statement.

The effective part of hedges that qualify for hedge accounting is recognized directly to equity if it is related to cash flow hedges while the ineffective part is charged to the income statement, while the non - effective part is recognized in the statement of comprehensive income. If the hedge is related to effective fair value hedges, the gain or loss from re-measuring the derivative hedging instrument at fair value is recognized in profit or loss and the gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is also recognized in profit or loss. Under cash flow hedge accounting, when the hedged firm commitment results in the recognition of non - financial asset or a non - financial liability, then, at the time the asset or liability is recognized the associated gains or losses that had previously been recognized in equity are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability. For all other cash flow hedges, the gains or losses that are recognized in equity are transferred to the income statement in the same year in which the hedged firm commitment affects the statement of comprehensive income.

3.8 Current and deferred taxes

Taxes recorded in the statement of comprehensive income include both current and deferred taxes. Current income tax is recognized in the statement of comprehensive income, except to the extent that it relates to items recognized directly in equity. In this case it is recognized, in a similar way, directly in equity. Current income taxes include the current liabilities and/ or assets, to or from the tax authorities, relating to the taxes payable on the taxable income of the period. Current taxes are increased by any income taxes related to provisions for tax differences or additional taxes which are imposed by the tax authorities upon audit of the unaudited tax years.

3 Summary of significant accounting policies (continued)

3.8 Current and deferred taxes (continued)

Deferred tax assets and liabilities are measured at the tax rates which are expected to apply in the year where the asset or liability will be settled, taking into account the tax rates (and tax laws) that have been enacted or are virtually applicable at the reporting date. Deferred taxes arise on temporary differences between the recognition of assets and liabilities for tax purposes and those for the purposes of preparation of The financial statements. Deferred tax is calculated using the liability method on all taxable temporary differences at the reporting date, between the tax basis and book value of assets and liabilities.

The expected tax effects of temporary tax differences are recognized either as future (deferred) tax liabilities or as deferred tax assets. In case of an inability to accurately measure temporary tax differences, the initial recognition is made based on estimation of the reversal time and such estimation is reviewed each year.

Deferred tax assets are recognized for deductible temporary differences and unused tax losses, to the extent that it is probable that sufficient future taxable income will be available against which the unused tax losses and tax credits can be used or sufficient taxable deductible temporary differences that incur in the same company and will be recovered. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that is unlikely that sufficient taxable income will be generated in order to recover the deferred tax asset.

The company sets off deferred tax assets and deferred tax liabilities only if:

- it has a legal right to set off current tax receivables against current tax payables and
- deferred tax assets and deferred tax liabilities relate to income tax imposed by the same tax authority.

As a result deferred tax assets and liabilities are presented on a net basis in the annual financial statements of the Company.

The tax rate in Bulgaria was 10% on 31/12/2021 (31/12/2020: 10%).

3 Summary of significant accounting policies (continued)

3.9 Contingent liabilities and provisions

Provisions are recognized when the Company has a present legal, contractual or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle this obligation, and a reliable estimate of the amount of the obligation can be made.

Provisions are reviewed at each reporting date and adjusted to reflect the present value of the expense expected to be required to settle the liability.

3.10 Revenue and expense recognition

Contingent liabilities and assets are not recognized in The financial statements but are disclosed unless there is a probability of financial outflow or inflow.

Income from operating leasing is recognized as income on a straight - line basis over the lease term. The company as a lessor receives income only from operating leasing.

3.11 Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

3.12 Trade receivables

A receivable represents the Company’s right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in Note 3.2 Financial instruments – initial recognition and subsequent measurement.

3 Summary of significant accounting policies (continued)

3.13 Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalized as part of the cost of the respective assets. All other borrowing costs are expenses in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

4. Changes in accounting policies and standards

4.1 Changes in accounting policy and disclosures

New and amended standards and interpretations

The Company applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Interest Rate Benchmark Reform – Phase 2 – IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Amendments)

In August 2020, the IASB published Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, completing its work in response to IBOR reform.

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). In particular, the amendments provide for a practical expedient when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, to require the effective interest rate to be adjusted, equivalent to a movement in a market rate of interest. Also, the amendments introduce reliefs from discontinuing hedge relationships including a temporary relief from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component. Furthermore, the amendments to IFRS 4 are designed to allow insurers who are still applying IAS 39 to obtain the same reliefs as those provided by the amendments made to IFRS 9. There are also amendments to IFRS 7 Financial Instruments: Disclosures to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 with earlier application permitted. While application is retrospective, an entity is not required to restate prior periods. These amendments had no impact on the financial statements of the Company.

4. Changes in accounting policies and standards (continued)

4.2 Standards issued but not yet effective and not early adopted

Standards issued but not yet effective and not early adopted up to the date of issuance of the Company's financial statements are listed below. The Company intends to adopt those new and amended standards and interpretations, if applicable, when they become effective.

Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022.The amendment applies to annual reporting periods beginning on or after 1 April 2021.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 on or before the date it first applies IFRS 17. It is not expected that the standard would impact the financial position or performance of the Company.

4. Changes in accounting policies and standards (continued)

4.2 Standards issued but not yet effective and not early adopted (continued)

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

In July 2021 the Board tentatively decided to propose several amendments to the clarifications made in January 2020. In particular, the Board decided to propose that if a right to defer settlement for at least twelve months is subject to an entity complying with conditions after the reporting date, those conditions do not affect whether the right to defer settlement exists at the reporting date for the purpose of classifying a liability as current or non-current. Additional presentation and disclosure requirements would be applicable in such circumstances. Furthermore, the Board tentatively decided to defer the effective date to no earlier than 1 January 2024 (from 1 January 2023).
The amendments have not yet been endorsed by the EU. The Company will analyse and assess the impact of the new amendments on its financial position or performance.

Amendments to IFRS 3 Business combinations

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.
The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately. At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively. Earlier application is permitted if, at the same time or earlier, an entity also applies all of the amendments contained in the Amendments to References to the Conceptual Framework in IFRS Standards (March 2018). The Company will analyse and assess the impact of the new amendments on its financial position or performance.

4. Changes in accounting policies and standards (continued)

4.2 Standards issued but not yet effective and not early adopted (continued)

Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use
In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The Company will analyse and assess the impact of the new amendments on its financial position or performance.

Amendments to IAS 37: Onerous Contracts – Costs of Fulfilling a Contract
In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.
The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and must be applied prospectively. The Company will analyse and assess the impact of the new amendments on its financial position or performance.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter
As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. It is not expected that the amendments would impact the financial position or performance of the Company.

4. Changes in accounting policies and standards (continued)

4.2 Standards issued but not yet effective and not early adopted (continued)

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Company will analyse and assess the impact of the new amendments on its financial position or performance.

IAS 41 Agriculture – Taxation in fair value measurements

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IAS 41 Agriculture. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41. An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted. It is not expected that the amendments would impact the financial position or performance of the Company.

Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

In December 2015, the IASB decided to defer the effective date of the amendments until such time as it has finalised any amendments that result from its research project on the equity method. The amendments address the conflict between IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in IFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint. The amendments have not yet been endorsed by the EU. The Company will analyse and assess the impact of the new amendments on its financial position or performance.

4. Changes in accounting policies and standards (continued)

4.2 Standards issued but not yet effective and not early adopted (continued)

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies

In February 2021, the Board issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements (the PS), in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies; and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Earlier application of the amendments to IAS 1 is permitted as long as this fact is disclosed. The amendments have not yet been endorsed by the EU. The Company will analyse and assess the impact of the new amendments on its financial position or performance.

Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates

In February 2021, the Board issued amendments to IAS 8, in which it introduces a new definition of ‘accounting estimates’. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The aspect of the definition for the accounting estimates that changes in accounting estimates may result from new information or new developments is retained by the Board.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted. The amendments have not yet been endorsed by the EU. The Company will analyse and assess the impact of the new amendments on its financial position or performance.

4. Changes in accounting policies and standards (continued)

4.2 Standards issued but not yet effective and not early adopted (continued)

Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement whether such deductions are attributable for tax purposes to the liability recognised in the financial statements or to the related asset component. This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability.

Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. An entity should apply the amendments to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, it should also recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and decommissioning obligations. The amendments have not yet been endorsed by the EU. The Company will analyse and assess the impact of the new amendments on its financial position or performance.

(In thousands BGN, unless otherwise stated)

5 Analysis of operating income and expenses

a) Income from rent of investment property

Investment property (buildings and land surrounding them) with fair value of BGN 88,306 thousand (31.12.2020: BGN 86,773 thousand) is leased out under operating lease contracts with customers as of 31.12.2021 and 31.12.2020. The total rental income for 2021 is BGN 6,611 thousand (2020: BGN 6,532 thousand).

(b) Other income

In 2021, the Company reported income from reinvoiced garbage charge to customers for the investment property leased out totalling BGN 331 thousand (2020: BGN 308 thousand).

(c) The main categories of operating expenses are analysed below:

	01.01 – 31.12.2021	**01.01 – 31.12.2020**
Third party services	42	38
Taxes and duties	494	472
Total	**536**	**510**

(d) Net financial results are analysed as follows:

	01.01 – 31.12.2021	**01.01 – 31.12.2020**
Interest – expenses	888	988
Bank charges	35	11
Total finance costs	**923**	**999**

(In thousands BGN, unless otherwise stated)

6. Investment property

The company's investment property consists of one commercial property in Vitosha region of Sofia. The property is leased to House Market Bulgaria EAD and hosts the operation of an IKEA store. Management determined that the investment property consists of one class of assets – retail – based on the nature, characteristics and risks of the property.

As of 31/12/2021 and 31/12/2020, the fair value of the property is based on valuation performed by Kentriki, an international associate of Savills, an accredited independent valuer. A valuation model in accordance with that recommended by the International Valuation Standards Committee has been applied.

The fair value measurement hierarchy is categorised to be Level 3 as it uses significant unobservable inputs at the lowest level for the entire measurement.

The company has no restrictions on the realisability of its investment property and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

The fair value of the investment property on 31 December of both periods presented is as follows:

	31/12/2021	**31/12/2020**
Fair value estimation	88,306	86,773
Investment property	**88,306**	**86,773**

Reconciliation of fair values

The following table presents the reconciliation of the opening and closing balances of investment properties, classified as level 3 of the fair value hierarchy:

	Fair value
On 31 December 2020	**86,773**
Change in the fair value 2021	
Net gain on revaluation to fair value	1,533
On 31 December 2021	**88,306**

(In thousands BGN, unless otherwise stated)

6 Investment property (continued)

The following table describes the valuation technique used and key inputs to valuation of investment property:

Property	Valuation Technique	Significant unobservable inputs	Range (weighted average)
Retail	DCF(10-year projection)	Estimated Rental Value per square meter per month	EUR 3.00 – EUR 9.50 (EUR 6.25)
		Actual Rental Rate per square meter per month	EUR 9.50
		Rental Growth per annum	2.0%
		Discount Rate	9.50%
		Exit Yield	8.00%

Another basic assumption made by the independent valuer was that the subject property will continue being let to IKEA House Market Bulgaria EAD for a time period of 30 years according to the lease agreement signed in August 2019 between Trade Estates Bulgaria EAD and House Market Bulgaria EAD.

Using the DCF method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the assets' life including an exit or terminal value. This method involves the projection of a series of cash flows related to the real estate. To this projected cash flow series the market discount rate is applied to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewals and related re-letting, redevelopment, or refurbishment. The appropriate duration is typically driven by market behaviour that is characteristic of the class of real property. Periodic cash flow is typically estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance cost, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

Significant increases (decreases) in estimated rental value and rent growth per annum in isolation would result in a significantly higher (lower) fair value of the properties.

(In thousands BGN, unless otherwise stated)

6 Investment property (continued)

Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum and discount rate (and exit yield).

Other disclosures

The building and the regulated land property, part of the investment property of the company, are mortgaged as of 31 December 2021 as collateral of the bank loans of the Company (Note 11).

7 Trade and other receivables

Trade and other receivables are analysed as follows:

	31.12.2021	**31.12.2020**
Other debtors	3	3
Total	**3**	**3**

8 Cash and cash equivalents

Cash represents the Company's bank deposits available on demand and is analysed as follows:

	31.12.2021	**31.12.2020**
Bank deposits	3,834	3,530
Total	**3,834**	**3,530**

9 Share capital and reserves

9.1 Share capital

House Market Bulgaria EAD was the only shareholder of Trade Estates Bulgaria EAD on 31 December 2020. By decision of April 2021, the Board of Directors of TRADE ESTATES BULGARIA EAD commenced a procedure for contributing the shares held by House Market Bulgaria EAD in a newly incorporated company - TRADE ESTATES JOINT STOCK COMPANY FOR INVESTMENTS IN REAL ESTATE, which was registered on 12 July 2021. As of this date, the TRADE ESTATES BULGARIA EAD share capital of BGN 52,758,203, divided into 52,758,203 nominal shares with nominal value of BGN 1 each, is owned by TRADE ESTATES JOINT STOCK COMPANY FOR INVESTMENTS IN REAL ESTATE, Greece. TRADE ESTATES JOINT STOCK COMPANY FOR INVESTMENTS IN REAL ESTATE is the only shareholder of Trade Estates Bulgaria EAD as of 31 December 2021.

(In thousands BGN, unless otherwise stated)

9. Share capital and reserves (continued)

9.2 Reserves

Interest rate SWAP

The Company is subject to cash flow risk which in the case of possible variable interest rates fluctuation, may affect positively or negatively the cash inflows or outflows related to the Company's assets or liabilities.

On 5/12/2019 the Company entered into an Interest Rate Swap (IRS) for the notional amount of BGN 24,643 thousand to partially cover the interest rate risk of its loan. As of the balance sheet date of 31/12/2021 the notional amount of the IRS was BGN 15,676 thousand, and the present value, according to the bank's valuation, was BGN 158 thousand (31/12/2020: BGN 19,509 thousand and the present value, according to the bank's valuation, was BGN 340 thousand), which is incorporated in the Company's liabilities.

Other reserves

Other reserves of 31/12 consist of the following elements:

	31.12.2021	**31.12.2020**
Results from transfer of assets	(1,919)	(1,919)
Hedge reserve	(142)	(306)
Other reserves	**(2,061)**	**(2,225)**

Reserves that are results from transfer of assets as 31/12/2021 balance the difference between the contributed at fair value assets from House Market Bulgaria EAD to Trade Estates (BGN 86,044 thousand), the contributed loan liabilities from House Market Bulgaria EAD to Trade Estates EAD (BGN 35,205 thousand) and the registered share capital of Trade Estates EAD (BGN 52,758 thousand).

10 Financial instruments and risk management policies

10.1 Financial risk management

The Company is exposed to financial risks such as interest rate risk and liquidity risk. The management of risk is achieved by the Treasury department of Fourlis Group, which operates using specific guidelines set by the Board of Directors of the ultimate parent.

The Board of Directors of the ultimate parent provides written instructions and directions for the general management of the risk, as well as specific instructions for the management of specific risks such as interest rate risk.

On 5/12/2019 the Company entered into an Interest Rate Swap (IRS) for the notional amount of BGN 24,643 thousand to partially cover the interest rate risk of its loan. As of the balance sheet date of 31/12/2021 the notional amount of the IRS was BGN 15,676 thousand, and the present value, according to the bank's valuation, was BGN 158 thousand (31/12/2020: BGN 19,509 thousand and the present value, according to the bank's valuation, was BGN 340 thousand), which is incorporated in the Company's liabilities.

(In thousands BGN, unless otherwise stated)

10 Financial instruments and risk management policies (continued)

10.2. Credit risk

Exposure to credit risk

The carrying value of the Company's Trade and other receivables and cash and cash equivalents as presented in the accompanying financial statements represents the maximum exposure to credit risk, was as follows:

	31.12.2021	**31.12.2020**
Trade and other receivables	3	3
Advance taxes receivable	4	-
Bank deposits	3,834	3,530

As of 31 December 2021 and 31 December 2020 there were no impaired receivables.

10.3. Liquidity risk

Liquidity risk is retained at low levels by maintaining significant cash and cash equivalents which at 31 December 2021 amounted to BGN 3,834 thousand (31 December 2020: BGN 3,530 thousand).

The contractual loan dues including interest payments and trade and other payables as of 31/12/2021 and 31/12/2020 are presented below.

	3 months	**3 to 12 months**	**1 to 5 years**	**Total**
31.12.2021				
Trade and other payables	171	-	-	171
Loans and borrowings	216	5,891	23,097	29,204
Total	**387**	**5,891**	**23,097**	**29,375**

	3 months	**3 to 12 months**	**1 to 5 years**	**Total**
31.12.2020				
Trade and other payables	179	-	-	179
Loans and borrowings	219	5,512	28,692	34,423
Total	**398**	**5,512**	**28,692**	**34,602**

(In thousands BGN, unless otherwise stated)

11. Loans and borrowings

Borrowings are analysed as follows:

	Interest Rate	Maturity	31.12.2021
Non-current			
Syndicated bank loan	3M EURIBOR + spread	2023 -2025	21,710
Total			**21,710**
Current			
Syndicated bank loan	3M EURIBOR + spread	2022	5,280
Total			**5,280**
Grand Total			**26,990**

	Interest Rate	Maturity	31.12.2020
Non-current			
Syndicated bank loan	3M EURIBOR + spread	2022 -2025	26,991
Total			**26,991**
Current			
Syndicated bank loan	3M EURIBOR + spread	2021	4,890
Total			**4,890**
Grand Total			**31,881**

In light of the broader activation of FOURLIS Group in real estate segment, House Market Bulgaria EAD proceeded on 2/8/2019 to the establishment of a new company in Bulgaria, Trade Estates Bulgaria EAD. This resulted from the approved by the Board of Directors plan for the reorganisation of House Market Bulgaria EAD. More specifically, on the accounting date of 31/8/2019, House Market Bulgaria EAD contributed to the newly established company the owned real estate property of House Market Bulgaria EAD which is used for the operation the IKEA store at a fair value of BGN 86,044 thousand, as well as part of its bank liabilities amounting to BGN 35,205 thousand in exchange to 100% of the shares of the newly established company.

On 5/12/2019 House Market Bulgaria EAD, Trade Estates Bulgaria EAD and the lending banks signed Annex 2 to the syndicated loan agreement 98 of 11/7/2016 of House Market Bulgaria EAD. Annex 2 defined Trade Estates Bulgaria EAD as a co-borrower and liable to the amount of BGN 35,205 thousand whereas House Market Bulgaria EAD remained liable to the amount of BGN 23,959 thousand. Annex 2 also defined the repayment schedule of the outstanding at that time loan principal (BGN 59,164 thousand). Finally, Annex 2 defined Trade Estates Bulgaria as the pledgor for movable assets of value BGN 3,991 thousand and its receivables.

(In thousands BGN, unless otherwise stated)

11. Loans and receivables (continued)

Based on the above Annex 2 of the Syndicated loan agreement the Company is obliged to maintain a Debt Service Coverage Ratio (DSCR) over 1.05 for the preceding and for the forthcoming twelve months. As of 31 December 2021 and 31 December 2020 the Company is in compliance with the loan covenant and there are no other covenants that the entity is in breach with.

The loan is secured by a mortgage of real estate (building and regulated land property) and pledge of plant and equipment, and receivables of the Company.

During financial year 2021, the Company repaid loan principal in the amount of BGN 4,890 thousand and paid interest in the amount of BGN 888 thousand (2020: the Company repaid loan principal in the amount of BGN 2,346 thousand and paid interest in the amount of BGN 988 thousand).

The following table summarizes the changes in liabilities arising from a financial activity, including both cash flow and non-monetary changes, which include a reconciliation between the opening and closing amounts in the statement of financial position of the liabilities arising from a financial activity for both years ending on 31 December:

	01 January 2021	Cash outflows	Calculations using the effective interest rate method	31 December 2021
	BGN '000	*BGN '000*	*BGN '000*	*BGN '000*
Loans and borrowings	31,881	(5,777)	888	26,990
Total liabilities from financial activities	**31,881**	**(5,777)**	**888**	**26,990**

	01 January 2020	Cash outflows	**Calculations using the effective interest rate method**	31 December 2020
	BGN '000	*BGN '000*	*BGN '000*	*BGN '000*
Loans and borrowings	34,227	(3,334)	988	31,881
Total liabilities from financial activities	**34, 227**	**(3,334)**	**988**	**31,881**

Unutilized loans

As of 31 December 2021, the Company had at its disposal an unutilized credit line totalling BGN 1,173 thousand.

(In thousands BGN, unless otherwise stated)

12. Derivative financial instruments

On 5/12/2019 the Company entered into an Interest Rate Swap (IRS) for the notional amount of BGN 24,643 thousand to partially cover the interest rate risk of its loan. As of the balance sheet date of 31/12/2021 the notional amount of the IRS was BGN 15,676 thousand and the present value, according to the bank's valuation, was BGN 158 thousand (31/12/2020: the notional amount of IRS was 19,509 thousand and the present value, according to the bank's valuation, was BGN 340 thousand), which was incorporated in the Company's liabilities.

The interest rate swap is classified as Level 2 of the fair value hierarchy as defined per IFRS 13. The interest rate swap expiry dates is in September 2023. For interest rate swaps that are designated as effective cash flow hedges fair value has been deferred within equity on the statement of financial position date.

13. Trade and other payables

Trade and other payables are analysed as follows:

	31.12.2021	**31.12.2020**
Payables to related parties	13	11
Accrued expenses	52	59
VAT and other taxes payable	106	109
Total	**171**	**179**

14. Income taxes

The income tax expense for the year 2021 and the relative year 2020 is as follows:

	01.01 – 31.12.2021	**01.01 – 31.12.2020**
Current income tax		
Current income tax charge	(276)	(256)
Deferred income tax		
Relating to origination and reversal of temporary tax differences	(270)	(270)
Income tax expense reported in the statement of comprehensive income	**(546)**	**(526)**

(In thousands BGN, unless otherwise stated)

14. Income taxes (continued)

The corporate income tax rate for both financial years is 10%.

The reconciliation of income tax expense applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the Company's effective income tax rate for both years ended 31 December is as follows:

	01.01 – 31.12.2021	01.01 – 31.12.2020
Accounting profit before income tax	**7,015**	**5,919**
Corporate income tax rate	10%	10%
At corporate income tax rate	(701)	(591)
At the effective income tax rate of 10 %	**6,313**	**5,328**

Deferred income tax for the Company at 31 December 2021 and 31 December 2020 related to the following temporary differences, which have occurred:

	Statement of financial position 2021	Profit or loss for the period 2021	Other comprehensive income 2021
Difference accounting/tax depreciation	(630)	(270)	-
Interest rate swap	16	-	(18)
Deferred tax (liability)	**(614)**	**(270)**	**(18)**

	Statement of financial position 2020	Profit or loss for the period 2020	Other comprehensive income 2020
Difference accounting/tax depreciation	(360)	(270)	-
Interest rate swap	34	-	(4)
Deferred tax (liability)	**(326)**	**(270)**	**(4)**

(In thousands BGN, unless otherwise stated)

15. Related party disclosures

The Company's sole shareholder is TRADE ESTATES JOINT STOCK COMPANY FOR INVESTMENTS IN REAL ESTATE, Greece.

The ultimate controlling party is Fourlis Holdings SA.

The analysis of the related party receivables and payables as at 31 December 2021 and 31 December 2020 is as follows:

Amounts due to related parties	**31.12.2021**	**31.12.2020**
House Market Bulgaria EAD	3	2
Fourlis Holdings S.A.	10	9
Total current	**13**	**11**

Related party transactions carried out in 2021 and 2020 are as follows:

Income	**01.01 – 31.12.2021**	**19.08 – 31.12.2020**
Rental income	6,611	6,532
Reinvoiced expenses	331	308
Total	**6,942**	**6,840**

Expenses	**01.01 – 31.12.2021**	**19.08 – 31.12.2020**
Operating expenses	19	18
Total	**19**	**18**

16. Subsequent events

Conflict in Ukraine – consequences, effects

In February 2022, as a result of the military conflict between Russia and Ukraine, some countries announced new packages of sanctions concerning the public debt of the Russian Federation, certain Russian banks, as well as individual sanctions against some Russian citizens.

Due to growing geopolitical tensions, since February 2022 there has been a significant increase in fluctuations in stock and foreign exchange markets, as well as fluctuations in energy and oil prices, a significant devaluation of the Russian rubble against the US dollar and Euro.

It is expected that these events will have an impact on the activities of enterprises operating in various industries on the markets of the Russian Federation, Ukraine and Belarus. The Company has no direct exposures (eg transactions, balances, commitments) to related parties and / or to key customers, suppliers or banks in these countries. The effects of the above events may have an impact on the overall macroeconomic conditions in the country and in Europe, and in longer-term perspective, on trade turnover, cash flows and profitability.

As of the date of approval for issuance of the financial statements of the Company, the quantitative effect of these events cannot be determined with a reasonable degree of accuracy by the Company. The Company will analyse the possible effects of changing macroeconomic conditions on the financial condition and operating performance of the Company.

No subsequent events, besides those disclosed above, were established as of the date of approval of these financial statements that could have an impact on the disclosed assets, liabilities and operating results of the Company as of 31 December 2021 or that could require adjustments or disclosures.