# INTERIM CONSOLIDATED FINANCIAL STATEMENTS

# OF

# ELMARK INVEST EAD

# AS AT 30 JUNE 2023

# CONTENTS

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

**for the period ended 30 June**

| | Notes | For the period ended 30 June 2023<br>Thousands of EUR | For the year ended 30 June 2022<br>Thousands of EUR |
|---|---|---|---|
| Sales revenue | *4* | 11,658 | 52 |
| Income from participations | | - | 109 |
| Other revenue | *5* | 60 | 1 |
| Costs of materials | *6* | (1,233) | - |
| Costs of external services | *7* | (952) | (6) |
| Employee benefits expense | *8* | (2,134) | (31) |
| Impairment of receivables | | (29) | - |
| Other operating expenses | *9* | (174) | (1) |
| Carrying amount of goods sold (less production) | | (5,568) | - |
| Increase in/(reduction of) inventories of finished goods | | 40 | - |
| Depreciation costs | *13, 14* | (786) | (22) |
| **Operating profit** | | **883** | **101** |
| | | | |
| Finance income | *10* | 149 | 1 |
| Finance costs | *11* | (430) | (2) |
| **Profit before tax** | | **602** | **99** |
| Income tax expense | *12* | (130) | - |
| **Net profit for the period concerned** | | **472** | **99** |
| Other comprehensive income | | - | - |
| **Total comprehensive income for the year attributable to:** | | **472** | **99** |
| Non-controlling interest | | **319** | **-** |
| Owners of the parent | | **153** | |

The Consolidated Statement of Profit or Loss and Other Comprehensive Income shall be read slongside the notes provided on pages 9 through 52, which constitute an integral part of the Financial Statements.

Date issued: 25 September 2023

Executive Director: ……………… /Jelez Georgiev /

Issued by: ……………….. /Kirilka Ivanova/

„ЕЛМАРК ИНВЕСТ" ЕАД ВАРНА BULGARIA VARNA „ELMARK INVEST" EAD

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

**as at 30 June 2023**

| | Notes | 30 June 2023 Thousands of EUR | 31 Dec 2022 Thousands of EUR |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Right-of-use assets | *13* | 1,714 | 1,997 |
| Property, plant and equipment | *13* | 16,978 | 15,898 |
| Fixed tangible asset acquisiton costs | *13* | 1,565 | 1,550 |
| Intangible assets | *14* | 1,609 | 1,631 |
| Non-current receivables | *18* | 154 | 155 |
| Deferred taxes | | 115 | 115 |
| Goodwill | *16* | 4,513 | 4,513 |
| | | **26,648** | **25,858** |
| **Current assets** | | | |
| Inventories | *17* | 18,821 | 19,846 |
| Trade and other receivables | *18* | 2,846 | 3,006 |
| Cash and cash equivalents | *19* | 1,438 | 1,593 |
| | | **23,106** | **24,445** |
| ***Total assets*** | | ***49,754*** | ***50,303*** |

The Consolidated Statement of Financial Position shall be read slongside the notes provided on pages 9 through 52, which constitute an integral part of the Financial Statements.

Date issued: 25 September 2023

Executive Director: ……………….. /Jelez Georgiev /
Issued by: ……………….. /Kirilka Ivanova/

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

**as at 30 June 2023**

| EQUITY AND LIABILITIES | Notes | 30 Jun 2023 Thousands of EUR | 31 Dec 2022 Thousands of EUR |
|---|---|---|---|
| **Equity** | | | |
| Share capital | **20** | 5,673 | 2,329 |
| Reserves | | 162 | 3 |
| Retained earnings/(loss) | | 4,525 | 3,351 |
| Total comprehensive income for the year | | 153 | 5,496 |
| Equity attributable to owners of the parent | | **10,513** | **11,179** |
| *Non-controlling interest* | **15.2** | 22,931 | 22,612 |
| **Total equity** | | **33,444** | **33,792** |
| | | | |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Interest-bearing liabilities | **21** | 2,075 | 1,487 |
| Finance lease liabilities | **22** | 84 | 110 |
| Lease liabilities | **22** | 1,244 | 1,419 |
| Deferred tax liabilities | | 64 | 65 |
| Other liabilities | **23** | 81 | 75 |
| **Total non-current liabilities** | | **3,549** | **3,157** |
| | | | |
| **Current liabilities** | | | |
| Interest-bearing liabilities | **21** | 10,454 | 10,965 |
| Finance lease liabilities | **22** | 50 | 61 |
| Lease liabilities | **22** | 533 | 634 |
| Trade and other liabilities | **23** | 1,717 | 1,694 |
| **Total current liabilities** | | **12,754** | **13,354** |
| **Financing** | | **7** | **-** |
| **Total liabilities** | | **16,310** | **16,511** |
| ***Total equity and liabilities*** | | ***49,754*** | ***50,303*** |

The Consolidated Statement of Financial Position shall be read slongside the notes provided on pages 9 through 52, which constitute an integral part of the Financial Statements.

Date issued: 25 September 2023

Executive Director: ..................... /Jelez Georgiev /
Issued by: ..................... /Kirilka Ivanova/

ЕЛМАРК ИНВЕСТ ЕАД ВАРНА BULGARIA "ELMARK INVEST" EAD VARNA

## CONSOLIDATED STATEMENT OF CASH FLOWS

| For the year ended 30 June | Notes | 2023 | 2022 |
|---|---|---|---|
| **Operating activities** | | Thousands of EUR | Thousands of EUR |
| Proceeds from clients | | 14,527 | 1,971 |
| Payments to suppliers | | (8,983) | (1,754) |
| Payments to employees and contributions to benefit plans | | (2,011) | (185) |
| Income taxes paid | | (104) | (6) |
| Taxes paid (less income taxes) | | (109) | (7) |
| Interest, fees and commissions paid | | (48) | (14) |
| Dividends received | | - | 159 |
| **Net cash from operating activities** | | **3,272** | **165** |
| **Cash from investing activities** | | - | - |
| Cash flows attributable to granted/repaid loans | | (1,883) | (140) |
| Cash flows attributable to borrowings/repaid borrowings | | (315) | 148 |
| Cash acquired through a business combination | | - | 1,156 |
| **Net cash from investing activities** | | **2,198** | **1,164** |
| **Cash from financing activities** | | - | - |
| Proceeds from bank borrowings | | 7,826 | 1,917 |
| Repayment of bank borrowings | | (8,527) | (1,626) |
| Proceeds from third party borrowings | | - | - |
| Lease payments | | (356) | (34) |
| Dividends paid | | (161) | - |
| **Net cash from financing activities** | | **1,218** | **257** |
| **Net change in cash** | | **(145)** | **1,586** |
| Cash, beginning of the period | | **1,593** | **14** |
| Net effect of exchange differences on cash | | (10) | (7) |
| **Cash, end of period** | **19** | **1,438** | **1,593** |

The Consolidated Statement of Cash Flows shall be read slongside the notes provided on pages 9 through 52, which constitute an integral part of the Financial Statements.

Date issued: 25 September 2023

Executive Director: ………………… /Jelez Georgiev /
Issued by: ………………… /Kirilka Ivanova/

„ЕЛМАРК ИНВЕСТ" ЕАД ВАРНА BULGARIA VARNA "ELMARK INVEST" EAD

## CONSOLDATED STATEMENT OF EQUITY

| | Share capital | Reserves | Retained earnings | Current profit | Total attributable to owners of parent | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|
| | Thousands of EUR | Thousands of EUR | Thousands of EUR | Thousands of EUR | Thousands of EUR | Thousands of EUR | Thousands of EUR |
| **Balance at 1 January 2022 prior to adjustment** | **3** | | **1,977** | **353** | **2,333** | **-** | **2,333** |
| Effects of correction of errors (Note **Error! Reference source not found.**) | - | | 3,372 | (29) | 3,343 | - | 3,343 |
| **Balance at 1 January 2022 following adjustment** | **3** | **-** | **5,349** | **324** | **5,675** | **-** | **5,675** |
| Profit distribution, including: | | | | | | | |
| - *as retained earnings* | - | - | 324 | (324) | - | - | - |
| - *as dividends* | - | - | - | - | - | - | - |
| - *by way of capital increase* | 2,326 | - | (2,326) | - | - | - | - |
| Non-controlling interest attributable to business combinations | - | - | - | - | - | 22,946 | 22,946 |
| **Transactions with owners** | **2,326** | **-** | **(2,002)** | **(324)** | **-** | **22,946** | **22,946** |
| **Financial result of the current period** | **-** | **-** | **-** | **5,496** | **5,496** | **(334)** | **5,163** |
| Other changes | - | 3 | 5 | - | 8 | - | 8 |
| **Balance as at 31 December 2022** | **2,329** | **3** | **3,351** | **5,496** | **11,179** | **22,612** | **33,792** |

The Consolidated Statement of Cash Flows shall be read slongside the notes provided on pages 9 through 52, which constitute an integral part of the Financial Statements.

Date issued: 25 September 2023

Executive Director: ……………… /Jelez Georgiev /   Issued by: ……………… /Kirilka Ivanova/

## CONSOLDATED STATEMENT OF EQUITY (continued)

| | Share capital | Reserves | Retained earnings | Current profit | Total attributable to owners of parent | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|
| | Thousands of EUR | Thousands of EUR | Thousands of EUR | Thousands of EUR | Thousands of EUR | Thousands of EUR | Thousands of EUR |
| **Balance at 1 January 2023** | **2,329** | **3** | **3,351** | **5,496** | **11,179** | **22,612** | **33,792** |
| Profit distribution, including: | | | | | | | |
| - *as retained earnings* | - | - | 5,496 | (5,496) | - | - | - |
| - *as dividends* | - | - | (824) | - | (824) | - | (824) |
| - *by way of capital increase* | 3,344 | - | (3,344) | - | - | - | - |
| - *as reserves* | - | 159 | (159) | - | - | - | - |
| **Financial result of the current period** | - | - | - | 472 | 153 | 319 | 472 |
| Other changes | - | - | 4 | - | 4 | - | 4 |
| **Balance as at 30 June 2023** | **5,673** | **162** | **4,525** | **472** | **10,513** | **22,931** | **33,444** |

The Consolidated Statement of Cash Flows shall be read slongside the notes provided on pages 9 through 52, which constitute an integral part of the Financial Statements.

Date issued: 25 September 2023

Executive Director: ……………… /Jelez Georgiev /

"ЕЛМАРК ИНВЕСТ" ЕАД ВАРНА BULGARIA VARNA "ELMARK INVEST" EAD

Issued by: ……………… /Kirilka Ivanova/

**NOTES**
**TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2023**

# 1 DETAILS ABOUT THE CORPORATE GROUP

## 1.1 Incorporation and Composition of Elmark Group

**ELMARK INVEST** is a sole shareholder public limited company registered under company No. 207014937 and is the legal successor of ELECTRIC EOOD (company No. 103582553), which was transformed by having its legal form changed. The transformation was duly recorded in the Commercial Register with the Registry Agency on 14 July 2022.

The company's official mailing address is:

Registered office and business address: 10 Perla Str., Western Industrial Zone, Varna

Telephone number: 052/575 502

As at the end of the reporting period, the sole shareholder was Jelez Georgiev Jelyazkov.

ELMARK INVEST EAD acquired in 2022 a controlling interest in the pre-existing holding company ELMARK HOLDING ED, in which it had been a shareholder since 2007.

An increase of the capital of ELMARK HOLDING ED was recorded in the Commercial Register on 26 July 2022 by 1 preference share subscribed by the shareholder ELMARK INVEST EAD. Restated Articles of Association of ELMARK HOLDING ED were adopted to include the righs vested by the preference share to appoint two members of the Board of Directors. ELMARK INVEST EAD has retained its shareholding percentage of 30.46% in ELMARK HOLDING EAD.

Restated Articles of Association of ELMARK HOLDING ED were published with the Commercial Register to include further rights inherent in the preference share held by ELMARK INVEST EAD, i.e. the right to a casting vote when deliberating on changes in the capital and distribution of dividends. With effect from 8 December 2022, ELMARK INVEST EAD acquired control over ELMARK HOLDING ED, which has resulted in ELMARK INVEST EAD becoming the parent company of the Elmark Group with effect from said date, whereas ELMARK HOLDING ED has assumed the role of an intermediate parent, with none of those events, hawever, causing any changes in the shareholding in all subsidiaries.

Elmark Holding ED (the intermediate parent) is an European limited company (societas Europaea) incorporated on 29 November 2006. The registered office of Elmark Holding ED was moved from Bulgaria to another EU Member State – the United Kingdom. As a result of Brexit, however, a procedure was launched in late 2018 to have the company's registered office moved back to Bulgaria. With effect from 1 April 2019 Elmark Holding ED has been registered in the Bulgarian Commercial Register under company No. 205596467 with registered office in 10 Perla Str., Western Industrial Zome of Varna.

The majority shareholder of Elmark Holding ED as at the date of the balance sheet was Jelez Georgiev Jelyazkov (holding 10,940,279 shares). The rest of the share capital is held by Electric EOOD (transformed into

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2023 (CONTINUED)**

ELMARK INVEST EAD on 14 July 2022) and Kremena Georgieva Nedeva (672,860 shares). Elmark Holding ED holds 1,108,481 of its own shares, which it has acquired by repurchasing.

As at 30 June 2023, Elmark Invest held, through Elmark Holding ED, interests in 16 (sixteen) subsidiaries registered in Bulgaria and other European countries, hereinafter referred to as “other Group companies”. The date on which Elmark Invest EAD effectively acquired Elmark Holding ED’s majority shareholding in its subsidiaries is deemd to also constitute the accounting date of acquisition of control over the company concerned.

As at 30 June 2023, the Group comprised: Elmark Invest EAD, Elmark Holding ED, 1 (one) public limited company, and 4 (four) limited liability companies registered in Bulgaria, 10 (nine) companies registered in other European countries, and one company registered in Dubai of the United Arab Emirates.

As at 30 June 2023, Elmark Invest EAD held controlling interests in the following subsidiaries:

| Subsidiary | % |
|---|---|
| 1. Elmark Holding ED – Bulgaria | 30.46 |
| 2. Elmark Industries AD – Bulgaria | 30.43 |
| 3. Elmark Group EOOD – Bulgaria | 30.46 |
| 4. Elmark Trade EOOD – Bulgaria | 30.46 |
| 5. Elmark Electric – Serbia | 30.46 |
| 6. Elmark Group – Croatia | 30.46 |
| 7. Elmark Store – Romania | 30.46 |
| 8. Elmark Group – Hungary | 30.46 |
| 9. Elmark Group – Greece | 30.46 |
| 10. Elmark Group – Bosnia and Herzegovina | 30.46 |
| 11. Elmark Group – Slovenia | 30.46 |
| 12. Electromarket EOOD – Bulgaria | 30.46 |
| 13. Elmark Group – United Kingdom | 30.46 |
| 14. Elmark Group – Slovakia | 30.46 |
| 15. Elmark Cable EOOD – Bulgaria | 30.46 |
| 16. Elmark Trading – UAE, Dubai | 30.46 |
| 17. Elmark Gruppo SRL - Italy | 30.46 |

Elmark Holding ED’s controlling interests in the other Group companies were acquired as follows:

1. Elmark Industries AD – 12 November 2008;
2. Elmark Group EOOD – Bulgaria – 27 December 2007;
3. Elmark Trade EOOD – Bulgaria – 6 November 2013;
4. Elmark Electric - Serbia – 7 March 2007;
5. Elmark Group - Croatia – 18 February 2009;
6. Elmark Store – Romania – 1 August 2013;
7. Elmark Group - Hungary – 15 April 2011;
8. Elmark Group - Greece – 26 May 2011;

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2023 (CONTINUED)**

9. Elmark Group - Bosnia and Herzegovina - 30 January 2013;
10. Elmark Group – Slovenia – 27 May 2013;
11. Electromarket EOOD - Bulgaria - 3 June 2014 - 50% and 5 July 2018 up to 100%;
12. Elmark Group – Great Britain – 07.09.2016;
13. Elmark Group - Slovakia – 16 November 2016;
14. Elmark Cable EOOD – Bulgaria – 15 May 2019;
15. Elmark Trading – Dubai – 15 May 2022.
16. Elmark Gruppo – Italy – 19 January 2023

### 1.2 Shareholding and Governance

The sole shareholder is Jelez Georgiev Jelyazkov. As at 30 June 2023, the registered capital of the company amounted to BGN 11,095,000 (eleven million and ninety-five thousand), which had been fully paid up prior to the date of drawing up the Statement of Financial Position. ELMARK INVEST EAD is a business entity that is separate and distinct from its shareholder.

The company has a one-tier board structure. The Board of Directors is chaired by Jelez Georgiev Jelyazkov. The other members of the Board of Directors are Kremena Georgieva Nedeva and Milen Hristov Vasilev. The company is severally and jointly represented and governed by the Executive Directors Kremena Georgieva Nedeva and Jelez Georgiev Jelyazkov.

By virtue of two resolutions passed by the sole shareholder of Elmark Invest EAD on 28 July 2022 and 14 Decemebr 2022 it was resolved that an initial public offering be made on BEAM SME Growth Market organised by the Bulgarian Stock Exchange (BSE) of 4,555,000 ordinary, registered, dematerialised shares with a nominal value of BGN 1 each, constituting the registered capital of Elmark Invest EAD.

The BEAM Market Management Committee with the Bulgarian Stock Exchange issued a resolution in responise to an application filed subject to Article 4(4) of Section III of the Rules for the Admission of Financial Instruments to the BEAM SME Growth Market, therewith, subject to Article 8(1) of said Rules, admitting the shares issued by Elmark Invest AD to be traded on the BEAM Market under ISIN code BG1100012225.
The issue was assigned the stock symbol of ELM.
The shares were made tradeable starting from 22 February 2023.

The average headcount of the company in semi-annual 2023 was 249 workers and employees (vs. 245 workers and employees in 2022).

### 1.3 Purpose Statement

In 2023 the Group was engaged, among others, in production, import, export and trade in electrotechnical equipment and devices, electrial supplies, tools and lighting fixtures, and transport operations.

The domestic subsidiaries are engaged in:

- Production of and trade in electrotechnical equipment and lighting fixtures – Elmark Industries AD;
- Import, export and trade in electrotechnical equipment, electrical supplies, tools and lighting fixtures – Elmark Industries AD, Elmark Group EOOD, Elmark Trade EOOD, and Electromarket EOOD;
- Transport operations – Elmark Group EOOD.

The Group further includes 11 foreign companies registered in Romania, Serbia, Croatia, Hungary, Greece, Bosnia and Herzegovina, Slovenia, the United Kingdom, Slovakia, Italy and Dubai of the United Arab Emirates. They are engaged in trading in the full range of Elmark branded products: electrotechnical equipment, electric supplies, tools, lighting fixtures, solar systems, smart home systems, everything electric – from the electrical installation to the electrical eqipment of a given site.

## 2 ESSENTIAL PRINCIPLES OF THE ACCOUNTING POLICY PURSUED BY THE GROUP

### 2.1 General

The most significant accounting policies applied when drafting these Consolidated Statements are detailed below.

The Consolidated Statements have been drawn up in compliance with the IFRS-established principles of valuating the separate types of assets, liabilities, profit and loss. The valuation bases are disclosed in detail herein below.

It should be noted that accounting estimates and assumptions were used when drawing up the Consolidated Financial Statements so furnished. Although said estimates and assumptions were based on management-provided information current as at the date of issue of the Consolidated Financial Statements, the actual results may turn out to differ from such estimates and assumptions.

### 2.2 Presentation of Consolidated Financial Statements

The Consolidated Financial Statements are precetned in line with IAS 1 *Presentation of Financial Statements*. The Group has resolved to present the Consolidated Statement of Profit or Loss and Other Comprehensive Income as a single statement.

The Consolodated Statement of Financial Position presents two comparative periods where the Group has applied an accounting policy retrospectively or has made a retrospective restatement of items in its consolidated financial statements, or where it has reclassified items in its consolidated financial statements and this has had a meterial effect on the information in the consolidated statement of financial position at the beginning of the preceding period.

More information on any restatements and reclassifications during the reporting period is available in Note **Error! Reference source not found.**.

### 2.3 Basis of Preparation of the Consolidated Financial Statements

The Consolidated Financial Statements of Elmark Group have been prepared in line with the International Financial Reporting Standards (IFRS) comprising: financial reporting standards and interpretations by the FRS Interpretations Committee (formerly the IFRIC), as approved by the International Accounting Standards Board (IASB), and the International Accounting Standards and Interpretations of the Standing Interpretations Committee (SIC), approved by the International Accounting Standards Committee (IASB), effective as of 01 January 2020, as adopted by the European Commission. The IFRS, as adopted by the EU, is the common name used to designate the framework generally designed to substantiate the accounting basis, which is equivalent to the framework introduced with the definition under § 1, item 8 of the Additional Provisions to the Accounting Act termed "International Accounting Standards" (IAS).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2023 (CONTINUED)**

The consolidated financial statements have been prepared in BGN (Bulgarian lev), which is the functional currency of the parent company. Unless otherwise specified, eny and all amounts given herein are expressed in thousands of EUR (including the comparative information respecting 2022).

The parent company has also prepared a separate financial statement, wherein the investments in subsidiaries are presented at acquisition cost in line with IAS 27 *Separate Financial Statements*. The separate financial statements of Elmark Invest EAD were authorised for publication on 18 August 2023.

The management had, as at the date of issue of these Consolidated Financial Statements, made an assessment of the Group's ability to continue as a going concern based on the available information for the foreseeable future. Based on the investigations conducted, the management has reasonable expectations that the Group has sufficient resources to keep operating in the foreseeable future. Therefore, they keep applying the going concern principle when preparing the consolidated annual financial statements.

The management is responsible for the preparation and faithful representation of information in these Consolidated Financial Statements.

### 2.4 Changes in Accounting Policy

The Group may only change its accounting policy if so required by a specific Standard or Interpretation, or if the change will result in more reliable and approtriate information being presented in the consolidated financial statements as to the effect of the operations, other events or circumstances relevant to the financial position, results or cash flows.

The Group has, with respect to the current financial year, adopted all such new and/or revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the FRS Interpretations Committee, as appropriate, as relevant to its operations.

The adoption of said standards and/or intepretations that refer to one-year periods commencing on 1 January 2023, has not resulted in any changes of the Group's accounting policy, other than introducing some new or extending already established disclosures, which, however, triggered no other changes in the way separate accounting items or operations have been classified or valuated.

The new and/or restated standards and interpretations include:

- IFRS 17 Insurance contracts, including amendments published on 25 June 2020.

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

• Amendments to IAS 1 Presentation of financial statements, IFRS Statements to Annex 2: Disclosure of accounting policies;

• Amendments to IAS 1 Presentation of financial statements: Classification of liabilities as current and non-current;

• Amendments to IAS 12 Income Taxes: Deferred taxes related to assets and liabilities arising from single transactions;

• Amendments to IFRS 17 Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2023 (CONTINUED)**

As at the date of approval of these financial statements, new standards, amendments and interpretations of already existing standards had been published, but had not entered into force, nor had been approved by the EU with respect to the financial year commencing on 1 January 2023, and the Grup had also not applied those from an earlier date. It is the management’s expectation that all such standards and amendments will be incorporated into the accounting policy that the Group is to apply during the first period to commence after their effective date.

Management expects all standards and amendments to be adopted in the Group's accounting policies in the first period beginning after their effective date.

The changes are related to the following standards:

• Amendments to IAS Presentation of Financial Statements, effective from 1 January 2024, not yet adopted by the EU:

i. Classification of liabilities as current and non-current;

ii. Classification of liabilities as current and non-current – postponement of the effective date for

implementation;

iii. Non-current liabilities with covenants;

• Amendments to IFRS 16 Leases: Lease Obligation on Sale and Leaseback, effective from 1 January 2024, have not yet been adopted by the EU.

• Amendments to IAS 12 Income Taxes: International Tax Reform - Model Rules - Pillar 2, with immediate effect, not yet adopted by the EU;

• Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Disclosures of Financial Instruments: Financial contracts with suppliers, effective from 01 January 2024, have not yet been adopted by the EU.

### 2.5 Consolidation Basis

The Consolidated Financial Statements of the Group include the parent company Elmark Invest EAD, Elmark Holding ED as an intermediary parent and any and all subsidiaries as at 31 June 2023. All entities controlled by the parent are deemed subsidiaries. Control is presumed to exist where the parent is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The reporting periods of all subsidiaries end on 31 December.

The statements of participating subsidiaries have been included herein using the “full”, line by line, consolidation method. Where necessary, the amounts given in the financial statements of subsidiaries have been adjusted to secure consistency with the accounting policy pursued by the Group. The financial statements of the subsidiaries refer to the same reporting period as those of the parent.

All intragroup transactions and balances have been eliminated, including any unrealised gains or losses resulting from transactions between entities in the Group. Once any unrealised losses resulting from intragroup sales of assets were eliminated, the assets concerned were tested for impairment from the point of view of the Group.

Any profit, loss or other comprehensive income of subsidiaries acquired or sold throughout the year are recognised starting from the date of acquisition or up until the date of sale thereof, as appropriate.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2023 (CONTINUED)**

The non-controlling interests as forming part of the equity constitutes such portion of the profit or loss, and the net assets of a subsidiary, as are not owned by the Group. The total comprehensive income or loss of a subsidiary is attributed to the owners of the parent and to the non-controlling interests based on their relative shareholding in the subsidiary's equity.

If the Group loses control of a subsidiary, any investment retained in the former subsidiary shall be recognised at fair value as at the date control is lost, with the change in carrying amount being measured at fair value through profit or loss. The fair value of any investment retained in the former subsidiary as at the date control is lost shall be regarded at its fair value on initial recognition of a financial assest in accordance with IFRS 9 *Financial Instruments*, or the cost on initial recognition of an investment in an associate or joint venture, if applicable. Additionally, any amounts previously recognised as other comprehsneive income in relation to that subsidiary, shall be accounted for on the same basis as would be required if the Group had directly disposed of the related assets or liabilities (e.g. reclassified to profit or loss, or transferred directly to retained earnings, as required by the relevant IFRS).

The gain or loss resulting from the derecognition of an investment in a subsidiary is the difference between i) the fair value of the consideration received and the fair value of any investment retained in the former subsidiary, and ii) the carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interest.

The results of transforming copanies are included in the Consolidated Financial Statements as of the date of their acquisition, with no adjustments made to the comparative information. Elmark Invest EAD has prepared its first consolidatred financial statements as at 31 December 2022.

The Consolidated Statement of Profit or Loss and Other Comprehensive income for the period ended 30 June 2023 incorporates the reslts of the consolidated reflects the results of the consolidated data for the Group for the period. In the comparative information of the consolidated statement of profit and loss, the data are from the individual report of Elmark Invest EAD as of 30.06.2022, since the date of acquisition of control over the Elmark Group is 08.12.2022.

The comparative period in the Statement of Cash Flows is presented for the year ending on 31.12.2022 in view of the comparability of the data for the Group, since as of 30.06.2022 Elmark Invest EAD did not have significant influence in the Group.

### 2.6 Business Combinations

The Group has applied the acquisition method in accounting for all business combinations. The consideration transferred in the course of a business combination was calculated as the sum of the acquisition-date fair values of assets transferred by the acquirer, liabilities assumed by the acquirer to the former owners of the acquiree, and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are measured as profit or loss in the period when incurred.

If the Group acquires a controlling interest in a business in which it previously held an equity interest, that equity interest is remeasured to fair value at the acquisition date with any resulting gain or loss recognised in profit or loss or other comprehensive income, as appropriate.

Consideration transferred as part of a business combination does not include amounts related to the settlement of pre-existing relationships. The gain or loss on the settlement of any pre-existing relationship is recognised in profit or loss. The acquisition method includes recognising the identifiable assets and liabilities of the acquiree, including any contingent liabilities, whether recognised in the financial statements of the acquiree prior to the business combination or not. At the time of initial recognition, the assets and liabilities of the acquired subsidiary are included in the consolidated statement of financial position at fair value, which serves as a basis for their subsequent valuation in line with the accounting policy of the Group.

For each business combination, the Group has measured each non-controlling interest in the acquiree that constitutes ownership interests thereof and entitle their holders to a proportionate share in the event of liquidation at either fair value or proportionate share of the non-controlling interests in the acquiree's identifiable net assets.

Goodwill is recognised upon determination of all identifiable intangigle assets. It is measured as the excess of the aggregate of a) the acquisition-date fair value of the consideration transferred, and b) the amount of any non-controlling interest in the acquiree, and c) in a business combination achieved in stages, the acquisition-date fair value of the Group's previously held equity interest in the acquiree, net of the acquisition-date amounts of the identifiable net assets of the acquiree.

Any excess of the fair value of identifiable net assets above the amount measured as aforementioned, is recognised as profit or loss immediately following acquisition.

If the initial accounting for the business combination had been incomplete by the end of the reporting period in which the combination had occurred, the Group would report provisional amounts for the items for which the accouting had been incomplete. During the measurement period that should not exceed one year from the acquisition date, the Group shall retrospectivelly adjust the provisional amounts or shall recognise additional assets or liabilities to reflect new information obtained about the facts and circumstances that existed as of the acquisition date and, if known, would have affected the the measurement of the amounts recognised as of that date.

In case of restructuring operations, the opening consolidation balance sheets apply the carrying values of assets and liabilities from the separate statements of the companies concerned and no goodwill and/or gain on a bargain purchase are recognised.

## 2.7 Transactions Involving Non-Controlling Interests

Changes in the Group's own equity interests that have not resulted in the loss of control, have been treated as transactions with owners of the Group. The carrying amount of the Group's equity and the non-controlling share of equity have been adjusted to reflect the changes in their relative ownership interests in the subsidiary. Any difference between the amount by which the non-controlling interets have changed, and the fair value of the consideration received or paid has been directly recognised in equity and attributed to the parent.

## 2.8 Investments in Associates

Associates are the entites over which the Group has significant influence, but are neither subsidiaries, nor joint ventures. Investments in associates are initially recognised at cost and are later accounted for using the equity method. The investment costs include the costs of acquiring thereof.

Goodwill or any adjustments of the Group's share in the fair value of the associate has been included in the amount of investment.

Any subsequent changes in the Group's ownership interests in the associate's equity is recognised as forming part of the carrying amount of investment. Any changes owing to profit or loss generated by the associate is reflected in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Any changes in the comprehensive income of the associate, such as positions recognised directly in the equity of the associate, have been recognised directly in the other comprehensive income or the equity of the Group.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2023 (CONTINUED)**

Where the Group's share of losses of the associate exceeds its interest in the associate, incluging non-secured receivebles, the Group would discontinue recognising its share of further losses of the associate, unless the Group has incurred any legal or construcive obligations, or has made payments on behalf of the associate. If the associate subsequently reports profit, the Group will resume recognising its share of those profits insofar as its share of the profits exceeds the accumulated share of losses not recognised earlier.

Unrealised gains or losses resulting from transactions between the Group and its associates and joint ventures have been eliminated up to the Group's interest in such companies. Where unrealised losses form sales of assets are eliminated, the assets concerned have been tested for impairment from the point of view of the Group.

In case of loss of significant influence over the associate, the Group has measured and recognised any retained investment therein at fair value. Any difference between the carrying amount of investment in the associate in case of loss of significant influence, and the fair value of any retained interest and any proceeds from disposing is recognised in profit or loss.

If the Group's interest in the associate had been reduced, but this had not caused loss of significant influence, only a proportion of the amounts previously recognised in other comprehensive income, would reclassify as profit or loss.

## 2.9 Functional Currency, Presentation Currency and Foreign Currency Transfers

Functional currency is the currency of the primary economic environment in which the entity operates and in which it primarily generates and expends cash. It reflects the major transactions, events and conditions of relevance to the entity.

These Consolidated Financial Statements are presented in thousands of euro.

In the financial statements of the Bulgarian companies, the transactions denominated in foreign currency are accounted for in their BGN equivalents using the official exchange rate at the date of transaction (the exchange rate published by the Bulgarian National Bank). Any profit or loss from exchange differences arising on the settlement of those transactions and the translation of such monetary items in a foreign currency at the end of the reporting period, is recognised in profit or loss. Monetary assets and liabilities in foreign currency have been translated at the closing rate of the Bulgarian National Bank (BNB) on the date of statement. Any exchange differences occuring in the course of those operations are reported in the Statement of Profit or Loss and Other Comprehensive Income.

Non-monetary items measured in terms of historical cost in a foreign currency have been translated using the exchange rate at the date of transaction (not revalued). Non-monetary items measured at fair value in a foreign currency have been translated using the exchange rates at the date when the fair value was measured.

In case of consolidation, all assets and liabilities are to be translated at the closing rate at the date of the Consolidated Financial Statement. The profit and loss has been translated into the Group's presentation currency using the average exchange rate for the reporting period. The items on the statement of cash flows have been translated using the average annual exchange rate. Currency exhange differences resulte in either increase or reduction of the other comprehensive income and are recognised as a separate component of equity. Any goodwill arising on the acquisition of a foreign subsidiary has been expressed in the functional currency of the foreign subsidiary and has been translated at the closing rate.

The functional currencies of separate Group entities have not changed during the reporting period. The functional currencies of the Group's foreign subsidiaries are as follows:

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2023 (CONTINUED)**

| Subsidiary | Currency |
|---|---|
| Elmark Store – Romania | RON |
| Elmark Electric – Serbia | SRD |
| Elmark Group – Republic of Croatia | HRK |
| Elmark Group – Hungary | HUF |
| Electromarket Group – Greece | EUR |
| Elmark Group – Bosnia and Herzegovina | KM |
| Elmark Group – Slovenia | EUR |
| Elmark Group - United Kingdom | GBP |
| Elmark Group - Slovakia | EUR |
| Elmark Trading – Dubai | AED |
| Elmark Gruppo - Italy | EUR |

In view of preparing the consolidated financial statements of the Group, the financial statements of the foreign subsidiaries have been translated into the Group's presentation currency using the exchange rates of the BNB.

| | **30.06.2023** | **31.12.2022** |
|---|---|---|
| Average annual SRD to EUR exchange rate | 117,3074 | 117,4641 |
| End-of-year SRD to EUR exchange rate | 117,2301 | 117,3224 |
| Average annual RON to EUR exchange rate | 4,9634 | 4,9315 |
| End-of-year RON to EUR exchange rate | 4,9634 | 4,9474 |
| Average annual HRK to EUR exchange rate | - | 7,5345 |
| End-of-year HRK to EUR exchange rate | - | 7,5345 |
| Average annual HUF to EUR exchange rate | 380,94 | 391,3314 |
| End-of-year HUF to EUR exchange rate | 371,13 | 400,25 |
| KM to EUR exchange rate – pegged | 1,95583 | 1,95583 |
| End-of-year USD to BGN exchange rate | 1.79995 | 1,83371 |
| Pegged EUR to BGN exchange rate | 1,95583 | 1,95583 |

## 2.10 Segment Reporting

The Groups makes no distinction of operating segments as per IFRS 8 *Operating Segments*, since the major products and services it offers are related to production, import and export of and trade in electrotechnical equipment and devices, electric supplies, tools, lighting fixtures, and transport operations.

## 2.11 Revenue

The major revenue generated by the Group has to do with the sale of goods, production and services. The types of the Group's revenue are presented in Notes 4 and 5.

To determine whether and how to recognise revenie, the Group has applied the following 5 steps:

1 Identify the contract(s) with a customer;

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2023 (CONTINUED)**

2 Identify the performance obligations;

3 Determine the transaction price;

4 Allocate the transaction price to each performance obligation;

5 Recognise revenue when a performance obligation is satisfied.

Revenue is recognised either at a point in time or over time when and until the Group shall meets the performance obligations by transferring a promised good or service to a customer. Revenue is not recognised where there are substantial doubts as to the recovery of the amount due or the related expenses, or the goods are likely to be returned.

The Group has a practice of recognising as contractual obligations a consideration recevied in respect of performance obligations not yet fulfilled, and presents them in the Statement of Financial Position as other liabilities. Likewise, if the Group fulfills a performance obligation prior to receiving the consideration due, it will recognise it in the statement of financial position either a contractual asset, or receivables depending on whether anything else is required in addition to the time needed to receive the consideration.

### 2.11.1 Revenue Recognised over Time

**Rendering of Services**

The services that the company renders include revenue from rent, transport services and other services.

**Measurement**

Revenue is measured based on the transaction price determined for every contract. When determining the transaction price, the Group takes into account the terms and conditions of contract and its usual business practices.

The transaction price is the amount of consideration that the Group expects or is entitled to in exchange for transfering promised goods or services to a customer, save for any amounts collected on behalf of third parties (such as value added tax). The consideration promised in a contract with a customer may include fixed amounts, variable amounts or both.

When (or if) a performance obligation is satisfied, the Group will recognise as revenue the transaction price (which excludes any approximate measurements of the variable consideration that implies restrictions) that referred to such performance obligation.

The Group also considers if a contract contains other promises that constituted separate performance obligations, to which a certain part of the transaction's price has had to be allocated.

The effect of the variable consideration, the existence of any significant components of financing, the non-monetary consideration and consideration due the the customer (if any) have been taken into account when determining the transaction price.

### 2.11.2 Revenue Recognised at a Point in Time

**Sale of Goods**

The sale of goods includes goods and production. Revenue is recognised where the Group has transferred to the buyer the control over the delivered goods. Control is deemed transferred to the buyer if the latter acceps the goods without any objections.

Revenue from the sale of goods and production not related to a future after-sales service contracts, is recognised as at the time of delivery. Where the goods require adjustment to the needs of the customer, modification or integration, the Group has applied methods that take into account any resources used.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2023 (CONTINUED)**

Where the sale of goods would involve customer loyalty rewards, such rewards are allocated within the transaction price and sre recognised as contractual liabilities. The consideration received is allocated among the separate performance obligations included in the sales contract based on their unit selling prices. Revenue from this type of sales is only recognised when the customer does exchange the rewards granted for products delivered by the company.

**Other Revenue**

The profit (loss) from the sale of property, plant and equipment, intangible assets is presented as other other revenue/(expenses).

Finance income is given as net of finance costs in the Statement of Profit or Loss and Other Comprehensive Income and includes:

- ✓ Loan and fixed-term deposit interest which is recognised in proportion to the period of time based on the effective interest method;
- ✓ Positive differences resulting form exchange rate changes related to cash, trade payables or receiveables that are denominated in a foreign currency.

**Finance Income**

Finance income is initially accounted for as deferred income (financing) where there is significant certainty that the Group will receive such financing and will meet the conditions on which it has been provided. Financing intended to compensate the Group against costs incurred to acquire assets, is recognised as finance income based on the proportionally allocated amortisation of the assets acquired therewith.

### 2.12 Operating Expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or as incurred.

The Group reports two types of expenses related to the fulfillment of contracts with customers for the delivery of services /goods/: costs to execute a contract and costs to fulfil a contract. Where the costs have not not meet the deferral requirements of IFRS 15, they are recognised as current when incurred if, for example, no return thereof is expected or their deferral period is up to one year.

The following operating expenses are always recognised as curent expenses at the time incurred:

- ✓ General administrative expenses (unless borne by the customer);
- ✓ Expenses incurred for the scrapping of inventories;
- ✓ Expenses pertinent to obligation performance;
- ✓ Warranty expenses are recognised and subtracted from the provisions related thereto when recognising the relevant period.
- ✓ Thre recognition of deferred charges as current expenses is deferred to the period during which the relevant contracts are fulfilled.

### 2.13 Interest Costs and Borrowing Costs

Interests costs are reported as incurred using the effective interest method.

Borrowing costs largly comprise any interest charged on Group borrowings. Any borrowing costs that may be directly attributed to the purchase, construction or production of one qualifying asset, are capitalised in the period when the asset concerned is expected to be completed and rendered ready for its intended use or sale. Other borrowing costs should be recognised as expenses in respect of the period when incurred by reporting them in the statement of profit or loss and other comprehensive income in the line reading “Finance costs”.

The Group has presented all liabilities resulting from borrowings intended to provide working capital, such as lines of credit, revolving credit, or letters of credit, as current liabilities given the procedures of lending banks to review loan conditions every 12 months.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2023 (CONTINUED)**

Finance costs are included in the consolidated statement of profit or loss and other consolidated income by being presented net of finance income, and comprise:

- ✓ Interest expense in respect of loans or leases;
- ✓ Bank charges and other direct costs related thereto;
- ✓ Negative exchange rate differences resulting from revaluation of exchange rates that have to do with cash, trade receivables and payables denomiated in a foreign currency.

## 2.14 Property, Plant and Equipment

### Recognition and Measurement

Every single item of property, plant and equipment is to be recognised as an asset subject to the criteria laid down in IAS 16 *Property, Plant and Equipment*.

Items of property, plant and equipment are presented at acquisition price, which includes the delivery price, all non-refundable taxes and fees, and any costs directly attributable to bringing the asset to the condition necessary for it to be capable of operating in the manner intended by management.

The value of self-constructed assets includes the price of materials, direct labour, other costs attributable to rendering the asset ready to use, and the costs of dismantling and removing the asset and restoring the site on which it is located.

The selected materiality threshold in respect of property, plant and equipment of the Group is EUR 250.00. Any assets acquired below that threhold, regardless if qualifying as long-term assets, are recognised as current expenses when incurred.

Any borrowing costs that may be deemed as directly attributable to the acquisition, contruction or production of an asset, are included in the value of said asset. Such borrowing expenses are capitalised as a part of the assets cost where they are likely to result in future economics benefits to the entity and costs may be valued reliably. Other borrowing costs are recognised as expenses in the period when incurred.

Subsequent measurement has been carried out at acquisition cost less any accumulated depreciation and any accumulated impairment losses by using the acquisition cost model. Impairments are accounted for as expenses and are recognised in the statement of profit or loss and other comprehensive income for the period concerned.

Gains or losses resulting from derecognition of property, plant and equipment are determined when the proceeds from the sale of the asset are compared to the carrying amount of said asset and are recognised net in the Statement of Profit or Loss and other Comprehensive Income.

### Subsequent Costs

Costs incurred for repair and maintenance are recognised as current in the period when incurred. Any subsequent costs incurred are added to the carrying amount of the asset or are reported as a separate asset only where the Group was expected to gain fiture economic benefits related to the use of that asset and where their reporting cost can be measured reliably. The carrying amount of those parts that had been replaced, has been derecognised. All other maintenance and repair costs are reflected in the consolidated statement of Profit or Loss and Other Comprehensive Income in the period when incurred.

### Subsequent Measurement

Subsequent measurement of property, plant and equipment was carried out at acquisition cost less any accumulated depreciation and any accumulated impairment losses. Impairments are accounted for as expenses and are recognised in the consolidated statement of profit or loss and other comprehensive income for the period concerned.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2023 (CONTINUED)**

Depreciation was charged based on the useful life determined for every asset at acquisition by consecutively applying the straight-line method. Depreciation of assets commences whenever they become available for use.

In view of the future economic benefits embodied in every asset and consumed by the entity in the process of using thereof, the useful life of every single asset has been revised. When revising the useful life, the effect of the following factors was considered:

- ✓ the expected usage of the asset by the entity;
- ✓ the expected physical wear and tear;
- ✓ technical or commercial obsolescence;
- ✓ legal or similar limits on the use of the asset.

Property, plant and equipment acquired under leases are depreciated based on the expected useful life determined in comparison with similar assets owned by the Group, or based on the term of lease, if shorter.

As a result of the measurement performed of the useful life of every single item of property, plant and equipment, new useful life and depreciation rate have been determined, referring to the entire period in which the asset is to be used by the entity. The estimated useful lives in years by groups of assets are as follows:

| | |
|---|---|
| Buildings | 25 and 50 years |
| Lease property in line with IFRS 16 | 2 and 10 years |

| | |
|---|---|
| Machinery | 5-10 years |
| Transport equipment | 4-8 years |
| Fixtures and fittings | 2-10 years |
| Office equipment | 7 years |
| Computers | 2-5 years |

Improvements to rented assets over the period of use of the asset

Depreciation costs appear in the Statement of Profit or Loss and Other Comprehensive Income in the “Depreciation Costs” line.

No depreciation is charged on the costs to acquire items of property, plant and equipment that have not been put into operation. Land is not depreciated owing to the understanding that it has an unlimited useful life. Its useful life is revised at the end of every period to determine whether events and conditions still favour the useful life being assessed as unlimited.

## 2.15 Intangible Assets

### ✓ Goodwill

Goodwill is the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognised. Refer to Note 2.6 for more information on the initial determination of goodwill. For the purposes of impairment testing, goodwill is allocated to every cash-generating unit of the Group (or to groups of cash-generating units) that is expected to benefit from the business combination, regardless of whether other assets or liabilities of the acquiree are also allocated to such units. Goodwill is valued at acquisition cost less any accumulated impairment losses. Refer to Note 0 for more information on impairment testing.

Where a cash-generating unit is derecognised, the respective portion of goodwill was included when determining the gains or losses from derecognition.

Following initial recognition in line with the requirements of IFRS 3, goodwill is not subject to amortisation.

### ✓ Other Intangible Assets

**Recognition and Measurement**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2023 (CONTINUED)**

Every single asset is to be recognised as intangble subject to the criteria laid down by IAS 38 *Intangible Assets* if, and only if:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity;

- the cost of the asset can be measured reliably.

When acquired, externally generated intangible assets are measured at acquisiton cost that includes the purchase price plus any non-refundable taxes, and any expenses related to getting the asset ready for its intended use.

After initial recognition, an intangible asset is carried at its cost less any accumulated amortisation and any accumulated impairment losses using the acquisition model. Impairments are accounted for as expenses and are recognised in the statement of profit or loss and other comprehensive income.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use. The gain or loss arising from the derecognition of an intangible asset is determined as the difference between the disposal proceeds and the carrying amount of the asset and is recognised net in the Statement of Profit or Loss and Other Comprehensive Income.

The selected materiality threshold in respect of the entity's intangible assets is EUR 250.00.

**Subsequent Expenditure**

Expenditure related to the maintenance of intangible assets is recognised as expenses when incurred, unless it forms part of the value of an intangible asset that qualify for recognition.

**Amortisation**

Amortisation is charged in the statement of profit or loss and other comprehensive income based on the straight-line method and depending on the expected useful life of intangible assets. Amortisation begins when the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the management. Amortisation shall cease at the earlier of: the date that the asset is classified as held for sale or the date that the asset is derecognised.

The useful life of existing intangible assets has been revised, with due consideration given to the effect of a number of factors, such as:

- the expected usage of the asset and whether it is dependent upon the useful lives of other assets of the entity;
- public information on estimates of useful lives of similar assets that are used in a similar way;
- obsolescence;
- stability of the industry and the influence of competitors;
- the level of maintenance expenditure required to obtain the expected future economic benefits from the asset;
- legal limits on the use of the asset.

As a result of the measurement performed of the useful life of every single intangible asset, a useful life and amortisation rate are determined, referring to the entire period in which the asset shall be used by the Group entity. The estimated useful lives are as follows:

| | |
|---|---|
| Trademarks | 25 years |
| Software | 2 - 10 years |
| Online shops | 10 years |
| Franchise model | 5-10 years |

### 2.16 Impairment of Non-Financial Assets

As at the date of publication of the consolidated financial statements, the management had made an assessment of whether there are any indications that any property, plant, equimpent, intangible assets, investment property, investment, materials, inventories, receivables and goodwill may be impaired. If there are such indications, an estimation of the recoverable amount of the asset concerned is to be made. Where it is not possible to determine the recoverable amount for a separate asset, the Group determines the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or of a cash-generating unit) is less than its carrying amount, it is reduced to its recoverable amount. Any impairment loss is recognised immediately in loss in the Statement of Profit or Loss and Other Comprehensive Income.

In case of recovery of impairment loss, the carrying amout of the asset (or of a cash-generating unit) is increased up to its changed recoverable amount. Said increase is to be up to the carrying amount that would have been determined, if no inpairment loss regarding the asset concerned had been recognised in previous periods. Recovery of impairment loss is recognised immediately in profit in the Statement of Profit or Loss and Other Comprehensive Income.

Impaiment loss is recognised for a cash-generating unit with allocated goodwill only if the recoverable amount of such unit is less than its carrying amount. The loss reduces the carrying amount of any assets contained in the cash-generating unit by first reducing goodwill, and then the amount of the assets contained in the cash-generating unit in proportion to the share of their carrying amount in the total amount of the unit. Goodwill impairment loss is not recovered.

Following an analysis carried out by the management, as at 30 June 2023 it was esteblished that there were indications at hand necessitating the impairment of current inventories owing to obsolete goods and design. A licensed appraiser was engaged to valuate the non-current assets of the Group as at the date of the business combination, i.e. 8 December 2022, whereby said assets are presented herein at fair value at 30 June 2023.

### 2.17 Inventories

Inventories are presented at the lower of acqusition cost and net realisable value. The acquisition cost comprises the cost of purchase, transportation costs, customs duties and other similar costs directly attributable to the acquisiton of inventories. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase.

The costs of conversion of inventories include costs directly related to the units of production and also include a systematic allocation of fixed and variable production overheads that are incrred in converting materials into finished goods. Fixed production overheads are those indirect costs of production that remain relatively constant regardless of the volume of production. Variable production overheads are those indirect costs of production that vary directly, or nearly directly, with the volume of production. Variable production overheads are allocated to each unit of production on the basis of the actual use of the production facilities. The allocation of fixed production overheads to the costs of conversion is based on the normal capacity of the production facilities.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The Groups determines the costs incurred for inventories by applying the method of specific identification of costs attributed to items of inventory.

### 2.18 Financial Instruments

#### Recognition and Derecognition

Financial assets and financial liabilities are recignised when the Company becomes a party to the contractual provisions of the instrument.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2023 (CONTINUED)**

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or the financial asset and substantially all risks and rewards are transferred.

Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled or expires.

**Classification and Initial Measurement of Financial Assets**

Initially financial assets are measured at fair value as adjusted with the transaction costs, save for the financial assets at fair cost through profit, loss or trade receivables that do not contain a significant financing component. The initial measurement of financial assets at fair value through profit or loss is not adjusted with transaction costs that are recognised as current costs. The initial measurement of trade receivables that do not contain a significant financing component is the transaction costs as per IRFS 15.

Depending on the manner of subsequent reporting, financial assets are classified in one of the following categories:

- loan instruments at amortised cost;
- financial assets through profit or loss;
- financial assets at cost through other comprehensive income with or without reclassification in profit or loss based on whether they are loan or equity instruments.

Financial assets are classified based on the two conditions below:

- the Company's business model for managing financial assets;
- the contractual cash flow characteristics of the financial asset.

All profit and loss related to the financial assets that are recignised in profit and loss, are included in finance costs, finance income or ither finance items, less the impairment of trade receivables which is presented in the "other expenses" line of the Statement of Profit and Loss and Other Comprehensive Income.

**Financial Assets at Amortised Cost**

Financial assets are measured at cost only if the assets meet the following conditions and have not been designated as measurable at fair value through profit or loss:

- the company manages the assets within a business model whose objective is to keep the financial assets or to collect their contractual cash flows;
- 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.

This category includes non-derivative financial instruments such as loans or receivables with fixed or determinable payments that are not not quoted in an active market. Following initial recognition, they are measured at amortised cost using the effective interest method. No discounting takes place where the effect thereof is insignificant. In that category the company classifies cash, trade and other receivables and receivables under granted loans.

✓ **Trade and Other Receivables**

Trade receivables are amounts owed by customers for sold goods or services provided in the ordinary course of business. They are usually due for settlement shortly and are therefore classified as current. Trade receivables are initially recognised in the amount of the unconditional consideration unless they contain significant financing components. The company holds trade receivables for the purpose of generating the contractually agreed cash flows and therefore measures them at amortised cost, applying the effective interest method. No discounting takes place where the effect thereof is insignificant.

Trade and other receivables in EUR have been measured at the cost of their occurrence, whereas those denominated in a foreign currency – at the closing rate of the BNB at the end of the reporting period and have been reduced with the accrued impairment due to expected credit losses.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2023 (CONTINUED)**

✓ **Receivables under Granted Loans**

Receivables under granted loans comprise loans granted subject to loan agreements. According to the assessment of the Group's financial model, these financial assets are held for the purpose of receiving the contractual cash flows – principal and interest payments. Such assets are subsequently measured at amortised cost as the effective interest method applies. The amortised cost is reduced with the impairment losses. Interest income, gains or losses resulting form currency exchange differences and impairments are recognised in profit or loss. Any profit ot loss resulting from derecognition is recognised in profit or loss.

✓ **Cash**

Cash in EUR is measured at nominal value, whereas the cash denominated in a foreign currency is measured at the closing rate of the BNB at 30 June 2023. For the purpose of preparing the Statement of Cash Flows, cash and cash equivalents are presented as avasilable funds in the bank accounts, cash in hand, as well as any non-recovered petty cash advances.

The company presents its cash flows from operating, investing and financing activities in a manner which is most appropriate to its business. Classification by activity provides information that allows users to assess the impact of those activities on the financial position of the company and the amount of its cash and cash equivalents.

✓ **Impairment of Financial Assets**

The impairment requirements as per IFRS 9 use forward-looking information to recognize the expected credit losses – the "expected credit losses" model.

The instruments that fall within the scope of those requirements include loans and other debt finance assets measured at amortised cost and trade receivables such as loan commitments.

The recognition of credit losses no longer depends on the occurrence of a credit losses event. Instead, the company considers a wider scope of information when assessing credit risk and measuring expected credit losses, including any past events, current conditions, reasonable and supporting forecasts that affect the expected collectability of the future cash flows that the instrument will yield.

Whan applying this forward-looking approach, a distinction is made between:

- financial instruments whose credit quality has not worsened significantly relative to the time of initial recognition or whose credit risk is low (Phase 1) and
- financial instruments whose credit quality has worsened significantly relative to the time of initial recognition or whose credit risk is not low (Phase 2)
- Phase 3 covers financial assets with reference whereof there is objective evidence of impairment at the reporting date. None of the company's financial assets belongs to that category.

12-month expected credit losses are recognised as belonging to the first category, whereas the expected losses for the entire lifetime of the financial instruments are recognised as belonging to the second category. Expected credit losses are determined as the difference between all contractual cash flows that are due to the company and the cash flows that it actually ecpects to receive ("cash shortfalls"). Said difference has been discounted at the original effective interest rate (or credit-adjusted effective interest rate).

The manner of calculation of expected credit losses is determined based on the probability weighted estimate of credit losses over the expected life of financial instruments.

The Group does not apply the foregoing criteria to insured receivables up to the amount of the secured coverage.

**Financial Liabilities at Amortised Cost**

✓ **Trade and Other Payables**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2023 (CONTINUED)**

Trade and other payables that have occurred as a result of received assets, services or cash resources not classified as financial liabilities reported at vair value through the Statement of Profit or Loss and Other Comprehensive Income, are presented at amortised cost in the consolidated statement of financial position. Short-term payables are not amortised.

### ✓ Interest-Bearing Borrowings

Interst-bearing borrowings are initially recognised in the Consolidated Financial Statements at fair value, determined by reducing the cash receipts with the costs inherent in the transaction. Following their initial recognition, interest-bearing borrowings are measured at amortised cost, with any difference between the initial amount and the maturity amount being reported in the statement of profit or loss and other comprehensive income for the period of time over which the borrowing was used based on the agreed interest rate. Any interest-bearing borrowing the occurrence of which had not involved any transaction costs, are not amortised. Similar treatment is given to overdraft and credit line facilities where the recepient is entitled to repeatedly draw down on or repay the loan within the pre-agreed limit.

Bank borrowings are intended to fund the operating and investment costs of the Group, as well as to cover the multiple issuance of bank guarantees or opening letters of credit in favour of specific suppliers.

### 2.19 Leases

### ✓ The Group as a Lessee

The Group assesses, with respect to every new contract executed, whether it is or contains a lease. Lease is defined as "a contract or a part of contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration". To implement said definition, the Group makes three major assessments:

- whether the agreement contains an identified asset that is explicitly specified in a contract, or is identified by being implicitly specified at the time that the asset is made available for use
- the Group has the righ to obtain substantially all of the economic benefits from the use of the asset throughout the entire period of its use within the defined scope of its right to use the asset as per the contract;
- the Group has the right to direct the use of an identified asset throughout the period of use.

The Group assesses whether it has the right to direct "how and for what purpose" the asset is used throughout the period of use

**Lease Recognition and Measurement by the Company as a Lessee**

At the lease commencement date, the Group measures the right-of-use asset and the lease liability in the Statement of Financial Position. The right-of-use asset is measured at acquisition cost which comprises the amount of the initial measurement of the lease liability, any initial direct costs incurrred by the Group, an estimate of the costs to be incurred by the lessee in dismantling and removing the underlying asset at the end of the lease contract, and any lease payments made before the the commencement date (minus any lease incentives received).

The Group depreciates the asset by applying the straight-line method from the commencement date to the earlier of: the end of the useful life or the end of the lease term. The Group also performs an impairment review of the right-of-use assets where shuch indicators are at hand.

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date as discounted using the interest rate implicit in the lease, provided that such rate can be readily determined, or using the incremental borrowing rate of the Group. To determine the incremental borrowing rate, the Group uses interest rate applicable from the last financing of a Group entity by third parties duly adjusted to reflect the in financing conditions that may have occurred since that last financing.

Lease payments included in the measurement of the lease liability comprise fixed lease payments (including in-substance fixed payments); variable lease payments that depend on an index or a rate; amounts expected to be payable by the lessee under residual value guarantees; and the exercise price of a purchase option if the lessee is reasonably certain to exercise that option.

Following the commencement date, the lease liability is reduced with the amount of any payments made and is increased with the amount of the interest. The lease liability is remeasured to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

Where the lease liability is remeasured, the respective adjustment is reflected in the right-of-use asset or is recognised in profit or loss if the carrying amount of the right-of-use asset has already been reduced to zero.

The accounting policies, as recognised according to IFRS 16, that the Group pursues to report the right-of-use assets are disclosed in note 2.14.

The Group has chosen to report short-term leases and leases of low-value assets by applying the practical expedients provided in the standard. Rather than recognising righ-of-use assets and lease liabilities, any payments related therto are recognised as an expense in profit ot loss using the straight-line method over the lease term.

In the statement of financial position, the right-of-use assets include property, plant and equipment, whereas lease liabilities are presented on a separate line.

### 2.20 Associates

For the purpose of preparing these consolidated financial statements, the persons who are members of the key management personnel of the Group, as well as their close family members are treated as associates. Detailed information on the operations with associates and the accounts related thereto at the end of the year are presented in Note **Error! Reference source not found.**4.

### 2.21 Income Taxes

Current tax assets and/or liabilities are the payables or receivables to or from the budget that refer to the current period and heve not yet been paid at the date of the balance sheet. They have been calculated using the applicable tax rate and income taxation rules in effect in the period concerned, based on the taxable financial result for the period. Any changes in tax assets or liabilities have been recognised as an element of tax expenses in the Statement of Profit or Loss and Other Comprehensive Income. In these Consolidated Statements, current taxes have been determined by adding together the current tax of each of the Group entities based on the taxable profit for the period as shown in the separate tax return of the parent and each subsidiary. The effective tax rate applied is in line with the tax laws in effect in each country at the date of statement.

Deferred taxes are calculated using the passive method for all temporary differences. This includes a comparison between the carrying amount of the assets and liabilities and their respective tax base. In accordance with the requirements of IAS 12, deferred taxes are not recognised in connection with: goodwill, temporary differences having to do with shareholdings in subsidiaries and joint ventures, if the reversal of these differences can be controlled by the company and it is probable that the reversal will not occur in the foreseeable future. Existing tax losses are measured in terms of available criteria for recognition in financial statements, prior to reflecting a deferred tax asset. Such shall be recognised if its is likely to be realised through future tax profit.

Liabilities related to deferred temporary differences are recognised in full. Assets related to deferred temporary differences are recognised only to the extent that thay are likely to be utilised through future tax profit.

Deferred tax assets and liabilities are offset only when the Group has the right and intention to offset current tax assets or liabilities from the same tax authority.

Any change in deferred tax assets or liabilities is recognised as a component of tax income or expense in profit or loss, unless they are related to positions recognised in the other comprehensive income (such as land revaluation) or directly in equity, in which case the relevant deferred tax is recognised in the other comprehensive income or equity.

To determine the amount of assets and liabilities related to deferred taxes, tax rates are used that are expected to apply to the period in which they shall be realised.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2023 (CONTINUED)**

A significant portion of the changes in deferred tax assets or liabilities is reflected as a component of the tax expense in the Statement of Profit or Loss and Other Comprehensive Income for the period following the annual revision of their carrying amounts.

When calculating the deferred tax assets and liabilities as at 30 June 2023, the Group has used the following tax rates 9%, 10%, 15%, 16%, 18%, and 22%, whereas those applicable in 2023 are 9%, 10%, 15%, 16%, 18%, and 22% .

## 2.22 Equity

Equity is the capital of the parent that reflects the nominal value of the issued shares.

Reserves include the legally required statutory reserves of the parent, as well as the ownership interest held in such reserves of subsidiaries, as were formed following the date of acquisition.

The financial result includes the current financial result and any retained earnings from previous years.

For the purposes of the consolidated financial statements, the foreign companies had translated their financial results and position into EUR. Any exchange differences have been recognised as a separate component of equity.

## 2.23 Pension and Other Employee Benefits

The Group has not developed and does not apply any post-employment employee benefit plans or any other post-employment long term benefits or benefit plans in the form of share-based payment or payment based on equity stakes.

The contribution and pension plans implemented by Group companies in their capacity as employers are based on the statutory regulations in effect in the relevant countries and constitute fixed-contribution plans. Under those plans, the employer makes monthly payments of legally stipulated contrubutions and has no other legal or constructive payment obligation.

As at the date of every consolidated statement of the Bulgarian Group companies, a measurement had been made of the expected cost of accumulating paid absences that are expected to be paid as a result of the unused entitlement that has accumulated within 12 months following the date of the reporting period, during which the employees have rendered the services related to such entitlement. The measurement includes the undiscounted estimate of costs of benefits themselves and the costs of compulsory social security contributions that the employer is obliged to make with respect to those amounts.

As per the Labour Code, the employer is obliged, when reaching pensionable age, to provide employees with compensation, which, depending on their length of service, may vary from 2 to 6 gross salaries as at the date employment ends. Based on its characteristics, this payment constitutes a defined benefits plan.

## 2.24 Other Provisions, Contingent Assets, Contingent Liabilities

Those provisions that constitute present obligations of the Group resulting from past events, and it is probable that an outflow of resources will be required to settle the obligations, are recognised as liabilities. Provisions are recognised provided that the following conditions are met:

- the Group has present obligations as a result of past events;
- it is probable that an outflow of resources will be required to settle the obligation;
- a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the date of the balance sheet. In reaching such best estimate, the company takes into account the risks and degree of uncertainty that surround many events and circumstances, as well as the effect of the time value of money where it is material.

The possibility of reimbursement by third parties in respect of a given liability of the company, are recognised as a separate asset. That asset, however, cannot exceed the amount of the provision at issue. Provisions are reviewed at the date of the balance sheet and adjusted to reflect the current best estimate at the date of the balance sheet.

If it is no longer probable that an outflow of resources will result from a current obligation, such obligation is not recognised, unlesss it refers to a business combination.

The Group does not recognise contingent assets, since this may result in the recognition of income that may never be realised.

## 2.25 Russian invasion of Ukraine – Influence, Effects, Measures and Steps Taken

Russia commenced a full-scale invasion of Ukraine on 24 Fenruary 2022. As a result, the European Union, the U.S., the UK and other countries imposed sanctions on Russia and Belarus. The business of the company has experienced no direct effect from the invasion of Ukraine and the imposed sanctions, as the company has no direct clients and suppliers in Ukraine, Russia, or Belarus.

## 2.26 Accounting Assumptions and Accounting Estimates

The application of the IFRS requires that the management make certain accounting assumptions and accounting estimates when preparing the annual financial statements and determining the value of assets, liabilities, income, expenses and contingent assets and liabilities. Any changes in accounting estimates already made are reflected in the period when they became known, as well as in future periods, if affected by the change.

All accounting estimates and assumptions have been performed on the basis of the best estimade made by the management as at the date of issue of the financial statements. Estimates and assumptions are revised regularly and mandatorily at the date of preparing the statement of financial position. Actual results may differ from those presented in these financial statements. Any units that imply a higher degree of subjective assessment or complexity or where assumptions and estimates are essential to the financial statements.

The significant estimates of the management when implementing the accounting policy of the Group that have the most material impact on the the consolodated financial statements are described below. The main sources of uncertainty when using accounting estimates, are described in Note 2.27.

### 2.26.1 Control over the Elmark Holding ED Subsidiary

Note 1.1 mentions that Elmark Holding ED is a subsidiary of the Group, although it only holds 30.46% of the voting rights therein. When decigind whether control might be deemed to exist over Elmark Holding ED, the management has taken into account the stipulations of the amended Articles of Association of Elmark Holding ED and has concluded that the Group is practically capable of managing the respective actitivities of Elmark Holding ED and, thereore, control is at hand.

### 2.26.2 Deferred Tax Assets

The assessment of the probability of future taxable income for the utilization of deferred tax asset is based on the last budget estimate, as adjusted in respect of any significant non-taxable profit and loss and any specific restrictions in carrying any unused tax losses or tax credits. The tax rates applicable in the various jurisdictions where the Group operates are also taken into account. If a reliable firecast of taxable income implies the probable utilisation of a deferred tax asset, especially where the asset may be utilised without any time restrictions, the deferred tax asset is recognised in full. the management decides on a case-by-case basis whether to recognise deferred tax assets that are subject to specific legal or economic restrictions or uncertaintiy, based on the case-specific facts and cirumstances.

### 2.26.3 Lease Term

When determining the lease term, the management takes into account any and all relevant facts and circumstances that create an economic incentive to exercise an option to extend the lease or not to exercise an option to terminate the lease. The options to extend the lease (or the periods following the options to terminate the lease) are included in the lease term only if it is reasonably certain that the lease is extended (or is not terminated).

The following factors are most appropriate to the lease of warehouses, stores and equipment:

- significant penalties for terminating (or not extending) the lease, the Group is usually certain to extend (or to not terminate) the lease.

- If it is anticipated that any leasehold improvements will have significant residual value, the Group will usually with reasonable certainty extend the lease (or will not terminate it).

In other cases the Group revises other factors as well, including the historical term of lease and the business costs and rearrangements needed to  substitute the lease asset.

Most options to extend the office and vehicke agreements do not form part of lease commitments, as the Group can substitute the assets without incurring significant costs or rearranging the business.

The term of lease is reassessed if the option is indeed exercised (or not exercised) or the Group undertakes to exercise (or not to exercise) it. The assessment of reasonable certainty is revised only upon the occurrence of a significant event or a significant change in circumstances that is within the control of the lessee and affects said assessment.

## 2.27 Measurement Uncertainty of Accounting Estimates

When preparing the consolidated financial statements, the management has made a number of assumptions and estimates in terms of the recognition and measurement of assets, liabilities, profit and loss.

Actual results may differ from the management's assumptions and estimates and rarely fully conform to the resuls measured in advance.

When preparing these consolidated financial statements, the managament's significant assessments when applying the accounting policies of the Group and the primary sources of uncertainty of accounting estimates do not differ from the ones disclosed in the annual consolidated financial statements of the Group as at 31 Decemebr 2021.

Information of the significant assumptions and estimates that exert the most material impact on the recognition and measurement of assets, liabilities, profit, and loss is provided below.

### 2.27.1 Impairment of Non-Financial Assets and Goodwill

The amount recognised as impairment loss is the amount by which the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. To determine the value in use, the Group calculates the future cash flows expected to be derived from every cash-generating unit and determines the appropriate discount rate to calculate the current value of such cash flows (refer to Note **Error! Reference source not found.**). When calculating future cash flows, the management makes assumptions as to future gross profit. Those assumptions have to do with future events and circumstances. The actual results may differ and may necessitate significant adjustments in the Group's assets in the following reporting year.

In most cases, to determine the appropriate discount rate, an assessment is made of appropriate adjustments related to market risk and the risk factors that are specific to separate assets.

As at 30 June 2023, the Group had not incurred losses from impairment of goodwill or other non-financial assets.

### 2.27.2 Business Combinations

Upon initial recognition, the assets and liabilities of the acquired business are included in the consolidated Statement of Financial Position at their fair value. When calculating the fair value, the manegement uses measurements of future cash flows and discount rates that may, however, differ from actual results. Any changes in the measurements following initial recognition would affect the value of goodwill. During the current reporting period, no new business combinations were implemented.

The management applies various measurement techniques to determine the fair values of certain assets and liabilities acquired in a business combination.

### 2.27.3 Inventories

Inventories are measured at the lower of acqusition cost and net realisable value. When determining the net realisable value, the management takes into account the most reliable information available at the date of the estimate. The Group's principle business is subject to technological changes that may result in selling price volatility. The future realisation of the carrying amount of inventories of EUR 19,846 thousand is affected by a number of factors.

### 2.27.4 Measurement of Expected Credit Losses

Credit losses constitute the difference between all contractual cash flows that are due to the Group and all cash flows that the Group ecpects to receive. Expected credit losses are the probability weighted estimate of credit losses that require the assessment of the Group. Expected credit losses are discounted with the initial effective interest rate (or with the credit-adjusted effective interest rate regarding any purchased or initially developed financial assets with credit impairment).

### 2.27.5 Leases – Determining the Appropriate Discount Rate to Measure Lease Liabilities

Where the Group cannot readily determine the interest rate included in the lease, it applies its incremental borrowing rate (IBR) to determine the amount of lease liabilities. IBR is the of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value and similar characteristics to the right-of-use asset in a similar economic environment. Consequently, IBR reflects that, which the Group "would have to pay" and this necessitates an estimate where no observable interest rates are available (e.g. in respect of subsidiaries that do not enter into financing transactions), or where they need to be adjusted to reflect the term and conditions of lease (e.g. where the leases are not in the subsidiary's functional currency). The Group estimates the IBR using available data (such as market interest rates), when available, and is required to make company-specific estimates (such as the credit rating of the subsidiary).

### 2.27.6 Useful Life of Amortisable/Depreciable Assets

The management revises the useful life of amortisable/depreciable assets at the end of every reporting period.

As at 30 June 2023, the management has determined the useful life of assets, which constitutes the expected period of use of the assets by the Group. The actual useful life may differ from the estimate made owing to technical and other obsolescence, mostly when it comes to software and computer equipment.

## 3 ASSESSMENT AND MANAGEMENT OF FINANCIAL RISK

The Group entities are, when condicting their business, exposed to various financial risks: market risk, credit risk, liquidity risk and risk of change of future cash flows owing to changes in market interest rates. Financial risks are currently monitored, analysed and forecasted to mitigate their potential negative impact on the financial results and position of the company. The management of the company manages financial risks on an ongoing basis under the direct supervision of the Executive Director. It is the management's priority to adequately asses market circumstances and how free liquid funds are maintained, not allowing unreasonable concentration of any given risk.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2023 (CONTINUED)**

(a) Market Risk

❖ Currency Risk

Currency risks occur as a result of commercial transactions, recognised assets and labilities, and net infestments in foreign operations. They aggregate any unexpected, sudden exchange rate fluctuations that carry a risk of serious translation losses.

Most of the traded goods are imported from foreign markets, which creates a risk related to probable sudden changes in the USD exchange rate. The company sells its goods on the domestic and foreign markets, with a large portion of the proceeds being in a foreign currency, i.e. EUR. The parent and domestic subsidiaries are not exposed to any significant currency risk arising from EUR exposures. Under the Currency Board, the BGN is pegged to the EUR, which provides security when it comes to deferred payments and predictability in terms of planned expenditure. The impact caused by the USD exchange rate and the depreciation of the EUR against the USD have exerted a significant effect owing to translation losses when purchasing USD, which is the currency used to settle the accounts with the main counterparties.

The bank loans used to fund the business of the Group entities are in different currencies, more specifically, EUR, USD, and BGN, to mitigate the impact of sudden exchange rate changes in respect of any of those currencies.

So far as the foreign companies are concerned, the currency risk ranges more widely owing to the fluctuations in the exchange rates of local currencies against the EUR.

❖ Price Risk

No sudden changes have occurred in first 6 months of 2023 in the transport of goods from China to Bulgaria, yet, the Group is already exposed to a price risk owing to negative changes in the prices of both transport, and goods and the main materials used in production.

The prices of the main suppliers are also undergoing upward changes, although the practice so far has shown that price movement is smooth and predictable – it depends mostly on the launch of new or improved products, and it is consistent with the achieved market share. Inflation in China, if compared to that in Europe, is low, which allows manufacturers to compete with goods produced in Europe. The goods offered are subject to periodic analysis, revision and updates based on market changes. The Group periodically reviews the market prices at which it offers its goods in relation to general price levels, so as to be able to make smooth and gradual adjustments in these prices, if necessary.

To mitigate the impact of changes in transport prices, a framework contract was concluded with the main carrier of the Group's importing company, under which preferential prices were agreed.

❖ Risk of changes in cash flows and fair values as a result of changes in interest rates

The financial instruments that potentially expose the Group to interest rate risk are bank borrowings and deposits. As the agreed interest rate applicable to most borrowings is a fixed markup above USD Sofr and EURIBOR, the Group is potentially exposed to cash flow risk. The management considers that the interest rate risk connected with the cash flow as a result of the fluctuation in market interest rates has increased significantly in 2022, but nevertheless the Group companies do not use financial instruments to hedge it.

(b) Credit Risk

The financial assets that potentially expose the Group to credit risk are mostly trade receivables and loans granted. In general, the companies are exposed to credit risk in case their counterparties will not be able to pay in full the amounts due within the deadlines usually agreed. To limit this type of risk, the Group has taken out receivables insurance, which allows an assessment of a customer's financial position, and the insurer uses this as a basis to determine a customer's credit limit. Factoring (without regression) applies to some payments with persons external to the Group. Distributors of goods in countries where no registered subsidiaries are available, procure letters of credit or bank guarantees in the amount of their allocated limit, or take the role of customers who have been granted an approved credit limit by insurers.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2023 (CONTINUED)**

The Group exposure to credit risk is limited to the carrying amount of financial assets concerned.

The Group management considers that all assets that have not been impaired during the presented accounting periods, are assets with a high credit rating, including the matured ones. The Group is not exposed to any significant credit risk to any single counterparty or to a group of counterparties that have similar characteristics. To mitigate the credit risk from its trade receivable, the Group has purchased a master group insurance policy to cover the trade receivables of all Group entities.

Credit risk in respect of cash is considered non-significant as the counterparties are reputable banks with high external credit ratings.

(c) Liquidity Risk

Liquidity risk results from the unfavourable situation in which the company is unable to unconditionally meet all of its oblugations when due. The management of the Group pursues a conservative liquidity management policy. This allows for the maintenance of an optimum level of liquid cash, proper ability to finance its business, which includes constant monitoring of actual and estimated cash flows by periods, and daily updates as to available cash and upcoming payments.

Elmark Group companies regularly service their debts.

## 4 SALES REVENUE

| | **For the period ended 30 June 2023 Thousands of EUR** | **For the period ended 30 June 2022 Thousands of EUR** |
|---|---|---|
| Revenue from sale of goods | 10,294 | - |
| Revenue from sale of production | 1,324 | - |
| Revenue from services | 40 | 52 |
| **Total** | **11,658** | **52** |

| The revenue from services includes: | **For the period ended 30 June 2023 Thousands of EUR** | **For the period ended 30 June 2022 Thousands of EUR** |
|---|---|---|
| Revenue from transport services | 30 | - |
| Revenue from consultancy | 6 | 52 |
| Revenue from rent | 4 | - |
| **Total** | **40** | **52** |

## 5 OTHER REVENUE

| | **For the period ended 30 June 2023 Thousands of EUR** | **For the period ended 30 June 2022 Thousands of EUR** |
|---|---|---|
| Financing income | 12 | - |

| | | |
|---|---|---|
| Foreign tax refunds | 8 | - |
| Reverse manifestation depreciates assets | 22 | - |
| Other revenue | 17 | 1 |
| | **60** | **1** |

## 6 COST OF MATERIALS

| | For the period ended 30 June 2023<br>Thousands of EUR | For the period ended 30 June 2022<br>Thousands of EUR |
|---|---|---|
| Essential materials | 921 | - |
| Fuels for the activity | 158 | - |
| Advertisement materials | 32 | - |
| Packaging materials | 24 | - |
| Vehicle technical maintenance | 41 | - |
| Sample goods and commercial shelving | 19 | - |
| Goods – maintenance costs | 4 | - |
| Office materials and consumables | 15 | - |
| Assets below the materiality threshold | 7 | - |
| Hygienic and cleaning materials | 7 | - |
| Tools and spare parts | 4 | - |
| Work clothes | 3 | - |
| **Total** | 1 233 | - |

## 7 COST OF EXTERNAL SERVICES

| | For the period ended 30 June 2023<br>Thousands of EUR | For the period ended 30 June 2022<br>Thousands of EUR |
|---|---|---|
| Electric power | 87 | 3 |
| Consultancy | 157 | 4 |
| Insurance | 26 | - |
| Transportation of goods | 174 | - |
| Courier services | 56 | - |
| Advertising and presentations | 80 | - |
| Accounting services and audit | 74 | - |
| Rent | 42 | - |
| Repair services | 25 | - |
| Internet and telecommunication services | 30 | - |
| Charges on packaging and products | 14 | - |
| Security | 22 | - |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2023 (CONTINUED)**

| | For the period ended 30 June 2023 | For the period ended 30 June 2022 |
|---|---|---|
| | Thousands of EUR | Thousands of EUR |
| Motor vehicle taxes and vignette stickers (road toll) | 14 | - |
| Vehicle technical maintenance | 25 | - |
| Administrative services | 26 | - |
| Real property taxes and fees | 65 | - |
| Subscription services | 12 | - |
| Water supply and sewerage services | 7 | - |
| Customs services | 6 | - |
| Other services | 10 | - |
| **Total** | **952** | **6** |

## 8 EMPLOYEE BENEFITS EXPENSE

| | For the period ended 30 June 2023 | For the period ended 30 June 2022 |
|---|---|---|
| | Thousands of EUR | Thousands of EUR |
| Current remuneration | 1 778 | 26 |
| Social security and health insurance contributions owing to unused holiday entitlement | 356 | 5 |
| **Total** | **2 134** | **31** |

## 9 OTHER OPERATING EXPENSES

| | For the period ended 30 June 2023 | For the period ended 30 June 2022 |
|---|---|---|
| | Thousands of EUR | Thousands of EUR |
| Business trips | 133 | - |
| Disposal of assets | 1 | - |
| Other expenses to cover taxes and fees | 15 | - |
| Entertainment expenses | 10 | - |
| Unrecognised right of VAT deduction | 2 | - |
| Tax levied on entertainment expenses | 1 | - |
| Social costs | 3 | - |
| Otjer | 9 | 1 |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2023 (CONTINUED)**

| | | |
|---|---|---|
| **Total** | **174** | **1** |

## 10 FINANCE INCOME

| | For the period ended 30 June 2023 Thousands of EUR | For the period ended 30 June 2022 Thousands of EUR |
|---|---|---|
| Positive exchange differences | 144 | - |
| Income arising from interest charged on loans granted | 5 | 1 |
| **Total** | **149** | **1** |

## 11 FINANCE COSTS

| | For the period ended 30 June 2023 Thousands of EUR | For the period ended 30 June 2022 Thousands of EUR |
|---|---|---|
| Interest costs | 228 | 2 |
| Negative exchange differences | 132 | - |
| Other finance costs | 70 | 1 |
| **Total** | **430** | **2** |

Interest costs inlude:

- Interest charged on bank borrowings – EUR 176 thousand (2022: - EUR thousand);
- Interest due under finance leases – EUR 31 thousand (2022: EUR - thousand);
- Other interest on letters of credit – EUR 20 thousand (2022: EUR 2 thousand);

Other finance costs include:

- Bank charges and commissions – EUR 34 thousand (2022: EUR 1 thousand)
- Bank charges on letters of credit – EUR 36 thousand (2022: EUR - thousand)

## 12 INCOME TAX EXPENSE

The income tax expense that appears in the statement of profit or loss and other comprehensive income includes the amount of current income tax exspense and deferred income tax expense in line

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2023 (CONTINUED)**

with IAS 12 *Income Taxes*. The main components of income tax expense for the years ended 30 June are as follows:

| | **For the period ended 30 June 2023 Thousands of EUR** | **For the period ended 30 June 2022 Thousands of EUR** |
|---|---|---|
| Earnings before tax | 602 | 99 |
| Tax rate (2023 – 21,6% average rate; 2022 - 10%) | 21.60% | 10% |
| Estimated income tax | (130) | (10) |
| Tax effect from any increases in financial result for taxation purposes | - | 10 |
| Current income tax expenses | (130) | - |
| Total changes in deferred taxes | - | - |
| **Total expenses to cover taxes on the income as reported in the statement of profit or loss and other comprehensive income** | **130** | **-** |
| **Deferred tax (assets)** | **(115)** | **(2)** |
| **Deferred tax liabilities** | **64** | **-** |

The income tax rate applicable in 2023, 2022, and 2021 is 10% in Bulgaria, 15% in Serbia, 16% in Romania, 18% in Croatia, 10% in Hungary, 22% in Greece, 10% in Bosnia, 19% in Slovenia, 21% in Slovakia and 0% in the UAE.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2023 (CONTINUED)**

## 13 PROPERTY, PLANT AND EQUIPMENT

| *Thousands of EUR* | Land | Buildings | Right-of-use assets | Machinery and equipment | Motor vehicles | Fittings and fixtures | Computer equipment | Leasehold improve ments | total |
|---|---|---|---|---|---|---|---|---|---|
| **On 1 January 2022** | | | | | | | | | |
| Reported value | **-** | - | 261 | **-** | **-** | **-** | **1** | **-** | **262** |
| Accumulated depreciation | - | - | (87) | - | - | - | (1) | - | (87) |
| **Carrying amount** | **-** | **-** | **174** | **-** | **-** | **-** | **-** | **-** | **174** |
| **Changes in 2022** | | | | | | | | | |
| Opening balance | **-** | **-** | **174** | **-** | **-** | **-** | **-** | **-** | **174** |
| New acquisitions resulting from a business combination | **1,286** | **13,384** | **2,645** | **1,561** | **1,364** | **1,666** | **202** | **209** | **22,317** |
| Accumulated depreciation resulting from a business combination | - | (1,281) | ( 736 ) | ( 880 ) | ( 612) | ( 867) | (141) | (135) | (4,652) |
| Carrying amount of new acquisitions resulting from a business combination | **1,286** | **12,102** | **1,909** | **681** | **752** | **799** | **61** | **74** | **17,665** |
| New acquisitions after the date of the business combination | - | 178 | - | 4 | 2 | 1 | 2 | - | 187 |
| Write-offs and impairment | - | - | - | (112) | (2) | (99) | (51) | - | (264) |
| Depreciation accrued | - | (18) | (86) | (7) | (9) | (11) | (2) | (1) | (133) |
| Depreciation written off | - | - | - | 114 | 2 | 99 | 51 | - | 266 |
| **Closing balance** | **1,286** | **12,262** | **1,823** | **680** | **745** | **790** | **62** | **73** | **17,895** |
| **On 31 December 2022** | | | | | | | | | |
| Reported value | **1,286** | **13,562** | **2,907** | **1,453** | **1,363** | **1,568** | **154** | **209** | **22,501** |
| Accumulated depreciation | - | (1,299) | (910) | (774) | (618) | (778) | (92) | (136) | (4,607) |
| **Carrying amount** | **1,286** | **12,262** | **1,997** | **680** | **745** | **790** | **62** | **73** | **17,895** |
| **On 1 January 2023** | | | | | | | | | |
| Reported value | **1,286** | **13,562** | **2,907** | **1,453** | **1,363** | **1,568** | **154** | **209** | **22,501** |
| Accumulated depreciation | - | (1,299) | (910) | (774) | (618) | (778) | (92) | (136) | (4,607) |
| **Carrying amount** | **1,286** | **12,262** | **1,997** | **680** | **745** | **790** | **62** | **73** | **17,895** |
| **Changes in period 1 Jan-30 June 2023** | | | | | | | | | |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2023 (CONTINUED)**

| *Thousands of EUR* | Land | Buildings | Right-of-use assets | Machinery and equipment | Motor vehicles | Fittings and fixtures | Computer equipment | Leasehold improvements | total |
|---|---|---|---|---|---|---|---|---|---|
| Opening balance | 1,286 | 12,262 | 1,997 | 680 | 745 | 790 | 62 | 73 | 17,895 |
| New acquisitions | 292 | 1,098 | 59 | 65 | 36 | 9 | 3 | - | 1,562 |
| Write-offs and impairment | - | - | (20) | - | - | - | - | - | (20) |
| Depreciation accrued | - | (212) | (324) | (46) | (70) | (64) | (11) | (20) | (746) |
| Depreciation written off | - | - | - | - | - | - | - | - | - |
| **Closing balance** | **1,578** | **13,148** | **1,712** | **699** | **711** | **735** | **55** | **53** | **18,690** |
| | | | | | | | | | |
| **On 30 June 2023** | | | | | | | | | |
| Reported value | 1,578 | 14,659 | 2,945 | 1,518 | 1,399 | 1,577 | 157 | 209 | **24,042** |
| Accumulated depreciation | - | (1,511) | (1,234) | (819) | (688) | (842) | (102) | (155) | **(5,352)** |
| **Carrying amount** | **1,578** | **13,148** | **1,712** | **699** | **711** | **735** | **55** | **53** | **18,690** |

Right-of-use assets are included in the item where they would have been presented, if they were proprietary.

As at 30 June 2023, the Group had taken out a mortgage to secure its bank borrowings, the mortgaged properties being: a land plot of 9,129 square metres in 2 Dobrudzha Blvd. in the town of Dobrich, along with any and all buildings erected thereon, a land plot of 9, 601 square metres in 2 Dobrudzha Blvd. in the town of Dobrich, along with any and all storage facilities erected thereon, a land plot of 3,318 square metres in Karaach Area of Burgas, a real property in Karaach Area of Burgas constituting: a land plot of 5,109 square metres, alond with the building erected thereon, a land plot in 10 Perla Str., Western Industrial Area of Varna, a real property in 10 Perla Str., Western Industrial Area of Varna.

As at 30 June 2023, the costs incurred to acquire fixed assets amount to EUR 1,565 thousand.

Fixed assets had been revised as at 30 June 2023 to deternime if any impairment indications have occurred. The impairment tests had shown that no impaiemrnt indications were at hand as at 30 June 2023.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2023 (CONTINUED)**

## 14 INTANGIBLE ASSETS

| *Thousands of EUR* | Trade marks | Software | Online shops | Franchise model Electromarket | Total |
|---|---|---|---|---|---|
| **Carrying amount on 1 January 2022** | **-** | **-** | **-** | **-** | **-** |
| **Changes in 2022** | | | | | |
| Opening balance | **-** | **-** | **-** | **-** | **-** |
| New acquisitions resulting from a business combination | **2,265** | **446** | **43** | **31** | **2,786** |
| Newly-acquired accumulated amortisation resulting from a business combination | (842) | (291) | (18) | (13) | (1,164) |
| Carrying amount of new acquisitions resulting from a business combination | **1,423** | **155** | **26** | **17** | **1,622** |
| New acquisitions after the date of the business combination | - | 15 | - | - | 15 |
| Assets written off | - | (13) | - | - | (13) |
| Amortisation accrued | (6) | (3) | - | (1) | (9) |
| Amortisation written off | - | 16 | - | - | 16 |
| **Closing balance** | **1,418** | **171** | **26** | **17** | **1,631** |
| **On 31 December 2022** | | | | | |
| Reported value | **2,265** | **448** | **43** | **31** | **2,788** |
| Accumulated amortisation | (847) | (278) | (18) | (14) | (1,157) |
| **Carrying amount** | **1,418** | **171** | **26** | **17** | **1,631** |
| **On 1 January 2023** | | | | | |
| Reported value | **2,265** | **448** | **43** | **31** | **2,788** |
| Accumulated amortisation | (847) | (278) | (18) | (14) | (1,157) |
| **Carrying amount** | **1,418** | **171** | **26** | **17** | **1,631** |
| **Changes in period 1 Jan-30 June 2023** | | | | | |
| Opening balance | 1,418 | 171 | 26 | 17 | 1,631 |
| New acquisitions | 16 | 1 | - | - | 18 |
| Write-offs and impairment | - | - | - | - | - |
| Depreciation accrued | (29) | (8) | (1) | (2) | (40) |
| **Closing balance** | **1,405** | **164** | **24** | **15** | **1,609** |
| **On 30 June 2023** | | | | | |
| Reported value | 2,281 | 449 | 43 | 31 | **2,804** |
| Accumulated depreciation | (876) | (285) | (19) | (15) | (1,196) |
| **Carrying amount** | **1,405** | **164** | **24** | **15** | **1,609** |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2023 (CONTINUED)**

An impairment test had been carried out as at 30 June 2023 to check for any indications for impairment of the Group's intangible assets, which found that no impairment indications were at hand.

The Group has not pledged other intangible assets to secure any of its debts.

## 15 CONSOLIDATION BASIS

### 15.1 Acquisition of Control over Elmark Holding ED in 2022

ELMARK INVEST EAD has, with effect from 8 December 2022, acqired control over ELMARK HOLDING ED. The effective date of acquisition of control over the Group is 8 December 2022, with the effect of said acquisition being accounted for as at that date. The ownership interests that correspond to the non-controlling equity interest is 67.57%.

The shareholders of the European limited company (societas Europaea) Elmark Holding ED passed a resolution in 2022 to have the registered office of the company moved to another Member State of the European Union (EU) in 2024 to promote the Group in Western Europe, boost its image and strengthen the trust in the Elmark Group. If ELMARK HOLDING ED is to be listed on the Bulgarian Stock Exchange, it will then not be allowed by the latter to move its registered office to another EU Member State due to the legal restriction imposed by the Bulgarian Stock Exchange. For this reason, and so that Elmark Holding ED may have its registered office moved, the shareholders passed a resolution in 2022 for ELMARK INVEST EAD, one of the majority shareholders, to acquire control over ELMARK HOLDING ED, and to list the shares of ELMARK INVEST EAD on the Bulgarian Stock Exchange to seek potential investors. The subsequent public offering of a new issue of shares and the raising of additional capital will allow Elmark Group to expand its markets to include Western Europe and to implement the new **Home Finishing** project that involves online and offline trade in an an enhanced portfolio of products.

No major portion of the business had been discontinued on account of the business combination.

### 15.2 Non-Controlling Interest

The Group comprises one subsidiary, i.e. Elmark Holding ED with a substantial non-controlling interest (NCI).

| Name of subsidiary | Shareholding and voting rights resulting from NCI | | Total comprehensive income allocated to NCI, thousands of EUR | | Accumulated NCI, thousands of EUR | |
|---|---|---|---|---|---|---|
| | **2023** | **2022** | **30.06.2022** | **30.06.2022** | **2023** | **2022** |
| Elmark Holding ED | 67.57% | 67.57% | (319) | - | 22,931 | 22,612 |

In the first half of 2023, dividends were distributed to the non-controlling interest in the amount of EUR 691 thousand. /of which EUR 576 thousand are paid in cash, set-off of receivables and transfer of receivables/.

## 16 GOODWILL

Net carrying amount of goodwill breaks down as follows:

| | 30 June 2023 Thousands of EUR | 31 December 2022 Thousands of EUR |
|---|---|---|
| Balance as at 1 January | 4,513 | - |
| Goodwill acquired during the reporting period | - | 4,513 |
| **Carrying amount as at the end of the period** | **4,513** | **4,513** |

For the purposes of the annual impairment testing, goodwill has been allocated to the following cash-generating units that are likely to benefit from the business combinations giving rise to such goodwill. As at 30 June 2023, goodwill amounts to EUR 4,513 thousand and has been accounted for as follows:

- EUR 1,272 thousand resulting from the acqusition of Elmark Group EOOD in 2008;
- EUR 3,241 thousand resulting from the acqusition of Elmark Industries AD in 2008.

The recoverable amount of cash-generating units has been determined based on the calculated fair value, as reduced with the cost of selling. No need was found to impair goodwill as at 30 June 2023.

## 17 INVENTORIES

As at 30 June 2023, in-house specialists had carried out stocktaking of inventories to determine whether conditions are at hand to implement impairment to the net realisable value of certain items. Said revision established that no impairment conditions are at hand, and that the inventories available as at 30 June 2023 did not include any stocks whose net realisable value is lower than the value reported.

| | 30 June 2023 Thousands of EUR | 31 December 2022 Thousands of EUR |
|---|---|---|
| Basic materials | 1,189 | 1,461 |
| Dispatched goods | 2,077 | 1,739 |
| Goods | 14,960 | 15,927 |
| Finished goods and work in progress | 560 | 590 |
| Basic dispatched materials | 33 | 43 |
| Other | 3 | 85 |
| **Total** | **18,821** | **19,846** |

Inventories include the value of materials and goods available in the storage facilities of the Group, any customs-supervised warehouses, and “basic dispatched materials and goods” as at 30 June 2023. “Basic dispatched materials and goods” are those inventories that, as at the day of issuing the financial statements, were on their way to Bulgaria. As per the delivery terms, the ownership of the materials and goods has been transferred to the Grop with their loading. They are of a significant value, as, once ordered, it takes somewhere between 60 to 90 days for them to arrive to the storage facilities of the company.

## 18 TRADE AND OTHER RECEIVABLES

| Non-current receivables | 30 June 2023 Thousands of EUR | 31 December 2022 Thousands of EUR |
|---|---|---|
| Eltrans Logistics EOOD – loan granted | 101 | 101 |
| Deposits and other facilities granted | 54 | 54 |
| **Total** | **154** | **155** |

| Curent receivables | 30 June 2023 Thousands of EUR | 31 December 2022 Thousands of EUR |
|---|---|---|
| Receivables from clients | 2,330 | 2,322 |
| Receivables from associate clients | 7 | 2 |
| Loans granted to associates | 24 | 173 |
| Prepayments | 67 | 63 |
| Receivables from the budget | 255 | 235 |
| Pre-paid services | 20 | 96 |
| Other receivables | 144 | 115 |
| **Total** | **2,846** | **3,006** |

Receivables from clients bear no interest and constitute receivables as a result of direct sales of goods and services less any bonuses regularly given to distributors and partners depending on the volume of deliveries.

Receivables from associates are disclosed in Note **Error! Reference source not found.**4.

Pre-paid services and subscriptions include insurance premiums, pre-paid rent and fees.

Receivables from the budget in the amount of EUR 255 thousand are related to value added tax claims and overpaid income tax.

The Group holds no assets pledged by way of security.

The management had revised the receivables for impairment and, having impaired the remaining receivables, the management is of the opinion that their current value does not differ materially from their fair value as at 30 June 2023.

## 19 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following components:

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2023 (CONTINUED)**

| | 30 June 2023<br>Thousands of EUR | 31 December 2022<br>Thousands of EUR |
|---|---|---|
| Cash on hand | 47 | 52 |
| Cash held in bank accounts | 1,306 | 1,494 |
| Cash equivalents | 72 | 27 |
| Money transferred | 13 | 20 |
| **Total** | **1,438** | **1,593** |

## 20 EQUITY

The equity of the Group is presented at nominal value, as stated in the relevant court decree that authorises the registration. The registered capital amounts to BGN 11,095,000 (EUR 5,672,783) divided into 11,095,000 registered voting shares with a nominal value of BGN 1 each. As at 30 June 2023, the sole shareholder was Jelez Georgiev Jelyazkov.

## 21 INTEREST-BEARING LIABILITIES

As at 30 June 2023, the Group is a party to the following bank loan agreements:

| Bank | Agreed amount | Original currency | interest % | 30 June 2023 Thousands of EUR | 31 December 2022 Thousands of EUR |
|---|---|---|---|---|---|
| Unicredit Bulbank AD | 500,000 | EUR | 1m. EURIBOR +markup | 337 | 417 |
| Unicredit Bulbank AD | 800,000 | EUR | 1m. EURIBOR + markup | 296 | 800 |
| Unicredit Bulbank AD | 250,000 | USD | 1m. SOFR + markup | 74 | 210 |
| Unicredit Bulbank AD | 800,000 | EUR | 1m. EURIBOR + markup | 504 | 764 |
| Unicredit Bulbank AD | 10,000 | EUR | Fixed interest rate | - | 2 |
| Unicredit Bulbank AD | 1,000,000 | USD | 1m. SOFR + markup | 694 | 797 |
| Unicredit Bulbank AD | 300,000 | EUR | 1m. EURIBOR + markup | 171 | 300 |
| Unicredit Bulbank AD | 2,820,000 | BGN | Average Deposit Index (“ADI”) + markup | 1 200 | 1 282 |
| Unicredit Bulbank AD | 2,000,000 | BGN | Average Deposit Index (“ADI”) + markup | 975 | 975 |
| Unicredit Bulbank AD | 1,000,000 | EUR | 1m. EURIBOR + markup | 1 000 | 1 000 |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2023 (CONTINUED)**

| Bank | Agreed amount | Original currency | interest % | 30 June 2023 Thousands of EUR | 31 December 2022 Thousands of EUR |
|---|---|---|---|---|---|
| Unicredit Bulbank AD | 500,000 | EUR | 1m. EURIBOR + markup | 264 | 414 |
| Unicredit Bulbank AD | 2,400,000 | BGN | Average Deposit Index ("ADI") + markup | 777 | - |
| Eurobank Bulgaria | 2,023,000 | EUR | 3m. EURIBOR + markup | 2 023 | 2 023 |
| Eurobank Bulgaria | 700,000 | USD | Fixed interest rate | 639 | 579 |
| Eurobank Bulgaria | 500,000 | EUR | 3m. EURIBOR + markup | 500 | 467 |
| Eurobank Bulgaria | 3,600,000 | BGN | PRIME Business Clients + markup | 1 692 | 1 797 |
| Eurobank Bulgaria | 1,000,000 | BGN | PRIME Business Clients + markup | 436 | 423 |
| Eurobank Bulgaria | 400,000 | BGN | PRIME Business Clients + markup | 205 | 205 |
| Eurobank Bulgaria | 1,500,000 | EUR | 3m. EURIBOR + markup | 741 | - |
| **TOTAL:** | | | | **12 529** | **12 453** |

<u>The bank loans granted by Unicredit Bulbank AD are secured with a contractual morthage taken out on:</u>

- a land plot of 9,129 square metres in 2 Dobrudzha Blvd. in the town of Dobrich, along with any and all buildings erected thereon;
- a contractual mortgage on a land plot of 9,601 square metres in 2 Dobrudzha Blvd. in the town of Dobrich, along with any and all improvements thereon and the right to construct new storage facilities;
- a land plot of 3,318 square metres in Karaach Area of Burgas;
- a land plot of 1,059 square metres in 10 Perla Str., Western Industrial Area of Varna, along with the building erected thereon with the total plot of 1,288 square metres;
- a pledge in pursuance of the Financial Security Agreements Act on any and all receivables, both current and future, in respect of the balances in any accounts that the company holds with the bank, and a pledge in pursuance of the Registered Pledges Act on short-term tangible assets in the amount of BGN 3,500,000 (EUR 1,790 thousand), as owned by Elmark Industries AD. As at 31 Decmber 2022, a registered pledge had been established in favour of Unicredit Bulbank AD in pursuance of the Registered Pledges Act, the subject matter thereof being future movable property (fixed tabgile assets).

- securing the bank's receivables by establishing a pledge on the receivables resulting from the bank accounts of Elmark Industries AD, Elmark Holding ED, Elkark Group EOOD, and Elmatk Invest EAD held with Unicredit Bulbank AD.

The following securities apply to the bank loan agreements in place with Eurobank Bulgaria AD:

- a mortgage on a land plot in 10 Perla Str., Western Industrial Area of Varna, as owned by Elmark Industries AD;
- a mortgage on a building in 10 Perla Str., Western Industrial Area of Varna, as owned by Elmark Holding ED;
- a mortgage on a land plot in Karaach Area of Burgas, as owned by Elmark Industries AD;
- seccuring the bank's receivables by establishing a pledge on the receivables resulting from the bank accounts of Elmark Industries AD, Elmark Holding ED, Elkark Group EOOD, and Elmatk Trade EOOD held with Eurobank Bulgaria AD;
- a pledge in pursuance of the Registered Pledges Act on short-term tangible assets in the amount of EUR 1,000,000, as owned by Elmark Industries AD.

## 22 LEASE LIABILITIES

### 22.1 Finance Lease

The finance lease liabilities included in the balance sheet as at 30 June are attributtable to motor vehicle acquisition agreements. They are presented net of the interest due and constitute as follows:

| | 30 June 2023 | 31 December 2022 |
|---|---|---|
| | **Thousands of EUR** | **Thousands of EUR** |
| Short-term portion of finance lease liabilities | 50 | 61 |
| Long-term portion of finance lease liabilities | 84 | 110 |
| **Total** | **134** | **171** |

Finance lease liabilities breakdown as follows:

| | 30 June 2023 | 31 December 2022 |
|---|---|---|
| Gross finance lease investment: | **Thousands of EUR** | **Thousands of EUR** |
| up to 1 year | 52 | 64 |
| between 1 to 5 years | 86 | 114 |
| **Total:** | **139** | **177** |
| Unrealised finance costs | **(5)** | **(7)** |
| Net finance lease investment | **134** | **171** |

The party to the effective lease agreements is Elmark Group EOOD – Bulgaria.

### 22.2 Lease Liabilities as per IFRS 16

The lease liabilities /long-term building leases/ that form part of the statement of financial position are presented net of the future payable interest and constitute as follows:

| Term | 30 June 2023<br>Thousands of EUR | 31 December 2022<br>Thousands of EUR |
|---|---|---|
| Up to one year | 533 | 634 |
| More than one year | 1,244 | 1,419 |
| **Total** | **1,778** | **2,053** |

**Minimum lease payments to third parties are payable as follows:**

| Term | 30 June 2023<br>Thousands of EUR | 31 December 2022<br>Thousands of EUR |
|---|---|---|
| Up to one year | 678 | 691 |
| More than one year | 1,215 | 1,505 |
| **Total:** | **1,894** | **2,197** |
| Future finance costs | (116) | (143) |
| **Present value of lease liabilities** | **1,778** | **2,053** |

## 23 TRADE AND OTHER LIABILITIES

**Non-current liabilities**

As at 30 June 2023, the Group reported provisions in the amount of EUR 81 thousand on account of retirement benefits and warranty service provisions.

| Current liabilities | 30 June 2023<br>Thousands of EUR | 31 December 2022<br>Thousands of EUR |
|---|---|---|
| Liabilities to suppliers | 693 | 886 |
| Liabilities to associates | 7 | 6 |
| Advances received | 82 | 56 |
| Employee benefits | 376 | 338 |
| Social security contributions | 94 | 93 |
| Tax liabilities | 389 | 266 |
| Other liabilities | 29 | 41 |
| Deferred income | - | 7 |
| Debt for devidends | 47 | |
| **Total** | **1,717** | **1,694** |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2023 (CONTINUED)**

Liabilities to suppliers have occurred as a result of supplies of materials, goods and services that are pertinent to the Group's ordinary business and are interest-free.

Payments to suppliers are performed as advance payments effected when placing the purchase order, and balance payment upon delivery. Suppliers charge no interest. Bank letters of credit apply to certain supplies. The Group has no practice of providing securities in respect of trade payables.

Liabilities to associates are disclosed in Note **Error! Reference source not found.**4.

The tax liabilities of the company are current and include:

| | 30 June 2023 Thousands of EUR | 31 December 2022 Thousands of EUR |
|---|---|---|
| Value added tax | 177 | 164 |
| Employee income tax | 36 | 9 |
| Tax on expenses | 2 | 4 |
| Income tax | 129 | 75 |
| Other taxes | 46 | 14 |
| **Total** | **389** | **266** |

## 24 ASSOCIATES

The company's associates comprise: the associates Eltrans Logistics EOOD and Bolinger EOOD by way of key management personnel and other associates as described below.

Unless explicitly stated, transactions with associates were conducted in pursuance of the arm's ltngth principle.

### 24.1 Transactions with Associates:

| **Sales** | **Transaction type** | **The period ended 30 June 2023 Thousands of EUR** | **The year ended 31 December 2022 Thousands of EUR** |
|---|---|---|---|
| Eltrans Logistics | Sale or services | 4 | 1 |
| EOOD | Loan interest | 2 | 2 |
| | Sale of goods | - | - |
| **Total** | | **6** | **3** |

| **Purchases** | **Transaction type** | **The period ended 30 June 2023 Thousands of EUR** | **The year ended 31 December 2022 Thousands of EUR** |
|---|---|---|---|
| Bolinger EOOD | Services | 24 | 47 |
| Eltrans Logistics EOOD | Services | 37 | 4 |
| **Total** | | **61** | **51** |

### 24.2 Transactions with key management personnel

| | The period ended 30 June 2023<br>Thousands of EUR | The year ended 31 December 2022<br>Thousands of EUR |
|---|---|---|
| Salaries and other remuneration (gross) | 123 | 20 |
| Social security & health insurance contributions, and other expenses payable by the employer | 16 | 3 |
| **Total** | **140** | **23** |

### 24.3 End-of-year Balances

Short-term liabilities related to business relationships:

| | 30 June 2023<br>Thousands of EUR | 31 December 2022<br>Thousands of EUR |
|---|---|---|
| Bolinger EOOD | - | 6 |
| Eltrans Logistics EOOD | 5 | 6 |
| **Total** | **5** | **12** |

Liabilities to key management personnel:

| | 30 June 2023<br>Thousands of EUR | 31 December 2022<br>Thousands of EUR |
|---|---|---|
| Salaries and other remuneration (gross) | 20 | 19 |
| Social security & health insurance contributions, and other expenses | 3 | 3 |
| payable by the employer | | |
| Other | 4 | 4 |
| **Total:** | **27** | **26** |

Short-term liabilities related to business relationships:

| | 30 June 2023<br>Thousands of EUR | 31 December 2022<br>Thousands of EUR |
|---|---|---|
| Eltrans Logistics EOOD | 7 | 3 |
| **Total** | **7** | **3** |

Receivables under loans granted (principal & interest):

| | 30 June 2023<br>Thousands of EUR | 31 December 2022<br>Thousands of EUR |
|---|---|---|
| Eltrans Logistics EOOD | 1 | 100 |
| Bolinger EOOD | | 171 |
| Jelez Georgiev | 2 | |
| **Total** | **3** | **271** |

## 25 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

As at 30 June 2023, a pledge had been established in favour of Unicredit Bulbank AD in pursuance of the Financial Security Agreements Act on any and all receivables, both current and future, in respect of the balances in any accounts that the company holds with the bank.

As at 30 June 2023, a registered pledge had been established in favour of Unicredit Bulbank AD in pursuance of the Registered Pledges Act on company-owned goods, raw materials and materials being used and processed in the amount of BGN 3,500,000 (EUR 1,790 thousand) measured at supply cost. As at 30 June 2023, a registered pledge had been established in favour of Unicredit Bulbank AD in pursuance of the Registered Pledges Act, the subject matter thereof being future movable property (fixed tangible assets).

As at 30 June 2023, a pledge had been established in favour of Eurobank Bulgaria AD in pursuance of the Financial Security Agreements Act on any and all receivables, both current and future, in respect of the balances in any accounts that the company holds with the bank.

As at 30 June 2023, a registered pledge had been established in favour of Eurobank Bulgaria AD in pursuance of the Registered Pledges Act on company-owned goods, raw materials and materials being used and processed, in the amount of EUR 1,000,000 measured at supply cost.

As at 30 June 2023, Elmark Group EOOD had filed commercial claims in respect of defaulted receivables due by customers in the amount of EUR 18 thousand, whereby the company had, as at 31 December 2022, received a positive award, with the court upholding the company's rights over such defaulted receivables. The company has initiate enfoircement proceedings to secure its cliams from said clients, with such proceedings still ongoing as at 30 June 2023.

As at 30 June 2023, Elmark Group EOOD had procured a promissory note in the amount of EUR 37 thousand, valid by June of 2027, in pursuance of an agreement in place with OMV Bulgaria AD regarding the purchase of fuels using OMV issued cards.

To the best of our knowledge, no legal proceedings have been instituted against any of the Elmark Group companies.

## 26 EVENTS AFTER THE REPORTING PERIOD

No adjusting events or other non-adjusting major events have ocurred between the date of these financial statements and the date when authorised for publishing.

The interim consolidated financial statements as at 30 June 2023 (including any comparative information) was authorised for publishing by the Board of Directors on 29 September 2023.

„ЕЛМАРК ИНВЕСТ" ЕАД ВАРНА BULGARIA VARNA "ELMARK INVEST" EAD

**Executive Director:**

**(Jelez Georgiev )**

**Prepared by:**

**(Kirilka Ivanova)**