

C3I Europe EOOD  
SOFIA

ANNUAL FINANCIAL STATEMENTS  
DECEMBER 31, 2019

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SOFIA

ANNUAL FINANCIAL STATEMENTS  
DECEMBER 31, 2019

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C3i Europe EOOD  
SOFIA

DIRECTORS' REPORT  
DECEMBER 31, 2019

The management of C3i Europe EOOD (the Company), herewith submits the Financial Statements as at, and for the year ended December 31, 2019

DESCRIPTION OF THE ACTIVITY

The Company was registered as a sole limited liability company as per court decision No. 1 on July 11, 2005 of the Sofia City Court, company file 7991/2005 with share capital of BGN 5000.

As at the reporting date the share capital of the Company is BGN 150,500, 100% owned by Telerx Marketing Inc., USA and its ultimate holding company is HCL Technologies Limited.

The share capital is fully paid in cash.

The Company's head office is in Sofia.

The main Company's business activity is technical help desk support, user administration and site assessments services for pharmaceutical clients and clinical research organization.

Business activity as per MOA: Technical call center, as well as engagement in other commercial operations which are not banned under Bulgarian Law.

BUSINESS OVERVIEW

The results of the Company for 2019 are satisfactory: the Company realised a net profit before amounted to 2,549 thousand Leva (2018: 1,907 thousand Leva) and revenue from sales of services amounted to 45,614 thousand Leva (2018: 33,374 thousand Leva).

As of December 31, 2019 the Company's equity is positive in the amount of BGN 12,641 thousand Leva (2018: 10,092 thousand Leva).

Important events that have occurred since the end of the financial year

There are no important events that have occurred since the end of the financial year that would require adjustment to or disclosure in the 2018 financial statements of the Company.

The coronavirus (Covid-19) pandemic was announced by the World Health Organisation in March 2020 given the outbreak of the virus in countries across the world including Bulgaria. The Covid-19 pandemic has resulted in disruptions to businesses and various macro-economic impacts.

At this time, the impact of the outbreak on our business has been limited as delivery of our group services is uninterrupted, and we have currently not witnessed significant changes in demand, whereas our group service delivery is intact and thus our liquidity remains healthy. However, going forward the Covid-19 outbreak may negatively impact amongst others our, workforce, operations, and market demand and liquidity. In this respect, the Company has brought Covid-19 under the purview of "Executive Crisis Management Team" to develop and implement contingency plans, and we are closely and continuously evaluating the developments. We will take all the necessary actions to keep our operations running and, most importantly, protect our employees, suppliers, customers and all other stakeholders.

The Company consider that the effects related to this outbreak to be a non-adjusting event as it was not a condition that existed as at 31 December 2019, the end of the reporting period. Accordingly, the current conditions arising from this outbreak do not have an impact on the carrying amounts reported for the financial year ended 31 December 2019.

As at the date of the financial statements are authorised for issuance, the Covid-19 situation is still evolving and unpredictable. As a result, it is not practicable for the Company to estimate the financial effect of Covid-19 at this juncture. The Company is actively monitoring and managing the Company's operations to minimise any impacts that may arise from Covid-19.

There are no other significant events after the date of the financial statements that have an impact on the statement or on the future activities of the Company.

REVIEW OF 2019

During the current year the Company:

- Ended 2019 with 982 employees vs 637 in December 2018
- 2019 total space is 4750.12 Sq. meters

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DIRECTORS' REPORT  
DECEMBER 31, 2019

OBJECTIVES FOR 2019

The Company's management set the following objectives and targets for 2019:

Objectives:

- § Expand our services volume with our current accounts
- § Add new clients

Targets:

- Achieve and maintain 90%+ customer satisfaction
- Maintain profitability
- Increase efficiency and Agent effectiveness
- Increase penetration of European sales force support market
- Renew ISO certification

RESEARCH AND DEVELOPMENT ACTIVITIES

The Company does not directly engage in research and development act  
FINANCIAL INSTRUMENTS AND FINANCIAL RISKS

The Company's business activity exposes it to certain risks, including the effect of change in foreign exchange rates, interest rates, credit and liquidity risk. The management of the Company, like the group to which belongs, monitors the overall risk and looks for methods to neutralize potential negative effects.

Foreign exchange risk

The Company performs international transactions and have purchases and / or sales denominated in foreign currency. Therefore, the Company is exposed to currency risk associated with possible fluctuations in the foreign currency. At present risk exists mostly exposures of the Company in US dollars (USD). The Company does not use special financial instruments to hedge these risks, since such tools are not generally practiced in Bulgaria.

Interest risk

Interest rate risk to the Company arises from a loan with a floating rate and is associated with fluctuations in interest rates and changes in future cash flows. The Company has no loans and therefore no interest rate risk from changes in interest markets.

The Company does not use special tools to manage interest rate risk.

Credit risk

Financial assets which potentially expose the Company to credit risk are primarily trade receivables. The Company is exposed to credit risk in the event that customers do not pay their obligations. As the Company has no significant concentration of credit risk as receivables of the Company by the sole shareholder.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

The Company does not use hedge instruments for limitation of the financial risk.

MANAGEMENT

By the date of preparation of the financial statements the Company is represented together by:

Mr. Shiv Kumar Walla, British citizen  
Mr. Rahul Singh, Indian citizen  
Mr. Subramanian Gopalakrishnan, Indian citizen

Responsibilities

The management prepares each year the Company's financial statements which should present truly and fairly the Company's financial position and operations.

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

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

Managing director

Mr. Subramanian Gopalakrishnan

Sofia, 31.08.2020

**C3I Europe EOOD**  
**SOFIA**  
**BULSTAT: 131448974**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2019**

		31.12.2019	31.12.2018
		BGN'000	BGN'000
<b>ASSETS</b>	<b>Notes</b>		
Non-current assets			
Property, plant and equipment	1	750	741
Intangible non-current assets	2	3	18
Other non-current assets	4	846	280
Deferred tax assets	21	300	157
Right-of-use assets	3	3 385	-
<b>Total non-current assets</b>		<b>5 284</b>	<b>1 196</b>
Current assets			
Trade and other receivables	5	1 471	50
Current related parties receivables	22	21 853	11 167
Other receivables and prepayments	6	172	151
Cash and cash equivalents	7	574	1 276
<b>Total current assets</b>		<b>23 970</b>	<b>12 650</b>
<b>TOTAL ASSETS</b>		<b>29 154</b>	<b>13 846</b>
<b>EQUITY AND LIABILITY</b>		<b>BGN'000</b>	<b>BGN'000</b>
Equity			
Share capital	8	151	151
Retained earnings		8 941	8 034
Profit current period		2 549	1 907
<b>Total equity</b>		<b>12 641</b>	<b>10 092</b>
Non-current Liabilities			
Lease liabilities	3	2 443	-
KT deferred revenue non-current	9	674	-
<b>Total Non-current Liabilities</b>		<b>3 117</b>	<b>-</b>
Current liabilities			
Lease liabilities	9	960	-
Related parties payables	22	4 286	-
Trade and other payables	10	6 445	3 058
Income tax payable	11	74	-
Provisions	12	1 493	695
Other liabilities & deferred revenue	13	129	-
<b>Total current liabilities</b>		<b>13 396</b>	<b>3 754</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>29 154</b>	<b>13 846</b>

The notes on pages 7-20 are an integral part of these financial statements.

Sofia, 31.08.2020

Managing Director  
C3I EUROPE EOOD  
Mr. Subramanian Gopalakrishnan

Chief Accountant:  
TMF SERVICES EOOD  
Stefan Dimitrov and Daniel Proychev  
Managing Directors

In accordance with an Independent Auditors' Report:  
KPMG Audit OOD  
Ivan Andonov  
Registered auditor, responsible for the audit

Dobrina Kalojanova  
Authorized representative



Approved from the official Bulgarian version, in case of divergence the Bulgarian original shall prevail

C3i Europe EOOD  
SOFIA  
BULSTAT: 131448974

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED DECEMBER 31, 2019

	Notes	BGN'000 2019	BGN'000 2018
Revenue from operations	14	45 514	33 374
Other revenue	15	93	82
<b>Total revenue</b>		<b>45 607</b>	<b>33 456</b>
Employee expenses	16	(33 421)	(24 965)
External services	17	(6 754)	(5 202)
Depreciation and amortization	18	(467)	(612)
Depreciation right-of-use assets	18	(1 038)	-
Supplies and other expenses	19	(456)	(219)
<b>Profit from operations</b>		<b>3 471</b>	<b>2 458</b>
Finance costs related to IFRS 16		(33)	
Financial expenses	20	(600)	(337)
<b>Profit before tax</b>		<b>2 838</b>	<b>2 121</b>
Tax charges	21	(289)	(214)
<b>Net profit for the period</b>		<b>2 549</b>	<b>1 907</b>
Other comprehensive income for the period		-	-
<b>Total comprehensive income for the period</b>		<b>2 549</b>	<b>1 907</b>

The notes on pages 7-20 are an integral part of these financial statements.

Sofia, 31.08.2020

Managing Director  
C3i EUROPE EOOD  
Mr. Subramanian Lakshmin



Chief Accountant  
TMF SERVICES EOOD  
Stefan Dimitrov and Daniel Proydnev  
Managing Directors



In accordance with an Independent Auditors' Report:  
KPMG Audit OOD  
Ivan Andonov  
Registered auditor, responsible for the audit

Dobrina Kaloyanova  
Authorized representative



C3I Europe EOOD  
SOFIA  
BULSTAT: 131448974

STATEMENT OF CASH FLOWS  
FOR THE PERIOD ENDED DECEMBER 31, 2019

	BGN'000 2019	BGN'000 2018
<b>CASH FROM OPERATING ACTIVITIES</b>		
Cash receipts from customers	40 128	31 815
Cash paid to suppliers	(5 076)	(6 200)
Payroll-related payments	(32 294)	(24 661)
Cash generated from operations	1 758	954
Income taxes paid	(352)	(262)
Refunded VAT	520	616
Other cash paid	(1 204)	(304)
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>722</b>	<b>914</b>
<b>CASH FROM INVESTING ACTIVITIES</b>		
Purchase of non-current assets	(379)	(174)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(379)</b>	<b>(174)</b>
<b>CASH FROM FINANCING ACTIVITIES</b>		
Repayments of obligations under leases	(1 045)	-
Dividends paid	-	-
<b>NET CASH USED IN/FROM FINANCING ACTIVITIES</b>	<b>(1 045)</b>	<b>-</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(702)</b>	<b>740</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>1 278</b>	<b>538</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>574</b>	<b>1 278</b>

The notes on pages 7-20 are an integral part of these financial statements.

Sofia, 21.08.2020

Managing Director:  
C3I EUROPE EOOD  
Mr. Subramanian Gopalakrishnan

Chief Accountant:  
TMF SERVICES EOOD  
Stefan Dimitrov and Daniel Proychev  
Managing Directors

In accordance with an Independent Auditors' Report:  
KPMG Audit OOD  
Ivan Andonov  
Registered auditor, responsible for the audit

Dobrina Kaloyanova  
Authorized representative



C3i Europe EOOD  
SOFIA  
BULSTAT: 131448974

STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED DECEMBER 31, 2019

	Share capital BGN'000	Retained earnings BGN'000	Retained earnings BGN'000	TOTAL BGN'000
BALANCE AS AT 01-01-2018	151	8 564	(530)	8 185
Net profit for the period	-	1 907	-	1 907
<b>BALANCE AS AT 31-12-2018</b>	<b>151</b>	<b>10 471</b>	<b>(530)</b>	<b>10 092</b>
BALANCE AS AT 01-01-2019	151	10 471	(530)	10 092
Net profit for the period	-	2 548	-	2 548
<b>BALANCE AS AT 31-12-2019</b>	<b>151</b>	<b>13 020</b>	<b>(530)</b>	<b>12 641</b>

The notes on pages 7-20 are an integral part of these financial statements.

Sofia, 31.08.2020  
Managing Director  
C3i EUROPE EOOD  
Mr. Subramanian Gopalakrishnan



Chief Accountant:  
TMF SERVICES EOOD  
Stefan Dimitrov and Daniel Prochev  
Managing Directors



In accordance with an Independent Auditors' Report:  
KPMG Audit OOD  
Ivan Andonov  
Registered auditor, responsible for the audit

Dobrina Kaloyanova  
Authorized representative



**C3I Europe EOOD  
SOFIA**

**ACCOUNTING POLICY  
DECEMBER 31, 2019**

**1. General considerations**

C3IEurope EOOD (The company) is registered as a limited liability company on July 11, 2005 by decision No. 1 of the Sofia City Court under company file no. N 7991/2005 with share capital of 5,000 (five thousand) leva. As of 31.12.2011 the capital is 150,500 BGN and is 100% owned by Telerep Marketing Inc., USA, divided into 1505 shares of BGN 100 each. The capital of the Company is entirely paid in the form of a cash contribution.

The company is mainly operating a technical maintenance center and providing technical services on specific projects.

The seat of the Company is located in Sofia.

**2. Accounting policy**

Below is described the accounting policy applied in the preparation of the financial statements.

The policy has been consistently applied for all years presented unless explicitly stated otherwise.

**2.1 Basis for preparation of the financial statements**

The Company prepares and presents its financial statements based on the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the clarifications on their application issued by the IFRS Interpretation Committee (IFRIC) adopted by the Commission The European Union (EU).

The financial statements are prepared in Bulgarian lev(BGN), which is the functional currency of the Company. All amounts are in thousand Bulgarian Levs (BGN'000) (including comparative information for 2018), unless otherwise stated.

As at the date of preparation of these financial statements, Management has made an assessment of the Company's ability to continue as a going concern. This estimate takes into account all available information about the foreseeable future, which is at least, but not limited to, twelve months from the end of the reporting period. The financial statements are prepared in accordance with the going concern principle.

**Applying of new and revised IFRSs**

New and amended standards, effective from 01.01.2019 adopted by the Company

The Company has applied the following standards and amendments for the first time to its annual reporting period beginning on January 1, 2019:

Amendment to IFRS 2 Share-based Payment - Classification and Measurement of Share-Based Transactions - adopted by the EU on 26 February 2019 (effective for annual periods beginning on or after 1 January 2019);

Amendment to IFRS 4 Insurance Contracts - Application of IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - adopted by the EU on 3 November 2018 (effective for annual periods beginning on or after 1 January 2019 or upon initial application of IFRS 9 Financial Instruments);

Amendment to IFRS 15 Revenue from Contracts with Customers - Clarification of IFRS 15 Revenue from Contracts with Customers - adopted by the EU on 31 October 2018 (effective for annual periods beginning on or after 1 January 2019);

Amendment to IAS 40 Investment Property - Transfer of Investment Property - adopted by the EU on 14 March 2019 (effective for annual periods beginning on or after 1 January 2019);

Amendments to IFRS 1 and IFRS 28 following the "Improvements to IFRS (Cycle 2014-2016)" arising from the annual project for improvements to IFRS (IFRS 1, IFRS 12 and IAS 28) mainly to eliminate inconsistencies and clarify wording - adopted by the EU on 7 February 2019 (amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2019);

IFRIC 22 Foreign Currency Transactions and Advance Prepayments - Adopted by the EU on 26 March 2019 (effective for annual periods beginning on or after 1 January 2019).

The adoption of these amendments to the existing standards has not led to significant changes in the financial statements of the Company.

New standards and interpretations that come into force on January 1, 2019 and have not been accepted in advance by the Company

**IFRS 16 Leases**

IFRS 16 has been issued in January 2016. It will lead to the recognition of almost all balance sheet leases, as the distinction between operating and finance leases has been removed. Under the new standard, an asset (the right to use the leased object) and a financial liability for lease payments are recognized. The only exceptions are short-term and low-value leases. The lessor's reporting will not change significantly.

**Impact**

The Company has reviewed all leases in operation in the last year, taking into account the new accounting rules for leases in accordance with IFRS 16.

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ACCOUNTING POLICY  
DECEMBER 31, 2019

Accounting policy (continued)

Basis of preparation of the financial statements (continued)

The rented office premises in which the Company operates are in accordance with operating lease agreements. These obligations and other agreements concluded by the Company comply with the definition of a lease in accordance with IFRS 16 and require the recognition of an asset - a right of use and a corresponding liability - a lease obligation. Assets for the right of use and Leasing liabilities in the amount of BGN 4,423 thousand were recognized on January 1, 2019. Cash flows from operating activities decreased and cash flows from financing activities increased by BGN 1,045 thousand, since the payment of the part for principal of lease liabilities is classified as cash flows from financing activities.

The Company applies the standard from the date of its mandatory adoption from January 1, 2019. The Company applies the simplified transitional approach and will not recalculate the comparative data for the year before the initial recognition. Assets for the right to use real estate are estimated in the amount of the lease obligations upon acceptance (adjusted for any prepaid or accrued lease costs).

There are no other standards that are not yet in force and that are expected to have a significant impact on the Company in the current or future reporting period, as well as in the foreseeable future transactions.

New standards, clarifications and amendments not yet adopted by the EU

The following new or revised standards, new interpretations and changes to existing standards, which at the reporting date were issued by the International Accounting Standards Board (IASB), have not yet been approved for application by the EU and accordingly not taken into account by the Company in preparing financial statements:

IFRS 14 Calculations for Regulatory Deferred Accounts (effective for annual periods beginning on or after 1 January 2016) - The EU has decided not to start the process of adopting this intermediate standard and to wait for the final standard;

IFRS 17 Insurance Contracts (effective for annual periods beginning on or after 1 January 2021);

Amendment to IFRS 3 Business Combinations - Definition of Business (effective for business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after 1 January 2020 and for the acquisition of an asset occurring on or after the beginning of this period);

Amendment to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures - Sale or contribution of assets between an investor and its associate or joint venture and subsequent amendments (the effective date is deferred indefinitely until the completion of the valuation project for the equity method);

Amendment to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Materiality (effective for annual periods beginning on or after 1 January 2020);

Amendments to IAS 19 Employee Benefits - Plan Adjustment, Reduction or Settlement (effective for annual periods beginning on or after 1 January 2019);

Amendments to IAS 28 Investments in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2019);

Amendments to various standards "Improvements to IFRS (cycle 2016-2018)" resulting from the annual project for improvements to IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) mainly in order to eliminate inconsistencies and clarify wording (in force for annual periods beginning on or after 1 January 2019);

Amendments to the References to the Conceptual Framework in IFRS (effective for annual periods beginning on or after 1 January 2020).

2.2 Application of the going concern principle

The financial statements are prepared on a going concern basis, which implies that the Company will continue its operations in the foreseeable future. The validity of the going concern business depends on the active financial support of the parent company - Telerex Marketing Inc., USA. Considering the assessment of expected future cash flows, management considers that it is appropriate to prepare the financial statements on a going concern basis.

2.3 Estimates

The preparation of the financial statements in accordance with IFRS requires the application of estimates and assumptions that significantly affect the reported assets and liabilities, the disclosure of contingent assets and liabilities at the date of preparation of the financial statements, as well as the reported income and expenses for the reporting period. Although these estimates are based on management's best knowledge of events and activities for the period, actual results may differ from these estimates. Estimates are based on management's past experience, including expectations of future events under normal circumstances. These estimates, approximate estimates and assumptions are a subject to regular reviews to be consistent with available data and to reflect current risks.

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ACCOUNTING POLICY  
DECEMBER 31, 2019

2.4. Summary of significant accounting policies

*Functional currency and presentation currency*

The separate elements of the Company's financial statements are measured in the currency of the primary economic environment in which the entity operates (functional currency). The financial statements are presented in BGN thousand (BGN thousand), which is the functional currency and is fixed at the Euro at an exchange rate of EUR 1 for BGN 1.95583.

*Transactions and balances*

Transactions in foreign currency are translated into functional currency using the official exchange rate for that day. Foreign exchange gains and losses arising from the settlement of foreign currency transactions and from a revaluation at the closing exchange rate of foreign currency-denominated assets and liabilities are recognized in the income statement.

*Property, plant and equipment*

Property, plant and equipment are stated at historical cost less accumulated depreciation. Historical value includes costs directly attributable to the acquisition of the asset. Subsequent costs are added to the carrying amount of the asset or accounted for as a separate asset only when the Company is expected to receive future economic benefits associated with the use of that asset and when the carrying amount can be reliably determined. All other maintenance and repair costs are reflected in the income statement in the period in which they are incurred.

Depreciation of property, plant and equipment is accounted for using the straight-line method to allocate the difference between the carrying amount and the residual value over the useful life of the assets as follows:

Computer equipment and software - 3 years

Equipment, furnishing and other assets - 7 years

Improvement of leased assets - 5 years (for the term of the lease)

The residual value and the useful life of the assets are reviewed and, if necessary, corrected for each date of preparation of the financial statements.

*Intangible assets*

*Software products*

Acquired licenses for software products are capitalized on the basis of the costs necessary to acquire and release the specific software product. They are amortized over their expected useful life.

Depreciation is accrued using the straight-line method to allocate the value of assets to their residual value over their useful lives.

*Impairment of assets*

Assets that have an indefinite useful life are not amortized but are tested for impairment on an annual basis. Assets that are depreciated are reviewed for impairment when events occur or there is a change in circumstances that suggests that the carrying amount of the assets is not recoverable. For an impairment loss, the amount by which the carrying amount exceeds their recoverable amount is recognized.

The recoverable amount is the higher of the net selling value and the value in use. In order to determine the value in use, assets are grouped into the smallest possible identifiable units generating cash flows.

*Trade receivables*

Trade receivables are recognized initially at fair value and subsequently at depreciated value (using the effective interest method), reduced by any impairment provision. Impairment is made if there is an objective evidence that the Company will not be able to collect all amounts under the original terms of the relevant calculation. The amount of impairment is the difference between the carrying amount and the recoverable amount. The last one represents the present value of cash flows, discounted at the effective interest rate. The amount of the provision for impairment is recognized in the income statement.

*Financial instruments*

The Company recognizes a financial asset or financial liability in its statement of financial condition if and only when the Company becomes a party to the contractual terms of this instrument.

Financial assets (excluding trade receivables) and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of a financial asset or financial liability that is not measured at fair value through profit or loss are added or subtracted from the fair value of the financial asset or financial liability on initial recognition. Transaction costs that are directly attributable to the acquisition or issue of a financial asset or financial liability that is measured at fair value through profit or loss are recognized immediately in profit or loss.

Upon initial recognition, the Company measures trade receivables that do not have a significant financing component (determined in accordance with IFRS 15) at their respective transaction price.

*(a) Financial assets*

The Company classifies financial assets as subsequently measured at amortized cost, at fair value through other comprehensive income or fair value through profit or loss on the basis of the following two conditions:

- business model for management of the financial assets of the enterprise; and
- the characteristics of the contractual cash flows of the financial asset.

A financial asset is measured at amortized cost if the following two conditions are met:

- the financial asset is held within a business model, the purpose of which is to hold the assets in order to collect the contractual cash flows; and
- under the contractual terms of the financial asset, cash flows arise on specific dates, which are only principal payments and interest on the outstanding principal amount.

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ACCOUNTING POLICY  
DECEMBER 31, 2019

2.4. Summary of significant accounting policies (continued)

Financial instruments (continued)

A financial asset is measured at fair value through other comprehensive income if the following two conditions are met:

- the financial asset is held within a business model whose purpose is both to collect contractual cash flows and to sell financial assets, and
- under the contractual terms of the financial asset, cash flows arise on specific dates, which are only principal payments and interest on the outstanding principal amount.

All other financial assets are subsequently measured at fair value through profit or loss.

The measurement of financial assets at amortized cost is performed using the effective interest method in accordance with IFRS 9.

IFRS 13 defines fair value as the price to sell an asset or to transfer a liability in an ordinary transaction between market participants at the date of the measurement of the primary (or most profitable) market under current market conditions. The fair value in accordance with IFRS 13 is the outgoing price, whether that price is directly available for observation or is estimated using another measurement technique.

The financial assets of the Company include in particular: cash and cash equivalents; trade and other receivables.

Cash and cash equivalents include cash and sight deposits with an original maturity of up to three months from the date of acquisition, which are associated with a negligible risk of change in their fair value and are used by the Company to manage short-term liabilities.

Trade and other receivables include receivables from contracts with customers that do not contain a significant component of financing and receivables from lease agreements. The Company estimates the expected credit losses on these financial instruments by applying the simplified approach according to IFRS 9 on the basis of a provision matrix, such as:

- categorize receivables by groups with similar credit risk characteristics;
- determines the period in the past for which it calculates the historical credit loss for each group of receivables;
- determines the percentages of the historical credit loss by groups of receivables;
- adjusts the rates of historical credit loss based on projected future economic conditions;
- calculates the expected credit losses.

The Company writes off a financial asset if and only if:

- the contractual rights to the cash flows from this financial asset have expired; or
- The Company transferred the financial asset, and this transfer meets the derecognition requirements under IFRS 9.

(b) Financial liabilities

The Company classifies all financial liabilities and subsequently measures at amortized cost using the effective interest method. The exceptions to this rule under IFRS 9 are:

- financial liabilities measured at fair value through profit or loss;
- financial liabilities arising from the transfer of a financial asset that does not qualify for derecognition or when the continuing participation approach is applied;
- financial guarantee contracts;
- commitments to grant a loan with an interest rate that is lower than the market rate;
- contingent consideration recognized by the buyer in a business combination,

are not applicable to the financial liabilities of the Company and their subsequent valuation.

The financial liabilities of the Company include in particular:

trade and other liabilities.

The Company removes a financial liability (or part of a financial liability) from its statement of financial position if and only when it is repaid - ie. when the obligation specified in the contract has been fulfilled, has been canceled or its term has expired.

Financial assets and liabilities are netted and the net value is presented in the statement of financial position if and only if the Company has a legal basis to net the amounts and intends to either settle on a net basis or to sell the asset and settle the liabilities simultaneously.

Capital

Shareholders' equity is classified as equity.

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ACCOUNTING POLICY  
DECEMBER 31, 2019

2.4. Summary of significant accounting policies (continued)

Loans

Loans are initially recognized at fair value less costs to carry out the transaction. Borrowings are subsequently measured at amortized cost; any difference between payments due (net of transaction costs) and the value of the loan is recognized in the income statement over the period of the loan using the effective interest method. Loans are classified as short-term liabilities unless the Company has the unconditional right to defer settlement of the liability for a period of at least 12 months after the balance sheet date.

Leasing

The Company has applied IFRS 16 using the cumulative catching approach, respectively the comparative information has not been restated and is presented in accordance with IAS 17. The accounting policies in accordance with IAS 17 and IFRS 16 are presented in detail below.

Policy applied from 1 January 2019

The company as a lessee

The Company evaluates whether a contract is or contains a lease at the beginning of the contract. The Company recognizes an asset with a right of use and a corresponding lease obligation in respect of all lease agreements in which it is a lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases, with low-value assets (such as tablets and personal computers, small office furniture and telephones). For these leases, the Company recognizes lease payments as an operating expense on a straight-line basis over the term of the lease, unless another systematic basis is more representative of the time model in which the economic benefits of the leased assets are realized.

The lease liability is initially measured at the present value of the lease payments not repaid at the inception date, discounted at the lease interest rate. If this interest rate cannot be easily determined, the Company uses its differential interest rate.

Lease payments involved in the measurement of the lease liability include:

Fixed lease payments (including substantially fixed payments), less any lease incentive receivables;

Variable lease payments that depend on an index or interest rate, initially measured using the index or interest rate at the starting date;

The amount expected to be paid by the lessee under residual value guarantees;

The cost of exercising the options to purchase, if it is largely certain that the lessee will exercise the options; and

Payment of penalties for termination of the lease agreement, if the term of the lease reflects the exercise of the option for termination of the lease agreement.

The lease liability is presented on a separate line in the statement of financial position.

Subsequently, the lease liability is measured by increasing the carrying amount to reflect the interest on the lease liability (using the effective interest rate method) and by reducing the carrying amount to reflect the lease payments made.

The Company revalues the lease liability (and adjusts the related asset to its right of use accordingly) when:

The lease term has changed or there is a significant event or change in circumstances that results in a change in the valuation of the exercise the option for purchasing, in which case the lease liability is revalued by discounting the revised lease payments using a revised discount rate.

Lease payments are changed due to changes in an index or percentage or a change in the expected payment at the guaranteed residual value, in which case the lease liability is revalued by discounting the revised lease payments using an unchanged discount rate (unless the change in lease payments is due of a change in a floating interest rate, where a revised discount rate is used).

The lease is amended and the lease change is not accounted for as a separate lease, where the lease liability is revalued based on the lease term of the amended lease by discounting the revised lease payments using the revised discount rate at the actual date of the amendment.

The company has not made such adjustments during the presented periods.

Assets with the right of use include the initial measurement of the relevant lease liability, lease payments made on or before the inception, less any lease incentives received, and any initial direct costs. Subsequently, they are measured at cost less accumulated depreciation and impairment losses.

When the Company incurs a liability for the costs of dismantling and removing a leased asset, restoring the asset to which the asset is located or restoring the underlying asset to the condition required by the lease, a provision is recognized and measured in accordance with IAS 37. As far as the costs are related to an asset with a right of use, the costs are included in the respective asset with a right of use, unless these costs are incurred for the production of inventories.

Assets with the right of use are depreciated over the shorter period of the lease term and the useful life of the underlying asset. If the lease transfers ownership of the underlying asset or the cost of the asset to be used.

The assets with the right of use are presented on a separate line in the statement of financial position.

The Company applies IAS 36 to determine whether an asset with impairment is impaired and reports any impairment losses identified as described in the Property, Plant and Equipment policy.

As a practical measure, IFRS 16 allows the lessee not to separate the non-leased components and instead considers each lease and related non-leased components as a single arrangement. The company did not use this practical measure. For contracts that contain a leasing component and one or more additional leasing or non-leasing components, the Company distributes the remuneration in the contract to each leasing component based on the relative independent price of the leasing component and the total independent price of the non-leasing components.

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2.4. Summary of significant accounting policies (continued)

*Policies applied before 1 January 2019*

*Financial leasing*

Leases in which all the risks and rewards of ownership remain with the lessor are accounted for as finance leases. All other leases are reported as operating leases.

Property held under finance leases is capitalized at the beginning of the lease term at the lower of its fair value and the present value of the minimum lease payments. Lease payments are divided between the reduction of the lease liability and the finance cost to achieve a constant interest rate on the residual financial liability. Related lease liabilities, net of finance costs, are classified as liabilities and related financial costs are recognized in the statement of comprehensive income over the lease term. Property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the assets and the lease term.

*Leasing*

Operating lease payments are recognized as an expense in the individual statement of comprehensive income on a straight-line basis over the term of the lease, unless another system basis is representative of the time the user benefits from the leased asset. Contingent rental costs are recognized as an expense in the period in which they are incurred.

When incentives are received when negotiating an operating lease, they are recognized as a liability. The total benefit from the incentives is recognized as a reduction in rental costs over the lease term on a straight-line basis unless another system basis presents a timing of the benefits to the lessee from the use of the leased asset.

*Deferred taxes*

Deferred tax is accounted for using the balance sheet method for all temporary differences that arise between the tax base of assets and liabilities and their carrying amount in financial statements. If, however, tax temporary differences arise from the initial recognition of an asset or liability that does not affect either the accounting or tax gain (loss) during the transaction, that difference is not accounted for. When calculating deferred taxes, the tax rates (and regulatory) that were in effect at the balance sheet date are applied to periods of expected reversal of tax temporary differences.

A deferred tax asset is recognized only if it is probable that sufficient future taxable profits will be available against which those assets may be used.

Current and deferred taxes are recognized as income or expense and are included in net income for the period, except when the tax arises from transactions or events that are recognized in the same or different period directly in the equity statement. Current and deferred taxes are charged or remitted directly to equity when the tax relates to items that are carried forward or accrued in the same or a different period directly to equity.

*Employee benefits*

According to the requirements of the Labor Code, enterprises in the country are obliged to terminate their employment with an employee who has reached retirement age to pay him a lump sum compensation of 2 to 6 salaries depending on his work experience in the Company. The Company has calculated the probable amount of the liability for that benefit, but due to its insignificant size, as well as the turnover and low average age of the staff, it has not accrued a provision in these financial statements.

*Provisions*

Provisions are accounted for when a present legal, constructive or statutory obligation arises for the Company as a result of past events when it is expected that cash outflows will flow to settle the obligation and when the amount of the obligation can be accurately determined. Provisions for future operating losses are not recognized.

*Revenue recognition*

Revenue in the Company is recognized on an accrual basis and to the extent that the economic benefits are acquired by the Company and to the extent that revenue can be measured reliably.

The Company reports revenue from a contract with a customer that is within the scope of IFRS 15 only when all of the following five criteria are met:

- the parties to the contract have approved the contract (in writing, verbally or in accordance with other customary commercial practices) and are determined to fulfill their respective obligations;
- The Company may identify the rights of each of the parties with respect to the goods or services being transferred;
- The company can identify the terms of payment for the goods or services to be transferred;
- the contract has a commercial nature (ie as a result of the contract it is expected to change the risk, time parameters or the amount of future cash flows of the Company);
- the Company is likely to receive the remuneration to which it is entitled in exchange for the goods or services that will be transferred to the customer. In assessing the probability that the remuneration will be received, the Company takes into account only the ability and intention of the client to pay the amount of remuneration within the required period.

*Sales of services*

Revenue from provided services is recognized in the period in which they are rendered, based on the level of performance determined as a percentage of the services rendered to date of all services to be provided.

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3. Financial risk management

Financial risk factors

The Company is exposed to various financial risks: market risk (including currency risk, risk of changes in the fair value of financial instruments under the influence of market interest rates and price risk), credit risk, liquidity risk and risk of future changes cash flows resulting from changes in market interest rates.

(a) Currency risk

The Company is exposed to various financial risks: market risk (including currency risk, risk of changes in the fair value of financial instruments under the influence of market interest rates and price risk), credit risk, liquidity risk and risk of future changes cash flows resulting from changes in market interest rates.

(b) Credit risk

Financial assets that potentially expose the Company to credit risk are primarily sales receivables. Fundamentally, the Company is exposed to credit risk in the event that customers fail to meet their obligations. There is no significant concentration of credit risk in the Company since the Company's receivables are the sole owner of the capital.

(c) Liquidity risk

The prudent management of liquidity risk implies the maintenance of a sufficient amount of money as well as the possibility of additional financing with credits for closing market positions.

(d) Interest rate risk

The interest rate risk for the Company arises from a floating rate loan and is related to fluctuations in interest rates and changes in future cash flows. The company has no loans and therefore there is no interest rate risk from changes in interest rates.

The Company does not use special instruments to manage interest rate risk.

4. Significant accounting estimates and judgments

Estimates and judgments are based on experience and other factors, including expectations for future events under the circumstances. The reliability of the estimates and judgments is reviewed regularly. The Company makes estimates and judgments for accounting and disclosure purposes that may differ from actual results.

Income Taxes

The Company is a tax entity under the jurisdiction of the tax administration. Considerable judgment needs to be made to determine the tax provision. There are a number of operations and calculations for which the definitive tax is uncertain in the normal course of business. The Company recognizes liabilities for expected tax-audit liabilities based on the management's judgment as to whether the additional tax liability will become a fact. When the final tax outcome of such events is different from the initially reported amounts, these differences will have an impact on the short-term tax and the provision for temporary tax differences during the tax audit period.

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1 Property, plant and equipment

	CAPITAL WORK IN PROGRESS	Office equipment	Leasehold improvements	Total
Initial cost as at 01-01-2018	-	4 389	250	4 639
Additions during 2018	-	174	-	174
Disposals during 2018	-	(399)	-	(399)
Initial cost as at 01-01-2019	-	4 164	250	4 414
Additions during 2019	34	431	-	465
Disposals during 2019	-	(211)	-	(211)
Historical cost as at 31-12-2019	34	4 384	250	4 668
Accumulated depreciation as at 01-01-2018	-	3 326	173	3 501
Depreciation for 2018	-	529	35	564
Disposals during 2018	-	(392)	-	(392)
Accumulated depreciation as at 01-01-2019	-	3 465	208	3 673
Depreciation for 2019	-	425	27	452
Disposals during 2019	-	(287)	-	(287)
Accumulated depreciation as at 31-12-2019	-	3 603	235	3 838
Net book value as at 31-12-2019	34	781	15	759
Net book value as at 31-12-2018	-	699	42	741

The Company has reviewed the available assets as of December 31, 2019 and has considered that there is no need for impairment.

As of December 31, 2019, the Company used equipment fully depreciated at the reporting date with carrying amount and accumulated depreciation, amounting to BGN 1600 thousand (2018: 822 thousand), distributed as follows:

- Computers and computer equipment - BGN 827 thousand (2018: 822 thousand);
- Office Furniture - 773 BGN (2018: 0 thousand BGN);
- Improvements of leased assets - BGN 0 (2018: BGN 0 thousand)

2 Intangible non-current assets

	Software and licences	Total
Historical cost as at 01-01-2018	257	257
Additions during 2018	-	-
Historical cost as at 01-01-2019	257	257
Additions during 2019	-	-
Historical cost as at 31-12-2019	257	257
Accumulated depreciation as at 01-01-2018	191	191
Depreciation current period	46	46
Accumulated depreciation as at 01-01-2019	239	239
Depreciation current period	15	15
Accumulated depreciation as at 31-12-2019	254	254
Net book value as at 31-12-2019	3	3
Net book value as at 31-12-2018	18	18

3 Right-of-use assets

Right-of-use assets related to rent of office premises that do not meet the definition of investment property are presented below:

The following amounts under IFRS 16 are recognized in the balance sheet:

	Office leases	Total
Historical cost as at 31-12-2018	-	-
Adjustment for change in accordance with first-time application of IFRS 16 as at 01-01-2019	1 370	1 370
Additions during 2019	3 053	3 053
Historical cost as at 31-12-2019	4 423	4 423
Accumulated depreciation as at 01-01-2019	-	-
Depreciation for 2019	1 038	1 038
Accumulated depreciation as at 31-12-2019	1 038	1 038
Net book value as at 31-12-2019	3 385	3 385
Lease liabilities		
Current lease liabilities	969	969
Non-current lease liabilities	2 443	2 443
Total lease liabilities as at 31-12-2019	3 412	3 412

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**Maturity analysis – contractual undiscounted cash flows**

Less than one year	928	929
One to five years	2 620	2 620
More than five years	-	-
<b>Total undiscounted lease liabilities at 31-12-2019</b>	<b>3 548</b>	<b>3 548</b>

**The following amounts are recognised in profit or loss:**

	<b>IFRS16 2019</b>	<b>IAS17 2018</b>
Lease expenses	27	1 038
Depreciation charge for the right-of-use assets	1 038	-
Interest on lease liabilities	33	-
	<b>1 098</b>	<b>1 038</b>

**The following amounts are recognised in the cash flow statement:**

	<b>IFRS16 2019</b>	<b>IAS17 2018</b>
Total cash outflows	1 045	-
	<b>1 045</b>	<b>-</b>

**4 Other non-current assets**

	<b>31/12/2019</b>	<b>31/12/2018</b>
Deposits	846	280
	<b>846</b>	<b>280</b>

The deposit amounts represent deposits regarding the rented premises in Business park Sofia and Varna office, deposits as per long term agreements with foreign internet providers, as well as a deposit related to a rental of premises in Capital Fort building in 2020.

**5 Trade and other receivables**

	<b>31/12/2019</b>	<b>31/12/2018</b>
Taxes refundable	287	51
Overpaid corporate income tax	-	5
Other receivables in relation to Xerox deal	1 234	-
	<b>1 471</b>	<b>56</b>

The taxes refundable represent the VAT reclaimable accumulated for the period September - December 2019 as well as amounts for VAT on invoices which will be claimed in 2020.

**6 Other receivables and prepayments**

	<b>31/12/2019</b>	<b>31/12/2018</b>
Prepaid expenses	93	81
Advances to suppliers	52	61
Receivables from employees	27	9
	<b>172</b>	<b>151</b>

**7 Cash and cash equivalents**

	<b>31/12/2019</b>	<b>31/12/2018</b>
Cash in bank in local currency	300	1 170
Cash in bank in foreign currency	268	95
Cash in hand in BGN	4	7
Cash in hand in foreign currencies	4	4
	<b>574</b>	<b>1 276</b>

The Company has bank accounts in ING Bank and Cit Bank, Sofia Branches.

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**8 Share capital**

The Company's share capital amounts to BGN 150,500, as at 31 December 2019 is 100% owned by Telex Marketing Inc USA and it is distributed in 1,505 shares at BGN 100 each. The share capital is fully paid in.

**9 Non-current payables**

	31/12/2019	31/12/2018
KT deferred revenue non-current	674	-
	<u>674</u>	<u>-</u>

The liabilities are based on signed Master Service Agreement between HCL Technologies Limited and Xerox Corporation, dated on March 12, 2019.

**10 Trade and other payables**

	31/12/2019	31/12/2018
Salaries payable	1 369	1 446
Accrual for unused paid leave	1 474	741
Social security and other taxes	635	845
Payables to suppliers	162	136
Accrued payables	2 786	69
	<u>6 445</u>	<u>3 058</u>

The salaries and social securities payables relate to the December 2019 payroll which is paid in January 2020.

The accrual for unused paid leave is calculated based on the unused vacation days for each employee as at 31 December 2019.

**11 Income tax payable**

	31/12/2019	31/12/2018
Corporate income tax payable for the current year	74	-
	<u>74</u>	<u>-</u>

After deduction of the advance instalments for 2018, the company does not have liability for corporate income tax.

**12 Provisions**

	31/12/2019	31/12/2018
Provisions for bonuses payable	1 493	699
	<u>1 493</u>	<u>699</u>

The bonus provision is based on the management's expectations for bonus payables regarding work performed in 2019.

**13 Other liabilities & deferred revenue**

	31/12/2019	31/12/2018
KT deferred revenue current	129	-
	<u>129</u>	<u>-</u>

The deferred revenue is related to a signed Master Service Agreement between HCL Technologies Limited and Xerox Corporation, dated on March 12, 2019.

**14 Revenue from operations**

	2019	2018
Sales of services from related parties	45 841	33 374
Sales of services from other parties	376	-
KT deferred revenue	(803)	-
	<u>45 514</u>	<u>33 374</u>

The Company provides services to Telex Marketing Inc USA based on separate orders on projects. Starting from 2010, the Company provides services to companies from HCL group based on group agreement, as well as services to Xerox Business Services Bulgaria EOOD on the basis of Master Service Agreement with Xerox Corporation.

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**15 Other revenue**

	2019	2018
Other revenue	93	82
	<u>93</u>	<u>82</u>

Other revenue relates to compensations received by employees on labour agreements for unkept notice period by termination of the employment from their side

**16 Employee expenses**

	2019	2018
Gross remuneration and bonuses	28 058	21 183
Social security contributions	4 621	3 279
Other benefits	711	503
	<u>33 421</u>	<u>24 965</u>

**17 External services**

	2019	2018
Office utilities and maintenance	2 265	445
Travel expenses	1 903	1 462
Communication expenses	1 077	517
Shipping and handling services	750	623
Other professional services	415	210
Representative expenses and team events	185	159
Advertising expenses	158	-
Audit and legal fees	129	88
Training of staff	127	173
Other expenses	103	132
Accounting fees	84	72
Car related expenses	67	76
Protection and security	57	89
Rent of office	27	1 038
Bank charges	14	12
Management fee	6	84
IT related costs	(553)	-
	<u>6 754</u>	<u>5 202</u>

**18 Depreciation and amortization**

	2019	2018
Depreciation of non-current assets	467	512
Depreciation right-of-use assets	1 038	-
	<u>1 505</u>	<u>512</u>

**19 Supplies and other expenses**

	2019	2018
Office consumables and supplies	455	211
Fines and penalties	3	-
Expenses for scrap of assets	-	8
	<u>456</u>	<u>219</u>

**20 Financial expenses**

	2019	2018
FX loss on transactions, net	600	337
	<u>600</u>	<u>337</u>

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21 Corporate income tax and Deferred taxes

	2019	2018
Profit before taxes	2 838	2 121
Increase of result for tax purposes	4 563	2 202
Decrease of result for tax purposes	(3 092)	(2 034)
<b>Taxable profit</b>	<b>4 310</b>	<b>2 289</b>
Corporate income tax rate	10%	10%
Corporate income tax due	(432)	(229)
Deferred tax asset on temporary differences	143	15
<b>Total income tax</b>	<b>(289)</b>	<b>(214)</b>
<b>Deferred tax assets</b>		
	Provisions	Total
Balance as at 01-01-2019	157	157
Income statement change	143	143
<b>Balance as at 31-12-2019</b>	<b>300</b>	<b>300</b>

In 2019, after adjusting the financial result for tax purposes, the Company declared a taxable profit amounting to BGN 4319 thousand.  
During the year the Company has a tax amount of BGN 432 thousand. As a result of the prepayments made in 2019 in the amount of BGN 358 thousand, the Company owes corporate tax at 31 December 2019 in the amount of BGN 74 thousand.

As of December 31, 2019, the Company has a deferred tax asset based on an effective corporate tax rate of 10%.  
The positive effect that the Company may use in deducting the respective temporary differences in 2019 is BGN 300 thousand.

22 Related party transactions

Transactions with related parties and outstanding balances

Revenue	Relation	31/12/2019 2019	31/12/2018 2018
Telxon Marketing Inc, USA	Mother Company	35 447	33 374
HCL America INC	Related parties under common control	13	-
HCL Technologies UK Limited	Related parties under common control	508	-
HCL Technologies France SAS	Related parties under common control	327	-
HCL Technologies LTD - BPO Services	Related parties under common control	524	-
HCL Technologies Austria GmbH	Related parties under common control	815	-
HCL Belgium N.V./S.A.	Related parties under common control	370	-
HCL Canada INC	Related parties under common control	965	-
HCL Technologies Ltd - IOMC	Related parties under common control	9	-
HCL Technologies Limited, Switzerland branch	Related parties under common control	010	-
HCL Great Britain Ltd	Related parties under common control	3 014	-
		<b>45 941</b>	<b>33 374</b>
<b>Current related parties receivables</b>			
Telxon Marketing Inc, USA - sale of services		17 111	11 167
HCL Canada INC - sale of services		965	-
HCL Technologies Ltd - IOMC - sale of services		9	-
HCL Great Britain Ltd - sale of services		3 014	-
HCL Technologies Ltd - BPO Services - sale of services		524	-
		<b>21 609</b>	<b>11 167</b>
<b>Current related parties payables</b>			
Telxon Marketing Inc, USA - received payment from client		5	-
HCL Technologies UK Limited - invoiced services		4 281	-
		<b>4 286</b>	<b>-</b>

The receivables from related parties are for invoices issued in December 2019

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23 Analysis of the effect from non-financial risks

The Company's activities are exposed to a number of risks, including credit, interest, liquidity and currency risk, which arises from normal and operational activities. Management monitors overall risk and seeks ways to neutralise potential negative effects.

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23.1 Credit risk

Credit risk is the risk that customers will not be able to repay fully the amounts owed to the company within the stipulated timeframe. The risk is analyzed periodically. Assets that potentially expose the Company to credit risk are primarily sales receivables. Credit risk is managed and monitored strictly.

Credit risk is estimated to be minimal as the claims of the parent of Telerax Marketing Inc., USA, which has a good credit history of servicing its obligations to the Company. The Company has no collateral received in connection with its receivables from customers and there was no such practice. The book value of financial assets is the maximum credit exposure.

23.2 Liquidity risk

Liquidity risk is the risk of the company's inability to meet its current and potential liabilities, related to payments when they are due without incurring unacceptable losses. The table below provides an analysis of assets and liabilities of the company as at 31 December 2019 and 2018, grouped by residual maturity.

31/12/2019	Up to 3 months	3-12 months	1-5 years	Over 5 years	Total
<b>Financial assets:</b>					
Current related parties receivables	21 653	-	-	-	21 653
Receivables from the employees	27	-	-	-	27
Cash and cash equivalents	574	-	-	-	574
Deposits	-	-	846	-	846
	<b>22 254</b>	<b>-</b>	<b>846</b>	<b>-</b>	<b>23 100</b>
<b>Financial liabilities:</b>					
Current related parties payables	4 286	-	-	-	4 286
Payables to staff	2 024	2 967	-	-	4 991
Trade and other payables	2 947	-	-	-	2 947
Lease liabilities	242	727	2 443	-	3 412
Other payables	129	-	674	-	803
	<b>9 628</b>	<b>3 694</b>	<b>3 117</b>	<b>-</b>	<b>16 439</b>
<b>31/12/2018</b>	<b>Up to 3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>Financial assets:</b>					
Current related parties receivables	11 167	-	-	-	11 167
Receivables from the employees	9	-	-	-	9
Cash and cash equivalents	1 276	-	-	-	1 276
Deposits	-	-	280	-	280
	<b>12 452</b>	<b>-</b>	<b>280</b>	<b>-</b>	<b>12 732</b>
<b>Financial liabilities:</b>					
Payables to staff	2 092	1 437	-	-	3 529
Trade and other payables	225	-	-	-	225
	<b>2 317</b>	<b>1 437</b>	<b>-</b>	<b>-</b>	<b>3 754</b>

23.3 Currency risk

Currency risk is the risk of a negative impact of fluctuations in prevailing exchange rates on the financial position and the cash flows of the company. Since the Bulgarian lev is fixed to the euro and the company presents its financial statements in Euro currency, the currency risk is only related to currencies other than the euro.

The following table summarizes the company's exposure to currency risk as at 31 December 2019. It includes assets and liabilities at book value, categorised by currency type.

31/12/2019	BGN	EUR	USD	Currency	Total
<b>Current related parties receivables</b>	20 658	-	995	-	21 653
Receivables from the employees	27	-	-	-	27
Cash and cash equivalents	304	4	265	-	574
Deposits	786	10	50	-	846
<b>Total assets</b>	<b>21 775</b>	<b>14</b>	<b>1 311</b>	<b>-</b>	<b>23 100</b>
<b>Current related parties payables</b>	4 286	-	-	-	4 286
Payables to staff	4 991	-	-	-	4 991
Trade and other payables	2 842	47	56	-	2 947
Lease liabilities	3 412	-	-	-	3 412
Other payables	-	-	803	-	803
<b>Total liabilities</b>	<b>15 531</b>	<b>47</b>	<b>861</b>	<b>-</b>	<b>16 439</b>
<b>Net currency exposure</b>	<b>6 244</b>	<b>(33)</b>	<b>450</b>	<b>-</b>	

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**24 Analysis of capital risk**

The primary objective of the Company's capital management is to ensure that it maintains a stable credit rating and appropriate capital ratios to maintain its business and maximize its value.

The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions.

The company monitors its capital using a debt ratio, which is the net debt divided by the total capital plus net debt. The Company includes in net debt interest-bearing loans and borrowings, trade and other payables, less cash and cash equivalents, except for discontinued operations.

	31/12/2019	31/12/2018
Trade and other liabilities	16 513	3 754
Reduced with cash and short term deposits	(574)	(1 276)
Net liability	15 939	2 478
Equity	12 641	10 062
Equity and net liability	28 580	12 570
Proportion of liabilities	56%	20%

**25 Contingent assets and liabilities**

At the date of preparation of the financial statements, the Company has no contingent receivables and liabilities.

**26 Events after the financial statement date**

COVID-19 and Events occurring after reporting period

The coronavirus (Covid-19) pandemic was announced by the World Health Organisation in March 2020 given the outbreak of the virus in countries across the world including Bulgaria. The Covid-19 pandemic has resulted in disruptions to businesses and various macro-economic impacts.

At this time, the impact of the outbreak on our business has been limited as delivery of our group services is uninterrupted, and we have currently not witnessed significant changes in demand, whereas our group service delivery is intact and thus our liquidity remains healthy. However, going forward the Covid-19 outbreak may negatively impact amongst others our workforce, operations, and market demand and liquidity. In this respect, the Company has brought Covid-19 under the purview of "Executive Crisis Management Team" to develop and implement contingency plans, and we are closely and continuously evaluating the developments. We will take all the necessary actions to keep our operations running and, most importantly, protect our employees, suppliers, customers and all other stakeholders.

The Company consider that the effects related to this outbreak to be a non-adjusting event as it was not a condition that existed as at 31 December 2019, the end of the reporting period. Accordingly, the current conditions arising from this outbreak do not have an impact on the carrying amounts reported for the financial year ended 31 December 2019.

As of the date of the financial statements are authorized for issuance, the Covid-19 situation is still evolving and unpredictable. As a result, it is not practicable for the Company to estimate the financial effect of Covid-19 at this juncture. The Company is actively monitoring and managing the Company's operations to minimise any impacts that may arise from Covid-19.

There are no other significant events after the date of the financial statements that have an impact on the statement or on the future activities of the Company. If necessary, the Company's owners are entitled to amend the financial statements after issue, if applicable.

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## **INDEPENDENT AUDITORS' REPORT**

To the sole owner of  
C3i Europe EOOD

### **Opinion**

We have audited the financial statements of C3i Europe EOOD (the Company) as set out on pages 1 to 20, which comprise the statement of financial position as at 31 December 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

### **Basis for Opinion**

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

### **Other Matter**

The financial statements of the Company for the year ended 31 December 2018, were audited by another auditor who expressed an unmodified opinion on those financial statements on 06 December 2019.



### **Information Other than the Financial Statements and Auditors' Report Thereon**

Management is responsible for the other information. The other information comprises the management report, prepared by management in accordance with Chapter Seven of the Accountancy Act, but does not include the financial statements and our auditors' report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### ***Additional Matters to be Reported under the Accountancy Act***

In addition to our responsibilities and reporting in accordance with ISAs, in relation to the management report, we have also performed the procedures added to those required under ISAs in accordance with the New and enhanced auditor's reports and auditor's communication Guidelines of the professional organisation of certified public accountants and registered auditors in Bulgaria, the Institute of Certified Public Accountants (ICPA). These procedures refer to testing the existence, form and content of this other information to assist us in forming an opinion about whether the other information includes the disclosures and reporting provided for in Chapter Seven of the Accountancy Act applicable in Bulgaria.

### ***Opinion in connection with Art. 37, paragraph 6 of the Accountancy Act***

Based on the procedures performed, our opinion is that:

- a) The information included in the management report for the financial year for which the financial statements have been prepared is consistent with those financial statements.
- b) The management report has been prepared in accordance with the requirements of Chapter Seven of the Accountancy Act.

### **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of



accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

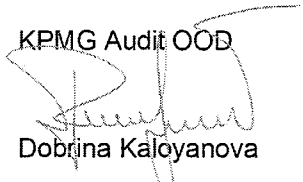
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



INDEPENDENT AUDITORS' REPORT

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG Audit OOD

  
Dobrina Kaloyanova

*Authorised representative*

45/A Bulgaria Boulevard  
Sofia 1404, Bulgaria

15 September 2020

  
Ivan Andonov

*Registered auditor, responsible  
for the audit*

