Telelink Business Services Group AD

Separate Interim Financial Statements

For the period 1 January - 30 June 2021

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GENERAL INFORMATION

Supervisory Board (SB)

Hans van Houwelingen – Chair of SB;
Ivo Evgeniev Evgeniev – member of SB;
Bernard Jean Luc Moscheni – member of SB.

Management Board (MB)

Ivan Zhitiyanov – Chair of MB and Executive Director;
Teodor Dobrev – member of MB;
Paun Ivanov – member of MB;
Nikoleta Stanailova - member of MB;
Gojko Martinovic - member of MB

Head office and registered Office
Vitosha region, v.a. Malinova dolina, 6 Panorama Sofia Str.,
Business Center Richhill, Block B, 2nd floor
1766 Sofia

Register and registration number
UIC 205744019

Servicing banks
Unicredit Bulbank AD

Legal consultants
Consult 2002 EOOD
42, Alabin St. fl. 2
Sofia

SEPARATE INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD 1 JANUARY - 30 JUNE 2021

	Notes	*01 Jan 2021 - 30 June 2021* *BGN'000*	*01 Jan 2020 - 30 June 2020* *BGN'000*
Continuing operations			
Revenue from contracts with customers	3	940	1,286
Cost of sales	4	(912)	(1,252)
Gross profit		28	34
Other operating income	7	4	-
General and Administrative expenses	4,5	(408)	(262)
Sales and marketing expenses	4,6	(11)	(3)
Operating profit		(387)	(231)
Finance income	8	13,456	8,488
Finance costs	8	(21)	(30)
Net finance income		13,435	8,458
Profit before tax		13,048	8,227
Income tax expense	9	(77)	(62)
Profit for the year		**12,971**	**8,165**
Other comprehensive income		-	-
Total comprehensive income for the year, net of taxes		**12,971**	**8,165**
Net profit per share in BGN		**1,04**	**0,65**

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Ivan Krasimirov Zhitiyanov
Executive Director

Mirela Plamenova Mladenova
Chief Accountant, Preparer

SEPARATE INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

	Notes	*at 30 June 2021* *BGN'000*	*at 31 Dec 2020* *BGN'000*
ASSETS			
Non-current assets			
Property, plant and equipment	10	24	92
Intangible assets	11	80	93
Investments in subsidiaries and associates	12	15,759	15,759
Non-current receivables	13	116	116
Deferred tax assets	9	37	37
		16,016	**16,097**
Current assets			
Trade and other receivables	13	11,119	111
Prepayments		49	33
Cash and cash equivalents	14	633	73
		11,801	**,217**
TOTAL ASSETS		**27,817**	**16,314**
EQUITY AND LIABILITIES			
Equity			
Share capital	15	12,500	12,500
Legal reserves	15	981	239
Other reserves	15	211	211
Other components of equity	15	40	40
Retained earnings		13,649	1,420
Total equity		**27,381**	**14,410**
Non-current liabilities			
Lease liabilities	23	-	35
		-	**35**
Current liabilities			
Interest bearing loans and borrowing	16	-	1,103
Lease liabilities	23	-	15
Trade and other payables	17	291	751
Contract liabilities	18	68	-
Income taxes payable	9	77	-
		436	**1,869**
Total liabilities		**436**	**1,904**
TOTAL EQUITY AND LIABILITIES		**27,817**	**16,314**

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Chief Accountant, Preparer

SEPARATE INTERIM STATEMENT OF EQUITY
FOR THE PERIOD 1 JANUARY - 30 JUNE 2021

	Share Capital BGN'000	Legal reserves BGN'000	Other reserves BGN'000	Retained earnings BGN'000	Other components of equity BGN'000	Total BGN'000
Balance at 01 Jan 2020	**12,500**	**217**	**-**	**217**	**-**	**12,934**
Profit for the period	-	-	-	8,165	-	**8,165**
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	**-**	**-**	**-**	**8,165**	**-**	**8,165**
Transactions with owner recognised in equity	-	-	-	-	-	-
Total transactions with owner recognised in equity	**-**	**-**	**-**	**-**	**-**	**-**
Balance at 30 June 2020	**12,500**	**217**	**-**	**8,382**	**-**	**21,099**
Balance at 01 Jan 2021	**12,500**	**239**	**211**	**1,420**	**40**	**14,410**
Profit for the period	-	-	-	12,971	-	**12,971**
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	**-**	**-**	**-**	**12,971**	**-**	**12,971**
Transactions with owner recognised in equity	-	-	-	-	-	-
Reserves distributed	-	742	-	(742)	-	-
Total transactions with owner recognised in equity	**-**	**742**	**-**	**(742)**	**-**	**-**
Balance at 30 June 2021	**12,500**	**981**	**211**	**13,649**	**40**	**27,381**

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Chief Accountant, Preparer

SEPARATE INTERIM STATEMENT OF CASH FLOWS
FOR THE PERIOD 1 JANUARY - 30 JUNE 2021

	Notes	*01 Jan 2021 - 30 June 2021 BGN '000*	*01 Jan 2020 - 30 June 2020 BGN '000*
Operating activities			
Profit before tax		13,048	8,227
Adjustment to reconcile profit (loss) before tax to net cash flows			
Non-cash:			
Net finance costs	8	21	30
Dividend income	8	(13,456)	(8,488)
(Gain)/Loss on disposal of property, plant and equipment		(4)	-
Depreciation, amortization & impairment	10,11	31	27
Working capital adjustments			
(Increase) / Decrease in trade and other receivables, contract assets		(68)	(322)
Increase / (Decrease) in trade and other payables, contract liabilities		(392)	213
Bank charges paid		(2)	(1)
Income taxes paid		-	(10)
Net cash flows from operating activities		**(822)**	**(324)**
Investing activities			
Purchase of property, plant and equipment	10	(6)	(75)
Proceeds from disposal of property, plant and equipment		16	-
Dividends received	19	2,500	-
Net cash flows used in investing activities		**2,510**	**(75)**
Financing activities			
Proceeds from borrowings	16	2,585	680
Repayment of borrowings	16	(3,685)	(270)
Payment of lease liabilities	23	(6)	(4)
Interest paid on borrowings	16	(22)	(35)
Interest paid on leasing	23	-	(1)
Net cash flows from / (used in) financing activities		**(1,128)**	**370**
Cash and cash equivalents transferred to new entity			
Net increase in cash and cash equivalents		560	(29)
Cash at the beginning of the period		73	58
Cash at the end of the period	14	**633**	**29**

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Ivan Krasimirov Zhitiyanov
Executive Director

Mirela Plamenova Mladenova
Chief Accountant, Preparer

NOTES TO THE SEPARATE INTERIM FINANCIAL STATEMENTS
30 JUNE 2021

1. Corporate information

Incorporation

Telelink Business Services Group EAD (the Company) was incorporated on 12 July 2019 as a sole-shareholder joint stock company with an owner Telelink Holdings BV (The Netherlands), registered with the Trade Register of the Registry Agency under UIC 205744019. The registered office of the Company is: Vitosha region, v.a. Malinova dolina, 6 Panorama Sofia Str., Business Center Richhill, Block B, 2nd floor, 1766 Sofia, Bulgaria.

Telelink Business Services Group EAD is a public company, registered with Financial Supervision Commission on 28 November 2019.

Company shares are traded on the Bulgarian Stock Exchange.

Shareholders

The Company has a registered capital in the amount of BGN 12,500 thousand divided in 12,500,000 common shares with a nominal value of BGN 1.00 each.

In 2020 and the first half of 2021, there were three tranches of public offering of existing Company shares, pursuant to which three of the shareholders existing as such prior to the offering sold on the Bulgarian Stock Exchange (BSE) a total of 2,625,000 shares (of which 875,000 in the first half of 2021), representing 21% of the Company's registered capital (of which 7% realized in the first half of 2021). During the above period, including the third tranche of its public offering carried out in June 2021, the Company did not issue and had no proceeds from new shares, other securities or options thereon.

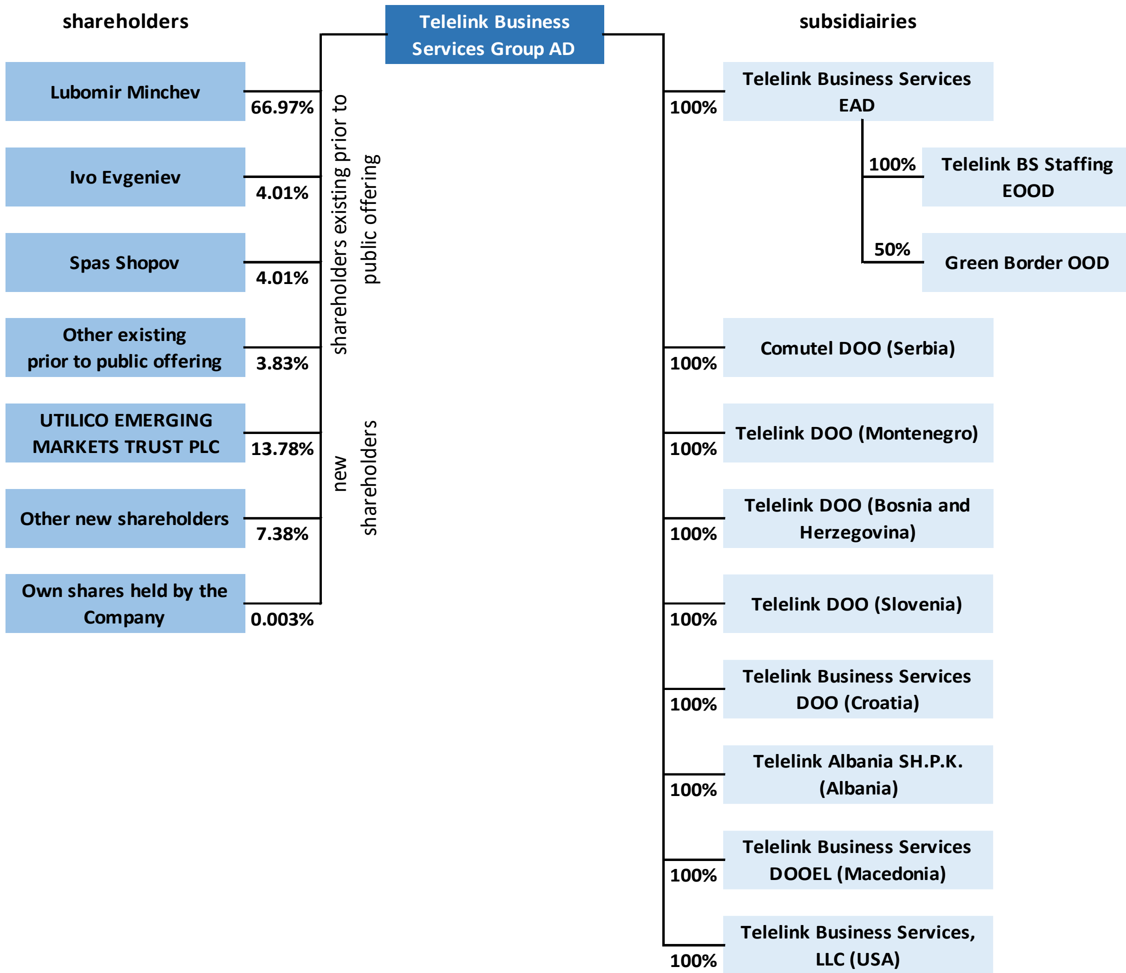
Pursuant to share buybacks for the purposes of employee incentive programs, as of 30 June 2021, the Company holds 356 own shares acquired in 2020. No further share buybacks were carried out during the first half of 2021.

As of 31 March 2021, the persons holding over 5% of the Company's capital were Lubomir Minchev with a stake of 8,371,678 shares or 66.97% and Utilico Emerging Markets Trust PLC (UK) with a stake of 1,723,099 shares or 13.78%.

NOTES TO THE SEPARATE INTERIM FINANCIAL STATEMENTS
30 JUNE 2021

1. Corporate information (continued)

Shareholding structure and Group structure as at 30 June 2021 are shown below:



Business

The main commercial activity includes the provision of consulting services and management services provided to the Group's subsidiaries. The scope of these services comprises business development services, including product positioning and presentation of the products and services to potential customers, consultancy on the development of potentially new products, services and functionality, management services such as assistance in taking strategic decisions, setting up goals and strategies, development and implementation of policies and management principles, financial management services, including business planning, consulting on the form and quality of financial reporting and audit, financial results tracking and analysis, and advising on improving effectiveness and profitability, human resource consultancy, advice on legal matters, consulting and PR services, services in the area of marketing, etc.

The Company had a two-tier management structure as at 30 June 2021 and 31 December 2020 – Management Board and Supervisory Board. The operative management is carried out by the Management Board. Those charged with governance include the members of the Supervisory Board. The average number of staff at 30 June 2021 was 30 (2020: 35).

NOTES TO THE SEPARATE INTERIM FINANCIAL STATEMENTS
30 JUNE 2021

2.1 Basis of preparation

These financial statements have been prepared on a historical cost basis.

The interim financial statements are prepared for the six months ended 30 June 2021 and are presented in Bulgarian leva (BGN), which is the Company's functional currency. All values are rounded off to the nearest thousand (BGN' 000) except when otherwise stated.

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union (EU). The reporting framework "IFRS, adopted by EU" in its essence is the national accounting basis IAS, adopted by EU, settled in the Accountancy Act and defined in p.8 in its Additional Provisions.

The concept of going concern

The financial statements have been prepared on the going concern basis, which assumes that the Company will continue to exist in the foreseeable future. The principle of preparation implies that the company will continue to accomplish its assets and fulfill its obligations in the normal course of its activities. The future financial results of the Company depend on the wider economic environment in which the Group operate. The management taking into consideration the estimation of the continued business impacts of COVID-19 has analyzed the factors at Group level, that affect the Company results. Group subsidiaries have assured technologically and introduced successfully teleworking arrangements for their employees, allowing for the continuity of internal and external services and processes realizable on a remote basis. Considering the implemented communication and collaboration tools, utilization and efficiency monitoring systems and the high average level of IT literacy of employees, the Company does not expect teleworking to result in substantial reduction of the Group's productivity. The Company is not aware of any actual or planned interruptions or significant delays in the workflow and deliveries from equipment vendors of key importance to the Group. Company's management has not established substantial deviations in key processes on the part of main clients. At the same time, independent market sources point out both risks of a general slowdown in economic growth and temporary limitations of the investment potential in certain private sector industries, and expectations for a significant acceleration of investments by key client groups in technologies related to their digitalization, virtualization and collaboration capacity in a teleworking environment, including various products, services and complex solutions offered by the Group.

The management, taking into account the above-mentioned facts, has concluded that there are no material uncertainties that may cast significant doubt in the Company's ability to continue to operate as a going concern and thus it is appropriate to prepare the financial statements of the Company for the period ending 30 June 2021 on a going concern basis.

NOTES TO THE SEPARATE INTERIM FINANCIAL STATEMENTS
30 JUNE 2021

2.2 Significant accounting judgements, estimates and assumptions

Consolidated financial statements
Telelink Business Services Group EAD will prepare consolidated financial statements under IFRS, adopted by the EU, which comprises the financial statements of all subsidiaries - Telelink Business Services EAD (Bulgaria), Comutel DOO (Serbia), Telelink DOO (Montenegro), Telelink DOO (Bosnia and Herzegovina), Telelink DOO (Slovenia), Telelink Business Services DOOEL (Macedonia), Telelink Albania SH.P.K. (Albania), Telelink Business Services DOO (Croatia), Telelink Business Services LLC (USA).

In preparing the financial statements, management is required to make estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgment are inherent in the formation of estimates. Actual results in the future could differ from such estimates and the differences may be material to the financial statements. These estimates are reviewed on a regular basis and if a change is needed, it is accounted for in the period the changes become known.

Judgements
In the process of applying the accounting policies of the Company, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

Retirement benefit liability

The retirement benefit liability is determined by the Company using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, future salary increases, personnel turnover rates and mortality rates. Due to the long-term nature of retirement benefits, these assumptions are subject to significant uncertainty. At 30 June 2021, due to the immaterial number and young age of staff, the Company accrued no provision for retirement benefits.

Impairment of investments

Investments held by the Group are subject to annual test for impairment. There are no indicators that the investments are impaired as ta 30 June 2021.

2.3 Summary of significant accounting policies

Foreign currency translation

The financial statements have been prepared in Bulgarian leva (BGN), which is the Company’s functional and reporting currency. Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency at the rate of exchange ruling at the reporting date. Any differences are taken to the statement of comprehensive income. Non-monetary assts and liabilities that are measured in terms of historical cost in a foreign currency are translated into the functional currency using the exchange rate as at the date of the initial transaction.

NOTES TO THE SEPARATE INTERIM FINANCIAL STATEMENTS
30 JUNE 2021

2.3 Summary of significant accounting policies (continued)

Property, plant and equipment

Plant and equipment are stated at cost, net of any accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing part of the machinery and equipment when that cost is incurred, if the recognition criteria are met. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the machinery and equipment as a replacement if the recognition criteria are satisfied. Any other repair and maintenance costs are recognised in the statement of profit or loss in the period in which they were incurred.

Subsequent to initial recognition as an asset, a machinery or equipment should be stated at cost, net of any accumulated depreciation and accumulated impairment losses.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets, as follows:

Type of the asset	Useful life in years
Computers	2 years
Machinery and equipment	3.33 years
Motor vehicles	4 years

Borrowing costs

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

Intangible assets

Intangible assets acquired separately are measured initially at cost. The cost comprises its purchase price, including any import duties and non-refundable purchase taxes, and any directly attributable expenditure on preparing the asset for its intended use.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Subsequent expenditure on an intangible asset after its purchase or its completion is recognised as an expense when it is incurred unless it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and this expenditure can be measured and attributed to the asset reliably. If these two conditions are met, the subsequent expenditure is added to the cost of the intangible asset.

Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the statement of comprehensive income in the year in which the expenditure is incurred.

2.3 Summary of significant accounting policies (continued)

Intangible assets (continued)

Development is the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services before the start of commercial production or use. To assess whether an internally generated intangible asset meets the criteria for recognition, the Company classifies the generation of the asset into a research phase and a development phase. If the Company cannot distinguish the research phase from the development phase of an internal project to create an intangible asset, the entity treats the expenditure on that project as if it were incurred in the research phase only. Development costs are recognised for assets if the Company has control and expects future economic benefits from it.

The useful life of the intangible assets is assessed to be finite.

Amortisation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Type of asset	Useful life in years
Other assets	Within the contract period

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is classified by function in the income statement, depending on the use of the intangible asset.

Investments in subsidiaries

All investments in subsidiaries are stated in the separate financial statements at cost less any accumulated impairment losses.

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or cash-generating unit’s fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

NOTES TO THE SEPARATE INTERIM FINANCIAL STATEMENTS
30 JUNE 2021

2.3 Summary of significant accounting policies (continued)

Impairment of non-financial assets (continued)

In determining fair value less costs of disposal, an appropriate valuation model is used.

Impairment losses on continuing operations are recognised in the statement of comprehensive income in expense categories consistent with the function of the impaired asset.

For all non-financial assets, the Company assesses whether there are indications that the impairment loss on an asset other than goodwill recognised in prior periods may no longer exist or may have decreased. If such indications exist, the Company determines the recoverable amount of the asset or cash-generating unit. An impairment loss is reversed only when there has been a change in the estimates used to determine the recoverable amount of the asset after recognition of the last impairment loss. If that is the case the carrying amount of the asset is increased to its recoverable amount. The reversal of an impairment loss is limited so that the carrying amount of the asset does not exceed its recoverable amount nor exceed the carrying amount, after deduction of amortisation, that would have been determined had no impairment loss been recognised for asset in previous periods. The reversal of an impairment loss is recognised in the income statement for the year.

Financial instruments - initial recognition and subsequent measurement

Financial assets

Initial recognition and measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade

receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in section *Revenue from contracts with customers*.

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

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

2.3 Summary of significant accounting policies (continued)

Financial instruments - initial recognition and subsequent measurement (continued)

Financial assets (continued)

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

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

Financial assets at amortised cost (debt instruments)
The Company measures financial assets at amortised cost if both of the following conditions are met:

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

Derecognition

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

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

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

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

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Disclosures for significant assumptions (Note 2.2)
  Trade receivables, including contract assets (Note 13)

2.3 Summary of significant accounting policies (continued)

Financial instruments - initial recognition and subsequent measurement (continued)

Financial assets (continued)

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

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

For debt instruments at fair value through other comprehensive income, the Company applies the low credit risk simplification.

Impairment of financial assets

At every reporting date, the Company evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Company reassesses the internal credit rating of the debt instrument. In addition, the Company considers that there has been a significant increase in credit risk when contractual payments are more than 60 days past due.

The Company considers a financial instruments in default when contractual payments are 180 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

NOTES TO THE SEPARATE INTERIM FINANCIAL STATEMENTS
30 JUNE 2021

2.3 Summary of significant accounting policies (continued)

Financial instruments - initial recognition and subsequent measurement (continued)

Financial liabilities

Initial recognition and measurement

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

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

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

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

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured by the Company at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the income statement. This category generally applies to interest-bearing loans and borrowings. For more information, refer to note 16.

Derecognition

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

Provisions

General

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

Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.3 Summary of significant accounting policies (continued)

Employee benefits

Short-term employee benefits include salaries, interim and annual bonuses, social security contributions and paid annual leave of current employees expected to be settled wholly within twelve months after the end of the reporting period. They are recognised as an employee benefit expense in the profit or loss or included in the cost of an asset when service is rendered to the Company and measured at the undiscounted amount of the expected cost of the benefit.

State social security plan

All employees of the Bulgarian entities are members of the Bulgarian Social Security Plan. In the normal course of business, the Company makes payments to the National Social Security Fund and National Health Insurance Fund based on employee's remuneration, at rates determined by the Bulgarian Social Security Code. The share of the Company in the social security contributions is treated as payments made under a defined contribution plan and is recognised as expense at the time when incurred. Under the State Social Security Plan, all related risks are assumed by the employees. The Company bears no other obligation.

Retirement benefits

The Company operates a defined benefit plan arising from the requirement of the Bulgarian labour legislation to pay two or six gross monthly salaries to its employees upon retirement, depending on the length of their service. If an employee has worked for the Company for 10 years, the retirement benefit amounts to six gross monthly salaries upon retirement, otherwise, two gross monthly salaries. These retirement benefits are unfunded.

The cost of providing benefits under the retirement benefit plan is determined by the Company using the actuarial projected unit credit method. Re-measurements, comprising of actuarial gains and losses, are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods. Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognises restructuring-related costs

Interest expense is calculated by applying the discount rate to the retirement benefit liability. The changes in the defined benefit obligation are recognised by the Group in profit or loss for the period and are presented as follows:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements within "Emplyee benefit expense";
- Net interest expense or income within "Finance costs".

NOTES TO THE SEPARATE INTERIM FINANCIAL STATEMENTS
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2.3 Summary of significant accounting policies (continued)

Share capital and reserves

Telelink Business Services Group is a shareholding company and is obliged to register with the Trade register certain level of share capital that will act as a collateral to the creditors. Shareholders meet obligations of the Company up to their own shareholding and can claim refund of their shareholding only during liquidation or insolvency proceedings. The share capital is presented as the nominal value of the issued and paid shares.
According to the Commercial act regulations the Company is obliged to set aside Legal reserves.

Shares bought back are presented in the statement of financial position at cost and are deducted from equity. The net effect of the shares bought back and their transfer to employees within the share-based payments plans in the Group is presented directly in the *Other components of equity* of the Company.

Share-based payments

Employees and members of the Managing board of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions). Equity instruments transferred are measured by their fair value at grant date. The fair value of the share-based payment considerations under conditions, that have not vested, is measured to reflect the conditions and to exclude any differences between expected and actual results. The cost of equity-settled transactions is recognised, together with the corresponding increase in the equity over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period).

Revenue from contracts with customers

The Company's activity includes the provision of services relating to corporate and business development of subsidiaries, including assistance in taking strategic decisions, financial management services, including business planning, human resource consultancy, advice on legal matters. The Company has generally concluded that it is the principal in its revenue arrangements, because it typically controls the services before transferring them to the customer.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in note 2.2.

Provisions of services

The company provides management and business consulting services to subsidiaries. The Company recognises the services as a single performance obligation and recognises revenue from them over time as the client simultaneously receives and consumes the benefits provided by the Company. The Company uses an input method – it monitors costs incurred compared to the total amount of resources to be input in order to measure progress towards complete satisfaction of the service.

2.3 Summary of significant accounting policies (continued)

Revenue from contracts with customers(continued)

Significant financing component

In certain cases, the Company receives short-term advances from its customers. Using the practical expedient in IFRS 15, the Company does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer.

If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade receivables

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

Cost to obtain a contract / Contract performance costs

Additional costs to obtain a contract (e.g., sales commissions paid to employees) and certain contract performance costs may be recognised as an asset if certain criteria are met. These capitalized assets - contract costs should be depreciated on a systematic basis that is consistent with the Company's transfer of the related goods or services to the customer.

If contract performance costs occur, they are presented as a separate class of assets in the statement of financial position and their amortization - in the cost of sales, changes in contract costs or a similar position.

Capitalized contract costs are reviewed for impairment at the end of each reporting period. Impairment losses are recognised in profit or loss.

2.3 Summary of significant accounting policies (continued)

Revenue from contracts with customers(continued)

Interest

Interest income is recognised as the interest accrues (using the effective interest method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

Dividend income

Income is recognised when the Company's right to receive the payment is established.

Dividends

A liability to make cash or non-cash distributions to the equity owners of the parent company is recognised when the distribution is authorised (ie authorised by the shareholders) and is no longer at the discretion of the Company. A corresponding amount is debited directly to equity.

Lease

The determination of whether an arrangement is, or contains, a lease is made at inception date. And namely, whether the arrangement conveys a right to use the asset for a certain period of time.

The Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases (ie leases with a lease contract term of less than 12 months) and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date, an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Motor vehicles and other equipment 4 years

NOTES TO THE SEPARATE INTERIM FINANCIAL STATEMENTS
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2.3 Summary of significant accounting policies (continued)

Lease (continued)

Right-of-use assets (continued)

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Right-of-use assets are presented in Property, plant and equipment. Additional information is available in Note 10.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section Impairment of non-financial assets.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in- substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low- value assets are recognised as expense on a straight-line basis over the lease term.

NOTES TO THE SEPARATE INTERIM FINANCIAL STATEMENTS
30 JUNE 2021

2.3 Summary of significant accounting policies (continued)
Taxes

Current tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted by the reporting date.

Deferred tax

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

2.3 Summary of significant accounting policies (continued)

Taxes (continued)

Deferred tax (continued)

Deferred income tax relating to items recognised directly in equity is recognised in equity and not in the income statement for the year.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Value Added Tax

Revenue, expenses and assets are recognised net of the amount of sales tax except:

- where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

2.4 Standards issued but not yet effective and not early adopted

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

Amendments to IFRS 16 Covid-19 Related Rent Concessions

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. Lessees apply the practical expedient retrospectively, recognising the cumulative effect of initially applying the amendment as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the lessee first applies the amendment. In the reporting period in which a lessee first applies the amendment, the lessee is not required to disclose the amount of the adjustment for each financial statement line affected and earnings per share required by paragraph 28(f) of IAS 8.

NOTES TO THE SEPARATE INTERIM FINANCIAL STATEMENTS
30 JUNE 2021
2.4 Standards issued but not yet effective and not early adopted (continued)

IFRS 17 Insurance Contracts

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

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

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

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. The standard has not yet been endorsed by the EU. It is not expected that the standard would impact the financial position or performance of the Company. The standard is not applicable for the Company.

IFRS 17: Insurance Contracts (Amendments), IFRS 4: Insurance Contracts (Amendments)

The amendments to IFRS 17 are effective, retrospectively, for annual periods beginning on or after January 1, 2023, with earlier application permitted. The amendments aim at helping companies implement the Standard. In particular, the amendments are designed to reduce costs by simplifying some requirements in the Standard, make financial performance easier to explain and ease transition by deferring the effective date of the Standard to 2023 and by providing additional relief to reduce the effort required when applying IFRS 17 for the first time. The amendments to IFRS 4 change the fixed expiry date for the temporary exemption in IFRS 4 Insurance Contracts from applying IFRS 9 Financial Instruments, so that entities would be required to apply IFRS 9 for annual periods beginning on or after January 1, 2023. The Amendments to IFRS 17 have not yet been endorsed by the EU. It is not expected that the amendments would impact the financial position or performance of the Company.

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

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

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The amendments have not yet been endorsed by the EU. The Company will analyze and assess the impact of the new amendments on its financial position or performance.

NOTES TO THE SEPARATE INTERIM FINANCIAL STATEMENTS
30 JUNE 2021
2.4 Standards issued but not yet effective and not early adopted (continued)

Amendments to IFRS 3 Business combinations

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately. At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively. The amendments have not yet been endorsed by the EU. The Company will analyze and assess the impact of the new amendments on its financial position or performance.

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

In August 2020, the IASB published Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, completing its work in response to IBOR reform. The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). In particular, the amendments provide for a practical expedient when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, to require the effective interest rate to be adjusted, equivalent to a movement in a market rate of interest. Also, the amendments introduce reliefs from discontinuing hedge relationships including a temporary relief from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component. Furthermore, the amendments to IFRS 4 are designed to allow insurers who are still applying IAS 39 to obtain the same reliefs as those provided by the amendments made to IFRS 9. There are also amendments to IFRS 7 Financial Instruments: Disclosures to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 with earlier application permitted. While application is retrospective, an entity is not required to restate prior periods. The Company will analyze and assess the impact of the new amendments on its financial position or performance.

Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments have not yet been endorsed by the EU. The Company will analyze and assess the impact of the new amendments on its financial position or performance.

NOTES TO THE SEPARATE INTERIM FINANCIAL STATEMENTS
30 JUNE 2021
2.4 Standards issued but not yet effective and not early adopted (continued)

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

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

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The amendment has not yet been endorsed by the EU. The Company will analyze and assess the impact of the new amendments on its financial position or performance.

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

3. Revenue from contracts with customers

	01 Jan 2021 - 30 June 2021 *BGN'000*	01 Jan 2020 - 30 June 2020 *BGN'000*
Type of product		
Services	940	1,286
	940	**1,286**
Geographical markets		
Bulgaria	911	1,010
Other European countries	5	6
Counties outside Europe	24	270
	940	**1,286**
Timing of revenue recognition		
At a point	-	-
Over time	940	1,286
	940	**1,286**

The geographical information on revenue from the sale of products and provision of services is based on the customer's location.

Performance obligations

Information on the Company's performance obligations is summarised below:

Services

Performance obligation is satisfied over time. Payment is due after the service is completed and accepted by the customer.

Revenue consists of services relating to corporate and business development of subsidiaries, including assistance in taking strategic decisions, financial management services, human resource consultancy, advice on legal matters, advice and services in the area of marketing.

The revenue of BGN 940 thousand (2020: BGN 1,286 thousand) represents revenue from contracts with customers within the meaning of IFRS 15 Revenue from contracts with customers.

4. Expenses by nature, employee benefit expenses

Expenses by nature

	01 Jan 2021 - 30 June 2021 BGN'000	*01 Jan 2020 - 30 June 2020 BGN'000*
Raw materials and consumables	(2)	(18)
Hired services	(276)	(263)
- incl. from Group companies	*(78)*	*(137)*
Employee benefit expenses	(1,015)	(1,187)
Depreciation and amortisation	(31)	(27)
Other, including Cost of goods sold	(7)	(22)
Total cost of sales, sales and marketing, general and administrative expenses	**(1,331)**	**(1,517)**

Employee benefit expenses

	01 Jan 2021 - 30 June 2021 BGN'000	*01 Jan 2020 - 30 June 2020 BGN'000*
Salaries	(935)	(1,086)
Social security contributions	(80)	(101)
	(1,015)	**(1,187)**

5. General and administrative expenses

	01 Jan 2021 - 30 June 2021 BGN'000	*01 Jan 2020 - 30 June 2020 BGN'000*
Employee benefit expenses	(260)	(207)
Depreciation & amortization	(1)	(1)
Consulting services	(82)	(29)
Office rent and utilities	(7)	(8)
Representative expenses	-	(3)
Other	(58)	(14)
	(408)	**(262)**

NOTES TO THE SEPARATE INTERIM FINANCIAL STATEMENTS
30 JUNE 2021

6. Sales and marketing expenses

	01 Jan 2021 - 30 June 2021 BGN'000	***01 Jan 2020 - 30 June 2020 BGN'000***
Employee benefit expenses	(10)	-
Other	(1)	(3)
	(11)	**(3)**

7. Other operating income / (expenses)

	01 Jan 2021 - 30 June 2021 BGN'000	***01 Jan 2020 - 30 June 2020 BGN'000***
Other operatring income		
Gain on disposal of property, plant and equipment	4	-
	4	**-**

8. Finance income and finance costs

	01 Jan 2021 - 30 June 2021 BGN'000	***01 Jan 2020 - 30 June 2020 BGN'000***
Finance costs		
Interest on financing	(19)	(29)
Other financial costs	(2)	(1)
	(21)	**(30)**
Financial income		
Dividend income	13,456	8,488
	13,456	**8,488**

NOTES TO THE SEPARATE INTERIM FINANCIAL STATEMENTS
30 JUNE 2021

9. Income tax

The major components of income tax expense for the periods ended 30 June are:

Income tax recognised in profit or loss	***01 Jan 2021 - 30 June 2021 BGN'000***	***01 Jan 2020 - 30 June 2020 BGN'000***
Current income tax		
Current income tax charge	(77)	(62)
Deferred income tax	-	-
Relating to origination and reversal of temporary differences	-	-
Income tax expense reported in the income statement	**(77)**	**(62)**

The corporate income tax rate of the Company for 2021 is 10% (2020: 10%).

The reconciliation between the income tax expense applicable to the pre-tax accounting profit at the statutory tax rate and the income tax expense at the effective for the Company income tax rate for 2021 and 2020 is as follows:

Reconciliation of income tax to the accounting profit as follows:	***01 Jan 2021 - 30 June 2021 BGN'000***	***01 Jan 2020 - 30 June 2020 BGN'000***
Accounting profit / (loss) before income tax	**13,048**	**8,227**
Income tax rate	10,00%	10,00%
At blended corporate income tax rate 10% (2019: 10%)	(1,305)	(823)
Net effect of permanent differences	1,228	761
	(77)	**(62)**
At the effective income tax rate of:	1%	1%
Income tax reported in the financial statements	(77)	(62)
	(77)	**(62)**

There are no movements in the temporary differences during the period 01 January – 30 June 2021 and 01 January – 30 June 2020.

10. Plant and equipment

31 Dec 2020	**Right-of-use assets**	**Machinery & equipment**	**Computers**	**Total**
Cost	***BGN'000***	***BGN'000***	***BGN'000***	***BGN'000***
Balance at 01 Jan 2020	-	12	8	**20**
Additions	61	-	56	**117**
Disposals	-	-	(1)	**(1)**
Balance at 31 Dec 2020	61	12	63	**136**
Accumulated depreciation:				
Balance at 01 Jan 2020	-	(2)	(5)	**(7)**
Depreciation for the year	(12)	(2)	(23)	**(37)**
Balance at 31 Dec 2020	(12)	(4)	(28)	**(44)**
Net book value at 01 Jan 2020	**-**	**10**	**3**	**13**
Net book value at 31 Dec 2020	**49**	**8**	**35**	**92**

30 June 2021	**Right-of-use assets**	**Machinery & equipment**	**Computers**	**Total**
Cost	***BGN'000***	***BGN'000***	***BGN'000***	***BGN'000***
Balance at 01 Jan 2021	61	12	63	**136**
Additions	-	-	6	**6**
Disposals	(61)	-	(21)	**(82)**
Balance at 30 June 2021	-	12	48	**60**
Accumulated depreciation:				
Balance at 01 Jan 2021	(12)	(4)	(28)	**(44)**
Depreciation for the year	(6)	(1)	(11)	**(18)**
Disposals	18	-	8	**26**
Balance at 30 June 2021	-	(5)	(31)	**(36)**
Net book value at 01 Jan 2021	**49**	**8**	**35**	**92**
Net book value at 30 June 2021	**-**	**7**	**17**	**24**

The Company carried out an impairment testing as at 30 June 2021. There were no indicators that the carrying amount of the tangible assets exceeded their recoverable amount and, as a result, no impairment loss was recognised in the financial statements.

11. Intangible assets

31 Dec 2020	**Other**	**Total**
Cost	***BGN'000***	***BGN'000***
Balance at 01 Jan 2020	105	**105**
Additions	40	**40**
Balance at 31 Dec 2020	145	**145**
Accumulated amortization:		
Balance at 01 Jan 2020	(27)	**(27)**
Amortization for the year	(25)	**(25)**
Balance at 31 Dec 2020	(52)	**(52)**
Net book value at 01 Jan 2020	**78**	**78**
Net book value at 31 Dec 2020	**93**	**93**

30 June 2021	**Other**	**Total**
Cost	***BGN'000***	***BGN'000***
Balance at 01 Jan 2021	145	**145**
Balance at 30 June 2021	145	**145**
Accumulated amortization:		
Balance at 01 Jan 2021	(52)	**(52)**
Amortization for the year	(13)	**(13)**
Balance at 30 June 2021	(65)	**(65)**
Net book value at 01 Jan 2021	**93**	**93**
Net book value at 30 June 2021	**80**	**80**

Other intangible assets represent brand concept.

The Company carried out an impairment testing as at 30 June 2021. There were no indicators that the carrying amount of the intangible assets exceeded their recoverable amount and, as a result, no impairment loss was recognised in the financial statements.

NOTES TO THE SEPARATE INTERIM FINANCIAL STATEMENTS
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12. Investments in subsidiaries

Name of the subsidiary	at 30 June 2021 *BGN'000*	at 31 Dec 2020 *BGN'000*
Telelink Business Services EAD (Bulgaria)	6,400	6,400
Comutel DOO (Serbia)	8,303	8,303
Telelink DOO - Podgorica (Montenegro)	530	530
Telelink DOO (Bosnia and Herzegovina)	354	354
Telelink DOO (Slovenia)	113	113
Telelink Albania Shpk (Albania)	20	20
Telelink Business Services d.o.o (Croatia)	20	20
Telelink Business Services DOOEL Skopje	19	19
	15,759	**15,759**

As a consequence of the reorganisation that entered into force on 14 August 2019, investments in subsidiaries in the “Business services” business line were separated into the Company, representing 100% of the capital of the following companies: Telelink Business Services EAD (Bulgaria), Comutel DOO (Serbia), Telelink DOO - Podgoritsa (Montenegro), Telelink DOO (Bosnia and Herzegovina), Telelink DOO (Slovenia), and 90% of the capital of Telelink Albania SH.P.K (Albania).

Telelink Business Services DOOEL (Macedonia) was incorporated on 30 September 2019 as a 100%-owned subsidiary.

In February 2020 the shareholding of the capital of Telelink Albania SH.P.K (Albania) was increased from 90% to 100%.

Telelink Business Services DOO (Croatia) was incorporated on 27 November 2020 as a 100%-owned subsidiary.

On 29 January 2021, the Company established in its capacity of sole owner a new subsidiary – limited liability company Telelink Business Services, LLC (USA) with a registered share capital of USD 10 thousand. As of the date of the interim financial statement, the new subsidiary’s share capital has not been paid in.

13. Trade and other receivables and contract assets

	at 30 June 2021 *BGN'000*	at 31 Dec 2020 *BGN'000*
Trade receivables from related parties, gross	160	100
Trade receivables	**160**	**100**
Dividend and other receivables from related parties	11,072	125
Other receivables	3	2
Trade and other receivables	**11,235**	**227**

NOTES TO THE SEPARATE INTERIM FINANCIAL STATEMENTS
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13. Trade and other receivables and contract assets

Trade receivables are from related parties only and are collectable. The Company does not expect to realise credit losses. Terms and conditions applicable to related party receivables are disclosed in Note 18 “Related party disclosures”.

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days.

Other receivables from related parties comprise from non-current BGN 116 thousand related to *share-based payment long-term incentive Programme for management and key personnel within the Group* and short-term BGN 10,956 dividends receivable. (Note 19)

As at 30 June 2021 and 31 December 2020, ageing analysis of trade receivables and contract assets is presented in the table below:

		Past due but not impaired					
at 30 June 2021	**Current**	**< 30 days**	**31-60 days**	**61 - 90 days**	**91 - 180 days**	**> 181 days**	**Total**
	BGN'000	**BGN'000**	**BGN'000**	**BGN'000**	**BGN'000**	**BGN'000**	**BGN'000**
Expected credit loss rate	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	
Receivables from related parties, gross	160	-	-	-	-	-	**160**
Total trade receivables and contract assets	**160**	**-**	**-**	**-**	**-**	**-**	**160**

		Past due but not impaired					
at 31 Dec 2020	**Current**	**< 30 days**	**31-60 days**	**61 - 90 days**	**91 - 180 days**	**> 181 days**	**Total**
	BGN'000	**BGN'000**	**BGN'000**	**BGN'000**	**BGN'000**	**BGN'000**	**BGN'000**
Expected credit loss rate	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	
Receivables from related parties, gross	62	-	38	-	-	-	**100**
Total trade receivables and contract assets	**62**	**-**	**38**	**-**	**-**	**-**	**100**

14. Cash and cash equivalents

	at 30 June 2021	***at 31 Dec 2020***
	BGN '000	***BGN '000***
Cash and cash equivalents in hand	1	-
Cash and cash equivalents in current accounts	606	47
Short-term deposits	26	26
	633	**73**

Short-term deposit line represent a deposit made with investment broker Elana Trading during 2020 for the purpose of the buy-back of shares of the Company.

15. Share capital and reserves

	30.06.2021	***31.12.2020***
<u>*Registered capital*</u>	***shares***	***shares***
Ordinary shares of BGN 1 each	12,500,000	12,500,000
	12,500,000	12,500,000
	shares	***shares***
Ordinary shares issued, fully paid-in	12,500,000	12,500,000

The share capital of BGN 50 thousand was paid-in on the Company's incorporation.
The remaining portion of the share capital of BGN 12,450 thousand, available as at 30 June 2021 and split into 12,450,000 shares with par value of BGN 1 each, was formed as a result of the Reorganisation, by which assets of BGN 21,603 thousand and liabilities of BGN 8,937 thousand, attributable to the „Business services" business line, were separated into the Company, whereas the difference was used to form additional share capital of BGN 12,450 thousand and equity reserves of BGN 217 thousand.

Reserves nature and purpose

Reserves comprise of legal reserves as at 30 June 2021 at the amount of BGN 981 thousand (31 December 2020: BGN 239 thousand).

<u>*Legal reserves*</u>

Legal reserves are formed from retained earnings in accordance with the statutory requirements and can be used to offset future losses and foreign currency gains / losses. Legal reserves are subject to distribution, with the exception of an amount representing 10% of the Company's share capital. Pursuant to article 246 of the Commercial Act, obliging joint stock companies, such as the Company, to set aside a reserve, legal reserves should be set aside until they reach one tenth of the company's registered capital. The sources of funding these reserves may be at least one tenth of the profit, share premiums or stocks and bonds upon their issuing, and other sources provided for by the statutes of the Company or by resolution of the General Meeting of Shareholders. There are no other restrictions imposed on them.

<u>*Other reserves*</u>

In 2020 the Company establishes *one-off share-based payments incentive Procedure for employees (the Procedure)*, *long-term share-based payment incentive Programme for managemen*t *and key personnel (the Programme)* and *share-based payment incentive Scheme for members of the Managing board (the Scheme)*.

The increase in Other reserves equals the expense on individual level of the Company at the amount of BGN 60 thousand related to the Scheme and BGN 35 thousand related to the *Programme* together with related party receivables at the amount of BGN 116 thousand related to share-based payment during the year according to the *Programme*.

15. Share capital and reserves (continued)

Other components of equity

	Number of shares	*Share capital net of shares bought back BGN'000*
2020		
At the beginning of the reporting period		
Shares bought back on market	(28 964)	(302)
Share -based payments	28608	343
Buy-back transaction costs	-	(1)
At the end of the reporting period	***(356)***	***40***

According to the *Procedure* employees within the Group have been granted 28 608 shares on 21 December 2020. The expense on individual level of the Company is BGN 76 thousand. Share-based payments to related party employees according to the *Procedure* are at the amount of BGN 267 thousand, of which the Company has BGN 9 thousand receivables as at 31 December 2020.

No further share buybacks or shares granting to employees were carried out during the period 01 January – 30 June 2021.

16. Interest-bearing loans and borrowings

	Effective interest rate %	*at 30 June 2021 BGN'000*	*at 31 Dec 2020 BGN'000*
Group companies			
Telelink Business Services EAD (Bulgaria)	2,25%	-	1,103
		-	**1,103**

On 02 September 2019, the Company concluded a Cash loan contract with the subsidiary Telelink Business Services EAD. The limit to be utilised by the Company is BGN 4,000 thousand and it has a revolving nature, as the loan can be utilised and repaid repeatedly within this limit. No specific purpose of the loan is set under the contract and it may be utilised freely to satisfy the needs of the Company. No collateral is stipulated and respectively, provided under the contract.

16. Interest-bearing loans and borrowings (continued)

The interest rate due under the contract is fixed at 2.25%. According to Annex 1, the term of repayment of all liabilities of the Company is 31 December 2021.
The Company's has no liabilities on the loan as at 30 June 2021 (31 December 2020: BGN 1,103 thousand).

Reconciliation of the movement of liabilities to cash flows from financing activity:

	at 30 June 2021	*at 31 Dec 2020*
	BGN'000	*BGN'000*
Interest-bearing loans and borrowings at 01 January	1,103	2,892
Proceeds from borrowings	2,585	2,500
Repayments of borrowings	(3,685)	(4,278)
Interest expense	19	53
Interest paid	(22)	(64)
Interest-bearing loans and borrowings at the end of the period	**-**	**1,103**

17. Trade and other payables

	at 30 June 2021	*at 31 Dec 2020*
	BGN'000	*BGN'000*
Trade payables to related parties	28	175
Trade payables to third parties	38	55
Trade payables	**66**	**230**
Tax and other statutory liabilities	71	115
Other payables*	154	406
Trade and other payables	**291**	**751**

Trade payables are non-interest bearing and are normally settled on 30-60-day terms.
Tax liabilities are non-interest bearing and are settled within the statutory deadlines.
Other payables are non-interest bearing and have an average term of 30 days.

18. Contract liabilities

	at 30 June 2021	*at 31 Dec 2020*
	BGN'000	*BGN'000*
Deferred income	68	-
Total contract liabilities	**68**	**-**
Current	68	-
Non-current	-	-

The contract liabilities refer to related parties and represent deferred income for up front invoiced management fees for the period until the end of 2021.

NOTES TO THE SEPARATE INTERIM FINANCIAL STATEMENTS
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19. Related party disclosure

The following companies are related parties:

Group companies

Name	Nature of relationship	Affected Group companies
Telelink Business Services EAD (Bulgaria)	Subsidiary of	Telelink Business Services Group AD - 100%
Comutel DOO (Serbia)	Subsidiary of	Telelink Business Services Group AD - 100%
Telelink DOO - Podgoritsa (Montenegro)	Subsidiary of	Telelink Business Services Group AD - 100%
Telelink DOO (Bosnia and Herzegovina)	Subsidiary of	Telelink Business Services Group AD - 100%
Telelink DOO (Slovenia)	Subsidiary of	Telelink Business Services Group AD - 100%
Telelink Albania SH.P.K. (Albania)	Subsidiary of	Telelink Business Services Group AD - 100%
Telelink Business Services DOOEL (Macedonia)	Subsidiary of	Telelink Business Services Group AD - 100%
Telelink Business Services DOO (Croatia)	Subsidiary of	Telelink Business Services Group AD - 100%

Other related parties

Name	Nature of relationship
Telelink Bulgaria EAD (Bulgaria)	Under joint control
Telelink Infra Services EAD (Bulgaria)	Under joint control
Telelink City Services EAD (Bulgaria)	Under joint control
Telelink Labs EOOD (Bulgaria)	Under joint control
Secnet AD (Bulgaria)	Under joint control
Telelink Services Romania SRL (Romania)	Under joint control
Telelink Infra Services SHPK (Albania)	Under joint control
Telelink MK DOOEL (North Macedonia)	Under joint control
Telelink UK Limited (United Kingdom)	Under joint control
Telelink GmbH (Germany)	Under joint control
Marifons Holdings Limited (Cyprus)	Under joint control
V-Investment Holdings B.V. (Netherlands)	Under joint control
V_investments Bulgaria EOOD (Bulgaria)	Under joint control
Field on Track OOD (Bulgaria)	Under joint control
Develiot EOOD (Bulgaria)	Under joint control
TOTAl TV B.V. (The Netherlands)	Under joint control
V_Investments Cyprus Limited (Cyprus)	Under joint control
Modeshift Inc, (USA)	Under joint control
Field on Track LTD. (United Kingdom)	Under joint control
TOTALNA TELEVIZIJA DOO (Croatia)	Under joint control
Modeshift Europe EAD (Bulgaria)	Under joint control
Telelink Investments SARL (Luxembourg)	Under joint control
Richhill EOOD (Bulgaria)	Under joint control

NOTES TO THE SEPARATE INTERIM FINANCIAL STATEMENTS
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19. Related party disclosure (continued)

Set out below is the total amount of the transactions concluded with related parties and balances due for the current and previous reporting period:

	Sales to related parties		*Purchases from related parties*	
Trade activity	*01 Jan 2021 - 30 June 2021 BGN'000*	*01 Jan 2020 - 30 June 2020 BGN'000*	*01 Jan 2021 - 30 June 2021 BGN'000*	*01 Jan 2020 - 30 June 2020 BGN'000*
Subsidiaries	956	1,286	78	170
Other related parties (under joint control)	-	-	-	-
	956	**1,286**	**78**	**170**

Sales to related parties for the period 01 January – 30 June 2021 include BGN 16 thousand income from sale of assets.

	Interest income		*Interest expense*	
Loans borrowed/lended	*01 Jan 2021 - 30 June 2021 BGN'000*	*01 Jan 2020 - 30 June 2020 BGN'000*	*01 Jan 2021 - 30 June 2021 BGN'000*	*01 Jan 2020 - 30 June 2020 BGN'000*
Subsidiaries	-	-	19	28
Other related parties (under joint control)	-	-	-	-
	-	**-**	**19**	**28**

	Amounts due by related parties		*Amounts owed to related parties*	
Trade activity	*at 30 June 2021 BGN'000*	*at 31 Dec 2020 BGN'000*	*at 30 June 2021 BGN'000*	*at 31 Dec 2020 BGN'000*
Subsidiaries	276	225	28	174
Other related parties (under joint control)	-	-	-	1
	276	**225**	**28**	**175**

	Amounts due by related parties		*Amounts owed to related parties*	
Loans borrowed/lended	*at 30 June 2021 BGN'000*	*at 31 Dec 2020 BGN'000*	*at 30 June 2021 BGN'000*	*at 31 Dec 2020 BGN'000*
Subsidiaries	-	-	-	1,103
Other related parties (under joint control)	-	-	-	-
	-	**-**	**-**	**1 103**

NOTES TO THE SEPARATE INTERIM FINANCIAL STATEMENTS
30 JUNE 2021
19. Related party disclosure (continued)

Joint arrangements:
The Company held no shares and disclosed no joint arrangements for the period 01 January 2020 – 30 June 2021.

Amounts owed by related parties are included in trade and other receivables (Note 13 „Trade and other receivables“ to the financial statements) and in loans received (Note 16 „Interest-bearing loans and borrowings“ to the financial statements). Amounts owed to related parties are included in trade and other payables (Note 17 „Trade and other payables“). Receivables from and payables to related parties cannot be netted.

Sales to and purchases from related parties are carried at contracted prices. Outstanding balances at the year-end are unsecured, interest free (except for loans) and settlement occurs in cash. There have been no guarantees provided to or received for any related party receivables, other than those disclosed below. The Company has not impaired doubtful debts from related parties as of – 30 June 2021 and 31 December 2020.

Dividend income

Pursuant to a decisions dated 04 June 2021 and 28 June 2021 of the Executive Director of the Company, Telelink Business Services EAD, Comutel DOO (Serbia), Telelink DOO (Bosnia and Herzegovina) and Telelink DOO (Slovenia) distributed dividend at the amount of BGN 13,456 thousand. At 30 June 2021 dividends at the amount of BGN 2,500 thousand are partially paid by Telelink Business Services EAD.

Pursuant to a decision dated 29 June 2020 of the Executive Director of the Company, Telelink Business Services EAD, Comutel DOO (Serbia), Telelink DOO - Podgorica (Montenegro), Telelink DOO (Bosnia and Herzegovina) and Telelink DOO (Slovenia) distributed dividend at the amount of BGN 8,488 thousand. Dividends are fully paid in 2020.

NOTES TO THE SEPARATE INTERIM FINANCIAL STATEMENTS
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19. Related party disclosure (continued)

Set out below is the total amount of the dividends distributed by related parties:

	Dividend income		Dividend receivables	
	01 Jan 2021 - 30 June 2021	*01 Jan 2020 - 30 June 2020*	*at 30 June 2021*	*at 31 Dec 2020*
Related party	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
Telelink Business Services EAD (Bulgaria)	11,442	7,002	8,942	-
Comutel DOO (Serbia)	391	450	391	-
Telelink DOO - Podgorica (Montenegro)	-	160	-	-
Telelink DOO (Bosnia and Herzegovina)	782	270	782	-
Telelink DOO (Slovenia)	841	606	841	-
	13,456	**8,488**	**10,956**	**-**

20. Commitments and contingent liabilities

Commitments to the benefit of related parties

As of 30 June 2020, and during the reporting period as a whole, the Issuer maintained its capacity of a guarantor, respectively pledgor under the following contracts signed to secure TBS EAD's obligations under an Agreement for the undertaking of credit commitments under an overdraft credit line with Unicredit Bulbank AD:

- a suretyship agreement with Unicredit Bulbank AD, securing all receivables of the bank from TBS EAD stemming from the above credit agreement and annexes thereto until their final repayment, with a designated total credit limit in the form of cash funds and/or contingent commitments of up to EUR 13,000 thousand, wherein, pursuant to an annex to the credit agreement from June 02 2021, the amount of secured utilization in the form of cash funds was amended from up to EUR 13,000 thousand to up to EUR 7,000 thousand;

- a share pledge agreement with Unicredit Bulbank AD over the Issuer's 100% stake in the capital of TBS EAD, securing all receivables of the bank from TBS EAD stemming from the above credit agreement and annexes thereto until their final repayment, with a designated total credit limit as of the agreement's date of up to EUR 13,000 thousand.

As of 30 June 2021, the Company maintained the corporate guarantee issued in accordance with a resolution of the GMS from 30 2020 June in favour of Citi Bank and Cisco Systems International B.V. (the Netherlands), securing the possibility for Comutel and Telelink Slovenia to make high-value equipment purchases under contracts with Cisco Systems International B.V. on deferred payment up to the amount of USD 5,100 thousand.

As of period end, the Company also maintained the corporate guarantee issued on 29 December 2020 in favour of TBS Macedonia in the amount of USD 730 thousand securing future obligations towards TS Europe BVBA, Belgium with regard to the supply of high-value equipment on deferred payment terms.

On 29 January 2021, the Company provided a counter-guarantee securing a guarantee on behalf of TBS Macedonia, with regard to a contract for a hardware platform of a hybrid cloud, in favour of the Agency for electronic communications of North Macedonia, for the amount of EUR 105,900, valid through 15 May 2022.

20. Commitments and contingent liabilities (continued)

Litigations and claims: There are no litigation or claims against the Group.

Guarantees: Bank guarantees under contracts with clients were not issued by the Company as 30 June 2021.

Capital commitments: The Company had no capital commitments as at 30 June 2021.

21. Financial risk management objectives and policies

The Company's financial instruments comprise cash and cash equivalents, trade and other receivables, trade and other payables, liabilities on loans and borrowings. In 2021 and 2020, the Company neither owned nor traded in derivative financial instruments.

Interest rate risk

Pursuant to the loan contract with TBS EAD, interest due by the Company is based on a fixed interest rate. At the end of the reporting period, the Company neither had nor it planned to use another financial debt. Therefore, at 30 June 2021 the Company was not exposed to and had no grounds to expect that an interest rate risk would occur.

Currency risk

Due to the fact the Company's revenue and expenses are primarily or entirely denominated in the local currency (Bulgarian leva) or EUR under the Currency Board conditions, the Company is not exposed directly to a significant currency risk. The Company has no transactions denominated in the variable exchange rate of US Dollar to BGN originating from loans granted, trade payables, trade receivables and borrowings.

Credit risk

Due to the fact that all revenue and receivables originate from subsidiaries controlled by the Company, the credit risk relating thereto may be considered immaterial.
The maximum credit exposure of the Company originating from recognised financial assets corresponds to their amount as per the balance sheet as at 30 June 2021 and 31 December 2020 and originates only from trade receivables from subsidiaries.

Liquidity risk

Liquidity risk and cash flow risk are managed by the Company through the systematic tracing of the quality and maturity of receivables and payables, and timely planning of cash inflows and outflows. In case of expected deficits of available funds in a given horizon and in view of meeting unforeseen deviations, the Company ensures their financing by negotiating appropriately structured loans or revolving credit limits from leading Group companies and / or by setting aside reserves by resolving on timely and sufficient distribution of dividends by its subsidiaries.
Liquidity risk is kept low, with sufficient cash and sufficient credit facilities being maintained with servicing banks (see Note 14 "Cash and cash equivalents").

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21. Financial risk management objectives and policies (continued)

The following table summarises the maturity profile of the Company's financial liabilities at 30 June 2021 and 31 December 2020 based on contractual undiscounted payments.

Period ended 30 June 2021	**On demand**	**After < 3 months**	**After 3-12 months**	**After 1 - 5 years**	**After > 5 years**	**Total**
	BGN'000	***BGN'000***	***BGN'000***	***BGN'000***	***BGN'000***	***BGN'000***
Trade and other payables	-	291	-	-	-	291
Contract liabilities	-	34	34	-	-	68

Period ended 31 Dec 2020	**On demand**	**After < 3 months**	**After 3-12 months**	**After 1 - 5 years**	**After > 5 years**	**Total**
	BGN'000	***BGN'000***	***BGN'000***	***BGN'000***	***BGN'000***	***BGN'000***
Loans from related parties	-	-	1,103	-	-	1,103
Leases	-	3	12	35	-	50
Trade and other payables	-	751	-	-	-	751

Capital management

The main objective of capital management of the Company is to ensure stable credit rating and proper equity ratios in view of continuation of its business and maximizing its value to the shareholders.

The Company manages its capital structure and adjusts it, where necessary, depending on the changes in the economic environment. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Company monitors capital using a debt (gearing) ratio, which is net debt divided by total capital plus net debt. Net debt is calculated as the sum of interest-bearing loans and borrowings and trade and other payables reduced by cash and cash equivalents, excluding discontinued operations. Capital includes equity attributable to the equity holders of the parent company.

	30.6.2021	***31.12.2020***
	BGN'000	***BGN'000***
Interest bearing loans and borrowings	-	1,103
Trade and other payables	291	751
Less cash and short term deposits	(633)	(73)
Net debt	(342)	1,781
Equity	27,381	14,410
Total capital	27,381	14,410
Capital and net debt	**27,039**	**16,191**
Gearing ratio	-1%	11%

NOTES TO THE SEPARATE INTERIM FINANCIAL STATEMENTS
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22. Financial instruments

Fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following methods and assumptions were used to estimate the fair values:

- Cash and short-term deposits, trade receivables, trade payables, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
- Long-term fixed-rate and variable-rate receivables / borrowings are evaluated by the Company based on parameters such as interest rates, specific country risk factors and individual creditworthiness of the customer. Based on this evaluation, allowances are taken to account for the expected losses of these receivables.
- The fair value of interest-bearing loans is estimated by discounting future cash flows using discount rates based on the interest rate levels currently available for debt instruments with similar terms and remaining maturities.

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: Use of a model with inputs (other than quoted prices included in level 1) that are directly or indirectly observable market data

Level 3: Use of a model with inputs that are not based on observable market data

During the reporting periods ending 30 June 2021 and 31 December 2020, there were no transfers between Level 1 and Level 2 fair value measurements.

The Company held no financial instruments carried at fair value as at 30 June 2021 and 31 December 2020. The fair values of financial assets and liabilities not carried at fair value have not been disclosed as their carrying amounts approximate their fair values.

23. Leases

In 2020 the Company has entered a leasing contract for motor vehicle. The lease term is 4 years. The Company’s obligations under its lease are secured by the lessor’s title to the leased assets. Generally, the Company is restricted from assigning and subleasing the leased assets.
There are not lease contracts that include extension and termination options and variable lease payments.

On 01 June 2021 the Company ceases the leasing contract for motor vehicle, the asset and the lease liability are written-off.

NOTES TO THE SEPARATE INTERIM FINANCIAL STATEMENTS
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23. Leases (continued)

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Motor Vehicles	*Total*
	BGN'000	**BGN'000**
Balance at 1 January 2020	-	-
Additions	61	61
Disposal	-	-
Depreciation	(12)	(12)
Balance at 31 December 2020	**49**	**49**
Balance at 1 January 2021	49	49
Additions	-	-
Disposal	(43)	(43)
Depreciation	(6)	(6)
Balance at 30 June 2021	**-**	**-**

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	01 Jan 2021 - 30 June 2021	*01 Jan 2020 - 30 June 2020*
	BGN'000	*BGN'000*
Balance at 01 Jan	**50**	**-**
Additions/Disposals	(44)	61
Accretion of interest	-	1
Payments	(6)	(12)
Balance at the end of the period	**-**	**50**
Current	-	15
Non-current	-	35

Set out below are the amounts recognised in profit and loss:

	01 Jan 2021 - 30 June 2021	*01 Jan 2020 - 30 June 2020*
	BGN'000	*BGN'000*
Depreciation expense of rights-of-use assets	(6)	(4)
Total amount recognised in profit or loss	**(6)**	**(4)**

NOTES TO THE SEPARATE INTERIM FINANCIAL STATEMENTS
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24. Events after the reporting date

The Company's management declares that after the end of the reporting period and until the date of approval of these financial statements there have been no significant and /or material events which took place concerning the performance or affecting the activities of the Company, the non-disclosure of which could impair the true and fair presentation of the financial statements.