Telelink Business Services Group AD

Separate Interim Financial Statements

For the period January - June 2020

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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, independent member.

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 ENDED 30 JUNE 2020

	Notes	*Jan – June 2020*
		BGN'000
Revenue	3	1,286
Cost of sales	4	(1,252)
Gross profit		34
General and administrative expenses	5	(262)
Sales and marketing expenses		(3)
Operating loss		(231)
Finance income	6	8,488
Finance costs	6	(30)
Net finance income		8,458
Profit before taxes		8,227
Income tax expense	7	(62)
Profit for the year		**8,165**
Other comprehensive income		-
Total comprehensive income for the period, net of taxes		**8,165**

*According to IAS 34 Interim financial reporting the end of the comparative interim period for the Statement of comprehensive income is 30th of June 2019. The Company was incorporated in July 2019 and comparative information as at 30th of June 2019 is not available and presented.

Ivan Krasimirov Zhitiyanov Ivan Krasimirov Zhitiyanov Digitally signed by Ivan Krasimirov Zhitiyanov Date: 2020.08.20 16:49:06 +03'00'
Executive Director

Jordanka Lyubchova Klenovska Digitally signed by Yordanka Lyubchova Klenovska Date: 2020.08.20 14:42:16 +03'00'
Deputy Finance Director

SEPARATE INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Notes	*at 30 June 2020* **BGN'000**	*at 31 Dec 2019* **BGN'000**
Assets			
Non-current assets			
Property, plant and equipment	8	98	13
Intangible assets	9	100	78
Investments in subsidiaries	10	15,739	15,737
Deferred tax assets	7	6	5
		15,943	15,833
Current assets			
Trade and other receivables	11	8,804	29
Prepayments		34	-
Cash and cash equivalents	12	29	58
		8,867	87
TOTAL ASSETS		**24,810**	**15,920**
EQUITY AND LIABILITIES			
Registered capital	13	12,500	12,500
Legal reserves	13	217	217
Current profit		8,382	217
Total equity		21,099	12,934
Non-current liabilities			
Lease liabilities	16	42	-
		42	-
Current liabilities			
Interest-bearing loans and borrowings	14	3,295	2,892
Lease liabilities	16	15	-
Trade and other payables	15	297	84
Income tax liabilities	7	62	10
		3,669	2,986
Total liabilities		**3,711**	**2,986**
TOTAL EQUITY AND LIABILITIES		**24,810**	**15,920**

Ivan Krasimirov Zhitiyanov
Executive Director

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SEPARATE INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2020

	Share capital *BGN'000*	Legal reserves *BGN'000*	Retained earnings *BGN'000*	Total equity *BGN'000*
Balance on 01 January 2020	12,500	217	217	12,934
Comprehensive income				
Net profit for the year	-	-	8,165	8,165
Other comprehensive income	-	-	-	-
Total comprehensive income	**-**	**-**	**8,165**	**8,165**
Transactions with owners recognised in equity				
Share capital issued	-	-	-	-
Total transactions with owners recognised in equity	-	-	-	-
Balance on 30 June 2020	**12,500**	**217**	**8,382**	**21,099**

*According to IAS 34 Interim financial reporting the end of the comparative interim period for the Statement of changes in equity is 30th of June 2019. The Company was incorporated in July 2019 and comparative information as at 30th of June 2019 is not available and presented.

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SEPARATE INTERIM STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2020

	NOTES	*Jan – June 2020 BGN'000*
OPERATING ACTIVITIES		
Profit before income taxes		8,227
Adjustments to reconcile profit before tax to net cash flows:		
Non-cash adjustments:		
Net finance costs		30
Dividend income		(8,488)
Depreciation / Amortisation and Impairment	8&9	27
Working capital adjustments:		
Increase in trade and other receivables, contract assets		(322)
Decrease in trade and other payables, contract liabilities		(213)
Bank charges paid		(1)
Income taxes paid		(10)
Net cash flows used in operating activities		**(324)**
INVESTING ACTIVITIES		
Purchase of property, plant and equipment and intangible assets	8&9	(75)
Net cash flows used in investing activities		**(75)**
FINANCING ACTIVITIES		
Proceeds from borrowings	14	680
Repayment of borrowings	14	(270)
Payment of lease liabilities	16	(4)
Interest paid on borrowings	14	(35)
Interest paid on leasing	16	(1)
Net cash flows from financing activities		**370**
Net change in cash and cash equivalents		**(29)**
Cash and cash equivalents on 01 January		**58**
Cash and cash equivalents on 30 June		**29**

*According to IAS 34 Interim financial reporting the end of the comparative interim period for the Statement of cash flows is 30th of June 2019. The Company was incorporated in July 2019 and comparative information as at 30th of June 2019 is not available and presented.

Ivan Krasimirov Zhitiyanov
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NOTES TO THE SEPARATE INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2020

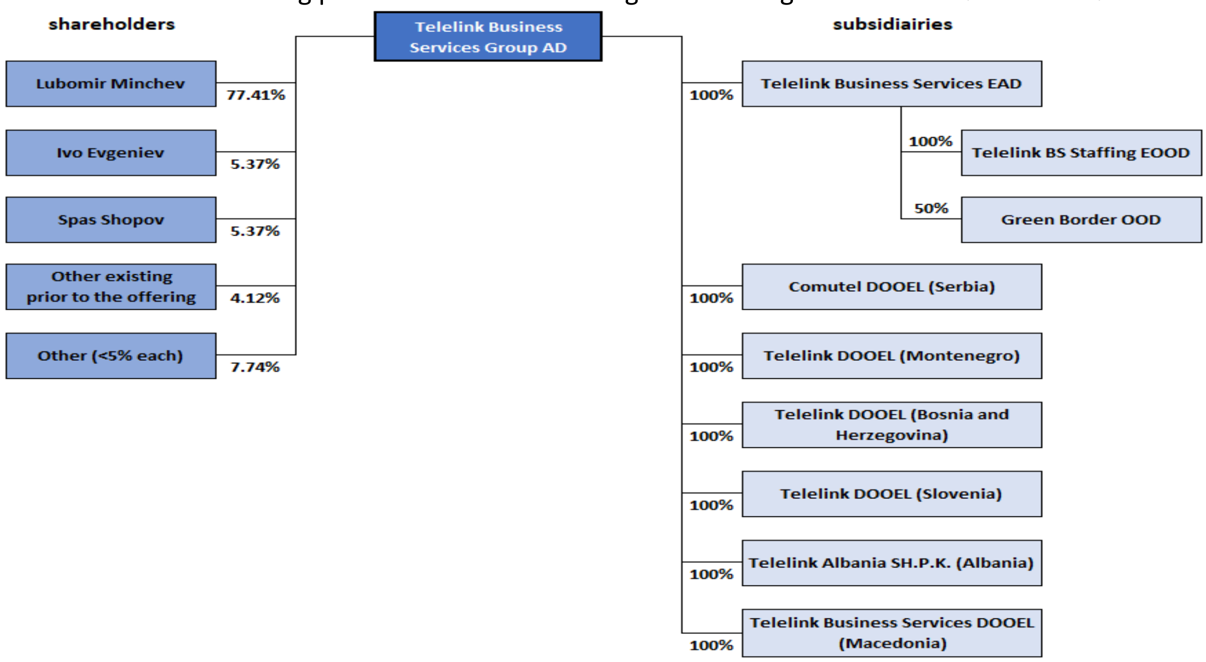
1. Corporate information

Incorporation

Telelink Business Services Group AD (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 AD is a public company registered on 28 November 2019 by the Financial Supervision Commission.
The shares of the company are listed on Bulgarian Stock Exchange

Shareholders

At 31 December 2019, the founder of the Group, Lyubomir Minchev, held directly 10,456,250 shares with nominal value of BGN 1 each, representing 83.65% of the Company's total capital. The other individuals holding more than 5% of the Company's capital are Ivo Evgeniev Evgeniev and Spas Toshev Shopov, each one of them holding directly 771,875 shares with nominal value of BGN 1 each, respectively 6.175% of the Company's total capital.
A first tranche of the Company's planned offering on the BSE was carried out between June 08 and 11 2020, whereby selling shareholders Lubomir Minchev, Spas Shopov and Ivo Evgeniev sold a total of 982,487 shares or 7.86% of the existing 12,500,000 shares in the Company's total capital at a price of BGN 7.60 per share, obtaining total proceeds of BGN 7,466,901. The conducted offering was limited strictly to existing shares and did not include any capital increase, nor any proceeds to the Company.
At 30 June 2020 individuals holding more than 5% of the Company's capital are still Lyubomir Minchev with a stake of 77.41% and Ivo Evgeniev and Spas Shopov, each one of them holding a stake of 5.37%. Besides the above, as of the same date, the Company had five more shareholders with stakes equal to or greater than 1%, including one new institutional foreign investor with a stake of 4.20% and the other four shareholders existing prior to the Public Offering with holding between 1.00% and 1.06% each.



NOTES TO THE SEPARATE INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2020

1. Corporate information (continued)

Business

The main commercial activity carried out 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 2020 and as at 31 December 2019 – 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 employees at 30 June 2020 is 34.

2.1 Basis of preparation

These financial statements have been prepared on a historical cost basis except for the derivative financial instruments measured at fair value and defined benefit obligations measured at the present value of the obligations.

The interim financial statements 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 management is confident that the Company will maintain normal activities in the future, therefore the financial statements of the Company for the period ended 30 June 2020 are prepared on the basis of the going concern principle.

NOTES TO THE SEPARATE INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2020
2.1 Basis of preparation (continued)

Consolidated financial statements

Telelink Business Services Group EAD is obliged to 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).

According to IAS 33 the Company is permitted to disclose earning per share information in its Consolidated reports.

2.2 Fair value measurement

The Company measures financial instruments, such as derivatives, at each reporting date.

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 fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

NOTES TO THE SEPARATE INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2020

2.2. Fair value measurement (continued)

The Company's management determines the policies and procedures for both recurring fair value measurement, and for non-recurring measurement, such as assets held for distribution in discontinued operation.

At each reporting date, the management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The management, in conjunction with the valuation experts, also compares each the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.3 Significant accounting judgements, estimates and assumptions

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:

Revenue from contracts with customers

The Company applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

Provision of services

The company provides services that are sold separately, namely 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.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

2.3 Significant accounting judgements, estimates and assumptions (continued)

Useful lives of property plant and equipment, and intangible assets

Accounting for machinery and equipment, and intangible assets involves the use of estimates for determining the expected useful lives of these assets and their residual values. The information about the useful lives of property, plant and equipment and intangible assets is disclosed in note 2.4.

Provision for expected credit losses of trade receivables and contract assets

The provision is initially based on the Company's historical observed default rates. The Company will calibrate a matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and expected credit losses (ECLs) is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Income tax

Current income tax liabilities are for the current and prior periods and are measured at the amounts expected to be paid to the taxation authorities, using the tax rates that have been enacted by the balance sheet date. Income tax liability includes current tax liabilities reported in the respective income tax returns and an estimate of the potential additional tax assessments that may be imposed by the tax authorities upon settlement of the open tax years. Accordingly, the final settlement of the income taxes might differ from the income taxes that have been accounted for in the financial statements.

Deferred tax assets

Deferred tax assets are recognised for all temporary tax differences to the extent that is probable that future taxable profit will be available against which the taxes can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning opportunities. Further details are provided in note 7 "Income tax" to 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 2020 and 31 December 2019, due to the young age of staff, the Company accrued no provision for retirement benefits.

2.4 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.

Joint Arrangements

A participation in joint arrangements is determined within contractual relations, which entitle the parties to joint control over the agreement. Joint arrangements are either joint operations or joint ventures. The Company analyses its participation in joint arrangements by considering its rights and obligations, as well as the structure and legal form of each arrangement, and the contractual terms agreed to in the arrangement. In respect of its participation in a joint venture, the Company recognises the assets, liabilities, revenue from the sale of the products of the joint arrangement, expenses, including those incurred jointly and accounted for in the assets, liabilities, income and expenses associated with their participation in the joint arrangement in compliance with IFRSs applicable to the specific assets, liabilities, income and expenses.

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
Managed services hardware	in accordance with the duration of the contract for the provision of such services - usually 4/7 years
Furniture and fixtures and fittings	6.67 years
Other assets	6.67 years

NOTES TO THE SEPARATE INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2020
2.4 Summary of significant accounting policies (continued)

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.

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
Software	2 years
Other assets	Within the contract period

NOTES TO THE SEPARATE INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2020

2.4 Summary of significant accounting policies (continued)

Intangible assets (continued)

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.

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.

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

NOTES TO THE SEPARATE INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2020

2.4 Summary of significant accounting policies (continued)

Financial instruments - initial recognition and subsequent measurement (continued)

Financial assets (continued)

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.

Financial assets at fair value through other comprehensive income (debt instruments)
The Company measures debt instruments at fair value through other comprehensive income if both of the following conditions are met:
• The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; 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.

For debt instruments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the income statement.

NOTES TO THE SEPARATE INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2020

2.4 Summary of significant accounting policies (continued)

Financial instruments - initial recognition and subsequent measurement (continued)

Financial assets (continued)

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 2.3)
- Trade receivables, including contract assets (Note 12)

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.

NOTES TO THE SEPARATE INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2020

2.4 Summary of significant accounting policies (continued)

Financial instruments - initial recognition and subsequent measurement (continued)

Financial assets (continued)

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
FOR THE PERIOD ENDED 30 JUNE 2020

2.4 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 15.

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.

Inventories

Inventories include materials, goods for trading, and work in progress. Inventories are measured at the lower of cost or net realisable value. The cost of inventories reflects their purchase price plus any other costs necessary to bring them to their present location and condition and is determined using the weighted average method. Net realisable value for goods for trading and finished products is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Work in progress includes cost of direct materials and labour and a proportion of overheads based on normal operating capacity but excluding borrowing costs.

NOTES TO THE SEPARATE INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2020

2.4 Summary of significant accounting policies (continued)

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.

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 recognized 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.

2.4 Summary of significant accounting policies (continued)

Retirement benefits (continued)

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”.

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 2.3.

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.

NOTES TO THE SEPARATE INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2020

2.4 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 recognized 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 recognized in profit or loss.

NOTES TO THE SEPARATE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2020

2.4 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:

- Plant and machinery 3.33 years
- Motor vehicles and other equipment 4 years

2.4 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.

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
FOR THE PERIOD ENDED 30 JUNE 2020

2.4 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.

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.

2.5 Standards issued but not yet effective and not early adopted

Standards issued but not yet effective and not early adopted up to the date of issuance of the Company's financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt those standards when they become effective.

IFRS 17: Insurance Contracts
The standard is effective for annual periods beginning on or after 1 January 2021 with earlier application permitted if both IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have also been applied. IFRS 17 Insurance Contracts establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that contracts within the scope of IFRS 17 have on the financial position, financial performance and cash flows of an entity. The standard has not been yet endorsed by the EU. It is not applicable for the Company.

IFRS 3 *Business combinations (Amendments): Definition of a business*
The amendments are effective for annual periods beginning on or after 1 January 2020 with earlier application permitted. The amendments clarify the minimum requirements for a business and narrow the definition of a business. The amendments also remove the assessment of whether market

NOTES TO THE SEPARATE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2020

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

participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive and introduce an optional fair value concentration test. These amendments have not yet been endorsed by the EU. The Company is in the process of assessing the impact of these amendments on its financial position or performance.

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

The amendments are effective for annual periods beginning on or after 1 January 2020 with earlier application permitted. The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. The amendments also specify that materiality will depend on the nature or magnitude of information. The Company is in the process of assessing the impact of these amendments on its financial position or performance.

The Conceptual Framework for Financial Reporting

The IASB issued the revised Conceptual Framework for Financial Reporting on 29 March 2018, which is effective for annual periods beginning on or after 1 January 2020. The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. The main amendments introduced in the revised Conceptual framework for financial reporting are related to measurement, including factors, which should be considered when choosing measurement basis, and to presentation and disclosure, including income and expenses which should be classified in other comprehensive income. The Conceptual framework also provides updated definitions for asset and liability and criteria for their recognition in the financial statements.

Interest Rate Benchmark Reform - IFRS 9, IAS 39 and IFRS 7 (Amendments)

The amendments are effective for annual periods beginning on or after 1 January 2020 and must be applied retrospectively. Earlier application is permitted. In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7, which concludes phase one of its work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. Phase two will focus on issues that could affect financial reporting when an existing interest rate benchmark is replaced with a risk-free interest rate (an RFR). The amendments published, deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative interest rate and address the implications for specific hedge accounting requirements in IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement, which require forward-looking analysis. The amendments provided temporary reliefs, applicable to all hedging relationships that are directly affected by the interest rate benchmark reform, which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate. There are also amendments to IFRS 7 Financial Instruments: Disclosures regarding additional disclosures around uncertainty arising from the interest rate benchmark reform. The Company is in the process of assessing the impact of these amendments on its financial position or performance.

2.6 Reorganisation under the Commercial Act

At the date of incorporation of the Company, the sole owner, Telelink Holdings BV (The Netherlands), is also a sole owner of Telelink Bulgaria EAD. In turn, the latter holds investments in subsidiaries working in the area of information and telecommunication technology in three major business lines titled „Business services ", „Infrastructure services "and „Product development ". If taken together, Telelink Bulgaria EAD and its subsidiaries form the existing at that date group of Telelink.

The goal of the Company is to separate the investment in the Telelink group subsidiaries, specialized in the „Business services " business line, in a separate company, a group and corporate structure that is independent from Telelink Bulgaria EAD.

By decision of the sole owner Telelink Holdings BV (The Netherlands), Telelink Bulgaria EAD was reorganised through separation of a separate activity „Business services" in accordance with Art. 262 of the Commercial Act, whereas part of the property of Telelink Bulgaria EAD, comprising all assets, rights and liabilities attributable to the Separated business line (including assets, liabilities, contracts and employees), is transferred to Telelink Business Services Group EAD (being the successor) („Reorganisation", „Separation") in exchange of shares in the capital of the Successor issued to Telelink Holdings BV (The Netherlands). The reorganisation was registered with the Commercial Register and entered into force on 14 August 2019.

As a result of the Separation, commencing on that date, the Company combined the investments in the Telelink group companies specialized in the „Business services" business line, including Telelink Business Services EAD (Bulgaria) („TBS EAD"), Comutel DOO (Serbia) („Comutel"), Telelink DOO – Podgoritsa („Telelink Montenegro"), Telelink DOO (Bosnia and Herzegovina) („Telelink Bosnia"), Telelink DOO (Slovenia) („Telelink Slovenia") and the new company incorporated earlier in 2019, Telelink Albania SH.P.K. („Telelink Albania"). In September 2019, Telelink Business Services DOOEL (Macedonia) („TBS Macedonia"), an entity newly incorporated by the Company, joined the Group.

In August 2019, all shares of the Company were transferred from Telelink Holdings BV (The Netherlands) to new persons – shareholders representing directly or indirectly the ultimate owners of Telelink Holdings BV (The Netherlands), with the direct majority owner being the co-founder of Telelink Group, Lyubomir Minchev, as a natural person. As a result of the transfer, the Company changed its legal form to a joint stock company and is no longer part of the Telelink business group.

The net assets transferred from Telelink Bulgaria EAD to Telelink Business Services Group EAD at the separation date for accounting and tax purposes are as follows:

NOTES TO THE SEPARATE INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2020

2.6 Reorganisation under the Commercial Act (continued)

Assets	*At the accounting separation date BGN'000*
Non-current assets	
Property, plant and equipment	15
Intangible assets	87
Investments in subsidiaries	15,718
	15,820
Current assets	
Trade and other receivables	82
Loans granted	5,702
	5,784
Total assets	**21,603**

	BGN'000
Equity	
Share capital	12,450
Reserve from reorganisation	217
Total equity	**12,667**
Non-current liabilities	-
	-
Current liabilities	
Interest-bearing loans and borrowings	5,702
Trade and other payables	3,235
	8,937
Total liabilities	**8,937**
Total equity and liabilities	**21,603**

NOTES TO THE SEPARATE INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2020

3. Revenue from contracts with customers

	Jan – June 2020
	BGN'000
Type of products provided	
Goods	-
Services	1,286
	1,286
Geographical markets	
Bulgaria	1,010
Other European countries	6
Other non-European countries	270
	1,286
Timing of revenue recognition	
Transferred at a point in time	-
Transferred over time	1,286
	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 1,286 thousand represents revenue from contracts with customers within the meaning of IFRS 15 Revenue from contracts with customers.

NOTES TO THE SEPARATE INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2020

4. Expenses by nature, employee benefit expenses

Expenses by nature

	Jan – June 2020 *BGN'000*
Changes in inventories of finished goods and work in progress	-
Expenses on raw materials	(18)
Hired service costs	(263)
Employee benefit	(1,187)
Depreciation / amortization expenses	(27)
Other expenses, including costs of goods sold	(22)
Total book value of sales, administrative expenses	**(1,517)**

Employee benefit expenses

	Jan – June 2020 *BGN'000*
Remuneration	(1,086)
Compulsory social and other insurance payments	(101)
Defined benefit plans	-
	(1,187)

5. General and administrative expenses

	Jan – June 2020 *BGN'000*
Employee benefit expenses	(207)
Depreciation / amortization expenses	(1)
Consulting services	(29)
Office utilities	(8)
Other expenses	(17)
	(262)

6. Finance income and finance costs

	Jan – June 2020 *BGN'000*
Finance costs	
Interest expenses	(29)
Other finance costs	(1)
	(30)

	Jan – June 2020 *BGN'000*
Finance income	
Dividend income	8,488
	8,488

7. Income tax

The major components of income tax expense for the year ended 30 June 2020 are:

	Jan – June 2020 *BGN'000*
Current income tax expense	
Current income tax expense	(62)
Deferred tax	
Relating to origination and reversal of temporary differences	-
Income tax expense recognized in the statement of comprehensive income	**(62)**

The corporate income tax rate of the Company for 2020 is 10% (2019: 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 2020 is as follows:

	Jan – June 2020 *BGN'000*
Accounting profit before income tax	**8,227**
Income tax rate	10%
Tax at a rate of 10% (2019: 10%)	(823)
Net effect of permanent differences	761
	(62)
Effective income tax rate	0.75%
Income tax recognized in the financial statements	(62)
	(62)

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

8. Property, plant and equipment

	Right-of-use assets	Machinery & equipment	Computers	Total
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*
Book value:				
Balance on 12 July 2019	-	-	-	-
Transferred in reorganisation	-	12	8	20
Balance on 31 December 2019	-	12	8	20
Accumulated depreciation:				
Balance on 12 July 2019	-	-	-	-
Charged during the year	-	(1)	(1)	(2)
Transferred in reorganisation	-	(1)	(4)	(5)
Balance on 31 December 2019	-	(2)	(5)	(7)
Net book value at 12 July 2019	**-**	**-**	**-**	**-**
Net book value at 31 December 2019	**-**	**10**	**3**	**13**

	Right-of-use assets	Machinery & equipment	Computers	Total
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*
Book value:				
Balance on 01 January 2020	-	12	8	20
Additions	61	-	39	100
Balance on 30 June 2020	61	12	47	120
Accumulated depreciation:				
Balance on 01 January 2020	-	(2)	(5)	(7)
Charged during the year	(4)	(1)	(10)	(15)
Balance on 30 June 2020	(4)	(3)	(15)	(22)
Net book value at 01 January 2020	**-**	**10**	**3**	**13**
Net book value at 30 June 2020	**57**	**9**	**32**	**98**

NOTES TO THE SEPARATE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2020

9. Intangible assets

	Other assets BGN'000	Total BGN'000
Book value:		
Balance on 12 July 2019	-	-
Transferred in reorganisation	105	105
Balance on 31 December 2019	105	105
Accumulated amortisation:		
Balance on 12 July 2019	-	-
Charged during the year	(8)	(8)
Transferred in reorganisation	(19)	(19)
Balance on 31 December 2019	(27)	(27)
Net book value at 12 July 2019	**-**	**-**
Net book value at 31 December 2019	**78**	**78**

	Other assets BGN'000	Total BGN'000
Book value:		
Balance on 01 January 2020	105	105
Additions	34	34
Balance on 30 June 2020	139	139
Accumulated amortisation:		
Balance on 01 January 2020	(27)	(27)
Charged during the year	(12)	(12)
Balance on 30 June 2020	(39)	(39)
Net book value at 01 January 2020	**78**	**78**
Net book value at 30 June 2020	**100**	**100**

The Company carried out an impairment testing as at 30 June 2020. There were no indicators that the carrying amount of the intangible assets exceeded their recoverable amount and, as a result, no impairment loss was recognized in the financial statements.

10. Investments in subsidiaries

	30 June 2020 BGN'000	*31 Dec 2019 BGN'000*
Company:		
Telelink Business Services EAD (Bulgaria)	6,400	6,400
Comutel DOO (Serbia)	8,303	8,303
Telelink DOO - Podgoritsa (Montenegro)	530	530
Telelink DOO (Bosnia and Herzegovina)	354	354
Telelink DOO (Slovenia)	113	113
Telelink Albania SH.P.K. (Albania)	20	18
Telelink Business Services DOOEL (Macedonia)	19	19
	15,739	**15,737**

NOTES TO THE SEPARATE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2020

10. Investments in subsidiaries (continued)

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.

On 31 January 2020, a decision was taken by the Management Board and Supervisory Board of Telelink Business Services Group AD that the Company should conclude a contract with Picard Ivanov DOOEL for the purchase of 1 (one) share of the capital of Telelink Albania SH.P.K, representing 10% of the company's capital, against the payment of a total purchase price of EUR 1,000 (one thousand). The contract was signed on 25 February 2020 and the price was fully paid on 26 February 2020.

11. Trade and other receivables and contract assets

Current

	30 June 2020 *BGN'000*	*31 Dec 2019* *BGN'000*
Trade receivables from third parties, gross	304	20
Trade receivables	**304**	**20**
Dividend and other receivables from related parties	8,488	-
Other receivables	12	9
Trade and other receivables	**8,804**	**29**

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 17 "Related party disclosures".
Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days.

As at 30 June 2020 and 31 December 2019, ageing analysis of trade receivables and contract assets is presented in the table below:

		Days in delay					
30 June 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 percentage of credit losses	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Trade receivables from related parties, gross	106	61	-	59	78	-	**304**
Expected credit loss	-	-	-	-	-	-	**-**
Total trade receivables and contract assets	**106**	**61**	**-**	**59**	**78**	**-**	**304**

NOTES TO THE SEPARATE INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2020

11. Trade and other receivables and contract assets (continued)

31 December 2019	Current BGN'000	< 30 days BGN'000	31-60 days BGN'000	Days in delay 61-90 days BGN'000	91-180 days BGN'000	>181 days BGN'000	Total BGN'000
Expected percentage of credit losses	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Trade receivables from related parties, gross	-	-	20	-	-	-	**20**
Expected credit loss	-	-	-	-	-	-	**-**
Total trade receivables and contract assets	**-**	**-**	**20**	**-**	**-**	**-**	**20**

12. Cash and cash equivalents

	30 June 2020 *BGN'000*	*31 Dec 2019* *BGN'000*
Cash on hand	-	1
Cash and cash equivalents on current accounts	29	57
	29	**58**

13. Share capital and reserves

	30 June 2020 *shares*	*31 Dec 2019* *shares*
Ordinary shares of BGN 1 each	12,500,000	12,500,000
	12,500,000	12,500,000
Ordinary shares issued, fully paid-in	***BGN'000***	***BGN'000***
At the end of the period, issued and fully paid-in	12,500	12,500

The share capital of BGN 50 thousand was paid-in on the Company's incorporation in 2019.
The remaining portion of the share capital of BGN 12,450 thousand, available as at 30 June 2020 and 31 December 2019 and split into 12,450,000 shares with par value of BGN 1 each, was formed as a result of the Reorganisation in August 2019, 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 of BGN 217 thousand.

Legal reserves

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.

14. Interest-bearing loans and borrowings

Current	**Interest rate, %**	***30 June 2020 BGN'000***	***31 Dec 2019 BGN'000***
Interest-bearing loans from related part	2.25%	3,295	2,892
		3,295	**2,892**

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. The interest rate due under the contract is fixed at 2.25%. The term of repayment of all liabilities of the Company is 31 December 2020.

The Company's liabilities on the loan amounted to BGN 3,295 thousand as at 30 June 2020.

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

	30 June 2020 BGN'000	***31 Dec 2019 BGN'000***
Interest-bearing loans and borrowings at the beginning of the period	**2,892**	**5,702**
Proceeds from borrowings	680	3,250
Repayments of borrowings	(270)	(6,074)
Interest expenses accrued	28	30
Interest paid	(35)	(16)
Interest-bearing loans and borrowings at the end of the period	**3,295**	**2,892**

NOTES TO THE SEPARATE INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2020

15. Trade and other payables

	30 June 2020	*31 Dec 2019*
	BGN'000	*BGN'000*
Trade payables to related parties	42	-
Trade payables to third parties	23	19
Trade payables	**65**	**19**
Tax and other statutory liabilities	66	6
Other payables	166	59
Trade and other payables	**297**	**84**

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.

16. Leases

The Company has a new lease contract for motor vehicle from 2020. The lease for motor vehicles has lease terms of 4 years. The Company's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Company is restricted from assigning and subleasing the leased assets and some contracts require the Company to maintain certain financial ratios.

There are not lease contracts that include extension and termination options and variable lease payments.

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**
As at 1 January 2020	-	-
Additions	61	61
Disposals	-	-
Depreciation expense	(4)	(4)
As at 30 June 2020	**57**	**57**

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

NOTES TO THE SEPARATE INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2020

16. Leases (continued)

	30 June 2020 BGN'000
At 01 January	-
Additions	61
Interest expenses	1
Payments	(5)
At 30 June	**57**
Current	15
Non-current	42

17. 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%

Other related parties

Name	**Nature of relationship**
Telelink Bulgaria AD (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
Telelink Services Romania SRL (Romania)	Under joint control
Telelink MK DOOEL (Macedonia)	Under joint control
Telelink UK Ltd. (UK)	Under joint control
Telelink GmbH (Germany)	Under joint control
Seknet AD (Bulgaria)	Under joint control
Marifons Holdings Limited (Cyprus)	Under joint control
V-Investment Holdings B.V. (The Netherlands)	Under joint control
Promiteria Enterprises LTD (Cyprus)	Under joint control
Telelink Holdings B.V. (The Netherlands)	Under joint control
RichHill EOOD (Bulgaria)	Under joint control

NOTES TO THE SEPARATE INTERIM FINANCIAL STATEMENTS
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17. 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
	Jan – June 2020	*Jan – June 2020*
Trade activity	*BGN'000*	*BGN'000*
Subsidiaries	1,286	164
	1,286	**164**

	Interest income	Interest expenses
	Jan – June 2020	*Jan – June 2020*
Loans from / to related parties	*BGN'000*	*BGN'000*
Subsidiaries	-	28
	-	**28**

	Amounts owed by related parties	Amounts owed by related parties	Amounts owed to related parties	Amounts owed to related parties
	30 June 2020	*31 Dec 2019*	*30 June 2020*	*31 Dec 2019*
Trade activity	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
Subsidiaries	304	20	42	-
	304	**20**	**42**	**-**

	Amounts owed by related parties	Amounts owed by related parties	Amounts owed to related parties	Amounts owed to related parties
	30 June 2020	*31 Dec 2019*	*30 June 2020*	*31 Dec 2019*
Loans from / to related parties	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
Subsidiaries	-	-	3,295	2,892
	-	**-**	**3,295**	**2,892**

NOTES TO THE SEPARATE INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2020

17. Related party disclosure (continued)

Joint arrangements:

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

Amounts owed by related parties are included in trade and other receivables (Note 11 „Trade and other receivables" to the financial statements) and in loans received (Note 14 „Interest-bearing loans and borrowings" to the financial statements). Amounts owed to related parties are included in trade and other payables (Note 15 „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 2020 and 31 December 2019.

Remuneration of key management personnel

Expenses on remuneration and social security payments for the members of the Management Board and Supervisory Board of the Company for the period 01 January – 30 June 2020 amount to BGN 220 thousand. The amount due to the key management personnel as at 30 June 2020 was BGN 37 thousands (31 December 2019 was BGN 52 thousand).

18. Commitments and contingent liabilities

Commitments to the benefit of related parties

As of June 30 2020 and during the reporting period as a whole, the Company maintained its capacity of a guarantor, respectively pledgor under the following contracts signed in 2019 as security to 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 available for utilization by TBS EAD as of agreement date in the amount of EUR 11,000 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 available for utilization by TBS EAD as of agreement date in the amount of EUR 11,000 thousand.

By resolution of the General Meeting of Shareholders from June 30 2020, a preliminary approval was granted for issuing a corporate guarantee by TBS Group in favour of Citi Bank and Cisco Systems International B.V. (the Netherlands), securing the possibility for Comutel and Telelink Slovenia to make high-volume equipment purchases under contracts with Cisco Systems International B.V. on deferred payment, up to the amount of USD 5,100 thousand.

NOTES TO THE SEPARATE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2020

18. Commitments and contingent liabilities (continued)

Dividend income

Pursuant to a decision dated 29 June 2020 of the Managing Board of the Company, Telelink Business Services EAD, Comutel DOO, Telelink DOO Bosnia and Herzegovina, Telelink DOO Podgorica and Telelink DOO Slovenia distributed dividends as follows:

	Jan - June 2020
	BGN '000
Telelink Business Services EAD (Bulgaria)	7,002
Comutel DOO (Serbia)	450
Telelink DOO - Podgorica (Montenegro)	160
Telelink DOO (Bosnia and Herzegovina)	270
Telelink DOO (Slovenia)	606
	8,488

The amount of BGN 8,488 thousand was not paid as at 30 June 2020.

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 at 30 June 2020 and 31 December 2019.

Capital commitments: The Company had no capital commitments as at 30 June 2020 and 31 December 2019.

19. 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. As at 30 June 2020 and 31 December 2019, the Company neither owned nor traded in derivative financial instruments.

Interest rate risk

Pursuant to the loan contract with Telelink Business Services 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 2020 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.

NOTES TO THE SEPARATE INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2020

19. Financial risk management objectives and policies (continued)

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 2020 and 31 December 2019 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 12 "Cash and cash equivalents").

The following table summarises the maturity profile of the Company’s financial liabilities at 31 December based on contractual undiscounted payments.

30 June 2020	**On demand** *BGN’000*	**< 3 months** *BGN’000*	**3-12 months** *BGN’000*	**1-5 years** *BGN’000*	**> 5 years** *BGN’000*	**Total** *BGN’000*
Interest-bearing loans from related companies	-	-	3,295	-	-	3,295
Leases	-	3	12	42	-	57
Trade and other payables	-	70	-	-	-	70
	-	**73**	**3,307**	**42**	**-**	**3,402**

31 December 2019	**On demand** *BGN’000*	**< 3 months** *BGN’000*	**3-12 months** *BGN’000*	**1-6 years** *BGN’000*	**> 5 years** *BGN’000*	**Total** *BGN’000*
Interest-bearing loans from related companies	-	-	2,892	-	-	2,892
Trade and other payables	-	84	-	-	-	84
	-	**84**	**2,892**	**-**	**-**	**2,976**

19. Financial risk management objectives and policies (continued)

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 June 2020 BGN'000	***31 Dec 2019 BGN'000***
Interest-bearing loans and borrowings	3,295	2,892
Trade and other payables	297	84
Less cash and short-term deposits	(29)	(58)
Net debt	3,563	2,918
Equity	21,099	12,934
Total capital	21,099	12,934
Capital and net debt	**24,662**	**15,852**
Debt (gearing) ratio	14%	18%

20. 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.

NOTES TO THE SEPARATE INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2020

20. Financial instruments (continued)

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 31 December 2019, 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 2020 and 31 December 2019. 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.

21. Events after the reporting date

On 01 July 2020 Telelink Business Services Group AD issued a corporate guarantee in favour of Citi Bank and Cisco Systems International B.V. (the Netherlands), securing the possibility for Comutel and Telelink Slovenia to make high-volume equipment purchases under contracts with Cisco Systems International B.V. on deferred payment, in the amount of up to USD 5,100 thousand.

On 27 July 2020, the following resolutions were adopted on a meeting of the Managing Board of Telelink Business Services Group AD:

- approval of the nominations for members of the Audit committee to be presented for approval to the Supervisory Board and the General Meeting of Shareholders;
- based on submitted offers for the independent financial audit of the Company's financial statements, ranking and nomination of an auditing company to be proposed to the General Meeting of Shareholders for the election of an auditor for the conduct of the independent financial audit of the Company's financial statements for 2020;
- election of Elana Trading AD as an investment intermediary for the buyback of Company shares.

With the exception of those detailed above, 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.