THRACE IPOMA
MEMBER OF THRACE GROUP

2022 Annual Financial Statements and Activity Report

of Thrace - Ipoma AD

AUDIT
FINANCE
ACCOUNTING
TAX
LAW

INDEPENDENT AUDITOR'S REPORT

TO
THE SHAREHOLDERS
OF THRACE - IPOMA AD

Opinion

We have audited the financial statements of Thrace-Ipoma AD (the Company), which comprise the statement of financial position as at 31 December 2022, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

Basis for Opinion

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

Information Other than the Financial Statements and Auditor's Report Thereon

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

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, unless and to the extent explicitly specified in our report.
In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.
We have nothing to report in this regard.

Additional Matters to be Reported under the Accountancy Act

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

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

Based on the procedures performed, our opinion is that:

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

Responsibilities of Management

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

AFA OOD

AFA OOD
Audit Firm

Renny Georgieva Iordanova
General Manager
Legal representative
Registered CPA in charge of the audit

7 April 2023

38, Oborishte Street
1504-Sofia, Bulgaria

This is a translation from Bulgarian of the Independent Auditor's Report on the Financial Statements of Thrace - Ipoma AD for the year ended 31 December 2022.

Board of Directors:	**Konstantinos Chalioris** **Dimitrios Malamos** **Dimitar Ditchev** **Desislava Neicheva**
Executive Director:	**Dimitar Ditchev**
Finacial Director:	**Yordan Mihaylov**
Chief Accountant:	**Gergana Vodenicharova**
Registered Office:	**Sofia 1528** **Gara Iskar** **7, Nedelcho Bonchev Str.**
Servicing Banks:	**UBB - Iskar Branch** **DSK Bank**
Auditors:	**AFA OOD**

This is a translation from Bulgarian of the financial statements of Thrace-Ipoma AD for year 2022.

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STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2022

	Notes	2022 BGN '000	2021 BGN '000
Revenue			
Revenue from contracts with customers	3	51 523	46 164
Cost of sales	4	(43 100)	(39 746)
Write-down of inventories	5	(18)	(4)
Gross profit		**8 405**	**6 414**
Other operating income/(losses)	6	218	59
Distribution and selling costs	7	(2 530)	(2 254)
Administrative expenses	8	(1 815)	(1 807)
Other operating expenses	10	(220)	(109)
Profit from operations		**4 058**	**2 303**
Finance costs	11	(114)	(121)
Profit before income tax		**3 944**	**2 182**
Income tax expense	12	(423)	(162)
Net profit for the year		**3 521**	**2 020**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurement of liabilities/assets of defined benefit pension plans	2.15, 23	133	(10)
Items that may be reclassified to profit or loss		-	-
Other comprehensive income for the year, net of tax		**133**	**(10)**
Total comprehensive income for the year		**3 654**	**2 010**

The notes on pages 5 to 79 form an integral part of these financial statements.

Executive Director: (Dimitar Ditchev)

Financial Director: (Yordan Mihaylov)

Chief Accountant (preparer): (Gergana Vodenicharova)

Акционерно дружество ТРЕЙС-ИПОМА София

AUDITED BY AFA 07.04.2023

THRACE-IPOMA AD

STATEMENT OF FINANCIAL POSITION
as at 31 December 2022

	Notes	31/12/2022 BGN '000	31/12/2021 BGN '000
ASSETS			
Non-current assets			
Property, plant and equipment	13	23 347	26 145
Right-of-use assets	15	1 035	1 081
Intangible assets	14	152	162
		24 534	**27 388**
Current assets			
Inventories	16	10 927	12 914
Trade receivables	17	5 234	5 252
Receivables from related parties	29	1 696	2 778
Other receivables and prepaid expenses	18	84	300
Cash and cash equivalents	19	4 195	1 478
		22 136	**22 722**
TOTAL ASSETS		**46 670**	**50 110**
EQUITY AND LIABILITIES			
EQUITY			
Share capital		3 226	3 226
Retained earnings		31 690	28 810
Reserves		586	586
	20	**35 502**	**32 622**
LIABILITIES			
Non-current liabilities			
Long-term bank loans	22	-	734
Deferred tax liabilities	21	1 427	1 400
Retirement benefit obligations	23	176	286
Lease liabilities	15	573	702
		2 176	**3 122**
Current liabilities			
Trade payables	24	3 557	7 480
Current portion of long-term bank loans	22	734	2 205
Short-term bank loans	25	1 692	3 515
Short-term portion of leases	15	248	252
Trade payables to related parties	29	591	123
Payables to personnel and for social security	26	758	549
Contract liabilities	3	906	-
Tax payables	27	445	37
Other current liabilities	28	61	205
		8 992	**14 366**
TOTAL LIABILITIES		**11 168**	**17 488**
TOTAL EQUITY AND LIABILITIES		**46 670**	**50 110**

The notes on pages 5 to 79 form an integral part of these financial statements.

The financial statements on pages 1 to 79 were approved for issue by the Board of Directors and signed on its behalf on 31 March 2023 by:

Executive Director: *(Dimitar Dichev)*

Financial Director: *(Yordan Mihaylov)*

Chief Accountant (preparer): *(Gergana Vodenicharova)*

Акционерно дружество ТРЕЙС-ИПОМА София

AUDITED BY AFA
07.04.2023

STATEMENT OF CASH FLOWS
for the year ended 31 December 2022

	Notes	2022 BGN '000	2021 BGN '000
Cash flows from operating activities			
Cash receipts from customers		52 789	45 642
Cash paid to suppliers		(37 128)	(36 340)
Cash paid to employees and for social security		(5 486)	(4 981)
Taxes paid (except income taxes)		(1 065)	(705)
Taxes refunded (except income taxes)		139	-
Income taxes paid		(278)	(98)
Bank charges and interest paid on working capital loans		(64)	(32)
Other (payments)/proceeds, net		(11)	210
Net cash flows from operating activities		**8 896**	**3 696**
Cash flows from investing activities			
Purchases of property, plant and equipment		(1 056)	(4 124)
Purchases of intangible assets		-	(40)
Proceeds from sale of property, plant and equipment		3	7
Net cash flows used in investing activities		**(1 053)**	**(4 157)**
Cash flows from financing activities			
Repayments of long-term bank loans		(2 206)	(3 325)
(Payments)/proceeds on bank overdrafts, net		(1 819)	3 520
Proceeds from short-term bank loans		12	2
Repayments of short-term bank loans		(13)	(2)
Dividends paid		(774)	(774)
Interest and bank charges paid on investment-purpose loans		(43)	(75)
Lease payments		(283)	(278)
Net cash flows used in financing activities		**(5 126)**	**(932)**
Net increase/(decrease) in cash and cash equivalents		**2 717**	**(1 393)**
Cash and cash equivalents at 1 January		1 478	2 871
Cash and cash equivalents at 31 December	19	**4 195**	**1 478**

The notes on pages 5 to 79 form an integral part of these financial statements.

Executive Director: *(Dimitar Dichev)*

Financial Director: *(Yordan Mihaylov)*

Акционерно дружество ТРЕЙС-ИПОМА София

AUDITED BY
07.04.2023

Chief Accountant (preparer): *(Gergana Vodenicharova)*

	Notes	Share capital	Statutory reserves	Retained earnings	Total equity
		BGN'000	BGN'000	BGN'000	BGN'000
Balance at 1 January 2021		**3 226**	**586**	**27 574**	**31 386**
Changes in equity for 2021					
Distribution of profit for dividend		-	-	(774)	(774)
Total comprehensive income for the year, including:		-	-	2 010	2 010
- net profit for the year			-	*2 020*	*2 020*
- other comprehensive income, net of taxes	23	-	-	*(10)*	*(10)*
Balance at 31 December 2021	20	**3 226**	**586**	**28 810**	**32 622**
Changes in equity for 2022					
Distribution of profit for dividend		-	-	(774)	(774)
Total comprehensive income for the year, including:		-	-	3 654	3 654
- net profit for the year		-	-	*3 521*	*3 521*
- other comprehensive income, net of taxes	23	-	-	*133*	*133*
Balance at 31 December 2022	20	**3 226**	**586**	**31 690**	**35 502**

The notes on pages 5 to 79 form an integral part of these financial statements.

Executive Director: *(Dimitar Ditchev)*

Financial Director: *(Yordan Mihaylov)*

Chief Accountant (preparer): *(Gergana Vodenicharova)*

Акционерно дружество ТРЕЙС-ИПОМА София

AUDITED BY AFA
07.04.2023

1. BACKGROUND CORPORATE INFORMATION

Thrace-Ipoma AD is a joint-stock company established in February 1997 by virtue of a Privatisation Sale Agreement concluded between the Ministry of Industry and Trierina Trading Limited, Cyprus. The Company has a seat and registered address at: Sofia, 7, Nedelcho Bonchev Str. It was registered in court in 1989 by Decision No 394 / 1989 of Sofia City Court. On 13 June 2006, by a court decision Company's name was changed from Ipoma AD to Thrace-Ipoma AD. The latest changes for the Company were registered in the Trade Registry on 30 September 2020 and include change in the BoD members.

Ownership and management

Thrace-Ipoma AD is a non-public joint-stock company.

At 31 December 2022 and 31 December 2021, the structure of Company's registered share capital is as follows:

• Trierina Trading Limited, Cyprus	99.888%
• Natural persons	0.112%

The Company is a part of the group of Thrace Plastics Co. SA, Greece, being the owner of Trierina Trading Limited, Cyprus.

Company's management, in the form of Board of Directors (BD), is composed as at 31 December 2022 as follows:

- Konstantinos Chalioris – Chairperson;
- Dimitrios Malamos;
- Dimitar Ditchev;
- Desislava Neicheva.

The Board of Directors also performs the functions of those charged with government at the Company.

The Company is represented and managed by the Executive Director Dimitar Ditchev.

The total number of Company's personnel as at 31 December 2022 was 144 workers and employees (31 December 2021: 162 workers and employees).

Principal activities

The principal activities of the Company for 2022 included the following types of transactions and deals:

- production of crates for non-alcoholic drinks, beer, bread and agriculture produce;
- production and trade in multiple- and single-use buckets;
- coordination and cooperation in the area of the production, distribution, sales and marketing of plastic articles.

Main indicators of the economic environment

The main economic indicators of the business environment that have affected the Company's activities throughout the period 2019 – 2022 are presented in the table below:

Indicator	2019	2020	2021	2022
Nominal GDP in million levs	120 396	120 553	139 012	165 041*
Actual growth of GDP	4.0 %	- 4.0 %	7.6 %	2.9 %**
Year-end inflation (HICP)	3.1 %	0.0 %	6.6 %	14.3 %
Average exchange rate of USD for the year	1.76	1.61	1.73	1.87
Exchange rate of the USD at year-end	1.74	1.59	1.73	1.83
Basic interest rate at year-end	0.00	0.00	0.00	1.30
Unemployment rate at year-end	5.9 %	6.7 %	4.8 %	4.7 %
Credit rating of the Republic of Bulgaria according to Standard&Poors (long-term)	BBB	BBB	BBB	BBB
Credit rating of the Republic of Bulgaria according to Moody's (long-term)	Baa2	Baa1	Baa1	Baa1
Credit rating of the Republic of Bulgaria according to Fitch (long-term)	BBB	BBB	BBB	BBB

**Preliminary BNB data for 2022 as at 23 February 2023*

***Preliminary BNB data as at 23 January 2022 for Q3 2022 versus Q3 2021*

2. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES OF THE COMPANY

2.1. Basis for preparation of the financial statements

The financial statements of Thrace-Ipoma AD have been prepared in accordance with all International Financial Reporting Standards (IFRS), which comprise Financial Reporting Standards and the International Financial Reporting Interpretations Committee (IFRIC) interpretations, approved by the International Accounting Standards Board (IASB), as well as the International Accounting Standards (IAS) and the Standing Interpretations Committee (SIC) interpretations, approved by the International Accounting Standards Committee (IASC), which are effectively in force beginning from 1 January 2022 and have been accepted by the Commission of the European Union. IFRSs as adopted by the EU is the commonly accepted name of the general purpose framework – the basis of accounting equivalent to the framework definition introduced by § 1, p. 8 of the Additional Provisions of the Accountancy Act "International Accounting Standards" (IASs).

For the current financial year the Company has adopted all new and/or revised standards and interpretations, issued by the International Accounting Standards Board (IASB) and respectively, by the International Financial Reporting Interpretations Committee (IFRIC), which have been relevant to its activities.

The adoption of these standards and/or interpretations, *applicable to entities in Bulgaria for annual reporting*

periods beginning on 1 January 2022 at the earliest, has not resulted in changes to the Company's accounting policy, with the exception of some new and the expansion of already introduced disclosures, without leading to other changes in the classification or measurement of individual reporting items and transactions.
The new and/or amended standards and interpretations include:

- Amendments to IFRS 3 "Business Combinations" (in force for annual periods beginning on or after 1 January 2022, endorsed by EC).
- Amendments to IAS 16 "Property, Plant and Equipment" (in force for annual periods beginning on or after 1 January 2022, endorsed by EC).
- Annual Improvements to IFRSs 2018-2020 Cycle, to IFRS 1 "First-time Adoption of International Financial Reporting Standards", IFRS 9 "Financial Instruments", Illustrative Example 13 to IFRS 16 "Leases" and IAS 41 "Agriculture" (in force for annual periods beginning on or after 1 January 2022, endorsed by EC).

At the date when these financial statements have been approved for issue, there are several new standards and interpretations as well as amended standards and interpretations, issued but not yet in force for annual periods beginning on or after 1 January 2022, which have not been adopted by the Company for early application. The management has decided that out of them the following are likely to have a potential impact in the future for changes in the accounting policies, and in the classification and value of reporting items in Company's financial statements for subsequent periods, namely:

- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements (in force for annual periods beginning on or after 1 January 2023, endorsed by EC).
- Amendments to IAS 1 "Presentation of Financial Statements" (in force for annual periods beginning on or after 1 January 2024, not endorsed by EC).
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (in force for annual periods beginning on or after 1 January 2023, endorsed by EC).
- IAS 12 Income Taxes (in force for annual periods beginning on or after 1 January 2023, endorsed by EC).
- Amendments to IAS 16 "Property, Plant and Equipment" (in force for annual periods beginning on or after 1 January 2022, endorsed by EC).
- Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" (in force for annual periods beginning on or after 1 January 2022, endorsed by EC).

Additionally, with regard to the stated below new standards, amended/revised standards and new interpretations that have been issued but not yet in force for annual periods beginning on 1 January 2021, the management has judged that the following of them are unlikely to have a potential impact resulting in changes in the accounting policies and the financial statements of the Company:

- Amendments to IFRS 16 "Leases" – Lease Liability in a Sale and Leaseback (in force for annual periods beginning on or after 1 January 2024, not endorsed by EC).
- Improvements to IFRS 17 Insurance Contracts (in force for annual periods beginning on or after 1 January 2023, endorsed by EC).
- IFRS 17 "Insurance Contracts" (in force for annual periods beginning on or after 1 January 2023, endorsed by EC).
- IFRS 10 (amended) "Consolidated Financial Statements" and IAS 28 (amended) "Investments in Associates and Joint Ventures" – regarding the sale or contribution of assets between an investor and its associates or joint ventures (postponed effective date, to be determined by the IASB).

These financial statements have been prepared on a historical cost basis, which have been modified, with regard to property, with a single revaluation to fair value as at 1 January 2004, accepted as replacement cost of acquisition (analogue).

The Company keeps its accounting books in Bulgarian Levs (BGN), which is accepted as being its presentation currency. The data in the financial statements and the notes thereto is presented in thousand Bulgarian Levs (BGN'000) except where it is explicitly stated otherwise.

The presentation of financial statements in accordance with International Financial Reporting Standards requires the management to make best estimates, accruals and reasonable assumptions that affect the reported values of assets and liabilities, the amounts of income and expenses and the disclosure of contingent receivables and payables as at the date of the financial statements. These estimates, accruals and assumptions are based on the information, which is available at the date of the financial statements, and therefore, the future actual results might be different from them. The items presuming a higher level of subjective judgment or complexity or where the assumptions and accounting estimates are material for the financial statements, are disclosed in Note 2.19.

2.2. Comparatives

In these financial statements the Company presents comparative information for one prior year. Where necessary, comparative data is reclassified in order to achieve comparability in view of the current year presentation changes.

2.3. Functional currency and recognition of exchange differences

The functional and presentation currency of the Company is the Bulgarian Lev. Starting from 1 July 1997, the Bulgarian Lev was fixed under the Bulgarian National Bank Act to the German Mark at the ratio of BGN 1 : DEM 1, and with the introduction of the Euro as the official currency of the European Union, it was fixed to the Euro at a ratio of BGN 1.95583 : EUR 1.00000.

Upon its initial recognition, a foreign currency transaction is recorded in the functional currency whereas the exchange rate to BGN at the date of the transaction or operation is applied to the foreign currency amount. Cash and cash equivalents, receivables and payables, as monetary reporting items, denominated in a foreign currency, are recorded in the functional currency by applying the exchange rate as quoted by the Bulgarian National Bank (BNB) for the last working day of the respective month. At 31 December, these amounts are valued in BGN at the closing exchange rate of BNB.

The non-monetary items in the statement of financial position, which have been initially denominated in a foreign currency, are accounted for in the functional currency by applying the historical exchange rate at the transaction date and are not subsequently revalued at the closing exchange rate.

Foreign exchange gains or losses arising on the settlement or recording of foreign currency transactions at rates different from those at which they were converted on initial recognition, are recognised in the statement of comprehensive income (within profit or loss for the year) in the period in which they arise and are treated as 'other operating income/(losses)' with the exception of those related to loans and finance leases denominated in foreign currency that are presented under 'finance costs'.

2.4. Revenue

2.4.1. Recognition of revenue under contracts with customers

The Company's usual revenue is from the sale of finished products and goods – plastic items (*Note 1*).
The Company's revenue is recognised when control over the products, goods and/or products promised in the contract with the customer is transferred to the customer. Control is transferred to the customer upon satisfaction of the contractual performance obligations through transfer of the promised products.

Measurement of contracts with customers

The Company accounts for a contract with a customer only if upon its enforcement:

a. it has commercial essence and rationale;

b. the parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform it;

c. each party's rights can be identified;

d. the payment conditions can be identified; and

e. it is probable that the Company will collect the consideration to which it is entitled upon performing its performance obligations. In evaluating whether collectability of an amount of consideration is probable, the Company considers all relevant facts and circumstances of the transaction, including past experience, customary business practices, published rules and declarations made by the Company, collaterals and possibilities for satisfaction.

A contract for which any of the above criteria has not yet been met is subject to new assessment in each reporting period. The consideration received under such contracts shall be recognised as payable (contract liability) in the statement of financial position, until:

a. all criteria for recognizing a contract with a customer are met;

b. the Company meets its performance obligations and has received the whole or almost the whole remuneration (which is not recoverable); and/or

c. when the contract is terminated and the remuneration received is not recoverable.

Upon the initial measurement of its contracts with customers, the Company makes additional analysis and judgement whether two or more contracts should be combined and accounted for as a single contract, respectively whether the products, goods and/or services promised in each separate and/or combined contract should be accounted for as a single and/or multiple performance obligation(s).

Each promise to transfer goods or/and services which are distinct (in nature and in the context of the contract) and/or a series of distinct goods or/and services, which are essentially the same and have the same pattern of transfer to the client is accounted for as a separate performance obligation.

The Company recognises revenue for each separate performance obligation at the level of individual contracts with customers, by analysing the type, term and conditions of each particular contract. In case of contracts with similar characteristics, revenue is recognized on a portfolio basis only if their grouping in a portfolio would not have a materially different effect on the financial statements.

2.4.2. Measurement of revenue under contracts with customers

Revenue is measured based on the *transaction price* determined for each contract.

The transaction price is the amount of consideration to which an entity expects to be entitled, excluding amounts collected on behalf of third parties. Upon determining the transaction price, the Company takes into consideration the contractual conditions and its customary business practices, incl. the effect of variable consideration, the presence of a significant financing component, non-monetary consideration and consideration due to the customer (if any). In the case of contracts with more than one performance obligations, the transaction price is allocated between each performance obligation based on the standalone selling prices of each of the goods and/or services, defined by one of the methods accepted in IFRS 15, giving priority to the "observable sale prices".

The change in the scope or price (or both) of the contract is accounted for as a separate contract and/or as part of the existing contract, depending on whether the change is related to the addition of goods and/or services which are distinct, and on the price determined for them. Depending on that:

a) the Company accounts for a contract modification as a separate contract if the scope of the contract increases because of the addition of promised goods that are distinct, and the price of the contract reflects the entity's stand-alone selling prices of the additional promised goods;

b) the Company accounts for the contract modification as if it were a termination of the existing contract and the creation of a new contract (future application), if the remaining goods are distinct from the goods transferred before the contract modification, but the change in the contract price does not reflect the standalone selling price of the goods added

c) the Company accounts for the contract modification as if it were a part of the existing contract (cumulative adjustment) if the remaining goods or services are not distinct and, therefore, form part of a single performance obligation that is partially satisfied.

2.4.3. Performance obligations under contracts with customers

The revenue generated by the Company is mainly from the sale of finished plastic products produced thereby. As a whole, the Company has concluded that it acts a principal in its contracts with customers, if not disclosed otherwise for certain transactions, since usually the Company controls the products prior to their transfer to the customer.

Revenue from the sale of products and goods

The Company produces and sell products made of plastic. Upon sale, control over the products is transferred to the client at a point in time that is usual when products are delivered at the agreed place and the client can manage the use of the products and receive all of the other benefits.

Principal vs. agent

Upon assignment by its customers, the Company provides transport services related to the sales of finished products and goods, even when they do not form part of its performance obligations under sales of finished products and goods. In these cases it coordinates the selection of suitable suppliers-spedition firms and negotiates the service price agreed with the customer. The Company has determined that it does not control this service, since:

- it is not primarily responsible for fulfilling the performance obligations (service);

- it does not have discretion in establishing prices. Prices are determined by the supplier and are subject to prior approval by the customer. The consideration is determined as the difference between the maximum purchase price set by the customer and the final price negotiated by the Company with the service supplier.

Due to the above, the Company has determined that in the performance of these contracts it acts in its capacity as an agent.

Sales revenue from these contracts are recognised at the amount of the net consideration the Company retains after paying to the other party the consideration received for the services that need to be provided by this other party (*Note 6 Other operating income/(losses)*).

Transaction price and payment terms

The transaction price usually includes the fixed selling price, as per a common or customer-specific price list and different forms of variable consideration.

The variable consideration is included in the transaction price only as far as it is highly probable that there won't be any major corrections in the amount of the cumulative recognized incomes. The forms of variable consideration applicable for the Company include:

Price discounts – form of additional incentive retrospective discounts provided to customers upon reaching a certain turnover preliminarily agreed within a certain period, depending on the contract. Price discounts are recognised within reduction of revenue, at the end of the year, depending on the degree to which the contract indicators have been met, and the revenue for customers for which the respective discounts are due. The discounts made are offset against the amounts payable by customers.

Default penalties for default of a party's obligations, including for performance quality on the Company's part. Variable consideration in the form of penalties are included as a deduction of the transaction price only if payment is very probable. The Company's experience shows that it has historically complied with requirements under contracts with customers and has not charged payables for penalties. The receipt of variable consideration in the form of default penalties due by the customer depends on the customer's actions. Therefore, these are only included in the transaction price when the uncertainty of their receipt has been resolved.

Any subsequent changes in the amount of the variable consideration are recognised as revenue adjustment (as increase or decrease) at the date of change and/or resolving the uncertainty.

Significant financing component

The usual credit period for customers is from 30 to 90 days.

In certain cases the Company collects short-term advances from customers, which do not contain a significant financing component. The advance payments collected from the customer are stated in the statement of financial position as contract liabilities *(Note 3 Revenue from contracts with customers).*

2.4.4. Contract costs

The Company states as contract costs the following:

- the incremental and directly related expenses it incurs upon concluding a contract with a customer, which it expects to recover over a period longer than twelve months *(costs to obtain a contract with a customer)* and
- the expenses it incurs to fulfil a contract with a customer and which are directly related to the specific contract, enhance the generation of resources to be used in the contract fulfilment and the Group expects to recover them over a period longer than twelve months (*costs of fulfilling contracts with customers).*

The Company in its business activity does not incur direct or specific costs to obtain contracts with customers and costs of fulfilling such contracts, which would have not been incurred if the contracts had not been obtained. In the current period, the Company states as costs to conclude contracts with customers trade commissions determined as a percentage of the amount of sales performed. It has determined that these costs would not have been incurred if the contracts had not been concluded, and expects to recover them over a period of 6 months to 1 year.

2.4.5. Contract balances

Trade receivables and contract assets

Trade receivables constitute the Company's unconditional entitlement to consideration under contracts with customers and other counterparties (i.e. it is only dependent on the passage of time before payment of the consideration).

The initial measurement, subsequent measurement and impairment of trade receivables are disclosed in Note *2.18 Financial instruments.*

A contract asset is the Company's right to consideration in exchange for goods or services that it has transferred to a customer but is not unconditional (receivable accrual). If by transferring the products and/or providing the services the Company performs its obligation to the customer to pay the respective consideration and/or before the payment is due, a contract asset is recognised for the consideration worked-out (which is conditional). Recognised contract assets are reclassified as trade receivables when the right to consideration becomes unconditional. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Contract liabilities

The Company presents as a contract liability the consideration received from the customer and/or the unconditional right to receive consideration before it has performed its contractual obligations. Contract liabilities are recognised as revenue when (or as) the performance obligations are satisfied.

Contract assets and contract liabilities are presented in other receivables and payables in the statement of financial position. They are included in current assets when their maturity is within 12 months or within the Group's usual operating cycle, and the others are stated as non-current. Assets and liabilities from a single contract are presented on a net basis in the statement of financial position, even if they result from difference performance obligations in the contract.

Following their initial recognition, trade receivables and contract assets are subject to review for impairment in accordance with the requirements of IFRS 9 *Financial Instruments*. Impairment losses arising from contracts with customers are presented separately from other impairment losses in a separate item of the statement of comprehensive income in "Distribution and selling costs". (*Note 2.18 Financial Instruments*).

2.5. Expenses

Expenses are recognised as they are incurred, following the accrual and matching concepts (to the extent that this would not cause items unsatisfying the definitions of assets and liabilities to be recognised in the statement of financial position).

Deferred expenses are put off and recognised as current expenses in the period when the contracts, whereto they refer, are performed.

Finance costs are included in the statement of comprehensive income (within profit or loss for the year) as a separate line item and cover interest expense under loans, including bank fees and charges and other direct expenses under loans and bank guarantees.

The bank charges and commissions, related with the servicing of Company's current accounts, are presented as administrative expenses.

2.6. Property, plant and equipment

This is a translation from Bulgarian of the financial statements of Thrace-Ipoma AD for year 2022.

Property, plant and equipment (tangible fixed assets) are presented in the financial statements at historical cost of acquisition (cost) less the accumulated depreciation and any impairment losses in value. Land and buildings were valued by certified appraisers as at 1 January 2004 whereas this amount was accepted as a substitute (analogue) of acquisition price in accordance with IFRS 1 *First-time Adoption of International Financial Reporting Standards*.

Initial acquisition

Upon their initial acquisition property, plant and equipment are valued *at cost,* which comprises the purchase price, customs duties and any directly attributable costs of bringing the asset to a suitable condition for its intended use. Directly attributable costs comprise mainly the costs of site preparation, initial delivery and handling costs, installation costs, professional fees for people related to the project, non-refundable value added-tax (VAT).

The Company has set a value threshold of BGN 500, below which the acquired assets, regardless of having the features of non-current assets, are treated as current expense at the time of their acquisition.

The Company applies a specific accounting policy regarding part of its tangible fixed assets, used in the production of plastic Big Bags (sewing machines and the directly adjoining thereto furniture, fixtures and equipment). Each machine and the adjoining furniture, fixtures and equipment form an individual workstation, which is treated and presented as a single asset.

Upon acquisition of property, plant and equipment under deferred settlement terms, the purchase price is equivalent to the present value of the liability discounted on the basis of the interest level of the attracted by the Company credit resources with analogous maturity and purpose.

Subsequent measurement

The chosen by the Company approach for subsequent measurement of property, plant and equipment, is the cost model under IAS 16, i.e. cost less any accumulated depreciation and any accumulated impairment losses in value.

Subsequent costs

Repair and maintenance costs are recognised as current expenses as incurred. Subsequent costs incurred in relation to property, plant and equipment having the nature of replacement of certain components, significant parts and aggregates or improvements and restructuring, are capitalised in the carrying amount of the respective asset whereas the residual useful life is reviewed at the capitalisation date. At the same time, the non-depreciated part of the replaced components is derecognised from the carrying amount of the assets and is recognised in the current expenses for the period of restructure.

Depreciation methods

The Company applies the straight-line depreciation method for property, plant and equipment. Land is not depreciated. Depreciation of an asset begins when it is available for use. The useful life of individual assets is determined by the Company's management and is compliant with the depreciation policy of the Group.

The average useful life per group of assets is as follows:

- buildings – 40 years;
- cooling systems, labelling machines and fire protection equipment – 10 years;
- moulds – 6.7 years;
- other machinery and equipment – 14 years;
- lifting and transportation equipment (forklift trucks, electric trucks, cranes) – 5-7 years;
- office equipment, copy machines – 5 years;
- motor vehicles – 5 years;
- computers – 3 years.

The useful life set for an item of property, plant and equipment is reviewed at the end of each reporting period and in case of any material deviation from the future expectations on the period of use, the latter is adjusted prospectively.

Review for impairment

The carrying amounts of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that they might significantly differ from their recoverable amount. If any indications exist that the estimated recoverable amount of an asset is lower than its carrying amount, the latter is adjusted to the recoverable amount of the asset. The recoverable amount of an item of tangible fixed assets is the higher of the fair value less costs to sell or the value in use. 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 conditions and assessments of the time value of money and the risks, specific to the particular asset. Impairment losses are recognised in the statement of comprehensive income (within profit or loss for the year).

Gains and losses on disposal (sale)

Tangible fixed assets are derecognised from the statement of financial position when they are permanently disposed of and no future economic benefits are expected therefrom or on sale. The gains or losses arising from the sale of an item of 'property, plant and equipment' group are determined as the difference between the consideration the Company expects to be entitled to (the sales revenue) and the carrying amount of the asset at the date when the recipient obtains control thereon. They are stated net under 'other operating income/(losses)' on the face of the statement of comprehensive income (within profit or loss for the year).

2.7. Government grants

Government grants and gratuitous aids from public institutions (municipal, government and international, including under the procedure of using the European funds and programmes) are initially recognised when there is a reasonable assurance that they will be received by the Company and that the latter has complied and complies with the conditions and requirements associated with the grant (the respective programme under which the funds have been awarded).

Government grants and gratuitous aids for compensating expenses, incurred by the Company in prior periods, are recognised as income (on the line 'Other operating income/(losses)) in the period when they become a receivable (by a confirmation on their receipt). Government grants and gratuitous aids for compensating expenses, incurred by the Company, referring to the current period, are recognised as income (on the line *'Other operating income/(losses)*) on a systematic basis for the period to which these expenses refer (*Note 6 Other operating income/(losses)*).

2.8. Intangible assets

Intangible assets are stated in the financial statements at acquisition cost (cost) less accumulated amortisation and any impairment losses in value. They include licences for software use.

The Company applies the straight-line amortisation method for the intangible assets with determined useful life of 5 years.

The carrying amount of the intangible assets is subject to review for impairment when events or changes in the circumstances indicate that the carrying amount might exceed their recoverable amount. Then impairment is recognised as an expense in the statement of comprehensive income (within profit or loss for the year).

Intangible assets are derecognised from the statement of financial position when they are permanently disposed of and no future economic benefits are expected therefrom or on sale. The gains or losses arising from the sale of an item of 'intangible assets' group are determined as the difference between the consideration received and the carrying amount of the asset at the date of transfer of control. They are stated net under 'other operating income/(losses)' on the face of the statement of comprehensive income (within profit or loss for the year).

2.9. Inventories

Inventories are valued in the financial statements at the lower of cost and net realisable value.

Expenses, incurred at bringing a certain product to its current condition and location, are included in cost as follows:

- commercially available raw and other materials – all delivery costs, including import customs duties and charges, transportation expenses, non-refundable taxes and other expenses, incurred for rendering the materials ready for usage;
- finished products and work-in-progress – direct materials and labour costs and the attributable portion of production overheads at normal capacity load of the production facilities exclusive of administrative and finance costs.

The inclusion of fixed production overheads in the cost of finished products is based on normal production capacity. The Company applies the standard unit (in kilograms) of manufactured finished products as basis for allocation of production overheads.

Upon putting into production (sale) of inventories, the method of weighted average cost formula is applied.

The net realisable value represents the estimated selling price of an asset in the ordinary course of business less the estimated cost of completion and the estimated costs necessary to make the sale. It is determined on the basis of selling prices in the subsequent reporting period less the estimate costs to sell. Main raw materials – polyethylene and polypropylene – are measured by using the specific market (exchange) prices.

2.10. Trade and other receivables

Trade receivables constitute the Company's unconditional entitlement to consideration under contracts with customers and other counterparties (i.e. it is only dependent on the passage of time before payment of the consideration).

Initial measurement

Trade receivables are initially recognised and carried at fair value based on the transaction price, which is usually equal to the invoice amount, unless they contain a significant financial component, which is not additionally charged. In this case they are recognised at their present amount determined at a discount equal to the interest associated to the customer-debtor.

Subsequent measurement

The Company holds trade receivables only for the purpose of collecting contractual cash flows and subsequently measures them at amortised cost less the amount of impairment accumulated for credit losses. (*Note 2.18 Financial instruments*)

Impairment

The Company applies the expected credit losses model for the entire term of all trade receivables, using the simplified approach under IFRS 9, and based on the matrix model for loss percentage *(Note 17)*.

Impairment of receivables is charged and reported through a corresponding adjustment account for each type of receivable under the item "distribution and sales expenses" on the face of the statement of comprehensive income (in the profit or loss for the year).

2.11. Cash and cash equivalents

Cash and cash equivalents include cash in hand, current bank accounts and short-term deposits with banks with original maturity of less than 3 months.

Subsequent measurement

Cash and cash equivalents at banks are subsequently measured at amortised cost, less the impairment accumulated for expected credit losses.

For the purposes of the statement of cash flows:

- Cash proceeds from customers and cash paid to suppliers are presented at gross amount, including value added tax (20%);
- VAT paid on the locally purchased non-current assets is presented on the line 'payment to suppliers' of the cash flows from operating activities as far as it participates and is recovered together and in the operating flows of the Company for the respective period (month);
- Proceeds from payments from and for overdrafts are stated net by the Company;

- Interest and bank charges paid in relation with loans servicing the Company's operations are included under operating activities while interest and bank charges under investment purpose loans are included under financing activities.

2.12. Interest-bearing loans and other borrowings

In the statement of financial position all loans and other borrowings are initially recognised at cost (nominal amount), being the fair value of the consideration received on the transaction, net of the direct costs related to these loans and borrowings. After initial recognition, interest-bearing loans and other borrowings are subsequently measured at amortised cost by applying the effective interest method. Amortised cost is calculated by taking into account all types of charges, commissions and other costs, including any discount or premium on settlement, associated with these loans. Gains and losses are recognised in the statement of comprehensive income (within profit or loss for the year) as finance income or costs throughout the amortisation period, as well as when the liabilities are derecognised or reduced (*Note 2.18 Financial instruments*).

Interest expenses are recognized for the period of the financial instrument based on the effective interest method.

Interest-bearing loans and other borrowings are classified as current, except for the portion thereof for which the Company has an unconditional right to settle its obligation within over 12 months from the end of the reporting period.

2.13. Leases

At the lease inception, which is the earlier of the date of a lease agreement and the date of commitment by the parties to the principal terms and conditions of the lease, the Company performs analysis and assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Lessee

The Company applies a uniform model for recognition and measurement of all leases, except for short-term leases (leases with a lease term of 12 months or less and which do not contain a purchase option) and leases of low value assets (such as tablets, personal computers, telephones, office equipment, etc.).

The Company has not elected to apply the practical expedient of IFRS 16, which allows a lessee, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component. For contracts that contain a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

a) right-of-use assets

The Company recognises right-of-use assets in the statement of financial position at the commencement date of the lease, i.e. the date on which a lessor makes an underlying asset available for use by the lessee.

Right-of-use assets are presented in the statement of financial position at acquisition cost, less the accumulated depreciation, impairment losses and adjustments resulting from remeasurement and adjustments to the lease liability. The acquisition cost includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Company in its capacity as lessee;
- costs for dismantling and removing the underlying asset, restoring the site on which the asset is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The Company depreciates the right-of-use asset to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. If ownership of the asset is transferred under the lease by the end of the lease term, the Company shall depreciate it to the end of the useful life. Depreciation shall be charged from the commencement date.

The depreciation terms by types of underlying assets are as follows:

- buildings – 3 years
- transport vehicles – 3 years
- other assets – 3 to 5 years

The Company has elected to apply the acquisition cost model for all of its right-of-use assets.

Right-of-use assets are tested for impairment in accordance with IAS 36 *Impairment of Assets*, by applying an impairment determination and reporting policy analogous to the one for property, plant, and equipment. The recoverable amount of right-of-use assets is the higher of the fair value less disposal costs, or value in use. To determine assets' value in use, future cash flows are discounted to their present amount, by applying a pre-tax discount rate reflecting the market conditions and time value of money and the risks inherent to the respective asset. Impairment losses are determined as the difference between the recoverable and carrying amount (when the recoverable account is lower than the carrying amount) and are presented in the statement of comprehensive income as "other expenses".

Right-of-use assets are presented on a separate line in the statement of financial position, and depreciation thereof – within "depreciation and amortisation expenses" in the statement of comprehensive income.

b) lease liabilities

The Company recognises lease liabilities at the commencement date, measured at the present value of the lease payments that are not paid at this date. They include:

- fixed lease payments (including in-substance fixed payments), less any lease inceptives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the exercise price of the purchase options, if the lessee is reasonably certain to exercise this option;
- payments of penalties for terminating the lease, of the lease term reflects the exercise of an option to terminate the lease;
- the amount expected to be payable by the Company to lessor under residual value guarantees.

Variable lease payments that do not depend on an index or a rate, but are dependent on performance or use of the underlying asset, are not included in the measurement of the lease liability and the right-of-use asset. They are recognised as current expenses in the period when the event or circumstance resulting in these payments arises and are stated within Hired Service Expenses, within profit or loss for the year.

Lease payments are discounted using the interest rate implicit in the lease, of that rate can be readily determined, or the Company's incremental borrowing rate, which it would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Lease payments (instalments) contain a certain ratio of the finance cost (interest) and the respective portion of the lease liability (principal). Interest costs for the lease are presented in the statement of comprehensive income (within profit or loss for the year) for the lease period on a periodic basis, so as to achieve constant periodic rate of interest on the remaining balance of the lease liability, and are presented as "finance costs".

Lease liabilities are stated on a separate line in the statement of financial position.

The Company subsequently measures the lease liability by:

- increasing the carrying amount to reflect the interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made;
- remeasuring the carrying amount to reflect any reassessment or lease modifications of the lease;
- residual value guarantees are reviewed and if necessary, adjusted, at the end of each reporting period.

The Company remeasures the lease liabilities (and makes corresponding adjustments to the related right-of-use assets) whenever:

- the lease term has changes or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a residual value guarantee, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged (original) discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of modification.

c) Short-term leases and leases of low-value assets

The Company has elected the exemption from recognition of right-of-use assets and lease liabilities under IFRS 16 for short-term leases of motor vehicles.

Payments related to short-term leases and leases of low-value assets are recognised directly as current expenses in the statement of comprehensive income (within profit or loss for the year) on a straight-line basis over the lease term.

2.14. Trade and other payables

Trade and other current amounts payable in the statement of financial position are presented on the basis of the original invoice amount (acquisition cost), which is the fair value of the consideration to be paid in the future for assets and services received. In case of payments deferred over a period exceeding the common credit terms, where no additional interest payment has been envisaged or the interest considerably differs from the common market interest rates, the payables are initially valued at their fair value based on their present value at a discount rate applicable for the Company, and subsequently – at amortised cost. *(Note 2.18 Financial instruments.*

2.15. Pensions and other payables to personnel under the social security and labour legislation

The employment and social security relations with the employees of Thrace-Ipoma AD are based on the provisions of the Labour Code and the effective social security legislation in Bulgaria.

Short-term benefits

Short-term benefits in the form of remuneration, bonuses and social payments and benefits (due for payment within 12 months after the end of the period when the employees have rendered the service or have satisfied the required terms) are recognised as an expense in the statement of comprehensive income (within profit or loss for the year) for the period when the service thereon has been rendered and/or the requirements for their receipt have been met, unless a particular IFRS requires capitalisation thereof to the cost of an asset, and as a current liability (less any amounts already paid and deductions due) at their undiscounted amount. At the end of each reporting period, the Company measures the estimated costs on the accumulating compensated absences, which amount is expected to be paid as a result of the unused entitlement. The measurement includes the estimated expenses for employee's remuneration and for the statutory social security and health insurance contributions due by the employer thereon.

Long-term retirement benefits

Defined contribution plans

Employer's major duty as an employer in Bulgaria is to make the mandatory social security contributions for the hired employees to the Pensions Fund, the Supplementary Mandatory Pension Security (SMPS) Fund, to the General Diseases and Maternity (GDM) Fund, the Unemployment Fund, the Labour Accident and Professional Diseases (LAPD) Fund and for health insurance. The rates of the social security and health insurance contributions are regulated in the Social Insurance Code (SIC) and in the Law on the Budget of State Social Security and the Law on the Budget of National Health Insurance Fund for the respective year. The contributions are split between the employer and employee in line with rules of the Social Security Code (SSC) at the ratio 60:40 (2020: 60:40).

These pension plans, applied by the Company in its capacity as an employer, are defined contribution plans. Under these plans, the employer pays defined monthly contributions to the government funds as follows: Pensions Fund, GDM Fund, Unemployment Fund, LAPD Fund as well as to universal and professional pension funds – on the basis of rates fixed by law, and has no legal or constructive obligation to pay further contributions if the funds do not hold sufficient means to pay the respective individuals the benefits they have worked-out over the period of their service. The obligations referring to health insurance are analogous.

There is no established and functioning private voluntary social security fund at the Company.

The contributions, payable by the Company under defined contribution plans for social security and health insurance, are recognised as a current expense in the statement of comprehensive income (within profit or loss for the year) unless a particular IFRS requires this amount to be capitalised to the cost of an asset, and as a current liability at their undiscounted amount along with the accrual of the respective employee benefits to which the contributions refer and in the period of rendering the underlying service.

Defined benefit plans

In accordance with the Labour Code, the Company in its capacity as an employer in Bulgaria is obliged to pay an indemnity to its personnel an indemnity at the amount of the respective employee's gross remuneration for two months upon termination of employment relations due to retirement. If the employee has acquired within the company of the same Group ten years' service over the last twenty years, the indemnity amounts to the gross remuneration for six months. In their nature these are unfunded defined benefit schemes.

The calculation of the amount of these liabilities necessitates the participation of qualified actuaries in order to determine their present value at the date of the financial statements, at which they shall be presented in the statement of financial position, and respectively, the change in their value – in the statement of comprehensive income as follows:

(a) current and past service costs, interest costs and effects of curtailment and settlements are recognised immediately when incurred and are presented within current profit or loss in the item 'employee benefits expense';

(b) the effects of obligation remeasurements, which in substance represent actuarial gains and losses, are recognised immediately when incurred and are presented within other comprehensive income in the item 'remeasurements of defined benefit pension plans'. Actuarial gains and losses arise from changes in the actuarial assumptions and experience adjustments.

At the end of each reporting period, the Company assigns certified actuaries who issue a report with their calculations about the long-term retirement benefit obligations to personnel upon termination of employment relations due to retirement. For this purpose, they apply the Projected Unit Credit Method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows, which are expected to be paid within the maturity of this obligation, and using the interest rates of long-term government bonds of similar term, quoted in Bulgaria where the Company itself operates.

Termination benefits

In accordance with the provisions of the employment and social security regulations in Bulgaria, the Company as an employer is obliged, upon termination of the employment contracts prior to retirement, to pay certain types of indemnities.

The Company recognises employee benefit obligations on employment termination when it is demonstrably committed, including based on a publicly announced plan (including for restructuring), to terminating the employment contract with the respective individuals without possibility of withdrawal or in case of formal issuance of documents in case of voluntary redundancy. Termination benefits due after more than 12 months are discounted and presented in the statement of financial position at their present value.

2.16. Share capital and reserves

The Company is a joint-stock one and is obliged to register with the Commercial Register a specified ***share capital,*** which should serve as a security for the creditors of the Company for execution of their receivables. Shareholders are liable for the obligations of the Company up to the amount of the capital share held by each of them and may claim returning of this share only in liquidation or bankruptcy proceedings. The Company reports its share capital at the nominal value of the shares registered in the court.

According to the requirements of the Commercial Act and the Statutes, the Company is obliged to set aside a ***Reserve Fund*** by using the following sources:

- at least one tenth of the profit, which should be allocated to the Fund until its amount reaches one tenth of the share capital;
- any premium received in excess of the nominal value of shares upon their issue (share premium reserve);
- other sources as provided for by a decision of the General Meeting.

The amounts in the Fund can only be used to cover annual loss or losses from previous years. When the amount of the Fund reaches the minimum value specified in the Statutes, the excess may be used for share capital increase.

2.17. Income taxes

Current income taxes

Current income taxes are determined in accordance with the requirements of the Bulgarian tax legislation – the Corporate Income Taxation Act. The nominal income tax rate for year 2022 was 10% (2021: 10%).

Deferred income taxes

Deferred income taxes are determined using the liability method on all of Company's temporary differences between the carrying amounts of the assets and liabilities and their tax bases, existing at the date of the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences, with the exception of those originating from recognition of an asset or liability, which has not affected the accounting and the taxable profit/(loss) at the transaction date.

Deferred tax assets are recognised for all deductible temporary differences and the carry-forward of unused tax losses, to the extent that it is probable they will reverse and a taxable profit will be available or taxable temporary differences might occur, against which these deductible temporary differences can be utilised, with the exception of the differences arising from the recognition of an asset or liability, which has affected neither the accounting nor taxable profit /(loss) at the transaction date.

The carrying amount of all deferred tax assets is reviewed at each reporting date and reduced to the extent that it is probable that they will reverse and sufficient taxable profit will be generated or taxable temporary differences will occur in the same period, whereby they could be deducted or compensated.

Deferred taxes, related to items that are accounted for as other components of comprehensive income or an equity item in the statement of financial position, are also reported directly in the respective component of the comprehensive income or the equity item in the statement of financial position.

Deferred tax assets and liabilities are measured at the tax rates and on the bases that are expected to apply to the period and type of operations when the asset is realised or the liability – settled (repaid) on the grounds of the tax laws that have been enacted or substantively enacted, and at tax rates of the country under the jurisdiction of which the respective deferred asset or liability is expected to be realised or settled.

The deferred tax assets of the Company are presented net against its deferred tax liabilities when and as much as it is the tax payer for them in the respective jurisdiction, and this is only in cases where the Company is legally entitled to perform or receive net payments of current tax liabilities or income tax receivables.

Deferred income taxes as at 31 December 2022 were computed at a tax rate of 10% (31 December 2021: 10%).

2.18. Financial instruments

A financial instrument is any contract that simultaneously gives rise to a financial asset at one entity and a financial liability or equity instrument at another entity.

Financial assets

Initial recognition, classification and measurement

Upon initial recognition, the Company's financial assets are classified in three groups, based on their subsequent measurement: at amortised cost; at fair value through other comprehensive income, and at fair value through profit or loss.

The Company initially measures financial assets at fair value, and in the case of financial assets which are not stated at fair value through profit and loss, the direct transaction costs are added. An exception to this rule are trade receivables that do not contain a significant financing component – they are measured based on the transaction price determined under IFRS 15 Revenue from contracts with customers and published invoice. (*Note 2.4 Accounting policy regarding contract revenue/assets*).

The purchases and sales of financial assets whose conditions require asset delivery within a certain period, usually pursuant to legislation or the effective practice of the respective market (regular way purchases), are recognised using trade date accounting, i.e. on the date when the Company committed to purchase or sell the asset.

The classification of financial assets upon their initial recognition depends on the characteristics of the contractual cash flows of the respective financial asset and on the Company's business model for management thereof. In order for a financial asset to be classified and measured at amortised value or at fair value through other comprehensive income, its conditions should give rise to cash flows that are "solely payments of principal and interest (SPPI)" on the principal amount outstanding. For this purpose, analysis is performed by means of SPPI test at instrument level.

The Company's business model for the management of financial assets reflects the way the Company manages its financial assets to generate cash flows. The business model determines if cash flows are generated only by the collection of contractual cash flows, the sale of financial assets, or both.

Subsequent measurement

For the purpose of subsequent measurement, the Company's financial assets are classified as financial assets at amortised cost (debt instruments).

Classification groups

Financial assets at amortised cost (debt instruments)

The Company measures a financial asset at amortised cost if both of the following conditions are met:

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

Financial assets at amortised cost are subsequently measured using the effective interest method. They are subject to impairment. Gains and losses are recognised in the statement of comprehensive income (within profit or loss for the year) upon asset disposal, modification or impairment.

The Company's financial assets at amortised cost include: cash and cash equivalents in banks and trade receivables, including from related parties, and are stated within the following items in the statement of financial position: *Receivables from related parties, Trade receivables, and Cash and cash equivalents.* The Company does not hold financial assets from other classification groups.

Derecognition

A financial asset (or, when applicable, a portion of a financial asset or a group of similar financial assets) is derecognised from the Company's statement of financial position, when:

- the rights to cash flows from the asset have expired, or
- the rights to cash flows from the asset have been transferred or the Company has assumed an obligation to pay in full the cash flows received, without undue delay, to a third party under a transfer agreement, in which: a) the Company has transferred substantially all risks and rewards from ownership of the asset; or b) the Company has neither transferred nor retained substantially all risks and rewards from ownership of the asset, but has transferred control thereon.

When the Company has transferred its right to obtain cash flows from the asset or has concluded a transfer agreement, it assesses the extent to which it has retained the risks and rewards of ownership. When the Company has neither transferred, not retained substantially all risks and rewards from ownership of the financial assets, it continues to recognise the asset transferred to the extent of its continuing interest therein. In this case, the Company also recognises the respective liability. The transferred asset and the related liability are measured on a basis reflecting the rights and obligations that the Company has retained.

Continuing involvement in the form of a guarantee on the transferred asset is measured at the lower of the two values: the initial carrying amount of the asset and the maximum amount of consideration that the Company may be required to pay.

Impairment of financial assets

The Company recognises an allowance (impairment provision) for expected credit losses for all debt instruments which are not carried at fair value through profit or loss. Expected credit losses are calculated as the difference between the contractual cash flows due under the contractual conditions, and all cash flows the Company expects to receive, discounted at the initial effective interest rate. Expected cash flows also include cash flows from the disposal of collateral held or other credit enhancements which constitute an integral part of the contract terms.

To calculate the expected credit losses for *loans to related and third parties and contract assets,* the Company has elected and applies a simplified approach based on a matrix to calculate expected credit losses and does not monitor subsequent changes to their credit risk. Using this approach, it recognises an allowance (impairment provision) based on expected credit losses for the lifetime of receivables at each reporting date. The Company has developed and applies a provisioning matrix based on historical experience with credit losses, adjusted for forecast factors applicable to debtors and for the economic environment, for which a correlation has been estabiished with the percentage of credit losses. *(Note 30 Financial risk management).*

Financial assets are derecognized when no reasonable expectation exist for collecting the contractual cash flows.

Financial liabilities

Initial recognition, classification and measurement

Upon their initial recognition, financial liabilities are classified as: liabilities at fair value through the profit or loss, or loans and borrowings, trade and other payables.

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

The Company's financial liabilities include trade payables, incl. to related parties, lease liabilities and other payables, loans and borrowings, including bank overdrafts.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification

Classification groups

Loans and borrowings

Following their initial recognition, the Company measures interest-bearing loans and borrowings at amortised cost, applying the effective interest method. Gains and losses are recognised in the statement of comprehensive income (within profit or loss for the year) when the respective financial liability is derecognised, as well as through amortisation based on the effective interest rate.

The amortised cost is calculated by taking into consideration any discounts or premiums at acquisition, as well as fees or costs that constitute an integral part of the effective interest rate. Amortisation is stated as a "finance expense" in the statement of comprehensive income (within profit or loss for the year).

Derecognition

Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled or expires. An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the respective carrying amounts is recognised in the statement of comprehensive income (within profit or loss for the year).

Offsetting (netting) of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position, if a legally enforceable right exists to offset the recognised amounts and if there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

This requirement results from the concept of the actual economic nature of the Company's relations with a given counterpart stating that in the simultaneous presence of these two requirements the expected actual future cash flow and rewards for the Company is the net flow, i.e. the net amount reflects the Company's actual right and obligation resulting from these financial instruments – in all cases to only receive or pay the net amount.

If the two conditions are not simultaneously met, it is assumed that the Company's rights and obligations with respect to these offsetting financial instruments are not exhausted in all situations by only the payment or receipt of the net amount.

The offsetting policy is also related to the measurement, presentation and management of actual credit risk and the liquidity risk pursuant from these offsetting instruments.

The criteria applied to establish the "current and legally enforceable entitlement to offsetting" are:

- lack of dependence on a future event, i.e. it should not only be applicable upon the occurrence of a future event;
- the offsetting should be enforceable and legally defendable during (cumulatively):

  - the Company's usual business operations;
  - in case of default/delay, and
  - in case of insolvency.

The applicability of criteria is measured against the requirements of the Bulgarian legislation and the contractual relations between the parties. The condition of "presence of current and legally enforceable right to offsetting" is always and mandatorily assessed together with the second condition – for "mandatory settling of these instruments on a net basis".

2.19. Critical accounting judgments on applying the Company's accounting policies. Key estimates and assumptions of high uncertainty.

2.19.1. Revenue from contracts with customers

Upon revenue recognition and preparation of the consolidated annual financial statements, the management performs various judgements, estimates and assumptions that impact the revenue, costs, assets and liabilities accounted for and the respective disclosures thereto. As a result of the uncertainty regarding these assumptions and estimates, significant adjustments may occur in the carrying amount of the assets and liabilities concerned in the future, respectively the costs and revenue recorded.

The key judgements and assumptions that materially impact the amount and term for recognition of revenue from contracts with customers are disclosed in *Note 2.4.3. Performance obligations under contracts with customers.*

2.19.2. Impairment of receivables

Calculation of expected credit losses for trade receivables and cash and cash equivalents

The measurement of expected credit losses for financial assets stated at amortised cost (loans granted, trade receivables and contract assets, cash and cash equivalents), as well as for financial guarantees granted is an area that requires the use of complex models and material assumptions for future economic conditions and the credit behaviour of customers and debtors (for instance, the probability of counterparties not meeting their obligations and the pursuant losses).

In order to apply these requirements, the Company's management makes a number of material judgements, such as:

a) determining criteria to identify and measure significant credit risk increases;

b) selection of suitable models and assumptions to measure expected credit losses;

c) establishing and assessing the correlation between historical default rates and the behaviour of certain macro indicators to reflect the effects of forecasts for these macro indicators in the calculation of expected credit losses (*Note 30 Financial risk management).*

Regarding trade receivables, including from related parties

The Company uses provisioning matrixes calculate expected credit losses from trade receivables and contract assets. The provision rates are based on days past due of the trade receivables. The provisioning matrix is initially based on detailed historical observation of default rates of the receivables of the Company and movement of receivables by delay groups. Usually, historical data is used for at least three years as per the financial statement's date. Moreover, the Company calibrates the matrix so as to adjust historically ascertained dependence for credit losses with forecast information by also using probability scenarios. If certain forecast economic conditions, measured by means of certain macro indicators, are expected to aggravate or improve in the next year, which might result in established correlational increase in payment delays for a certain sector (type of client), the historic default rates are adjusted. At each reporting date, the observable historical default rates are updated and the effects of changes in the estimates are accounted for.

The assessment of the relation between observable historical default rates, the forecast economic conditions and expected credit losses is a significant accounting judgement. The amount of expected credit losses is sensitive to changes in circumstances and forecast conditions. The Company's historical credit closes and the forecast economic conditions may deviate from actual collection rates in the future. Information about expected credit losses from trade receivables and contract losses is disclosed in *Notes 17 Trade receivables and Note 30 Financial risk management.*

The recognised amount of losses and impairments on non-collection of trade receivables in 2022 is BGN 47 thousand (2021: BGN 10 thousand).

Regarding cash and cash equivalents

In order to calculate expected credit losses for cash and cash equivalents at banks, the Group applies a „three-stage" impairment model established by IFRS 9. For this purpose it applies a rating model by using the banks' ratings as determined by internationally recognised rating firms such as Moody's, Fitch, S&P, BCRA and Bloomberg. Based on this, on the one hand, public data is used for the PD (probability of default) of the respective bank, and on the other hand, based on the change in a bank's rating, the Group determines the presence of increased credit risk. Loss given default is measured based on the formula: ECL = PD x LGD x EAD, where:

ECL is the expected credit losses indicator;

PD is the probability of default indicator;

LGD is the loss given default indicator; and

EAD is the exposure at default indicator.

Upon determining LGD, the presence of guaranteed and/or secured amounts in the respective bank accounts is taken into consideration.

In 2022, there was no impairment of cash and cash equivalents (2021: none) (*Note 19*).

2.19.3. Retirement benefit obligations

Actuarial calculations have been used when determining present value of long-term payables to personnel upon retirement on the basis of assumptions for mortality rate, staff turnover rate, future salaries level and discount factor (*Note 23*).

2.19.4. Impairment of inventories

At the end of each reporting period, a commission of Company's specialists reviews the existing inventories as follows:

- Review of the book value of inventories and comparison with their net realisable value in order to make a judgment whether it is necessary impairment loss to be recognised in the financial statements;
- Review of inventories in view of their obsolescence and suitability for use in the production or for sale. Where non-moving inventories are identified that are not expected to be used in the production, they are scrapped or impaired.

As a result of the review for 2022, an impairment of materials, goods and finished products is recognised at the amount of BGN 18 thousand (2021: BGN 4 thousand).

2.19.5. Expenses on production below normal capacity

The management has set the normal production capacity by individual type of production (plastic buckets, 1-loop big bags, 4-loop big bags and slims) on a monthly basis.

In the cases where the particular production has been suspended entirely or for a definite period of time and the set volume has not been achieved within the month, the Company accepts the expenses incurred as expenses on production below normal capacity. The deductible portion of the fixed production overheads for the respective month is recognised directly in the statement of comprehensive income (within profit or loss for the year) as expenses on production below normal capacity, it is not included in the cost of the finished products but is accepted as a component of the cost of sales (*Note 4*).

2.19.6.1. Determining whether a contract contains a lease or lease components

Upon identification and classification of a lease or a lease component of a contract, the Company determined whether the contract contains an identifiable asset and whether it transfers the right of control over this asset for the contract term.

The Company is party to a real estate lease for two properties – an office and a warehouse. Therefore, it has made assessment and has concluded that within the scope of its right of use as set in the lease, the Company has the right to make the respective decisions on manner and purpose of use of the asset, and is able to determine the working time and persons who have access thereto.

2.19.6.2. Determining the lease term of leases with renewal and termination options – as lessee

The Company determined the lease term as the non-cancellable period of the lease, together with both: a) periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and b) periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

The Company has one contract containing an extension and termination option. The Company applies judgement to determine whether it is reasonably certain that it would exercise the extension/termination option, considering all relevant facts and circumstances that create an economic incentive for the lessee to exercise the option to terminate the lease, or not to exercise the option to terminate the lease (such as significant enhancement to the underlying asset, significant adaptation and customisation of the underlying asset).

After the commencement date, the Company reassesses the lease term upon the occurrence of a significant event or a significant change in circumstances that is within its control and affects whether the Company is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term.

The Company does not include extension options as part of the lease of buildings with a non-cancellable period (three years), since it is not reasonably certain to exercise these options. Moreover, the lease termination options are included in the lease term when the Company is reasonably certain not to exercise these options.

The terms of these leases of buildings is up to 3 years

2.19.6.3. Determining the incremental interest rate of leases in which the Company is a lessee

In the cases when the Company is a lessee and cannot readily determine the interest rate to discount lease liabilities, it uses the incremental borrowing rate it would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of- use asset in a similar economic environment. In case of leases where no similar borrowing exists, the Company seeks observable data such as market levels of loans and publicly available bank statistics, and performs Company-specific calculations and adjustments to reflect its own credit rating based on an internal methodology for risk coefficients (based on comparison and analysis of interest on own loans with banking statistical data) (*Note 15*).

2.19.6.4. Review of indicators for impairment of right-of-use assets

As at the date of the financial statements, the Company's management performs an impairment review of right-of-use assets. If indicators exist that the approximate recoverable amount is lower than their carrying amount, the latter is impaired to the recoverable amount of assets.

The Company has performed a review and has determined that no indicators for impairment exist as at 31 December 2022.

2.20. Fair value measurement

Some of Company's assets and liabilities are measured and presented and/or just disclosed at fair value for financial reporting purposes on a recurring basis.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between independent market participants at the measurement date. Fair value is an exit price and is based on the assumption that the sale transaction will take place either in the principal market for this asset or liability or in the absence of a principal market – in the most advantageous market for the asset or liability. Both the designated as a principal market and the most advantageous market are markets to which the Company must have an access.

Fair value is measured from the perspective of using the assumptions that potential market participants would use when pricing the respective asset or liability assuming that market participants act in their economic best interest.

The Company applies various valuation techniques that would be relevant to the specific features of the respective conditions and for which it has sufficient available inputs while trying to use at a maximum the publicly observable information, and respectively, to minimize the use of unobservable information.

The Company determines fair value for disclosure purposes mainly with regard to received bank loans.

All assets and liabilities that are measured and/or disclosed in the financial statements at fair value, are categorised within the following fair value hierarchy, namely:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 — Valuation techniques that use inputs other than directly quoted prices but are observable, either directly or indirectly, including where the quoted prices are subject to significant adjustments; and

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

In accordance with the accounting policy, at the end of each reporting period the Company performs a general analysis of collected in advance information about the movement in the values of assets and liabilities that are subject to valuation and/or to a disclosure at fair value, the type of available data and the possible factors for the observed changes, and the Finance Director, in his capacity of a person responsible for the application of the adopted valuation technique, approves the approach for measuring the fair value of the respective assets and liabilities at that date.

3. REVENUE FROM CONTRACTS WITH CUSTOMERS

	2022 *BGN '000*	*2021* *BGN '000*
Plastic buckets – injection	39,618	36,371
Plastic buckets – thermoforming	10,192	8,580
Crates for non-alcoholic beverages	462	166
Beer crates	412	135
Nets and fabrics for agriculture	365	347
Crates for bread and agricultural produce	249	347
Meat crates	171	81
Packaging for medicinal products	24	86
Stadium seats	30	42
Big bags and belts	-	9
	51,523	**46,164**

	2022 *BGN '000*	*2021* *BGN '000*
Export	24,669	22,871
Domestic market	26,854	23,293
Total:	**51,523**	**46,164**

This is a translation from Bulgarian of the financial statements of Thrace-Ipoma AD for year 2022.

Export

Sales of finished products:

	2022	*2021*
	BGN,000	***BGN,000***
Plastic buckets – injection	20,795	19,695
Plastic buckets – thermoforming	2,520	1,263
Beer crates	257	135
Meat crates	60	31
Crates for bread and agricultural produce	27	50
Nets and fabrics for agriculture	-	44
Stadium seats	-	6
Total:	**23,659**	**21,224**

Sales of goods:

	2022	***2021***
	BGN '000	***BGN '000***
Plastic buckets – injection	963	827
Plastic buckets – thermoforming	47	820
Total:	**1,010**	**1,647**
Total export:	**24,669**	**22,871**

Domestic market

Sale of finished products

	2022	*2021*
	BGN '000	*BGN '000*
Plastic buckets – injection	16,758	14,382
Plastic buckets – thermoforming	6,692	5,812
Crates for non-alcoholic beverages	462	166
Crates for bread and agricultural produce	222	297
Beer crates	156	-
Meat crates	111	50
Packaging for medicinal products	24	86
Stadium seats	30	36
Big bags and slims	-	9
Total:	**24,455**	**20,838**

Sale of goods

	2022	*2021*
	BGN '000	*BGN '000*
Plastic buckets – injection	*1,101*	1,467
Plastic buckets – thermoforming	*933*	685
Nets and fabrics for agriculture	*365*	303
Total:	***2,399***	**2,455**
Total – domestic market:	***26,854***	**23,293**

The moment of recognition the revenue from contracts with customers is the point in time when the prodicts or goods are handed over to the customers (*Note 2.4.1. Revenue recognition under contracts with customers).*

All unsatisfied and / or partially satisfied performance obligations under contracts with customers of the company as at 31.12.2022 have an expected period of realization of one year or less.

The performance obligations are disclosed in *Note 2.4.3 Performance obligations under contracts with customers.*

Contract balances

	2022 BGN '000	2021 BGN '000
Receivables under contracts with customers – related parties, net of impairment *(Note 29)*	1,696	2,778
Receivables under contracts with customers – third parties, net of impairment *(Note 17)*	5,234	5,252
Contract liabilities under contracts with customers – third parties	(906)	-

Receivables under contracts with customers – third parties, net of impairment include advance payments received from clients.

The change in contract liabilities under contracts with customers – third parties is as follows:

	2022	2021
Contract liabilities under contracts with customers – third parties	*BGN '000*	*BGN '000*
Balance at the beginning of the period	-	43
Revenue stated, which was recognised as contract liabilities	-	(43)
Payments from clients (excluding those recognised as revenue in the period)	(906)	-
Balance at the end of the period	**906**	**-**

4. COST OF SALES

	2022 *BGN '000*	2021 *BGN '000*
Materials	31,971	28,878
Salaries, social security and health insurance contributions, additional allowances	4,121	3,503
Depreciation and amortisation	3,491	3,313
Hired services	494	517
Other	10	6
Expenses on production below normal capacity	307	33
Cost of finished products sold	*40,394*	*36,250*
Purchase price of sold goods	2,706	3,496
Total:	**43,100**	**39,746**

The expenses on materials include mainly expenses on basic materials – BGN 26,839 thousand (polyethylene, polypropylene, colorants, inks, etc.) (2021: BGN 25,043 thousand), auxiliary materials – BGN 1,946 thousand (2021: BGN 1,493 thousand), and electricity – BGN 2,508 thousand (2021: BGN 1,878 thousand).

The expenses on hired services include mainly insurance costs – BGN 54 thousand (2021: BGN 45 thousand), maintenance of machinery and equipment – BGN 140 thousand (2021: BGN 134 thousand), rentals – BGN 32 thousand (2021: BGN 5 thousand), and moulds licence fees – BGN 66 thousand (2021: BGN 98 thousand).

The cost of sales includes the portion of fixed production overheads for the periods when the Company has had production below normal capacity.

The *expenses on production below normal capacity* include:

	2022 *BGN '000*	*2021* *BGN '000*
Salaries and social security/health insurance contributions	137	12
Depreciation and amortisation	122	16
Services	37	-
Materials	11	5
Total:	**307**	**33**

This is a translation from Bulgarian of the financial statements of Thrace-Ipoma AD for year 2022.

5. IMPAIRMENT OF INVENTORIES

	2022	*2021*
	BGN '000	*BGN '000*
Materials	16	-
Finished products	2	4
Total:	**18**	**4**

6. OTHER OPERATING INCOME / (LOSSES)

	2022	*2021*
	BGN '000	*BGN '000*
Service revenue – transports, clichés, etc.	90	50
Waste sales revenue	65	15
Revenue from sale of inventories	*301*	*414*
Carrying amount of inventories sold	*(257)*	*(385)*
Gain on sale of materials	44	29
Liabilities written-off	13	13
Gain on sale of non-current assets	4	1
Reversed impairment of receivables	1	1
Surpluses / (deficiencies), net	1	(50)
Total:	**218**	**59**

7. DISTRIBUTION AND SELLING COSTS

	2022	*2021*
	BGN '000	*BGN '000*
Salaries, social security and health insurance contributions, additional allowances	973	851
Transportation	703	584
Warehouse rental	217	224
Depreciation and amortisation	163	175
Commissions	120	127
Materials, fuels, and water	53	36
Insurance	52	53
Exhibitions and fairs	47	16
Provision for impairment of credit losses	47	10
Business trips	26	22
Customs intermediation	20	23
Repairs and maintenance	18	27
Communications	17	14
Subscription software maintenance	15	21
Analysis of materials	15	15
Advertisement	8	8
Other	36	48
Total:	**2,530**	**2,254**

8. ADMINISTRATIVE EXPENSES

	2022	*2021*
	BGN '000	*BGN '000*
Salaries, social security and health insurance contributions	723	744
Consulting services	611	590
Depreciation and amortisation	114	123
Software subscription maintenance	82	111
Local taxes and charges	79	75
VAT on samples and scrap	44	31
Materials, fuels and water	33	30
Entertainment allowances	28	13
Subscription maintenance of equipment	22	18
Bank charges on transfers	16	11
Security	12	8
Repairs and maintenance	11	6
Insurance	8	8
Business trips	8	5
Tax on expenses and weekend tax	7	11
Communications	7	9
Rental	4	1
Transport	2	4
Other	4	9
Total:	**1,815**	**1,807**

9. EMPLOYEE BENEFITS EXPENSE

	2022	*2021*
	BGN '000	*BGN '000*
Current wages and salaries	4,718	4,059
Social security/health insurance contributions	800	694
Accruals for unused paid leaves	102	99
Social security/health insurance contributions on leaves	18	15
Accruals for long-term retirement benefit obligations to personnel *(Note 23)*	34	72
Total remuneration and social security contributions	***5,672***	***4,939***
Social benefits	219	271
Total:	**5,891**	**5,210**

The expenses on social benefits and payments include mainly transport costs, food vouchers and shopping coupons given to the workers and employees for 8 March, clothing, training.

10. OTHER OPERATING EXPENSES

	2022	*2021*
	BGN '000	*BGN '000*
Scrapping of inventories	154	75
Fines and penalties	18	5
Coronavirus-related expenses	11	17
Scrappage of PPE	33	-
Other	4	12
Total:	**220**	**109**

11. FINANCE COSTS

	2022	*2021*
	BGN '000	*BGN '000*
Interest on loans	75	82
Interest on right-of-use assets	21	25
Bank charges on loans and bank guarantees	18	14
Total:	**114**	**121**

12. INCOME TAX EXPENSE

The main components of the income tax expense for the years ended 31 December are:

	2022	*2021*
	BGN '000	*BGN '000*
Statement of comprehensive income (profit for the year)		
Taxable profit for the year under tax return	3.958	703
Current income tax expense for the year	396	70
Deferred income taxes related to origination and reversal of temporary differences	27	92
Total income tax expense carried to the statement of comprehensive income:	**423**	**162**
Reconciliation of tax expense determined against the accounting profit or loss		
Accounting profit for the year	3.944	2.182
Income tax – 10%	394	218
Non-deductible amounts as per tax return related to:		
Increases: BGN 29 thousand (2021: Decreases: BGN 56 thousand)	29	(56)
Total income tax expense carried to the statement of comprehensive income:	**423**	**162**

13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings		*Plant and equipment*		*Motor vehicles*		*Other*		*PPE in progress*		*Total*	
	2022	*2021*	*2022*	*2021*	*2022*	*2021*	*2022*	*2021*	*2022*	*2021*	*2022*	*2021*
	BGN '000	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*
Book value												
Balance at 1 January	8,908	8,524	49,129	44,746	241	248	819	779	15	554	59,112	54,851
Additions		-	-	-	-	-	-	-	880	4,309	880	4,309
Transfer between accounts	-	384	576	4,387	55	8	76	69	(707	(4,848)	-	-
Disposals	-	-	(1,719)	(4)	(38)	(15)	(6)	(29)	-	-	(1,763)	(48)
Balance at 31 December	**8,908**	**8,908**	**47,986**	**49,129**	**258**	**241**	**889**	**819**	**188**	**15**	**58,229**	**59,112**
Accumulated depreciation												
Balance at 1 January	3,259	3,015	29,050	25,861	206	188	452	407	-	-	32,967	29,470
Depreciation charge for the year	250	244	3,297	3,193	27	27	71	73	-	-	3,645	3,537
Depreciation written-off	-	-	(1,686)	(4)	(38)	(9)	(6)	(28)	-	-	(1,730)	(40)
Balance at 31 December	**3,509**	**3,259**	**30,661**	**29,050**	**195**	**206**	**517**	**452**	**-**	**-**	**34,882**	**32,967**
Carrying amount at 31 December	**5,399**	**5,649**	**17,325**	**20,079**	**63**	**35**	**372**	**367**	**188**	**15**	**23,347**	**26,145**
Carrying amount at 1 January	**5,649**	**5,509**	**20,079**	**18,885**	**35**	**60**	**367**	**373**	**15**	**554**	**26,145**	**25,381**

As at 31 December 2022, Company's tangible fixed assets include: land amounting to BGN 480 thousand (31 December 2021: BGN 480 thousand) and buildings of carrying amount BGN 4,919 thousand (31 December 2021: BGN 5,169 thousand).

Review for impairment

The value of tangible fixed assets was reviewed as at 31 December 2022 by a committee of Company's technical specialists in order to determine whether conditions for impairment have occurred in the meaning of the requirements and rules of IAS 36 "Impairment of Assets". Based on this review, the management decided that no indications and conditions for impairment of assets were present as at 31 December 2022 (31 December 2021: none).

Other data

At 31 December 2022 and 31 December 2021, the tangible fixed assets in progress primarily included expenses incurred in relation to the acquisition of machinery and equipment.

The book value of fully depreciated tangible fixed assets still in use in Company's activities was BGN 16,557 thousand as at 31 December 2022 (31 December 2021: BGN 13,795 thousand) and by group of assets are as follows:

- Machinery and equipment – BGN 16,227 thousand (31 December 2021: BGN 13,520 thousand);
- Motor vehicles – BGN 121 thousand (31 December 2021: BGN 126 thousand);
- Furniture and fixtures – BGN 209 thousand (31 December 2021: BGN 149 thousand).

As at 31 December 2022, the carrying amount of machines on which a special pledge has been established in favour of banks for used bank loans is BGN 11,990 thousand (31 December 2021: BGN 10,680 thousand).

As at 31 December 2022 the Company undertook the following commitments related to fixed assets:
Purchase of machines for production – BGN 188 thousand (31 December 2021: BGN 15 thousand).

14. INTANGIBLE ASSETS

	Software		*IA in progress*		*Total*	
	2022 BGN '000	*2021 BGN '000*	*2022 BGN '000*	*2010 BGN '000*	*2022 BGN '000*	*2021 BGN '000*
Book value						
Balance at 1 January	193	152	122	129	315	281
Additions	-	41	-	34	-	75
Disposals	(98)	-	-	(41)	(98)	(41)
Balance at 31 December	95	193	122	122	217	315
Accumulated amortisation						
Balance at 1 January	153	141	-	-	153	141
Amortisation charge for the year	10	12	-	-	10	12
Amortisation written-off	(98)	-	-	-	(98)	-
Balance at 31 December	65	153	-	-	65	153
Carrying amount at 31 December	30	40	122	122	152	162
Carrying amount at 1 January	41	11	122	129	162	140

The intangible assets in progress as at 31 December 2022 represent mainly amounts paid in relation to the implementation of information and management system SAP (31 December 2021: BGN 122 thousand).

The book value of fully amortised intangible assets still in use in Company's activities was BGN 126 thousand as at 31 December 2022 (31 December 2021: BGN 123 thousand) and includes software.

15. LEASES

15.1 Assets and liabilities recognised in the statement of financial position

In its operations, the company uses one real estate property (warehouse), nineteen motor vehicles, one printer and one water machine under lease agreements.

Right-of-use assets are included in the statement of financial position on a separate line – "Right-of-use assets", and are as follows:

	Buildings		*Transport vehicles*		*Other*		*Total*	
	2022	*2021*	*2022*	*2021*	*2022*	*2021*	*2022*	*2021*
	BGN '000	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*
Book value								
1 January	1,029	1,029	284	322	31	30	1,344	1,381
Increases/additions	-	-	135	-	-	7	135	7
Decreases/disposals	-	-	(24)	(38)	-	(6)	(24)	(44)
Balance at 31 December	**1,029**	**1,029**	**395**	**284**	**31**	**31**	**1,455**	**1,344**
Accumulated depreciation								
1 January	92	23	157	101	14	13	263	137
Depreciation charge for the year	69	69	98	94	8	7	175	170
Depreciation written-off	-	-	(18)	(38)	-	(6)	(18)	(44)
Balance at 31 December	**161**	**92**	**237**	**157**	**22**	**14**	**420**	**263**
Carrying amount at 1 January	**937**	**1,006**	**127**	**221**	**17**	**17**	**1,081**	**1,244**
Carrying amount at 31 December	**868**	**937**	**158**	**127**	**9**	**17**	**1,035**	**1,081**

15.2 Lease liabilities as at 31 December are as follows:

	2022 BGN'000	2021 BGN'000
1 January	**954**	**1,200**
Increases	135	7
Interest accrued	21	25
Liabilities written-off under terminated leases	(6)	-
Payments	(283)	(278)
31 December	**821**	**954**
Including		
Long-term portion	573	702
Short-term portion	248	252

The maturity analysis of the lease liabilities is disclosed in *Note 30.*

15.3 Amounts included in the statement of comprehensive income

The revenue and expenses under leases for the reporting year are as follows:

	2022 BGN'000	2021 BGN'000
Depreciation expense for right-of-use assets (under IFRS 16) Interest expense for lease liabilities (under IFRS 16)	175	170
Interest expense for lease liabilities (under IFRS 16)	21	25
Expenses related to short-term leases (under IFRS 16)	253	258

16.4 The total cash outflow for leases in 2022 amounts to BGN 536 thousand (2021: BGN 536 thousand). The effect of the non-cash increase in right-of-use assets and lease liabilities in 2022 is BGN 135 thousand (2021: BGN 7 thousand).

16.5 Company's leases and reporting thereof

The Company leases buildings, motor vehicles and other assets. Leases are usually concluded for the following terms, divided based on the class of underlying asset, as follows:

- Buildings – 3 to 10 years;
- Motor vehicles – 3 years;
- Other assets – 3 to 5 years.

The average term of the Company's leases is 3 years (2021: 3 years).

Leases are negotiated on an individual basis and contain a significant number of conditions and clauses (automatic renewal clause). The Company's policy regarding lease clauses mainly includes assessment of the probability that the lease be extended for another period and assessment of the probability of early termination of the lease.

Underlying right-of-use assets may not be used as collateral under other contracts.

The Company's activity in 2021 was similar.

Extension and termination options

The Company accounts for a warehouse lease which contains extension and termination options. These options have been negotiated by the management for the purpose of greater flexibility in managing the right-of-use assets and the Company's economic needs. The Company's management applies significant judgement to determine whether it is reasonably certain to exercise these options (Note 2.19.6.2).

The extension and termination option is included in the Company's building leases. The extension and termination options may only be extended by the Company.

These assumptions are reviewed if a significant event or circumstance occurs that impacts the assumptions and if this event is within the Company's control.

Short-term leases and leases of low-value assets

The Company has elected the exemption from recognition of right-of-use assets and lease liabilities under the standard for short-term leases (leases whose term is up to 12 months, including from the date of commencement, without a purchase option) of buildings, motor vehicles, and equipment.

16. INVENTORIES

	31.12.2022	***31.12.2021***
	BGN '000	***BGN '000***
Materials	5,114	6,922
Finished products	4,952	5,055
Goods	750	849
Work in progress	111	88
Total:	**10,927**	**12,914**

Materials include:

	31.12.2022	*31.12.2021*
	BGN '000	***BGN '000***
Basic materials	2,968	4,830
Auxiliary and other materials	987	999
Spare parts	733	600
Materials for re-processing	426	493
Total:	**5,114**	**6,922**

The basic materials include mainly polypropylene – BGN 2,096 thousand (31 December 2021: BGN 4,164 thousand), polyethylene – BGN 389 thousand (31 December 2021: BGN 125 thousand).

The ***finished products*** include:

	31.12.2022	*31.12.2021*
	BGN '000	***BGN '000***
Plastic buckets – injection	3,832	4,173
Plastic buckets – thermoforming	962	780
Crates for beer/non-alcoholic beverages	72	11
Crates for bread and agricultural produce	30	24
Packaging for medicinal products	22	31
Meat crates	13	21
Stadium seats	13	11
Other	8	4
Total:	**4,952**	**5,055**

Goods represent mainly single-use plastic buckets – BGN 663 thousand (31 December 2021: BGN 792 thousand) and nets and fabrics for agriculture – BGN 70 thousand (31 December 2021: BGN 57 thousand).

As at 31 December 2022, the carrying amount of inventories on which a special pledge had been established in favour of banks under used short-term bank loans, was BGN 1,467 thousand (31 December 2021: BGN 489 thousand).

17. TRADE RECEIVABLES

	31.12.2022 BGN '000	*31.12.2021 BGN '000*
Receivables from contracts with customers	5,350	5,330
provision for expected credit losses from contracts with customers	(116)	(78)
Total:	**5,234**	**5,252**

The Company works with its major clients under the terms of immediate and deferred payment, varying between 15 and 90 days. This term is accepted as a normal credit period for Thrace Plastics Group, to which the Company belongs, as well as for the business segment where it operates. The Company does not have agreed payments exceeding this period and respectively, does not recognise deferred payment interest.

Age structure of non-matured (regular) trade receivables is as follows:

	31.12.2022 BGN'000	*31.12.2021 BGN'000*
up to 30 days	1,800	1,757
from 31 to 60 days	1,781	1,582
from 61 to 90 days	480	694
Total	**4,061**	**4,033**

Age structure of past due trade receivables is as follows:

	31.12.2022 BGN'000	*31.12.2021 BGN'000*
up to 30 days	75	-
from 31 to 90 days	403	410
from 91 to 180 days	678	801
from 181 to 365 days	15	1
over 365 days	118	85
Provision for impairment of credit losses	(116)	(78)
Total	**1,173**	**1,219**

Part of the past due receivables presented in the table above at the amount of BGN 741 thousand has been collected after the end of the reporting period until the date of approval of this financial statements. The remaining receivables are from customers whose business is seasonal of its nature and the receivables from them will be collected upon the commencement of the active season.

The Company insures its receivables from Bulgarian and foreign clients against market and non-market short term commercial risk by Bulgarian Export Insurance Association and Coface Services Bulgaria EOOD.

The closing balances of the allowance (provision) for impairment of trade receivables as at 1 January 2022 is equal the opening balances of the allowance of trade receivables as follows:

	31.12.2022 ***BGN'000***	***31.12.2021*** ***BGN'000***
Balance at 1 January	(78)	(71)
Increase in the credit loss allowance recognised within profit or loss for the year	(47)	(10)
Decrease in the credit loss allowance recognised within profit or loss for the year	1	1
Receivables, written-off as uncollectable during the period	8	2
Balance at 31 December	**(116)**	**(78)**

For the years 2022 and 2021, the Company applies the simplified method upon IFRS 9 for measurement of the expected credit losses of the trade receivables and recognize the expected credit losses for the whole period of the instrument for all trade receivables (*Note 2.10*). Upon this base the allowance for credit losses as at 31 December 2022 and 31 December 2021 is determined as follows:

31 December 2022		**Regular**	**1 to 30 days past due**	**31 to 60 days past due**	**61 to 90 days past due**	**91 to 180 days past due**	**181 to 365 days past due**	**Over 1 year past due**	**Total**
Expected average percentage of credit losses		**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**98.3%**	**/2.17%**
Trade receivable (gross carrying amount)	**BGN'000**	**4,061**	**780**	**231**	**142**	**18**	**-**	**118**	**5.350**
Expected credit losses (Allowance for impairment)	**BGN'000**	**-**	**-**	**-**	**-**	**-**	**-**	**(116)**	**(116)**

31 December 2021		Regular	1 to 30 days past due	31 to 60 days past due	61 to 90 days past due	91 to 180 days past due	181 to 365 days past due	Over 1 year past due	Total
Expected average percentage of credit losses		0%	0%	0%	0%	0%	0%	91.76%	1.46%
Trade receivable (gross carrying amount)	BGN'000	4,034	767	186	255	3	-	85	5,330
Expected credit losses (Allowance for impairment)	BGN'000	-	-	-	-	-	-	(78)	(78)

As at 31 December 2022, the receivables from clients are classified by currency type as follows:

- in BGN – BGN 3,936 thousand (31 December 2021: BGN 4,021 thousand);
- in EUR – BGN 1,298 thousand (31 December 2021: BGN1,231 thousand).

Current and future receivables – BGN 2,151 thousand (31 December 2021: BGN 2,151 thousand) are presented as collateral under short-term loans.

18. OTHER RECEIVABLES AND PREPAYMENTS

	31.12.2022	*31.12.2021*
	BGN '000	*BGN '000*
Guarantees granted	32	32
Prepayments	39	39
Advances of accountable persons	9	9
Other	4	1
Taxes refundable	-	219
Total:	**84**	**300**

Taxes refundable as at 31 December include:

	31.12.2022	*31.12.2021*
	BGN '000	*BGN '000*
Income tax	-	80
VAT	-	139
Total:	**-**	**219**

The ***guarantees granted*** as at 31 December include:

	31.12.2022	*31.12.2021*
	BGN '000	***BGN '000***
Deposit CEZ Distribution Bulgaria	24	24
Other deposits	8	8
Total:	**32**	**32**

The ***prepayments*** at 31 December include:

	31.12.2022	*31.12.2021*
	BGN '000	***BGN '000***
Software rental	26	24
Insurance	9	9
Participation at fairs	1	1
Other	3	5
Total:	**39**	**39**

19. CASH AND CASH EQUIVALENTS

	31.12.2022	*31.12.2021*
	BGN '000	***BGN '000***
Current accounts	4,193	1,476
Cash in hand	2	2
Total:	**4,195**	**1,478**

The cash available as at 31 December 2022 are at Company's accounts with the following banks: UBB, Reiffeisenbank AD, DSK AD.

As at 31 December 2022, the cash available, classified by currency type is as follows:

- in BGN – BGN 4,022 thousand (31 December 2021: BGN 1,467 thousand);
- in EUR – BGN 173 thousand (31 December 2021: BGN 11 thousand).

As at 31 December 2022, there is a special pledge established on the available cash in favour of banks under used bank loans – BGN 2,151 thousand (31 December 2021: BGN 2,151 thousand).

As a result of the analyses made and the methodology applied to estimate expected credit losses for cash and cash equivalents, the management has determined that the impairment of cash and cash equivalent would amount at close to zero. Therefore, the Company has not recognised a provision for the impairment of expected credit losses, at 31 December 2021 or at 31 December 2022.

20. EQUITY

Share capital

As at 31 December 2022, the registered share capital of Thrace-Ipoma AD amounted to BGN 3,226 thousand (31 December 2021: BGN 3,226 thousand), distributed in 3,225,646 ordinary registered voting shares with nominal value BGN 1 per share. The Company's registered capital has been paid-in in full.

Reserves

As at 31 December 2022, the Company's reserves are appropriated from distribution of profit in accordance with the requirements of the Commercial Act and the Company's Statutes – setting aside a Reserve Fund at 10% of the registered share capital (*Note 2.16*).

Retained earnings

Retained earnings include the accumulated profits, the recorded effects from the transition of the Company to IFRS in 2005, and the effects of remeasurements of defined benefit pension plans.

On 25 June 2022, the General Meeting of Shareholders took a decision for distribution of dividend at the amount of BGN 774 thousand out of the net profit for 2021, i.e. BGN 0.24 earnings per share. In 2021, the Company paid dividends at the amount of BGN 774 thousand and there is a remaining liability of BGN 5 thousand under a distributed dividend from the profit for the period 2015 – 2020 to attributable to natural persons - shareholders.

21. DEFERRED TAX LIABILITIES

	temporary difference	*tax*	*temporary difference*	*tax*
	31.12.2022	*31.12.2022*	*31.12.2021*	*31.12.2021*
	BGN '000	*BGN '000*	*BGN '000*	*BGN '000*
Non-current assets	15,012	(1,501)	14,519	(1,452)
Deferred tax liabilities	**15,012**	**(1,501)**	**14,519**	**(1,452)**
Impairment of receivables	(116)	12	(78)	8
Accruals for unused paid leaves	(120)	12	(114)	11
Accruals for indemnities upon retirement	(296)	29	(273)	27
Benefits accrued but not paid	(200)	20	(48)	5
Right-of-use assets	(1)	1	(1)	1
Deferred tax assets	**(733)**	**74**	**(514)**	**52**
Deferred tax assets/(liabilities), net	**14,279**	**(1,427)**	**14,005**	**(1,400)**

The movements within deferred tax (liabilities)/assets are presented below:

Deferred tax (liabilities)/ assets	*Balance at 1 January 2022*	*Recognised in profit or loss for the year*	*Balance at 31 December 2022*
	BGN '000	*BGN '000*	*BGN '000*
Non-current assets	(1,452)	(49)	(1,501)
Impairment of receivables	8	4	12
Accruals for indemnities upon retirement	27	2	29
Accruals for unused paid leaves	11	1	12
Benefits accrued but not paid remuneration	5	15	20
Right-of-use assets	1	-	1
Total	**(1,400)**	**(27)**	**(1,427)**

Deferred tax (liabilities)/ assets	*Balance at 1 January 2021*	*Recognised in profit or loss for the year*	*Balance at 31 December 2021*
	BGN '000	*BGN '000*	*BGN '000*
Non-current assets	(1,374)	(78)	(1,452)
Impairment of receivables	7	1	8
Accruals for indemnities upon retirement	20	7	27
Accruals for unused paid leaves	12	(1)	11
Benefits accrued but not paid remuneration	26	(21)	5
Right-of-use assets	-	1	1
Total	**(1,309)**	**(91)**	**(1,400)**

The probability for reversal of individual differences and the ability of the Company to generate sufficient taxable profit in the future were taken into account when recognising deferred tax assets.

No deferred tax assets for the following temporary differences have been recognised:

	temporary difference	*tax*	*temporary difference*	*tax*
	31.12.2022	*31.12.2022*	*31.12.2021*	*31.12.2021*
	BGN '000	*BGN '000*	*BGN '000*	*BGN '000*
Impairment of inventories	(101)	10	(87)	9
Deferred tax assets	**(101)**	**10**	**(87)**	**9**

22. LONG-TERM BANK LOANS

As at 31 December of both periods, the Company used borrowed financial resources under bank loans as follows:

Loan	Currency	Contracted loan amount in original currency	Maturity	Interest rate	Non-current portion as at 31.12.2022	Current portion as at 31.12.2022	Total	Non-current portion as at 31.12.2021	Current portion as at 31.12.2021	Total
		'000			BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
1	EUR	1,800	20/07/2022	1m Eurib +1.60%	-	-	-	-	446	446
2	EUR	800	20/08/2023	1m Eurib +1.30%	-	266	266	266	399	665
3	EUR	835	30/06/2023	3m Eurib +1.30	-	211	211	211	422	633
4	EUR	1,400	07/10/2023	1m Eurib +1.25%	-	257	257	257	938	1,195
			Total		-	734	734	734	2,205	2,939

The following collateral was established under the loans in favour of the creditor banks:

- Special pledges on:

- machinery and equipment – BGN 6,489 thousand (31 December 2021: BGN 7,820 thousand) *(Note 13);*

The table below summarizes the changes in the liabilities arising from financial activities including the changes related to the cash flows and non-monetary changes, and contains a reconciliation between the opening and closing balances in the statement of financial position of the liabilities from financing activities for the year ended 31 December 2022.

	1 January 2021	Changes in cash flows from financing activities	Non-cash changes – new liabilities/disposals under leases	Non-cash changes – interest accrual under the effective interest rate method	Non-cash changes – Provision for dividend payable	31 December 2021
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Interest-bearing loans and borrowings *(Notes 22 and 25)*	6,259	120	(7)	82	-	6,454
Dividend payables *(Note 28)*	5	(774)	-	-	774	5
Lease liabilities (*Note 15*)	1,200	(278)	7	25	-	954
Total liabilities from financing operations	7,464	(932)	-	**107**	**774**	**7,413**

	1 January 2022	Changes in cash flows from financing activities	Non-cash changes – new liabilities/disposals under leases	Non-cash changes – interest accrual under the effective interest rate method	Non-cash changes – Provision for dividend payable	31 December 2022
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Interest-bearing loans and borrowings *(Note 22 and Note 25)*	6,454	(4,069)	-	41	-	2,426
Dividend payables *(Note 28)*	5	(774)	-	-	774	5
Lease liabilities (*Note 15*)	954	(283)	129	21	-	821
Total liabilities from financing operations	7,413	5,126	129	62	774	3,252

23. RETIREMENT BENEFIT OBLIGATIONS

The long-term retirement benefit obligations to personnel include the present value of Company's liability at the date of the statement of financial position to pay indemnities to individuals of its employees upon coming of age for retirement. In accordance with the Labour Code in Bulgaria, every employee is entitled to an indemnity on retirement at the amount of two gross monthly salaries, and if the employee has 10 years' service at the entity or the same group of entities for the past 20 years, the indemnity is at the amount of six gross salaries. This is a defined benefits plan (*Note 2.15).*

For the purpose of establishing the amount of the long-term payables to personnel, the Company has assigned an actuarial valuation by using the services of a certified actuary.

Movements in the present value of retirement benefit obligations to personnel are as follows:

	31.12.2022 BGN '000	*31.12.2021 BGN '000*
Present value of the obligations at 1 January	**286**	**204**
Past service cost/(income) – amendments to Art. 222, Para 3 of LC	-	44
Interest cost for the year	2	1
Current service cost for the year	40	29
Actuarial (gain)/loss recognised for the period	(8)	(2)
Payments made in the year	(11)	-
Remeasurement gains or losses for the year, including:	(133)	10
Actuarial (gains)/losses arising from changes in demographic assumptions	*(3)*	*9*
Actuarial (gains)/losses arising from experience adjustments	*44*	*(16)*
Actuarial (gains)/losses arising from changes in financial	*(174)*	*17*
Present value of the obligations at 31 December	**176**	**286**

The amounts of long-term retirement benefits of personnel accrued in the statement of comprehensive income are as follows:

	2022 BGN '000	*2021 BGN '000*
Past service cost/(income) – amendments to Art. 222, Para 3 of LC	-	44
Current service cost	40	29
Interest cost	2	1
Actuarial (gain)/loss recognised for the period	(8)	(2)
Components of defined benefit plan costs recognised in profit or loss	**34**	**72**
Remeasurement gains or losses on the retirement benefit obligations:		
Actuarial losses arising from changes in financial assumptions	(174)	17
Actuarial losses arising from experience adjustments	44	(16)
Actuarial (gains) arising from changes in demographic assumptions	(3)	9
Components of defined benefit plan costs recognised in other comprehensive income	**(133)**	**10**
Total:	**(99)**	**82**

This is a translation from Bulgarian of the financial statements of Thrace-Ipoma AD for year 2022.

The following actuarial assumptions were used in calculating the present value of the liabilities as at 31 December 2022:

- The discount factor is calculated by using 6.0% annual interest rate as basis (2021: 0.6%). The assumption is based on yield data for long-term government securities with 10-year maturity;
- The assumption for the future level of the salaries is based on the information provided by Company's management and amounts to 2% annual growth compared to the prior reporting period (2021: 5%);
- Mortality rate – in accordance with the table issued by the National Statistics Institute for the total mortality rate of the population in Bulgaria for the period 2019-2021 (2021: 2018-2020);
- Staff turnover rate – from 3% to 16% for the four age groups formed (2021: 3% – 16%).

This defined benefit plan exposes the Company to the following risks: investment risk, interest risk, longevity risk and salary growth related risk: The Company's management defines them as follows:

- investment risk – as far as this is unfunded plan, the Company should monitor and balance currently the forthcoming payments under it with the ensuring of sufficient cash resources. The historical experience and the liability structure show that the annual resource required is not material compared to the commonly maintained liquid funds;
- interest risk – any increase in the yield of government securities with similar term will increase the plan liability;
- longevity risk – the present value of the retirement benefit liability is calculated by reference to the best estimate and updated information about the mortality of plan participants. An increase in life expectancy would result in a possible increase in the liability. A relative stability of this indicator has been observed in the recent years;
- salary growth related risk – the present value of the retirement benefit liability is calculated by reference to the best estimate of the future increase in plan participants' salaries. Such an increase would increase the plan liability.

The sensitivity analysis of the main actuarial assumptions is based on the reasonably possible changes of these assumptions at the end of the reporting period, assuming that all other assumptions are held constant:

The effect of a change (increase or decrease) by 0.5% in salary growth, interest (discount rate) and staff turnover rate on the total amount of current service cost and interest cost is as follows:

	2022		*2021*	
	Increase	*Decrease*	*Increase*	*Decrease*
	BGN '000	*BGN '000*	*BGN '000*	*BGN '000*
Change in salary growth	1	(1)	3	(2)
Change in discount rate	-	-	(1)	1
Change in staff turnover rate	(1)	1	(3)	3

The effect of a change (increase or decrease) by 0.5% in salary growth, interest (discount rate) and staff turnover rate on the present value of the obligation for payment of defined benefits on retirement is as follows:

	2022		*2021*	
	Increase	*Decrease*	*Increase*	*Decrease*
	BGN '000	*BGN '000*	*BGN '000*	*BGN '000*
Change in salary growth	7	(6)	15	(14)
Change in discount rate	(6)	6	(14)	16
Change in staff turnover rate	(7)	7	(16)	17

The average duration of the long-term payable to personnel under the defined benefit plan is 7.4 years (31 December 2021: 11.8 years).

The expected payments as indemnities upon retirement under the defined benefit plan for the next 5 years amount to BGN 103 thousand, including BGN 17 thousand for 2023.

24. TRADE PAYABLES

	31.12.2022	***31.12.2021***
	BGN '000	***BGN '000***
Local suppliers – in BGN	2,549	5,163
Foreign suppliers – in EUR	1,008	2,317
Total:	**3,557**	**7,480**

The company works with its major suppliers under the terms of immediate and deferred payment, varying between 15 and 90 days. The adopted common period when negotiating deferred payments with suppliers is up to 90 days.

This term is accepted as a normal credit period for Thrace Plastics Group, to which the Company belongs, as well as for the business segment where it operates. The Company does not have agreed payments exceeding this period and respectively, does not recognise deferred payment interest.

The Company does not allow lasting delinquencies and does not accrue interest for delay.

All trade and other payables are interest-free.

25. SHORT-TERM BANK LOANS

In 2020 the Company used financial resources from short-term bank loans in the form of overdraft and business credit card under the following terms and conditions:

Loan	*Currency*	*Contracted amount in original currency*	*Maturity*	*Contracted interest*	*31/12/2022*	*31/12/2021*
		BGN'000			*BGN'000*	*BGN'000*
1	*EUR*	*1,500*	*02/10/2022*	*1M Euribor +1.4%*	*1,695*	*1,639*
2	*EUR*	*1,500*	*30/06/2022*	*3M EURIBOR +1.2%*	*(3)*	*1,876*
3	*BGN*	*10*		*15.75%*	*-*	*-*
		Total			*1,692*	*3,515*

The table of negotiated short-term loans as at 31 December 2022 (line 3 in the table) includes a contracted amount under a credit card of the Executive Director.

The following collateral was established under the loans in favour of the creditor banks:

- Special pledges on:

- machinery and equipment – BGN 5,501 thousand (31 December 2021 – 2,860 thousand) *(Note 13);*

- current and future receivables – BGN 2,151 thousand (31 December 2021 – BGN 2,151 thousand);

- pledge on inventories – BGN 1,467 thousand (31 December 2021: BGN 489 thousand).

26. PAYABLES TO PERSONNEL AND FOR SOCIAL SECURITY

	31.12.2022	*31.12.2021*
	BGN '000	***BGN '000***
Payables to personnel	624	413
Social security payables	134	136
Total	**758**	**549**

Payables to personnel include:

- unpaid benefits – BGN 522 thousand (31 December 2021: BGN 314 thousand);
- accruals at the amount of BGN 102 thousand, representing amounts due on unused paid leave entitlement of personnel (31 December 2021: BGN 99 thousand).

Social security payables include:

- unpaid social security contributions – BGN 117 thousand (31 December 2021: BGN 121 thousand);
- social security contributions accrued on the amounts of unused by personnel paid leaves at the amount of BGN 17 thousand (31 December 2021: BGN 15 thousand).

28. TAX PAYABLES

	31.12.2022	*31.12.2021*
	BGN '000	***BGN '000***
Value added tax	295	-
Income tax	96	-
Personal income tax	34	12
Withholding tax	13	14
Tax on expenses	7	11
Total	**445**	**37**

The Company's tax payables are settled on a regular basis.

By the date of the preparation of the financial statements the following inspections and audits have been performed:

- under VAT Act – covering the period until 30 November 2006 inclusive;

- full-scope tax audit – covering the period until 31 December 2003 inclusive.

Tax audit of the companies in Bulgaria is performed within a 5-year period after the end of the year when the tax return for the respective liability has been submitted. The tax audit confirms ultimately the tax liability of the respective company — tax liable person except in the cases explicitly stated by law. The tax authorities may at any time check financial statements and registers for the five consecutive years from the reporting tax period and impose additional tax acts or fines. The Company's management is not aware of facts that might result in significant obligations in this area.

28. OTHER CURRENT LIABILITIES

Other current liabilities include:

- Customer deposits for foil supplies – BGN 56 thousand (31 December 2021: BGN 200 thousand);
- Dividends payable – BGN 5 thousand (31 December 2021: BGN 5 thousand).

29. RELATED PARTIES

29.1. Data on related parties that control directly Thrace-Ipoma AD at 31 December is presented below:

Company	***Relation***
Trierina Trading Limited, Cyprus	parent company of Thrace-Ipoma AD
Thrace Plastics Pack Co SA, Greece	parent company of Trierina Trading Limited, Cyprus *(intermediary parent company)*
Thrace Plastics Pack Co SA, Greece	parent company of Thrace Plastics Pack Co SA, Greece *(ultimate parent company)*

29.2. In 2021-2022 the Company executed *transactions with the following related parties:*

Company	***Relation***
Thrace Plastics Co SA, Greece	Ultimate parent company
Thrace Nonwovens & Geosynthetics, Greece	under the control of Thrace Plastics Co SA
Thrace Plastics Pack Co SA, Greece	under the control of Thrace Plastics Co SA

This is a translation from Bulgarian of the financial statements of Thrace-Ipoma AD for year 2022.

Thrace Polyfilms Co SA, Greece	under the control of Thrace Plastics Co SA
Thrace Greenhouses SA, Greece	under the control of Thrace Plastics Co SA
Don&Low Ltd, Scotland	under the control of Thrace Plastics Co SA
Trierina Trading, Cyprus	under the control of Thrace Plastics Pack Co SA
Thrace Greiner Packaging, Romania	under the control of Thrace Plastics Pack Co SA
Thrace Plastics Packaging DOO, Serbia	under the control of Thrace Plastics Pack Co SA
Thrace Polybulk AB, Sweden	under the control of Synthetic Holdings Ltd
Thrace Polybulk AS, Norway	under the control of Synthetic Holdings Ltd
Thrace Synthetic Packaging, Ireland	under the control of Synthetic Holdings Ltd

29.3. The ***outstanding balances*** (accounts) with related parties as at 31 December are as follows:

Receivables from related parties:

	31.12.2022 *BGN '000*	*31.12.2021* *BGN '000*
Receivables from companies under common control	1,649	1,491
Receivables from intermediary parent company	-	1,287
Receivables from the ultimate parent	47	-
Total	**1,696**	**2,778**

The receivables are primarily related to sale of finished products and goods *(Note 30.4).*

Payables to related parties:

	31.12.2022 *BGN '000*	*31.12.2021* *BGN '000*
Payables to companies under common control	123	72
Payables to intermediary parent company	468	7
Payables to the ultimate parent company	-	44
Total	**591**	**123**

The payables are primarily related to supply of inventories and services *(Note 30.4).*
The receivables are mainly for sales of products.
The accounts and balances with related parties are entirely denominated in EUR.

At 31 December, the Company performed offsetting of the outstanding counter balances for the companies of Thrace Plastics Group at the end of the reporting period and presented the net amount to the receivables from related parties and respectively, to the payables to related parties. This is due to the adopted Group policy to set off trade receivables and trade payables between the companies within the Group, which results in the establishment of a regular and consistent practice of net reporting (Note № *2.18.1*), as follows:

	31.12.2022	*31.12.2021*
	BGN '000	***BGN '000***
Receivables from related parties (gross amount)	3,755	3,631
Offsetting trade receivables with trade payables	*2,059*	*853*
Offsetting	2,059	853
Receivables from related parties (net amount)	**1,696**	**2,778**

	31.12.2022	*31.12.2021*
	BGN '000	***BGN '000***
Payables to related parties (gross amount)	2,650	976
Offsetting trade receivables with trade payables	*2,059*	*853*
Offsetting	2,059	853
Payables to related parties (net amount)	**591**	**123**

The contractual deferred payment period for trade receivables and payables within Thrace Plastics Group is up to 90 days. When Trace-Ipoma AD performs at the same time supplies from and sales to a related party, the receivables and payables are being periodically set-off. Payments to other Group companies are made within the timeframe of 90 days deferred payment.

The age structure of the non-matured (regular) receivables from related parties is as follows:

	31.12.2022	***31.12.2021***
	BGN'000	***BGN'000***
Up to 30 days	552	775
from 31 to 60 days	1,113	1,156
from 61 to 90 days		772
Total	**1,665**	**2,703**

The age structure of the past due receivables from related parties is as follows:

	31.12.2022	*31.12.2021*
	BGN'000	*BGN'000*
from 31 to 90 days	31	43
from 91 to 180 days	-	32
Total	**31**	**75**

The past due receivables presented in the table above are collected or deducted after the end of the reporting period until the date of approval of the current financial statements.

29.4. The data below presents information on Company's related party ***transactions*** executed during the year:

Supplies from related parties

	2022	*2021*
	BGN '000	*BGN '000*
Supplies of inventories from:		
Companies under common control	573	600
Ultimate parent company	7,850	6,426
Intermediary parent company		
	8,423	**7,026**
Supplies of services from:		
Ultimate parent company	538	566
Intermediary parent company	105	100
	643	**666**
Other supplies:		
Ultimate parent company (deferred expenses)	21	4
	21	**4**
Total	**9,087**	**7,696**

Sales to related parties

	2022	*2021*
	BGN '000	*BGN '000*
Sales of finished products to:		
Companies under common control	6,515	5,382
Intermediary parent company	6,270	5,773
	12,785	**11,155**
Re-invoiced expenses to:		
Companies under common control	294	266
Intermediary parent company	45	33
	339	**299**
Sales of goods and materials:		

Companies under common control	130	495
Intermediary parent company	249	234
	379	**729**
Other sales:		
Companies under common control	22	6
	22	**6**
Total	**13,525**	**12,189**

The related party transactions do not differ from the usual commercial transactions: purchase-and-sale of finished products, rent of moulds, providing technical services, production of big bags.

29.5. In 2022, in line with a decision of the General Meeting of Shareholders, the Company distributed dividend at the amount of BGN 774 thousand. The dividend payable to Trierina Trading Ltd. was paid in full.

29.6. *Key management personnel*

The key management personnel includes Board of directors, (whose members are disclosed in *Note* 1) and directors who have the authority and responsibility to plan, manage and control the Company's operations.

The remuneration of key management personnel include only salaries, other short-term benefits and social security/health insurance contributions, which in year 2022 amounted to BGN 596 thousand (2021: BGN 815 thousand).

30. FINANCIAL RISK MANAGEMENT

The structure of Company's financial assets and liabilities as at 31 December is as follows:

	31.12.2022	*31.12.2021*
	BGN '000	***BGN '000***
Financial assets		
Financial assets at amortized cost incl.:		
Receivables (Notes 17, 18 and 29)	*6,962*	*8,062*
Cash and cash equivalents (Note 19)	*4,195*	*1,478*
Total financial assets	***11,157***	***9,540***

Financial liabilities

Financial liabilities at amortized cost incl.:

Short-term and long-term bank loans (Notes 22 and 25)	*2,426*	*6,454*
Trade payables (Notes 24 and 28)	*4,148*	*7,802*
Lease liabilities (Note 15)	*821*	*954*
Total financial liabilities	***7,395***	***15,210***

Impairment losses related to financial assets recognized in the statement of comprehensive income are as follows:

	2022	2021
	BGN'000	*BGN'000*
Reversed loss on impairment of trade and other receivables	1	3
Accrued impairment losses of trade and other receivables	(47)	(10)
	(46)	7

Financial risk management

In the ordinary course of business, the Company is exposed to a variety of financial risks the most important of which are market risk (including currency risk, risk of fair value changes and price risk), credit risk, liquidity risk and risk of interest-bearing cash flows.

General risk management is focused on the difficulty to forecast the financial markets and to achieve mitigation of the potential negative effects that might affect the financial results and position of the Company. Financial risks are currently identified, measured and monitored through various control mechanisms in order to establish adequate prices for Company's finished products and services and the borrowed thereby capital, as well as to assess adequately the market circumstance of its investments and the forms for maintenance of free liquid funds through preventing undue risk concentration.

Risk management in the Company is exercised currently by the Finance and Accounting Department and by the Sales Department.

Market risk

a. Foreign currency risk

The Company is not exposed to currency risk because its major operations and deals are denominated in BGN and/or in EUR, and the latter has a fixed rate towards the Bulgarian Lev under law.

b. Price risk

The Company is exposed to price risk of adverse changes in the prices of materials and goods, because the prices of the basic materials – polyethylene, polypropylene and polystyrene – are traded on commodity exchange at prices in Euro and are related to the movement of the indexes Ki and ICIS LOR. In order to bring to minimum price risk the following two approaches have been adopted when negotiating the selling prices of finished products:

- The prices for clients of branded crates are recalculated in line with the index Ki;
- The prices of packaging are reviewed on monthly basis and again revised against the ICIS LOR index and the purchase prices of materials.

Credit risk

Credit risk is the risk that any of Company's clients will fail to discharge in full and within the normally envisaged terms the amounts due thereby under trade and other receivables. The Company's credit risk arises from its main activities through its trade receivables as well as from its financial activities including bank deposits. Credit risk management and control is centralized into a credit risk management team at the Sales and Financial and Accounting Division, which reports regularly to the Executive Director. For that purpose the Company has developed policies, procedures and rules for control and monitoring the behaviour of credit risk.

Trade receivables

Thrace-Ipoma AD sells under deferred settlement terms with credit period of up to 90 days only to clients having long account of business and trade relations with the Company, good financial position and no history of credit terms violations. The Company trades with 90 days credit period also with related parties, the balances with which are characterised with a high concentration, but they are managed and controlled by the Group as a whole. The sales to the other clients are made under immediate payment terms.

Collectability of receivables is controlled currently and strictly by the Executive Director, Finance Director and Commercial Director in accordance with the established credit policy of the Company. For this purpose, open exposures by customer and the individual amounts thereto as well as the proceeds received are subject to review on daily basis whereas making reconciliation and analysis. In addition, besides the current management of the collectability of receivables in case of delay supplementary actions are undertaken for their securing and collection. In addition, in order to limit the existence of credit risk during the period, the Company has insured against uncollectability its trade receivables from clients in Macedonia and some in Bulgaria where there is a larger delay in payments compared to other clients.

The Company uses a provisioning matrix to calculate the expected credit losses of trade receivables. The provisioning rates applied in the matrix are based on past due days for all receivables from clients.

Initially, the percentages of this matrix are determined on historical data bases observed by the company over a four-year period. The method is based on analysis of the history and the assessment of the behaviour of each invoice in the given group for at least four years in terms of days of delay, passing over periods between different ranges of delay, payments and uncollected amounts, etc. On this basis the loss rate is determined as the uncollectability for the given group of invoices to the overdue invoices by days. Typically, the Company accepts that the date of economic loss from uncollectability arises after 180 days from the first day of overdue. This period is investigated and judged historically. This period is investigated and judged historically, by considering the Company's practice to insure the receivables from its clients.

Secondly, the Company specify the provisioning matrix for impairment by adjusting the percentages based on historical data for the behaviour of the payments of the invoices and the historical losses of uncollectability by including scenarios and forecast information for specific macroeconomic factors. Historical rates based on the management'd decision are adjusted to reflect the effect of future behaviour on macroeconomic factors for which statistical dependence is identified and which are believed to affect the ability of clients to settle their liabilities.

The expected credit losses are calculated on the date of each reporting period. As at 31 December 2018 they were calculated for the first time.

Cash

The Company's cash and payment transactions are concentrated mainly in various premium banks. To calculate expected credit losses for cash and cash equivalents, the Company applies a rating model using the banks' ratings as determined by internationally recognised rating firms such as Moody's, Fitch, S&P, BCRA and Bloomberg, as well as the reference public data about PD (probability of default), corresponding to the respective bank's rating. The management currently monitors the change in the rating of the respective bank so as to assess the presence of increased credit risk and the ongoing management of incoming and outgoing cash flows, and the allocation of amounts between bank accounts and banks.

The available cash and cash equivalents of the company at 31 December 2022 are on accounts in Banks with rating BBB and A according to Fitch (31 December 2021: BBB and A).

The Company has concentration of receivables (trade receivables and receivables from related parties) as follows:

	31.12.2022	***31.12.2021***
	BGN '000	***BGN '000***
Client 1	25,37%	24,97%
Client 2	7,81%	8,84%

Cash, including payment transactions, are limited to highly reputable banks with liquid stability.

Liquidity risk

Liquidity risk is the adverse situation when the Company encounters difficulty in meeting unconditionally all of its obligations within their maturity. The liquidity management policy of the Company's is conservative maintaining a constant optimal liquid reserve of cash and a capability for funding its business activities, including by securing and maintenance of adequate credit resources and facilities, continuous control monitoring of the actual and forecasted cash flows by periods ahead and matching maturity profiles of assets and liabilities.

Maturity analysis

The table below presents the financial non-derivative liabilities of the Company at the reporting date, grouped by remaining term to maturity, determined against the contractual maturity and cash flows. The table is prepared on the basis of undiscounted cash flows and the earliest date on which the payable becomes due for payment. The amounts include principal and interest.

31 December 2022	**to 1 month BGN '000**	**from 1 to 3 months BGN '000**	**from 3 months to 1 year BGN '000**	**over 1 year BGN '000**	**Total BGN '000**
Bank loans	1,848	590	-	-	2,438
Trade payables to related parties	17	575	-	-	592
Trade and other payables	2,273	1,284	-	-	3,557
Lease liabilities	25	51	192	623	891
Financial liabilities	**4,163**	**2,500**	**192**	**623**	**7,478**

31 December 2021	to 1 month BGN '000	from 1 to 3 months BGN '000	from 3 months to 1 year BGN '000	over 1 year BGN '000	Total BGN '000
Bank loans	3,737	427	1,596	738	6,498
Trade payables to related parties	114	9	-	-	123
Trade and other payables	5,752	1,927	-	-	7,679
Lease liabilities	25	51	192	757	1,025
Financial liabilities	**9,628**	**2,414**	**1,788**	**1,495**	**15,325**

Risk of interest-bearing cash flows

In general, the Company does not have interest-bearing assets except for the existing cash with banks, on which interest is charged at fixed interest rate. Therefore, revenue and cash flows from operations are largely independent from the changes in market interest rates.

At the same time, the Company is exposed to interest risk because it uses short-term loans for funding its business activities and long-term loans for its investing activities contracted at floating interest rates. Therefore, the changes in interest rates are currently monitored and in case of adverse trends steps are taken for re-negotiating the terms and conditions.

Interest analysis

31 December 2022	**Interest-free BGN '000**	**with floating interest % BGN '000**	**with fixed interest % BGN '000**	**Total BGN '000**
Receivables from related parties	1,696	-	-	**1,696**
Trade receivables	5,266	-	-	**5,266**
Cash and cash equivalents	2			
Total financial assets		-	4,193	4,195
Receivables from related parties	**6,964**	**-**	**4,193**	**11,157**
Bank loans	-	2,426	-	**2,426**
Trade payables to related parties	591	-	-	**591**
Trade and other payables	3,557	-	-	**3,557**
Lease liabilities	-	-	821	**821**
Total financial liabilities	**4,148**	**2,426**	**821**	**7,395**

31 December 2021	**Interest-free BGN '000**	**with floating interest % BGN '000**	**with fixed interest % BGN '000**	**Total BGN '000**
Receivables from related parties	2,778	-	-	**2,778**
Trade receivables	5,284	-	-	**5,284**
Cash and cash equivalents	2	-	1,476	**1,478**
Total financial assets	**8,064**	**-**	**1,476**	**9,540**
Bank loans	-	6,454	-	**6,454**
Trade payables to related parties	123	-	-	**123**
Trade and other payables	7,679	-	-	**7,679**
Lease liabilities	-	-	954	**954**
Total financial liabilities	**7,802**	**6,454**	**954**	**15,216**

The achieved average interest rates on interest-bearing assets and liabilities are as follows:

- Cash at deposit accounts – 0.04%
- Bank loans – 1.4% – 4.4%

The Company's management currently monitors and analyses its exposure to changes in interest rates. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging instruments. Based on these scenarios, the impact of a defined interest rate shift, expressed in points, on the financial result and equity is calculated. For each simulation, the same assumption for interest rate shift is used for all major currencies. The calculations are made for major interest-bearing positions.

The Company's sensitivity to possible changes in interest rates based on the structure of assets and liabilities as at 31 December 2022, and with the assumption that the influence of all other variables is ignored. The effect of interest rate shift by 50 points, measured and presented as impact on the post-tax financial result for the following reporting period amounts to BGN 10 thousand (31 December 2021: BGN 29 thousand).

Capital risk management

The capital management objectives of the Company are to build and maintain capabilities to continue its operation as a going concern and to provide return on the investments of shareholder and economic benefits to other stakeholders and participants in its business as well as to maintain an optimal capital structure to reduce the cost of capital.

The Company currently monitors capital availability and structure on the basis of the gearing ratio. This ratio is calculated as net debt divided by the total amount of (employed) capital. Net debt is calculated as total borrowings (current and non-current ones) as presented in the statement of financial position less cash and cash equivalents. Total employed capital is calculated as the sum of equity and net debt.

The strategy of the Company's management is to maintain the ratio within the range of 20%.
The table below shows the gearing ratios based on capital structure as at 31 December:

	31.12.2022	***31.12.2021***
	BGN'000	***BGN'000***
Total borrowings	2,426	6,454
Less: Cash and cash equivalents	(4,195)	(1,478)
Net debt	(1,769)	4,976
Total equity	35,502	32,622
Total capital	33.733	37.598
Gearing ratio	***(5.2)%***	***13,23%***

Fair values

The fair value concept presumes realisation of financial assets through a sale based on the position, assumptions and judgments of independent market participants in a principal or most advantageous market for a particular asset or liability.

The Company acknowledges as a principal market for its financial assets and liabilities the financial market in Bulgaria – the Bulgarian Stock Exchange, the large commercial banks – dealers, and for some specific instruments – direct transactions between the parties. However, in most cases especially in regard of trade receivables and payables, as well as loans and bank deposits, the Company expects to realise these financial assets and liabilities either through their total refund or respectively, their settlement over time. Therefore, they are presented at amortised cost.

In addition, a large part of Company's financial assets and liabilities are short-term in their nature (trade receivables and payables, short-term loans) and for this reason, their fair value is almost equal to their carrying amount.

In respect of long-term borrowings, the Company uses an estimate of their fair value determined through discounting of their future cash flows based on average market interest rate at the end of the reporting period. These loans are usually with floating interest rate that reflects market levels.

The Company's management is of the opinion that the estimates of the financial assets and liabilities presented in the statement of financial position are as reliable, adequate and trustworthy as possible for financial reporting purposes under the existing circumstances.

31. CONTINGENT LIABILITIES AND COMMITMENTS

Bank guarantees

As at 31 December 2022 the Company uses bank guarantees from the credit limit with UBB. A bank guarantee has been issued at the amount of BGN 861 thousand (31 December 2021: none) in favour of Coca Cola Hellenic Bottling, valid from 15 December 2022 to 30 April 2023.

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