Water Industry Support and Education EOOD

Annual management report and financial statements

for the year ended 31 December 2021

With independent auditors' report

Contents

Annual management report

Financial statements:

Independent Auditors' report

ANNUAL REPORT ON THE ACTIVITY OF

WATER INDUSTRY SUPPORT AND EDUCATION EOOD

2021

Water Industry Support and Education EOOD (WISE) is a subsidiary of Sofiyska Voda, incorporated at the beginning of 2006 by virtue of the contract for the provision of design services. Its business involves design preparation in reference to the investment program of the company. Another reason for WISE incorporation as a separate company is the willingness of the company to increase further the business opportunities, i.e. to enable the design team to provide design services also to external contracting authorities.

The financial statement of Water Industry Support and Education EOOD (WISE) was prepared in compliance with the International Financial Reporting Standards (IFRS), approved by the European Union (EU).

The Company had no revenues in 2021 (2020 – 0 thousand BGN). The operating costs in 2021 for the activity were BGN 5 thousand (BGN 5 thousand in 2020). In 2021 the Company did not conduct commercial activity.

The financial result for 2021 is a loss of BGN 5 thousand (2020 – loss of BGN 5 thousand).

The financial result for 2021 was allocated to retained earnings and loss and there were no dividends paid.

The Company policy in terms of the financial risk and its exposition regarding the price, credit and liquidity risk are given in detail in the notes to the Financial Statements for 2021.

The Company will continue operating as a going concern at least, but not limited to twelve months from the end of the reporting period, as the intention of the parent company is, where appropriate, activities under projects to be assigned to it in the future. As at the end of 2021, the Company had no liabilities under credits to external financial institutions or enterprises from the Group.

The Company has no research and development activity.

The Company did not transfer or acquire any shares in the reviewed 2021.

In 2021 no events and indicators of unusual nature took place in the company.

No events occurred after the date of the report requiring the disclosure or adjustment of the annual financial statements, different from those disclosed in Note 19 to the financial statements.

There were no remunerations paid to the Company Manager in the financial 2021.

The Company Manager has no share in trade companies as a partner with unlimited liability, does not own more than 25% of the capital of other company and does not participate in the management of other companies or associations as Commercial Proxy, Manager or Board Member.

There are no substantial transactions concluded.

There are no off-balance sheet transactions in the Company.

The Company has no shareholdings in other companies.

The company has commenced three lawsuits in the Sofia Regional Court against "Prima Invest Consult" EOOD for the reimbursement of an advance sum under a terminated contract at the total amount of BGN 57,150, and default and statutory interests. Each of the lawsuits is for a principal of BGN 19,050 (1/3 of the total BGN 57,150 – part of the advance payment, subject to reimbursement, under a contract terminated due to the defendant's failure to meet his obligations); a default interest of BGN 943.28 for the period 23.03.2015 - 16.09.2015; a statutory interest on the late payment of the principal from the date of filing the application till the date of the payment of the sum.

Two of these legal proceedings were pending in 2021 – the civil case 8917/2016 and the civil case 87743/2017. A court decision is expected under the civil case 8917/2016, but it has not been issued yet. Under the civil case 87743/2017, the Sofia Regional Court issued a decision with which the claims of the company were fully upheld. Regarding the third case, an enforcement procedure was commenced against "Prima Invest Consult".

The Company has a related party relationship with the parent company – Sofiyska Voda AD, and the latter has 100% share in Water Industry Support and Education EOOD. The amount of the transactions and the sum of the receivables and payables to the related parties are disclosed in Note 18 to the financial statements of the Company for 2021.

The Company has no branches in the country and abroad.

Anelia Ilieva
/Finance Director/

Stanislav Stanev
/Manager/

Statement of financial position

As at 31 December

In thousands of BGN	*Note*	**2021**	**2020**
Assets			
Property, plant and equipment	*9*	-	-
Total non-current assets		-	-
Trade and other receivables	*10,15*	6	6
Income tax receivables		2	2
Cash and cash equivalents	*12*	184	190
Total current assets		192	198
Total assets		192	198
Equity			
Share capital	*13*	5	5
Retained earnings		184	189
Total equity		189	194
Liabilities			
Trade and other payables	*14,15*	3	4
Total current liabilities		3	4
Total liabilities		3	4
Total equity and liabilities		192	198

The notes on pages 8 to 28 are an integral part of these financial statements.

София
Sofia

Stanislav Stanev
General Manager

Aneliya Ilieva
Finance director

In accordance with an Independent Auditors' Report:
KPMG Audit OOD

ОДИТОРСКО ДРУЖЕСТВО
София
Рег. № 045
КПМГ ОДИТ ООД

Dobrina Kaloyanova
Authorized representative

Ivan Andonov
Registered Auditor, responsible for the audit

Statement of profit or loss and other comprehensive income

For the year ended 31 December *In thousands of BGN*	*Note*	**2021**	**2020**
Revenue	*4*	-	-
Other income	*4*	-	-
		-	-
Expenses for hired services	*5*	(4)	(4)
Employee benefit expenses	*6*	(1)	(1)
Other operating expenses	*7*	-	-
Loss from operating activities		(5)	(5)
Loss before taxes		(5)	(5)
Income tax	*8*	-	-
Loss for the period		(5)	(5)
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income for the period		(5)	(5)

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Stanislav Stanev
General Manager

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Finance director

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Ivan Andonov
Registered Auditor,
responsible for the audit

Translation from the original Bulgarian version, in case of divergence the Bulgarian original shall prevail.

Statement of changes in equity

In thousands of BGN	*Note*	Share capital	Retained earnings	Total
Balance at 1 January 2020		5	194	199
Total comprehensive income for the period				
Loss for the period		-	(5)	(5)
Other comprehensive income, net of taxes		-	-	-
Total comprehensive income for the period		-	(5)	(5)
Balance at 31 December 2020	*13*	5	189	194
Balance at 1 January 2021		5	189	194
Total comprehensive income for the period				
Loss for the period		-	(5)	(5)
Other comprehensive income, net of taxes		-	-	-
Total comprehensive income for the period		-	(5)	(5)
Balance at 31 December 2021	*13*	5	184	189

The notes on pages 8 to 28 are an integral part of these financial statements.

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General Manager

Aneliya Ilieva
Finance director

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Statement of cash flows

For the year ended 31 December

In thousands of BGN	*Note*	2021	2020
Cash flows from operating activities			
Net loss for the period		(5)	(5)
Adjustments for:			
Written off assets		-	-
Income tax expense		-	-
		(5)	(5)
Change in trade and other receivables		(1)	(1)
Change in trade and other receivables from related parties		-	-
Change in VAT payable/receivable		-	1
		-	-
Income tax paid		-	-
Net cash for operating activities		(6)	(5)
Cash flows from investment activities			
Proceeds from the sale of assets		-	-
Net cash from investment activities		-	-
Cash flows from financing activities			
Interest received		-	-
Other finance expenses paid		-	-
Net cash from financing activities		-	-
Net decrease in cash and cash equivalents		(6)	(5)
Cash and cash equivalents as at 1 January		190	195
Cash and cash equivalents as at 31 December	*12,15*	184	190

The notes on pages 8 to 28 are an integral part of these financial statements.

Stanislav Stanev
General Manager

Aneliya Ilieva
Finance director

София
Sofia

In accordance with an Independent Auditors' Report:
KPMG Audit OOD

Одиторско дружество
София
Рег. № 045
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Dobrina Kaloyanova
Authorized representative

Ivan Andonov
Registered Auditor,
responsible for the audit

Notes to the Financial Statements

Notes to the Financial Statements

1. Reporting Entity

Water Industry Support and Education EOOD is a commercial entity registered in Bulgaria under Sofia City Court decision No: 9889/2000, volume 633, p. 29, lot No: 57546. The Company is registered with the Commercial Register at the Bulgarian Registry Agency with ID code 130337729.

Water Industry Support and Education EOOD (the Company) is a 100% subsidiary of Sofiyska Voda AD, which is owned by Veolia Voda Sofia BV (77.1%) and Vodosnabdyavane i kanalizatsiya EAD (22.9%). The ultimate parent company is Veolia Environment SA.

The address of the registered office of the Company is Bulgaria, Sofia, Mladost 4 residential area, Business Park Sofia, Building 2A. The Company's business involves project measurement, maintenance and design services.

2. Basis of preparation

(a) Basis of accounting

The present financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Commission (EC).

The financial statements for the year ended 31 December 2021 were approved by the Management of the Company on 28 May 2021.

(b) Going concern

The present financial statements have been prepared on the assumption that the Company will continue to operate as a going concern.

In 2016 the Board of Directors of the parent company, Sofiyska Voda AD, took a decision to terminate the contract for the assignment of design services between the Company and Sofiyska Voda AD and transfer the employees of the Company to Sofiyska Voda AD. The contract was terminated on 15 December 2016.

The Company will continue as a going concern, not limited to twelve months after the end of the reporting period, and the intention of the parent company is to assign to the Company project activities in the future in case of need.

(c) Basis of measurement

The financial statements have been prepared on the historical cost basis, excluding defined benefit obligation, stated at the present value of the defined benefit obligation.

(d) Functional and presentation currency

The financial statements have been prepared in Bulgarian leva (BGN), which is the Company's functional currency. The entire financial information presented in BGN has been rounded to the nearest thousand (BGN).

2. Basis of preparation (continued)

(e) Use of judgements and estimates in the preparation of the financial statements

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. The actual result may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Fair values

A number of the Company's accounting policies and disclosures require the measurement of fair value, for both financial and non-financial assets and liabilities.

The Company has an established control framework with respect to the measurement of fair values.

The financial department regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or similar services is used to measure fair values, then the financial department assesses the evidence obtained from third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the General manager.

When measuring the fair value of an asset or liability, the Company uses observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs in the valuation techniques, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices, included in Level 1, that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

If the inputs used to measure the fair value of an asset or liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in that level of the fair value hierarchy whose input is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 15 – Financial instruments.

3. Significant accounting policies

The significant accounting policies set out below have been applied consistently to all periods presented.

(a) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

Effective 1 January 1999 up until the reporting date for the financial statements, the Bulgarian Lev (BGN) rate is fixed to the Euro (EUR). The applicable exchange rate is BGN 1.95583 / EUR 1.0.

(b) Financial instruments

(i) Recognition and initial measurement

The trade receivables are recognized initially when they are originated. All other financial assets and liabilities are recognized initially when the company becomes party under the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

On initial recognition the financial asset is classified as measured at: fair value, FVOCI – debt investment, FVOCI – equity investment; or at FVTPL.

The financial assets are not reclassified after their initial recognition unless the Company changes the business model for management of the financial assets in which case all affected financial assets are reclassifed from the first day of the first reporting period following the change of the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

– it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

– its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The financial asset is measured at FVICO if it meets at the same time the following two conditions and is not designated under the FVTPL:

- is held within a business model whose objective is achieved by collecting contractual cash flows and selling financial assets, and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets, which are not classified as measured at amortized cost or at FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. Upon initial recognition the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

3. Significant accounting policies (continued)

Financial assets – Business model assessment

The Company makes an assessment of the purposes of the business model, under which a certain financial asset is held at a portfolio level because this best reflects the way in which the business is managed and information is provided to the management. The information, which is taken into account, includes:

– the stated policies and purposes of the portfolio and the efficiency of these policies in practice.
– how the performance of the portfolio is evaluated and reported to the management of the Company;
– the risks that affect the performance of the business model (and the financial assets held within this business model) and how these risks are managed;
– how the business managers are compensated – for example, whether the compensation is based on the fair value of the assets managed or on the collected contractual cash flows; and
– frequency, volume and timing of the sales of the financial assets in previous periods, the reasons for such sales and the expectations for future sales.

The transfer of financial assets to third parties in transactions, which do not qualify for derecognition, are not considered for sales for this purpose, in conformity with the continued recognition of the assets by the Company.

The financial assets, held for trading or are managed, and whose performance is evaluated on the a fair value basis, are measured on the basis of FVTPL.

(iii) Financial assets – Assessment whether the contractual cash flows are only payments of principal and interest

For the purposes of this assessment, the "principal" is defined as fair value of the financial asset at initial recognition. The "interest" is defined as consideration for the time value of money and for the credit risk related to the outstanding principal in a certain period of time and for other main risks and credit costs (for example, liquidity risk and administrative expenses), as well as a profit margin.

In assessing whether the contractual cash flows are solely the payments of principal and interests, the Company considers the contractual term of the instrument. This includes an assessment whether the financial asset contains a contractual clause, which could change the timing or the amount of the contractual cash flows, so that it fails to meet that condition. In that assessment the Company takes into account:

- contingent events, which could change the amount or time of the cash flows;
- conditions, which could adjust the contractual coupon rate, including the attributes with variable interest rate;
- attributes for prepayment and extension features; and
- terms that limit the claims of the Company to the cash flows from certain assets (for example, characteristics without the right of recourse).

A prepayment feature corresponds to the criteria for payment only of the principal and interests if the prepayment is the outstanding amount of the principal and the interest on the outstanding principal, which may include reasonable additional compensation for early termination of the contract. In addition, a financial asset obtained with discount or premium, up to its contractual nominal amount, an option which allows or requires prepayment in the amount which in essence is the nominal amount, plus accumulated (but unpaid) contractual interest (which may include also reasonable additional compensation for early termination), is considered for corresponding to this criterion if the fair value of the prepayment is insignificant at initial recognition.

3. Significant accounting policies (continued)

Financial assets - Subsequent measurement and profits and losses:

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss, except for derivatives designated as hedging instruments for which hedge accounting is applied.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with initial maturity of three months or less from the acquisition date, which are associated with insignificant risk of changes in fair value and are used by the Company to manage short-term commitments.

Financial Liabilities – classification, subsequent measurement and profits and losses

The financial liabilities are classified at amortized cost or at FVTPL. The financial liability is classified at FVTPL if it is classified as held for sale, as derivative or designated as such at initial recognition. The financial liabilities under the FVTPL are measured at fair value, and the net profits and losses, including the costs for interest are recognized in the profit or loss. The other financial liabilities are measured subsequently at amortized cost applying the effective interest method. The costs for interest and the exchange rate gains and losses are recognized in the profit or loss. Each gain or loss from derecognition are also recognized in the profit and loss.

3. Significant accounting policies (continued)

(iii) Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or when the rights to receive contractual cash flows from a transaction are transferred, where substantially all risks and rewards of ownership of the financial asset are transferred or where the Company does not transfer and keep substantially all risks and rewards of ownership, nor it keeps control on the financial asset.

Financial liabilities

The Company derecognises a financial asset when the contractual obligations have been fulfilled, annulled or expired. The Company also derecognises a financial asset when its conditions have changed and the cash flows from the modified liability are materially different, and in this case a new financial liability is recognized under the fair value, based on the changed conditions.
When a financial liability is derecognized, the difference between the carrying amount and the paid remuneration (including all transferred non-cash assets or commitments) is recognized in the profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(v) Share capital

The equity of the Company is presented at historical cost as at the date of registration.

(c) Property, plant and equipment

(i) Measurement at recognition and subsequent measurement

Initial recognition

Property, plant and equipment are initially measured at cost which includes expenses directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the following:

- cost for materials and direct labor;
- costs directly attributable to bringing the assets to a working condition for their intended use;
- when the company has an obligation to dismantle the asset or restore the site, estimate of the costs for dismantling and restoring the site, on which it is located;
- capitalized interest costs.

Purchased software, that is essential for the functioning of the purchased equipment, is capitalized as part of the equipment.

When parts of an item of property, plant and equipment have different useful life, they are accounted for as separate items.
All property, plant and equipment and assets under construction are presented in the statement of the financial position on the basis of the historical cost less any accumulated depreciation and impairment losses.
Gains and losses on disposal of an item of property, plant and equipment (determined by comparing the proceeds with the carrying amount of the asset) are recognized net in other revenue/other expenses in profit or loss.

3. Significant accounting polices (continued)

c) Property, plant and equipment (continued)

(ii) Subsequent measurement

After recognition as an asset, an item of property, plant and equipment is measured at its cost less the accumulated depreciation and accumulated impairment losses.

(iii) Subsequent costs

Any subsequent expenditures are being capitalized only if it is probable that the future economic benefits from these costs will flow to the Company. Routine repairs and maintenance are recognized as an expense when they were incurred.

(iv) Depreciation

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful life of each part of an item of property, plant and equipment.

The rate of depreciation is calculated on the basis of the estimated useful life, which is:

Furniture, fixtures and equipment	10 years

(d) Intangible assets

(i) Measurement at recognition and subsequent measurement

Intangible assets, acquired by the Company, are stated at acquisition cost less accumulated amortization and impairment losses.

Subsequent expenditures are capitalized only in case of higher future economic benefits from the specific asset. All other expenditures, including good repute and trademark, are recognized in profit and loss as incurred.

(ii) Amortization

Amortization is charged to the profit or loss on a straight-line basis over the estimated useful life of the intangible assets.

The useful life of the intangible assets is as follows:

software	5 years

3. Significant accounting polices (continued)

(e) Asset Impairment

(i) Non-derivative financial assets

Financial instruments and contract assets

Financial instruments and assets under contracts

The company recognizes loss allowances for the expected credit losses (ECL) for;

- financial assets measured at amortized cost, and

- contract assets

The company measures loss allowances at an amount equal to lifetime ECLs of the financial asset.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to the lifetime ECLs of the financial instrument.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on th Company's historical experience and informed credit assessment and including forward-looking information.

The company assumes that the financial asset is overdue, when it is unlikely for the borrower to pay the loan commitments to the Company to the full amount without requiring actions on behalf of the Company such as use of guarantee (if any).

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

3. Significant accounting polices (continued)
(f) Asset impairment (continued)
(i) Non-derivative financial assets (continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

Regarding trade receivables and assets under contracts the Company applies a simplified approach by using provision matrix. The provision matrix is updated on an annual basis.

Presenting impairment loss for the expected credit losses in the statement of financial position

Impairment loss of the financial assets, measured at depreciated value are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is derecognized, when the Company does not have reasonable expectations for recovery of a financial asset in its entirety or part of it or when specific receivables are appealed by individual customers and the proceedings regarding them is terminated (invalidated) by the court.

Financial assets measured at amortized cost

The Company considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment, the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgments as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends

The impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its cost and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. The impairment loss is recognized in profit and loss and results in decrease of the receivables. When the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are derecognized. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, then the previously recognized impairment loss is reversed through profit or loss.

(ii) Non-financial assets

The book values of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized always if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

3. Significant accounting polices (continued)

(e) Asset impairment (continued)

The recoverable amount of an asset or a cash-generating unit (CGU) is the higher of its value in use and its fair value less costs to sell. In assessing value in use, the future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

Impairment losses are recognized in profit and loss. Impairment losses recognized in respect of cash-generating units are allocated in such a way as to reduce the book values of the assets in the CGU on a pro rata basis.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(f) Employee benefits

Defined Contribution Plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

Defined Benefit Plans

The Company's obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods and that amount is discounted.

The calculation of the obligation in respect of defined benefit plans is performed annually by a qualified actuary using the projected unit credit method. The Company determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used at the beginning of the period to discount the obligation to the net defined benefit liability.

Revaluation arising from defined benefit plans comprise actuarial gains and losses and are recognised in OCI. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

Short-term employee benefits

Short-term employee benefit obligations are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by an employee, and the obligation can be reliably estimated.

(g) Revenue from services rendered

Revenue is recognized over a period of time, when the services are provided. The stage of completion for determining the amount of the revenue, which is to be recognized, is measured on the basis of the analysis for the work performed. If the services under a single contract are provided in different report periods, the remuneration is allocated based on their relative unit sales prices.

The control over the services is transferred over time.

The received advances from customer accounts are included into customer contracts liabilities.

(h) Leases

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

As a lessee

The company has not entered in any contracts as a lessee.

As a lessor

The company has not entered in any contracts as a lessor.

3. Significant accounting polices (continued)

(i) Finance income and expenses

Finance income comprises interest income on funds invested. Interest income is recognized as it is accrued, using the effective interest method.
Finance expenses comprise foreign exchange losses.

Foreign currency gains and losses are reported on a net basis in the financial statements.

(j) Income tax

Income tax expense comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

(i) Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable or receivable in respect of previous years. Current tax also includes any tax arising from dividends.

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

3. Significant accounting policies (continued)

(ii) Deferred tax

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

In determining the amount of current and deferred tax the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company assesses the accrued tax liabilities for all not closed for tax purposes prior accounting periods as adequate considering many factors such as interpretation of legal framework and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

3.1. Change in the significant accounting policies

The following new and amended standards and interpretations are effective from 1 January 2021 but they do not have a material effect on the Company's financial statements.

(a) The Company has initially adopted Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) from 1 January 2021.

The Company applied the Phase 2 amendments retrospectively. However, in accordance with the exceptions permitted in the Phase 2 amendments, the Company has elected not to restate comparatives for the prior periods to reflect the application of these amendments. Since the Company had no transactions for which the benchmark rate had been replaced with an alternative benchmark rate as at 31 December 2020, there is no impact on opening equity balances as a result of retrospective application.

Specific policies applicable from 1 January 2021 for interest rate benchmark reform
The Phase 2 amendments provide practical relief from certain requirements in IFRS Standards. These reliefs relate to modifications of financial instruments and lease contracts or hedging relationships triggered by a replacement of a benchmark interest rate in a contract with a new alternative benchmark rate.

If the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortised cost changed as a result of interest rate benchmark reform, then the Company updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:
– the change is necessary as a direct consequence of the reform; and
– the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

When changes were made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Company first updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. After that, the Company applied the policies on accounting for modifications to the additional changes.

The amendments also provide an exception to use a revised discount rate that reflects the change in interest rate when remeasuring a lease liability because of a lease modification that is required by interest rate benchmark reform.

3.1. Change in the significant accounting policies (continue)

Finally, the Phase 2 amendments provide a series of temporary exceptions from certain hedge accounting requirements when a change required by interest rate benchmark reform occurs to a hedged item and/or hedging instrument that permits the hedging relationship to be continued without interruption. The Company applied the following reliefs as and when uncertainty arising from interest rate benchmark reform was no longer present with respect to the timing and amount of the interest rate benchmark-based cash flows of the hedged item or hedging instrument:
– the Company amended the designation of a hedging relationship to reflect changes that were required by the reform without discontinuing the hedging relationship; and
– when a hedged item in a cash flow hedge was amended to reflect the changes that were required by the reform, the amount accumulated in the cash flow hedge reserve was deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.
The details of the accounting policies are disclosed in Note 43(p)(iii), (v) and (s)(i). See also Note 34(c)(iv) for related disclosures about risks, financial assets and financial liabilities indexed to LIBOR and hedge accounting.

(b) Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9 (issued on 25 June 2020)

The main changes resulting from Amendments to IFRS 17 and Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) are deferral of the date of initial application of IFRS 17 by two years to annual periods beginning on or after 1 January 2023 and change the fixed expiry date for the temporary exemption in IFRS 4 Insurance Contracts from applying IFRS 9 Financial Instruments, so that entities would be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023.

3.2. New standards and interpretations not yet adopted

The following new Standards, amendments to Standards and Interpretations, endorsed by the EC, are not yet mandatorily effective for annual periods beginning on or after 1 January 2021, and have not been applied in preparing these financial statements. The Company plans to adopt these pronouncements when they become effective.

Standards, Interpretations and amendments to published Standards that have not been early adopted – endorsed by the EC

(a) Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and Annual Improvements 2018-2020, effective for annual periods beginning on or after 1 January 2022:

- the amendments to IFRS 3 Business Combinations update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

- the amendments to IAS 16 Property, Plant and Equipment prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

- the amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets specify which costs a company includes when assessing whether a contract will be loss-making.

- the Annual Improvements make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases.

The Company does not expect the amendment to have a material impact on its financial statements when initially applied.

(b) Amendments to IFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021 (issued on 31 March 2021)

The amendment is effective for annual periods beginning on or after 1 April 2021. The pronouncement amended IFRS 16 Leases to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. On issuance, the practical expedient was limited to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2021.

The Company does not expect the amendment to have a material impact on its financial statements when initially applied.

(c) IFRS 17 Insurance Contracts

The standard is effective for annual periods beginning on or after 1 January 2023 and early application is permitted. The Company expects that the standard, when initially applied, will not have a material impact on the presentation of the financial statements of the Company because the Company does not issue insurance or reinsurance contracts, does not hold reinsurance contracts and does not issue investment contracts with discretionary participation features.

3.2. New standards and interpretations not yet adopted (continued)

(d) Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021), effective for annual periods beginning on or after 1 January 2023. Earlier application is permitted. Once the entity applies the amendments to IAS 1, it is also permitted to apply the amendments to IFRS Practice Statement 2.

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) amends IAS 1 in the following ways:

- An entity is now required to disclose its material accounting policy information instead of its significant accounting policies;
- several paragraphs are added to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material;
- the amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial;
- the amendments clarify that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements;
- and the amendments clarify that if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

In addition, IFRS Practice Statement 2 has been amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information in order to support the amendments to IAS 1.

The Company does not expect the amendment to have a material impact on its financial statements when initially applied.

(e) Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021), effective for annual periods beginning on or after 1 January 2023 and changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted.

The changes to IAS 8 focus entirely on accounting estimates and clarify the following:

- The definition of a change in accounting estimates is replaced with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

- Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty.

- The Board clarifies that a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

- A change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods.

The Company does not expect the amendment to have a material impact on its financial statements when initially applied.

Standards and interpretations not yet endorsed by the EC

Management believes that it is appropriate to disclose that the following new or revised standards, new interpretations and amendments to current standards, which are already issued by the International Accounting Standards Board (IASB), are not yet endorsed for adoption by the EC, and therefore are not taken into account in preparing these financial statements. The actual effective dates for them will depend on the endorsement decision by the EC.
The following amendments and improvements to standards are not expected to have a material impact on the financial statements of the Company.

- *Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current, effective for annual periods beginning on or after 1 January 2023*
- *Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction, effective for annual periods beginning on or after 1 January 2023.*
- *Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (issued on 9 December 2021), effective for annual periods beginning on or after 1 January 2023.*

4. Revenue

During the financial year 2021 and 2020 the Company had no revenue realized from design services. During the financial year 2021 and 2020 the Company had no other revenue realized.

5. Hired services expenses

In thousands of BGN	**2021**	**2020**
Expenses for consultancy services and audit	4	4
	4	4

6. Employee benefit expenses

In thousands of BGN	**2021**	**2020**
Wages and salaries	1	1
	1	1

7. Other operating expenses

In thousands of BGN	**2021**	**2020**
Others	-	-
	-	-

8. Tax expense

In thousands of BGN	**2021**	**2020**
Current tax		
Current corporate tax expense	-	-
Deferred tax expense		
Origination and reversal of temporary differences	-	-
Tax expense, net	-	-

Reconciliation of effective tax rate

In thousands of BGN	**2021**	**2020**
Profit for the period	(5)	(5)
Total tax expense	-	-
Profit before tax	(5)	(5)
Corporate tax, based on domestic tax rate	-	-
Permanent differences	-	-
Derecognition of unrealized deferred tax assets	-	-
Net tax expense	-	-

Unrecognised deferred tax assets

The deferred tax assets have not been recognized in terms of the following positions because it is not likely that future taxable profits will be available, against which the Company will be able to use them:

In thousands of BGN	**Assets 2021**	**2020**
Impairment of receivables	13	13
Tax loss	5	5
Unrecognised tax assets	18	18

9. Property, plant and equipment

In thousands of BGN	Plant and equipment	Vehicles	Leasehold improvements	Total
Cost				
Balance at 1 Jan 2020	18	11	1	30
Additions	-	-	-	-
Disposals	-	-	-	-
Balance at 31 Dec 2020	18	11	1	30
Balance at 1 Jan 2021	18	11	1	30
Additions	-	-	-	-
Disposals	-	-	-	-
Balance at 31 Dec 2021	18	11	1	30
Depreciation				
Depreciation as at 1 Jan 2020	(18)	(11)	(1)	(30)
Depreciation charge for the year	-	-	-	-
Balance as at 31 Dec 2020	(18)	(11)	(1)	(30)
Depreciation as at 1 Jan 2021	(18)	(11)	(1)	(30)
Depreciation charge for the year	-	-	-	-
Balance as at 31 Dec 2021	(18)	(11)	(1)	(30)
Carrying amounts				
As at 1 January 2020	-	-	-	-
As at 31 December 2020	-	-	-	-
As at 1 January 2021	-	-	-	-
As at 31 December 2021	-	-	-	-

10. Trade and other receivables

In thousands of BGN	Note	2021	2020
Trade receivables	15	42	42
Impairment of trade receivables		(38)	(38)
Other receivables		2	2
		6	6

The exposure of the Company to interest rate risk and sensitivity analysis of financial assets and liabilities are presented in Note 15.

11. Prepayments and deferred expenses

In thousands of BGN	2021	2020
Prepayments	44	44
Impairment of prepayments	(44)	(44)
	-	-

12. Cash and cash equivalents

In thousands of BGN	**2021**	**2020**
Cash in hand	4	4
Current accounts in banks	180	186
Cash and cash equivalents in the statement of cash flows	184	190

13. Share capital and reserves

The capital of the company amounts to BGN 5,000, divided into 500 shares (BGN 10 each). The sole owner of the capital is Sofiyska Voda AD.

In shares	**2021**	**2020**
Issued shares as at 1 January	500	500
Total issued at period end	500	500

14. Trade and other payables

In thousands of BGN	**2021**	**2020**
Trade payables	3	4
	3	4

15. Financial instruments

Financial risk management

Overview

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

Risk management framework

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

15. Financial instruments (continued)

Credit risk

Credit risk is the risk of financial loss to the Company in a situation where a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

Exposure to credit risk

The carrying amount of the financial assets is the maximum credit exposure. The maximum credit exposure as at the date of the statement on the financial position is:

In thousands of BGN	**Note**	**2021**	**2020**
Trade and other receivables	10	6	6
Cash and cash equivalents in bank accounts	12	180	186
		186	192

The movement in the allowance for impairment in respect of trade and other receivables (incl. prepayments) during the year is as follows:

In thousands of BGN	**2021**	**2020**
Balance at the beginning of the period	82	82
Balance at the end of the period	82	82

(i) Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. As far as the Company mostly delivers services to related parties, the credit risk is minimised.

Liquidity risk

Liquidity risk occurs if the Company fails to meet its obligations at the moment of their settlement. The Company's approach to managing liquidity is to ensure, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses. The Company has a finance plan, prepared to meet the operating expenses of its current liabilities for a period of 30 days, including servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted.

Below are presented the contracted maturity dates of the financial liabilities, including the expected interest payments, and excluding the effect of contracted obligations for mutual cross-deductions:

31 December 2021

In thousands of BGN	**Carrying Amount**	**Contracted cash flows**	**6 months or less**	**6-12 months**	**1-2 years**	**2-5 years**
Trade payables	3	(3)	(3)	-	-	-
	3	(3)	(3)	-	-	-

15. Financial instruments (continued)

Liquidity risk (continued)

31 December 2020

In thousands of BGN	Carrying Amount	Contracted cash flows	6 months or less	6-12 months	1-2 years	2-5 years
Trade payables	4	(4)	(4)	-	-	-
	4	(4)	(4)	-	-	-

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Company undertakes analyses over the macro-economic environment in the country on a regular basis, as well as a detailed analysis of the specific macro-indicators. The Manager is the one responsible for the assessment of the future risks that the Company faces, including the foreign currency risks.

Currency risk

Exposure to currency risk

Company's exposure to a currency risk is low, since 100% of the deals in 2021 are at the local market in BGN or EUR (2020: 100%).

Sensitivity analysis

The sensitivity analysis of the exchange rate of the BGN / EUR and other currencies shows there are no effects on the Company's financial statements due to the circumstances stated above.

Interest risk
Profile

As at the date of the statement of financial position, the interest rate profile of the interest-bearing financial instruments is:

In thousands of BGN	Note	2021	2020
Financial assets	12	180	186
Financial liabilities		-	-
		180	186

Fair value sensitivity analysis for fixed rate instruments

The Company has not accounted for any fixed rate financial assets and liabilities at fair value through profit or loss in the comprehensive income statement, and the Company does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Capital management

The financial result for 2021 is a loss of BGN 5 thousand.

15. Financial instruments (continued)

Accounting classifications and fair values

31 December 2021

In thousands of BGN	Note	Carrying amount: Held for sale	Defined at fair value	Fair value – hedging instruments	Loans and receivables	Available for sale	Other financial liabilities	Total	Fair value: Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value												
Trade and other receivables	10	-	-	-	6	-		6				
Cash and cash equivalents	12	-	-	-	180	-		180				
		-	-	-	186	-		186				
Financial liabilities not measured at fair value												
Trade and other payables	14	-	-	-	3	-	-	3				
		-	-	-	3	-	-	3				

31 December 2020

In thousands of BGN	Note	Carrying amount: Held for sale	Defined at fair value	Fair value – hedging instruments	Loans and receivables	Available for sale	Other financial liabilities	Total	Fair value: Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value												
Trade and other receivables	10	-	-	-	6	-		6				
Cash and cash equivalents	12	-	-	-	186	-		186				
		-	-	-	192	-		192				
Financial liabilities not measured at fair value												
Trade and other payables	14	-	-	-	4	-	-	4				
		-	-	-	4	-	-	4				

16. Leases

In 2021 the Company was not a party to lease contracts.

17. Defined benefit plan liabilities

As at 31 December 2021 the Company had no obligation to pay compensation to those employees that retire in line with the requirements in art. 222, §3 of the Labor Code (LC) in Bulgaria.

18. Related parties

Water Industry Support and Education EOOD (the Company) is 100% a subsidiary of Sofiyska Voda AD, which is owned by Veolia Voda Sofia BV (77.1%) and Vodosnabdyavane i kanalizatsiya EAD (22.9%).

The related parties of the Company are the ultimate parent company – Veolia Environment SA and all companies under common control, as well as companies controlled by the minority shareholder and key management personnel. As the minority shareholder is solely owned by Sofia Municipality, the Company has a related party relationship with all companies under the control of Sofia Municipality.

WISE EOOD has made an analysis over the individually and collectively significant transactions with companies under the control of Sofia Municipality and concluded that there are no transactions that meet the criteria for additional disclosure.

There were no transactions with related parties in 2021 and 2020.

Transactions with key management personnel

No remunerations were paid to key management personnel during the year.

19. Subsequent events

There are no events occurring after the date of the reporting period that require adjustments in the annual financial statements.

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Independent Auditors' Report

To the sole owner of Water Industry Support and Education EOOD

Opinion

We have audited the accompanying financial statements of Water Industry Support and Education EOOD (the Company) as set out on pages 3 to 28, which comprise the statement of financial position as at 31 December 2021 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

Basis for Opinion

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

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Additional Matters to be Reported under the Accountancy Act

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

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

Based on the procedures performed, our opinion is that:

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

Responsibility of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

KPMG Audit OOD

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ОДИТОРСКО ДРУЖЕСТВО
София
Рег. № 045
КПМГ ОДИТ ООД

Dobrina Kaloyanova
Authorised representative

Ivan Andonov
Registered auditor, responsible for the audit

Sofia, 13 April 2022