ANNUAL MANAGEMENT REPORT

INDEPENDENT AUDITOR'S REPORT

FINANCIAL STATEMENTS

as of December 31, 2024

(Unofficial translation of the original in Bulgarian)

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Name of the Company:	**FILKAB FS OOD**
Unified Identification Code:	206725047
Registered Office:	92 Komatevsko shosse Str., Plovdiv
Web:	**http://www.filkab-fs.com**
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ANNUAL REPORT ON THE ACTIVITY

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1. Company's Profile

FILKAB FS OOD (the Company) is a limited liability company, entered in the Commercial Register at the Registry Agency of the Republic of Bulgaria on November 16, 2021 under Unified Identification Code 206725047.

The main activity of the Company is design, supply and installation of fire alarm and fire extinguishing systems, fire prevention and building safety systems, ventilation, air conditioning and heating systems, construction of electrical and special systems, domestic and foreign trade, sale and installation of smoke prevention systems and components, organization of training and educational courses.

The Company does not perform research and development activities and has no registered branches.

2. Share Capital of the Company

As of December 31, 2024 the registered share capital of the Company is at the total amount of BGN 80 thousand and is distributed in 8 000 shares at nominal value of BGN 10 per share. Shareholders of the Company are FILKAB AD, UIC 115328801, holding 6 001 shares and one individual with 1 999 shares.

3. Company Management Bodies Information

The Company management bodies are the General Meeting of Shareholders and a Managing Director Dimitar Nikolaev Kalchev.

The Managing Director represents the Company afore third parties and manages the entire business activity of the Company.

4. Financial Position

	December 31, 2024	December 31, 2023
Revenue	2 829	3 881
Profit/(Loss) for the period	903	720
Assets	2 254	1 278
Liabilities	844	411
Equity	1 410	867
Current assets	2 055	1 224
Current liabilities	747	409
Current liquidity ratio	2.75	2.99
Quick ratio	2.46	2.93
Equity profitability ratio	64.0%	83.0%
Equity to debt ratio	0.63	0.68
Debt to equity ratio	1.60	1.47

The financial result for the reporting period is a positive figure. The profit after tax is at the amount of BGN 903 thousand, and the equity is at the amount of BGN 1 410 thousand as at December 31, 2024.

5. Financial Instruments and Financial Risk Management

The Company's activities expose it to a variety of financial risks – market risk (comprising currency risk, interest rate risk and price risk); credit risk and liquidity risk. The Company does not use derivative financial instruments to manage financial risks.

Market risk

Currency risk

The Company performs transactions denominated in foreign currency primarily originated in EUR. As the EUR is fixed to the Bulgarian Lev, the Company is not exposed to currency risk.

Interest rate risk

As the Company has no interest bearing assets and liabilities, the incomes and operating cash flows of the Company are independent from changes in market interest rates. Financial instruments that potentially expose the Company to interest rate risk are finance lease contracts. If the agreed interest rate under these contracts changes, the Company is potentially exposed to cash flow risk.

Price risk

The Company does not own any assets, the prices of which are dependent on the international market prices, so it is not exposed to price risk.

Credit risk

Financial assets that potentially expose the Company to credit risk are primarily its trade receivables. The Company has no significant concentration of credit risk in certain clients. Basically, the Company is exposed to credit risk, in case the clients do not meet their payment obligations. The Company's policy is directed to sales of goods to customers having favorable credit reputation, based on assessment of the customer's credit history and creditworthiness, expected sales volumes to the client, client's reputation, reference from contactors, advance payments and others.

Liquidity risk

Liquidity risk is the risk that the Company may have difficulties in paying its financial obligations. To manage this risk the Company's management keeps an optimal level of quick liquid assets (cash and receivables).

6. Future Development Prospects for the Company

In 2025, the overall implementation of projects for installation of fire alarm and fire extinguishing systems will be the activity with the largest share of the revenues of FILKAB FS OOD. The successful implementation of a significant number of projects at the same time requires an expansion of the existing structure focused on increasing the Company's engineering and technical potential through investments in human resources, software solutions and mechanization. For high-quality and reliable implementation of the projects, FILKAB FS OOD will rely on partnership with component manufacturers, leaders in their fields.

In 2025, FILKAB FS OOD will expand the scope of its activities, focusing on performing activities to ensure the fire safety of sites and/or maintenance and servicing of devices, systems and facilities related to the fire safety.

7. Environment Protection and Healthy and Safety Working Conditions

FILKAB FS OOD has implemented an integrated system for quality management, environment and health and safety working conditions, for which the Company has the following certificates: ISO 9001:2015; ISO 14001:2015 and ISO 45001:2018, issued by the CERTIND SA – CERTIFICATION BODY. The system is oriented to customers, suppliers, employees of the Company and all other stakeholders and aims to meet customer requirements, ensure healthy and safe working conditions for employees and activities organization in a way that ensures environment protection.

8. Events after the date of preparation of the annual financial statements

There are no events after the date of the reporting period, requiring disclosure or adjustments in the financial statements.

9. Management Responsibilities

According to the Bulgarian legislation the management should prepare management report on the activity, as well as financial statements for each financial year, which give a true and fair view of the financial position of the Company as of the year-end, and its financial performance and cash flows in compliance with the applicable accounting framework.

The responsibility of the Company's management includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The management of the Company is confident that it acted in conformity with its responsibilities, and that the financial statements as at 31 December 2024 are prepared in full compliance with the National Accounting Standards (NAS). The management also confirms that in the preparation of the present annual report of the activity for 2024, it has presented truly and fairly the Company's development and results of the activity for the period, as well as its position and the main risks, which the Company may face. The management has approved for issuance the annual report of the activity and the financial statements for 2024.

Dimitar Nikolaev Kalchev
Managing Director

April 14, 2025
Plovdiv

INDEPENDENT AUDITOR'S REPORT

This document is a translation of the original in Bulgarian, in case of divergence the Bulgarian original is prevailing.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
FILKAB FS OOD

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of FILKAB FS OOD (the Company), which comprise the balance sheet as at 31 December 2024, and the income statement, equity statement and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with National Accounting Standards (NAS) applicable in Bulgaria.

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 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 Law of Independent Financial Audit and Assurance on Sustainability (IFAAS) 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 IFAAS 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with NAS applicable in Bulgaria 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 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.

Report on Other Legal and Regulatory Requirements

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 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.

Atanas Hristev Todorov
Registered Auditor
Managing Director
ATA ODITCONSULT EOOD
April 16, 2025, Plovdiv

FINANCIAL STATEMENTS

AS OF

DECEMBER 31, 2024

INCOME STATEMENT
for the year ended December 31, 2024
All amounts are in thousands of BGN, unless otherwise stated

	Note №	December 31, 2024	December 31, 2023
Revenue			
Net revenue from sales	*4*	2 829	3 881
Other income	*4*	2	-
Total operating revenue		**2 831**	**3 881**
Finance income	*9*	**-**	**-**
Total revenue		**2 831**	**3 881**
Expenses			
Change in finished goods and work in progress		35	(207)
Materials expenses	*5*	(743)	(1 636)
Hired services	*6*	(542)	(805)
Personnel expenses	*7*	(442)	(347)
Depreciation	*11*	(37)	(29)
Other expenses	*8*	(97)	(55)
Total operating expenses		**(1 826)**	**(3 079)**
Finance costs	*9*	**(2)**	**(2)**
Total expenses		**(1 828)**	**(3 081)**
Accounting profit		**1 003**	**800**
Income tax expense	*10*	(100)	(80)
Profit for the period		**903**	**720**

Approved for issuance by the Management of FILKAB FS OOD on April 14, 2025.

Dimitar Nikolaev Kalchev
Managing Director

Silviya Vasileva Kostova
Compiler

Atanas Hristev Todorov
Registered Auditor
Managing Director
ATA ODITCONSULT EOOD
April 16, 2025, Plovdiv

(The accompanying notes from page 16 to page 35 are an integral part of these financial statements)

BALANCE SHEET
as of December 31, 2024
All amounts are in thousands of BGN, unless otherwise stated

	Note №	December 31, 2024	December 31, 2023
ASSETS			
Non-current assets			
Property, plant and equipment and intangible assets	*11*	198	54
Deferred tax assets		1	-
Total non-current assets		**199**	**54**
Current assets			
Inventories	*12*	216	27
Trade and other receivables	*13*	887	654
Cash	*14*	952	543
Total current assets		**2 055**	**1 224**
TOTAL ASSETS		**2 254**	**1 278**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	*17*	80	80
Retained earnings		427	67
Profit for the period		903	720
Total capital and reserves		**1 410**	**867**
Non-current liabilities			
Finance lease liabilities	*16*	97	2
Total non-current liabilities		**97**	**2**
Current liabilities			
Trade and other payables	*15*	683	325
Income tax payable	*10*	40	80
Finance lease liabilities	*16*	24	4
Total current liabilities		**747**	**409**
TOTAL EQUITY AND LIABILITIES		**2 254**	**1 278**

Approved for issuance by the Management of FILKAB FS OOD on April 14, 2025.

Dimitar Nikolaev Kalchev
Managing Director

Silviya Vasileva Kostova
Compiler

Atanas Hristev Todorov
Registered Auditor
Managing Director
ATA ODITCONSULT EOOD
April 16, 2025, Plovdiv

(The accompanying notes from page 16 to page 35 are an integral part of these financial statements)

STATEMENT OF CHANGES IN EQUITY
for the year ended December 31, 2024
All amounts are in thousands of BGN, unless otherwise stated

	Share capital	Accumulated profit/loss	Total
Balance at January 1, 2023	**80**	**67**	**147**
Changes in equity for 2023			
Profit for the period	-	720	**720**
Balance at December 31, 2023	**80**	**787**	**867**
Changes in equity for 2024			
Profit for the period	-	903	**903**
Dividends paid	-	(360)	**(360)**
Balance at December 31, 2024	**80**	**1 330**	**1 410**

Approved for issuance by the Management of FILKAB FS OOD on April 14, 2025.

Dimitar Nikolaev Kalchev
Managing Director

Silviya Vasileva Kostova
Compiler

Atanas Hristev Todorov
Registered Auditor
Managing Director
ATA ODITCONSULT EOOD
April 16, 2025, Plovdiv

(The accompanying notes from page 16 to page 35 are an integral part of these financial statements)

CASH FLOW STATEMENT
for the year ended December 31, 2024
All amounts are in thousands of BGN, unless otherwise stated

	December 31, 2024	December 31, 2023
A. Cash flows from operating activities		
Proceeds from customers and debtors	3 509	4 159
Cash paid to suppliers and creditors	(1 646)	(2 804)
Remuneration and related payments	(439)	(337)
Taxes and fees paid	(443)	(371)
Corporate income tax paid	(140)	(8)
Net cash generated from/(used in) operating activities:	**841**	**639**
B. Cash flows from investing activities		
Purchase of property, plant and equipment	(13)	(17)
Net cash, used in investing activities:	**(13)**	**(17)**
C. Cash flows from financing activities		
Share capital emission	-	-
Additional monetary contributions (paid)/received	-	180
Principal and interest on lease contracts paid	(62)	(4)
Fees, charges, commissions and other paid, net	(1)	(2)
Dividends paid	(356)	-
Net cash (used in)/generated from financing activities:	**(419)**	**(186)**
Net increase in cash for the period	**409**	**436**
Cash at the beginning of the period	**543**	**107**
Cash at the end of the period (note 14)	**952**	**543**

Approved for issuance by the Management of FILKAB FS OOD on April 14, 2025.

Dimitar Nikolaev Kalchev
Managing Director

Silviya Vasileva Kostova
Compiler

Atanas Hristev Todorov
Registered Auditor
Managing Director
ATA ODITCONSULT EOOD
April 16, 2025, Plovdiv

(The accompanying notes from page 16 to page 35 are an integral part of these financial statements)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31, 2024

1. Legal status and business activity

FILKAB FS OOD (the Company) is a limited liability company, entered in the Commercial Register at the Registry Agency of the Republic of Bulgaria on November 16, 2021 under Unified Identification Code 206725047. The seat and registered office of the Company is 92, Komatevsko shosse Str., Plovdiv 4004. As of December 31, 2024 shareholders in the Company are one legal entity and one individual (see also note 17).

The main activity of the Company is design, supply and installation of fire extinguishing and fire alarm installations, fire prevention and building safety systems, ventilation, air conditioning and heating installations, construction of electrical and special installations, domestic and foreign trade, sale and installation of smoke prevention systems and components, organization of training and educational courses.

As at December 31, 2024 and 2023 the average number of employees of the Company is 14 and 10 individuals, respectively.

These financial statements have been approved for issuance by the management of the Company on April 14, 2025.

2. Basis for preparation of the financial statements and accounting principles

2.1. General

The Company keeps its accounting records and prepares its financial statements in accordance with the requirements of the Bulgarian trade and accounting legislation. Since the beginning of 2005 National Standards for Financial Reporting of Small and Medium-sized Enterprises are enforceable in Bulgaria, enacted by Ordinance of the Council of Ministers № 46 dated March 21, 2005, amended and supplemented in October, 2007. By Ordinance № 394 from December 30, 2015, adopted are changes in the name of the standards, the wording "Standards for Financial Reporting of Small and Medium-sized Enterprises" is replaced with "Accounting Standards". By the ordinance introduced are the provisions of Directive 2013/34/EU dated June 26, 2013 of the European Parliament and the Council regarding annual financial statements, consolidated financial statements and related reports of certain types of companies and regarding amendments to Directive 2006/43/EC of the European Parliament and the Council repealing Directives 78/660/EEC and 83/349/EEC. The National Accounting Standards (NAS) are enforceable from January 1, 2016. Subsequently the NAS have been amended by decrees of the Council of Ministers, published in the State Gazette issue № 3 from 2016 and № 15 from 2019.

These financial statements are prepared in accordance with NAS, applicable as of the balance sheet date.

Some items names, as well as the order of presentation of items in the balance sheet and the income statement have been changed in order to better the presentation of the Company's activity and operating results.

These financial statements are prepared on the historical cost basis.

These financial statements are prepared for a general purpose and provide information for the financial position, results and cash flows, generated by the Company for the year ended December 31, 2024.

2.2. Presentation currency

The Company keeps its records and prepares its financial statements in the national currency of the Republic of Bulgaria - the Bulgarian Lev. This is the currency, adopted as functional in the primary economic environment of the Company's operating activity.

These financial statements are presented in thousand Bulgarian Levs (BGN'000).

2.3. Foreign currency transactions

Transactions in foreign currency are initially recorded at the official rate of exchange of the Bulgarian National Bank (BNB) as of the date of the transaction. The foreign exchange rate differences, arising upon the settlement of these monetary positions or at restatement of these positions at rates, different from those when initially recorded, are reported in profit or loss for the respective period.

The monetary positions denominated in foreign currency as at December 31, 2024 and 2023 are stated at the closing exchange rate of the BNB. Since 1999 the Bulgarian Lev is pegged to the EURO at the rate of 1.95583 BGN/EUR.

2.4. Accounting estimates and reasonable assumptions

The application of the accounting standards requires management to make certain accounting estimates and reasonable assumptions to assess the value of some of the reported amounts of assets, liabilities, revenues and expenses. These estimates and assumptions are based on the best estimates of management, taking into account historical experience and analysis of all factors of significance in the circumstances as of the date of the financial statements. The actual results could differ from those estimates, presented in these financial statements (see also note 3.12).

3. Definition and valuation of the financial statements items

3.1. Property, plant and equipment and intangible assets

Property, plant and equipment are identifiable non-financial resources, acquired and owned by the Company, which:

- have physical substance;
- are held for use in the production and/or supply/sale of goods or services, for rental to others, or for administrative or other purposes;
- are expected to be used during more than one period;
- have value that is over the materiality value threshold at the amount of BGN 700, defined by the Company.

The value of property, plant and equipment is based on their acquisition price, which is the purchase price along with all costs incurred in bringing the asset in use less accumulated depreciation and subsequent impairment loss (if any) (see also note 3.2).

Intangible assets are identifiable non-monetary assets without physical substance. Intangible assets are initially measured at cost. After initial recognition they are measured at cost less accumulated amortization and impairment loss, if any.

3.1. Property, plant and equipment and intangible assets (continued)

Any subsequent expenditure incurred is capitalized only if it increases the economic benefits of the respective asset. All other subsequent costs are reported as current expenses in the income statement.

Depreciation is charged by the Company over the estimated useful life of the assets, which is set by the management of the Company for each group of assets. The Company has approved an accounting depreciation schedule upon individual depreciation rates, in accordance with the enforceable Bulgarian legislation.

The Company has adopted the straight-line method of depreciation.

The useful life of an asset is defined in terms of the asset's expected utility to the Company, and is a matter of judgment based on the experience with similar assets. The useful life of property, plant and equipment and intangibles is estimated as follows:

Useful life	**2024**	**2023**
Machines and equipment	2-3 years	2-3 years
Computers and software	2 years	2 years
Transport vehicles	4-5 years	4-5 years
Office equipment	7 years	7 years
Software	5 years	5 years

Depreciation of an asset begins in the month, following the month in which the asset is available for use and ceases at the end of the month when the asset is derecognized.

The depreciation method applied to an asset and its estimated useful life are reviewed at least at each financial year-end, and changes are made to reflect the future usage of the asset or the expected pattern of consumption of the future economic benefits embodied in the asset. Such changes, if any, in the depreciation method and assets' useful life, are accounted for prospectively as a change in the accounting estimates in accordance with *AS 8 Net gains or losses for the period, fundamental errors and changes in accounting policies*.

Depreciation is not charged for land, assets under construction, fully depreciated assets and fixed assets which are temporarily out of use.

3.2. Impairment of property, plant and equipment and intangible assets

As of the date of preparation of the financial statements, the management of the Company reviews its property, plant and equipment and intangible assets to determine whether there is any indication for impairment of these assets. If any such indication exists, the recoverable amount of the respective asset is estimated. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit, to which the asset belongs.

3.2. Impairment of property, plant and equipment and intangible assets (continued)

The recoverable amount is the higher of the asset's fair value less costs to sell the asset and its value in use. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount. Impairment loss is recognized in profit or loss immediately. After depreciation, the amortized amount of the asset is adjusted for future periods, so that the new carrying amount of the asset can be allocated to the asset for the remainder of its useful life after deducting the residual value, if any.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the respective asset in prior periods. A reversal of an impairment loss is recognized in profit or loss immediately.

3.3. Inventories

Inventories are assets held for sale in the ordinary course of business of the Company, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services. As direct sales are performed with the inventories (excluding finished goods and work in progress), i.e. the inventories have characteristics of goods for resale, and also the inventories are consumed in the production process, they cannot be classified as goods for resale or materials until their sale or consumption. Because the relative volume of inventory used for rendering of services is significantly higher than that the volume of directly sold inventory, the Company has adopted a policy to present inventories as materials (see also note 12).

Inventories are stated at the lower of cost and net realizable value. Cost comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories in their present location and condition– transportation, customs duties and other similar costs. Net realizable value represents the estimated selling price less all estimated costs to be incurred in completing the production and selling.

The costs on conversion of inventories include costs directly attributable to the units of production. They also include a systematic allocation of fixed and variable production overheads that are incurred in converting materials into finished goods. The costs of conversion of each product, which are not separately identifiable, are allocated between the products on a rational and consistent basis.

Upon consumption, the cost of inventories is defined by application of the weighted average cost method.

3.4. Financial instruments

Financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets and liabilities are recognized in the balance sheet only when the Company becomes a party to the contractual provisions of the instrument.

3.4. Financial instruments (continued)

Financial assets/liabilities are classified according the purpose of acquisition/ purpose when received, and when financial assets/liabilities are part of a portfolio, they are classified according the purpose that the Company has set to achieve the portfolio.

The Company classifies the financial assets and liabilities in the current and prior reporting periods into the following categories: loans and receivables granted by the Company (loans granted and trade and other receivables) and loans and liabilities, initially originating in the Company (interest bearing loans, trade and other liabilities, and liabilities under lease contracts). The classification depends on the purpose and term of the respective contract.

On initial recognition financial assets and liabilities are measured at fair value of the investment made or received for it plus transaction costs for dealing with financial instruments.

The subsequent measurement of the financial assets and liabilities is disclosed in the notes for the separate financial instruments below.

The Company derecognizes all or part of its financial instruments (including those arising from collaterals) only when the contractual rights or obligations on them are repaid. Repayment (completely or partially) of contractual rights or obligations, arising from a financial instrument exists on:

- realization of the rights or settlement of the obligations;
- denial of rights or cancellation of obligations;
- expiration of the period for realization of the rights or settlement of the obligations.

The effective interest method is a method of calculating the amortized cost of a financial asset or a liability (or group of financial assets/liabilities) and of allocating the interest expense or interest income over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or liability.

3.4.1. Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are originated when the Company provides cash, goods or services, having no intention to trade the receivable incurred. These receivables are stated at their amortized cost, calculated based on the effective interest rate method. For current receivables, which are expected to be settled within normal credit terms, the amortized cost is approximately equal to their nominal value.

3.4.2. Cash

For the purposes of cash flow presentation, cash represents cash on hand and cash in bank accounts of the Company and other high-liquidity investments, that could be converted in certain cash amount and are subject to insignificant changes in value. For the purposes of cash flow presentation, cash comprises unrestricted cash funds. Cash receipts from customers and cash payments to suppliers are presented in the cash flow statement as their gross amounts, including value added tax (VAT). Cash receipts and payments on revolving bank loans, overdrafts and factoring are presented net.

3.4. Financial instruments (continued)

3.4.3. Impairment of financial assets

As of the date of preparation of the financial statements the Company's management assesses whether there is any objective evidence for impairment of the financial assets, reported at amortized cost. A financial asset is impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset, resulting in a decrease of the estimated future cash flows. It may not be possible to identify a single, discrete event, rather than a combined effect of several events that may have caused the impairment.

Trade and other receivables

The Company recognizes impairment of trade receivables, whether there is objective evidence, that the Company would not be able to collect all amounts due at their maturity date. The Company considers as indications for potential impairment significant financial problems of the debtor, the probability that the debtor will be a subject to a bankruptcy procedure or non-fulfillment of the contract terms, as well as payment delay.

If any of these indications for impairment occurs, the impairment loss is calculated as a difference between the carrying amount and the present value of the expected future cash flows, discounted by the original effective interest rate for similar assets. Current receivables are not discounted if the discounting effect is immaterial. Impairment is recorded by using a separate impairment account, which is shown as a reduction to receivables in the balance sheet and the impairment expenses are stated as Other expenses in the income statement. If a receivable is non-collectable and there is a recognized impairment loss for it, the receivable is written off by decrease of the respective allowance account. The recovery of the loss from impairment of trade receivables is reported as a decrease of the item, in which the impairment has been previously recorded.

3.4.4. Trade and other payables

Trade and other payables incurred as a result of purchases of goods and services, which are not classified as financial liabilities measured at fair value through profit or loss, are stated in the balance sheet at amortized cost, calculated based on the effective interest rate. For current payables, which will be settled within normal credit terms, the amortized cost is approximately equal to their nominal value.

3.4.5. Share capital

The share capital of the Company is presented at historical cost as of the date of its registration.

3.5. Deferred income and prepaid expenses

In the balance sheet of the Company deferred income and prepaid expenses comprise income and expenses that are prepaid in this period, but refer to future reporting periods - guarantees, insurances, subscriptions and rents.

3.6. Income tax

Income tax expense comprises of current income tax and deferred tax.

The tax currently payable is based on the taxable profit (tax loss) for the period, by the application of the effective tax rate according to the tax legislation as of the date of the financial statements. Deferred tax is the income tax expected to be payable (recoverable) on taxable (deductible) temporary differences. Temporary difference is the difference between the carrying amount of an asset or liability and the corresponding tax basis.

Deferred income taxes are calculated using the balance sheet liability method. Deferred tax liabilities are recognized for all taxable temporary differences, whereas deferred tax assets are recognized for deductible temporary differences, only to the extent that it is probable that sufficient taxable profit will be generated by the Company against which the deductible temporary difference can be utilized.

Deferred tax assets/liabilities are calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized, based on the information available at the date of preparation of the financial statements. Deferred tax is recognized in profit or loss, except when it relates to items reported directly in equity, in which case the deferred tax is also reported in equity.

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

Deferred tax assets and liabilities are reported net when they are subject to a uniform tax regime.

In accordance with the tax legislation enforceable for 2024 and 2023, the tax rate applied for the calculation of the current tax liabilities of the Company is 10%. The enforceable for 2025 tax rate of 10% is applied in the calculation of the amount of deferred tax assets and liabilities as of December 31, 2024.

At the end of 2023, amendments to the Corporate Income Tax Law were adopted, which introduced a global minimum corporate tax of 15% for multinational and large national groups of enterprises, according to the conditions specified in the law, effective from January 1, 2024. These amendments implement the Pillar Two model rules published by the Organization for Economic Cooperation and Development (OECD) in accordance with the agreement at global and European level, started with the BEPS initiative (Base Erosion and Profit Shifting) of the OECD, to address the tax challenges that have arisen as a result of the digitalization of the economy. The economic group to which the Company belongs, are not subject to additional corporate tax.

3.7. Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

Assets held under finance leases are recognized at the lower of the present value of the minimum lease payments and their fair value at the date of acquisition.

The corresponding liability to the lessor is included in the balance sheet of the Company as a finance lease obligation amounting to the total amount of the lease payments, and the difference between the value at which the assets are recognized and the total amount of the lease payments, as prepaid financial expenses.

3.7. Leasing (continued)

Lease payments are allocated between principal and interest, so as to achieve a constant interest rate over the remaining liability on the principal. Interest is recognized in profit or loss.

For assets acquired under finance leases depreciation expense is recognized as the Company's policy regarding depreciation of assets acquired under leases, is no different from the policy for other depreciable assets, owned by the Company.

Leases, whereas a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Rental costs under operating lease contracts, net of any incentives received by the lessor, are recognized in profit or loss on a straight-line basis over the term of the respective lease contract.

3.8. Employee benefits

Defined contributions plans

The Government of Bulgaria is responsible for the security of pensions under defined benefit plans. The expenses regarding the responsibility of the Company to pay defined social security are recognized in profit or loss at the time of their incurrence.

Unused paid annual leaves accruals

As of the end of each reporting period the Company recognizes as a liability the undiscounted amount of the estimated expenses for unused paid annual leaves, expected to be paid to employees in future reporting periods with respect of their past service.

Retirement benefits

According to the requirements of the Labour Code, upon termination of an employee labour contract at retirement, the Company is liable to indemnify the respective employee to the amount of two gross salaries, if the employee's experience in the Company is less than ten years, or six gross salaries, if the employee's experience in the Company is over ten consecutive years.

Additionally, on early retirement due to disability, the employees are entitled to benefits amounting to two gross monthly salaries, provided that their length of service is at least five years, and they have received no other such benefits during the last five years of service.

Taking into account that the Company's personnel as at December 31, 2024 and 2023 is of a few persons, the management has evaluated that the potential impact from the retirement benefits costs would be negligible, and therefore no retirement benefit obligations have been accrued in these financial statements.

3.9. Revenue and expenses recognition

Revenues and expenses are accrued when they arise, regardless of the cash receipts and payments. They are reported in compliance with the matching concept.

Revenues are carried at the fair value of the consideration received or receivable, less any discounts allowed by the entity.

Revenue is recognized when the amount of the revenue can be reliably measured and it is probable that future economic benefits will flow to the entity as a result of the transaction, and when all specific criteria for revenue recognition are met. It is considered that the amount of the revenue is not reliably measured until all contingencies related to the contract are dealt. The Company shall exercise judgment regarding the criteria for recognition of revenue based on its previous experience and the substance of each transaction and the class of each client.

Sales of goods

The revenue from sales of goods is recognized when the following conditions have been met:

- The significant risks and rewards of the ownership over the goods are transferred to the buyer;
- The Company has not retained a continuing involvement and effective control over the management of the goods, which usually relates to the ownership of the goods;
- It is possible in the event of the transaction, the Company to receive economic benefits;
- The income and expenses directly attributable to the transaction can be reliably measured.

Income from services

Revenue, associated with a transaction involving the rendering of services, is recognized by reference to the stage of completion of the transaction at the end of the reporting period. Revenue recognition by reference to the stage of completion of the transaction is called the percentage of completion method, whereby revenue is recognized in the accounting period in which the services are rendered. In case the outcome of the transaction cannot be reliably measured, revenue is recognized to the extent the expenses incurred are recoverable.

Interest income

Interest income is accrued by application of the effective interest rate method over the outstanding principal.

Expenses

Expenses are recognized in the profit or loss, when a decrease of future economic benefits arise, regarding decrease of an asset or increase of a liability, which can be reliably measured.

When the economic benefits are expected to incur during more than one financial period and the corresponding revenue cannot be measured precisely but only indirectly, the expenses shall be recognized based on procedures for rational and systematic allocation.

3.9. Revenue and expenses recognition (continued)

Borrowing costs

The borrowing costs are recognized in profit or loss in the period in which they are incurred and are determined on the basis of the outstanding principal and the applicable effective interest rate, which is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount of the liability.

Other income/expenses

Profit/(loss) from sale of property, plant and equipment is presented as other income/(expenses). Compensations from third parties regarding impairment or loss of property, plant and equipment, are recognized in profit or loss, when such compensations become payable.

3.10. Financial instruments and financial risk assessment and management

The carrying amounts of the financial assets and liabilities as of December 31, 2024 and 2023, classified by category in accordance with the requirements of *AS 32 Financial Instruments*, are presented in the table below:

Financial assets:

	December 31, 2024	December 31, 2023
Trade and other receivables, net (note 13)	879	653
Cash (note 14)	952	543
Total	**1 831**	**1 196**

Financial liabilities:

	December 31, 2024	December 31, 2023
Trade and other payables (note 15)	585	231
Finance lease liabilities (note 16)	121	6
Total	**706**	**237**

3.10.1. Financial risk factors

The Company's activities expose it to a variety of financial risks – market risk (comprising currency risk, interest rate risk and price risk); credit risk and liquidity risk. The Company does not use derivative financial instruments to manage financial risks.

3.10.2. Market risk

Currency risk

The Company performs transactions denominated in foreign currency primarily originated in EUR. As the EUR is fixed to the Bulgarian Lev, the Company is not exposed to currency risk.

3.10. Financial instruments and financial risk assessment and management (continued)

3.10.2. Market risk (continued)

Interest rate risk

As the Company has no significant interest bearing assets, the incomes and operating cash flows of the Company are independent from changes in market interest rates. Financial instruments that potentially expose the Company to interest rate risk are the finance lease contracts. If the contracted interest rate under these contracts changes, the Company is potentially exposed to cash flow risk.

Price risk

The Company does not own any assets, the prices of which are dependent on the international market prices, so it is not exposed to price risk.

3.10.3. Credit risk

Financial assets that potentially expose the Company to credit risk are primarily its trade receivables. The Company has no significant concentration of credit risk in certain clients. Basically, the Company is exposed to credit risk, in case the clients do not meet their payment obligations. The Company's policy is directed to sales of goods to customers having favorable credit reputation, based on assessment of the customer's credit history and creditworthiness, expected sales volumes to the client, client's reputation, reference from contactors, advance payments and others.

3.10.4. Liquidity risk

Liquidity risk is the risk that the Company may have difficulties in paying its financial obligations. To manage this risk the Company's management keeps an optimal level of quick liquid assets (cash and receivables).

The Company's financial liabilities as at the end of the reporting period, are stated in the table below, classified according their contracted maturity. The amounts reported are the contracted non-discounted cash flows. The amounts due within twelve months after the end of the reporting period are approximately equal to their carrying amount, as the discounting effect for them is insignificant.

	Up to 1 year	Over 1 year	Total
December 31, 2024			
Trade and other payables (note 15)	585	-	585
Finance lease liabilities (note 16)	24	97	121
Total	**609**	**97**	**706**
December 31, 2023			
Trade and other payables (note 15)	231	-	231
Finance lease liabilities (note 16)	4	2	6
Total	**235**	**2**	**237**

3.11. Capital risk management

The primary goal of the management of the Company in capital risk management is to maintain the share capital level in such limits, so that the Company could maintain its normal activities on a going concern basis, as well as to provide returns to its owners. In order to accomplish those goals the management aims to maintain an optimal capital structure, so as to reduce the cost of capital.

The capital structure is measured by the gearing ratio, which is a ratio between the net debt and equity. The net debt is calculated as the difference between interest bearing loans and finance lease obligations on one side and cash on the other side. The gearing ratio shows the extent to which the Company finances its activities with equity or with borrowings.

The gearing ratio shows the extent to which the Company finances its activities with equity or with borrowings.

	December 31, 2024	December 31, 2023
Finance lease liabilities (note 16)	121	6
Cash and cash equivalents (note 14)	(952)	(543)
Net debt	**(831)**	**(537)**
Equity	1 410	867
Gearing ratio	**(0.59)**	**(0.62)**

3.12. Critical accounting judgments and sources of estimation uncertainty

The application of the adopted accounting policy requires the Company's management to apply certain accounting estimates and assumptions, which have significant effect on the financial statements. Such judgments rarely are equal to the actual results. Due to their nature the estimations are permanently reviewed and updated taking into account historical experience and analysis of all factors of significance, including expected future events, which the management believes are appropriate given the factual circumstances.

Useful lives of property, plant and equipment

Financial reporting of property, plant and equipment involves the use of estimates of their expected useful life and residual values, that are based on judgments by the management of the Company.

Valuation of inventories

By the acquisition the inventories are recognized at cost comprising all costs of purchase, costs of conversion and other costs incurred in bringing the inventories in their present location and condition– transportation, customs duties and other similar costs.

At the end of each reporting period the inventories are valued at the lower of cost and net realizable value. The net realizable value represents the estimated selling price less all estimated costs to be incurred for the completing of the conversion and sale. The assessment is performed based on the best estimate of the management for the sales prices of the inventories as at the date of preparation of the financial statements.

3.12. Critical accounting judgments and sources of estimation uncertainty (continued)

Impairment of receivables

Allowance for impairment of trade receivables is recognized, whether there is objective evidence, that it would not be able to collect all amounts due at their maturity date. Significant financial problems of the debtor, the probability that the debtor will be subject to a bankruptcy procedure or financial reorganization, or non-fulfillment of the contract terms are considered by the management, by the determination and classification of individual amount for impairment.

Assessment of the estimated loss from doubtful and uncollectable receivables is performed on an individual basis at the end of each financial year, depending on the overdue period. All doubtful receivables, not collected as at the date of the financial statements and for which indications for impairment existed, are impaired.

Corporate income tax

For its activities the Company is subject to tax audits by the Bulgarian tax authorities. The Company recognizes liabilities for expected tax obligations from future tax audits on the basis of assessment of management whether additional taxes would be due for payment. When the finally payable taxes resulting from such events are different from the preliminary recorded taxes, these differences will be reported as short-term corporate income taxes payable and will affect the deferred taxes for the period in which this difference has occurred.

4. Revenue

	December 31, 2024	December 31, 2023
Revenue from sale of services	2 829	3 881
Other income	2	-
Total	**2 831**	**3 881**

5. Materials expenses

	December 31, 2024	December 31, 2023
Materials for the production process	696	1 567
Fuels	20	31
Office materials and consumables	13	18
Fixtures and fittings	5	10
Maintenance materials	4	4
Safety and protective equipment	3	4
Electricity and water consumption	1	1
Materials for transport vehicles	1	-
Other	-	1
Total	**743**	**1 636**

6. Hired services

	December 31, 2024	December 31, 2023
Hired services on a subcontractor and for production process	405	580
Rents	64	151
Consulting services	5	20
Car rental	14	18
Charges	15	14
Repairs and maintenance	10	6
Insurances	12	5
Transportation	9	4
Communication	1	1
Notary and legal advisory services	1	-
Advertising and promotion	-	1
Other	6	5
Total	**542**	**805**

7. Personnel expenses

	December 31, 2024	December 31, 2023
Remunerations	379	296
Social security expenses	63	51
Total	**442**	**347**

8. Other expenses

	December 31, 2024	December 31, 2023
Business trips – in the country and abroad	60	29
Social expenses	27	21
Donations	5	-
Representation expenses	3	2
Taxes, charges and other similar expenses	1	2
Other	1	1
Total	**97**	**55**

9. Finance expenses

	December 31, 2024	December 31, 2023
Charges on guarantees issued	1	-
Bank charges,	1	2
Total	**2**	**2**

10. Income tax

Income tax expense comprises current income tax expense and deferred income tax expense in accordance with *AS 12 Income Taxes*.

	December 31, 2024	December 31, 2023
Current income tax	100	80
Deferred tax	-	-
Total tax expense	**100**	**80**

The reconciliation of the tax expense to the accounting profit, and a recalculation of the effective tax rate as at December 31, 2024 and 2023 are provided in the table below:

	December 31, 2024	December 31, 2023
Accounting profit	1 003	800
Applicable tax rate	10%	10%
Income tax at the applicable tax rate	100	80
Total income tax expense	**100**	**80**
Effective tax rate	**10.0%**	**10.0%**

For 2024 and 2023, the movement of the corporate income tax liabilities is, as follows:

	December 31, 2024	December 31, 2023
Balance at the beginning of the period	80	8
Corporate income tax for the period	100	80
Corporate income tax paid	(140)	(8)
Balance at the end of the period	**40**	**80**

11. Property, plant and equipment

	Machines and equipment	Vehicles	Computers and other assets	Software	Total
Cost of acquisition					
Balance at January 1, 2023	**9**	**38**	**21**	**16**	**84**
Additions	8	-	4	5	17
Balance at December 31, 2023	**17**	**38**	**25**	**21**	**101**
Additions	11	168	-	2	181
Balance at December 31, 2024	**28**	**206**	**25**	**23**	**282**
Depreciation					
Balance at January 1, 2023	**2**	**4**	**8**	**4**	**18**
Depreciation	7	8	11	3	**29**
Balance at December 31, 2023	**9**	**12**	**19**	**7**	**47**
Depreciation	7	18	4	8	**37**
Balance at December 31, 2024	**16**	**30**	**23**	**15**	**84**
Carrying amount					
At January 1, 2023	**7**	**34**	**13**	**12**	**66**
At December 31, 2023	**8**	**26**	**6**	**14**	**54**
At December 31, 2024	**12**	**176**	**2**	**8**	**198**

Assets acquired in 2024 include machinery, computers and software.

12. Inventory, net

	December 31, 2024	December 31, 2023
Materials	181	27
Work in progress	35	-
Total	**216**	**27**

13. Trade and other receivables

	December 31, 2024	December 31, 2023
Trade receivables	818	602
Receivables from related parties	52	2
Advances to suppliers	9	48
Prepaid expenses	8	-
Deposits and guarantees granted	-	1
Other receivables	-	1
Total current trade and other receivables, net	**887**	**654**

Company's policy regarding the monitoring of receivables and indications for impairment is disclosed in note 3.4.3.

14. Cash

	December 31, 2024	December 31, 2023
Cash on bank accounts	950	538
Cash on hand	2	5
Total	**952**	**543**

15. Trade and other payables

	December 31, 2024	December 31, 2023
Advances received from customers	488	174
Taxes payable	67	69
Payables to suppliers	57	29
Payables to employees and social securities payable	31	25
Payables to related parties	24	10
Guarantees payable	13	18
Other	3	-
Total	**683**	**325**

As of December 31, 2024 and 2023 in the Company there are no unutilized paid annual leaves by the personnel.

Payables to related parties are disclosed in note 18.

16. Finance lease liabilities

	December 31, 2024	December 31, 2023
Finance lease liabilities		
Up to one year	24	4
Between two and five years	97	2
Total	**121**	**6**

As at December 31, 2024 the Company has liabilities under a finance lease contract for acquisition of a vehicle.

17. Share capital

The share capital of the Company is presented at nominal value, according to the court decision for registration and as of December 31, 2024 and 2023 is distributed into 8 000 shares with a nominal value of BGN 10 each.

Shareholders in the Company are:

	December 31, 2024		December 31, 2023	
	BGN'000	Participation %	BGN'000	Participation %
FILKAB AD, UIC № 115328801	6 001	75.0%	6 001	75.0%
Dimitar Nikolaev Kalchev	1 999	25.0%	1 999	25.0%
Total	**80 000**	**100.0%**	**80 000**	**100.0%**

18. Related parties transactions

In 2024 and 2023 the Company performed transactions with the following related parties:

Related party	Nature of relationship
FILKAB AD	Parent company
Filkab Solar OOD	Company under common control
Management of the Company	Key management personnel

Related parties transactions relate mainly to:

- Remunerations paid.

18. Related parties transactions (continued)

During 2024 and 2023 the Company transactions with related parties are, as follows:

Related party	December 31, 2024	December 31, 2023	December 31, 2024	December 31, 2023
	Sale of goods, services and assets	Sale of goods, services and assets	Purchase of goods and services	Purchase of goods and services
Parent company	43	-	40	36
Companies under common control	3	4	-	-
Total	**46**	**4**	**40**	**36**

As of December 31, 2024 and 2023 the outstanding balances with related parties are, as follows:

Related party	December 31, 2024	December 31, 2023	December 31, 2024	December 31, 2023
	Receivables	Receivables	Payables	Payables
Parent company	52	-	19	6
Related parties	-	2	-	-
Key management personnel	-	-	5	4
Total	**52**	**2**	**24**	**10**

For 2024 and 2023 the remunerations of the key management are at the amount of BGN 104 thousand and BGN 74 thousand, respectively.

19. Events after the date of the financial statements

There are no events after the date of the reporting period, requiring adjustment or disclosure in the financial statements.