Annual Management Report
Independent Auditor's Report
Financial Statements

ELTRAK BULGARIA EOOD

31 December 2021

Contents

Annual management report for 2021

ELTRAK BULGARIA EOOD is registered in the Commercial Register at the Registry Agency as a private limited liability company under UIC 040195177.

1. Share capital and shareholders

The company has a registered capital at the amount of BGN 3 916 660, divided into 391 666 shares, each of BGN 10.

The sole owner of the company is "Eltrak" SA, a company incorporated and existing in accordance with the legislation of Greece, registered under No 7922/06/V/86/52, having its registered office at 15, "Thivaidos and Korniliou" St., Nea Kifissia, Athens, Greece.

2. Description of the activities in 2021

In 2021 revenue from sale of goods was BGN 62 547 thousand, mainly due to sale of spare parts and machinery. Revenue from services in 2021 relates to repair services.

	2021 BGN	**2020 BGN**
Sale of goods	58 889 686	54 591 331
Rendering of services	3 657 744	3 353 117
	62 547 430	**57 944 447**

Eltrak Bulgaria EOOD is the authorized dealer of Caterpillar - the technology leader and the world's largest manufacturer of construction and mining equipment, diesel and natural gas engines, industrial gas turbines and lift trucks recognized all over the world as the most efficient and reliable ones. The company is also the authorized distributor of Perkins spare parts.

Eltrak Bulgaria's headquarters are in Sofia, in state-of-the-art trade and service center with all technical facilities required for providing complete customers' support. The company has 3 more trade and service centers – in Burgas, Varna and Stara Zagora. More than thirty-five mobile service units cover the territory of the country, providing technical service for the machines on customers' job sites. The company strives for offering overall business solutions and complete service packages, which include:

• Sales of construction and mining equipment, warranty and post-warranty services

• Sales of CAT used equipment

• CAT rental machines

• Consultations on choice of equipment. Caterpillar's specialized software Fleet Production & Cost Analysis (FPC) gives the possibility of determining the machinery the client needs, depending on the specific working conditions and the goal set out.

• Training in the equipment operation and maintenance

• Original spare parts supply

• Repair options for use of new original spare parts or parts and components remanufactured by Caterpillar.

Important events that occurred in 2021

During the reporting period, Company's activities continued to be affected by the global Covid-19 pandemic. At the beginning of 2020, due to the spread of a new coronavirus (Covid-19) worldwide, difficulties arose in the business and economic activities for a number of enterprises and entire economic sectors. On 11 March 2020, the World Health Organization announced the presence of a coronavirus pandemic. On 13 March 2020 Bulgarian National Assembly decided to declare a state of emergency for a period of one month. From 14 April 2021, an emergency epidemic situation was declared in Bulgaria, which is currently extended until 31 March 2022.

Effect of Covid-19 on the financial statements of the company in 2021 and measures taken

The company is part of Eltrak group. At group level, the situation with the Covid-19 pandemic is being monitored very closely. All companies in Eltrak Group apply robust measures to ensure that any impact of the pandemic on supply chains is minimized. Activities that are essential for customers are maintained without interruptions, while ensuring the well-being and health of staff.

The management considers that the activity of the Company has not been negatively affected by Covid-19 pandemic and there any future negative impact is considered remote.

A description of the main financial risks that the Company is facing, is provided below:

3. Credit risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the Company. The Company is exposed to this risk for various financial instruments, for example by granting loans and receivables to customers, placing deposits, investment in bonds etc. The Company's maximum exposure to credit risk is limited to the carrying amount of financial assets recognized at the reporting date, as summarized below:

	2021 BGN	**2020 BGN**
Classes of financial assets – carrying amounts:		
Long term lease receivables	-	27 385
Short term lease receivables	76 012	306 794
Trade receivables	1 608 769	1 544 999
Short-term related party receivables	4 068	98 282
Cash and cash equivalents	8 243 031	20 925 947
Carrying amount	**9 931 880**	**22 903 407**

The Company continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and reports on customers and other counterparties are obtained and used. The Company's policy is to deal only with creditworthy counterparties. The Company's management considers that all the above financial assets that are not impaired or past due for each of the reporting dates under review are of good credit quality.

4. Currency risk

The Company's exposure to currency risk is minimal, since almost all sales in 2021 are sold in the domestic market and are denominated in BGN. All receivables disclosed in the financial statements are denominated in BGN or euro. Loans provided and received are all denominated in BGN or euro.

5. Liquidity risk

This is the risk of the possibility that the Company may be unable to meet its financial obligations. The management aims to ensure sufficient liquidity under normal and extreme conditions so not to jeopardize the reputation of the Company and not lead to unacceptable losses. Normally, the Company has plans to provide sufficient funds to meet its operating costs for a period of 360 days, including the servicing of financial obligations. As of 31.12.2021 the Company has signed overdraft contracts with two banks, a long-term facility with a bank and one long-term contract for financing with Caterpillar Financial.

6. Significant post-reporting date events

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorization, except for the following non-adjusting event:

On 24 February 2022, the Russian Federation launched an armed invasion of Ukraine. As a result, economic and financial sanctions have been imposed on Russia by the European Union and a number of other countries which, in addition to affecting Russia itself, are expected to have a comprehensive negative impact on the world economy and almost every area of the economy and public life. As the situation is very dynamic, the management of the Company cannot make a forecast for the quantitative impact of the military crisis on the financial condition of the Company, but will take all necessary measures to limit any potential negative effects.

7. Expected future development of the Company

The Company's management expects increase of the revenue from sales of machinery, spare parts, and revenue from maintenance and repair in an unstable and difficult to predict economic and political global environment.

8. Research and development activities

Eltrak Bulgaria EOOD does not engage in research and development activities.

9. Branches

Eltrak Bulgaria EOOD does not have registered branches.

10. Management’s responsibility

According to Bulgarian law, management should prepare annual management report as well as financial statements for each financial year which give a true and fair view of the financial position of the Company at the end of the year, about its financial performance and cash flows during the year in accordance with the applicable accounting framework. The Company applies for the purposes of reporting Bulgarian legislation and International Financial Reporting Standards (IFRS) as adopted by the European Union. Management’s responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, deviations and discrepancies, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable under the circumstances.

Management confirm that they have acted in accordance with their responsibilities, and that the financial statements have been prepared in full compliance with International Financial Reporting Standards adopted by the European Union.

Management also confirm that in the preparation of this report, they have presented true and fair view of the progress and results of the Company for the past period as well as its condition, and the main risks it is facing. Management approved the annual management report and the financial statements for 2021 for issue on 9 March 2022.

General Manager:.......................... **Financial Manager..........................**

Plamen Stoichev **Georgi Mitev**

Sofia, 9 March 2022

Grant Thornton OOD
A 26, Cherni Vrah Blvd, 1421 Sofia
A 4, Paraskeva Nikolau Str., 9000 Varna
T (+3592) 987 28 79, (+35952) 69 55 44
F (+3592) 980 48 24, (+35952) 69 55 33
E office@bg.gt.com
W www.grantthornton.bg

INDEPENDENT AUDITOR'S REPORT

To the sole shareholder of
Eltrak Bulgaria EOOD
1331 Sofia, Bulgaria, 439, Evropa Blvd.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Eltrak Bulgaria EOOD (the Company), which comprise the statement of financial position as at 31 December 2021 and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the 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 EU and Bulgarian legislation.

Basis for Opinion

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

Emphasis of Matter

We draw attention to note 36 "Post-reporting date events" to the financial statements, which discloses the non-adjusting event related to the military invasion of the Russian Federation in the Republic of Ukraine that began on 24 February 2022 and the general uncertainty and unpredictability of the indirect and widespread effects of the sanctions and restrictions against Russia as a result of hostilities. The intentions of the management of the Company are to take all necessary measures to limit potential future negative effects as a result of the military invasion and the sanctions, but possible negative price movements or disruptions in supply chains are not ruled out. Our opinion has not been modified in respect of this matter.

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

Management is responsible for the other information. The other information comprises the annual management report, prepared in accordance with Bulgarian 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. 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 whether our knowledge obtained in the audit may indicate that there is a material misstatement or otherwise the other information 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 International Financial Reporting Standards (IFRS), as adopted by the and Bulgarian legislation, 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 and Bulgarian Independent Financial Audit Act 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 our 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 those charged with governance 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

In addition to our responsibilities for reporting under ISAs, described above in section "Information Other than the Financial Statements and Auditor's Report Thereon", regarding annual management report, we have performed the additional procedures contained in the Guidelines of the professional organisation of certified public accountants and registered auditors in Bulgaria - Institute of Certified Public Accountants (ICPA). The procedures on the existence, form and contents of the other information have been carried out in order to state whether the other information includes the elements and disclosures in accordance with Chapter Seven of Bulgarian Accountancy Act.

Statement Pursuant to Article 37, Paragraph (6) of Bulgarian Accountancy Act

Based on the procedures performed, we describe the outcome of our work:

(a) the information in the management report is consistent with the financial statements for the same reporting period;

(b) the management report is prepared in accordance with the applicable legal requirements; and

(c) as a result of the acquired knowledge and understanding of the activities of the Company and the environment in which it operates, we have found no cases of material misrepresentation in the management report.

Mariy Apostolov
Managing partner

Grant Thornton Ltd.
Audit firm

11 March 2022
Bulgaria, Sofia, 26, Cherni Vrah Blvd.

Silvia Dinova
Registered auditor responsible for the audit

ОДИТОРСКО ДРУЖЕСТВО
София
Рег. № 032
ГРАНТ ТОРНТОН ООД

Statement of financial position

Assets	Note	31 December 2021 BGN	31 December 2020 BGN
Non-current assets			
Property, plant and equipment	6	18 193 389	20 307 921
Intangible assets	5	66 141	89 998
Deferred tax assets	7	182	-
Long-term finance lease receivables	9	-	27 386
Non-current assets		**18 259 712**	**20 425 305**
Current assets			
Inventories	8	17 897 849	13 484 294
Deposits	12	1 000 013	3 000 000
Trade receivables	10	1 608 769	1 544 998
Prepayments and other assets	11	5 202 734	2 603 917
Short-term finance lease receivables	9	76 012	306 794
Related party receivables	30	4 068	98 282
Cash and cash equivalents	0	8 243 031	20 925 947
Current assets		**34 032 476**	**41 964 232**
Total assets		**52 292 188**	**62 389 537**

Prepared by: ____________________
/Georgi Mitev/

General Manager: ____________________
/Plamen Stoichev/

Date: 09.03.2022

Audited according to auditor's report dated 11.03.2022

Mariy Apostolov
Managing partner

Silvia Dinova
Registered auditor responsible for the audit

Grant Thornton Ltd.
Audit Firm

Statement of financial position (continued)

Equity and liabilities	**Note**	**31 December 2021 BGN**	**31 December 2020 BGN**
Equity			
Share capital	13.1	3 916 660	3 916 660
Retained earnings		19 644 855	22 378 993
Total equity		**23 561 515**	**26 295 653**
Liabilities			
Non-current liabilities			
Long-term borrowings	16	-	3 585 680
Long-term lease liabilities	17	89 097	195 896
Pension obligations	15.2	111 967	107 380
Deferred tax liabilities	7	-	34 324
Non-current liabilities		**201 064**	**3 923 280**
Current liabilities			
Trade payables	18	18 912 277	22 192 777
Other payables	19	980 976	1 580 066
Contract liabilities	0	3 061 614	5 635 833
Short-term borrowings	16	3 585 680	1 303 889
Provisions	0	706 368	381 580
Pension and other employee obligations	15.2	632 812	540 380
Short-term lease liabilities	17	153 101	147 174
Income tax payables		118 277	122 314
Related party payables	30	378 504	266 591
Current liabilities		**28 529 609**	**32 170 604**
Total liabilities		**28 730 673**	**36 093 884**
Total equity and liabilities		**52 292 188**	**62 389 537**

Prepared by: ______________________ **General Manager:** ______________________

/Georgi Mitev/ **/Plamen Stoichev/**

Date: 09.03.2022

Audited according to the audit report dated 11.03.2022

______________ ______________

Mariy Apostolov
Managing partner

Silvia Dinova
Registered auditor responsible for the audit

Grant Thornton Ltd.
Auditing Company

Statement of profit or loss and other comprehensive income for the year ended 31 December

	Note	2021 BGN	2020 BGN
Revenue	21	62 547 430	57 944 447
Other income	22	752 149	1 564 857
Gain on sale of non-current assets	23	691 969	388 224
Cost of goods sold		(45 487 732)	(43 969 739)
Cost of materials	24	(597 294)	(530 903)
Hired services expenses	25	(2 691 227)	(2 774 131)
Employee benefits expenses	15.1	(5 402 843)	(4 618 401)
Depreciation and amortisation of non-financial assets	5, 6	(1 701 975)	(1 776 151)
Other expenses	26	(2 282 949)	(1 568 621)
Operating profit		**5 827 528**	**4 659 582**
Finance costs	27	(160 728)	(399 874)
Finance income	27	37 941	285 329
Profit before tax		**5 704 741**	**4 545 037**
Income tax expense	28	(615 560)	(460 146)
Profit for the year		**5 089 181**	**4 084 891**
Total comprehensive income for the year		**5 089 181**	**4 084 891**

Prepared by: ____________________
/Georgi Mitev/
Date: 09.03.2022

General Manager: ____________________
/Plamen Stoichev/

Audited according to the audit report dated 11.03.2022

Mariy Apostolov
Managing partner

Grant Thornton Ltd.
Auditing Company

Silvia Dinova
Registered auditor responsible for the audit

Statement of changes in equity for the year ended 31 December

All amounts are presented in BGN	Share capital	Retained earnings	Total equity
Balance at 1 January 2021	**3 916 660**	**22 378 993**	**26 295 653**
Dividends	-	(7 823 319)	(7 823 319)
Total transactions with the sole owner	-	(7 823 319)	(7 823 319)
Profit for the year	-	5 089 181	5 089 181
Total comprehensive income for the year	-	5 089 181	5 089 181
Balance at 31 December 2021	**3 916 660**	**19 644 855**	**23 561 515**

All amounts are presented in BGN	Share capital	Retained earnings	Total equity
Balance at 1 January 2020	**3 916 660**	**26 117 422**	**30 034 082**
Dividends	-	(7 823 320)	(7 823 820)
Total transactions with the sole owner	-	(7 823 320)	(7 823 320)
Profit for the year	-	4 084 891	4 084 891
Total comprehensive income for the year	-	4 084 891	4 084 891
Balance at 31 December 2020	**3 916 660**	**22 378 993**	**26 295 653**

Prepared by: ____________________
/Georgi Mitev/

General Manager: ____________________
/Plamen Stoichev/

Date: 09.03.2022

Audited according to the auditor's report dated 11.03.2022

Mariy Apostolov
Managing partner
Grant Thornton Ltd.
Audit Firm

Silvia Dinova
Registered auditor responsible for the audit

Statement of cash flows for the year ended 31 December 2021 (indirect method)

	Note	2021 BGN	2020 BGN
Operating activities			
Profit before tax		5 704 742	4 545 037
Adjustments	0	1 620 600	1 544 189
Net changes in the working capital	0	(11 108 154)	23 000 015
Income taxes paid		(654 105)	(347 256)
Net cash flow from operating activities		**(4 436 917)**	**28 741 985**
Investing activities			
Purchase of property, plant and equipment		(1 808 683)	(3 539 686)
Proceeds from disposals of property, plant and equipment		2 988 777	1 434 496
Interest received		8 857	16 910
Net cash flow from investing activities		**1 188 951**	**(2 088 280)**
Financing activities			
Repayments of borrowings		(1 303 889)	(693 519)
Payment of principal element of lease liabilities		(158 131)	(165 804)
Interest paid		(149 610)	(146 673)
Dividend paid		(7 823 320)	(7 823 320)
Net cash flow from financing activities		**(9 434 950)**	**(8 829 316)**
Net change in cash and cash equivalents		**(12 682 916)**	**17 824 389**
Cash and cash equivalents, beginning of year		20 925 947	3 101 558
Cash and cash equivalents, end of year	0	**8 243 031**	**20 925 947**

Prepared by: ____________________
/Georgi Mitev/

General Manager: ____________________
/Plamen Stoichev/

Date: 09.03.2022

Audited according to the auditor's report dated 11.03.2022

Mariy Apostolov
Managing partner

Silvia Dinova
Registered auditor responsible for the audit

Grant Thornton Ltd.
Audit Firm

Notes to the financial statements

1. Nature of operations

Eltrak Bulgaria EOOD's principal activities include sales of machines Caterpillar, Perkins and M.C.F.E.

The Company was registered as sole-owner limited liability company in Bulgarian Trade register in 1992, having Unified Identification Code (UIC) 040195177. The Company's registered office, which is also its principal place of business, is 1331 Sofia, Bulgaria, 439, Evropa Blvd.

The shares of the Company are not listed on any stock exchange.

The Company is represented by two managers – Mr. Fragkiskos Doukeris and Mr. Plamen Stoichev and Mr. Vesselin Kirilov – Procurator.

The number of employees as at 31 December 2021 is 124.

The immediate owner of Eltrak Bulgaria EOOD is Eltrak S.A, registered in Greece. The ultimate owner of the Company is CP Holdings Ltd., a private company, registered in the United Kingdom.

2. Basis for the preparation of the financial statements

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and approved by the European Union (IFRS, as adopted by the EU). The term "IFRS, as adopted by the EU" has the meaning of paragraph 1, subparagraph 8 of the Additional provisions of Bulgarian Accountancy Act, which is International Accounting Standards (IAS) adopted in accordance with Regulation (EC) 1606/2002 of the European Parliament and of the Council.

The financial statements are presented in Bulgarian leva (BGN), which is also the functional currency of the Company. All amounts are presented in Bulgarian leva (BGN) (including comparative information for 2020) unless otherwise stated.

Important events that occurred in 2021

During the reporting period, Company's activities continued to be affected by the global Covid-19 pandemic. At the beginning of 2020, due to the spread of a new coronavirus (Covid-19) worldwide, difficulties arose in the business and economic activities for a number of enterprises and entire economic sectors. On 11 March 2020, the World Health Organization announced the presence of a coronavirus pandemic. On 13 March 2020 Bulgarian National Assembly decided to declare a state of emergency for a period of one month. From 14 April 2021, an emergency epidemic situation was declared in Bulgaria, which is currently extended until 31 March 2022.

Effect of Covid-19 on the financial statements of the company in 2021 and measures taken

The company is part of Eltrak group. At group level, the situation with the Covid-19 pandemic is being monitored very closely. All companies in Eltrak Group apply robust measures to ensure that any impact of the pandemic on supply chains is minimized. Activities that are essential for customers are maintained without interruptions, while ensuring the well-being and health of staff.

The management considers that the activity of the Company has not been negatively affected by Covid-19 pandemic and there any future negative impact is considered remote.

Going concern principle

The financial statements have been prepared in accordance with the going concern principle and considering the possible effects of the continuing impact of the Covid-19 pandemic. Management have assessed the Company's ability to continue as a going concern based on the available information about the foreseeable future and management expect that the Company has sufficient financial resources to continue its operations in the near future and continues to apply the going concern principle in preparing the financial statements.

3. Changes in accounting policies

3.1. New standards adopted as at 1 January 2021

The Company has adopted the following new standards, amendments and interpretations to IFRS issued by the International Accounting Standards Board and endorsed by EU, which are relevant to and effective for the Company's financial statements for the annual period beginning 1 January 2021 but do not have a significant impact on the Company’s financial results or position:

- IFRS 4 Insurance Contracts – deferral of IFRS 9 effective from 1 January 2021 adopted by the EU
- IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 effective from 1 January 2021 adopted by the EU
- IFRS 16 Leases: Covid-19- Related Rent Concessions beyond 30 June 2021 effective from 1 April 2021 adopted by the EU.

3.2. Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been issued, but are not effective or adopted by the EU for the financial year beginning on 1 January 2021 and have not been applied early by the Company. They are not expected to have a material impact on the Company’s financial statements. Management anticipates that all relevant pronouncements will be adopted in the Company’s accounting policies for the first period beginning after the effective date of the pronouncement.

A list of the changes in the standards is provided below:

- Amendments IFRS 3 Business Combinations, IAS 16 Property, Plant and Equipment IAS 37 Provisions, Contingent Liabilities and Contingent Assets effective from 1 January 2022 adopted by the EU
- Annual Improvements 2018-2020 effective from 1 January 2022 adopted by the EU
- IFRS 17 “Insurance Contracts” effective from 1 January 2023, adopted by the EU
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current effective from 1 January 2023 not yet adopted by the EU
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies effective from 1 January 2023 not yet adopted by the EU
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates effective from 1 January 2023 not yet adopted by the EU

- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction effective from 1 January 2023 not yet adopted by the EU
- Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information effective from 1 January 2023 not yet adopted by the EU
- IFRS 14 "Regulatory deferral accounts" effective from 1 January 2016, not adopted by the EU

4. Summary of accounting policies

4.1. Overall considerations

The significant accounting policies that have been used in the preparation of these financial statements are summarized below.

The financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used for the preparation of the financial statements. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

4.2. Presentation of financial statements

The financial statements are presented in accordance with IAS 1 "Presentation of Financial Statements" (revised 2007). The Company has elected to present the statement of profit or loss and other comprehensive income as a single statement.

Two comparative periods are presented for the statement of financial position when the Company:

(i) applies an accounting policy retrospectively,

(ii) makes a retrospective restatement of items in its financial statements, or

(iii) reclassifies items in the financial statements

The Company does not present to submit two comparative periods as none of the above circumstances have not occurred.

To more accurately presentation of comparable information in the Statement of Financial Position, liabilities are reclasified as of 31.12.2020. The reclassification of items in the financial statements has no significant effect on the information in the statement of financial position at the beginning of the current or previous period.

4.3. Foreign currency translation

Foreign currency transactions are translated into the functional currency, using the exchange rates prevailing at the dates of the transactions (spot exchange rate as published by the Bulgarian National Bank). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year-end exchange rates are recognized in profit or loss.

Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction (not retranslated). Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

4.4. Revenue

Revenue is mainly generated by the Company from sale of goods and rendering of services. Revenue from major products and services is disclosed in note 21.

To determine whether to recognise revenue, the Company follows a 5-step process:

1 Identifying the contract with a customer
2 Identifying the performance obligations
3 Determining the transaction price
4 Allocating the transaction price to the performance obligations
5 Recognising revenue when/as performance obligation(s) are satisfied.

Revenue is recognised either at a point in time or over time, when (or as) the Company satisfies performance obligations by transferring the promised goods or services to its customers.

The Company recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position. Similarly, if the Company satisfies a performance obligation before it receives the consideration, the Company recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

4.4.1. Revenue recognized over time

Rendering of services

Services rendered by the Company comprise of maintenance and repair income (see note 21).

Revenue is recognized when the control over the benefits of the services provided is transferred to the user of the services. Revenue is recognized over time on the basis of performance of individual performance obligations.

Rental income from operating leases of the Company's investment properties is recognized on a straight-line basis over the term of the lease (see note 22).

4.4.2. Revenue recognized at a point of time

Sale of goods

Sale of goods comprises the sale of machines, spare parts and warranties. Revenue is recognized when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods supplied. Significant risks and rewards are generally considered to be transferred to the buyer when the customer has taken undisputed delivery of the goods.

4.4.3. Sales with lease payments

The income from the sales with leases payments, net of interest, is recognized at the moment of sale. The value of the sale is the current value of the remuneration, determined by discounting the installments with the applicable interest rate. The interest is recognized on an ongoing basis using the effective interest rate method.

4.4.4. Interest income

Interest income is reported on an accrual basis using the effective interest method.

4.4.5. Revenue from financing

Initially financing is recognised as deferred income when there is significant certainty as to whether the Company will receive financing and will fulfil any associated requirements. Financing received to cover current expenditure is recognised in the period when the respective expenses were incurred. Financing received to cover capital expenditure for non-current assets is recognised in line with the depreciation charges accrued for the period.

4.5. Operating expenses

Operating expenses are recognized in profit or loss upon utilization of the service or at the date of their origin in accordance with the accrual and matching principle. Expenditure for warranties is recognized and charged against the associated provision when the related revenue is recognized.

4.6. Interest expenses and borrowing costs

Interest expenses are reported on an accrual basis using the effective interest method.

Borrowing costs primarily comprise interest on the Company's borrowings. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in 'Finance costs'.

4.7. Intangible assets

Intangible assets include software and licenses. They are accounted for using the cost model. The cost comprises its purchase price, including any import duties and non-refundable purchase taxes, and any directly attributable expenditure on preparing the asset for its intended use, whereby capitalized costs are amortized on a straight line basis over their estimated useful lives, as these assets are considered finite.

After initial recognition, an intangible asset is carried at its cost less any accumulated amortization and any accumulated impairment losses. Impairment losses are recognized in the statement of profit or loss and other comprehensive income for the respective period.

Subsequent expenditure on an intangible asset after its purchase or its completion is expensed as incurred unless it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and this expenditure can be measured reliably and attributed to the asset. If these two conditions are met, the subsequent expenditure is added to the carrying amount of the intangible asset.

Residual values and useful lives are reviewed at each reporting date.

Amortization is calculated using the straight-line method over the estimated useful life of individual assets as follows:

- Software 2 years
- Licenses 2-10 years

Amortization has been included within 'Depreciation and amortization of non-financial assets'.

The gain or loss arising on the disposal of an intangible asset is determined as the difference between the proceeds and the carrying amount of the asset, and is recognized in profit or loss within 'Gain/ (Loss) on sale of non-current assets'.

The recognition threshold adopted by the Company for the intangible assets amounts to BGN 700.

4.8. Property, plant and equipment

Property, plant and equipment are initially measured at cost, which comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use.

After initial recognition, the Property, plant and equipment is carried at its cost less any subsequent accumulated depreciation and any subsequent accumulated impairment losses. Impairment losses are recognized in the statement of profit or loss and other comprehensive income for the respective period.

Subsequent expenditure relating to an item of property, plant and equipment is added to the carrying amount of the asset when it is probable that this expenditure will enable the asset to generate future economic benefits in excess of the its originally assessed standard of performance. All other subsequent expenditure is recognized as incurred.

Material residual value estimates and estimates of useful life are updated as required, but at least annually, whether or not the asset is revalued.

Property, plant and equipment acquired under finance lease agreement, are depreciated based on their expected useful life, determined by reference to comparable assets or based on the period of the lease contract, if shorter.

Depreciation is calculated using the straight-line method over the estimated useful life of individual assets as follows:

- Buildings 50 years
- Machines 3-7 years
- Vehicles 7 years
- Fixtures & Fittings 3-7 years
- IT equipment 2 years
- Others 3-7 years

Depreciation has been included within 'Depreciation and amortization of non-financial assets'.

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognized in profit or loss within 'Gain/(Loss) on sale of non-current assets'.

The recognition threshold adopted by the Company for property, plant and equipment amounts to BGN 700.

4.9. Leases

4.9.1. The company as a leassee

For each new contract, the Company considers whether the contract is, or contains a lease. A lease is defined as ‘a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company

- the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Company has the right to direct the use of the identified asset throughout the period of use.

The Company assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Company recognises a right-of-use asset and a lease liability on the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate.

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received as a starting point, adjusted to reflect changes in financing conditions since third party financing was received; or
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Company, which does not have recent third party financing, and makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

After initial measurement, the liability is reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets have been included in property, plant and equipment and lease liabilities have been included in trade and other payables / as a separate line item.

Extension and termination options are included in several property and equipment leases at the company. They are used to increase operational flexibility regarding the management of assets used in the operations of the company. Most owned extension and termination options are exercised only by the Company and not by the respective lessor.

4.9.2. The Company as a lessor

The Company's accounting policy under IFRS 16 has not changed from the comparative period. As a lessor the Company classifies its leases as either operating or finance leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset and classified as an operating lease if it does not.

Assets subject to operating lease agreements are presented in the statement of financial position and are depreciated and amortized in accordance with the depreciation and amortization policy of the Company for similar assets and with the requirements of IAS 16 “Property, Plant and Equipment” and IAS 38 “Intangible Assets”. The Company earns rental income from operating leases of its investment properties. Rental income is recognised on a straight-line basis over the term of the lease.

Assets held under a finance lease agreement are presented in the statement of financial position as a receivable at amount equal to the net lease investment. The sales revenue from assets is recognized in the statement of profit or loss/ statement of profit or loss and other comprehensive income for the reporting period. The recognition of the finance income is based on a pattern reflecting a constant periodic rate of return on the lessor's net investment outstanding.

4.10. Impairment testing of intangible assets and property, plant and equipment

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

All individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Company's latest approved budget, adjusted as necessary to exclude the effects of future reorganizations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect their respective risk profiles as assessed by management.

Impairment losses for cash-generating units reduce the carrying amount of the assets allocated to that cash-generating unit. All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

4.11. Financial instruments

4.11.1. Recognition and derecognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

4.11.2. Classification and initial measurement of financial assets

Financial assets are initially measured at fair value, adjusted for transaction costs, except for financial assets at fair value through profit or loss and trade receivables that do not contain a significant financial component. The initial measurement of financial assets at fair value through profit or loss is not adjusted with transaction costs that are reported as current expenses. The initial measurement of trade receivables that do not contain a significant financial component represents the transaction price in accordance with IFRS 15.

Depending on the method of subsequent measurement, financial assets are classified into the following categories:

- Debt instruments at amortised cost;
- Financial assets at fair value through profit or loss (FVTPL);
- Financial assets at fair value through other comprehensive income (FVOCI) with or without reclassification in profit or loss, depending on whether they are debt or equity instruments.

The classification is determined by both:

- the entity's business model for managing the financial asset;
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses in the statement of profit or loss and other comprehensive income.

4.11.3. Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions and are not designated as FVTPL:

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

This category includes non-derivative financial assets like loans and receivables with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

- **Trade receivables**

Trade receivables are amounts due from customers for goods or services sold in the ordinary course of business. Typically, they are due to be settled within a short timeframe and are therefore classified as current. Trade receivables are initially recognized at amortized cost unless they contain significant financial components. The Company holds trade receivables for the purpose of collecting the contractual cash flows and therefore measures them at amortized cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

4.11.4. Impairment of financial assets

IFRS 9's new impairment requirements use more forward-looking information to recognise expected credit losses – the "expected credit loss" (ECL) model. This replaces IAS 39's "incurred loss model".

Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Company first identifying a credit loss event. Instead the Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade and other receivables and finance lease receivables

The Company makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument.

4.11.5. Classification and measurement of financial liabilities

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

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Company designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

4.12. Inventories

Inventories include raw materials and goods. Cost of inventories includes all expenses directly attributable to the purchase or manufacturing process, recycling and other direct expenses connected to their delivery as well as suitable portions of related production overheads, based on normal operating capacity. Financing costs are not included in the cost of the inventories. At the end of every accounting period, inventories are carried at the lower of cost and net realizable value. The amount of impairment of inventories to their net realizable value is recognized as an expense for the period of impairment.

Net realizable value is the estimated selling price of the inventories less any applicable selling expenses. In case inventories have already been impaired to their net realizable value and in the following period the impairment conditions are no longer present, than the new net realizable value is adopted. The reversal amount can only be up to the carrying amount of the inventories prior to their impairment. The reversal of the impairment is accounted for as decrease in inventory expenses for the period in which the reversal takes place.

The Company determines the cost of inventories by using the weighted average cost.

When inventories are sold, the carrying amount of those inventories is expensed in the period in which the related revenue is recognized.

4.13. Income taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of an asset or liability unless the related transaction affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax liabilities are always provided for in full.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

4.14. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and current bank accounts.

4.15. Equity

Share capital represents the nominal value of shares that have been issued.
Retained earnings include all current and prior period retained profits and uncovered losses.
All transactions with owners of the Company are recorded separately within equity.

4.16. Post employment benefits and short-term employee benefits

The Company reports short-term payables relating to unutilized paid leaves, which shall be compensated in case it is expected the leaves to occur within 12 months after the end of the accounting period during which the employees have performed the work related to those leaves. The short-term payables to personnel include wages, salaries and related social security payments.

In accordance with Labor Code requirements, in case of retirement, after the employee has gained the legal right of pension due to years of services and age, the Company is obliged to pay him/her compensation at the amount of up to six gross wages. The Company has reported a liability by law for the payment of retirement compensation in accordance with IAS

19 “Employee Benefits”. The amount is based on forecasts made for the next five years, discounted with the long-term income percentage of risk-free securities.

The Company has not developed and implemented post employment benefit plans.

Short-term employee benefits, including holiday entitlement, are current liabilities included in 'Pension and other employee obligations', measured at the undiscounted amount that the Company expects to pay as a result of the unused entitlement.

4.17. Provisions, contingent liabilities and contingent assets

Provisions are recognized when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, granted product warranties, legal disputes or onerous contracts. Restructuring provisions are recognized only if a detailed formal plan for the restructuring has been developed and implemented, or management has at least announced the plan's main features to those affected by it. Provisions are not recognized for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset. However, this asset may not exceed the amount of the related provision.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

In those cases, where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized.

Possible inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets. They are described along with the Company's contingent liabilities in note 31.

4.18. Significant management judgement in applying accounting policies

The following are significant management judgements in applying the accounting policies of the Company that have the most significant effect on the financial statements. Critical estimation uncertainties are described in note 4.19.

4.18.1. Deferred tax assets

The assessment of the probability of future taxable profit in which deferred tax assets can be utilized is based on the Company's latest approved budget forecast, which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilized without a time limit, that deferred tax asset is usually recognized in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances.

4.19. Estimation uncertainty

When preparing the financial statements management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses.

The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

Information about significant judgements, estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses are discussed below.

4.19.1. Impairment of non-financial assets

An impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows (see note 4.10). In the process of measuring expected future cash flows management makes assumptions about future operating results. These assumptions relate to future events and circumstances. The actual results may vary and may cause significant adjustments to the Company's assets within the next financial year.

In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

4.19.2. Useful lives of depreciable assets

Management reviews the useful lives of depreciable assets at each reporting date.

At 31 December 2021 management assesses that the useful lives represent the expected utility of the assets to the Company. The carrying amounts are analyzed in notes 5 and 6. Actual results, however, may vary due to technical obsolescence, particularly relating to software and IT equipment.

4.19.3. Inventories

Inventories are measured at the lower of cost and net realizable value. In estimating net realizable values, management takes into account the most reliable evidence available at the times the estimates are made. The Company's core business is subject to technology changes which may cause selling prices to change rapidly. Moreover, future realization of the carrying amounts of inventory assets BGN 17 897 849 (2020: BGN 13 484 294) is affected by market.

4.19.4. Measurement of expected credit losses

Credit losses are the difference between all contractual cash flows due to the Company and all cash flows that the Company expects to receive. Expected credit losses are a probability-weighted estimate of credit losses that require the Company’s judgment. Expected credit losses are discounted at the original effective interest rate (or the credit-adjusted effective interest rate for purchased or initially created financial assets with credit impairment).

4.19.5. Provisions

The amount recognized for warranties for which customers are covered for the cost of repairs is estimated based on management's past experience and the future expectations of defects.

5. Intangible assets

The Company's intangible assets comprise software and licenses. The carrying amounts for the reporting periods under review can be analyzed as follows:

	Computer software and licenses BGN
Gross carrying amount	
Balance at 1 January 2021	305 007
Balance at 31 December 2021	305 007
Amortization	
Balance at 1 January 2021	(215 009)
Amortisation	(23 857)
Balance at 31 December 2021	(238 866)
Carrying amount at 31 December 2021	**66 141**

	Computer software and licenses BGN
Gross carrying amount	
Balance at 1 January 2020	302 400
Additions	2 607
Balance at 31 December 2020	305 007
Amortization	
Balance at 1 January 2020	(191 298)
Amortisation	(23 711)
Balance at 31 December 2020	(215 009)
Carrying amount at 31 December 2020	**89 998**

No material contractual commitments were entered into during 2021 or 2020.
Amortisation charges are included within 'Depreciation and amortization of non-financial assets'.
No intangible assets have been pledged as security for liabilities.

6. Property, plant and equipment

Company's property, plant and equipment comprise land and buildings, property under construction, computer hardware, tools, plant and machinery, furniture, fixture and office equipment and leaseholds improvements. The carrying amount can be analyzed as follows:

	Land and buildings	Property under construction	Computer hardware	Tools	Plant and machinery	Motor vehicles	Furniture, fixtures and office equipment	Leasehold improve-ments	"Right-of-use assets"	Total
	BGN	BGN	BGN	BGN	BGN	BGN	BGN	BGN	BGN	BGN
Gross carrying amount										
Balance at 1 January 2021	16 675 125	-	633 596	1 181 235	5 866 455	1 772 783	634 081	76 425	624 910	27 464 610
Additions	-	-	26 531	82 214	1 458 175	234 897	6 867	-	54 097	1 862 780
Disposals	-	-	-	(23 869)	(3 080 180)	(352 282)	-	-	-	(3 456 331)
Balance at 31 December 2021	16 675 125	-	660 127	1 239 580	4 244 450	1 655 398	640 947	76 425	679 007	25 871 059
Depreciation and impairment										
Balance at 1 January 2021	(2 063 717)	-	(562 508)	(953 027)	(1 662 159)	(1 179 596)	(548 785)	(76 425)	(110 473)	(7 156 690)
Disposals	-	-	-	7 130	799 853	350 155	-	-	-	1 157 138
Depreciation	(239 940)	-	(54 482)	(122 748)	(889 004)	(198 736)	(19 003)	-	(154 205)	(1 678 118)
Balance at 31 December 2021	(2 303 657)	-	(616 990)	(1 068 645)	(1 751 310)	(1 028 177)	(567 788)	(76 425)	(264 678)	(7 677 670)
Carrying amount at 31 December 2021	**14 371 468**	**-**	**43 137**	**170 935**	**2 493 140**	**627 221**	**73 160**	**-**	**414 329**	**18 193 389**

	Land and buildings	Property under construction	Computer hardware	Tools	Plant and machinery	Motor vehicles	Furniture, fixtures and office equipment	Leasehold improve-ments	"Right-of-use assets"	Total
	BGN	BGN	BGN	BGN	BGN	BGN	BGN	BGN	BGN	BGN
Gross carrying amount										
Balance at 1 January 2020	13 753 761	2 911 766	570 384	1 073 785	4 290 431	1 674 118	626 888	76 425	624910	25 602 468
Additions	2 921 364	-	63 212	119 306	3 004 897	176 266	7 193	-	-	6 292 238
Disposals	-	(2 911 766)	-	(11 856)	(1 428 873)	(77 601)	-	-	-	(4 430 096)
Balance at 31 December 2020	16 675 125	-	633 596	1 181 235	5 866 455	1 772 783	634 081	76 425	624 910	27 464 610
Depreciation and impairment										
Balance at 1 January 2020	(1 833 534)	-	(514 090)	(836 938)	(1 054 542)	(920 874)	(529 431)	(76 425)	(110 473)	(5 876 307)
Disposals	-	-	-	741	401 366	69 951	-	-	-	472 058
Depreciation	(230 183)	-	(48 418)	(116 830)	(1 008 982)	(328 673)	(19 354)	-	-	(1 752 440)
Balance at 31 December 2020	(2 063 717)	-	(562 508)	(953 027)	(1 662 158)	(1 179 596)	(548 785)	(76 425)	(110 473)	(7 156 689)
Carrying amount at 31 December 2020	**14 611 408**	**-**	**71 088**	**228 208**	**4 204 297**	**593 187**	**85 296**	**-**	**514 437**	**20 307 921**

Depreciation charges are included within 'Depreciation and amortisation of non-financial assets'.

The Company has not a contractual commitment to acquire assets as of 31 December 2021 and 2020.

The Company has property, plant and equipment pledged as security for its liabilities with net book value of BGN 10 429 815. (See note 16).

7. Deferred tax assets and liabilities

Deferred taxes arising from temporary differences can be summarized as follows:

Deferred tax liabilities (assets)	**1 January 2021 BGN**	**Recognized in profit and loss BGN**	**31 December 2021 BGN**
Privisions	(212 218)	(43 792)	(256 010)
Property, plant and equipment	250 992	46 891	297 883
Current assets			
Trade and other receivables	(4 450)	(37 605)	(42 055)
	34 324	**(34 506)**	**(182)**
Recognized as:			
Deferred tax assets	(216 668)		(298 065)
Deferred tax liabilities	250 992		297 883
Net deferred tax iabilities/(assets)	**34 324**		**(182)**

Deferred taxes for the comparative period 2020 can be summarized as follows:

Deferred tax liabilities (assets)	**1 January 2020 BGN**	**Recognized in profit and loss BGN**	**31 December 2020 BGN**
Privisions	(145 811)	(66 407)	(212 218)
Property, plant and equipment	194 014	56 978	250 992
Current assets			
Trade and other receivables	(4 450)	-	(4 450)
	43 753	**(9 429)**	**34 324**
Recognized as:			
Deferred tax assets	(150 261)		(216 668)
Deferred tax liabilities	194 014		250 992
Net deferred tax liabilities/(assets)	**43 753**		**34 324**

All deferred tax assets have been recognized in the statement of financial position.

8. Inventories

Inventories recognized in the statement of financial position can be analyzed as follows:

	2021 BGN	**2020 BGN**
Raw materials and consumables	3 100	3 100
Goods for resale	17 894 749	13 481 194
Inventories	**17 897 849**	**13 484 294**

In 2021, a total of BGN 1 627 319 of inventories was included in profit and loss as an expense (2020: BGN 1 338 403). This includes an amount of BGN 71 915 resulting from write down of inventories (2020: BGN 89 476).

Reversal of previous write-downs recognized as a reduction of expense is BGN 10 754 (2020: BGN 8 011).

Inventories of BGN 5 085 158 at 31 December 2021 are pledged as securities for liabilities on overdraft contract dated 30.09.2011 from Raiffeisenbank Bulgaria. (2020: BGN 5 085 158).

9. Finance lease receivables

	2021 BGN	2020 BGN
Non-current finance lease receivables	-	27 386
Current finance lease receivables	76 012	306 794
Finance lease receivables	**76 012**	**334 180**

The short-term financial assets are carried at cost because they are not traded on an active public market.

Detailed maturity structure of finance lease receivables is as follows:

	Minimum lease income		
	Within 1 year BGN	1-2 years BGN	Total BGN
31 December 2021			
Lease payments	77 532	-	77 532
Finance charges	(1 520)	-	(1 520)
Net present values	**76 012**	**-**	**76 012**
31 December 2020			
Lease payments	312 930	27 932	340 862
Finance charges	(6 136)	(546)	(6 683)
Net present values	**306 794**	**27 386**	**334 180**

The lease agreements include fixed lease payments and purchase option at the end of first year lease term.

The gain on sale of assets under finance lease agreements in 2021 was BGN 22 113 (2020: BGN 443 280).

Interest income from finance lease agreements in 2021 was BGN 8 857 (2020: BGN 16 910).

10. Trade receivables

	2021 BGN	2020 BGN
Trade receivables, gross	1 910 987	1 589 505
Allowance for expected credit loss and impairment of trade receivables	(302 218)	(44 507)
Trade receivables	**1 608 769**	**1 544 998**

All trade receivables are short term. The net carrying value of trade receivables is considered a reasonable approximation of fair value.

All trade receivables of the Company have been reviewed for indicators of impairment.

Certain trade receivables were found to be impaired and were written-off, an allowance for credit losses of BGN 257 711 (2020: BGN 0) has been recognized within "Other expenses". Impairment expenses on trade receivables are mostly recognised due to customers experiencing financial difficulties.

Trade receivables as at 31 December are presented below:

	2021 BGN	2020 BGN
Global Delivery EOOD	172 191	78 935
Assarel Medet AD	158 843	160 000
DPM EAD Krumovgrad	115 717	114 360
Geotrading EOOD	88 043	218 535
Others	1 376 193	1 017 675
	1 910 987	**1 589 505**

11. Prepayments and other assets

	2021 BGN	2020 BGN
Receivables from Caterpilar	5 066 086	74 989
Advance payments	52 227	121 591
Prepaid expenses	4 997	109 859
Tax receivables	69	69
Others	79 355	2 297 409
Other receivables	**5 202 734**	**2 603 917**

12. Depositis and Cash and cash equivalents

Cash and cash equivalents include the following components:

	2021 BGN	2020 BGN
Cash on hand:		
- EUR	744	891
- BGN	15 742	14 788
- GBP	948	886
Cash on hand	**17 434**	**16 565**
Cash at bank:		
- EUR	1 096 918	1 127 144
- BGN	7 125 308	18 950 742
- USD	3 370	205 630
Cash at bank	**8 225 596**	**20 283 517**
Restricted cash		
- BGN	1	625 866
Cash and cash equivalents	**8 243 031**	**20 925 947**

The Company also has deposits in banks, as follows:

	2021 BGN	2020 BGN
Deposits over 3 months	**1 000 013**	**3 000 000**

13. Equity

13.1. Share capital

The share capital of the Eltrak Bulgaria EOOD consists of 391 666 fully paid shares with a nominal value of EUR 10. All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at the owners meeting of the Eltrak Bulgaria EOOD.

	2021 Number of shares	2020 Number of shares
Number of shares issued and fully paid, - beginning of the year	391 666	391 666
Number of shares issued and fully paid	391 666	391 666
Total number of shares authorized as at 31 December	**391 666**	**391 666**

The list of the principal owners of the Eltrak Bulgaria EOOD is as follows:

	31 December 2021 Number of shares	31 December 2021 %	31 December 2020 Number of shares	31 December 2020 %
Eltrak S.A.	391 666	100	391 666	100
	391 666	**100**	**391 666**	**100**

14. Provisions

The carrying amount of the provisions can be summarized as follows:

	Warranty BGN
Carrying amount 1 January 2021	381 580
Additional provisions	364 726
Amounts utilized	(39 938)
Carrying amount 31 December 2021	**706 368**
Classified as:	
Current liabilities	**706 368**

	Warranty BGN
Carrying amount 1 January 2020	82 848
Additional provisions	298 732
Carrying amount 31 December 2020	**381 580**
Classified as:	
Current liabilities	**381 580**

Provisions are recognized due to the fact that it is probable that an outflow of resources will be required to settle the obligation in relation to product warranties granted.

15. Employee remuneration

15.1. Employee benefits expense

Expenses recognized for employee benefits include:

	2021 BGN	2020 BGN
Wages, salaries	(4 760 134)	(4 009 174)
Social security costs	(642 709)	(609 227)
Employee benefits expense	**(5 402 843)**	**(4 618 401)**

15.2. Pension and other employee obligations

The liabilities for pension and other employee obligations recognized in the statement of financial position consist of the following amounts:

	2021 BGN	2020 BGN
Non-current:		
Pension provisions	111 967	107 380
Non-current pension and other employee obligations	**111 967**	**107 380**
Current:		
Pension provisions	75 742	39 204
Other employee obligations for salaries and social security obligations	557 070	501 176
Current pension and other employee obligations	**632 812**	**540 380**

Other short-term employee obligations arise mainly from accrued holiday entitlement at the reporting date and various pension payments.

In accordance with the requirements of the Labour Code when terminating employment after the employee has become entitled to retirement pension, the Company is obliged to pay him compensation amounting to six gross wages. The Company was accrued legal obligation to pay benefits to employees upon retirement in accordance with the requirements of IAS 19 ‘Employee Benefits’ based on estimated payments for the next five years, discounted to the present with long-term interest rate of risk-free securities.

31 December 2021	**Interest rate**	**Within 1 year BGN**	**From 1 to 5 years BGN**	**From 5 to 8 years BGN**	**Total BGN**
Gross amount due		77 280	22 740	91 500	191 520
Discount	1.01%	(1 538)	(452)	(1 821)	(3 811)
Discounted cash flows		**75 742**	**22 288**	**89 679**	**187 709**

31 December 2020	**Interest rate**	**Within 1 year BGN**	**From 1 to 5 years BGN**	**From 5 to 8 years BGN**	**Total BGN**
Gross amount due		40 000	60 660	48 900	149 560
Discount	0.30%	(796)	(1 207)	(973)	(2 976)
Discounted cash flows		**39 204**	**59 453**	**47 927**	**146 584**

The changes in the compensation in compliance with the Labour Code are summarized as follows:

	2021 BGN	**2020 BGN**
Pension provisions at 1 January	**146 584**	**115 564**
Increase of pension provisions	41 125	31 020
Pension provisions at 31 December	**187 709**	**146 584**
of which, non-current liabilities	111 967	107 380

The increase of pension provisions is recognized in the statement of profit or loss and other comprehensive income for the period in “Employee benefits expense”.

16. Borrowings

Borrowings include the following financial liabilities:

	Current		**Non-current**	
	2021 BGN	**2020 BGN**	**2021 BGN**	**2020 BGN**
Financial liabilities measured at amortized cost				
Loans from financial institutions	3 585 680	1 303 889	-	3 585 680
Total carrying amounts	**3 585 680**	**1 303 889**	**-**	**3 585 680**

16.1 Borrowings at amortized cost

1. Loan Facility № 8/16.02.2018 EUR 4 000 000
Bank **– United Bulgarian Bank**
Maturity date – 16.08.2022
Pledges – Land and buildings in Sofia and Stara Zagora at the total amount of Net book value BGN 10 429 815.
As at 31 December 2021 the total amount of the loan was BGN 3 585 680 and classified as short-term debt.

2. Overdraft contract 30.09.2011 EUR 2 000 000
Annex № 18/27.08.2021 – prolongation of the contract.
Bank – **Raiffeisenbank Bulgaria**;
Maturity date – 30.08.2024
Pledges: Collateral of the goods on stock. Inventories of BGN 5 085 158 at 31 December 2021 are pledged as securities.
Fully repaid as at 31.12.2021

3. Overdraft contract № 7/16.02.2018 BGN 4 000 000
Bank **– United Bulgarian Bank**
Maturity date– 31.03.2022
Pledges – Land and buildings in Sofia and Stara Zagora.
Fully repaid as at 31.12.2021

Interests on above stated loans are in range from 1.30 % to 1.55 % annually.

4. Credit line from 28.09.2005
Creditor: – **Caterpillar Financial Corporation Financiera S.A**
Fully repaid as at 31.12.2021

5. Credit line from 30.05.2019
Creditor: – **Caterpillar Financial Corporation Financiera S.A**
Fully repaid as at 31.12.2021

17. Lease liabilities

Lease liabilities are presented in the statement of financial position as follows:

	2021 BGN	2020 BGN
Lease liabilities – non-current portion	89 097	195 896
Lease liabilities – current portion	153 101	147 174
Lease liabilities	**242 198**	**343 070**

The Company leases vehicles. Except for short-term leases and leases of low-value underlying assets, each lease is reflected on the statement of financial position as a right-of-use asset and a lease liability. Variable lease payments which do not depend on an index or a rate (such as lease payments based on a percentage of Company's sales) are excluded from the initial measurement of the lease liability and asset. The Company classifies its right-of-use assets in a consistent manner to its property, plant and equipment (see note 6).

Each lease generally imposes a restriction that, unless there is a contractual right for the Company to sublet the asset to another party, the right-of-use asset can only be used by the Company. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to purchase the underlying leased asset outright at the end of the lease, or to extend the lease for a further term. The Company is prohibited from selling or pledging the underlying leased assets as security. For leases over office buildings and factory premises the Company must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Company must insure items of property, plant and equipment and incur maintenance fees on such items in accordance with the lease contracts.

Future minimum lease payments at 31 December were as follows:

31 December 2021	Within 6 months BGN	From 6 to 12 months BGN	From 1 to 5 years BGN	Total BGN
Lease liabilities	153 101	89 097	-	**242 198**

31 December 2020	Within 6 months BGN	From 6 to 12 months BGN	From 1 to 5 years BGN	Total BGN
Lease liabilities	73 587	73 587	195 896	**343 070**

Lease payments not recognised as a liability

The Company has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognised as lease liabilities and are expensed as incurred.

The expenses for 2021 relating to payments not included in the measurement of the lease liability are as follows:

	2021 BGN	2020 BGN
Expenses on short-term leases	82 487	70 645

At 31 December 2021 the Company is committed to short-term leases and the total commitment at that date is BGN 11 thousand (2020: BGN 11 thousand).

Total interest expense for leases, included in finance cost, for the year ended 31 December 2021 was BGN 3 162 (2020: BGN 3 316).

Additional information on the right-of-use assets by class of assets can be found in note 6.

18. Trade payables

Trade payables recognized in the statement of financial position can be analyzed as follows:

	2021 BGN	2020 BGN
Caterpillar SARL	18 401 483	21 762 049
Other	510 794	430 728
Current trade payables	**18 912 277**	**22 192 777**

The carrying values of current trade payables are a reasonable approximation of fair value.

19. Other payables

	2021 BGN	2020 BGN
VAT and other tax payables	801 733	1 400 605
Other liabilities	179 243	179 461
Current other payables	**980 976**	**1 580 066**

20. Contract liabilities

	2021 BGN	2020 BGN
Contract liabilities - advances for delivery of goods	**3 061 614**	**5 635 833**

21. Revenue

The Company's revenue can be analyzed as follows:

	2021 BGN	2020 BGN
Sale of goods	58 889 686	54 591 331
Rendering of services	3 657 744	3 353 116
	62 547 430	**57 944 447**

Revenue from contracts with customers

	Bulgaria	Greece	Other Central and Western Europe countries	Other Balkan countries	Other non-European countries	**Total**
2020	**BGN**	**BGN**	**BGN**	**BGN**	**BGN**	**BGN**
Revenue recognized						
At a point in time	56 357 004	2 364	1 662 455	858 505	9 357	58 889 685
Over time	3 642 465	1 168	966	9 527	3 619	3 657 745
	59 999 469	**3 532**	**1 663 421**	**868 032**	**12 976**	**62 547 430**

Revenue from contracts with customers

	Bulgaria	Greece	Other Central and Western Europe countries	Other Balkan countries	Other non-European countries	**Total**
2020	**BGN**	**BGN**	**BGN**	**BGN**	**BGN**	**BGN**
Revenue recognized						
At a point in time	50 946 850	1 043 192	1 937 489	304 536	359 264	54 591 331
Over time	3 231 682	(4 355)	4 471	941	120 377	3 353 116
	54 178 532	**1 038 837**	**1 941 960**	**305 477**	**479 641**	**57 944 447**

22. Other income

Other income includes:

	2021 BGN	2020 BGN
Operating lease rentals	701 366	1 496 788
Other income	50 783	68 069
	752 149	**1 564 857**

	2021 BGN	2020 BGN
Recognized at point in time	50 783	68 069
Recognized over period of time	701 366	1 496 788
	752 149	**1 564 857**

The Company leases out machinery on operating lease agreements.

Future minimum lease receipts are as follows:

	Minimum lease income **Within 1 year** **BGN**
31 December 2021	418 500
31 December 2020	424 339

No contingent rents were recognized. Direct operating expenses were reported within.

23. Gain on sale of non-current assets

	2021 BGN	2020 BGN
Proceeds from sale of non-current assets	2 988 777	1 434 496
Carrying amount of non-current assets sold	(2 296 808)	(1 046 272)
Gain on sale of non-current assets	**691 969**	**388 224**

24. Cost of materials

Cost of materials includes:

	2021 BGN	2020 BGN
Spare parts	(233 745)	(225 204)
Fuel	(258 092)	(211 402)
Others	(105 457)	(94 297)
	(597 294)	**(530 903)**

25. Hired services expenses

Hired services expenses include:

	2021 BGN	2020 BGN
Consultancy fees	(562 194)	(704 877)
Repairment and servicing	(382 105)	(339 299)
Security	(213 386)	(224 335)
Insurances	(215 020)	(217 240)
Utilities	(185 969)	(101 013)
Transportation	(165 357)	(174 837)
Advertisement	(109 026)	(76 209)
Short-term rents	(82 487)	(70 645)
IT and communications costs	(53 746)	(68 200)
Legal fees	(36 325)	(38 414)
Other hired services	(685 612)	(759 062)
	(2 691 227)	**(2 774 131)**

26. Other expenses

	2021 BGN	2020 BGN
Parts on warranties	(1 517 353)	(1 115 746)
Impairment of trade receivables	(257 711)	-
Receivables written off	(135 414)	-
Business trips	(100 999)	(122 893)
Taxes	(97 253)	(93 183)
Write down of inventories	(71 915)	(89 476)
Representation costs	(28 426)	(32 450)
Others	(73 878)	(114 873)
	(2 282 949)	**(1 568 621)**

27. Finance costs and finance income

Finance costs for the presented reporting periods can be analyzed as follows:

	2021 BGN	2020 BGN
Interest expenses for loans and overdrafts	(68 287)	(82 375)
Interest expenses for lease liabilities	(3 163)	(3 316)
Total interest expenses for financial liabilities not at fair value through profit or loss	**(71 450)**	(85 691)
Bank charges	(74 998)	(57 666)
Loss on foreign currency exchange rate differences	(14 280)	(256 517)
Finance costs	**(160 728)**	**(399 874)**

Finance income may be analyzed as follows for the presented reporting periods:

	2021 BGN	2020 BGN
Interest income on financial lease contract	8 857	16 910
Total interest income for financial assets not at fair value through profit or loss	8 857	16 910
Gain on foreign currency exchange rate differences	29 084	268 419
Finance income	**37 941**	**285 329**

28. Income tax expense

The relationship between the expected tax expense based on the applicable tax rate in Bulgaria of 10 % (2020: 10 %) and the reported tax expense actually in profit or loss can be reconciled as follows:

	2021 BGN	2020 BGN
Profit before tax	5 704 741	4 545 037
Tax rate	10%	10%
Expected tax expense	(570 474)	(454 504)
Increase of the financial result for tax purposes	(561 854)	(378 870)
Decrease of the financial result for tax purposes	482 262	363 799
Current tax expense	(650 066)	(469 575)
Deferred tax expense:		
Origination and reversal of temporary differences	34 506	9 429
Income tax expense	**(615 560)**	**(460 146)**

Note 7 provides information on the deferred tax assets and liabilities.

29. Related party transactions

The Company's related parties include its owner, ultimate parent, other companies under common control and key management personnel.

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

29.1. Transactions with the sole owner and the ultimate owner

	2021 BGN	2020 BGN
Sales of goods		
- sales of goods to Eltrak S.A.	3 532	342 561
Purchases of goods and services		
- purchases of goods from Eltrak S.A.	345 741	622 980
- purchase of services from CP Holdings	378 390	356 359
Dividends paid	7 823 319	7 823 320

29.2. Transactions with other related parties under common control

	2021 BGN	2020 BGN
Purchases of services		
- purchases of services from Autotechnika OOD	202 810	201 815

29.3. Transactions with key management personnel

Key management personnel remuneration includes the following expenses:

	2021 BGN	2020 BGN
Short-term employee benefits:		
Salaries including bonuses	247 227	159 640
Social security costs	13 838	10 955
Total short-term employee benefits	261 065	170 595
Total remuneration	**261 065**	**170 595**

30. Related party balances at year-end

	2021 BGN	2020 BGN
Current		
Receivables from:		
- sole owner Eltrak S.A.	4 068	98 282
Total current receivables from related parties	4 068	98 282
Total receivables from related parties	**4 068**	**98 282**

	2021 BGN	2020 BGN
Current		
Payables to:		
- ultimate owner CP Holdings	378 504	266 549
- sole owner Eltrak S.A.	-	42
Total current payables to related parties	378 504	266 591
Total payables to related parties	**378 504**	**266 591**

31. Contingent assets and contingent liabilities

There are no contingent liabilities as of 31 December 2021.

The latest tax inspections were carried out in 2006 CITA and 2007 VAT. Company's management does not believe that there are significant risks as a result of the dynamic fiscal and regulatory environment in Bulgaria, which would require adjustments to the financial statements and tax liabilities for the year ended 31 December 2021.

32. Categories of financial assets and liabilities

The carrying amounts presented in the statement of financial position relate to the following categories of assets and liabilities:

Financial assets	Note	2021 BGN	2020 BGN
Long term lease receivables	9	-	27 386
Loans and receivables:			
Short term lease receivables	9	76 012	306 794
Trade receivables	10	1 608 769	1 544 998
Related party receivables	30	4 068	98 282
Deposits	12	1 000 013	3 000 000
Cash and cash equivalents	0	8 243 031	20 925 947
		10 931 893	**22 903 407**

Financial liabilities	Note	2021 BGN	2020 BGN
Financial liabilities measured at amortized cost			
Borrowings	16	3 585 680	4 889 569
Lease liabilities	17	242 198	343 070
Trade payables	18	18 912 277	22 192 777
Related party payables	30	378 504	266 591
		23 118 659	**27 692 007**

See note 4.11 about information related to the accounting policy for each category financial instruments. Description of the risk management objectives and policies of the Company related to the financial instruments is presented in note 33.

33. Financial risks

Risk management objectives and policies

The Company is exposed to various risks in relation to financial instruments. The Company's financial assets and liabilities by category are summarized in note 32. The main types of risks are market risk, credit risk and liquidity risk.

The Company's risk management is coordinated at its headquarters, in close co-operation with the managing board, and focuses on actively securing the Company's short to medium-term cash flows by minimizing the exposure to financial markets.

The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options.

The most significant financial risks to which the Company is exposed are described below.

33.1. Market risk analysis

The Company is exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk and certain other price risks, which result from both its operating and investing activities.

33.1.1. Foreign currency risk

Most of the Company’s transactions are carried out in Bulgarian leva (BGN). No exposures to currency exchange rates arise from the Company's overseas sales and purchases, since they are primarily denominated in EUR and its exchange rate is fixed to EUR 1.95583.

Foreign currency denominated financial assets and liabilities which expose the Company to currency risk are disclosed below. The amounts shown are those reported to key management translated into Bulgarian leva at the closing rate:

	Short-term exposure	
	USD	**GBP**
31 December 2021		
Financial assets	3 370	948
Total exposure	**3 370**	**948**
31 December 2020		
Financial assets	205 630	886
Total exposure	**205 630**	**886**

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, is considered to be representative of the Company's exposure to currency risk is not significant.

33.1.2. Interest rate risk

The Company's policy is to minimize interest rate cash flow risk exposures on long-term financing. At 31 December 2021, the Company is not exposed to changes in market interest rates through bank borrowings at variable interest rates. Other borrowings are at fixed interest rates.

33.2. Credit risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the Company. The Company is exposed to this risk for various financial instruments, for example by granting loans and receivables to customers, placing deposits, investment in bonds etc. The Company's maximum exposure to credit risk is limited to the carrying amount of financial assets recognized at the reporting date, as summarized below:

	2021 BGN	2020 BGN
Financial assets carried at amortised cost	**10 931 893**	**22 903 407**

The Company continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and reports on customers and other counterparties are obtained and used. The Company's policy is to deal only with creditworthy counterparties. The Company's management considers that all the above financial assets that are not impaired or past due for each of the reporting dates under review are of good credit quality.

None of the Company's financial assets are secured by collateral or other credit enhancements in regard to other transactions.

In respect of trade and other receivables, the Company is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Trade receivables consist of a small number of customers in single industries and geographical areas. Based on historical information about customer default rates management consider the credit quality of trade receivables that are not past due or impaired to be good.

The credit risk for cash and cash equivalents and deposits is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

The carrying amounts disclosed above are the Company's maximum possible credit risk exposure in relation to these instruments.

33.3. Liquidity risk

Liquidity risk is the risk arising from the Company not being able to meet its obligations. The Company manages its liquidity needs by monitoring scheduled debt servicing payments for long-term financial liabilities as well as forecast cash inflows and outflows due in day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 180-day and a 360-day lookout period are identified monthly.

Net cash requirements are compared to available borrowing facilities in order to determine headroom or any shortfalls. This analysis shows that available borrowing facilities are expected to be sufficient over the lookout period.

The Company's objective is to maintain cash and to meet its liquidity requirements for 30-day periods at a minimum. The Company maintains cash and marketable securities to meet its liquidity requirements for 30-day periods at a minimum. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities.

As at 31 December 2021, the Company's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarized below:

	Current		Non-current
31 December 2021	**Within 6 months BGN**	**6 to 12 months BGN**	**1 to 5 years BGN**
Other borrowings	1 792 840	1 792 840	-
Lease liabilities	76 550	76 551	89 097
Trade payables	18 912 277	-	-
Other payables	980 976	-	-
Related parties	378 504	-	-
Total	**22 141 147**	**1 869 391**	**89 097**

This compares to the maturity of the Company's non-derivative financial liabilities in the previous reporting period as follows:

	Current		Non-current
31 December 2020	**Within 6 months BGN**	**6 to 12 months BGN**	**1 to 5 years BGN**
Other borrowings	651 944	651 945	3 585 680
Lease liabilities	73 587	73 587	195 896
Trade payables	22 192 777	-	-
Other payables	1 580 066	-	-
Related parties	266 591	-	-
Total	**24 764 965**	**725 532**	**3 781 576**

Financial assets used for managing liquidity risk

The Company considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular its cash resources and trade receivables. The Company's existing cash resources and trade receivables do not significantly exceed the current cash outflow requirements. Cash flows from trade and other receivables are all contractually due within six months.

34. Fair value measurement

34.1. Fair value measurement of financial instruments

Set out below is a comparison of the carrying amounts and fair values of financial instruments at the end of the presented reporting periods:

Financial assets	**31 December 2021**		**31 December 2020**	
	Fair value	**Fair value**	**Fair value**	**Carrying amount**
	BGN	**BGN**	**BGN**	**BGN**
Loans and receivables:				
Long term financial assets	-	-	27 386	27 386
Short term financial asstes	76 012	76 012	306 794	306 794
Trade receivables	1 608 769	1 608 769	1 544 998	1 544 998
Related party receivables	4 068	4 068	98 282	98 282
Deposits	1 000 013	1 000 013	3 000 000	3 000 000
Cash and cash equivalents	8 243 031	8 243 031	20 925 947	20 925 947
	10 931 893	**10 931 893**	**25 903 407**	**25 903 407**

Financial liabilities	**31 December 2021**		**31 December 2020**	
	Fair value	**Carrying amount**	**Fair value**	**Carrying amount**
	BGN	**BGN**	**BGN**	**BGN**
Financial liabilities measured at amortized cost				
Borrowings	3 585 680	3 585 680	4 889 569	4 889 569
Lease liabilities	242 198	242 198	343 070	343 070
Trade payables	18 912 277	18 912 277	22 192 777	22 192 777
Related party payables	378 504	378 504	266 591	266 591
	23 118 659	**23 118 659**	**27 692 007**	**27 692 007**

35. Capital management policies and procedures

The Company's capital management objectives are:

- to ensure the Company's ability to continue as a going concern; and
- to provide an adequate return to the shareholder

by pricing products and services commensurately with the level of risk.

The Company monitors capital on the basis of the correlation between equity and net debt. Net debt comprises of total liabilities less the carrying amount of cash and cash equivalents.

The amount of the correlation for the presented accounting periods is summarized as follows:

	2021 BGN	2020 BGN
Equity	23 561 515	26 295 653
Total liabilities	28 730 673	36 093 884
- Cash and cash equivalents	(8 243 031)	(20 925 947)
Net debt	**20 487 642**	**15 167 937**
Equity to net debt	**1:0.87**	**1:0.58**

The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares, or sell assets to reduce debt.

No changes were made in the objectives, policies or processes for managing capital during the presented periods and in the description of what the Company manages as capital.

36. Post-reporting date events

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorization, except for the following non-adjusting event:

On 24 February 2022, the Russian Federation launched an armed invasion of Ukraine. As a result, economic and financial sanctions have been imposed on Russia by the European Union and a number of other countries which, in addition to affecting Russia itself, are expected to have a comprehensive negative impact on the world economy and almost every area of the economy and public life. As the situation is very dynamic, the management of the Company cannot make a forecast for the quantitative impact of the military crisis on the financial condition of the Company, but will take all necessary measures to limit any potential negative effects.

37. Adjustments of cash flows and changes in working capital

In order to determine the cash flows from operating activities the following non-cash adjustments and adjustments related to the working capital are being made with respect to the financial result before tax of the Company.

Adjustments	**2021 BGN**	**2020 BGN**
Depreciation, amortization and impairment of non-financial assets	1 701 975	1 776 151
Interest income	(8 857)	(16 910)
Interest expenses	71 450	85 691
Impairment of financial assets and written receivables	393 125	-
Write down of inventories	71 915	89 476
Other non-cash movements	82 961	(1 995)
Gain on sale of non-financial assets	(691 969)	(388 224)
Total adjustments	**1 620 600**	**1 544 189**

Net changes in the working capital	**2021 BGN**	**2020 BGN**
Change in inventories	(4 413 555)	5 403 425
Change in deposits	1 999 987	(3 000 000)
Change in trade and other receivables	(2 662 587)	(1 337 129)
Change in trade and other payables	(6 453 806)	21 049 926
Change in pension and other employee obligations	97 019	318 512
Change in provisions	324 788	565 281
Total changes in the working capital	**(11 108 154)**	**23 000 015**

38. Authorization of the financial statements

The financial statements for the year ended 31 December 2021 (including comparatives) were approved by the manager on 09.03.2022.