Annual Management Report
Independent Auditor's Report
Financial Statements

ELTRAK BULGARIA EOOD

31 December 2023

Contents

Annual Management Report for 2023

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 2023

In 2023 revenue from sale of goods was BGN 87 788 thousand, mainly due to sale of spare parts and machinery. Revenue from services in 2023 relates to repair services.

	2023 BGN	**2022 BGN**
Sale of goods	87 788 787	61 900 405
Rendering of services	4 572 733	3 872 771
	92 361 520	**65 773 176**

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 a 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 2023

On 24 February 2023 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.The management considers that the activity of the Company in the year 2023 has not been negatively affected by the armed invasion of the Russian Federartion into Ukraine.

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:

	2023 BGN	2022 BGN
Classes of financial assets – carrying amounts:		
Trade receivables	2 539 356	1 861 812
Short term lease receivables	-	-
Short-term related party receivables	-	-
Cash and cash equivalents	91 331	7 082 407
Carrying amount	**2 630 687**	**8 944 219**

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. 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 low, since almost all sales in 2023 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 31.12.2023 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.

7. Expected future development of the Company

The Company's management expects increase of 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 2023 for issue on 15 March 2024.

Plamen Ivanov Stoytschev Digitally signed by Plamen Ivanov Stoytschev Date: 2024.03.15 13:30:36 +02'00'

General Manager:.........................

Georgi Panayotov Mitev Digitally signed by Georgi Panayotov Mitev Date: 2024.03.15 11:55:37 +02'00'

Financial Manager.........................

Plamen Stoichev **Georgi Mitev**

Sofia, 15 March 2024

Statement of financial position

Assets	Note	31 December 2023 BGN	31 December 2022 BGN
Non-current assets			
Property, plant and equipment	6	18 388 888	16 950 743
Intangible assets	5	19 898	43 400
Deferred tax assets	7	-	18 561
Non-current assets		**18 408 786**	**17 012 704**
Current assets			
Inventories	8	30 416 993	26 306 824
Prepayments and other assets	11	1 603 341	8 889 155
Trade receivables	10	2 539 356	1 861 813
Short-term finance lease receivables	9	45 109	-
Cash and cash equivalents	12	91 331	9 649 601
Current assets		**34 696 130**	**46 707 393**
Total assets		**53 104 916**	**63 720 097**

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Date: 15.03.2024

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Mariy Apostolov
Managing partner

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Registered auditor responsible for the audit

Grant Thornton OOD, audit firm, registration № 032

Statement of financial position (continued)

Equity and liabilities	**Note**	**31 December 2023 BGN**	**31 December 2022 BGN**
Equity			
Share capital	13.1	3 916 660	3 916 660
Retained earnings		29 938 125	22 436 440
Total equity		**33 854 785**	**26 353 100**
Liabilities			
Non-current liabilities			
Long-term borrowings	16	8 111 525	3 911 660
Long-term lease liabilities	17	187 163	83 721
Pension obligations	15.2	95 825	196 329
Deffered tax liabilities		6 107	-
Non-current liabilities		**8 400 620**	**4 191 710**
Current liabilities			
Trade payables	18	4 186 379	25 094 640
Contract liabilities	20	1 950 188	4 720 791
Other payables	19	1 317 795	529 418
Short-term borrowings	16	651 943	651 943
Provisions	14	922 067	666 288
Pension and other employee obligations	15.2	810 296	706 040
Short-term lease liabilities	17	140 680	90 142
Income tax payables		312 443	127 255
Related party payables	30	557 720	588 770
Current liabilities		**10 849 511**	**33 175 287**
Total liabilities		**19 250 131**	**37 366 997**
Total equity and liabilities		**53 104 916**	**63 720 097**

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

	Note	2023 BGN	2022 BGN
Revenue	21	92 361 520	65 773 176
Other income	22	1 731 171	1 340 992
Gain on sale of non-current assets	23	662 730	364 379
Cost of goods sold		(66 184 062)	(45 877 489)
Cost of materials	24	(600 003)	(578 977)
Hired services expenses	25	(3 428 768)	(3 298 156)
Employee benefits expenses	15.1	(7 475 893)	(6 371 380)
Depreciation and amortisation of non-financial assets	5, 6	(1 480 935)	(1 549 499)
Other expenses	26	(2 722 993)	(1 880 506)
Operating profit		**12 862 767**	**7 922 540**
Finance costs	27	(370 874)	(887 231)
Finance income	27	233 563	435 976
Profit before tax		**12 725 456**	**7 471 285**
Income tax expense	28	(1 312 111)	(768 175)
Profit for the year		**11 413 345**	**6 703 110**
Total comprehensive income for the year		**11 413 345**	**6 703 110**

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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 2023	**3 916 660**	**22 436 440**	**26 353 100**
Dividends		(3 911 660)	(3 911 660)
Total transactions with the sole owner		(3 911 660)	(3 911 660)
Profit for the year		11 413 345	11 413 345
Total comprehensive income for the year		11 413 345	11 413 345
Balance at 31 December 2023	**3 916 660**	**29 938 125**	**33 854 785**

All amounts are presented in BGN	**Share capital**	**Retained earnings**	**Total equity**
Balance at 1 January 2022	**3 916 660**	**19 644 855**	**23 561 515**
Dividends		(3 911 525)	(3 911 525)
Total transactions with the sole owner	-	(3 911 525)	(3 911 525)
Profit for the year	-	6 703 110	6 703 110
Total comprehensive income for the year	-	6 703 110	6 703 110
Balance at 31 December 2022	**3 916 660**	**22 436 440**	**26 353 100**

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General Manager: ______________________
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Date: 15.03.2024

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Statement of cash flows for the year ended 31 December 2023

	Note	2023 BGN	2022 BGN
Operating activities			
Profit before tax		12 725 456	7 471 285
Adjustments	37	(2 287 807)	5 348 015
Net changes in the working capital	37	(17 407 361)	(7 500 137)
Income taxes paid		(1 102 255)	(777 577)
Net cash flow from operating activities		**(8 071 967)**	**4 541 586**
Investing activities			
Purchase of property, plant and equipment		(3 853 802)	(1 427 920)
Proceeds from disposals of property, plant and equipment		2 391 779	1 476 651
Interest received		9 324	4 328
Net cash flow from investing activities		**(1 452 699)**	**53 059**
Financing activities			
Proceeds from borrowings	16	4 851 809	4 889 575
Repayments of borrowings	16	(651 943)	(3 911 652)
Payment of principal element of lease liabilities	16	(181 061)	(164 455)
Interest paid		(140 749)	(89 883)
Dividend paid		(3 911 660)	(3 911 660)
Net cash flow from financing activities		**(33 604)**	**(3 188 075)**
Net change in cash and cash equivalents		**(9 558 270)**	**1 406 570**
Cash and cash equivalents, beginning of year		9 649 601	8 243 031
Cash and cash equivalents, end of year	12	**91 331**	**9 649 601**

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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. Georgi Mitev – Procurator, separately.

The number of employees as at 31 December 2023 is 133.

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 2022) unless otherwise stated.

Going concern principle

The financial statements have been prepared in accordance with the going concern principle. 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 2023

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 2023 but do not have a significant impact on the Company's financial results or position:

- IFRS 17 "Insurance Contracts" effective from 1 January 2023, 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, 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, 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, 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, adopted by the EU
- Amendments to IAS 12 “Income taxes: International Tax Reform – Pillar Two Model Rules”, effective from 1 January 2023, adopted by the EU
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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 2023 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 to IAS 1 “Presentation of financial statements: Classification of liabilities as current or non-current”, effective from 1 January 2024, adopted by the EU
- Amendments to IAS 1 “Presentation of financial statements: Non-current liabilities with covenants”, effective from 1 January 2024, adopted by the EU
- Amendments to IFRS 16 “Leases: Lease Liability in a Sale and Leaseback”, effective not earlier than 1 January 2024, adopted by the EU
- Amendments to IAS 7 “Statement of cash flows” and IFRS 7 “Financial instruments: Disclosures: supplier finance arrangements”, effective from 1 January 2024, not yet adopted by the EU
- Amendments to IAS 21 “The effects of changes in foreign exchange rates: Lack of exchangeability”, effective from 01 January 2025, not yet adopted by the EU

4. Material accounting policy information

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.

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 lease agreements, 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 2022 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 BGN 30 416 993 (2022: BGN 26 306 824) 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 2023	306 120
Balance at 31 December 20223	306 120
Amortisation	
Balance at 1 January 2023	(262 720)
Amortisation	(23 484)
Balance at 31 December 2023	(286 204)
Carrying amount at 31 December 2023	**19 898**

	Computer software and licenses BGN
Gross carrying amount	
Balance at 1 January 2022	305 007
Additions	1 113
Balance at 31 December 2022	306 120
Amortisation	
Balance at 1 January 2022	(238 866)
Amortisation	(23 854)
Balance at 31 December 2022	(262 720)

No material contractual commitments were entered into during 2023 or 2022.
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	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
Gross carrying amount									
Balance at 1 January 2023	16 675 125	705 415	1 286 444	3 645 735	1 714 440	644 761	76 425	725 352	25 473 697
Additions	103 437	64 632	98 825	2 775 292	384 287	95 820		331 509	3 853 802
Disposals	-	(52 646)	-	(2 161 124)	(70 550)	-	-	(107 459)	(2 391 779)
Balance at 31 December 2023	16 778 562	717 401	1 385 269	4 259 903	2 028 177	740 581	76 425	949 402	26 935 720
Depreciation									
Balance at 1 January 2023	(2 543 596)	(666 430)	(1 169 702)	(1 970 250)	(1 130 005)	(585 920)	(76 425)	(380 627)	(8 522 955)
Disposals	-	52 646	-	1 206 797	70 550			103 581	1 433 574
Depreciation	(240 526)	(45 613)	(79 475)	(676 742)	(220 176)	(24 083)	-	(170 836)	(1 457 451)
Balance at 31 December 2023	(2 784 122)	(659 397)	(1 249 177)	(1 440 195)	(1 279 631)	(610 003)	(76 425)	(447 882)	(8 546 832)
Carrying amount at 31 December 2023	**13 994 440**	**58 004**	**136 092**	**2 819 708**	**748 546**	**130 578**	**-**	**501 520**	**18 388 888**

	Land and buildings	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
Gross carrying amount									
Balance at 1 January 2022	16 675 125	660 127	1 239 580	4 244 450	1 655 398	640 947	76 425	679 007	25 871 059
Additions	-	45 288	50 647	1 038 659	196 680	3 814	-	92 831	1 427 919
Disposals	-		(3 783)	(1 637 374)	(137 638)	-	-	(46 486)	(1 825 281)
Balance at 31 December 2022	16 675 125	705 415	1 286 444	3 645 735	1 714 440	644 761	76 425	725 352	25 473 697
Depreciation									
Balance at 1 January 2022	(2 303 656)	(616 990)	(1 068 645)	(1 751 311)	(1 028 177)	(567 788)	(76 425)	(264 678)	(7 677 670)
Disposals	-		3 783	525 838	104 252	-	-	46 486	680 359
Depreciation	(239 940)	(49 440)	(104 840)	(744 777)	(206 080)	(18 132)	-	(162 435)	(1 525 644)
Balance at 31 December 2022	(2 543 596)	(666 430)	(1 169 702)	(1 970 250)	(1 130 005)	(585 920)	(76 425)	(380 627)	(8 522 955)
Carrying amount at 31 December 2022	**14 131 529**	**38 985**	**116 742**	**1 675 485**	**584 435**	**58 841**	**-**	**344 725**	**16 950 742**

The Company has not a contractual commitment to acquire assets as of 31 December 2022 and 2023.

The Company has property, plant and equipment pledged as security for its liabilities with net book value of BGN 10 086 152 as of 31 December 2023 (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 2023 BGN**	**Recognised in profit and loss BGN**	**31 December 2023 BGN**
Privisions	(266 605)	(61 296)	(327 902)
Property, plant and equipment	317 958	35 799	353 757
Trade and other receivables	(69 914)	50 166	(19 748)
	(18 561)	24 669	6 107
Recognised as:			
Deferred tax assets	(336 519)		(347 650)
Deferred tax liabilities	317 958		353 757
Net deferred tax iabilities/(assets)	(18 561)		6 107

Deferred taxes for the comparative period 2022 can be summarized as follows:

Deferred tax liabilities (assets)	**1 January 2022 BGN**	**Recognised in profit and loss BGN**	**31 December 2022 BGN**
Privisions	(256 010)	(10 595)	(266 605)
Property, plant and equipment	297 883	20 075	317 958
Trade and other receivables	(42 055)	(27 859)	(69 914)
	(182)	(18 379)	(18 561)
Recognised as:			
Deferred tax assets	(298 065)		(336 519)
Deferred tax liabilities	297 883		317 958
Net deferred tax liabilities/(assets)	(182)		(18 561)

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:

	2023 BGN	**2022 BGN**
Goods for resale	30 413 893	26 303 724
Raw materials and consumables	3 100	3 100
Inventories	**30 416 993**	**26 306 824**

In 2023, a total of BGN 1 458 640 of inventories was included in profit and loss as an expense (2022: BGN 1 254 175). This includes an amount of BGN 276 762 resulting from write down of inventories (2022: BGN 132 154).

Reversal of previous write-downs recognized as a reduction of expense is BGN 16 312 (2022: BGN 39 629).

9. Finance lease receivables

	2023 BGN	2022 BGN
Current finance lease receivables	45 109	-
Finance lease receivables	**45 109**	**-**

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 2023			
Lease payments	46 011	-	46 011
Finance expense	(902)	-	(902)
Net present values	**45 109**	**-**	**45 109**

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 2023 was BGN 16 718.

Interest income from finance lease agreements in 2023 was BGN 1787.

10. Trade receivables

	2023 BGN	2022 BGN
Trade receivables, gross	2 841 574	2 164 031
Allowance for expected credit	(302 218)	(302 218)
Trade receivables	**2 539 356**	**1 861 813**

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 allowance for credit losses of BGN 12 612 (2022: BGN 19 144) was recognised 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:

	2023 BGN	2022 BGN
DPM EAD KRUMOVGRAD	625 478	296 602
Assarel Medet AD	376 463	671 993
Geotrading EOOD	84 880	59 830
Others	1 452 535	833 388
	2 539 356	**1 861 813**

11. Prepayments and other assets

	2023 BGN	2022 BGN
Receivables from Caterpilar	677 267	7 250 390
Advance payments	738 493	1 271 144
Prepaid expenses	58 572	264 503
Others	129 008	103 118
Other receivables	**1 603 341**	**8 889 155**

12. Cash and cash equivalents

Cash and cash equivalents include the following components:

	2023 BGN	2022 BGN
Cash on hand:		
- EUR	696	928
- BGN	16 147	13 363
- GBP	1	298
Cash on hand	**16 844**	**14 589**
Cash at bank:		
- EUR	16 641	352 937
- BGN	45 488	6 440 907
- USD	12 358	273 974
Cash at bank	**74 487**	**7 067 818**
Deposits up to 3 months	**-**	**2 567 194**
Cash and cash equivalents	**91 331**	**9 649 601**

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 BGN 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.

	2023 Number of shares	2022 Number of shares
Number of shares issued and fully paid,		
- beginning of the year	391 666	391 666
Total number of shares authorised as at 31 December	**391 666**	**391 666**

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

	31 December 2023 Number of shares	31 December 2023 %	31 December 2022 Number of shares	31 December 2022 %
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 2023	666 288
Additional provisions	282 555
Amounts utilised	(26 776)
Carrying amount 31 December 2023	**922 067**
Classified as:	
Current liabilities	**922 067**

	Warranty BGN
Carrying amount 1 January 2022	706 368
Additional provisions	6 288
Amounts utilised	(46 368)
Carrying amount 31 December 2022	**666 288**
Classified as:	
Current liabilities	**666 288**

Provisions are recognised 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:

	2023 BGN	2022 BGN
Wages and salaries	(6 640 336)	(5 624 717)
Social security costs	(835 557)	(746 663)
Employee benefits expense	**(7 475 893)**	**(6 371 380)**

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:

	2023 BGN	2022 BGN
Non-current:		
Pension provisions	95 825	196 329
Non-current pension and other employee obligations	**95 825**	**196 329**
Current:		
Pension provisions	151 635	51 131
Other employee obligations for salaries and social security obligations	658 661	654 909
Current pension and other employee obligations	**810 296**	**706 040**

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 2023	**Within 1 year BGN**	**From 1 to 5 years BGN**	**From 5 to 8 years BGN**	**Total BGN**
Gross amount due	154 440	67 636	30 260	252 336
Discount 1.85-2.7%	(2 805)	(1 274)	(797)	(4 876)
Discounted cash flows	**151 635**	**66 362**	**29 463**	**247 460**

31 December 2022	**Within 1 year BGN**	**From 1 to 5 years BGN**	**From 5 to 8 years BGN**	**Total BGN**
Gross amount due	52 077	29 260	174 400	255 737
Discount 1.85%	(946)	(1 053)	(6 278)	(8 277)
Discounted cash flows	**51 131**	**28 207**	**168 122**	**247 460**

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

	2023 BGN	**2022 BGN**
Pension provisions at 1 January	**247 460**	**187 709**
Increase of pension provisions	-	59 751
Pension provisions at 31 December	**247 460**	**247 460**
of which, non-current liabilities	95 825	196 329

The increase of pension provisions is recognised 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**	
	2023 BGN	**2022 BGN**	**2023 BGN**	**2022 BGN**
Financial liabilities measured at amortized cost				
Loans from financial institutions	651 943	651 943	8 111 525	3 911 660
Total carrying amounts	**651 943**	**651 943**	**8 111 525**	**3 911 660**

16.1. Borrowings at amortised cost

1. Loan Facility № 22F-000525 /17.05.2023 EUR 2 500 000

Bank **– United Bulgarian Bank**
Maturity date – 20.05.2026
Pledges – Land and buildings in Sofia and Stara Zagora with carrying amount BGN 10 086 152.
As at 31 December 2023 the total amount of the loan was BGN 3 911 660 and classified as short-term debt BGN 651 943 and long term debt BGN 3 259 717.

2. Overdraft contract № 7/16.02.2018 BGN 6 000 000
Annex № 11/15.03.2023 – prolongation of the contract.
Annex № 12/25.04.2023 – prolongation of the contract.
Annex № 13/01.06.2023 – prolongation of the contract.
Bank **– United Bulgarian Bank**
Maturity date– 31.03.2025
Pledges – Land and buildings in Sofia and Stara Zagora.
As at 31 December 2023 the total amount of the loan was BGN 4 851 808.

3. Overdraft contract № 100-4973/09.08.2023 EUR 2 000 000
Bank **– Eurobank Bulgaria AD**
Maturity date– 09.08.2025
Pledges – Collateral of the goods on stock.
Fully repaid as at 31.12.2023

Interests on above stated loans are in range from 1.35 % to 6.70 % annually.

4. Credit line from 30.05.2019
Creditor: – **Caterpillar Financial Corporation Financiera S.A**
Fully repaid as at 31.12.2023

16.2. Reconciliation of liabilities arising from financing activities

	Long-term borrowings BGN'000	Short-term borrowings BGN'000	Lease liabilities BGN'000	Total BGN'000
1 January 2023	**3 911 660**	**651 943**	**173 863**	**4 737 466**
Cash flows:				
Repayment	(651 943)	-	(181 061)	(833 004)
Proceeds	4 851 808	-	335 041	5 186 849
31 December 2023	**8 111 525**	**651 943**	**327 843**	**9 091 311**

	Long-term borrowings BGN'000	Short-term borrowings BGN'000	Lease liabilities BGN'000	Total BGN'000
1 January 2022	**-**	**3 585 680**	**242 198**	**3 827 878**
Cash flows:				
Repayment		(3 911 652)	(164 455)	(4 076 107)
Proceeds	3 911 652	977 923	96 120	4 985 695
Non-cash:				
Reclassification	8	(8)	-	-
31 December 2022	**3 911 660**	**651 943**	**173 863**	**4 737 466**

17. Lease liabilities

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

	2023 BGN	2022 BGN
Lease liabilities – non-current portion	187 163	83 721
Lease liabilities – current portion	140 680	90 142
Lease liabilities	**327 843**	**173 863**

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 2023	**Within 6 months BGN**	**From 6 to 12 months BGN**	**From 1 to 5 years BGN**	**Total BGN**
Lease liabilities	70 340	70 340	187 163	**327 843**

31 December 2022	**Within 6 months BGN**	**From 6 to 12 months BGN**	**From 1 to 5 years BGN**	**Total BGN**
Lease liabilities	67 940	22 202	83 721	**173 863**

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 2023 relating to payments not included in the measurement of the lease liability are as follows:

	2023 BGN	2022 BGN
Expenses on short-term leases	65 625	85 849

At 31 December 2023 the Company is committed to short-term leases and the total commitment at that date is BGN 11 000 (2022: BGN 11 000).

Total interest expense for leases, included in finance cost, for the year ended 31 December 2023 was BGN 3 535 (2022: BGN 3 288).

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:

	2023 BGN	2022 BGN
Caterpillar SARL	3 363 828	23 999 975
Others	822 551	1 094 665
Current trade payables	**4 186 379**	**25 094 640**

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

19. Other payables

	2023 BGN	2022 BGN
VAT and other tax payables	557 637	284 548
Other liabilities	760 158	244 870
Current other payables	**1 317 795**	**529 418**

20. Contract liabilities

	2023 BGN	2022 BGN
Contract liabilities - advances for delivery of goods	**1 950 188**	**4 720 791**

21. Revenue

The Company's revenue can be analysed as follows:

	2023 BGN	2022 BGN
Sale of goods	87 788 787	62 429 770
Rendering of services	4 572 733	3 343 406
	92 361 520	**65 773 176**

Revenue from contracts with customers

	Bulgaria	Greece	Other Central and Western Europe countries	Other Balkan countries	Other non-European countries	**Total**
2023	**BGN**	**BGN**	**BGN**	**BGN**	**BGN**	**BGN**

Revenue recognised						
At a point in time	80 869 870	49 086	4 494 966	860 351	2 111 009	88 385 282
Over time	3 759 306	5 328	200 275	524	10 805	3 976 238
	84 629 176	**54 414**	**4 695 241**	**860 875**	**2 121 814**	**92 361 520**

	Revenue from contracts with customers					
	Bulgaria	Greece	Other Central and Western Europe countries	Other Balkan countries	Other non-European countries	**Total**
2022	**BGN**	**BGN**	**BGN**	**BGN**	**BGN**	**BGN**
Revenue recognised						
At a point in time	59 515 381	98 652	1 908 126	637 619	269 992	62 429 770
Over time	3 239 752	12	86 712	2 458	14 472	3 343 406
	62 755 133	**98 664**	**1 994 838**	**640 077**	**284 464**	**65 773 176**

22. Other income

	2023 BGN	**2022 BGN**
Operating lease rentals	1 364 080	1 166 579
Other	367 091	174 413
	1 731 171	**1 340 992**

	2023 BGN	**2022 BGN**
Recognised at point in time	367 091	174 413
Recognised over period of time	1 364 080	1 166 579
	1 731 171	**1 340 992**

23. Gain on sale of non-current assets

	2023 BGN	**2022 BGN**
Proceeds from sale of non-current assets	1 617 057	1 476 651
Carrying amount of non-current assets sold	(954 327)	(1 112 272)
Gain on sale of non-current assets	**662 730**	**364 379**

24. Cost of materials

Cost of materials includes:

	2023 BGN	**2022 BGN**
Spare parts	(90 506)	(70 995)
Fuel	(345 541)	(376 411)

Others	(163 956)	(131 571)
	(600 003)	**(578 977)**

25. Hired services expenses

Hired services expenses include:

	2023 BGN	2022 BGN
Consultancy fees	(611 242)	(566 216)
Repairment and servicing	(602 524)	(16 520)
Insurances	(293 548)	(769 278)
Security	(277 097)	(556 461)
Short-term rents	(89 971)	(238 431)
Advertisement	(155 668)	(236 827)
Legal fees	(48 665)	(232 299)
Transportation	(257 620)	(142 913)
Utilities	(173 683)	(85 849)
IT and communications costs	(72 828)	(66 526)
Others	(845 922)	(386 836)
	(3 428 768)	**(3 298 156)**

26. Other expenses

	2023 BGN	2022 BGN
Parts on warranties	(927 683)	(715 743)
Business trips	(355 257)	(240 637)
Taxes	(106 198)	(135 766)
Write down of inventories	(276 762)	(108 027)
Representation costs	(114 471)	(135 613)
Impairment of trade receivables	(12 612)	-
Others	(930 010)	(544 720)
	(2 722 993)	**(1 880 506)**

27. Finance costs and finance income

	2023 BGN	2022 BGN
Interest expenses for loans and overdrafts	(137 214)	(86 595)
Interest expenses for lease liabilities	(3 535)	(3 288)
Total interest expenses for financial liabilities not at fair value through profit or loss	**(140 749)**	**(89 883)**
Bank charges	(43 021)	(57 249)

Loss on foreign currency exchange rate differences	(187 104)	(740 099)
Finance costs	**(370 874)**	**(887 231)**

	2023 BGN	2022 BGN
Interest income on financial lease contract	9 324	4 328
Total interest income for financial assets not at fair value through profit or loss	9 324	4 328
Gain on foreign currency exchange rate differences	224 240	431 648
Finance income	**233 564**	**435 976**

28. Income tax expense

The relationship between the expected tax expense based on the applicable tax rate in Bulgaria of 10 % (2022: 10 %) and the reported tax expense actually in profit or loss can be reconciled as follows:

	2023 BGN	2022 BGN
Profit before tax	12 725 456	7 471 285
Tax rate	10%	10%
Expected tax expense	(1 272 546)	(747 128)
Increase of the financial result for tax purposes	(387 614)	(419 964)
Decrease of the financial result for tax purposes	372 718	380 538
Current tax expense	(1 287 442)	(786 554)
Deferred tax expense:		
Origination and reversal of temporary differences	(24 669)	18 379
Income tax expense	**(1 312 111)**	**(768 175)**

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

29. Related party transactions

The Company's related parties include its owner Eltrak S.A., ultimate parent CP Holdings, 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

	2023 BGN	2022 BGN
Sales of goods		
- sales of goods to sole owner Eltrak S.A.	11 692	98 476
- sales of services to sole owner Eltrak S.A.	1 408	188
Purchases of goods and services		
- purchases of goods from sole owner Eltrak S.A.	19 867	308 524
- purchase of services from ultimate owner CP Holdings	346 957	340 479
Dividends paid to sole owner Eltrak S.A.	3 911 660	3 911 525

29.2. Transactions with key management personnel

Key management personnel remuneration includes the following expenses:

	2023 BGN	2022 BGN
Short-term employee benefits:		
Salaries including bonuses	391 024	287 636
Social security costs	31 504	15 222
Total short-term employee benefits	422 528	302 858
Total remuneration	**422 528**	**302 858**

30. Related party balances at year-end

	2023 BGN	2022 BGN
Current payables to:		
- ultimate owner CP Holdings	557 720	588 770
Total current payables to related parties	557 720	588 770
Total payables to related parties	**557 720**	**588 770**

31. Contingent assets and contingent liabilities

There are no contingent liabilities as of 31 December 2023. 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 2023.

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**	**2023 BGN**	**2022 BGN**
Debt instruments at amortised cost			
Trade receivables	10	2 539 356	1 861 813
Short term lease receivables	9	45 109	-
Cash and cash equivalents	12	91 331	9 649 601
		2 675 796	**11 511 414**

Financial liabilities	**Note**	**2023 BGN**	**2022 BGN**
Financial liabilities at amortised cost			
Borrowings	16	8 763 468	4 563 603
Lease liabilities	17	327 843	173 863
Trade payables	18	4 186 379	25 094 640
Related party payables	30	557 720	588 770
		13 835 410	**30 420 876**

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 2023		
Financial assets	12 358	1
Total exposure	**12 358**	**1**
31 December 2022		
Financial assets	273 974	298
Total exposure	**273 974**	**298**

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 2023, 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:

	2023 BGN	2022 BGN
Debt instruments at amortised cost	**8 763 468**	**4 563 603**

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 2023, the Company's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

	Current		Non-current
31 December 2023	**Within 6 months BGN**	**6 to 12 months BGN**	**1 to 5 years BGN**
Other borrowings	325 972	325 972	8 111 525
Lease liabilities	70 340	70 340	187 163
Trade payables	4 186 379	-	-

Other payables	1 317 795	-	-
Related party payables	557 720	-	-
Total	**6 458 206**	**396 312**	**8 298 688**

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 2022	**Within 6 months BGN**	**6 to 12 months BGN**	**1 to 5 years BGN**
Other borrowings	325 972	325 971	3 911 660
Lease liabilities	67 940	22 202	83 721
Trade payables	25 094 640	-	-
Other payables	529 418	-	-
Related party payables	588 770	-	-
Total	**26 606 740**	**348 173**	**3 995 381**

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 2023**		**31 December 2022**	
	Fair value BGN	**Carrying amount BGN**	**Fair value BGN**	**Carrying amount BGN**
Debt instruments at amortised cost				
Short term financial asstes			-	-
Trade receivables	2 539 356	2 539 356	1 861 813	1 861 813
Cash and cash equivalents	91 331	91 331	9 649 601	9 649 601
	2 630 687	**2 630 687**	**11 511 414**	**11 511 414**

Financial liabilities	**31 December 2023**		**31 December 2022**	
	Fair value BGN	**Carrying amount BGN**	**Fair value BGN**	**Carrying amount BGN**
Financial liabilities measured at amortised cost				
Borrowings	8 763 468	8 763 468	4 563 603	4 563 603
Lease liabilities	327 843	327 843	173 863	173 863

Trade payables	4 186 379	4 186 379	25 094 640	25 094 640
Related party payables	557 720	557 720	588 770	588 770
	13 835 410	**13 835 410**	**30 420 876**	**30 420 876**

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:

	2023 BGN	2022 BGN
Equity	33 854 784	26 353 100
Total liabilities	19 250 132	37 366 997
- Cash and cash equivalents	(91 331)	(9 649 601)
Net debt	**19 158 801**	**27 717 396**
Equity to net debt	**1:1.77**	**1:0.95**

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.

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	**2023 BGN**	**2022 BGN**
Depreciation, amortization and impairment of non-financial assets	1 480 953	1 549 498
Interest income	(9 324)	(4 327)
Interest expenses	140 748	89 883
Impairment of financial assets and written receivables	12 612	19 143
Write down of inventories	276 762	132 153
Other non-cash movements	(3 526 828)	3 926 043
Gain on sale of non-financial assets	(662 730)	(364 378)
Total adjustments	**(2 287 807)**	**5 348 015**

Net changes in the working capital	2023 BGN	2022 BGN
Change in inventories	(4 110 168)	(8 408 975)
Change in deposits	-	(1 000 013)
Change in trade and other receivables	6 563 161	(3 939 464)
Change in trade and other payables	(20 119 884)	5 730 805
Change in pension and other employee obligations	3 752	157 589
Change in provisions	255 778	(40 079)
Total changes in the working capital	**(17 407 361)**	**(7 500 137)**

38. Authorisation of the financial statements

The financial statements for the year ended 31 December 2023 (including comparatives) were approved by the manager on 15.03.2024.