Financial Statements
“MIRKAT” OOD
31 December 2018

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Financial Statements
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CONTENT

INDEPENDENT AUDITOR'S REPORT

To the owners of
"MIRKAT" OOD
Pop Gruyu Str. No.96, Sofia, Bulgaria

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **"MIRKAT" OOD** (the Company), which comprise the statement of financial position as at 31 December 2018 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 2018 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 Ethics Standards Board for Accountants' Code of Ethics for Professional 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.

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

Gergana Mihaylova
Registered Auditor

4 April 2019
Bulgaria, Sofia 1680, Sinanishko ezero Srt. 9, app. 37

Statement of financial position as at 31.12.2018

	Notes	2018 BGN'000s	2017 BGN'000s
Assets			
Non-current			
Property, plant and equipment	6	6 957	7 428
Intangible assets	7	50	60
Long - term receivables	8	120	135
Deferred tax assets	10	884	251
		8 011	**7 874**
Current			
Inventories	11	3 300	2 754
Trade receivables	12	7 419	13 512
Related parties receivables	30.3	43	449
Other receivables	13	2 242	1 925
Cash and cash equivalents	14	759	387
		13 763	**19 027**
Total assets		**21 774**	**26 901**

Prepared by:
Aleksander Stoykov, ABCC OOD

Date: 28.03.2019

Manager:
G. Papakonstantinou

„АКАУНТИНГ ЕНД БИЗНЕС КОНСАЛТИНГ ЦЕНТЪР" ООД СОФИЯ

МИРКАТ ООД СОФИЯ

Audited according to the auditor's report dated 4 April 2019

Gergana Mihaylova
Registered auditor

Statement of financial position as at 31.12.2018

	Notes	2018 BGN’000s	2017 BGN’000s
Equity			
Share capital	15.1	16 165	16 165
Revaluation reserve	15.2	197	208
Other reserves	15.2	95	95
Accumulated loss		(12 799)	(8 079)
Total equity		**3 658**	**8 389**
Liabilities			
Non-current			
Long-term financial liabilities	16	6 313	-
Finance lease liabilities	9.1	639	-
Employee benefits	21.3	47	39
Deferred income		124	-
Other non-current liabilities	17	4	4
		7 127	**43**
Current			
Short-term financial liabilities	18	13	6 520
Finance lease liabilities	9.1	186	140
Trade payables	20	234	282
Related parties payables	30.3	10 154	10 991
Payables to employees and social security institutions	21.2	73	76
Other payables	22	329	460
		10 989	**18 469**
Total liabilities		**18 116**	**18 512**
Total equity and liabilities		**21 774**	**26 901**

Prepared by:
Aleksander Stoykov, ABCC OOD

Manager:
G. Papakonstantinou

Date: 28.03.2019
Audited according to the auditor’s report dated 4 April 2019

Gergana Mihaylova
Registered auditor

ОДИТИНГ ЕНД БИЗНЕС КОНСАЛТИНГ ЦЕНТЪР ООД СОФИЯ

МИРКАТ ООД СОФИЯ

Statement of profit and loss and other comprehensive income for the year ended at 31.12.2018

	Notes	2018 BGN'000s	2017 BGN'000s
Sales revenue:	23	**18 661**	**17 529**
Goods for sale		15 367	14 896
Services		3 269	2 460
Other		25	173
Cost of materials	24	(187)	(144)
Hired services expenses	25	(2 314)	(1 944)
Employee benefit expenses	21.1	(1 065)	(863)
Depreciation, amortization and impairment of non-financial assets	6,7	(987)	(860)
Other expenses	26	(2 408)	(3 372)
Cost of sold goods and other assets		(12 841)	(12 280)
Gain on sale of non-current assets		6	4
Operating loss		**(1 135)**	**(1 930)**
Finance income	27	16	10
Finance expenses	28	(243)	(376)
Net finance expense		**(227)**	**(366)**
Loss for the year before tax		**(1 362)**	**(2 296)**
Income tax expense	29	233	(102)
Net loss for the year		**(1 129)**	**(2 398)**
(Other comprehensive loss)/income			
Remeasurement of defined benefit liability		(11)	(2)
(Other comprehensive loss)/income for the year after taxes		**(11)**	**(2)**
Total comprehensive loss for the year		**(1 140)**	**(2 400)**

Prepared by:
Aleksander Stoykov, ABCC OOD

Manager:
G. Papakonstantinou

Date: 28.03.2019

Audited according to the auditor's report dated 4 April 2019

Gergana Mihaylova
Registered auditor

"АКАУНТИНГ ЕНД БИЗНЕС КОНСАЛТИНГ ЦЕНТЪР" ООД СОФИЯ

МИРКАТ ООД СОФИЯ

Statement of changes in equity for the year ended at 31.12.2018

All amounts presented in BGN'000s	Share Capital	Premium reserve	Revaluation reserve	Retained earnings	Total Equity
Balance 1 January 2017	**16 165**	**95**	**210**	**(5 681)**	**10 789**
Loss for the year	-	-	-	(2 398)	(2 398)
Other comprehensive loss for the year	-	-	(2)	-	(2)
Total comprehensive loss for the year	-	-	(2)	(2 398)	(2 400)
Balance 31 December 2017	**16 165**	**95**	**208**	**(8 079)**	**8 389**
Balance 1 January 2018	**16 165**	**95**	**208**	**(8 079)**	**8 389**
Adjustments from the adoption of IFRS 9 - note 3.1	-	-	-	(3 591)	(3 591)
Balance at 1 January 2018 (restated)	**16 165**	**95**	**208**	**(11 670)**	**4 798**
Loss for the year	-	-	-	(1 129)	(1 129)
Other comprehensive loss for the year	-	-	(11)	-	(11)
Total comprehensive loss for the year	-	-	(11)	(1 129)	(1 140)
Balance 31 December 2018	**16 165**	**95**	**197**	**(12 799)**	**3 658**

Prepared by:
Aleksander Stoykov, ABCC OOD

Manager:
G. Papakonstantinou

Date: 28.03.2019

Audited according to the auditor's report dated 4 April 2019

Gergana Mihaylova
Registered auditor

The notes on pages 6 to 46 are an integral part of the financial statements

Statement of cash flows (indirect) method for the year ended at 31.12.2018

	Notes	2018 BGN'000s	2017 BGN'000s
Operating activities			
Loss for the year before tax		(1 362)	(2 296)
Adjustments		3 388	2 204
(Increase)/decrease in inventories		(546)	273
Decrease/(increase) in trade and other receivables		1 451	2 077
(Decrease)/increase in trade and other payables		(1 019)	(257)
Net cash flows from operating activities		**1 912**	**2 001**
Investing activities			
Purchase of property, plant and equipment		(680)	(1 507)
Purchase of intangible assets		(22)	(60)
Proceeds from sale of property, plant and equipment		34	20
Loans granted		(146)	-
Loan repayments received		146	-
Net cash flows from investing activities		**(668)**	**(1 547)**
Financing activities			
Repayment of bank loans		(117)	(352)
Repayment of finance lease liabilities		(448)	(42)
Payment of bank charges		(32)	(34)
Interest paid		(260)	(342)
Net cash flows from financing activities		**(857)**	**(770)**
Cash and cash equivalents, beginning of year		387	713
Exchange losses on cash and cash equivalents		(15)	(10)
Net increase/(decrease) in cash and cash equivalents		387	(316)
Cash and cash equivalents, end of year	14	**759**	**387**

Prepared by:
Aleksander Stoykov, ABCC OOD

Manager:
G. Papakonstantinou

Date: 28.03.2019

Audited according to the auditor's report dated 4 April 2019

Gergana Mihaylova
Registered auditor

The notes on pages 6 to 46 are an integral part of the financial statements

Notes to the financial statements

1 General information

"MIRKAT" OOD is registered as a limited liability company at the Sofia City Court under company case file No. 13448/1993, with a domicile and a registered office located at: No.96 Pop Gruyu street, City of Sofia, Republic of Bulgaria. The Company is managed and represented by Georgios Papakonstantinou.

The company has no branches or offices registered at the territory of the country. The average number of employees for 2018 is 32 people (2017 is 27 people).

The principal activity of the Company consists of:
- sales and leasing of cars and motorcycles of the SUZUKI trade mark
- sales of electricity generators, propeller engines for motorboats of the SUZUKI trade mark etc.

The financial report as of 31 December 2018 (including the comparative information as of 31 December 2017) was approved and endorsed by the manager of the Company on 30 March 2019.

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 owner of 100.00 % of "Mirkat" Ltd.' s share capital is the Greek company "Sfakianakis" A.E.B.E. The company owner has been prepared a consolidated financial statement which includes the subsidiary company "Mirkat" Ltd.

Management is responsible for the preparation and fair presentation of the information in these financial statements.

The financial statements are presented in Bulgarian leva (BGN), which is also the functional currency of the Company. All amounts are presented in thousand Bulgarian leva (BGN'000) (including comparative information for 2017) unless otherwise stated.

The financial statements are prepared under the going concern principle.

As at the date of preparation of these financial statements, management have made an assessment of the Company's ability to continue as a going concern based on available information for the foreseeable future. After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

3 Changes in accounting policies

3.1. New standards, amendments and interpretations to existing standards that are effective for annual periods beginning on or after 1 January 2018

The Company has adopted the following new standards, amendments and interpretations to IFRS issued by the International Accounting Standards Board, which are relevant to and effective for the Company's financial statements for the annual period beginning 1 January 2018:

IFRS 9 "Financial instruments" effective from 1 January 2018, adopted by the EU

IFRS 9 "Financial instruments" replaces IAS 39 "Financial Instruments: Recognition and Measurement". It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for the impairment of financial assets.

When adopting IFRS 9, the Company has applied transitional relief and opted not to restate prior periods. Differences arising from the adoption of IFRS 9 in relation to classification, measurement, and impairment are recognised in retained earnings.

IFRS 9 also contains new requirements on the application of hedge accounting. The new requirements look to align hedge accounting more closely with entities' risk management activities by increasing the eligibility of both hedged items and hedging instruments and introducing a more principles-based approach to assessing hedge effectiveness. The Company applies the new hedge accounting requirements prospectively and all hedges qualify for being regarded as continuing hedging relationships.

The adoption of IFRS 9 has impacted the following areas:

- Classification and measurement of the Company's financial assets

Management holds most financial assets to collect the associated cash flows.

	Measurement category		Effect of application IFRS 9		
Current financial assets	**Financial assets according to IAS 39**	**Financial assets according to IFRS 9**	**Carrying amount 31 December 2017 IAS 39**	**Expected credit loss**	**Carrying amount 1 January 2018 IFRS 9**
Trade receivables	Loans and receivables	Amortised cost	13 512	(3 990)	9 522
Related parties receivables	Loans and receivables	Amortised cost	449	-	449
Other receivables	Loans and receivables	Amortised cost	1 099	-	1 099
Cash and cash equivalents	Loans and receivables	Amortised cost	387	-	387
			15 447	**(3 990)**	**11 457**

- Impairment of financial assets applying the expected credit loss model

The expected credit loss model affects the Company's trade and other receivables and receivables from related parties. For contract assets arising from IFRS 15 and trade and other receivables and receivables from related parties, the Company applies a simplified model of recognising lifetime expected credit losses as these items do not have a significant financing component.

The loss allowances for trade receivables as at 31 December 2017 reconcile to the opening loss allowances on 1 January 2018 as follows:

	Impairment of trade receivables
	BGN'000
At 31 December 2017 – calculated under IAS 39	978
Amounts recognised in retained earnings from the adoption of IFRS 9	3 990
As at 1 January 2018 – calculated under IFRS 9	**4 968**

IFRS 15 "Revenue from Contracts with Customers" effective from 1 January 2018, adopted by the EU

IFRS 15 "Revenue from Contracts with Customers" and the related Clarifications to IFRS 15 "Revenue from Contracts with Customers" (hereinafter referred to as IFRS 15) replace IAS 18 "Revenue", IAS 11 "Construction Contracts" and several revenue-related Interpretations. When adopting IFRS 15, the Company has applied transitional relief and opted not to restate prior periods, the cumulative effect of initial application recognised as an adjustment to the opening balance of retained earnings at 1 January 2018. In accordance with the transition guidance, IFRS 15 has only been applied to contracts that are incomplete as at 1 January 2018.

Some of the Company's contracts comprise a variety of performance obligations. Under IFRS 15, the Company must evaluate the separability of the promised goods or services based on whether they are 'distinct'. A promised good or service is 'distinct' if both:

- the customer benefits from the item either on its own or together with other readily available resources, and
- it is 'separately identifiable'.

While this represents significant new guidance, the implementation of this new guidance did not have a significant impact on the timing or amount of revenue recognised by the Company in any year.

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 2018 and have not been adopted early by the Company. Information on those expected to be relevant to the Company's financial statements is provided below.

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.

IFRS 16 "Leases" effective from 1 January 2019, adopted by the EU

This standard replaces the current guidance in IAS 17 "Leases" and is a far-reaching change in accounting by lessees in particular.

Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognize a lease liability reflecting future lease payments and a 'right-of-use-asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees.

For lessors, the accounting stays almost the same.

Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Management is yet to fully assess the impact of the Standard and therefore is unable to provide quantified information. However, in order to determine the impact, the Company is in the process of:

- performing a full review of all agreements to assess whether any additional contracts will now become a lease under IFRS 16's new definition;

- deciding which transitional provision to adopt; either full retrospective application or partial retrospective application (which means comparatives do not need to be restated). The partial application method also provides optional relief from reassessing whether contracts in place are, or contain, a lease, as well as other reliefs. Deciding which of these practical expedients to adopt is important as they are one-off choices.

- assessing their current disclosures for finance leases and operating leases as these are likely to form the basis of the amounts to be capitalised and become right-of-use assets. As at the reporting date, the Company has non-cancellable operating lease commitments of BGN 546 thousand.

- determining which optional accounting simplifications apply to their lease portfolio and if they are going to use these exemptions;

- considering the IT system requirements and whether a new leasing system is needed. This is being considered in line with implementing IFRS 15 and IFRS 9, so the Company only have to undergo one set of system changes;

- assessing the additional disclosures that will be required.

The expected effects of applying the standard can be presented as follows:

Right-of-use assets	**01.01.2019 BGN'000**
Right-of-use assets, recognized as:	
- Property, plant and equipment	529

Lease liabilities	**01.01.2019 BGN'000**
Aging analysis of lease liabilities:	
- Up to 1 year	313
- 1 to 5 years	233
Total amount of undiscounted lease liabilities	**546**
Discount	(17)
Total amount of present value of lease liabilities	**529**
Current portion	300
Non-current portion	229
Total amount of present value of lease liabilities	**529**

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 2018 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:

- IFRS 9 "Financial Instruments" (amended) – Prepayment features with negative compensation, effective from 1 January 2019, adopted by the EU
- IFRS 14 "Regulatory deferral accounts" effective from 1 January 2016, not yet adopted by the EU
- IFRS 17 "Insurance Contracts" effective from 1 January 2021, not yet adopted by the EU
- IAS 19 "Employee benefits" (amended) – Plan amendment, curtailment or settlement - effective from 1 January 2019, not yet adopted by the EU

- IAS 28 "Investments in associates and joint ventures" (amended) – Long-term interests in associates and joint ventures effective from 1 January 2019, not yet adopted by the EU
- IFRIC 23 "Uncertainty over income tax treatments" effective from 1 January 2019, not yet adopted by the EU
- Annual Improvements to IFRSs 2015-2017 effective from 1 January 2019, not yet adopted by the EU

4 Accounting policy

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 on the historical cost basis except for the revaluation of certain properties and certain financial assets and liabilities. The measurement bases are more fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in 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 Foreign currency translation

The separate elements of the financial statements of the Company are in the currency of the main economic environment in which it carries out its activities ("functional currency"). Company's financial statements are presented in Bulgarian Leva (BGN), which is also is the functional currency of the Company.

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 translation of remaining balances at year-end exchange rates are recognized in the income statement.

The Currency Board was introduced in Bulgaria on 1 July 1997 following the recommendations by the International Monetary Fund (IMF) and fixed the value of the BGN against the DEM in ration 1:1. Following the introduction of the EURO, the BGN was fixed to the EURO at rate 1 EURO = 1.95583 BGN. On 31 December 2018 the closing exchange rate of the BGN in relation to the Japanese Yen was 100 JPY = BGN 1.5541, in relation to the US Dollar – 1USD = BGN 1.70815, and in relation to the pound sterling – 1GBP = BGN 2.18643.

4.3 Revenue

The basic revenue generated by the Company is related to sale of goods and services.

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.

The Company enters into transactions involving a range of the Company's products and services.

In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

4.3.1. Revenue recognized over time

After-Sales Services

The Company enters into fixed price maintenance and extended warranty contracts with its customers for terms four years in length. Customers are required to pay in advance and the relevant payment due dates are specified in each contract.

Rendering of services

Services rendered by the Company comprise of the Workshop's services and consists usually of one performance obligation.

Revenue from Workshop's services 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.

When recognizing the revenue from the provided service, the company applies stage of completion method taking into account outputs.

4.3.2. Revenue recognized at a point of time

Sale of goods

Sale of goods comprises the sale of new cars, used cars, spare parts. 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.

4.3.3. Interest income

Interest income is reported on an accrual basis using the effective interest method in accordance with the requirements of IFRS 9 "Financial instruments".

4.4 Contract assets and liabilities

The Company recognizes contract assets and/ or liabilities when one of the parties in the contract has fulfilled its obligations depending on the relationship between the business of the company and the payment by the client. The Company presents separately any unconditional right to remuneration as a receivable. The receivable is the unconditional right of the company to receive remuneration.

A contract liability is presented in the statement of financial position where a customer has paid an amount of consideration prior to the entity performing by transferring the related good or service to the customer.

The Company recognizes contract assets when performance obligations are satisfied, and payment is not due on behalf of the client. A contract asset is the right of a company to receive remuneration in exchange for the goods or services that the company has transferred to a customer.

Subsequent the Company measures a contract asset in accordance with IFRS 9 Financial Instruments.

4.5 Operating expenses

Operating expenses are recognized in profit or loss upon utilization of the service or as incurred.

The Company recognizes two types of contract costs related to the execution of contracts for the supply of services/ goods/ with customer: incremental costs of obtaining a contract and costs to fulfil a contract. Where costs are not eligible for deferral under IFRS 15, they are recognized as current expenses at the time they arise, such as they are not expected to be recovered, or the deferral period is up to one year.

The following operating expenses are always recognized as current expenses at the time of their occurrence:

- General and administrative costs (unless those costs that are chargeable to the customer);
- Costs of wasted materials;
- Costs that relate to satisfied performance obligation;
- Costs for which the company cannot distinguish whether the costs relate to unsatisfied performance obligation or to satisfied performance obligation.

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 fixed assets are measured initially at cost. If an intangible asset is acquired separately, 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. If an intangible asset is acquired in a business combination, the cost of that intangible asset is based on its fair value at the date of acquisition.

After initial recognition, according to the benchmark treatment, an intangible asset is carried at its cost less any accumulated amortization and any accumulated impairment losses. Impairment losses are recognized in the current period income statement.

Subsequent expenditure on an intangible asset after its purchase or its completion is recognized as an expense when it is 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 and attributed to the asset reliably. If these two conditions are met, the subsequent expenditure is added to the cost of the intangible asset.
Amortization is calculated using the straight-line method over the estimated useful life of individual assets as follows:

	2018	**2017**
• software	2 years	2 years
• others	4-7 years	4-7 years

Careful judgment by Company's management is applied when deciding whether the recognition requirements for development costs have been met. Judgments are based on the best information available at each balance sheet date. In addition, all internal activities related to the research and development of new software products are continuously monitored by Company's management.
The recognition threshold, selected by the Company for intangible fixed assets amounts to BGN 700.

4.8 Property, plant and equipment

With the IFRS implement for a first time, the company has chose to execute the model of revaluation of the position "Buildings" from the entry "Estate, machinery and equipment", as an accepted value.

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

Subsequent to initial recognition as an asset, an item of property, plant and equipment is carried at its cost less any accumulated depreciation and any accumulated impairment losses according to benchmark treatment. Impairment losses are recognized in the current period income statement.

Subsequent expenditure relating to an item of property, plant and equipment that has already been recognized in the financial statements is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Company. All other subsequent expenditures are recognized as an expense in the period in which it is incurred.

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 in shorter.

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

	2018	**2017**
• Buildings	25 years	25 years
• Machines	3-4 years	3-4 years
• Vehicles	6-7 years	6-7 years
• Fixtures & Fittings	6-7 years	6-7 years
• IT equipment	2 years	2 years
• Others	6-7 years	6-7 years

The recognition threshold, selected by the Company for tangible fixed assets amounts to BGN 700.

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate. Adjustments are treated as changes in the estimation and enter into force as at the date changing.

Development expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

Other intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

4.9 Leases

<u>In the Lessee's Statements</u>
In accordance with IAS 17, the economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset.

The related asset is recognized at the time of inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. A corresponding amount is recognized as a finance leasing liability, irrespective of whether some of these lease payments are payable up-front at the date of inception of the lease.

The corresponding finance leasing liability is reduced by lease payments less finance charges, which are expensed to finance costs.

Assets acquired under the terms of finance lease are depreciated in accordance with IAS 16 Property, plant and equipment or IAS 38 Intangible assets.

All other leases are treated as operating lease agreements. Operate lease payments are recognized as an expense on a straight-line basis. Affiliated costs, such as maintenance and insurance, are expensed as incurred.
<u>In the Lessor's Statements</u>
Assets subject to operating lease agreements are presented in the balance sheet and are depreciated in accordance with the lessor's normal depreciation policy for similar assets. The depreciation charge are calculated on the basis set out in IAS 16, Property, plant and equipment and IAS 38 Intangible assets. Lease income is recognized on a straight line basis in the Income statement for the period of the lease agreement.

Assets held under a finance lease agreement are presented in the balance sheet as a receivable at amount equal to the net investment in the lease. The sales revenue from assets is recognized in the current year Income statement. The spreading of the financial income, trough the whole term of the leasing contract has been performed on the systemic and rational base. The recognition of the financial income has been based on such model that is affecting a constant percent of returnability over the net investment.

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

The Company's assets are subject to impairment testing at every balance sheet date, other intangible assets and property, plant and equipment are subject to impairment testing.

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

Individual assets or cash-generating units that include goodwill and other intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually and 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.

The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use, based on an internal discounted cash flow evaluation.

Impairment losses recognized for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist.

4.11 Financial instruments under IFRS 9, effective since 1 January 2018

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 and finance income, 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 and receivables from related parties 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.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (Stage 1) and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low (Stage 2)
- Stage 3 would cover financial assets that have objective evidence of impairment at the reporting date.

"12-month expected credit losses" are recognised for the first category while "lifetime expected credit losses" are recognised for the second category. Expected credit losses are determined as the difference between all contractual cash flows attributable to the Company and the cash flows it is actually expected to receive ("cash shortfall"). This difference is discounted at the original effective interest rate (or credit adjusted effective interest rate).

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, contract assets 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. In calculating, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

4.11.5. Classification and measurement of financial liabilities

The Company's financial liabilities include borrowings, finance lease payments, trade and other payables and payables to related parties.

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 Financial instruments under IAS 39, effective until 31 December 2017

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

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

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

Financial assets and financial liabilities are measured initially at fair value plus transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

All financial assets are recognized on their settlement date.

Financial assets and financial liabilities are subsequently measured as described below.

4.12.1. Financial assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- loans and receivables;
- financial assets at fair value through profit or loss;
- held-to-maturity investments;
- available-for-sale financial assets.

Financial assets are assigned to the different categories, depending on the purpose for which the investments were acquired. The category determines subsequent measurement and whether any resulting income and expense is recognized in profit or loss or in other comprehensive income. All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognized 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".

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortized cost using the effective interest method, less provision for impairment. Any change in their value is recognized in profit or loss. The Company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments. Discounting is omitted where the effect of discounting is immaterial.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other available feature of shared credit risk characteristics. The percentage of the write down is then based on recent historical counterparty default rates for each identified group. Impairment of trade receivables are presented within "Other expenses".

4.12.2. Financial liabilities

The Company's financial liabilities include bank loans, trade and other payables, related parties payables and finance lease liabilities.

Financial liabilities are recognized when the Company becomes a party to the contractual agreements for payment of cash amounts or another financial asset to another company or contractual liability for exchange of financial instruments with another company under unfavourable terms. 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".

Financial liabilities are measured subsequently at amortized cost using the effective interest method, except for financial liabilities held for trading or designated at fair value through profit or loss, that are carried subsequently at fair value with gains or losses recognized in profit or loss.

Bank loans are raised for support of long-term funding of the Company's operations. They are recognized in the statement of financial position of the Company, net of any costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to the statement of profit or loss and other comprehensive income on an accrual basis using the effective interest method and are added to the carrying amount of the financial liability to the extent that they are not settled in the period in which they arise.

Trade payables are recognized initially at their nominal value and subsequently measured at amortized cost less settlement payments.

Dividends payable to owners are recognized when the dividends are approved at the general meeting of the owners.

4.13 Inventories

Inventories comprise raw materials and supplies, purchased goods. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Financing costs are not taken into consideration. At the balance sheet date, inventories are carried at the lower of cost and net realizable value.

Net realizable value is the estimated selling price in the ordinary course of business 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 a new net realizable value is determined up to the initial value prior impairment. The inventory recovery amount is accounted for as decrease in inventory expenses for the period in which the recovery takes place.

The costs of inventories are assigned by using the concrete identification of the value of inventories.

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

4.14 Accounting for income taxes

Current income tax assets and/or liabilities comprise those obligations to, or claim from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in the income statement.

Deferred income taxes are calculated using the liability method on temporary differences. This involves the comparison of the carrying amounts of assets and liabilities in the financial statements with their respective tax basis. However, in accordance with the rules set out in AS 12, no deferred taxes are recognized in conjunction with goodwill. This applies also to temporary differences associated with shares in subsidiaries and joint ventures if the Company can control reversal of these temporary differences and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Company are assessed for recognition as deferred tax assets. Deferred tax asset in relation to carried forward losses is recognized to the extent that the realization of the related tax benefits through the future taxable profits is probable.

Deferred tax liabilities are always recognized in full. Deferred tax assets are recognized to the extent that it is probable that they will be able to be offset against future taxable income.

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 at the balance sheet date.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in the income statement. Only changes in deferred tax assets or liabilities that relate to a change in value of assets or liabilities that are charged directly to equity (such as the re-evaluation of land are debited or credited directly to equity.

4.15 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand as well as current bank accounts.

4.16 Equity

The company capital of "Mirkat" OOD reflects the nominal value of the shares.

The revaluation reserve consists of profits and losses related to the revaluation of certain categories of buildings.

Retained earnings include all current and prior period results as determined in the income statement.

4.17 Pension obligations 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.

Definitive retirement incomes - According to the Labour Code as at the date of employee retirement, the Company effect compensation at the amount of two gross salaries if the length of working period in the company in less than ten years. If the employee has been working more than 10 years in the company then the amount of the compensation is at the amount of six gross salaries. The current value of the liability has been calculated on the base of the actuarial valuation from independent experts.

4.18 Other provisions, contingent liabilities and contingent assets

Provisions, representing current obligations of the Company arising from past events, the settlement of which is expected to result in an outflow of resources, are recognized as liabilities. A provision is recognized only when the following conditions are present:

- The Company has a present obligation as a result of a past event;
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- A reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date. In reaching the best estimate of the provision, the Company takes into account the risks and uncertainties that inevitably surround many events and circumstances as well as the effect of the time value of the money, when it is material.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

The Company does not recognize contingent assets in the financial statements as possible obligations arise, whose existence is not yet confirmed or this may result in the recognition of income that may never be realized.

4.19 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 4.20.

4.19.1. Revenue

The Company commits to extensive after-sales support in its service segment. The amount of the selling price associated with the subsequent servicing agreement is deferred and recognized as revenue over the period during which the service is performed. The nature of services provided depends on the customer's use of the products. Therefore, management needs to make significant judgement in determining when to recognize income from after-sales services.

4.19.2. Deferred tax assets

The assessment of the probability of future taxable income 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.

4.20. 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.

In the preparation of the presented financial statements the significant judgments of the management in applying the accounting policies of the Company and the main sources of uncertainty of the accounting estimates do not differ from those disclosed in the annual financial statements of the Company as at 31 December 2017, except for the changes in the estimate of income tax expense obligations and the newly adopted IFRS 9 and IFRS 15.

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.

4.20.1. 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.

4.20.2. Useful lives of depreciable assets

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

At 31 December 2018 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 7. Actual results, however, may vary due to technical obsolescence.

4.20.3. Recognition of service revenues

As revenue from after-sales maintenance agreements is recognised over time, the amount of revenue recognised in a reporting period depends on the extent to which the performance obligation has been satisfied.

4.20.4. 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. Moreover, future realization of the carrying amounts of inventory assets BGN 3 300 (2017: BGN 2 754) is affected by changes in vehicle's market.

4.20.5. Measurement of ECL

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).

5 Effect of change in accounting policy

As disclosed in note 3.1, IFRS 9 and IFRS 15 are applied without restatement of comparative information. Reclassifications and adjustments arising from these changes in the Company's accounting policy are not reflected in the statement of financial position as at 31 December 2017 and are recognized in the statement of financial position as at 1 January 2018.

The following table presents the adjustments recognized for each individual item. Items not affected by the changes are not included.

Statement of financial position

	31 December 2017 BGN'000	IFRS 9 BGN'000	1 January 2018 BGN'000 Restated
Non-current assets			
Deferred tax assets	251	400	651
	251	**400**	**651**
Current assets			
Trade receivables	13 512	(3 990)	9 522
	13 512	**(3 990)**	**9 522**
Total assets	**13 763**	**(3 590)**	**10 173**
Equity			
Accumulated loss	(8 079)	(3 590)	(11 669)
Total equity	**(8 079)**	**(3 590)**	**(11 669)**
Total equity and liabilities	**(8 079)**	**(3 590)**	**(11 669)**

The total effect as at 1 January 2018 over Company's accumulated loss is presented as follows:

	Accumulated loss BGN'000
Closing balance as at 31 December 2017 – IAS 39	**(8 079)**
Adjustments from the application of IFRS 9:	
Increase in impairment of trade receivables	(3 990)
Increase in deferred tax assets in respect of impairment losses	400
	(3 590)
Opening balance as at 1 January 2018 – IFRS 9	**(11 669)**

6 Property, plant and equipment

Company's property, plant and equipment comprise land, buildings, machines and equipment, vehicles and other assets. The carrying amount can be analyzed as follows:

	Land	Buildings	Machines Equipment	Vehicles	Other	Total
	BGN'000s	BGN'000s	BGN'000s	BGN'000s	BGN'000s	BGN'000s
At 1 January 2017						
Cost or valuation	2 877	85	337	5 220	223	8 742
Accumulated depreciation	-	(85)	(127)	(1 196)	(152)	(1 560)
Net book amount	**2 877**	**-**	**210**	**4 024**	**71**	**7 182**
Year ended 31 December 2017						
Opening net book amount	2 877	-	210	4 024	71	7 182
Additions	-	-	-	1 486	21	1 507
Disposals	-	(16)	-	(801)	-	(817)
Depreciation charge	-	-	(13)	(834)	(11)	(858)
Write off depreciation	-	16	-	398	-	414
Closing net book amount	**2 877**	**-**	**197**	**4 273**	**81**	**7 428**
At 31 December 2017						
Cost or valuation	2 877	69	337	5 905	244	9 432
Accumulated depreciation	-	(69)	(140)	(1 632)	(163)	(2 004)
Net book amount	**2 877**	**-**	**197**	**4 273**	**81**	**7 428**
Year ended 31 December 2018						
Opening net book amount	2 877	-	197	4 273	81	7 428
Additions	-	-	13	1 468	18	1 499
Disposals	-	-	-	(1 758)	-	(1 758)
Depreciation charge	-	-	(16)	(927)	(12)	(955)
Write off depreciation	-	-	-	743	-	743
Closing net book amount	**2 877**	**-**	**194**	**3 799**	**87**	**6 957**
At 31 December 2018						
Cost or valuation	2 877	69	350	5 615	262	9 173
Accumulated depreciation	-	(69)	(156)	(1 816)	(175)	(2 216)
Net book amount	**2 877**	**-**	**194**	**3 799**	**87**	**6 957**

All depreciation charges are included within "Depreciation, amortization and impairment of non-financial assets".

The Company has a contractual commitment to acquire assets at amount of BGN 10 thousand payable in 2019. In 2017 there was a contractual commitment to acquire assets at amount of BGN 31 thousand paid in 2018.

The Company's land and buildings are pledged as security for its bank borrowings. For more information please refer to note 18.

7 Intangible assets

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

	Acquired software licenses	Other	Total
	BGN'000s	BGN'000s	BGN'000s
At 1 January 2017			
Cost	54	30	84
Accumulated amortization	(53)	(29)	(82)
Net book amount	**1**	**1**	**2**
Year ended 31 December 2017			
Opening net book amount	1	1	2
Additions	53	7	60
Amortization charge	(2)	-	(2)
Closing net book amount	**52**	**8**	**60**
At 31 December 2017			
Cost	107	37	144
Accumulated amortization	(55)	(29)	(84)
Net book amount	**52**	**8**	**60**
Year ended 31 December 2018			
Opening net book amount	52	8	60
Additions	1	21	22
Disposals	-	(3)	(3)
Amortization charge	(27)	(5)	(32)
Write off amortization	-	3	3
Closing net book amount	**26**	**24**	**50**
At 31 December 2018			
Cost	108	55	163
Accumulated amortization	(82)	(31)	(113)
Net book amount	**26**	**24**	**50**

All amortization and impairment charges (or reversals if any) are included within "Depreciation, amortization and impairment of non-financial assets".

No intangible assets have been pledged as security for liabilities.

8 Long-term receivables

	2018 BGN'000s	2017 BGN'000s
Finance lease receivables	120	135
	120	**135**

9 Leases

9.1. Finance leases as lessee

The Company acquired under finance lease agreements vehicles. The net carrying amount of the assets held under finance leases is at amount of BGN 971 thousand (2017: BGN 171). The assets are included in group "Vehicles" of "Property, plant and equipment" (see note 6).

Finance lease liabilities are secured by the related assets held under finance lease arrangements.

Future minimum finance lease payments at the end of each reporting period under review are as follows:

	Minimum lease payments due		
	Within 1 year BGN'000s	**1 -5 years BGN'000s**	**Total BGN'000s**
31 December 2018			
Lease payments	201	663	864
Finance charges	(15)	(24)	(39)
Net present values	**186**	**639**	**825**

	Minimum lease payments due
	Within 1 year BGN'000s
31 December 2017	
Lease payments	143
Finance charges	(3)
Net present values	**140**

The lease agreements include fixed lease payments and purchase option at the end of 4, 5 or 6 year lease term. The agreements are non-cancellable but do not contain any further restrictions. No contingent rents were recognized as an expense and no sublease income is expected to be received as all assets are used exclusively by the Company.

The fair value of the finance lease liabilities has been estimated at BGN 825 thousand (2017: BGN 140). This amount reflects present value and takes into account interest rates available on secured bank borrowings on similar terms.

9.2. Finance leases as lessor

As at 31 December 2018, the Company has receivables in connection with assets made available to be used under financial lease contracts concluded. The lease contracts envisage fixed lease payments and an option for acquisition of the asset at the end of the term of the lease. The lease contracts are irrevocable but they contain no other limitations.

Future minimum lease receivables as per 31 December 2018 are as follows:

	Up to 1 year BGN'000s	1 to 5 years BGN'000s	Total BGN'000s
Lease payments	12	128	140
Discounts	(1)	(19)	(20)
Net present value	**11**	**109**	**120**

Future minimum lease receivables as per 31 December 2017 are as follows:

	Up to 1 year BGN'000s	1 to 5 years BGN'000s	Total BGN'000s
Lease payments	26	134	160
Discounts	(1)	(24)	(25)
Net present value	**25**	**110**	**135**

9.3. Operating leases as lessor

Future minimum lease receivables related to operating leasing are as follows:

	Up to 1 year BGN'000s	1 to 5 years BGN'000s	Total BGN'000s
As at 31.12.2018	771	1 113	1 884
As at 31.12.2017	823	1 044	1 867

The Contracts for operating leasing do not content clauses for payments under conditions, renewal or post buying.

10 Deferred tax assets and liabilities

Deferred taxes arising from temporary differences under the liability method, using a principal tax rate of 10% (2017: 10%), can be summarized as follows:

Deferred tax assets	1 January 2018	Recognized in equity - adoption of IFRS 9	Recognized in profit and loss	31 December 2018
	BGN'000s	BGN'000s	BGN'000s	BGN'000s
Non-current assets				
Property, plant and equipment	75	-	(2)	73
Current assets				
Inventories	-	-	10	10
Trade and other receivables	98	400	207	705
Non-current liabilities				
Pension and other employee obligations	4	-	1	5
Current liabilities				
Pension and other employee obligations	5	-	-	5
Trade and other payables	69	-	17	86
	251	400	233	884
Deferred tax assets	251			884
Recognized as:				
Net deferred tax assets	**251**			**884**

Deferred tax assets	1 January 2017	Recognized in profit and loss	31 December 2017
	BGN'000s	BGN'000s	BGN'000s
Non-current assets			
Property, plant and equipment	77	(2)	75
Current assets			
Trade and other receivables	231	(133)	98
Non-current liabilities			
Pension and other employee obligations	3	1	4
Current liabilities			
Pension and other employee obligations	5	-	5
Trade and other payables	37	32	69
	353	(102)	251
Deferred tax assets	353		251
Recognized as:			
Net deferred tax assets	**353**		**251**

The amount of unused tax losses for which no deferred tax asset is recognised in the statement of financial position is BGN 7 055 thousand. The expiry date is up to 2022.

Please refer to note 29 for information on the Company's tax expense.

11 Inventories

	2018 BGN'000s	2017 BGN'000s
Goods	3 158	2 798
Impairment of goods	(142)	(44)
	3 300	**2 754**

In 2018, the Company has committed impairment of inventories at the amount of BGN 98 thousand.

12 Trade receivables

	2018 BGN'000s	2017 BGN'000s
Trade receivables – gross	14 468	14 490
Impairment of receivables	(7 049)	(978)
Trade receivables – net	**7 419**	**13 512**

All trade receivables are subject to credit risk exposure. However, the Company does not identify specific concentrations of credit risk with regards to trade and other receivables, as the amounts recognized resemble a large number of receivables from various customers.
Under a Contract for Loan line with Alpha Bank AD, the company has been established a pledge over current and future receivables under leasing contracts.

Movement in impairment of receivables in 2018 is as follows:

	2018 BGN'000s	2017 BGN'000s
Impairment of receivables at 1 January	978	2 310
Adjustments from the adoption of IFRS 9	3 990	-
Impairment losses	2 081	978
Disposals from impairment	-	(2 310)
Impairment of receivables at 31 December	**7 049**	**978**

13 Other receivables

	2018 BGN'000s	2017 BGN'000s
Awarded receivables	768	775
Claims for litigation	416	324
Prepaid expenses	393	255
Other debtors	665	571
	2 242	**1 925**

The receivables from other debtors are receivables for insurance policies, taxes, fees etc. for automobiles made available under financial lease contracts.

14 Cash and cash equivalents

	2018 BGN'000s	2017 BGN'000s
Cash at bank and in hand:		
- BGN	661	382
- EUR	98	5
	759	**387**

15 Equity

15.1 Share capital

The share capital of the Company consists of 323 303 fully paid ordinary shares with a nominal value of BGN 50. All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at the owners meeting of the Company.

The list of the two partners with shares in the Company was presented as follows:

	2018 Number of shares	2018 %	2017 Number of shares	2017 %
Sfakianakis A.E.B.E	323 300	99.9999	323 300	99.9999
Stavros Taki	3	0.0009	3	0.0009
	323 303	**100**	**323 303**	**100**

15.2 Reserves

As a result of the performed revaluation until 2001 of the book value of assets, the Company formed a revaluation reserve in the amount of BGN 207 thousand.

	Revaluation reserve and Remeasurements of defined benefit liability BGN'000s	Other reserve BGN'000s
Balance at 1 January 2017	**210**	**95**
Remeasurements of defined benefit liability	(2)	-
Other comprehensive income for the year, net of tax	**(2)**	**-**
Balance at 31 December 2017	**208**	**95**
Remeasurements of defined benefit liability	(11)	-
Other comprehensive loss for the year, net of tax	**(11)**	**-**
Balance at 31 December 2018	**197**	**95**

16 Long-term borrowings

	2018 BGN'000s	2017 BGN'000s
Long-term bank loans	6 313	-
	6 313	**-**

Fair values of these long term financial liabilities are as follows:

	2018 BGN'000s	2017 BGN'000s
Long-term bank loans:		
-Alfa Bank AD	6 313	-
	6 313	**-**

17 Other non-current liabilities

	2018 BGN'000s	2017 BGN'000s
Other loans	4	4
	4	**4**

18 Short-term borrowings

	2018 BGN'000s	2017 BGN'000s
Short-term bank loans:		
- Alfa Bank AD	13	6 443
- Interest	-	77
	13	**6 520**

The contract for a revolving line of credit with Alpha Bank AD was signed on 13 December 2001 for the amount of EUR 6 000 thousand or BGN 11 735 thousand. The original maturity of the loan under contract was 30 April 2010. The Company has made a special pledge in favour of the bank of its future receivables under lease contracts. A corporate guarantee has been provided by Sfakianakis A.E.B.E.-Greece.

On the date 29.07.2010 between the companies "Alpha Bank" AD and "Mirkat" Ltd. has been signed an additional agreement related to a Credit agreement № 045/2001, which agreement states that the amount of the credit limit is increased till the amount of 11 750 thousand euro and shall be divided into different "under-limits", as follows:

- Under-limit A – at the amount of 3 427 thousand euro with term of payment till 05.01.2012 and interest at the amount of 12 month EURIBOR plus 4.25 %;
- Under-limit B – at the amount of 3 464 thousand euro with term of payment till 05.01.2017 and interest at the amount of 1 month EURIBOR plus 5.50 %;
- Under-limit C – at the amount of 3 850 thousand euro with term of payment till 31.03.2016 and interest at the amount of 1 month EURIBOR plus 5.50 %

With an annex dated 21 December 2018 the parties agreed the maturity date of the loan to be 27th of September 2023. The Borrower shall repay the principal outstanding in instalments as follows:

Sequence	Amount	Maturity
1st Instalment	6 468.00 EUR	27.9.2019
2nd Instalment	6 468.00 EUR	27.9.2020
3rd Instalment	45 275.99 EUR	27.9.2021
4th Instalment	45 275.99 EUR	27.9.2011
5th Instalment	3 130 511.38 EUR	27.9.2023

Considering from the date of this annex the applicable annual interest rate shall be 3M Euribor + spread.

The established collateral is as follows:

- Contractual Mortgage over the real estates located in Sofia - plot of land with identifier 44063.6208.33 and plot of land with identifier 44063.6208.34
- Pledge over current and future receivables of the borrower from lease agreements
- Corporate guarantee by the group company SFAKIANAKIS S.A.

19 Reconciliation of liabilities arising from financing activities

The changes in the Company's liabilities arising from financing activities can be classified as follows:

	Long-term borrowings BGN'000s	Short-term borrowings BGN'000s	Lease liabilities BGN'000s	Total BGN'000s
1 January 2018	**-**	**6 520**	**140**	**6 660**
Cash flows:				
Repayment	-	(117)	(448)	(565)
Repayment interest	-	(260)	-	(260)
Non-cash:				
Accrued interest	-	183	-	183
Reclassification	6 313	(6 313)	-	-
Accrued lease liabilities	-	-	1 133	1 133
31 December 2018	**6 313**	**13**	**825**	**7 151**

	Long-term borrowings BGN'000s	Short-term borrowings BGN'000s	Lease liabilities BGN'000s	Total BGN'000s
1 January 2017	**1 827**	**5 056**	**-**	**6 883**
Cash flows:				
Repayment	-	(352)	(42)	(394)
Repayment interest	-	(342)	-	(342)
Non-cash:				
Accrued interest	-	331	-	331
Reclassification	(1 827)	1 827	-	-
Accrued lease liabilities	-	-	182	182
31 December 2017	**-**	**6 520**	**140**	**6 660**

20 Trade payables

	2018 BGN'000s	2017 BGN'000s
Trade payables	4	37
Advances from customers	85	111
Deposits under rental contracts	145	134
	234	**282**

The fair values of trade and other payables have not been disclosed as, due to their short duration, management considers the carrying amounts recognized in the balance sheet to be a reasonable approximation of their fair value.

21 Employee compensation

21.1 Employee benefit expenses

Expense recognized for employee benefits is analyzed below:

	2018 BGN'000s	2017 BGN'000s
Wages and salaries	(931)	(757)
Social security	(134)	(106)
	(1 065)	**(863)**

21.2 Employee benefit

Compensation for employees	2018 BGN'000s	2017 BGN'000s
Compensation liabilities for retirement plans	47	39
	47	**39**

According to Art 222 from the Labour Code as at the date of employee retirement, the Company is obliged to effect compensation at the amount of two gross salaries if the length of working period in the company in less than ten years. If the employee has been working more than 10 years in the Company then the amount of the compensation is at the amount of six gross salaries.

The Company performs retirement plans compensations and the current value of the liability has been calculated on the base of the actuarial valuation from independent experts.

Movement in the present value of the defined benefit obligations

	2018 BGN'000s	2017 BGN'000s
Defined benefit obligations at 1 January	39	28
Current interest	1	1
Current service costs	7	6
Past service costs	-	2
Benefits paid	(11)	-
Actuarial losses/(gains) in other comprehensive income	11	2
Defined benefit obligations at 31 December	**47**	**39**

21.3 Pensions and other employee obligations

	2018 BGN'000s	2017 BGN'000s
Wages, salaries	-	6
Payables to social security	20	17
Unused paid holiday	53	53
	73	**76**

22 Other payables

	2018 BGN'000s	2017 BGN'000s
VAT	265	99
Municipal taxes	29	343
Other taxes	14	18
Other creditors	21	-
	329	**460**

23 Incomes from sales

Incomes include:

	2018 BGN'000s	2017 BGN'000s
Sales of goods	15 367	14 896
Provided services	3 269	2 460
Other income	25	173
	18 661	**17 529**

24 Costs for materials

Costs include:

	2018 BGN'000s	2017 BGN'000s
Expenses for rent-a-car materials	(43)	(26)
Expenses for materials for operating lease	(34)	(32)
Supplies for new cars	(29)	(20)
Promotional materials	(28)	(15)
Costs for office materials	(14)	(14)
Expenses for materials for second-hand cars	(11)	(9)
Expenses for materials for service center	(10)	-
Manuals and catalogs	(3)	(14)
Other costs	(15)	(14)
	(187)	**(144)**

25 Costs for services

Costs include:

	2018 BGN'000s	2017 BGN'000s
Rental	(637)	(488)
Costs for advertisement	(575)	(513)
Insurances	(375)	(337)
Charges	(139)	(16)
Consultancy services	(137)	(153)
Costs related to rent a car	(102)	(165)
Software services	(60)	(29)
Costs for transport, car wash	(53)	(52)
Bonuses	(24)	(51)
Telephones, couriers	(23)	(18)
Other	(189)	(122)
	(2 314)	**(1 944)**

26 Other costs

Costs include:

	2018 BGN'000s	2017 BGN'000s
Impairment of receivables	(2 082)	(978)
Taxes	(108)	(86)
Inventory written of	(98)	-
Costs for business trips	(28)	(15)
Costs for representative's purposes	(19)	(17)
Receivables written of	(13)	(2 223)
Other costs	(60)	(53)
	(2 408)	**(3 372)**

27 Financial incomes

	2018 BGN'000s	2017 BGN'000s
Incomes from leasing contracts interests	16	10
	16	**10**

28 Financial expenses

	2018 BGN'000s	2017 BGN'000s
Costs for loans interests	(183)	(331)
Costs for bank fees	(32)	(34)
Costs resulted from changes in the exchange rate	(14)	(10)
Costs for other interests	(14)	(1)
	(243)	**(376)**

29 Income tax expense

The relationship between the expected tax expense based on the effective tax rate of The Company at 10 % (2017: 10 %) and the tax expense recognized in the income statement can be reconciled as follows:

		2018 BGN'000s		2017 BGN'000s
Loss for the year before tax		(1 362)		(2 296)
Tax rate		10 %		10 %
Expected tax expense		**136**		**-**
	Base amount	Tax effect at 10 %	Base amount	Tax effect at 10 %
Adjustment for tax exempt income				
- tax deductible depreciation	1 316	132	1 074	107
- tax value of write-off assets	933	93	359	36
- recognized amounts for accumulated unused vacation time	53	5	51	5
- used tax losses	1 593	159	-	-
Adjustment for non-deductible expenses				
- depreciation expenses	(987)	(99)	(860)	(86)
- net book value of write-off assets	(1 761)	(176)	(403)	(40)
- impairment of assets, incl. receivables	(2 180)	(218)	(982)	(98)
- interest expenses from thin capitalization	(167)	(17)	(322)	(32)
- unrecognized amounts for accumulated unused vacation time	(53)	(5)	(53)	(5)
- other	(103)	(10)	(48)	(5)
Current tax expense		**-**		**-**
Deferred tax income, resulting from				
- origination and reversal of temporary differences		233		(102)
Actual tax expense, net		**233**		**(102)**

Please refer to note 7 for information on the entity's deferred tax assets and liabilities.

30 Related parties transactions

None of the transactions incorporate special terms and conditions and no guarantee was given or received.

30.1 Transactions with owners

	2018 BGN'000s	2017 BGN'000s
Purchases of goods and services	**(13 201)**	**(11 967)**
- purchases of goods from SFAKIANAKIS S.A	(13 183)	(11 904)
- purchases of services from SFAKIANAKIS S.A	(18)	(63)
Sales of goods and services	**99**	**68**
- Sales of services of SFAKIANAKIS S.A.	99	68

30.2 Transactions with entities under common control

	2018 BGN'000s	2017 BGN'000s
Sales of goods and services	**977**	**755**
- - Enterprice rent a car UK – services	972	739
- Ergotrak Bulgaria Ltd – services	4	16
- Ergotrack S.A. - sale of oils	1	-
Purchases of goods and services	**(187)**	**(105)**
- purchases of services from Sfakianakis Insurance Brokers S.A.	(185)	(105)
- purchases of materials and services from Ergotrak Bulgaria	1	-
- purchases of services from Ergotrak S.A. - Greece	1	-

30.3 Balances at the end of the year

	2018 BGN'000s	2017 BGN'000s
Total payables	**10 154**	**10 991**
Payables to owners	10 153	10 796
Paybles to the group entities	**1**	**195**
- ERGOTRAK S.A. – services	1	-
- Sfakianakis Insurance Brokers S.A. – services	-	105
- Executive Lease S.A. – services	-	90
Total receivables	**43**	**449**
Receivables from owners	-	68
Receivables from the group entities	**43**	**381**
- SFAKIANAKIS INSURANCE BROKERS SA – services	31	-
- Enterprice rent a car UK – services	12	365
- Ergotrak Bulgaria Ltd – services	-	16

30.4 Transactions with key management personnel

	2018 BGN'000s	2017 BGN'000s
Short term benefits		
- salaries	137	123
- costs for social insurance	6	6
Total	**143**	**129**

31 Contingent assets and contingent liabilities

Various guarantees and legal claims were filed by and against the Company during the year. Part of the Company's claims against third parties has been closed with Court resolutions in favour of Mirkat Ltd and the amounts are collected. Over another part from the Company's claims againts third parties there are no deducted Court resolutions yet. The management of the Company is of the opinion that the claims files against the Company are unwarranted and ungrounded and that the probability that they will result in a settlement request is very low.

On 03.06.2014 a pledge has been registered for part of the capital of Mirkat Ltd., which correspond to the planned shareholding of Sfakianakis A.E.B.E.
- Pledger and debtor - Sfakianakis A.E.B.E. Greece
- Pledgee - Alpha Bank AE Greece
- Reason - Contractual loan from 11.12.2009
- Collateral receivables - transfer of money for the amount of 186 500 000 Euro

32 Policy of the management related to risk

The activity of the company is exposed to market, credit and liquidity risk. However, the company does not use financial instruments to reduce financial risks.

32.1 Market risk

Market risk is the risk that the fair value of the future cash flows of a financial instrument may fluctuate due to changes in market prices. Market prices include four types of risk: interest rate risk, currency risk, commodity price and other price risk. Financial instruments that are affected by market risk include loans and trade payables.

Interest rate risk

The interest risk is the risk that the value of the Company's interest – bearing loans might vary as a consequence of the changes in the market interest rates.
The interest's margins may increase from these changes, but they also may be reduced or to perform losses if an unexpected movements have arise, in accordance from the level of inaccuracy in the revaluation of the interests. In this case the Management has limited the allowed level for the inaccuracy in the revaluation of the interests percent.

The table below provides an analysis of the sensitivity to possible changes in interest rates to their effect on profit before tax, provided that all other variables are assumed to be constant. No effect on other components of equity of the Company.

	Increase/ Decrease in basis points	Effect over profit before taxes
	BGN'000s	BGN'000s
2018 г.		
In euro, based on EURIBOR	0.01%	(1)
In euro, based on EURIBOR	(0.01%)	1

	Increase/ Decrease in basis points	Effect over profit before taxes
	BGN'000s	BGN'000s
2017 г.		
In euro, based on EURIBOR	0.001%	(1)
In euro, based on EURIBOR	(0.001%)	1

Foreign currency risk

The Company has received loans in foreign currency from financial institutions. As a result, the Company is imposed to a risk, related to the possible change in the exchange rates. Transactions in foreign currencies are mostly in Euros and because of the fixed rate the risk level is minimal.

Risk from the activity

The risk from the activity, resident in all economic companies, brings the potential for financial losses and economical instability, consequence of a bad internal control, process activities or their supporting systems. The aim of the management of the activity risk is to balance the costs and the risk in the frames of the limits, till the potential benefits

32.2 Credit risk

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the balance sheet (or in the detailed analysis provided in the notes to the financial statements). Credit risk, therefore, is only disclosed in circumstances where the maximum potential loss differs significantly from the financial asset's carrying amount. The Company secures the financial receivables under lease contracts with the property leased under the contract.
The Company assesses the financial condition of the client, which includes qualitative and quantitative analysis that takes into account all the circumstances that might affect repayment.

The Company's trade and other receivables are actively monitored to avoid significant concentrations of credit risk.

The credit risk arises, because the clients or the partners may do not want or they are maybe not able to execute the agreed obligations. The company is performing credit capacity analysis over an each client and requires insurance for its receivables as set forth in the financial leases with financial risk policy of the leading market insurance companies. In the case of an insured event, the insurance company covers all the losses or buys the receivable at the market prices.

At 31 December 2018 and at 31 December 2017 the Company is exposed to concentration of credit risk in relation to receivables from several companies as follows:

Client	**Amount of exposure as at 31.12.2018 BGN'000s**	**% from all receivables**
Client 1	1 889	25%
Client 2	900	12%
Client 3	732	10%
	7 419	

Client	**Amount of exposure as at 31.12.2017 BGN'000s**	**% from all receivables**
Client 1	2 481	18%
Client 2	1 431	11%
Client 3	1 185	9%
	13 512	

32.3 Liquidity risk

Effective management of the Company's liquidity implies providing adequate working capital, primarily by maintaining unused committed credit lines and financing from related parties.

As at 31 December the maturity structure of financial liabilities of the Company based on contractual undiscounted payments is presented below:

31.12.2018	Current payment BGN'000s	Short-term to 1 year BGN'000s	From 1 to 5 years BGN'000s	Total BGN'000s
Financial liabilities				
Banks' loans	-	13	6 313	6 326
Finance lease liabilities		201	663	864
Trade liabilities	149	-	-	149
Related parties liabilities	-	10 154	-	10 154
Other liabilities	21	-	-	21
Total financial liabilities	**170**	**10 368**	**6 976**	**17 514**

31.12.2017	Current payment BGN'000s	Short-term to 1 year BGN'000s	Total BGN'000s
Financial liabilities			
Banks' loans	-	6 520	6 520
Finance lease liabilities	-	143	143
Trade liabilities	171	-	171
Related parties liabilities	-	10 991	10 991
Total financial liabilities	**171**	**17 654**	**17 825**

32.4 Fair value

Below is a comparison between the carrying amounts and fair values of financial instruments of the Company separated by categories that are included in the financial statements:

		Balance value		Fair value
	2018 BGN'000s	2017 BGN'000s	2018 BGN'000s	2017 BGN'000s
Assets				
Financial assets				
Trade receivables	7 419	13 512	7 419	13 512
Related parties receivables	43	449	43	449
Other receivables	1 184	1 099	1 184	1 099
Cash and cash equivalents	760	387	760	387
Total financial assets	**9 406**	**15 447**	**9 406**	**15 447**
Liabilities				
Financial liabilities				
Banks' loans	6 326	6 520	6 326	6 520
Finance lease liabilities	825	140	864	143
Trade liabilities	149	171	149	171
Related parties liabilities	10 154	10 991	10 154	10 991
Other liabilities	21	-	21	-
Total financial liabilities	**17 475**	**17 822**	**17 514**	**17 825**

The Company's management has concluded that the balance amounts of cash and cash equivalents, trade receivables and trade payables approximate their balance values due to the short-term nature of these instruments.

The fair value of financial assets and liabilities is based on an approximate amount value for which the instrument could be exchanged in a current transaction between willing parties, other than a forced or liquidation sale.

33 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 capital and net debt.

Net debt comprises of total liabilities less the carrying amount of cash and cash equivalents.

Company's goal is to maintain a capital-to-net debt ratio within a reasonable margin.

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

	2018 BGN'000s	2017 BGN'000s
Equity	**3 658**	**8 389**
Total liabilities	18 116	18 512
- Cash and cash equivalents	(760)	(387)
Net debt	**17 356**	**18 125**
Adjusted capital to net debt	**1:4.74**	**1:2.16**

The ratio-reduction during 2018 is primarily a result of decrease in equity due to IFRS 9 adoption effect.

34 Post Balance sheet events

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorization.

Prepared by: Aleksander Stoykov, ABCC OOD
Date: 30.03.2019

Manager: G. Papakonstantinou

„АКАУНТИНГ ЕНД БИЗНЕС КОНСАЛТИНГ ЦЕНТЪР" ООД СОФИЯ

МИРКАТ ООД СОФИЯ