SPEEDY AD

Sofia

SEPARATE ANNUAL FINANCIAL STATEMENTS

31 DECEMBER 2019

SPEEDY AD

SEPARATE ANNUAL FINANCIAL STATEMENTS for 2019

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1. CORPORATE INFORMATION

Speedy AD (the Company) is a joint stock company registered under file № 1455/2005 with the Sofia City Court in accordance with the Commercial Act of the Republic of Bulgaria with UIC 131371780.

The seat and registered office of the parent company is in Sofia, 2L Samokovsko Shosse Str., Trade Centre Boila.

1.1.Principal activities

The core activity of the Company consists mainly in providing courier services, for which the Communications Regulation Commission issued Certificate № 0062/03.11.2009, as well as shipping, handling, storage and distribution of documents and goods, domestic and international transportation and any other activities not prohibited by law.

1.2.Ownership and management

Speedy AD is a publicly traded company under the Law on Public Offering in Securities and was listed on the Bulgarian Stock Exchange on 12.11.2012.
The shareholders structure of the Company's registered capital is disclosed in *Note 14.1*.
The ultimate owner of the parent company is Valery Harutyun Mektouptchiyan, who indirectly (through SPEEDY GROUP AD) holds 43,70% of the capital of SPEEDY AD.
The Company has a one-tier management system with a Board of Directors comprising five members.

As at 31 December 2019, the Company's management, represented by the Board of Directors, comprises:

1. Valery Harutyun Mektouptchiyan	Chairperson
2. George Ivanov Glogov	Member
3. Danail Vasilev Danailov	Member
4. Avak Stepan Terziyan	Member
5. Robertus Teodorus Van Der Helder	Member

The Company is managed and represented by the CEO Valery Harutyun Mektouptchiyan.

The audit committee supports the Board of Directors and acts as those charged with governance, responsible for monitoring and supervision of the internal control environment, risk management, and financial reporting system.
The members of the audit committee are:

1. Emil Vasilev	Chairperson
2. Hristo Grozdanov	Member
3. Teodora Kantutis	Member

As at 31 December 2019 the total number of Company's personnel is 1,368 employees and workers (31 December 2018: 1,145).

1.3.Main indicators of the economic environment

The main economic indicators which influenced the activity of the Company for the period 2016 – 2019 are provided in the table below:

Indicator	**2016**	**2017**	**2018**	**2019**
Nominal GDP in million levs *	95,092	102,308	109,695	119,485
Actual growth of GDP *	3.8%	3.5%	3.1%	3.8%
Year-end inflation (HICP)	-0.5%	1.8%	2.3%	3.1%
Average exchange rate of the USD for the year	1.77	1.73	1.66	1.75
Exchange rate of the USD at year-end	1.86	1.65	1.72	1.76
Basic interest rate at year-end	0.00	0.00	0.00	0.00
Unemployment rate (at year-end) **	8.0%	7.1%	6.1%	5.9%
Credit rating of the Republic of Bulgaria by Standard&Poors (long-term)	BB+	BB+	BBB-	BBB
Credit rating of the Republic of Bulgaria by Moody's (long-term)	Baa2	Baa2	Baa2	Baa2
Credit rating of the Republic of Bulgaria by Fitch (long-term)	BBB	BBB	BBB	BBB

*Note: * BNB forecast for 2019 prepared as at 20 December 2019:* *Source: BNB.*

*** As per data of the Employment Agency*

2. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES OF THE COMPANY

2.1. Basis for the preparation of the separate financial statements

The separate financial statements of Speedy AD have been prepared in accordance with all International Financial Reporting Standards (IFRS), which comprise Financial Reporting Standards and the International Financial Reporting Interpretations Committee (IFRIC) interpretations, approved by the International Accounting Standards Board (IASB), as well as the International Accounting Standards (IAS) and the Standing Interpretations Committee (SIC) interpretations, approved by the International Accounting Standards Committee (IASC), which are effectively in force on 1 January 2019 and have been accepted by the Commission of the European Union. IFRSs adopted by the EU is the commonly accepted name of the general purpose framework – the basis of accounting equivalent to the framework definition introduced by § 1, p. 8 of the Additional Provisions of the Accountancy Act "International Accounting Standards" (IASs).

For the current financial year, the Company has adopted all new and/or revised standards and interpretations, issued by the International Accounting Standards Board (IASB) and respectively, by the International Financial Reporting Interpretations Committee (IFRIC), which have been relevant to its activities, while IFRS 16, effective for annual periods commencing on 1 January 2019, has been adopted for earlier application by the Company and has been applied for the first time for the annual period commencing on 1 January 2018.

The adoption of these standards and/or interpretations, *effective for annual periods commencing on 1 January 2019 at the earliest*, has not resulted in changes to the Company's accounting policy, with the exception of some new and the expansion of already introduced disclosures, without leading to other changes in the classification or measurement of individual reporting items and transactions.
The new and/or amended standards and interpretations, not adopted for earlier application by the Company, include:

- **IFRIC 23 (amended) "Uncertainty over Income Tax Treatments" (in force for annual periods beginning on or after 1 January 2019 - endorsed by EC).** *This Interpretation provides guidance on the accounting treatment and accounting for income tax in the scope of IAS 12 when tax treatments involve uncertainty. It does not apply to taxes or other state levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation addresses the following matters: (a) the entity's approach whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments depending on which approach better resolves the respective uncertainty; (b) the assumptions an entity makes to determine how the taxation authorities would examine and check a given uncertainty of tax treatment assuming that tax authorities have all available information; (c) how an entity determines taxable profit or tax loss, tax bases, unused tax losses, tax rates and unused tax credits when there are given uncertainties; (d) the requirement to assess the impact of uncertainties on the income tax stated, given that the tax authorities are unlikely to accept the company's tax treatment; (e) measuring the impact may be done in the more appropriate of the two methods – "most likely amount" and "expected value"; and (f) how an entity considers and treats changes in facts and circumstance.*

  The management has done research and has concluded that the interpretation has an impact on the accounting policies, but has no significant impact on the opening balances of assets and liabilities, respectively transactions.

- **IFRS 9 (amended) "Financial Instruments" - regarding prepayment features with negative compensation in case of early repayment and modifications of financial liabilities (in force for annual periods beginning on or after 1 January 2019 - endorsed by EC).** *This amendment covers two aspects: (a) it amends the existing requirements in IFRS 9 by enabling entities to classify at amortised cost some financial assets (loans and other debt instruments) and their passing of the SPPI "solely payments of principal and interest" test, despite the availability of "prepayment features with negative compensation". Negative compensation exists when the terms of the contract allow the debtor to make an early repayment of the instrument prior to its maturity, and the amount repaid may differ from the outstanding principal and interest. An important condition is that this negative compensation should be reasonable and relevant to the early termination of the contract. Prepayment itself is not a sufficient assessment indicator, i.e. it needs to be determined based on the interest rate prevailing at the time of termination and other market conditions and circumstances, and depending on these – the amount of payment in favour of the contracting party initiating the* *early repayment. The calculation approach of this compensation payment must be the same for both type of payments - the case of an early repayment penalty and the case of an early repayment gain. Moreover, the respective asset should belong to the category of assets "held to collect contractual cash flows" in the structure of the entity's business model; (b) it confirms (by means of an amendment to the Basis of Conclusion) that when a financial liability measured at amortised cost is modified but not derecognised, the effect of the modification should be recognised in the profit or loss. The effect is measured as the difference between the original negotiated cash flows and the ones, following the modification, discounted at the original effective interest rate.*

The management has done research and has concluded that the interpretation has an impact on the accounting policies, but has no significant impact on the opening balances of assets and liabilities, respectively transactions.

With regard to the other standards and interpretations stated below the management has studied their potential effect and has judged that they are unlikely to have an impact on the Company's accounting policies, respectively its assets, liabilities, transactions and performance, due to the fact that it does not have / does not operate in such items, and / or does not have such deals and transactions:

- **IAS 28 (amended) "Investments in Associates and Joint Ventures" - regarding long-term interests in associates and joint ventures (in force for annual periods beginning on or after 1 January 2019, endorsed by EC).** *The amendment clarifies that an entity should apply IFRS 9 including its impairment requirements regarding forms of long term interests in associates or joint ventures that are part of the net investment in the associate or joint venture but to which the equity method is not applied. The accounting for the impact under IFRS 9 for these forms of interests shall be done before accounting for the distribution of losses and impairment under IAS 28. A change in the intents or plans of the management are not regarded as evidence for a change in use.*
- **Annual Improvements to IFRS Standards 2015-2017 Cycle (December 2017) - improvements to IAS 23, IAS 12, and IFRS 3 in relation to IFRS 11 (in force for annual periods beginning on or after 1 January 2019 - endorsed by EC).** *These improvements introduce partial amendments to and editions of the respective standards primarily with a view to remove the existing inconsistency or ambiguities in the application of the rules and requirements of individual standards as well as to set out more precise terminology. These amendments are basically focused on the following items and transactions: (a) they clarify that when an entity acquires control over a business, which constitutes a joint operation, it should restate (remeasure) its previous held interest in the business under IFRS 3 as a business combination achieved in stages; (b) when an entity acquires a joint control over a business which constitutes a joint operation, it should not remeasure its previous held interest in the joint operation under IFRS 11; (c) they clarify that all tax consequences on dividend income tax should be stated within profit or loss, or other comprehensive income, or directly within equity – depending on where the respective transactions and/events generating the respective distributable profits have been stated, as far as these consequences are related thereto; and (d) they clarify if under special-purpose loans concluded to finance a specific qualifying asset remain outstanding after the asset is ready for its intended use or disposal, these loans shall be treated as*

part of general-purpose financing for the purpose of calculating the capitalisation rate and amounts under IAS 23.

- **IAS 19 (amended) "Employee Benefits" (in force for annual periods beginning on or after 1 January 2019 - endorsed by EC).** *This amendment clarifies that in case of changes to defined benefit plan amendments, curtailments or settlements, upon determining the current service cost and net interest for the period following the change the entity is obliged to use the assumptions made therein. Additionally, changes are envisaged to the presentation and disclosure of the impact for changes to defined benefit plan amendments, calculation of past service, effects of changes in plans, curtailments or settlements in relation to the plan asset ceiling.*

As at the date of approval for issue of these financial statements, several new standards and interpretations, and amended/revised standards and interpretations have been issued, but are not yet in force for annual periods beginning on 1 January 2019, that have not been adopted for earlier application by the Company. The management has judged that those listed below are likely to have potential impact in the future resulting in changes in the accounting policies and the classification and amounts of the reporting items in the Company's financial statements in future periods, namely:

- **Amendments to the Conceptual Framework for Financial Reporting and the respective references thereto in various IFRS (in force for annual periods beginning on or after 1 January 2020, endorsed by EC).** *These amendments to the Framework include revised definitions of* "*asset*" *and* "*liability*", *as well as new guidance and concepts for their measurement, derecognition, presentation, and disclosure. The amendments to the Conceptual Framework are accompanied by amendments to some references thereto in the International Financial Reporting Standards, including IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22 and SIC 32. Some of the references state which version of the Conceptual Framework statements in the respective standards should refer to (the IASC framework adopted by IASB in 2001, the IASB framework of 2010, or the new revised framework dated 2018), while others specifically state that the standard's definitions have not been updated in accordance with the framework's latest amendments..*
- **IFRS 3 (amended) "Business Combinations" (in force for annual periods beginning on or after 1 January 2020, not endorsed by EC**). *This change concerns the definition of* "*business*" *provided in the appendices to the standard and is related to the difficulties that acquiring entities experience when determining whether they have acquired a business or a group of assets. The amendment aims: (a) to clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs; (b) to narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs; (c) to add guidance and illustrative examples to help entities assess whether a substantive process has been acquired; (d) to remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and (e) to add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is or is not a business.*

- **Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" (in force for annual periods beginning on or after 1 January 2020, endorsed by EC).** *These changes relate to providing a more precise definition of 'material' as stated in the two standards. According to them, the new definition of 'material' is: "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity". There are three new aspects of the definition which should be noted: (a) "Obscuring". The existing definition only focused on omitting or misstating information. However, the Board concluded that obscuring material information with information that can be omitted can have a similar effect. (b) "Could reasonably be expected to influence". The existing definition referred to 'could influence' which the Board felt might be understood as requiring too much information as almost anything 'could' influence the decisions of some users even if the possibility is remote; and (c) "Primary users" (existing or potential investors, lenders and other creditors) -the existing definition referred to 'users' which again the Board feared might be understood too broadly as requiring to consider all possible users of financial statements when deciding what information to disclose. Moreover, the amendments stress especially five ways material information can be obscured: (a) if the language regarding a material item, transaction or other event is vague or unclear; (b) if information regarding a material item, transaction or other event is scattered in different places in the financial statements; (c) if dissimilar items, transactions or other events are inappropriately aggregated; (d) if similar items, transactions or other events are inappropriately disaggregated; and (e) if material information is hidden by immaterial information to the extent that it becomes unclear what information is material. Moreover, the amendments clarify that referring to unclear information shall have the same effect as to omitted or missing information, and that materiality shall be assessed by the entity in the context of the financial statements taken as a whole.*
- **Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures" (in force for annual periods beginning on or after 1 January 2020, endorsed by EC).** *These amendments are related to the uncertainty ensuing from the interest rates benchmark reform undertaken by the Financial Stability Board of G20. This reform is aimed at replacing the existing interbank interest rates used as benchmarks in transactions with financial instruments (for instance: Libor, Euribor, Tibor) with alternative benchmarks based on interbank offered rates, and at developing alternative interest rates benchmark that are almost risk-free. The aim is to overcome consequences on the financial reporting resulting from the reform in interest rates benchmark in the period before the replacement of an existing interest rate benchmark with an alternative interest rate benchmark. The amendments envisage temporary and limited relief to the hedge accounting requirements in IFRS 9 and IAS 39 allowing entities to continue observing the two standards while ignoring the reform's effect.*

The management is still in the process of research, analysis and assessment of the impact of the amendments in the Conceptual Framework and the above-mentioned standards, which would influence the accounting policy and the measurement and classification of the Company's assets, liabilities, transactions and performance in the next reporting periods.

Additionally, with regard to the stated below new standards, amended/revised standards and interpretations that have been issued but not yet in force for annual periods beginning on 1 January 2019, the management has judged that they are unlikely to have a potential impact resulting in changes in the accounting policies and the financial statements of the Company:

- **IFRS 17 "Insurance Contracts" (in force for annual periods beginning on or after 1 January 2021 (with an option for deferral to 2022), not endorsed by EC).** *This is an entirely new accounting standard on all types of insurance contracts, including some guarantees and financial instruments, and includes rules on recognition and measurement, presentation and disclosure. The standard will supersede the effective so far standard related to insurance contracts – IFRS 4. It establishes an entirely new overall model for insurance contracts' accounting, covering all relevant accounting aspects. It is not applicable to the Company's operations.*
- **IFRS 10 (amended) "Consolidated Financial Statements" and IAS 28 (amended) "Investments in Associates and Joint Ventures" - regarding the sale or contribution of assets between and investor and its associates or joint ventures (postponed effective date, to be determined by IASB).** *These amendments address the accounting treatment of the sale or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the assets sold or contributed constitute in substance a business as defined in IFRS 3. If these assets as an aggregate do not meet the definition of a business, then the investor shall recognise gain or loss only to the extent of other unrelated investor's interests in the associate or joint venture. In cases of sale or contribution of assets, which as an aggregate constitute a business, the investor shall recognise the full gain or loss on the transaction. These amendments will be applied on a prospective basis. IASB postponed the initial date of application of these amendments for an indefinite period.*

The separate financial statements of the Company have been prepared on a historical cost basis.

The Company keeps its accounting books in Bulgarian Lev (BGN), which is accepted as being its functional and presentation currency. The data in the separate financial statements and the notes thereto are presented in BGN'000, unless explicitly stated otherwise.

The presentation of the financial statements in accordance with IFRS requires the management to make best estimates, accruals and reasonable assumptions that affect the reported values of assets and liabilities, revenue and expenses and the disclosure of contingent assets and liabilities as at reporting date. These estimates, accruals and assumptions are based on the information which is available at the date of the financial statements, and therefore, the future actual results might differ from them in the future (whereby uncertainties are more significant at times of financial crisis). The items presuming a higher level of subjective assessment or complexity or where the assumptions and accounting estimates are material for the financial statements, are disclosed in *Note 2.27*.

2.2. Consolidated financial statements of the Company

The Company has interests and exercises control over subsidiaries *(Note 5),* therefore it also prepares consolidated financial statements under the requirements of the Bulgarian Accountancy Act and IFRS 10. The company has started the process of preparation of its consolidated annual financial statements for 2019 in accordance with IFRS for 2019. The accompanying separate annual financial statements will be included therein.

2.3. Comparatives

In these financial statements, the Company presents comparative information for one prior year (period). Where necessary, comparative data is reclassified (and restated) in order to achieve comparability in view of the current year presentation changes.

2.4. Functional and presentation currency

The items in the Company's financial statements are measured in the currency of the main economic environment in which the Company operates ("functional currency"). The functional and presentation currency of the Company's financial statements is the Bulgarian Lev. The Bulgarian Lev is fixed to the Euro at the ratio BGN 1.95583: EUR 1, under the Currency Board introduced in the Republic of Bulgaria as of 1 January 1999.

Upon its initial recognition, a foreign currency transaction is recorded in the functional currency (BGN) whereas the exchange rate to BGN at the date of the transaction or operation is applied to the foreign currency amount. Cash, receivables and payables, as monetary reporting items, denominated in a foreign currency, are recorded in the functional currency by applying the exchange rate as quoted by the Bulgarian National Bank (BNB) for the last working day of the respective month. At 31 December, these amounts are presented in BGN at the closing exchange rate of BNB.

The non-monetary items in the statement of financial position, which are initially denominated in a foreign currency, are accounted for in the functional currency by applying the historical exchange rate at the date of the transaction and are not subsequently re-valued at the closing exchange rate.

Foreign exchange gains or losses arising on the settlement or recording of foreign currency commercial transactions at rates different from those at which they were converted on initial recognition, are recognised in the statement of comprehensive income (in the annual profit or loss) in the period in which they arise and are presented net under 'other operating income/ (losses)'.

2.5. Property, plant and equipment

Property, plant and equipment (non-current tangible assets) are presented at historical acquisition cost (cost), less any accumulated depreciation and impairment loss.

Initial measurement

Upon their initial acquisition, property, plant and equipment (non-current tangible assets) are valued at acquisition cost (cost), which comprises the purchase price, including customs duties and non-refundable taxes, and any directly attributable costs of bringing the asset to working condition. Directly attributable costs include: site preparation expenses, expenses on initial delivery and handling, installation costs, fees to those associated with the project, etc. The Company has set a value threshold of BGN 700, below which the acquired assets, regardless of having the features of fixed assets, are treated as current expense at the time of their acquisition.

Subsequent measurement

The Company's chosen subsequent measurement approach for property, plant and equipment is the acquisition cost model under IAS 16 - acquisition price, less any accumulated depreciation and impairment loss.

Subsequent costs

Repair and maintenance costs are recognised as current expenses as incurred. Subsequent costs incurred in relation to fixed assets having the nature of replacement of certain components, significant parts and aggregates or improvements and restructuring, are capitalised in the carrying amount of the respective asset whereas the residual useful life is reviewed at the capitalisation date. At the same time, the non-depreciated part of the replaced components is derecognised from the carrying amount of the assets and is recognised in the current expenses for the period of restructure.

Depreciation methods

Depreciation of an asset begins when it is available for use. The Company applies the straight-line depreciation method in order to distribute the difference between the carrying amount and the residual value over the useful life of the assets. The useful life of the groups of assets is dependent on their physical wear and tear, the characteristics of the equipment, the future intentions for use and the expected obsolescence, as follows:

- Machinery and equipment - 5 - 10 years
- Computers and telephones (mobile devices) - 3 - 5 years
- Vehicles - 5 - 7 years
- Fixtures and fittings - 6.7 years

The useful life set for any non-current tangible asset is reviewed at the end of each reporting period and in case of any material deviation from the future expectations of their period of use, the latter is adjusted prospectively.

Impairment of assets

The carrying amounts of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount might permanently differ from their recoverable amount. If any indications exist that the estimated recoverable amount of an asset is lower than its carrying amount, the latter is adjusted to the recoverable amount of the asset. The recoverable amount of fixed tangible assets is the higher of fair value less costs to sell or the value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market conditions and assessments of the time value of money and the risks, specific to the particular asset. Impairment losses are recognised in the statement of comprehensive income (within profit or loss for the year) under 'Depreciation and amortization expense'.

Gains and losses on disposal (sale)

Tangible fixed assets are derecognised from the statement of financial position when they are permanently disposed of and no future economic benefits are expected therefrom or on sale. The gains or losses arising from the sale of an item of fixed tangible assets group are determined as the difference between the consideration the Company expects to be entitled to (the sales revenue) and the carrying amount of the asset at the date of transfer of control to the asset recipient. They are stated net under 'other operating income/ (losses), net' on the face of the statement of comprehensive income (within profit or loss for the year).

2.6. Intangible assets

Intangible assets are stated in the financial statements at acquisition cost (historical value) less accumulated amortisation and any impairment losses in value. Intangible assets include software used by the Company and licenses acquired. The Company applies the straight-line amortisation method over a period from 5 to 10 years.

The carrying amounts of the intangible assets are subject to review for impairment when events or changes in circumstances indicate that the carrying amount might permanently differ from their recoverable amount. Then impairment is recognised as an expense in the statement of comprehensive income (within profit or loss for the year).

Intangible assets are derecognised from the statement of financial position when they are permanently disposed of and no future economic benefits are expected therefrom or on sale, as at the date of transfer of control to the asset recipient. The gains or losses arising from the sale of an item of intangible assets are determined as the difference between the consideration the Company expects to be entitled to (the sales revenue) and the carrying amount of the asset at the date on which the buyer obtains control thereon. They are stated net under 'other operating income/ (losses), net' on the face of the statement of comprehensive income (within profit or loss for the year).

2.7. Investments in subsidiaries

Long-term investments in the form of shares and / or stakes in subsidiaries are presented in the financial statements at acquisition cost (cost), which is the fair value of the consideration paid and / or contractually payable, including any costs directly attributable to the acquisition of the investment, less any accumulated impairment. If payment is deferred for more than one year as of the date of the transaction, the consideration due is discounted and is included in the value of the investment at present value, and the difference is recognised as interest over the period of the deferred payment

Investments in subsidiaries held by the Company are subject to annual review for impairment. If there are conditions necessitating impairment the latter is recognised in the statement of comprehensive income (within the profit or loss for the year).

"The transaction date" is applied to purchases and disposals of investments in subsidiaries.

Investments are derecognised when the ensuing rights are transferred to third parties, upon occurrence of the legal grounds thereto, thus resulting in loss of control over the economic benefits of the specific type of investment. Gains / (losses) on disposal are presented in the finance income or finance costs, respectively, in the statement of comprehensive income (within the profit or loss for the year).

2.8. Interest-bearing loans and other financial resources provided

All loans and other borrowings are initially recognised at cost (nominal amount), which is accepted to be the fair value of the consideration on the transaction, netted of the direct costs related to these loans and borrowings. After the initial recognition, the interest-bearing loans and other borrowings are subsequently measured and presented in the statement of financial position at amortised cost applying the effective interest rate method. They are classified in this group as the Company's business model is solely aimed at collecting the contractual principal and interest cash flows. Amortised cost is calculated by taking into account all types of charges, commissions and other costs, associated with these loans. Gains and losses are recognised in the statement of comprehensive income (within profit or loss for the year) as finance income (interest) or costs throughout the amortisation period, or when the receivables are discharged, derecognised or reduced.

Interest income is recognised depending on the stage the respective loan or other receivable on financial resources provided is classified at, based on the effective interest method.

Interest-bearing loans and other borrowings are classified as current ones unless, and for the relevant portion thereof, the debtor has unconditionally the right to settle its obligation within a term of more than 12 months after the end of the reporting period (*Note 2.21*).

2.9. Inventories

The cost of the inventories includes their purchase or production costs, processing and other direct costs, associated with their delivery. At the end of every reporting period the inventories are accounted for at the lower of the acquisition cost and their net realizable value. The amount of every impairment of the inventories to their net realisable value is recognized as expense for the impairment’s period.

The net realisable value represents the estimated selling price of an asset in the ordinary course of business less the estimated cost of costs necessary to make the sale.

Upon consumption inventories are expensed using the “average weighted” method.

Upon the sale of inventories, their carrying amount is derecognised from the statement of financial position at the date of transfer of control to the asset recipient. The result of the sale is determined by comparing the consideration the Company expects to be entitled to (sale revenue) and the carrying amount of inventories at the date of transfer of control. They are stated net under 'other operating income/ (losses)' on the face of the statement of comprehensive income (within profit or loss for the year).

2.10. Trade and other receivables

Trade receivables constitute the Company’s unconditional entitlement to consideration under contracts with customers and other counterparties (i.e. it is only dependent on the passage of time before payment of the consideration).

Initial measurement

Trade receivables are initially recognised and carried at fair value based on the transaction price, which is usually equal to the invoice amount, unless they contain a significant financial component, which is not additionally charged. In this case they are recognised at their present amount determined at a discount rate equal to the interest associated to the debtor.

Subsequent measurement

The Company holds trade receivables only for the purpose of collecting contractual cash flows and subsequently measures them at amortised cost less the amount of impairment accumulated for credit losses. (*Note 2.21*).

Impairment

The Company applies the expected credit losses model for the entire term of all trade receivables, using the simplified approach under IFRS 9, and based on the matrix model for loss percentage (*Note 10*).

2.11. Cash and cash equivalents

Cash includes cash in hand and cash in current accounts, and cash equivalents – bank deposits with original maturity up to three months, and funds in deposits with longer maturity which are readily available to the Company under its agreements with the banks over the deposits’ terms *(Note 2.21).*

Subsequent measurement

Cash and cash equivalents at banks are subsequently measured at amortised cost, less the impairment accumulated for expected credit losses.

For the purposes of the statement of cash flows:

- cash proceeds from customers and cash paid to suppliers are presented at gross amount, including value added tax (20%);

- interest on investment purpose loans received is reported as payments for financing activities while the interest on working capital loans financing operating activities is included in the operating activities;
- VAT paid on fixed assets purchased from foreign suppliers is presented on the line 'taxes paid' while that paid on assets purchased from local suppliers is presented as 'cash paid to suppliers' in the cash flows from operating activities as far as it represents a part of the operating flows of the Company and is recovered therewith in the respective period (month);
- overdraft proceeds and payments are stated net by the Company;
- payments related to leases (interest and principal payments) related to the right-of-use assets and lease liabilities recognised in the consolidated statement of financial position are stated within financing activities, and payments related to short-term and low-value leases are stated within payments for operations.
- permanently blocked funds for a period of more than 3 months are not treated as cash and cash equivalents.

2.12. Share capital and reserves

Speedy AD is a joint-stock company and is obliged to register with the Commercial Register a specified share capital, which should serve as a security for the creditors for execution of their receivables. Shareholders are liable for the obligations of the Company up to the amount of the capital share held by each of them and may claim returning of this share only in liquidation or bankruptcy proceedings.

The Company reports its share capital at the nominal value of the shares registered in the Commercial Register.

According to the requirements of the Commercial Act and the Articles of Association, the Company is obliged to set aside a Reserve Fund (*statutory reserve*) by using the following sources:

- at least one tenth of the profit, which should be allocated to the Fund until its amount reaches one tenth of the share capital or more decided by the General Meeting of Shareholders;
- any premium received in excess of the nominal value of shares upon their issue (*share premium reserve*);
- other sources as provided for by a decision of the General Meeting of Shareholders.

The amounts in the Reserve Fund may only be used to cover the prior year’s annual losses. When the statutory reserves exceed the minimum set out in the Articles of Association, the excess could be used for capital increase.

Premium reserves include premiums received on the issuance of equity. Any transaction costs associated with the issuing of shares are deducted from the paid-in capital, net of tax reliefs.

Retained earnings include the current financial result and the accumulated profit and the uncovered loss from previous years.

Distribution of dividends to the Company's shareholders is recognized as liability in the financial statements, for the period in which it was approved by the shareholders of the Company.

2.13. Net earnings or losses per share

Basic net earnings or losses per share are calculated by dividing net profit or loss for the period attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the period.

The weighted average number of shares outstanding during the period is the number of ordinary shares outstanding at the beginning of the period, adjusted by the number of ordinary shares redeemed or issued during the period multiplied by a time-weighting factor. This factor represents the number of days that the shares are outstanding as a proportion of the total number of days in the period.

In case of a capitalisation, bonus issue or splitting, the number of the outstanding ordinary shares as at the date of such event, is adjusted as to reflect the proportional change in the number of outstanding ordinary shares as if the event has occurred in the beginning of the earliest presented period.

Diluted net earnings or losses per share are not calculated because no dilutive potential ordinary shares have been issued.

2.14. Trade and other payables

Trade and other current amounts payable are carried in the statement of financial position at original invoice amount (acquisition cost), which is the fair value of the consideration to be paid in the future for goods and services received.

In case of payments deferred over a period exceeding the common credit terms, where no additional interest payment has been envisaged or the interest considerably differs from the common market interest rates, the payables are initially valued at their fair value based on their present value using a company-specific discount rate and subsequently – at amortised cost (*Note 20 and Note 37*).

2.15. Interest-bearing loans and other financial resources received

All loans and other borrowings are initially recognised in the statement of financial position at cost (nominal amount), which is accepted to be the fair value of the consideration received on the transaction, netted of the direct costs related to these loans and borrowings. After the initial recognition, the interest-bearing loans and other borrowings are subsequently measured and presented in the statement of financial position at amortised cost applying the effective interest rate method. Amortised cost is calculated by taking into account all types of charges, commissions and other costs, including any discount or premium, associated with these loans. Gains and losses are recognised in the statement of comprehensive income (within profit or loss for the year) as finance income or finance costs throughout the amortisation period, or when the liabilities are derecognised or reduced *(Note 16, Note 17, Note 21 and Note 37).*

Interest costs are recognised for the term of the financial instrument based on the effective interest method.

Interest-bearing loans and other borrowings are classified as current ones unless, and for the relevant portion thereof, the Company has unconditionally the right to settle its obligation within a term of more than 12 months after the end of the reporting period.

2.16. Leases

At inception of the lease, which is the earlier of the date of the lease agreement and the date of commitment by the parties to the principal terms and conditions of the lease, the Company analyses and assesses whether a contract is or contains a lease. 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.

2.16.1. Lessee

The Company applies a uniform model for recognition and measurement of all leases, except for short-term leases (leases with a lease term of 12 months or less as of inception and which do not contain a purchase option) and leases of low value assets (such as tablets, personal computers, telephones, office equipment, etc.).

The Company has not elected to apply the practical expedient of IFRS 16, which allows a lessee, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component. For contracts that contain a lease component and one or more additional lease or non-lease components, the Company applies a policy to allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

a) Right-of-use assets

The Company recognises right-of-use assets in the statement of financial position at the commencement date of the lease, i.e. the date on which a lessor makes an underlying asset available for use by the lessee.

Right-of-use assets are presented in the statement of financial position at acquisition cost, less the accumulated depreciation, impairment losses and adjustments resulting from remeasurement and adjustments to the lease liability. The acquisition cost includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Company in its capacity as lessee;
- costs for dismantling and removing the underlying asset, restoring the site on which the asset is located, restoring the underlying asset to the condition required by the terms and conditions of the lease.

The Company depreciates the right-of-use asset to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. If ownership of the asset is transferred under the lease by the end of the lease term, the Company shall depreciate it to the end of the useful life. Depreciation shall be charged from the commencement date.

The depreciation terms by types of underlying lease assets are as follows:

- buildings from 3 to 20 years
- machinery and equipment from 3 to 5 years
- vehicles from 3 to 5 years
- computer equipment from 3 to 5 years
- other from 3 to 5 years

The Company has elected to apply the acquisition cost model for all of its right-of-use assets.

Right-of-use assets are tested for impairment in accordance with IAS 36 by applying an impairment determination and reporting policy analogous to the one for property, plant, and equipment (non-current fixed assets). The recoverable amount of the right-of-use assets is the higher of: the fair value less costs to sell or the value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market conditions and assessments of the time value of money and the risks, specific to the particular asset. Impairment losses are determined as the difference between the recoverable and carrying amount (when the recoverable account is lower than the carrying amount) and are presented in the statement of comprehensive income (within the profit or loss for the year) as impairment costs of non-current assets.

Right-of-use assets are represented as property, plant and equipment (if the underlying asset is a tangible asset) and as intangible assets (if the underlying asset is an intangible asset) in the statement of financial position, and their depreciation / amortisation - as depreciation / amortisation expenses in the statement of comprehensive income (within the profit or loss for the year).

b) Lease liabilities

The Company recognises lease liabilities at the commencement date, measured at the present value of the lease payments that are not paid at this date. They include:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate initially measured using the index or rate at the commencement date;
- the exercise price of the purchase options, if the lessee is reasonably certain to exercise this option;
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease by the lessee;
- the amount expected to be payable by the Company to lessor under residual value guarantees.

Variable lease payments that do not depend on an index or a rate, but are dependent on performance or use of the underlying asset, are not included in the measurement of the lease liability and the right-of-use asset. They are recognised as current expenses in the period when the event or circumstance resulting in these payments arises and are stated within the hired service costs (within the profit or loss for the year).

Lease payments are discounted using the interest rate implicit in the lease, of that rate can be readily determined, or the Company’s incremental borrowing rate, which it would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Lease payments (instalments) contain a certain ratio of the finance cost (interest) and the respective portion of the lease liability (principal). Interest costs for the lease are presented in the Company's statement of comprehensive income (within profit or loss for the year) for the lease period on a periodic basis, so as to achieve constant periodic rate of interest on the remaining balance of the principal of lease liability, and are presented as “finance costs”.

Lease liabilities are presented on a separate line item in the statement of financial position.

The Company subsequently measures the lease liability by:

- increasing the carrying amount to reflect the interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made;
- remeasuring the carrying amount of the lease liability to reflect any reassessment or lease modifications of the lease;
- residual value guarantees are reviewed and if necessary, adjusted, at the end of each reporting period.

The Company remeasures the lease liabilities (and makes corresponding adjustments to the related right-of-use assets) whenever:

- the lease term has changes or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a residual value guarantee, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged (original) discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used that reflects the changes in the interest rate);
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of modification.

c) Short-term leases and leases of low-value underlying assets

The Company has elected the exemption from recognition of right-of-use assets and lease liabilities under IFRS 16 for its short-term leases of buildings (rented offices) and vihicles and its leases of low-value assets representing warehouse equipment and computer equipment, which the Company considers to be at a low value when new and are independently used at the Company without dependence and close relation to other assets.

Payments related to short-term leases and leases of low-value underlying assets are recognised directly as current expenses in the statement of comprehensive income (within profit or loss for the year) on a straight-line basis over the lease term as part of the hired service costs (within the profit or loss for the year).

2.16.2. Lessor

Leases for which the Company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease; all other leases are classified as operating leases.

When the Company is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance of operating lease by reference to the right-of-use asset arising from the head lease.

Operating lease

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in obtaining an operating lease and settlement of the operating lease are added to the carrying amount of the leased asset and are recognised on a straight-line basis over the lease term.

The underlying asset which is subject to the lease shall remain and be stated within the Company's statement of financial position.

When the contract contains both lease and non-lease components, the Company applies IFRS 15 to allocate the total consideration between the separate components.

2.17. Government grants

Government grants represent various forms of providing gratuitous resources by a government (local and central authorities and institutions) and/or intergovernmental agreements and organisations.

Government grants (municipal, government and international, including under the procedure of using the European funds and programmes) are initially recognised as deferred income (financing) when there is reasonable assurance that they will be received by the Company and that the latter has complied and complies with the associated thereto conditions and requirements.

A government grant that compensates the Company for expenses incurred is recognised in current profit or loss on a systematic basis in the same period in which the expenses are recognised.

A government grant that compensates investment expenses incurred to acquire a fixed asset is recognised in current profit or loss on a systematic basis over the useful life of the asset usually proportionately to the amount of the recognised depreciation charge.

Financing received related to depreciable non-current tangible assets is presented in the statement of financial position as long-term financing. The portion to be recognised as current income during the next 12 months is included in the current liabilities.

The portion recognised as income from financing is presented in the statement of comprehensive income (within the profit or loss for the year) as "other operating income".

2.18. Employee benefits

Pensions and other payables to personnel under social security and labour legislation

The employment and social security relations with workers and employees of the Company are based on the Labour Code and the provisions of the effective social security legislation in Bulgaria.

Short-term benefits

Short-term benefits to hired personnel in the form of remuneration, bonuses and social payments and benefits (due for payment within 12 months after the end of the period when the employees have rendered the service or have satisfied the required terms) are recognised as an expense in the statement of comprehensive income (within profit or loss for the year) for the period when the service thereon has been rendered and/or the requirements for their receipt have been met, unless a particular IFRS requires capitalisation thereof to the cost of an asset, and as a current liability (less any amounts already paid and deductions due) at their undiscounted amount.

At date of each set of financial statements, the Company measures the estimated costs of the accumulating compensated annual leave, which amount is expected to be paid as a result of the unused entitlement. The measurement includes the estimated amounts of employee's remuneration and the statutory social security and health insurance contributions due by the employer thereon.

Long-term retirement benefits

Defined contribution plans

The major duty of the Company as an employer in Bulgaria is to make the mandatory social security contributions for the hired employees to the Pensions Fund, the Supplementary Mandatory Pension Security (SMPS) Fund, to the General Diseases and Maternity (GDM) Fund, the Unemployment Fund, the Labour Accident and Professional Diseases (LAPD) Fund, the Employee Receivables Guarantee Fund and for health insurance. The rates of the social security and health insurance contributions are defined annually in the Law on the Budget of State Social Security and the Law on the Budget of National Health Insurance Fund for the respective year. The contributions are split between the employer and employee in line with rules of the Social Security Code (SSC).

These pension plans, applied by the Company in its capacity as an employer, are defined contribution plans. Under these plans, the employer pays defined monthly contributions to the government funds as follows: Pensions Fund, GDM Fund, Unemployment Fund, LAPD Fund as well as to universal and professional pension funds – on the basis of rates fixed by law, and has no legal or constructive obligation to pay further contributions if the funds do not hold sufficient means to pay the respective individuals the benefits they have worked-out over the period of their service. The obligations referring to health insurance are identical.

There is no established and functioning private voluntary social security scheme within the Company.

The contributions payable by the Company under defined contribution plans for social security and health insurance are recognised as a current expense in the statement of comprehensive income (within profit or loss for the year) unless a particular IFRS requires this amount to be capitalised to the cost of an asset, and as a current liability at their undiscounted amount along with the accrual of the respective employee benefits to which the contributions refer and in the period of rendering the underlying service.

Defined benefit plans

In accordance with the requirements of the Labour Code, the Company in its capacity as an employer in Bulgaria is obliged to pay to its personnel upon retirement an indemnity, which, depending on the length of service with the entity, varies between two and six gross monthly salaries as at the termination date of the employment. In their nature these are unfunded defined benefit schemes.

The calculation of the amount of these liabilities necessitates the participation of qualified actuaries in order to determine their present value at the date of the financial statements, at which they are presented in the statement of financial position, and respectively, the change in their value – in the statement of comprehensive income as follows: (a) current and past service costs, interest costs and the gains/losses on a curtailment and settlements are recognised immediately when incurred and are presented in current profit or loss under 'employee benefits expense'; and (b) effects from re-measurement of obligations that in substance represent actuarial gains and losses are recognised immediately when occurred and are presented to other comprehensive income in the item 're-measurements of defined benefit pension plans'. Actuarial gains and losses arise from changes in the actuarial assumptions and experience adjustments.

At the date of each annual financial statements, the Company assigns certified actuaries who provide their report with calculations regarding the long-term retirement benefit obligations. For this purpose, they apply the Projected Unit Credit Method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows, which are expected to be paid within the maturity of this obligation, and using the interest rates of long-term government bonds of similar term, quoted in Bulgaria, where the Company itself operates.

Termination benefits

In accordance with the local provisions of the employment and social security regulations the Company in its capacity as employer is obliged, upon termination of the employment contracts prior to retirement, to pay certain types of indemnities.

The Company recognises employee benefit obligations on employment termination before the normal retirement date when it is demonstrably committed, based on a publicly announced plan, including for restructuring, to terminating the employment contract with the respective individuals without possibility of withdrawal or in case of formal issuance of documents for voluntary redundancy. Termination benefits due more than 12 months are discounted and presented in the statement of financial position at their present value.

2.19. Income taxes

Current income taxes of the Company are determined in accordance with the requirements of the Bulgarian tax legislation – the Corporate Income Taxation Act (CITA). The nominal income tax rate in Bulgaria for 2019 is 10% (2018: 10%).

Deferred income taxes are determined using the liability method on all temporary differences existing at the financial statements date, between the carrying amounts of the assets and liabilities and their tax bases.

The deferred tax liabilities are recognized for all temporary differences subject to taxation, unless it arises from initial recognition of an asset or liability in a transaction that at the time of execution does not affect neither accounting, nor taxable profit or loss.

Deferred tax assets are recognised for all temporary differences that are deductible to the extent it is probable that they will be realised and sufficient future taxable profits are expected to be generated against which the assets will be realized, except differences arising from the recognition of an asset or liability, which at the date of the transaction does not affect neither the accounting, not the taxable profit / (loss)..

The carrying amount of all deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is probable that they will reverse and sufficient taxable profit will be generated or taxable temporary differences will occur in the same period, whereby they could be deducted or compensated.

Deferred taxes related to items reported in the other comprehensive income or equity item in the statement of financial position are taken directly to the respective comprehensive income item or equity item in the statement of financial position.

Deferred tax assets and liabilities are measured based on the tax rates and bases that are expected to apply to the period or type of transaction through which the assets are expected to be realised and the liabilities - to be settled (discharged), based on tax laws that are enacted or are expected to be enacted with sufficient certainty.

Deferred tax assets of the Company are presented net against its deferred tax liabilities when and to the extent it is the taxpayer in the respective jurisdiction (Republic of Bulgaria), and this is only in cases where the Company is legally entitled to make or receive net payments of current tax liabilities or income tax receivables.

2.20. Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources will be required to settle (repay) the obligation. Provisions are measured at the present value of the expenses necessary to settle the respective obligation, using a discount factor before taxes, which reflects the current market level of the risks associated with the liability.

When it is expected that the resources to be used to settle the obligation will be recovered from a third party, the Company recognises a receivable, if there is high level of certainty that it will be received, if its amount can be measured reliably and reports income (credit) on the same line item in the statement of comprehensive income (within the profit or loss for the year) where the provision itself is presented.

No provisions for future operating losses are recognised.

2.21. Financial instruments

A financial instrument is any contract that simultaneously gives rise to a financial asset at one entity and a financial liability or equity instrument at another entity.

Financial assets

Initial recognition, classification and measurement

Upon initial recognition, financial assets are classified in three groups, based on which they are subsequently measured: at amortised cost; at fair value through the other comprehensive income, and at fair value through the profit or loss.

The Company initially measures financial assets at fair value, and in the case of financial assets which are not stated at fair value through profit and loss, the direct transaction costs are added. An exception to this rule are trade receivables that do not contain a significant financing component – they are measured based on the transaction price determined under IFRS 15 (*Note 2.22*).

The purchases and sales of financial assets whose conditions require asset delivery within a certain period, usually pursuant to legislation or the effective practice of the respective market (regular way purchases), are recognised using trade date accounting, i.e. on the date when the Company has committed to purchase or sell the asset.

The classification of financial assets upon their initial recognition depends on the characteristics of the contractual cash flows of the respective financial asset and on the Company's business model for management thereof. In order for a financial asset to be classified and measured at amortised value or at fair value through other comprehensive income, its conditions should give rise to cash flows that are "solely payments of principal and interest (SPPI)" on the principal amount outstanding. For this purpose, analysis is performed by means of SPPI test at instrument level.

The Company's business model for the management of financial assets reflects the way the Company manages its financial assets to generate cash flows. The business model determines if cash flows are generated by the collection of contractual cash flows, the sale of financial assets, or both.

Subsequent measurement

For the purpose of subsequent measurement, the Company's financial assets are classified in the category of 'financial assets at amortised cost' (debt instruments).

Financial assets at amortised cost (debt instruments)

The Company measures financial assets at amortised cost if both of the following conditions are met:

- the financial asset is held and used within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method (EIR). They are subject to impairment. Gains and losses are recognised in the statement of comprehensive income (within profit or loss for the year) upon asset's disposal, modification or impairment.

The Company’s financial assets at amortised cost include: cash and cash equivalents (*Note 13*), trade and other receivables (*Notes 10 and 12*), loans to related parties (*Note 6*).

Derecognition

A financial asset (or, when applicable, a portion of a financial asset or part of a group of similar financial assets) is derecognised from the Company’s statement of financial position, when:

- the rights to cash flows from the asset have expired, or
- the rights to cash flows from the asset have been transferred or the Company has assumed an obligation to pay in full the cash flows received, without undue delay, to a third party under a transfer agreement, in which: either a) the Company has transferred substantially all risks and rewards from ownership of the asset; or b) the Company has neither transferred, nor retained substantially all risks and rewards from ownership of the asset, but has transferred control thereon.

When the Company has transferred its right to obtain cash flows from the asset or has concluded a transfer agreement, it assesses the extent to which it has retained the risks and rewards of ownership. When the Company has neither transferred, not retained substantially all risks and rewards from ownership of the financial assets, not has transferred control thereon, it continues to recognise the asset transferred to the extent of its continuing interest therein. In this case, the Company also recognises the respective liability. The transferred asset and the related liability are measured on a basis reflecting the rights and obligations that the Company has retained.

Continuing involvement in the form of a guarantee on the transferred asset is measured at the lower of the two values: the initial carrying amount of the asset and the maximum amount of consideration that the Company may be required to pay.

Impairment of financial assets

The Company recognises an allowance (impairment provision) for expected credit losses for all debt instruments which are not carried at fair value through profit or loss. Expected credit losses are calculated as the difference between the contractual cash flows due under the contractual conditions, and all cash flows the Company expects to receive, discounted at the initial effective interest rate. Expected cash flows also include cash flows from the sale of collateral held or other credit enhancements that constitute an integral part of the contractual conditions.

Loans granted to related parties, other receivables and cash

To calculate the expected credit losses on *loans granted to related parties and other receivables, including cash and cash equivalents at banks,* the Company applies the general impairment approach defined by IFRS 9. Under this approach, the Company applies a 3-stage impairment model based on changes versus the initial recognition of the credit quality of the financial instrument (asset). Expected credit losses are recognised at several stages:

a) Financial assets which are not credit impaired upon their initial recognition/acquisition and are classified as “regular/performing” according to the internal risk classification, are classified in Stage 1. These are receivables from debtors with a low risk of default with stable key indicator (financial and non-financial) trends, regularly serviced and without any outstanding past due amounts. Since its initial recognition, its credit risk and characteristics are subject to continuous monitoring and analyses. The expected credit losses for the financial assets classified in Stage 1 are determined based on credit losses resulting from probable events or default, which could occur over the next 12 months of the respective asset’s lifetime (12-month expected credit losses for the instrument).

b) When there has been a significant increase in credit risk since the initial recognition of a financial asset, and as a result its characteristics deteriorate, it is classified as “suspicious/under-performing" and transferred to Stage 2. Expected credit losses for financial assets classified in Stage 2 are determined for the remaining lifetime of the respective asset, irrespective of the point of default (lifetime expected credit loss (ECL)).

   The Company’s management has developed a policy and a set of criteria to analyse, ascertain and assess the occurrence of “significant increase of credit risk”. The main matters therefrom are disclosed in Note 2.27.3 and Note 37.

c) In the cases when the credit risk of a financial instrument increases to a level that indicates default, the financial asset is considered to be impaired, and is classified as “non-performing/default” in Stage 3. At this stage, the losses incurred for the lifetime of the respective asset are identified and calculated.

   Financial assets are credit impaired when one or more events have occurred that have an adverse effect on the expected future cash flows from these financial assets.

   The Company’s management has performed the respective analyses, based on which it has determined a set of criteria for default events. One of them is delay in contract payments by over

90 days, unless circumstances exist for a certain instrument that make such claim refutable. Along with that, there are other events, based on internal and external information, which indicate that the debtor is not able to repay all contract amounts due, including in consideration of all loan collaterals and reliefs held by the Company. The main matters in the policy and set of criteria are disclosed in *Note 2.27.3 and Note 37*.

The Company adjusts expected credit losses determined based on historical data, with forecast macroeconomic indicators for which it has been established that correlation exists and which are expected to impact the amount of future credit losses.

Trade receivables and contract assets

In order to calculate expected credit losses for *trade receivables and contract assets* the Company has elected and applies a *simplified approach based on an expected credit losses calculation matrix* and does not monitor subsequent changes in their credit risk. In this approach, it recognises an allowance (impairment provision) based on lifetime expected credit losses at each reporting date. The Company has developed and applies a provisioning matrix based on its historical experience with collection and credit losses, adjusted with forecast factors specific for debtors and the economic environment, for which a correlation has been established with the percentage of credit losses. Subsequently, the matrix is calibrated (adjusted) with forecast factors inherent to the debtors and the economic environment for which a correlation has been established with the percentage of credit losses (*Note 2.27.3 and Note 37*).

Derecognition

Impaired financial assets are derecognised when no reasonable expectation exists to collect contractual cash flows.

Financial liabilities

Initial recognition, classification and measurement

The Company's financial liabilities include trade and other payables, loans and borrowings, including bank loans and lease liabilities. Upon their initial recognition, financial assets are usually classified as liabilities at amortised cost.

All financial liabilities are initially recognised at fair value, and in the case of loans and borrowings and trade and other payables, net of direct transaction costs.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification. They are usually classified and measured at amortised cost.

Classification groups

Loans received and borrowings

Following their initial recognition, the Company measures interest-bearing loans and borrowings at amortised cost, applying the effective interest method. Gains and losses are recognised in the statement of comprehensive income (within profit or loss for the year) when the respective financial liability is derecognised, as well as through amortisation based on the effective interest rate.

The amortised cost is calculated by taking into consideration any discounts or premiums at acquisition, as well as fees or costs that constitute an integral part of the effective interest rate. Amortisation is stated as a "finance cost" in the statement of comprehensive income (within profit or loss for the year).

Derecognition

Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled, or expires. An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as an extinguishing of the original financial liability and recognition of a new financial liability. The difference between the respective carrying amounts is recognised in the statement of comprehensive income (within profit or loss for the year).

Offsetting (netting) of financial instruments

Financial assets and liabilities are offset (netted) and the net amount is carried to the statement of financial position, if a legally enforceable right exists to offset the recognised amounts and if there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

This requirement results from the concept of the actual economic nature of the Company's relations with a given counterpart stating that in the simultaneous presence of these two requirements the expected actual future cash flow and rewards for the Company is the net flow, i.e. the net amount reflects the Company's actual right and obligation resulting from these financial instruments – in all cases to only receive or pay the net amount.

If the two conditions are not simultaneously met, it is assumed that the Company's rights and obligations with respect to these offsetting financial instruments are not exhausted in all situations by only the payment or receipt of the net amount.

The offsetting policy is also related to the measurement, presentation and management of actual credit risk and the liquidity risk pursuant from these offsetting instruments.

The criteria applied to establish the "current and legally enforceable entitlement to offsetting" are:

- lack of dependence on a future event, i.e. it should not only be applicable upon the occurrence of a future event;
- the offsetting should be enforceable and legally defendable during (cumulatively):
    - the Company's usual business operations;

- in case of default / delay; and
- in case of insolvency or bankruptcy.

The applicability of criteria is measured against the requirements of the Bulgarian legislation and the contractual relations between the parties. The condition of “presence of current and legally enforceable right to offsetting” is always and mandatorily assessed together with the second condition – for “mandatory settling of these instruments on a net basis”.

2.22. Revenue

The Company’s usual revenue is the provision of services (*Note 25*).

2.22.1. Recognition of revenue under contracts with customers

The Company’s revenue is recognised when control of the goods and/or services promised in the contract with the customer are transferred to the customer. Control is transferred to the customer upon satisfaction of the contractual performance obligations through transfer of the promised goods and/or provision of the promised services.

Measurement of contracts with customers

The Company accounts for a contract with a customer only if upon its enforcement: a) it has commercial essence and rationale; b) the parties to the contract have approved the contract (in writing, orally or in accordance with established and customary business practices) and are committed to perform it; c) each party’s rights can be identified; d) payment conditions can be identified; and e) it is probable that the Company will collect the consideration to which it is entitled to upon performing its performance obligations. In evaluating whether collectability of an amount of consideration is probable, the Company considers all relevant facts and circumstances of the transaction, including past experience, customary business practices, published rules and declarations made by the Company, collaterals and possibilities for satisfaction.

A contract for which any of the above criteria has not yet been met is subject to new assessment in each reporting period. The consideration received under such contracts shall be recognised as payable (contract liability) in the statement of financial position, until:

a) all criteria for recognizing a contract with a customer are met;

b) the Company meets its performance obligations and has received the whole or almost the whole remuneration (which is not recoverable); and/or

c) when the contract is terminated and the remuneration received is not recoverable.

Upon the initial measurement of its contracts with customers, the Company makes additional analysis and judgement whether two or more contracts should be combined and accounted for as a single contract, respectively whether the products promised in each separate and/or combined contract should be accounted for as a single and/or multiple performance obligation(s).

Each promise to transfer goods and / or services which are distinct (in nature and in the context of the contract) is accounted for as one separate performance obligation.

The Company recognises revenue for each separate performance obligation at the level of individual contracts with customers, by analyzing the type, term and conditions of each particular contract. For contracts with similar features, revenue is recognised on a portfolio basis, only if their grouping into a portfolio would not have a materially different impact on the financial statements.

2.22.2. Measurement of revenue under contracts with customers

Revenue is measured based on the transaction price determined for each contract.

The transaction price is the amount of consideration to which the Company expects to be entitled to, excluding amounts collected on behalf of third parties. Upon determining the transaction price, the Company takes into consideration the contractual conditions and its customary business practices, including the impact of variable consideration, the existence of a significant financing component in the contract, non-cash consideration, consideration payable to the customer (if any). In contracts with more than one performance obligations, the transaction price is allocated between each performance obligation based on the standalone selling prices of each good and/or service determined based on one of the methods permitted under IFRS 15, priority being given to the method of “observable selling prices”.

The change in the scope or price (or both) of the contract is accounted for as a separate contract and/or as part of the existing contract, depending on whether the change is related to the addition of goods and/or services which are distinct, and on the price determined for them. Based on that:

a) the Company accounts for a contract modification as a separate contract if the scope of the contract increases because of the addition of promised goods and/or services that are distinct, and the change in the price of the contract reflects the entity's stand-alone selling prices of the additional promised goods and/or services;

b) the Company accounts for the contract modification as if it were a termination of the existing contract and the creation of a new contract (future application), if the remaining goods and/or services are distinct from the goods and/or services transferred before the contract modification, but the change in the contract price does not reflect the standalone selling price of the goods and/or services added;

c) the Company accounts for the contract modification as if it were a part of the existing contract (cumulative catch-up adjustment) if the remaining goods and / or services are not distinct from those transferred before the modification and, therefore, form part of a single performance obligation that is partially satisfied.

2.22.3. Performance obligations under contracts with customers

The revenue generated by the Company is mainly from the sale of services.

As a whole, the Company has concluded that it acts as a principal in its contracts with customers, unless explicitly disclosed otherwise for certain transactions, since the Company usually controls the services rendered prior to their transfer to the customer.

Revenue from sales of services

The services rendered by the Company include domestic and international services for parcel deliveries from one settlement to another (courier services), universal postal service and postal money transfers. These services are provided both independently and in combination (package) with additional (adjacent) services, such as return receipt, declared value, Saturday delivery, “open and test”, collection and payment of cash on delivery, etc. The management has performed analysis and has determined that these additional services are not distinct from the main services; therefore, the two services constitute a single performance obligation, since the Company does not sell the additional services separately and they cannot be provided separately by another party. Therefore, the customer cannot benefit from the additional services independently (as they are or in combination with other easily accessible resources). Moreover, these additional services are connected to the main service and together with it constitute a single integrated service.

Control over the services is transferred over the time of their rendition, since there is no need for another Company to substantially repeat the work done by the Company at a given date if this other Company has to perform the remaining portion of the performance obligation, therefore the customer simultaneously obtains and consumes the benefits from the respective Company’s operation upon performing these activities. Revenue is recognised over time, by measuring the stage of completion of the Company’s performance obligations (stage of completion). To measure progress (stage of completion), the Company uses the linear approach and allocates the consideration it expects to be entitled to over the entire period of provision of the service. This method has been determined as the most appropriate one to measure the progress, since the efforts and resources to render the service are also equally allocated, as well as due to the short-term nature of the services rendered (within several days). The assessments regarding revenue, costs and/or stage of completion towards full satisfaction of the Company's performance obligations are reviewed at the end of each reporting period, including if the circumstances change and/or new ones occur. Each subsequent increase or decrease in the expected revenue and/or costs is stated within profit or loss in the period in which the circumstances leading to the review become known to the management.

2.22.4. Transaction price and payment terms

The selling prices of the services offered by the Company are in accordance with a public price list set and/or are agreed with the customers on an individual basis.

The transaction price also includes a variable consideration in the form of default penalties for default of a party’s obligations, including for performance quality on the Company’s part, including:

- default penalties payable by customers in case of delayed payment of the consideration agreed. These penalties depend on the customers’ actions and are included in the transaction price only when the uncertainty of their receipt has been resolved.

No other consideration has been identified that constitutes variable consideration.

At the end of each reporting period the Company reviews the judgements made and updates the transaction prices so as to accurately present the circumstances existing and arising during the reporting period. Any subsequent changes in the amount of the variable consideration are recognised as adjustment in revenue (increase or decrease) at the date of change.

<u>Significant financing component</u>

The transaction price does not include a financing component. The usual credit period for customers is from 7 to 30 days. The service price (including additional services) is paid for by customers in cash or by bank transfer to a Company's bank account within the deferred payment term agreed. The advance payments collected prior to the contract performance (from the sender and/or third party) have a short-term nature and are presented in the statement of financial position as contract liabilities.

2.22.5. Contract costs

The Company treats as contract costs the following:

- the additional and directly related expenses it incurs upon concluding a contract with a customer, which it expects to recover over a period longer than twelve months (costs to obtain a contract with a customer) and
- the expenses it incurs to fulfil a contract with a customer and which are directly related to the specific contract, support the generation of resource to be used in the contract fulfilment and the Company expects to recover them over a period longer than twelve months (costs to fulfil such contracts).

In its usual activity, the Company does not incur direct and specific costs to enter contracts with customers and costs to fulfil contracts with customers which would not have occurred if the respective contracts had not been concluded and which are subject to capitalisation.

2.22.6. Contract balances

<u>Trade receivables and contract assets</u>

Trade receivables constitute the Company's unconditional entitlement to consideration under contracts with customers and other counterparties (i.e. it is only dependent on the passage of time before payment of the consideration). A contract asset is the Company's right to receive consideration in exchange for goods or services that it has transferred to a customer but is not unconditional (receivable accrual). If by providing the services the Company performs its obligation to the customer to pay the respective consideration and/or before the payment is due, a contract asset is recognised for the consideration worked-out (which is conditional). Recognised contract assets are reclassified as trade receivables when the right to consideration becomes unconditional. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

The initial measurement, subsequent measurement and impairment of trade receivables and contract assets are disclosed in *Note 2.21*.

Contract liabilities

A contract liability is the consideration received from the customer and/or the unconditional right to receive consideration before it has performed its contractual obligations. Contract liabilities are recognised as revenue when (or as) the performance obligations are satisfied.

Contract assets and contract liabilities are stated within other receivables and/or payables in the statement of financial position, unless they are material. If this is the case they are presented on a separate line item in the statement of financial position. They are included within current assets when their maturity is within 12 months or are part of the Company's usual operating cycle, and the others are stated as non-current. Assets and liabilities from a single contract are stated net in the statement of financial position, even if they result from difference performance obligations in the contract.

Following their initial recognition, trade receivables and contract assets are subject to review for impairment pursuant to the conditions of IFRS 9. Impairment losses from contracts with customers are presented separately from other impairment losses within other operating costs in the statement of comprehensive income (within profit or loss for the year).

2.23. Expenses

Expenses are recognised in the Company when they are incurred based on the accrual and matching concepts and to the extent that this would not lead to recognition of items in the statement of financial position which not satisfying the definitions for assets and liabilities.

Prepaid expenses

Deferred expenses are put off and recognised as current expenses in the period when the contracts, whereto they refer, are performed.

2.24. Finance income and costs

Finance income

Finance income is included in the statement of comprehensive income (within the profit or loss for the year) when they arise and include: interest income on loans granted and dividend income.

> *Interest income* is calculated using the effective interest rate on the gross carrying amount of financial assets, except financial assets, which are credit impaired (Stage 3), for which interest income is calculated by applying the effective interest rate on their amortised cost (i.e. the gross carrying amount adjusted with the loss provision) (*Note 2.21*).

Finance costs

Finance costs are included in the statement of comprehensive income (within profit or loss for the year) when incurred; they are stated separately from finance income and comprise: interest expenses, including bank charges and other direct expenses on loans and bank guarantees, interests costs on leases and other deferred payments. Interest costs are recognised on a proportional basis over the remaining period of the interest-bearing liability and the effective interest for the maturity period.

2.25. Fair value measurement

Some of Company's assets and liabilities are measured and presented and/or just disclosed at fair value for financial reporting purposes on a recurring (annual) basis. These include *loans granted and obtained and loans to/from third parties, certain trade and other receivables and payables, lease liabilities.*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between independent market participants at the measurement date. Fair value is an exit price and is based on the assumption that the sale transaction will take place either in the principal market for this asset or liability, or in the absence of a principal market – in the most advantageous market for the asset or liability. Both the designated as a principal market and the most advantageous market are markets to which the Company must have an access.

Fair value is measured from the perspective of using the assumptions and judgements that potential market participants would use when pricing the respective asset or liability assuming that market participants act in their economic best interest.

In measuring the fair value of non-financial assets the starting point is always the assumption what would be the best and most efficient use of the particular asset for the market participants.

The Company applies various valuation techniques that would be relevant to the specific features of the respective conditions and for which it has sufficient available inputs while trying to use at a maximum the publicly observable information, and respectively, to minimize the use of unobservable information. It uses the three acceptable approaches – the market approach, the income approach and the cost approach – whereas the most frequently applied valuation techniques include directly quoted and/or adjusted quoted market prices, market comparables (analogues) and discounted cash flows, including based on capitalised rental income.

All assets and liabilities that are measured and/or disclosed in the financial statements at fair value are categorised within the following fair value hierarchy, namely:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques that use inputs other than directly quoted prices but are observable, either directly or indirectly, including where the quoted prices are subject to substantial adjustments; and
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

2.26. Segment reporting

The Company identifies its reporting segments and discloses segment data in accordance with the organizational and reporting structure used by the management. An operating segment is a distinguishable component of the Company that engages in business activities from which it may earn revenue and incur expenses (including revenue and expenses relating to transactions with other components of the Company), whose operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assesses its performance, and for which discrete financial information is available.

The Company has identified a single reporting segment – courier services.

2.27. Critical accounting judgements on applying the Company's accounting policies. Key estimates and assumptions of high uncertainty.

2.27.1. Measurement and capitalisation of intangible assets

The Company is currently developing new modules and making changes to existing functionalities of its IT system. The upgrade process involves the performance of numerous specific works by IT experts. The process of accounting judgement on which and what part of the costs incurred for the IT system qualify as "upgrade" and should therefore be capitalised and which rather constitute "maintenance" and should be stated within current expenses, is based on expert judgement. This involves IT specialists and accounting specialists who perform periodic evaluation of the works based on type, scope, content, usability time horizon and outcome benefits, etc. These evaluations are based on expert analyses of the information prepared on person-hours and nature of the work, assumptions made in their allocation by activities and modules (Note 4).

In 2019 capitalised expenses amounted to BGN 752 thousand (2018: BGN 313 thousand). *(Note 4)*

2.27.2. Leases

2.27.2.1. Determining whether a contract is or contains a lease or lease elements

Upon identification and classification of a lease or a lease component of a contract, the Company determines whether the contract contains an identifiable asset and whether it transfers the right of control over this asset for the contract term.

In order to determine whether a contract transfers the control over the use of a specific asset the Company assesses whether during the entire period of the use it has the following rights:

- the right to receive significantly all economic benefits of the use of the specific asset;
- the right to direct and manage the use and operation of the identified underlying asset.

For recognised lease contracts the management has reached the conclusion that within the scope of its right of use set out in the contract the Company has the right to make the relevant decision as to how and for what purpose the assets are being used, and it is able to determine the working hours and individuals that have access to the assets. For most of its lease contracts for offices the Company has the right to sublease the assets to third parties, as well as to change its decision as to the use of the assets during the term of the lease contract.

Furthermore, the management has analysed and found that the value of non-lease components (including unidentified parking spaces) for which not separate remuneration is set, is negligible and the payments agreed are allocated fully to the right-of-use assets.

2.27.2.2. Determining the lease term of leases with renewal and termination options - as lessee

The Company determined the lease term as the non-cancellable period of the lease, together with both:

a) periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and

b) periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

Lease contracts where the Company is a lessee usually have extension and cancellation option. The Company uses judgement to determine whether it is reasonably certain that it would exercise the extension or termination option, considering all relevant facts and circumstances that create an economic incentive for the lessee to exercise the option to extend the lease, or not to exercise the option to terminate the lease (such as significant enhancements to the underlying asset, significance of the underlying asset to the Company's operations due to its location and popularity amongst the customers, additional costs for identification and enhancement of another asset meeting the needs of the Company, etc.).

After the commencement date, the Company reassesses the lease term upon the occurrence of a significant event or a significant change in circumstances that is within its control and affects whether the Company is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term.

For all lease agreements for logistics warehouses, the management has determined that the lease terms coincide with the terms set in the contracts. For contracts including an automatic extension option, the management has determined that as at the date of initial adoption of IFRS 16, and as at the date of these financial statements, there is not sufficient assurance whether the extension option will be exercised or not, since the lease terms are too long (five and more years) and since there are no significant economic incentives and specific conditions to make the exercising of such options probable.

For the office premises rental agreements, in which the lease term is one to three years with an automatic extension options, the management has assumed the average term of use to be three years. The lease term has been determined at the level of individual contracts, from one to three years.

2.27.2.3. Interpretation of what constitutes a penalty when determining lease terms

Leases for office premises usually contain a termination notice period (between 1 and 3 months), the contract may not require any of the parties to pay amounts upon termination, as well as multiple renewal option– which include an initial period and an unlimited number of re-negotiations after the initial period, unless terminated by either of the parties. With respect to these contracts, the Company applies a wider interpretation of “penalty”, beyond the scope of those set out in the contract, based on reasonably substantiated economic incentive or factors of deterring nature or acting as a sanction (for instance: enhancements of the underlying asset, significance of the underlying asset for the Company's operations, due to its location and popularity amongst the customers, additional costs for identification and enhancement of another asset meeting the needs of the Company, etc.). For these contracts the Company's aim is that the lease term corresponds to its realistic judgement on the period of use of the underlying asset.

The lease term for these contracts has been determined at the level of individual contracts, from one to three years.

2.27.2.4. Determining the incremental interest rate of leases in which the Company is a lessee

In the cases when the Company is a lessee and cannot readily determine the interest rate to discount lease liabilities, it uses the incremental borrowing rate it would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of- use asset in a similar economic environment. In case of leases where no similar borrowing exists, the Company seeks observable data such as market levels of loans and publicly available bank statistics, and performs company-specific calculations and adjustments to reflect its own credit rating based on an internal methodology for risk coefficients (based on comparison and analysis of interest on own loans with banking statistical data).

Based on the above the management has concluded that the incremental interest rate for contracts with lease terms up to three years is 1.8%, and for contracts with lease terms of more than three years is 2%, based on the analysis of the interest rates used by the Company for borrowings having similar features.

2.27.2.5. Review of indicators for impairment of right-of-use assets

As at the date of the financial statements, the Company’s management performs an impairment review of right-of-use assets. If indicators exist that the approximate recoverable amount is lower than their carrying amount, the latter is impaired to the recoverable amount of assets.

The Company has performed a review and has determined that no indicators for impairment exist as at 31 December 2019 and as at 31 December 2018.

As at 31 December 2019 right-of-use assets are recognised in the statement of financial position of the Company at the total amount of BGN 52,359 thousand and lease liabilities at the total amount of BGN 49,165 thousand (31 December 2018: right-of-use assets - BGN 37,536 thousand and lease liabilities - BGN 35,699 thousand). *(Note 15).*

2.27.3. Calculation of expected credit losses from financial assets stated at amortised cost

The measurement of expected credit losses for financial assets stated at amortised cost (receivables and contract assets, cash and cash equivalents), as well as for financial guarantees granted is an area that requires the use of complex models and material assumptions for future economic conditions and the credit behaviour of customers and debtors (for instance, the probability of counterparties not meeting their obligations and the pursuant losses).

In order to apply these requirements, the Company's management makes a number of material judgements, such as: (a) determining criteria to identify and measure significant credit risk increases; (b) selection of suitable models and assumptions to measure expected credit losses; (c) establishing groups of similar financial assets (portfolios) for the purpose of measuring expected credit losses, (d) establishing and assessing the correlation between historical default rates and the behaviour of certain macro indicators to reflect the effects of forecasts for these macro indicators in the calculation of expected credit losses, (e) specific assumptions and judgements regarding some receivables from related parties (*Note 2.21, Note 6, Note 10, and Note 37*).

Regarding trade receivables, including from related parties

The Company uses provisioning matrices to calculate expected credit losses from trade receivables, and contract assets. The provision rates are based on days past due for groups from different customer segments (portfolios) sharing similar loss models (type of customer by sector).

Each provisioning matrix is initially based on detailed historical observation of default rates in the Company's receivables and the movement of receivables by delay groups. Usually, historical data is used for the prior financial year since the collection period is between 20 and 30 days on average. The calculations are updated if during the reporting year there has been a significant change in the payment behaviour of customers and/or other events occurred that have a significant effect on the Company's collection. In this case, the expected credit losses matrix is revised to reflect the change in customers' behaviour that affects collection. Moreover, the Company calibrates the matrix so as to adjust historically ascertained dependence for credit losses with forecast information by also using probability scenarios. For instance, if certain forecast economic conditions are expected to aggravate or improve in the next year, which might result in established correlation increase in payment delays for a certain sector (customer type), the historic default rates are adjusted. At each reporting date, the observable historical default rates are updated and the effects of changes in the estimates are accounted for.

The assessment of the relation between observable historical default rates, the forecast economic conditions and expected credit losses is a significant accounting judgement. The amount of expected credit losses is sensitive to changes in circumstances and forecast conditions. The Company's historical credit closes and the forecast economic conditions may deviate from actual collection rates in the future.

Information regarding cumulative expected credit losses from trade receivables, including related parties, are disclosed in *Note 10 and Note 37*.

In 2019 impairment allowances reported with respect to expected credit losses amount to BGN 222 thousand, including BGN 1 thousand decrease in the impairment allowances accrued for expected credit losses on assets from contracts with customers (2018: BGN 144 thousand, including BGN 2 thousand impairment allowances for expected credit losses on assets from contracts with customers) (*Note 10, Note 11, Note 37*).

For loans provided to related parties

To calculate expected credit losses on loans granted, the Company has adopted the general impairment approach under IFRS 9. To do that the Company applies selected probability weighted scenarios for collection and future cash flows, with assumptions regarding loss in case of loss event.

All guaranteed and / or secured, and / or insured receivables on loans granted are taken into account in the definition of the loss. Thus, as a last step, using all of these parameters and following discounting, a calculation of the estimated expected credit loss is derived for the respective period for the respective financial asset.

Stage 1 includes loans granted, classified as "regular/performing" in accordance with internally developed risk classification scheme. These are loans granted to debtors-related parties having low risk of default, they are serviced regularly, without significant deterioration in key indicators (financial and non-financial) and without any outstanding amounts that are past due. The expected impairment loss on such loans is calculated for the next 12 months and the Company's expectation as to the loss in case of exposure in default over the next 12 months.

Stage 2 includes loans granted which are classified as "doubtful". These are loans for which there is finding (based on a set of indicators) of material deterioration of the credit risk associated with the debtor against the initial recognition of the exposure. The expected impairment loss on such loans is calculated over the lifetime of the loan, which is deemed credit-unimpaired and the Company's expectation of the loss in case of exposure in default over its lifetime.

Stage 3 includes loans granted which are classified as "in default". These are loans for which there is evidence that the receivable is already credit impaired, i.e. credit event has occurred (in accordance with the adopted policy of the nature of default events). Analysis of a system of indicators used as indicators of credit losses occurred is performed for this purpose. The impairment loss on such loans is calculated for the loss of a credit impaired exposure in default over its entire life cycle.

The Company does not have the practice of providing loans to third parties.

It has granted a loan to a subsidiary. *(Note 6)* The management has made an analysis based on historical and forecast qualitative and quantitative information regarding the cash flows and the subsidiary's ability to cover its working capital and other liabilities, including instalments on the loan. The management analysis has taken into account the fact that the Company has an established system to control the operations of the debtor-related party, including its investment programme and cash flows. Based on the above circumstances and taking into account the budgeted financial indicators of the subsidiary and its positive development trend, the management has assessed that it will have sufficient cash to cover its working capital needs and to service its other liabilities, including to repay the loan granted. Therefore, as at 31 December 2019 and 31 December 2018 it was assessed that the loan granted to the debtor-subsidiary is in Stage 1, and the expected credit losses are immaterial and were not reported.

Key issues in the policy and the set of criteria for measurement of the Company's exposure to credit risk, related to the loans granted, are disclosed in *Note 37*.

Information about the expected credit losses on loans granted are disclosed in *Note 37*.

No impairment on loans granted has been reported in 2019 and 2018 (*Note 37*).

Cash

To calculate expected credit losses from cash and cash equivalents at banks, the Company applies the general three-stage impairment approach under IFRS 9. For this purpose, it applies a model based on the bank ratings as determined by internationally recognised rating firms such as Moody’s, Fitch, S&P, BCRA and Bloomberg. Based on this, on the one hand, the PD (probability of default) indicators are determined by using the PD reference data for the rating of the respective bank, and on the other hand, based on the change in a bank’s rating from one period to the next, the Company identifies the presence of increased credit risk. Loss given default is calculated using the formula to calculate expected credit losses: ECL = PD x LGD x EAD, where:

ECL is the expected credit losses indicator;

PD is the probability of default indicator;

LGD is the loss given default indicator; and

EAD is the exposure at default indicator.

Upon determining LGD, the presence of guaranteed and/or secured amounts in the respective accounts is taken into consideration.

In 2019 and 2018 no impairment of cash has been stated (*Note 13, Note 37, and Note 39*).

2.27.4. Impairment of investments in subsidiaries

Investments in subsidiaries held by the Company are subject to annual review for impairment. The following are deemed to be key indicators for impairment: significant reduction of the volume (more than 25%) or termination of the operations of the investee; loss of market share, reporting losses over a prolonged period of time, as well as reporting negative net assets or assets below the registered share capital, trends for deterioration of the financial indicators, as well as decrease in market capitalisation.

Calculations are made by the Company's management and financial budgets developed by the managements of the respective companies and of the Group as a whole covering between three and five-year periods, as well as other medium- and long-term plans and development intentions and activity restructuring, including forecast of key economic indications at national level and at EU / Balkans level are used as basis for the forecasts of the cash flows (before taxes).

The key assumptions used in the calculations are determined specifically for each Company, treated as a separate cash generating unit and reflect the specifics of its operations, the business environment and the risks it is exposed to. Tests, assumptions and judgements of the management in forecasts and calculations regarding impairment of investments in subsidiaries are made through the prism of its intentions and plans for the future development of these subsidiaries, respectively the expectations for generation of future economic benefits, including through the use of their internally generated trademarks, trade and industrial experience, revenue achieved and possibilities for future development, ensuring positions at Bulgarian and foreign markets (development and retention), expectations for future sales and synergies achieved, etc.

Based on the tests as at 31 December 2019 no need to recognise impairment of investments in subsidiaries was identified (31 December 2018: none) (*Note 5).*

2.27.5. Revenue from contracts with customers

Upon revenue recognition and preparation of the annual financial statements the management makes estimates, judgements and assumptions which influence the reported income, expenses, contract assets and liabilities and the accompanying disclosures. Due to the uncertainty of these assumptions and estimates it is possible to have significant adjustments in the carrying amounts of the affected assets and liabilities in the future, and the reported income and expenses, respectively.

The key judgements and assumptions that have material impact on the amount and timing of the recognition of revenue from contracts with customers are disclosed in *Note 2.22.3* and *Note 2.22.4* and are related to identification of the performance obligations and the method of transfer of control for each individual performance obligation and definition of the transaction price, including variable consideration and their amount.

2.27.6. Actuarial calculations

Calculations of certified actuaries based on the assumptions of mortality, personnel turnover rates, future salary levels and discount factor are used in the definition of the present value of long-term retirement benefits . These assumptions are deemed by the management as reasonable and appropriate for the Company (*Note 19*).

3. PROPERTY, PLANT AND EQUIPMENT

2019	Buildings	Plant and equipment	Vehicles	Computer equipment	Other	Total
	BGN’000	BGN’000	BGN’000	BGN’000	BGN’000	BGN’000
Carrying amount at 1 January	**26,124**	**2,860**	**13,578**	**1,929**	**4,844**	**49,335**
Additions	17,585	611	11,107	875	645	30,823
Transfers	315	-	-	-	(315)	-
Disposals	(5,538)	-	(7,638)	(502)	(47)	(13,725)
Depreciation	(4,931)	(638)	(5,502)	(764)	(674)	(12,509)
Written-off depreciation	1,132	-	6,949	60	-	8,141
Carrying amount at 31 December	**34,687**	**2,833**	**18,494**	**1,598**	**4,453**	**62,065**
31 December 2019						
Book value	**45,375**	**6,101**	**39,488**	**6,272**	**7,431**	**104,667**
Accumulated depreciation	**(10,688)**	**(3,268)**	**(20,994)**	**(4,674)**	**(2,978)**	**(42,602)**
Carrying amount	**34,687**	**2,833**	**18,494**	**1,598**	**4,453**	**62,065**
including carrying amount of right-of-use assets (Note 15.2.1)	**32,387**	**882**	**17,796**	**826**	**468**	**52,359**

2018	Buildings	Plant and equipment	Vehicles	Computer equipment	Other	Total
	BGN’000	BGN’000	BGN’000	BGN’000	BGN’000	BGN’000
Carrying amount at 1 January	**27,792**	**2,552**	**15,248**	**1,709**	**4,886**	**52,187**
Additions	2,563	782	3,590	949	652	8,536
Transfers	60	-	-	1	(61)	-
Disposals	-	-	(3,046)	(191)	(66)	(3,303)
Depreciation	(4,291)	(474)	(5,078)	(704)	(570)	(11,117)
Written-off depreciation	-	-	2,864	165	3	3,032
Carrying amount at 31 December	**26,124**	**2,860**	**13,578**	**1,929**	**4,844**	**49,335**
31 December 2018						
Book value	**33,013**	**5,490**	**36,019**	**5,899**	**7,148**	**87,569**
Accumulated depreciation	**(6,889)**	**(2,630)**	**(22,441)**	**(3,970)**	**(2,304)**	**(38,234)**
Carrying amount	**26,124**	**2,860**	**13,578**	**1,929**	**4,844**	**49,335**
including carrying amount of right-of-use assets (Note 15.2.1)	**24,410**	**779**	**11,237**	**817**	**293**	**37,536**

Right-of-use assets (rented offices and warehouses) are presented as buildings. Their carrying amount is BGN 32,387 thousand (31 December 2018: BGN 24,410 thousand) and the enhancements made in relation to them with a carrying amount of BGN 2,300 thousand (31 December 2018: BGN 1,715 thousand).

Other non-current tangible assets include:	31.12.2019 BGN'000	31.12.2018 BGN'000
Automatic post stations	1,286	1,174
Facilities and other fixed tangible assets	2,210	2,175
Assets under construction, including	957	1,495
Costs for acquisition of automatic post stations	*956*	*1,133*
Advances paid	*1*	*78*
Other expenses for acquisition of plant and equipment	-	*284*
Total	**4,453**	**4,844**

As at 31 December plant and equipment include plant and equipment with a carrying amount of BGN 65 thousand, bought under contract for financing under "Human Resource Development" Operational Programme, 2014 - 2020 (31 December 2018: technical equipment with a carrying amount of BGN 172 thousand, bought under contract for financing under "Development of the Competitiveness of the Bulgarian Economy" Operational Programme 2007-2013 and plant and equipment with a carrying amount of BGN 87 thousand, bought under contract for financing under "Human Resource Development" Operational Programme, 2014 - 2020 (*Note 18*).

Assets under lease contracts are presented in *Note 15*.

Other data

The book value of fully depreciated fixed tangible assets which are used in the Company's operations as at 31 December 2019 amounts to BGN 15,478 thousand (31 December 2018: BGN 14,302 thousand).

As at 31 December 2019 a pledge was established on plant and equipment (sorting line) with a carrying amount of BGN 1,175 thousand (31 December 2018: BGN 1,359 thousand) as collateral on bank loans obtained (*Note 17*).

4. INTANGIBLE ASSETS

	Software	Assets in process of acquisition	Total
	BGN'000	BGN'000	BGN'000
31 December 2019			
Carrying amount at the beginning of the year	**2,078**	**135**	**2,213**
Additions	789	-	789
Transfers	82	(82)	-
Amortisation	(925)	-	(925)
Carrying amount at the end of the period	**2,024**	**53**	**2,077**
	BGN'000	BGN'000	BGN'000
31 December 2019			
Book value	7,912	53	7,965
Accumulated amortisation	(5,888)	-	(5,888)
Carrying amount	**2,024**	**53**	**2,077**

	Software	Assets in process of acquisition	Total
	BGN'000	BGN'000	BGN'000
31 December 2018			
Carrying amount at the beginning of the year	**1,899**	**704**	**2,603**
Additions	294	19	313
Transfers	588	(588)	-
Amortisation	(703)	-	(703)
Carrying amount at the end of the period	**2,078**	**135**	**2,213**
31 December 2018			
Book value	7,041	135	7,176
Accumulated amortisation	(4,963)	-	(4,963)
Carrying amount	**2,078**	**135**	**2,213**

As at 31 December intangible assets include software with a carrying amount of BGN 154 thousand (31 December 2018: BGN 567 thousand), bought under contract for financing under Human Resource Development Operational Programme 2007-2013" *(Note 18).*

As at 31 December intangible assets in process of acquisition include development costs for additional applications and modules to the courier operations management software amounting to BGN 16 thousand (31 December 2018: BGN 95 thousand) and advances paid amounting to BGN 37 thousand (31 December 2018: BGN 37 thousand).

The book value of fully amortised intangible assets which are used in the Company's operations as at 31 December 2019 amounts to BGN 2,733 thousand (31 December 2018: BGN 2,471 thousand).

5. INVESTMENTS IN SUBSIDIARIES

The Company's investments in subsidiaries are as follows:

	31.12.2019 BGN'000	% of ownership	**31.12.2018 BGN'000**	% of ownership
Speedy EOOD	982	100%	982	100%
Geopost Bulgaria EOOD	8,165	100%	8,165	100%
DPD Romania AD	17,300	100%	17,300	100%
Rapido Express and Logistics EOOD	16,456	100%	16,456	100%
OMG Mobile EOOD	3,352	100%	3,352	100%
Total	**46,255**	**X**	**46,255**	**X**

The object of activities of the subsidiaries and the acquisition date are as follows:

Subsidiary	**Acquisition date**	**Core activity**
Speedy EOOD	13.06.2011	Postal and courier services
Geopost Bulgaria EOOD	21.11.2014	Postal and courier services
DPD Romania AD	21.11.2014	Postal and courier services
Rapido Express and Logistics EOOD	01.10.2018	Postal and courier services
OMG Mobile EOOD	21.12.2018	Development of software products

There have been no changes in the subsidiaries' core activities since their acquisition.

Investments acquired in 2018

Rapido Express and Logistics EOOD

After obtaining permission for the acquisition from the Commission for Protection of Competition on 1 October 2018 the Company acquired 100% of the capital of Rapido Express and Logistics. The purchase and sale contract's acquisition price includes fixed consideration of EUR 2,000 thousand and variable (conditional) consideration at the amount of 25% of the revenue generated from customers of the acquiree over a 30-month period, as from 1 September 2018, and the share price may not be lower than EUR 6,000 thousand and higher than EUR 12,000 thousand.

The Company has estimated the amount of the conditional consideration for acquisition of the investment at the date of acquisition based on budgeted revenue of the acquiree over the period of the estimate (30 months as from 1 September 2018). The investment acquired was measured at the present value of the fixed and an estimate of the conditional consideration, including the direct costs to acquire the investment. The discount rate applied to determine the present value of the conditional consideration is the weighted average capital cost (WACC) – 6.64%.

No material changes have occurred in 2019 in the estimate of the conditional consideration made at the acquisition date. Therefore, the value of the investment has not changed.

OMG Mobile EOOD

On 21 December 2018, the Company acquired 100% of the capital of OMG Mobile. The acquisition price at the amount of EUR 2,000 thousand has been agreed by the parties and is payable in six instalments from the acquisition date until 31 March 2024, and payments are dependent on retention of the acquiree's key management personnel.

The acquisition price was determined at the present value of the consideration agreed in exchange of the shares acquired at the acquisition date, including the direct costs to acquire the investment. The discount rate applied to determine the present value of the acquisition cost is the weighted average capital cost (WACC) – 6.64%.

Other data

As at 31 December 2019 specific pledge is established on the commercial entities (businesses) Geopost Bulgaria EOOD and DPD Romania AD to serve as collateral under bank loan agreement (*Note 17*).

6. LONG-TERM LOANS TO RELATED PARTIES

As at 31 December long term loans provided to related parties are as follows:

Lender:	**Dynamic Parcel Distribution S.A., Romania**
Purpose of the loan:	Investment
Contractual amount:	BGN 10,561 thousand (EUR 5,400 thousand)
Interest rate:	in the range 3 - 5%
Maturity:	December 2023
Liability as at 31 December 2019:	BGN 7,840 thousand including principal of BGN 7,840 thousand • *non-current portion BGN 6,148 thousand, including principal of BGN 6,148 thousand* • *current portion BGN 1,692 thousand, including principal of BGN 1,692 thousand*
Liability as at 31 December 2018:	BGN 10,408 thousand, including principal of BGN 10,372 thousand and interest - BGN 36 thousand • *non-current portion BGN 8,259 thousand, including principal of BGN 8,259 thousand* • *current portion BGN 2,149 thousand, including principal of BGN 2,113 thousand and interest - BGN 36 thousand*

The loan is not secured.

First pledge was established on the receivables on the loan granted in order to secure a bank loan received (*Note 17*).

7. DEFERRED TAX ASSETS

As at 31 December deferred income taxes on profit are attributable to the following items in the statement of financial position:

	temporary difference 31.12.2019	*tax* 31.12.2019	*temporary difference* 31.12.2018	*tax* 31.12.2018
	BGN '000	**BGN '000**	**BGN '000**	**BGN '000**
Plant and equipment	(27)	(3)	(30)	(3)
Total deferred tax liabilities	**(27)**	**(3)**	**(30)**	**(3)**
Unpaid benefits to individuals, including unused leave	2,059	206	2,543	254
Impairment allowance for expected credit losses from trade receivables and contract assets	924	93	885	89
Right-of-use assets	516	52	443	44
Long-term retirement employee benefit obligations	135	14	89	9
Provision for liabilities	-	-	206	21
Total deferred tax assets	**3,634**	**365**	**4,166**	**417**
Net deferred tax assets on the profit	**3,607**	**362**	**4,136**	**414**

Upon the recognition of deferred tax assets, the probability of reversal of differences is taken into consideration, as well as the possibilities for the Company to generate sufficient taxable profit.

The movements in the deferred tax assets and liabilities is presented below:

Deferred tax (liabilities)/assets	***Balance at 31 December 2018***	***Recognised in the statement of comprehensive income (within the profit or loss for the year)***	***Balance at 31 December 2019***
	BGN '000	***BGN '000***	***BGN '000***
Plant and equipment	(3)	-	(3)
Unpaid benefits to individuals, including unused leave	254	(48)	206
Impairment allowance for expected credit losses from trade receivables and contract assets	89	4	93
Right-of-use assets	44	8	52
Long-term retirement employee benefit obligations	9	5	14
Provision for liabilities	21	(21)	-
Total	**414**	**(52)**	**362**

Deferred tax (liabilities)/assets	*Balance at 31 December 2017*	*Impact of the initial adoption of IFRS 9 as at 1 January 2018*	*Recognised in the statement of comprehensive income (within the profit or loss for the year)*	*Balance at 31 December 2018*
	BGN '000	*BGN '000*	*BGN '000*	*BGN '000*
Plant and equipment	(3)	-	-	(3)
Unpaid benefits to individuals, including unused leave	179	-	75	254
Impairment allowance for expected credit losses from trade receivables and contract assets	81	10	(2)	89
Right-of-use assets	-	-	44	44
Long-term retirement employee benefit obligations	6	-	3	9
Provision for liabilities	-	-	21	21
Total	**263**	**10**	**141**	**414**

8. OTHER NON-CURRENT ASSETS

	31.12.2019	31.12.2018
	BGN’000	**BGN’000**
Non-current receivables on sale of non-current assets	212	181
Deposits placed under lease contracts	168	146
Total	**380**	**327**

The non-current receivables on sale of non-current assets occurred in 2019 and 2018 upon sale of vehicles to couriers - partners of the Company. The receivables have a repayment deadline from March 2021 to October 2022 and are secured by pledge on the vehicle sold in favour of the Company. The current portion of the receivables amounts to BGN 191 thousand (31 December 2018: BGN 164 thousand) (*Note 12*)

Those provided as at 31 December 2019 amount to BGN 168 thousand (31 December 2018: BGN 146 thousand) in relation to lease contracts and are subject to refunding upon expiry of the lease term and / or its termination.

9. INVENTORIES

	31.12.2019	31.12.2018
	BGN’000	**BGN’000**
Materials	289	262
Fuel	79	69
Total	**368**	**331**

10. TRADE RECEIVABLES

	31.12.2019	31.12.2018
	BGN'000	**BGN'000**
Trade receivables from customers - third parties	12,388	10,539
incl. receivables under contracts with customers – third parties	*12,103*	*10,318*
Provision for impairment of expected credit losses	(882)	(804)
incl. provision for impairment of expected credit losses from receivables under contracts with customers	*(833)*	*(789)*
Trade receivables from customers - third parties, net	***11,506***	***9,735***
Trade receivables from customers - related parties	7,546	6,260
incl. receivables under contracts with customers – related parties	*6,536*	*5,633*
Provision for impairment of expected credit losses	(42)	(78)
incl. provision for impairment of expected credit losses from receivables under contracts with customers	*(1)*	(27)
Receivables from customers – related parties, net (Note 36)	***7,504***	***6,182***
Total	**19,010**	**15,917**

Trade receivables from third and related parties, incl. from contracts with customers, are interest-free, denominated in BGN and EUR and originate mostly from sales of services.

The Company usually agrees with its customers a payment term for receivables from sales from 7 to 30 days, unless there are certain maturity conditions with certain customers and/or in the cases when new customers are attracted and/or existing customer are retained. In this case, deferred payment may reach 30 to 60 days.

The age structure of non-matured (regular) receivables from customers is as follows:

	31.12.2019	31.12.2018
	BGN'000	**BGN'000**
up to 30 days	12,876	9,970
31 to 60 days	1,996	1,651
Provision for impairment of expected credit losses	(28)	(24)
Total	**14,844**	**11,597**

The age structure of past due receivables from customers is as follows:

	31.12.2019 BGN'000	31.12.2018 BGN'000
up to 30 days	1,849	1,691
31 to 60 days	536	925
60 to 90 days	1,303	1,482
91 to 180 days	287	111
181 to 365 days	234	177
over 365 days	853	792
Provision for impairment of expected credit losses	(896)	(858)
Total	**4,166**	**4,320**

The movement in the allowance (provision) for impairment of expected credit losses is as follows:

	2019 BGN '000	2018 BGN '000
Balance at 1 January	**882**	**904**
Increase in the allowance for expected credit losses recognised within profit or loss for the year	321	356
Transfer of impairment of contract assets *(Note 11)*	2	1
Decrease in the allowance for expected credit losses recognised within profit or loss for the year	(100)	(214)
Receivables written-off as uncollectable over the year	(181)	(165)
Balance at 31 December	**924**	**882**

For 2019, the Company applies the simplified approach of IFRS 9 to calculate expected credit losses from trade receivables, including from related parties, and recognised lifetime expected credit losses for all trade receivables, including from related parties *(Note 2.27.3 and Note 37).*

	Regular	1 to 30 days past due	31 to 60 days past due	61 to 90 days past due	91 to 365 days past due	over 365 days past due	Total
31 December 2019							
Expected average percentage of credit losses	0.18%	0.23%	1.94%	5.06%	5.15%	100%	
Receivables from customers (gross carrying amount)	14,872	3,450	155	79	524	854	19,934
Expected credit loss	28	8	3	4	27	854	924

	Regular	1 to 30 days past due	31 to 60 days past due	61 to 90 days past due	91 to 365 days past due	over 365 days past due	Total
31 December 2018							
Expected average percentage of credit losses	0.21%	0.42%	2.27%	5.43%	10.20%	100%	
Receivables from customers (gross carrying amount)	11,622	3,069	969	92	255	792	16,799
Expected credit loss	24	13	22	5	26	792	882

The receivables or portion thereof, for which the management determines there is high uncertainty of collection and are not secured, are impaired to 100% *(Note 2.27.3.).*

11. CONTRACT ASSETS

Assets are from contracts with customers include the right to consideration for meeting performance obligations as a result of measuring progress. They have originated in relation to performed and/or partially performed services which at the end of the reporting period have not yet been accepted by the customer and for which the respective Company does not have an unconditional right to payment

As at 31 December contract assets are as follows:

	31.12.2019	31.12.2018
	BGN'000	BGN'000
Contract assets under contracts with customers – third parties	271	510
Provision for impairment of expected credit losses	(1)	(1)
Contract assets under contracts with customers - third parties, net	***270***	***509***
Contract assets under contracts with customers – related parties	670	509
Provision for impairment of expected credit losses	-	(1)
Contract assets under contracts with customers - related parties, net	***670***	***508***
Total	**940**	**1,017**

The changes in assets from contracts with customers over the period are as follows:

	2019	2018
	BGN '000	BGN '000
Balance at 1 January	**1,017**	**568**
Transfer to receivables under contracts with customers	(1,017)	(568)
Originating in the period	941	1,019
Accrued impairment (provision) for expected credit losses	(1)	(2)
Balance at 31 December	**940**	**1,017**

The movement in the allowance (provision) for impairment of expected credit losses is as follows:

	2019	2018
	BGN '000	BGN '000
Balance at 1 January	**2**	**1**
Increase in the allowance for expected credit losses recognised within profit or loss for the year	1	2
Transfer of impairment of trade receivables (*Note 10*)	(2)	(1)
Balance at 31 December	**1**	**2**

12. OTHER RECEIVABLES AND PREPAYMENTS

	31.12.2019	31.12.2018
	BGN'000	BGN'000
Prepayments	1,039	903
Receivables from trustors	680	871
Current portion of non-current receivables on sale of non-current assets (*Note 8)*	191	164
Deposits placed	44	54
incl. to related parties (Note 36)	-	*3*
Advances paid to suppliers	13	41
Business advances paid	-	229
incl. to key management personnel (Note 36)	-	*208*
Receivables under amounts paid on behalf of related parties (*Note 36*)	-	224
Receivables under amounts paid on behalf of third parties	-	179
Other receivables	-	8
Total	**1,967**	**2,673**

Prepayments include:

	31.12.2019	31.12.2018
	BGN'000	BGN'000
Insurance of property and courier shipments	658	653
Advertisement	-	120
Maintenance subscription	332	78
Other prepayments	49	52
Total	**1,039**	**903**

Receivables from trustors at 31 December include BGN 650 thousand collected from subcontracts for cash upon delivery in relation to international shipments (31 December 2018: BGN 860 thousand) and BGN 30 thousand of receivable originating in relation to cashless payments made by customers with bank cards (31 December 2018: BGN 11 thousand).

The deposits placed at 31 December 2019 are mainly under short-term rental agreements for offices and premises and/ or those that expire in the next twelve months (*Note 15*).

13. CASH AND CASH EQUIVALENTS

	31.12.2019	31.12.2018
	BGN'000	**BGN'000**
Cash in current accounts	4,124	4,957
Cash in safety vaults	996	1,298
Cash in hand	552	1,045
Cash and cash equivalents stated in the statement of cash flows:	**5,672**	**7,300**
Blocked cash	112	112
Cash and cash equivalents stated in the statement of financial position:	**5,784**	**7,412**

Cash is denominated in the following currencies:

	31.12.2019	31.12.2018
	BGN'000	**BGN'000**
BGN	4,694	6,622
In foreign currency, incl.:	1,090	790
RON	*776*	*84*
EUR	*314*	*706*
Total	**5,784**	**7,412**

As a result of the analyses made and the methodology applied to calculate expected credit losses from cash and cash equivalents, the Company's management has determined that the impairment of cash and cash equivalents would be an amount close to zero. Therefore, the Company has not recognised a provision for impairment of expected credit losses at 31 December 2019 (31 December 2018: none).

14. EQUITY

14.1 SHARE CAPITAL

As at 31 December 2019, the registered capital of the Company consists of 5,377,619 ordinary dematerialised registered shares with par value of BGN 1 each. All shares give right of dividend, liquidation share, as well as one voting right at the General Meeting of Shareholders of the Company.

Number of issued and fully paid shares:	**2019**	**2018**
	Number of shares	**Number of shares**
Beginning of the year	5,377,619	5,377,619
Total number of shares authorised on 31 December	**5,377,619**	**5,377,619**

The list of main shareholders of the Company is as follows:

	31.12.2019		**31.12.2018**	
	Number of shares	**%**	**Number of shares**	**%**
Speedy Group AD	3,500,367	65.09%	3,500,367	65.09%
GeoPost SA, France	1,333,979	24.81%	1,333,979	24.81%
Other individuals and legal entities	543,273	10.10%	543,273	10.10%
Total	**5,377,619**	**100.00%**	**5,377,619**	**100.00%**

14.2 RESERVES

	31.12.2019	**31.12.2018**
	BGN'000	**BGN'000**
Premium reserves	19,565	19,565
Statutory reserves	538	538
Total	**20,103**	**20,103**

The share premium of the parent Company amounts to BGN 19,565 thousand. It is accumulated by the proceeds obtained in addition to the par value of the shares issued in 2014 with issue value per share at the amount of BGN 23.

The statutory reserves are formed from setting aside 10% of the net profit in accordance with the requirements of the Commercial Act and decision of the General Meeting of the Shareholders of the Company. According to the legal requirements, statutory reserves shall reach at least 10% of the registered capital. These reserves are not distributable.

14.3 RETAINED EARNINGS

Changes in ***retained earnings*** are as follows:	2019	2018
	BGN '000	**BGN '000**
Balance at 1 January	**29,403**	**23,714**
Net profit for the year	17,732	12,155
Profit distribution to dividends	(7,529)	(6,453)
Actuary (losses)/gains from revaluations	(16)	(13)
Balance at 31 December, incl.	**39,590**	**29,403**
Retained earnings	***21,858***	***17,248***
Current profit for the year	***17,732***	***12,155***

15. LEASES

15.1. COMPANY'S LEASES AND REPORTING THEREOF

The Company leases buildings, machines, motor vehicles, computer equipment and facilities (trans-pallet carts). Lease contracts are negotiated individually and are concluded for fixed periods, whereby:

- leases of buildings (warehouses and offices) usually include extension options, but do not include a purchase option;
- leases of machines, motor vehicles, computer equipment and facilities include a purchase option and do not include an extension option.

Leases are usually concluded for the following terms, divided based on the class of underlying assets, as follows:

- buildings from 1 to 20 years;
- machines from 3 to 5 years;
- equipment and facilities from 3 to 5 years;
- vehicles from 3 to 5 years;

The underlying lease assets cannot be used as collateral under other contracts.

For some of the lease contracts, usually leases of buildings and vehicles, the Company has negotiated a sub-lease option for the leased assets to third parties.

At the same time the Company has signed lease contracts where it is a lessor. Contracts are for operating leases of buildings (offices) and motor vehicles - own and leased, if this option is negotiated.

Operating lease contracts usually contain conditions for review of the clauses under the contract if the lessee exercises the renewal options. The lessee does not have a purchase option for the leased assets (offices and motor vehicles) after the expiry of the lease term.

Lease contracts for offices have a term of one year, and those for motor vehicles - between one and three years. All operating lease contracts contain a renewal option.

Extension and termination options

Extension and termination options are included in most of the lease contracts for properties (warehouses and offices, rented and leased out). These options have been negotiated by the management for the purpose of greater flexibility in managing the right-of-use assets and the Company's economic needs. The Company's management applies significant judgement to determine whether it is reasonably certain to exercise these options.

Lease contracts for warehouses are usually concluded for a period between 3 and 20 years, and lease contracts for offices are usually for a one-year term, but their use is long-term.

The assumptions in determining the term of the lease contracts for buildings under which the Company is a lessee are disclosed in *Note 2.16.1*.

The probability for extension of the term of the contract both by the lessee and by the Company is taken into account in determining the lease term where the Company is lessor. This includes the assumptions made in the host lease contracts in case of sublease.

All assumptions are reviewed if a significant event or circumstance occurs that impacts the assumptions and if this event is within the Company's control.

The Company's activity in 2018 was similar.

15.2. THE COMPANY AS A LESSEE

15.2.1. ASSETS AND LIABILITIES RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION

The following items and amounts related to lease agreements are recognised in the statement of financial position:

15.2.1.1. RIGHT-OF-USE ASSETS

Right-of-use assets are included in the statement of financial position as property, plant and equipment (*Note 3*).

	Buildings	Plant and equipment	Transport vehicles	Computer equipment	Other	Total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Book value						
01 January 2019	**28,162**	**829**	**21,838**	**921**	**500**	**52,250**
Increases/ additions	16,749	441	10,909	731	68	**28,898**
Decreases / disposals, incl. transfers to own assets	(5,538)	(225)	(4,169)	(681)	187	**(10,426)**
31 December 2019	**39,373**	**1,045**	**28,578**	**971**	**755**	**70,722**
Accumulated depreciation						
01 January 2019	**(3,752)**	**(50)**	**(10,601)**	**(104)**	**(207)**	**(14,714)**
Depreciation charge for the period	(4,366)	(182)	(5,025)	(168)	(80)	**(9,821)**
Depreciation written off, incl. transfers to own assets	1,132	69	4,844	127	-	**6,172**
31 December 2019	**(6,986)**	**(163)**	**(10,782)**	**(145)**	**(287)**	**(18,363)**
Carrying amount on 1 January 2019 (*Note 3*)	**24,410**	**779**	**11,237**	**817**	**293**	**37,536**
Carrying amount on 31 December 2019 (*Note 3*)	**32,387**	**882**	**17,796**	**826**	**468**	**52,359**

31 December 2018	Buildings	Plant and equipment	Transport vehicles	Computer equipment	Other	Total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Book value						
1 January 2018, after transition to IFRS 16 *	26,027	620	27,360	2,197	835	57,039
Increases/ additions	2,135	604	3,576	245	-	6,560
Decreases / disposals, incl. transfers to own assets	-	(395)	(9,098)	(1,521)	(335)	(11,349)
31 December 2019	**28,162**	**829**	**21,838**	**921**	**500**	**52,250**
Accumulated depreciation						
1 January 2018, after transition to IFRS 16 *	-	(356)	(13,509)	(1,289)	(212)	(15,366)
Depreciation charge for the period	(3,752)	(89)	(4,159)	(343)	(61)	(8,404)
Depreciation written off, incl. transfers to own assets	-	395	7,067	1,528	66	9,056
31 December 2019	**(3,752)**	**(50)**	**(10,601)**	**(104)**	**(207)**	**(14,714)**
Carrying amount on 1 January 2018, after transition to IFRS 16 *	**26,027**	**264**	**13,851**	**908**	**623**	**41,673**
Carrying amount on 31 December 2018 (*Note 3*)	**24,410**	**779**	**11,237**	**817**	**293**	**37,536**

15.2.1.2. LEASE LIABILITIES

	31.12.2019	31.12.2018
	BGN'000	**BGN'000**
Lease liabilities		
Lease liabilities without purchase option		
Current	4,353	3,461
incl. payables to related parties	*1,796*	*874*
Non-current	28,339	20,906
incl. payables to related parties	*23,732*	*7,600*
	32,692	**24,367**
Lease liabilities with purchase option		
Current	6,104	5,298
Non-current	10,369	6,034
	16,473	***11,332***
Total:	**49,165**	**35,699**
incl. current	***10,457***	***8,759***
incl. payables to related parties	*1,796*	*874*
non-current	***38,708***	***26,940***
incl. payables to related parties	*23,732*	*7,600*

The changes in the lease liabilities during the period are as follows:

	2019	2018
	BGN '000	**BGN '000**
1 January	**35,699**	**38,650**
Increases	30,048	6,484
Interest accrued	884	795
Offsetting against receivables	(234)	(128)
Liabilities written off under terminated contracts	(4,589)	-
Payments	(12,643)	(10,102)
31 December	**49,165**	**35,699**
incl. non-current portion	38,708	26,940
incl. current portion	10,457	8,759

The maturity analysis of lease liabilities is disclosed in *Note 37.*

15.2.2. AMOUNTS INCLUDED IN THE STATEMENT OF COMPREHENSIVE INCOME

	Notes	2019 BGN'000	2018 BGN'000
Depreciation expenses of right-of-use assets		9,821	8,404
Interest expenses and fees on lease liabilities	33	884	795
Expenses related to short-term lease contracts (included in expenses on hired services)	29	284	563
Expenses related to lease assets with low values (reported under IFRS 16)	29	79	-
Gain on disposal of right-of-use assets	27	136	-

15.2.3. OTHER INFORMATION

The total cash outflow on lease contracts in 2019 amounts to BGN 13,006 thousand, including under long-term contracts - BGN 12,643 thousand, under short-term contracts - BGN 284 thousand and under lease contracts of low-value assets - BGN 79 thousand (2018: BGN 10,665 thousand, including under long-term contracts - BGN 10,102 thousand under short-term contracts - BGN 563 thousand).

The non-cash movements related to lease contracts are presented in *Note 17.*

The key estimates and assumptions that have material impact on the value of right-of-use assets recognised and lease liabilities are disclosed in *Note 2.27.2*.

Variable lease payments

The Company does not have lease contracts containing variable payment clauses that might lead to uncertainty in the measurement of lease payments.

Extension and termination options

The potential undiscounted future cash flows at the amount of BGN 160 thousand are not included in the lease liabilities, because the Company's management has determined it is not reasonably certain to exercise the extension options (or not to exercise the termination option).

All assumptions are reviewed if a significant event or circumstance occurs that impacts the assumptions and if this event is within the Company’s control. During the current year there are no contracts for which the lease term has been reviewed for the purpose of including a certain extension or termination option which was not previously included has resulted in an increase in the recognised lease liabilities and right-of-use assets.

Short-term lease contracts and leases of low-value assets

The Company has elected the exemption from recognition of right-of-use assets and lease liabilities under the standard for short-term leases (leases whose term is up to 12 months, including from the date of commencement, without a purchase option) of transport vehicles, buildings (rented space) and low-value assets, which include computer equipment.

15.3. THE COMPANY AS A LESSOR

Operating lease

The maturity analysis of future undiscounted proceeds from operating leases is as follows:

	2019	2018
	BGN'000	**BGN'000**
Year 1	3,772	3,895
Year 2	3,295	3,533
Year 3	2,699	3,025
Year 4	1,469	1,620
Year 5	62	95
Total	**11,297**	**12,168**

Operating lease amounts included in the statement of comprehensive income as follows:

	2019	2018
	BGN'000	**BGN'000**
Fixed lease payments (*Note 26*) under operating leases	3,854	3,598
including income from sub-lease of right-of-use assets (under IFRS 16).	2,775	1,496

16. NON-CURRENT LIABILITIES UNDER ACQUIRED INVESTMENTS IN SUBSIDIARIES

The non-current liabilities under acquired investments are related to the acquisition of the subsidiaries (*Note 5*) and as at 31 December they are as follows:

	31.12.2019	31.12.2018
	BGN'000	**BGN'000**
Liability related to the acquisition of Rapido Express and Logistic	7,934	14,685
Liability related to the acquisition of OMG Mobile	2,541	3,103
Total	**10,475**	**17,788**
incl. non-current liabilities	***4,691***	***10,237***
current liabilities	***5,784***	***7,551***
incl. interest	*180*	*196*

	31.12.2019	31.12.2018
	BGN'000	BGN'000
Liability related to the acquisition of Rapido Express and Logistic		
Present value of the liability at the acquisition date	14,685	16,389
Interest expenses (Note 33)	779	252
Payments in the period	(7,530)	(1,956)
Total	**7,934**	**14,685**
incl. non-current liabilities	***2,697***	***7,833***
current liabilities	***5,237***	***6,852***
incl. interest	*136*	*196*

	31.12.2019	31.12.2018
	BGN'000	BGN'000
Liability related to the acquisition of OMG Mobile		
Present value of the liability at the acquisition date	3,103	3,347
Interest expenses (Note 33)	171	-
Payments in the period	(733)	(244)
Total	**2,541**	**3,103**
incl. non-current liabilities	***1,994***	***2,404***
current liabilities	***547***	***699***
incl. interest	*44*	*-*

17. LONG-TERM BANK LOANS

As at 31 December liabilities on bank loans received are as follows:

					31.12.2019				31.12.2018			
Agreement	Currency	Contractual amount BGN '000	Purpose	Maturity	Long-term portion BGN '000	Short-term portion BGN '000	incl. interest BGN '000	Total BGN '000	Long-term portion BGN '000	Short-term portion BGN '000	incl. interest BGN '000	Total BGN '000
Loan 1 Tranche I	BGN	5,000	Investments in subsidiaries	15.12.2019	-	-	-	-	-	1,001	*1*	1,001
Loan 1 Tranche II	BGN	5,867	Investments in subsidiaries	21.11.2020	-	995	-	995	994	1,086	*1*	2,080
Loan 2	EUR	830	Purchase of equipment	24.09.2021	246	325	*1*	571	571	325	*1*	896
Loan 3	EUR	1,280	Investments in subsidiaries	08.06.2022	835	557	*1*	1,392	1,391	558	*2*	1,949
					1,081	**1,877**	***2***	**2,958**	**2,956**	**2,970**	**5**	**5,926**

Bank loans in Euro are negotiated at interest rates based on EURIBOR plus 1.7% to 2%. The negotiated interest rates on borrowings in BGN are between ADR+1.48% to ARD+2.032%.

Furthermore, in order to manage its liquidity risk the Company has concluded bank overdraft contracts on which it has no liabilities as at 31 December:

Bank overdraft 1 under agreement dated 18 December 2008

- Permitted amount: BGN 300 thousand
- Repayment deadline: 30.12.2020

Bank overdraft 2 under agreement dated 08.06.2017

- Permitted amount: BGN 2,000 thousand
- Repayment deadline: 30.09.2020

The following pledges have been established in favour of the creditor banks in order to secure the investment loans and overdrafts permitted:

- Pledge on the company Geopost Bulgaria EOOD (*Note 5*);
- Pledge on the company DPD Romania AD (*Note 5*);
- Pledge on machinery and equipment (sorting line) *(Note 3*)
- Pledge on all present and future receivables of Speedy AD resulting from all present and future Courier Service Contracts concluded between Speedy AD and the creditor bank
- Pledge on receivables under a loan agreement between Speedy AD and DPD Romania AD (*Note 6*)
- Pledge on all present and future receivables on all present and future current accounts with the creditor bank
- Pledge pursuant to the Contracts and Financial Collateral Act

Co-debtor under investment loan 1 is the parent company, and under investment loan 2, investment loan 4 and overdraft 2 – two of the subsidiaries.

Reconciliation of liabilities arising from financial activities

The table below details changes in liabilities arising from financial activities, including both cash and non-cash changes.

Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the

Company’s statement of cash flows as cash flows from financing activities.

			Non-cash changes			
	01.01.2019 BGN'000	Changes in cash flows from financing activities BGN'000	Newly arising liabilities in the year BGN'000	Other non-cash changes BGN'000	Interest charges (Note 33) BGN'000	31.12.2019 BGN'000
Lease liabilities (*Note 15*)	**35,699**	(12,643)	30,048	(4,823)	884	**49,165**
Long-term bank loans (*Note 17*)	**5,926**	(3,072)	-	-	104	**2,958**
Loans from related parties (*Note 21*)	**507**	-	-	-	15	**522**
Non-current liabilities under acquired investments in subsidiaries – interests *(Note 16)*	**196**	(966)			950	**180**
Dividends (*Note 32*)	-	(7,529)	7,529	-	-	-
Net cash flows from financing activities	**42,328**	**(24,210)**	**37,577**	**(4,823)**	**1,953**	**52,825**

	01.01.2018 BGN'000	Changes in cash flows from financing activities BGN'000	Newly arising liabilities in the year BGN'000	Other non-cash changes BGN'000	Interest charges (Note 33) BGN'000	31.12.2018 BGN'000
Lease liabilities *(Note 15)*	**38,650**	(10,102)	6,484	(128)	795	**35,699**
Long-term bank loans *(Note 17)*	**8,932**	(3,171)	-	-	165	**5,926**
Loans from related parties *(Note 21)*	-	500	-	-	7	**507**
Non-current liabilities under acquired investments in subsidiaries – interests *(Note 16)*	-	(56)	-	-	252	**196**
Dividends *(Note 32)*	-	(6,453)	6,453	-	-	-
Net cash flows from financing activities	**47,582**	**(19,282)**	**12,937**	**(128)**	**1,219**	**42,328**

Other non-cash changes under lease contracts include offsetting against receivables, as well as liabilities written off due to full or partial termination of lease contracts.

18. GOVERNMENT GRANTS

The Company concluded a contract on 03.12.2013 with the Ministry of Economy for financing of project "Introducing innovative process for organization and management of logistic services and delivery of technological infrastructure and terminals for allowing access to the platform by employees, partners and clients of Speedy AD" from Operational Programme "Development of the Competitiveness of the Bulgarian Economy" 2007-2013. The project was completed on 21.06.2015. The project includes the purchase of hardware, software, engineering technical consultancy services in total amount of BGN 4,084 thousand. The financing received was 50% of total investment under the project, or BGN 2,042 thousand *(Note 3 and Note 4).* As at 31 December 2019 the portion of the received financing not recognised as income amounts to BGN 77 thousand (31 December 2018: BGN 369 thousand).

The Company signed a contract on 05.06.2017 with Ministry of Labour and Social Policy for financing under operating program "Human resources development 2014-2020". The project finances the current expenses and purchase of machines and equipment for providing better and safer labour environment and improvement the quality of working places with total amount of BGN 373 thousand. The financing covers 80% of total project costs – BGN 299 thousand. The project was completed 05.11.2017. The final verification of expenses by government body was in March 2018 (*Note 3*). As at 31 December 2019 the portion of the received financing not recognised as income amounts to BGN 52 thousand (31 December 2018: BGN 70 thousand).

As at 31 December, the total financing received is as follows:

	31.12.2019	**31.12.2018**
	BGN'000	**BGN'000**
Long-term portion	34	119
Short-term portion	95	320
Total	**129**	**439**

The short-term portion of financing will be recognized as income within the 12 months of the date of individual statement of financial position and is presented as "government grants" within current liabilities.

19. LONG-TERM PAYABLES TO EMPLOYEES

As at 31 December, the long-term payables to employees include:

	31.12.2019	**31.12.2018**
	BGN'000	**BGN'000**
Payables to employees upon retirement	173	111
Variable BoD remuneration (*Note 36*) due after over 12 months	85	67
Total	**258**	**178**

Payables to employees upon retirement include the present value of the parent company's liabilities for payment of indemnity to retiring employees as at 31.12.2019.

This is a translation from Bulgarian of the separate annual financial statements of Speedy AD for year 2019.

In accordance with the Labour Code in Bulgaria, every employee is entitled to an indemnity on retirement at the amount of two gross monthly salaries, and if he or she has worked for the same employer during the last 10 years of their service the indemnity amounts to six gross monthly salaries at the time of retirement. This is a defined benefits plan.

For the purpose of establishing the amount of these obligations to personnel, the Company has assigned an actuarial valuation by using the services of a certified actuary.

Movements in the present value of retirement benefit obligations to personnel are as follows:

	31.12.2019	**31.12.2018**
	BGN'000	**BGN'000**
Present value of obligations, 1 January	**111**	**72**
Current service cost	45	26
Interest expense	1	1
Payments for the year	-	(1)
Effect of remeasurement for the year, including:	16	13
Actuarial losses arising from changes in financial assumptions	*11*	*9*
Actuarial losses arising from experience adjustments	*5*	*4*
Present value of obligations, 31 December	**173**	**111**

The amounts of long-term retirement benefits of personnel accrued in the statement of comprehensive income are as follows:

	2019	**2018**
	BGN'000	**BGN'000**
Current service cost	45	26
Interest expense	1	1
Past service cost	-	-
Components of defined benefit plan costs recognised in profit or loss (*Note 30*)	**46**	**27**
Effects from subsequent estimates of liabilities to the employees for retirement, incl.:		
Actuarial gains arising from changes in financial assumptions	*11*	*9*
Actuarial gains arising from experience adjustments	*5*	*4*
Components of defined benefit plan costs recognised in other comprehensive income (*Note 14*)	**16**	**13**
Total	**62**	**40**

The following actuarial assumptions are used in calculating the present value of the liability as at 31 December 2019:

- *mortality rate* – in accordance with the table issued by the National Statistics Institute for the total mortality rate of the population in Bulgaria for the period 2016 – 2018 (2018: for the period 2015-2017).
- *staff turnover rate* – the probability of resignation or layoffs with normal distribution NORMDIST (period to retirement; 13; 5; 1). This probability is applied to the existing payroll structure based on distribution of the employees by gender and age at the time of estimate;
- *discount factor* – a discount rate has been applied determined as average for the past two years based on information from the European Central Bank on long-term interest rate for the purpose of convergence – 10-year maturity, denominated in BGN – Bulgaria – i = 0.68 % (2018: i = 1.25 %).
- *the assumption for the future level of working salaries* is based on the information provided by the management of the Company and is 5% annual growth compared to the prior reporting period (2018: 5%).

This defined benefit plan exposes the Company to the following risks: investment risk, interest risk, longevity risk and salary growth related risk. The Company's management assesses them as follows:

- *investment risk* – as far as this is unfunded plan, the Company should monitor and balance currently the forthcoming payments under it with the ensuring of sufficient cash resources. The historical experience and the liability structure show that the annual resource required is not material compared to the commonly maintained liquid funds.
- *interest risk* – any decrease in the yield of government securities with similar term will increase the plan liability;
- *longevity risk* – the present value of the retirement benefit liability is calculated by reference to the best estimate and updated information about the mortality of plan participants. An increase in life expectancy would result in a possible increase in the liability. A relative stability of this indicator has been observed in the recent years; and
- *salary growth related risk* – the present value of the retirement benefit liability is calculated by reference to the best estimate of the future increase in plan participants' salaries. Such an increase would increase the plan liability.

The sensitivity analysis of the main actuarial assumptions is based on the reasonably possible changes of these assumptions at the end of the reporting period, assuming that all other assumptions are held constant.

The effects of a change (increase or decrease) in the significant assumptions on long-term benefit obligations as at 31 December 2019 are as follows:

	Change	**Increase**	**Decrease**
		BGN'000	**BGN'000**
Change in salary growth	1%	12	(12)
Change in discount rate	0,50%	(10)	10
Change in staff turnover	1 year	(25)	28
Expected longevity	1 year	7	(8)

The average duration of the long-term payable to personnel under the defined benefit plan of the parent Company is 32.65 years (2018: 32.89 years).

The expected payments as indemnities upon retirement under the defined benefit plans for the next 5 years amount to BGN 40 thousand, including BGN 2 thousand in 2020 (2018: BGN 36 thousand, including no expected payments in 2019).

20. TRADE PAYABLES

As at 31 December, trade payables are as follows:

	31.12.2019	31.12.2018
	BGN'000	BGN'000
Trade payables to third parties	4,801	5,750
incl. payables to couriers and SPS partners and agents	*2,711*	*2,196*
Trade payables to related parties *(Note 36)*	2,808	2,218
Total	**7,609**	**7,968**

Payables to suppliers are interest-free, denominated in BGN and EUR and arising due to the supply of assets and services. The Company has a credit period to suppliers within the agreed deferred payment period, which is usually 7 to 30 days (2018: 7 to 30 days).

21. LOANS FROM RELATED PARTIES

As at 31 December 2019 loans received from related parties include:

Lender:	**SPEEDY EOOD**
Purpose of the loan:	Working capital
Contractual amount:	BGN 500 thousand
Interest rate:	3%
Maturity:	31 December 2019
Liability as at 31 December 2019:	BGN 522 thousand, including principal of BGN 500 thousand and interest - BGN 22 thousand
Liability as at 31 December 2018:	BGN 507 thousand, including principal of BGN 500 thousand and interest - BGN 7 thousand

The loan received is not secured.

22. PAYABLES TO PERSONNEL AND SOCIAL SECURITY

	31.12.2019	31.12.2018
	BGN '000	BGN '000
Payables to personnel, including:	3,611	3,681
Current portion	*1,968*	*2,079*
Accruals on unused compensated leaves	*1,500*	*1,441*
Variable remuneration of BoD (Note 36)	*143*	*161*
Payables to social security, including:	1,061	978
Current liabilities	*770*	*698*
Accruals on unused compensated leaves	*291*	*280*
Total	**4,672**	**4,659**

23. TAX PAYABLES

Tax payables comprise:

	31.12.2019	31.12.2018
	BGN '000	BGN '000
Value added tax	1,517	616
Personal income tax	421	348
Income tax	374	347
Taxes on expenses	98	96
Total	**2,410**	**1,407**

As at the date of publishing these financial statements, the following inspections and audits have been performed:

- VAT - until 31.03.2013;
- full tax audit - until 31.12.2012;
- National social security agency - until 31.03.2012.

A tax audit shall be performed within a 5-year period after the end of the year when the tax return for the respective liability has been filed. The tax audit confirms finally the tax liability of the company-tax liable person except in the cases explicitly stated by law.

This is a translation from Bulgarian of the separate annual financial statements of Speedy AD for year 2019.

24. OTHER CURRENT LIABILITIES

	31.12.2019	31.12.2018
	BGN'000	**BGN'000**
Payables to trustees	3,626	6,523
incl. related parties (Note 36)	*461*	*960*
Deposits from the members of BoD (*Note 36*)	110	110
Provisions for liabilities	-	205
Other payables	43	9
Total	**3,779**	**6,847**

25. REVENUE

25.1. INFORMATION OF TYPES OF REVENUE

The sales revenue of the Company includes:

	2019	2018
	BGN'000	**BGN'000**
Revenue from courier services	138,583	116,449
Revenue from universal postal services	1,210	3,361
Fees on money transfers	2,402	1,187
Default revenue	240	131
Total	**142,435**	**121,128**

Revenue by markets is as follows**:**

	2019	2018
	BGN'000	**BGN'000**
Domestic market	119,849	104,144
Foreign market	22,586	16,984
Total	**142,435**	**121,128**

All service revenue is recognised over time.

All unsatisfied and/or partially satisfied performance obligations of the Company as at 31 December 2019 are under contracts with expected performance period of one year or less**.**

25.2. PERFORMANCE OBLIGATIONS UNDER CONTRACTS WITH CUSTOMERS

The performance obligations are disclosed in detail in *Note 2.22.3*.

25.3. CONTRACT BALANCES

	31.12.2019	31.12.2018
	BGN'000	BGN'000
Receivables under contracts with customers – third parties, net of impairment (*Note 10*)	11,270	9,529
Receivables under contracts with customers – related parties, net of impairment (*Note 10*)	6,535	5,606
Contract assets under contracts with customers – third parties, net of impairment (*Note 11*)	270	509
Contract assets under contracts with customers – related parties, net of impairment (*Note 11*)	670	508

The increase in trade receivables and contract assets under contracts with customers – third parties and related parties, is the result of the volume of activities and the restructuring of the activity of the subsidiary Rapido Express and Logistics EOOD acquired in 2018**.**

26. OTHER REVENUE

Other revenue include:	2019	2018
	BGN'000	BGN'000
Rental income	3,854	3,598
Other	185	298
Total	**4,039**	**3,896**

27. OTHER OPERATING INCOME/(LOSSES), NET

	2019	2018
	BGN'000	BGN'000
Revenue from sales of non-current assets	*2,209*	*639*
Carrying amount of the non-current assets sold	*(635)*	*(76)*
Gain from sale of non-current assets	1,574	563
Revenue from EU project grants (*Note 18)*	310	320
Reversal of liability provisions (*Note 27*)	206	-
Gain on disposal of right-of-use assets (*Note 15*)	136	-
Revenue from sale of fuel	*446*	*400*
Book value of fuel sold	*(445)*	*(362)*
Gain from sale of fuel	1	38
Revenue from insurance indemnities	16	10
Net foreign exchange losses from trade receivables and payables and current accounts	(104)	(91)
Other	486	353
Total	**2,625**	**1,193**

28. EXPENSES ON MATERIALS AND CONSUMABLES

Expenses on materials and consumables include:	2019	2018
	BGN’000	**BGN’000**
Fuels	3,895	3,739
Basic materials	1,973	1,658
IT consumables	535	749
Office supplies and consumables	351	339
Assets of insignificant value	160	366
Uniforms	138	312
Other	12	29
Total	**7,064**	**7,192**

29. HIRED SERVICE EXPENSES

Hired service expenses include:

	2019	2018
	BGN’000	**BGN’000**
Subcontractors	60,528	50,539
Vehicle maintenance	2,519	2,824
Communications and utilities	2,352	1,746
Audit, consulting and other services	2,016	1,852
Insurance	1,436	1,275
Offices and warehouses maintenance	770	790
Bank charges	690	486
Marketing	518	612
Office, vehicle and equipment rental	466	726
Vehicle taxes and charges	349	284
Shipment insurance	191	294
Safekeeping of precious shipments	187	193
Staff training	39	170
Other	109	147
Total	**72,170**	**61,938**

The expenses for the rental of offices, vehicles and equipment include:

	2019	2018
	BGN’000	**BGN’000**
Expenses related to short-term leases (*Note 15.2*)	284	563
Expenses related to leases of low-value assets (*Note 15.2*)	79	-
Expenses for property maintenance and management under lease contracts	103	163
Total	**466**	**726**

The expenses accrued for statutory audit of the separate and consolidated annual financial statements amount to BGN 87 thousand (2018: BGN 76 thousand). In 2019 and 2018, the statutory auditors have not provided any tax consultations and other non-audit services**.**

The parent company and statutory auditors have signed engagement letter for performance of agreed-upon procedures in 2020. The agreed fee for the engagement is BGN 5 thousand.

30. EMPLOYEE BENEFITS EXPENSE

	2019	**2018**
	BGN’000	**BGN’000**
Wages and salaries	25,747	22,483
Social security contributions	4,663	4,006
Welfare benefits and other employee benefits expenses	1,136	1,000
Accrued amounts regarding unused leaves	1,234	1,178
Accrued amounts for social security on leaves	240	229
Accrual for long-term payables to personnel (*Note 19*)	46	27
Total	**33,066**	**28,923**

31. OTHER EXPENSES

	2019	**2018**
	BGN’000	**BGN’000**
Entertainment costs	1,075	1,059
Package compensations	482	464
Accrued/(reversed) provisions for expected credit losses (impairment) of receivables, net *(Note 10 and Note 11)*	222	144
Business trips	167	233
Provisions for liabilities (*Note 27*)	-	206
Other	148	241
Total	**2,094**	**2,347**

32. FINANCE INCOME

	2019	**2018**
	BGN’000	**BGN’000**
Interest income on a loan to related party (*Note 6*)	420	407
Dividends income (*Note 36)*	-	325
Total	**420**	**732**

33. FINANCE COSTS

	2019 BGN'000	2018 BGN'000
Lease interest expenses (*Note 15*)	859	795
Interest expenses on liabilities for acquisition of investments in subsidiaries (*Note 16*)	950	252
Interest expenses on bank loans and loans from related parties (*Note 17 and Note 21*)	112	152
Bank fees and lease charges (*Note 15 and Note 17*)	53	45
Total	**1,974**	**1,244**

34. INCOME TAX EXPENSE

	2019 BGN'000	2018 BGN'000
Taxable profit for the year as per tax return	19,324	14,717
Current income tax expense for the year - 10% (2018:10 %)	1,933	1,471
Deferred income tax from:		
Origination and reversal of temporary differences	52	(141)
Total income tax expense carried to the statement of comprehensive income (within profit or loss for the year)	**1,985**	**1,330**

	2019 BGN'000	2018 BGN'000
Reconciliation of income tax expense determined as per the accounting result		
Accounting profit for the year	*19,717*	*13,485*
Income tax - 10% (2018: 10%)	1,972	1,349
From unrecognised amounts as per tax returns related to:		
increases - BGN 129 thousand (2018: BGN 141 thousand)	*13*	*14*
decreases - none (2018: BGN 325 thousand)	-	*(33)*
-	-	-
Total income tax expense carried to the statement of comprehensive income (within profit or loss for the year)	**1,985**	**1,330**

35. BASIC EARNINGS PER SHARE AND DIVIDENDS

35.1 NET EARNINGS PER SHARE

The net earnings per share are calculated by using as numerator the profit distributable to the shareholders of the Company.

The average weighted number of shares used to calculate the basic earnings per share and the net profit subject to distribution, is presented as follows:

		2019	2018
Average weighted number of shares		5,377,619	5,377,619
Accounting profit for the year	BGN'000	17,732	12,155
Basic net earnings per share	BGN	**3.30**	**2.26**

35.2 DIVIDENDS

On 17 June 2019, a decision was made by the General Meeting of Shareholders of the Company for distribution of the 2018 profit at the amount of BGN 12,155 thousand, as follows:

- The amount of BGN 7,529 thousand to be allocated for payment of dividends to the shareholders of the Company, BGN 1.40 before tax per share;
- The remaining amount of the 2018 profit to be carried to retained earnings.

36. RELATED PARTY TRANSACTIONS AND BALANCES

Speedy AD's related parties and the relation type are as follows:

Related party	Type of relation
Speedy Group AD	Parent company
Geopost SA, France	Shareholder with significant influence
Speedy EOOD	Subsidiary
Geopost Bulgaria EOOD	Subsidiary
Dynamic Parcel Distribution S.A., Romania	Subsidiary
Rapido Express and Logistics EOOD	Subsidiary (as of 1 October 2018)
OMG Mobile EOOD	Subsidiary (as of 21 December 2018)
Winery Estate Dragomir OOD	Company under common control
Transbalkan Group OOD	Company under common control
Transbalkan Group, Romania	Company under common control
Omnicar BG EOOD	Company under common control
Omnicar Auto OOD	Company under common control
Omnicar C EOOD	Company under common control
Omnicar Oil EOOD	Company under common control
Omnicar Rent EOOD	Company under common control
Bulrom Gas 2006 OOD	Company under common control
Sofia City Logistic Park EOOD	Company under common control
Omnicar Plus OOD	Company under common control
Omnicar Varna OOD	Company under common control
Sandrinin Flo EOOD	Company related through key management
Star Perfomining	Company related through key management
PIT Box EOOD	Company under common control (as of 1 May 2019)
Killer Storage OOD	Company under common control
Star ABS Invest EOOD	Company under common control (as of 1 May 2019)

The ultimate controlling person is Valery Harutyun Mektouptchiyan.

36.1. Trade and other receivables from related parties

Trade receivables from related parties (*Note 10*) include:

	31.12.2019	31.12.2018
	BGN '000	**BGN '000**
Receivables from subsidiaries	6,314	5,698
incl. gross amount	*6,316*	*5,719*
provision for impairment of expected credit losses	*(2)*	*(21)*
Receivables from companies under common control	967	56
incl. gross amount	*1,007*	*108*
provision for impairment of expected credit losses	*(40)*	*(52)*
Receivables from a shareholder with significant influence	223	428
incl. gross amount	*223*	*433*
provision for impairment of expected credit losses	-	*(5)*
Total	**7,504**	**6,182**
incl. gross amount	*7,546*	*6,260*
provision for impairment of expected credit losses	*(42)*	*(78)*

As at 31 December assets under contracts with customers - related parties amount to BGN 670 thousand (31 December 2018: BGN 508 thousand, including provision for impairment of expected credit losses of BGN 1 thousand) (*Note 11*) and they are from subsidiaries.

The other receivables from related parties (*Note 12*) include:

	31.12.2019	31.12.2018
	BGN '000	**BGN '000**
Receivables on amounts paid on behalf of subsidiaries	-	224
Advances to key management personnel	-	208
Deposit provided to companies under common control	-	3
Total	**-**	**435**

Loans provided to related parties are presented in *Note 6*.

36.2. Trade and other payables to related parties

Payables to related parties include:

	31.12.2019	31.12.2018
	BGN '000	BGN '000
Lease liabilities (*Note 15*)	**25,528**	**8,474**
Payables to companies under common control	25,508	8,448
Payables to a company related through key management personnel	20	26
Trade payables (*Note 20*), incl.	**2,808**	**2,218**
Payables to subsidiaries	2,340	1,685
Payables to companies under common control	468	530
Payables to a company related through key management personnel	-	3
Loan received from a subsidiary *(Note 21)*	**522**	**507**
Other payables (*Note 24*), incl.	**571**	**1,070**
Payables to subsidiaries - trustors	461	960
Deposits by members of the Board of Directors	110	110
Total	**29,429**	**12,269**

The payables under deposits by members of the Board of Directors amount to BGN 110 thousand (31 December 2018: BGN 110 thousand) and constitute amounts deposited in relation to the requirements of Art. 240, Para 1 of the Commercial Act.

36.3. Related party transactions

Sales to related parties	2019	2018
	BGN '000	BGN '000
Sale of services to:	***25,640***	***11,786***
Subsidiaries	22,015	7,754
Companies under common control	3,187	3,215
Shareholder with significant influence	438	817
Sale of materials	***66***	***53***
Subsidiaries	13	-
Companies under common control	53	53
Sale of fixed assets	***733***	***10***
Subsidiaries	2	-
Companies under common control	731	10
Total	**26,439**	**11,849**

The services to companies under common control include mainly transport vehicles rental under a contract with Transbalkan Group OOD.

The company has purchased goods, materials and services from related parties, as follows:

	2019	2018
Deliveries from related parties	**BGN '000**	**BGN '000**
Delivery of services from:	***20,467***	***17,674***
Subsidiaries	10,017	6,794
Companies under common control	10,431	10,725
Companies related through key management personnel	19	155
Delivery of non-current intangible assets:	***771***	***-***
Subsidiaries	771	-
Delivery of non-current tangible assets:	***366***	***127***
Subsidiaries	25	117
Company under common control	341	10
Delivery of goods and materials from:	***-***	***144***
Subsidiaries	-	100
Company under common control	-	44
Other:	***11***	***241***
Subsidiaries	6	1
Companies under common control	5	240
Total	**21,615**	**18,186**

The supplies of services from companies under common control include transport services provided by Transbalkan Group OOD and vehicle maintenance services by Omnicar Auto OOD.

Leases

Over the reporting period, the Company recognised assets, liabilities and expenses related to lease contracts with related parties (*Note 15*), as follows:

	Companies under common control	Companies related through key management personnel	Total
	BGN '000	**BGN '000**	**BGN '000**
Lease liability			
Recognised on 1 January 2018	9,297	29	9,326
Interest expense on lease liabilities	178	-	178
Payment of lease liabilities during the period	(1,027)	(3)	(1,030)
Lease liabilities on 31 December 2018	**8,448**	**26**	**8,474**

	Companies under common control	Companies related through key management personnel	Total
	BGN '000	BGN '000	BGN '000
Lease liabilities on 1 January 2019	**8,448**	**26**	**8,474**
Increases	4,625	-	4,625
Transfer of lease liabilities to third parties	15,712	-	15,712
Interest accrued	252	-	252
Liabilities written off under terminated contracts	(2,281)	-	(2,281)
Payment of lease liabilities during the period	(1,248)	(6)	(1,254)
Lease liabilities on 31 December 2019	**25,508**	**20**	**25,528**

	Companies under common control	Companies related through key management personnel	Total
Right-of-use assets on 1 January 2018	9,297	29	9,326
Depreciation expenses of right-of-use assets	(944)	(3)	(947)
Right-of-use assets on 31 December 2018	**8,353**	**26**	**8,379**
Right-of-use asset on 1 January 2019	**8,353**	**26**	**8,379**
Increases	4,625	-	4,625
Transfer from lease contracts with third parties	15,825	-	15,825
Depreciation charge	(1,250)	(6)	(1,256)
Carrying amount of right-of-use assets under terminated lease contracts.	(2,226)	-	(2,226)
Right-of-use assets on 31 December 2019	**25,327**	**20**	**25,347**

Other related party transactions and deals were carried out with *subsidiaries* during the reporting period as follows:

	2019	2018
	BGN'000	BGN'000
Loans granted	-	(1,731)
Loans repaid	2,532	98
Interest income on loans granted	420	407
Interest received on loans granted	456	636
Dividends received	-	325
Loans received	-	740
Interest expense on loans received	15	7
Repayment of loans received	-	(240)

The key management personnel is disclosed in *Note 1*.

The remunerations of key management personnel accrued during the reporting period amount to BGN 600 thousand (2018: BGN 585 thousand) and include:

- Fixed remunerations amounting to BGN 438 thousand (2018: BGN 438 thousand).
- Variable remunerations amounting to BGN 150 thousand (2018: BGN 135 thousand).
- Social security contributions at the expense of the employer amounting to BGN 12 thousand (2018: BGN 12 thousand)

The variable remunerations due as at 31 December 2019 amount to BGN 228 thousand, incl. with maturity up to 3 years BGN 85 thousand (31 December 2018: BGN 228 thousand, including non-current BGN 85 thousand). (*Note 19 and Note 22*).

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICY

In the ordinary course of business, the Company can be exposed to a variety of financial risks which arise from the use of financial instruments. The most important of them include: market risk (including currency risk, risk of a change in the fair value and price risk), credit risk, liquidity risk and risk of interest-bearing cash flows. This Note describes the objectives, policies and processes for the management of these risks and the methods used to assess them.

There have been no significant changes in the Company’s risk exposure to financial instruments, its aims, policies and processes to manage these risks or methods used to measure them, compared to prior period periods, unless explicitly stated otherwise in this Note.

The general risk management is focused on forecasting the results of particular areas of the financial markets in order to achieve minimizing the potential negative effects that might affect the Company’s financial results. Financial risks are currently identified, measured and monitored through various control mechanisms introduced to establish adequate prices for the Company's services as well as to assess adequately its investments and the forms for maintenance of free liquid funds through preventing undue risk concentration.

Risk management is currently performed by the management of the Company in line with the policy defined by the Board of Directors. The Board of Directors has approved the basic principles of general financial risk management, on the basis of which specific procedures have been established for management of the separate specific types of risk such as currency, price, interest, credit and liquidity risk.

The structure of financial assets and liabilities as at 31 December 2019 is as follows:

	31.12.2019	31.12.2018
	BGN '000	BGN '000
Financial assets		
Financial assets at amortised cost, incl.		
Loans and receivables	28,145	28,098
- Trade receivables (*Note 10*)	19,010	15,917
incl. receivables from related parties	*7,504*	*6,182*
- Loans granted to related parties (*Note 6*)	7,840	10,408
- Other receivables	1,295	1,773
incl. receivables from trustors (Note 12)	*680*	*871*
incl. long-term receivables from sale of non-current assets (Note 8 and Note 12)	*403*	*345*
incl. deposits placed (Note 8)	*212*	*146*
incl. receivables on amounts paid on behalf of related parties (Note 12)	-	*224*
incl. receivables on amounts paid on behalf of third parties (Note 12)	-	*187*
Cash and cash equivalents (*Note 13*)	5,784	7,412
Total financial assets	**33,929**	**35,510**
Financial liabilities		
Financial liabilities at amortised cost, incl.		
Lease liabilities (*Note 15*)	49,165	35,699
Liabilities under acquired investments (*Note 16*)	10,475	17,788
Liabilities under bank loans (*Note 17*)	2,958	5,926
Trade payables (*Note 20*)	7,609	7,968
incl. payables to related parties	*2,808*	*2,218*
Payables to trustors (*Note 24*)	3,626	6,523
incl. related parties	*4,61*	*960*
Loans from related parties (*Note 21*)	522	507
Total financial liabilities	**74,355**	**74,411**

Impairment losses related to financial assets recognised in the statement of comprehensive income are as follows:

	2019	2018
	BGN'000	BGN'000
Impairment loss on receivables from customers - third parties	320	70
Reversed impairment loss on receivables from customers - third parties	(64)	(3)
Impairment loss on receivables from customers - related parties	-	286
Reversed impairment loss on receivables from customers - related parties	(36)	(211)
Total	**220**	**142**

The main goal of the financial instruments the Company operates with, is to finance its current activities. The Company's management is fully responsible for determining the Company's risk management objectives and policies, and, while it retains ultimate responsibility therefore, it delegates the right to determine and manage the processes to ensure the effective fulfilment of objectives and the Company's financial policies. The management receives monthly reports on the effectiveness of local processes and the appropriateness of the objectives and policies set. With respect to that, the risk management policies and processes are reviewed.

The main goal of the management is to set policies that seek risk mitigation, as much as possible, by maintaining the Company's competitiveness and flexibility. Additional detailed information regarding those policies is described below:

Credit risk

Credit risk is the risk of financial loss for the Company is any of its counterparties fail to discharge in full their contractual obligations and pay in full and within the normally envisaged terms the amounts due. The Company's credit risk arises both from its core operating activities, through its trade receivables, and from its financing activities, including mostly provision of loans to related parties and deposits in banks. The Company's management and control of credit risk are centralised in a credit risk management team within the Financial Control Department, which reports regularly to the Financial Director. For this purpose the Company has developed policies, procedures and rules for credit risk control and monitoring.

<u>Credit risk assessment and management policy</u>

Trade receivables

In its business practice, the Company has applied various distribution and realisation schemes of its services, until arriving at its current approach, which considers the market environment and trading methods, as well as the various forms of payment.

Upon performing its operations, the Company partners with a large number of Bulgarian and foreign contracts from different business areas. Deferred payments (purchases on credit) by customers are only offered to counterparties with a good business collaboration with the Company, good financial standing and no past violations of contracts' credit terms. The Company's credit policy envisages assessing each new customer's creditworthiness before proposing standard delivery and payment conditions.

The analysis that the Company performs includes, but is not limited to, visiting the customer's site, and collecting information about its monthly turnover and other relevant financial and non-financial information. Additionally, according to its contracts with customers, in most cases the Company is entitled to offsetting amounts due by customers with payables thereto, including collected with the "cash upon delivery" service.

Customers who cannot cover creditworthiness criteria may pay for their purchases in cash.

The collection and concentration of receivables is controlled by the financial department on an ongoing basis, according to the Company's established credit policy. The collection of information on customers and the monthly turnovers are the main criteria used to apply the Company's credit policy. A weekly review is performed of the outstanding balances with customers, as well as of the proceeds received, and an analysis is performed on unpaid amounts and the condition of customers – reasons, intentions and a plan for measures.

The measures that the Company takes to collect past due receivables are as follows: officers from the Financial Control Department notify the customers (in writing or by phone) about the past due payables and the payment deadline. If the debt is not paid, actions is taken to collect amounts past due by means of a court procedure. The court procedure continues until the court issues a forced writ of execution unless the customer pays the amounts due. Following issuance of the writ of execution the accounts of the customer - debtor are distrained until full repayment of the amounts claimed by the Company.

The Company uses a provisioning matrix to calculate expected credit losses from trade receivables. The management has determined that the Company's customers have similar characteristics, including for credit risk. Therefore, upon modelling the matrix for expected credit losses, customers are not grouped into portfolios based on the type, connection and business sector, and all customers are viewed as a single portfolio. The percentages applied in the provisioning matrix are based on days past due. The Company usually assumes that the date of economic loss from bad debt occurs 365 after the first day of delay. This period is studied and historically assessed. The Company does not have a practice to request collateral of trade receivables through guarantorship by third parties and/or another customer of the Company, and does not insure them.

The matrix percentages are determined on historical data observed by the Company for the prior year, since trade receivables are usually collected within 20 to 30 days. Expected credit losses by groups of days past due have not been updated as at 31 December 2019, since there has been no change in the reporting period in customers' payment behaviour and no other events have occurred which have a significant impact on the Company's collection. The method is based on the analysis of history and assessment of the behaviour of each invoice issued over the last year, days past due, going period by period among the different past due ranges, payments and outstanding receivables, etc. Based on that, the loss percentage is determined as bad debt for the given group of factors versus past due invoices by days.

The Company does not expect significant changes in the business and its client base.

Second, the Company makes the impairment provisioning matrices for each portfolio precise by adjusting certain percentages based on historical data for the behaviour of payments under the invoices issued and historical losses from bad debt, by including scenarios and forecast information about certain macro factors. Historical percentages are adjusted to reflect the effect of time value of money, as well as the effect of the future behaviour of macroeconomic factors for which a statistical dependence has been identified and which are considered to impact the customers' ability to service and settle their payables.

In view of the short-term horizon of receivables and the forecasts of international institutions (EC, IMF, World Bank) for the next 2020 for the development of the Bulgarian and global economy, the management's analysis of scenarios shows that the impact of changes in the macroeconomic environment on the provisioning matrix are insignificant in their amount as at 31 December 2019.

Expected credit losses are calculated at the date of each reporting period.

Contract assets have the same risk characteristics as trade receivables under the same contracts and customers. Therefore, the Company has decided that the expected levels of losses for trade receivables are approximately equal to the levels of losses for contract assets, and applies the same provisioning matrices.

The management currently monitors and regulates the formed concentration of receivables by customers and counterparties, including from related parties (Note 10). In accordance with its credit policy the percentage of the credit exposure to one customer compared to the total receivables should not exceed 10%. Excess over 10% is only allowed as an exception, for key customers.

Customers - non-related parties with the biggest payables to the Company are as follows:

	Carrying amount as at 31 December 2019 BGN'000	% of the credit exposure compared to the total receivables	Carrying amount as at 31 December 2018 BGN'000	% of the credit exposure compared to the total receivables
Customer 1	732	6%	679	7%
Customer 2	498	4%	592	6%
Customer 3	386	3%	449	5%
Customer 4	288	2%	313	3%
Customer 5	261	2%	191	2%

Receivables on loans granted to related parties and other individual receivables

To determine the credit risk of loans granted as well as certain individual receivables, the Company's management has developed a methodology that includes probability-weighted scenarios of collection and future cash flows, with assumptions for loss in case of a loss event. Based on the analysis of the characteristics of the debtor and loan, including of the changes that occurred compared to the prior period, the stage of the instrument is determined (Stage 1, Stage 2 or Stage 3). The Company considers that a certain financial instrument has undergone a *significant increase in credit risk* when one or more of the following quantitative or qualitative criteria are met:

Quantitative criteria:

- An increase in the probability of default (PD) for the financial instrument's lifetime at the reporting date versus the possibility of default for the instrument's lifetime at the date on which the asset was initially recognised;
- Payment is past due for over 30 days, but less than 90 days.
- An actual or expected significant adverse change in the debtor's operating result, above the permissible change range, measured based on the debtor's main financial and operating indicators;

- A significant change in the value of the collateral, which is expected to increase the loss and risk of default.

Qualitative criteria:

- Significant adverse changes in the business, financial and/or economic conditions of the debtor;
- Actual or expected adverse changes in the debtor's operating results;
- A significant change in the collateral quality, which is expected to increase the risk of default;
- Early signs of cash flow/liquidity issues, such as delays in servicing trade creditors/bank loans.

The criteria used to identify a substantial increase in credit risk are monitored, and their viability is reviewed on a periodic basis by the Company's Financial Director.

The Company designates a financial instrument as non-performing and the credit loss as incurred, when it meets one or more of the following criteria:

Quantitative criteria:

- The debtor's contract payments are more than 90 days past due;
- Significant adverse changes have occurred or are expected in the debtor's business, financial conditions and economic environment, manifest in a serious decrease in the debtor's main financial and operational indicators;
- The debtor states a number of losses and negative net assets;
- Significant adverse changes have occurred or are expected in value of the loan's key collateral, including loss of collateral.

Qualitative criteria:

The debtor is unable to pay due to significant financial difficulties. This includes cases when:

- The debtor is in default of the financial contract, for instance with respect to interest payments, collaterals and/or another significant contract, including for financing;
- Adverse changes in the debtor's business, market, environment, and regulations;
- Concessions and relieves have been made in relation to the debtor's financial difficulties;
- There is probability that the debtor declares insolvency.

Expected credit losses are calculated by discounting the amount of probability-weighted scenarios series of future collection of cash flows, adjusted with the indicator of expected loss upon loss event. The discount rate used in the calculation of expected credit loss is the initial effective interest rate.

The categorization used by the Company to assess the credit risk related to loans, and other individual receivables, is as follows:

Category	**Description**	**Basis for recognition of expected credit losses**
Performing (Stage 1)	The debtor has a low default risk and no payments past due	12-month expected credit losses
Under-performing (Stage 2)	Payments past due for over 30 days or a significant increase in the credit risk compared to initial recognition	Expected credit losses for the asset's lifetime – credit-unimpaired
Non-performing (Stage 3)	Payments past due for over 90 days or evidence that the asset is credit-impaired	Expected credit losses for the asset's lifetime – credit-impaired

The Company does not have practice to provide loans to third parties, only to companies - related parties (*Note 2.27.3 and Note 6*).

The table below presents the quality of the Company's financial assets and contract assets, as well as the maximum exposure to credit risk:

31.12.2019	**Note**	**Internal credit risk categorisation**	**Expected credit losses (IFRS 9)**	**Gross carrying amount**	**Impairment loss (allowance)**	**Carrying amount**
				BGN'000	**BGN'000**	**BGN'000**
Loans provided to related parties	6	Performing (Stage 1)	For a 12-month period	7,840	-	7,840
Trade receivables	10	-	Over the lifetime (simplified approach)	19,934	(924)	19,010
Contract assets	11	-	Over the lifetime (simplified approach)	941	(1)	940
Other receivables	8, 12	Performing (Stage 1)	For a 12-month period	1,295	-	1,295
Cash and cash equivalents	13	Performing (Stage 1)	For a 12-month period	5,784	-	5,784
			Total	**35,794**	**(925)**	**34,869**

31.12.2018	Note	Internal credit risk categorisation	Expected credit losses (IFRS 9)	Gross carrying amount	Impairment loss (allowance)	Carrying amount
				BGN'000	BGN'000	BGN'000
Loans provided to related parties	6	Performing (Stage 1)	For a 12-month period	10,408	-	10,408
Trade receivables	10	-	Over the lifetime (simplified approach)	16,799	(882)	15,917
Contract assets	11	-	Over the lifetime (simplified approach)	1,019	(2)	1,017
Other receivables	8, 12	Performing (Stage 1)	For a 12-month period	1,773	-	1,773
Cash and cash equivalents	13	Performing (Stage 1)	For a 12-month period	7,412	-	7,412
			Total	**37,411**	**(884)**	**36,527**

Cash

The Company's cash and payment operations are mainly concentrated in different first-class banks. To calculate expected credit losses for *cash and cash equivalents*, it applies a rating model based on the bank's public ratings as determined by internationally recognised rating firms like Moody's, Fitch, S&P, BCRA and Bloomberg and the reference public data about PD (probability of default) referring to the rating of the respective bank. The management monitors currently the change in the rating of the respective bank, in order to assess the existence of higher credit risk and the current management of inflows and outflows of cash and the allocation of funds on bank accounts and banks.

Cash and cash equivalents available as at 31 December 2019 are in accounts with banks with rating BBB- and A- according to Fitch (31 December 2018: BBB- and A- according to Fitch).

Currency risk

Exchange rate risk is the risk of negative impact from changes in prevailing currency exchange rates that on financial standing and cash flows of the Company. Since the Bulgarian lev pegged to the Euro, and the Company presents its financial statements in Bulgarian lev, the currency risk is only related to currencies other than the Euro.

Most of the Company's transactions are denominated primarily in BGN and/or EUR, which reduces exposure to currency risk.

The table below summarizes the Company's currency risk as at 31 December. It includes assets and liabilities at carrying amount by currency.

31.12.2019	**BGN**	**EUR**	**RON**	**Other currencies**	**Total**
	BGN'000	**BGN'000**	**BGN'000**	**BGN'000**	**BGN'000**
Trade receivables	17,667	1,343	-	-	19,010
incl. receivables from related parties	*7,224*	*280*	-	-	*7,504*
Loan granted	-	7,840	-	-	7,840
Other receivables	659	636			1,295
incl. from related parties	-	-	-	-	-
Cash and cash equivalents	4,695	313	776	-	5,784
Total assets	**23,021**	**10,132**	**776**	**-**	**33,929**
Lease liabilities	37,506	11,659	-	-	49,165
Liabilities under acquired investments	-	10,475	-	-	10,475
Payables to bank	994	1,964	-	-	2,958
Trade payables	6,148	1,461	-	-	7,609
incl. payables to related parties	*1,926*	*882*	-	-	*2,808*
Payables to trustors	*3,326*	211	71	18	3,626
incl. related parties	*430*	*31*	-	-	*461*
Loans received from related parties	522	-	-	-	522
Total liabilities	**48,496**	**25,770**	**71**	**18**	**74,355**

31.12.2018	**BGN**	**EUR**	**RON**	**Other currencies**	**Total**
	BGN'000	**BGN'000**	**BGN'000**	**BGN'000**	**BGN'000**
Trade receivables	13,989	1,928	-	-	15,917
incl. receivables from related parties	*5,261*	*921*	-	-	*6,182*
Loan granted	-	10,408	-	-	10,408
Other receivables	589	1,184		-	1,773
incl. from related parties	*224*	-		-	*224*
Cash and cash equivalents	6,622	706	84	-	7,412
Total assets	**21,200**	**14,226**	**84**	**-**	**35,510**
Lease liabilities	29,471	6,228	-	-	35,699
Liabilities under acquired investments	-	17,788	-	-	17,788
Payables to bank	5,926	-	-	-	5,926
Trade payables	7,055	913	-	-	7,968
incl. payables to related parties	*1,828*	*390*	-	-	*2,218*
Payables to trustees	*5,949*	406	168	-	6,523
incl. related parties	*959*	*1*	-	-	*960*
Loans received from related parties	507	-	-	-	507
Total liabilities	**48,908**	**25,335**	**168**	**-**	**74,411**

Liquidity risk

Liquidity risk stems from the working capital management, financial expenses and the principal repayments of debt instruments. This is the risk of difficulties that the management may encounter in servicing its obligations in a due manner.

The management policy is to ensure that there will be sufficient liquidity available to meet its obligations when they fall due. To achieve this goal, it constantly seeks means to maintain cash in accounts (or accorded funds), to meet the requirements expected. In addition, the management seeks ways to mitigate liquidity risk by fixing interest rates (and therefore cash flows) on borrowed funds.

The management gets regularly updated information regarding cash accounts.

The table below analyses Company's liabilities as at 31 December 2019 by residual maturity based on the *undiscounted* cash flows.

31.12.2019	**up to 3 months**	**3 to 12 months**	**1 to 5 years**	**5 to 10 years**	**over 10 years**	**Total**
	BGN'000	**BGN'000**	**BGN'000**	**BGN'000**	**BGN'000**	**BGN'000**
Lease liabilities	2,901	7,247	19,793	12,100	6,169	48,210
Liabilities under acquired investments	-	6,216	5,135	-	-	11,351
Payables to bank	503	1,406	1,093	-	-	3,002
Trade payables	7,609	-	-	-	-	7,609
incl. payables to related parties	*2,808*	-	-	-	-	*2,808*
Payables to trustees	3,626	-	-	-	-	3,626
incl. related parties	*431*	-	-	-	-	*431*
Loans received from related parties	522	-	-	-	-	522
Total	**15,161**	**14,869**	**26,021**	**12,100**	**6,169**	**74,320**

31.12.2018	**up to 3 months**	**3 to 12 months**	**1 to 5 years**	**5 to 10 years**	**over 10 years**	**Total**
	BGN'000	**BGN'000**	**BGN'000**	**BGN'000**	**BGN'000**	**BGN'000**
Lease liabilities	2,511	6,888	16,841	8,475	4,590	39,305
Liabilities under acquired investments	2,689	5,632	10,705	587	-	19,613
Payables to bank	1,171	2,465	2,367	-	-	6,003
Trade payables	7,968	-	-	-	-	7,968
incl. payables to related parties	*2,218*	-	-	-	-	*2,218*
Payables to trustees	6,523	-	-	-	-	6,523
incl. related parties	*960*	-	-	-	-	*960*
Loans received from related parties	507	-	-	-	-	507
Total	**21,369**	**14,985**	**29,913**	**9,062**	**4,590**	**79,919**

Risk of interest-bearing cash flows

In the structure of Company's assets, interest-bearing assets include cash and loans granted to a related party, which are with a fixed interest rate. On the other hand, the Company's borrowings in the form of long-term bank loans usually have a variable interest rate. This fact makes the Company's cash flow dependent on interest-rate risk. This risk is covered in two ways:

(a) optimisation of the sources of credit resources for achieving relatively lower price of attracted funds, and

(b) combined structure of interest rates on loans comprising two components – a fixed one and a variable one; the correlation between them, as well as their absolute value, can be achieved and maintained in a proportion favourable for the Company. The fixed component has a relatively low absolute value and sufficiently high relative share in the total interest rate. This circumstance eliminates the probability of a significant change in interest rate levels in case of variable component updating. Thus, the probability for an unfavourable change of cash flows is reduced to a minimum.

The Company's management currently monitors and analyses its exposure to changes in interest rates.

31 December 2019	**interest free**	**floating interest %**	**fixed interest %**	**Total**
	BGN '000	**BGN '000**	**BGN '000**	**BGN '000**
Loans and receivables	20,305	-	7,840	28,145
Cash and cash equivalents	1,548	-	4,236	5,784
Total financial assets	**21,853**	**-**	**12,076**	**33,929**
Bank loans and lease liabilities	-	19,431	32,692	52,123
Liabilities under acquired investments	-	-	10,475	10,475
Other loans and liabilities	11,235	-	522	11,757
Total financial liabilities	**11,235**	**19,431**	**43,689**	**74,355**

31 December 2018	**interest free**	**floating interest %**	**fixed interest %**	**Total**
	BGN '000	**BGN '000**	**BGN '000**	**BGN '000**
Loans and receivables	17,690	-	10,408	28,098
Cash and cash equivalents	2,343	-	5,069	7,412
Total financial assets	**20,033**	**-**	**15,477**	**35,510**
Bank loans and lease liabilities	-	17,258	24,367	41,625
Liabilities under acquired investments	-	-	17,788	17,788
Other loans and liabilities	14,491	-	507	14,998
Total financial liabilities	**14,491**	**17,258**	**42,662**	**74,411**

Information about the fair value of assets and liabilities

Fair value is defined as the price at which a certain asset could be exchanged, or a liability settled between informed and wiling parties in a fair deal.

The fair value concept presumes realisation of financial assets through a sale based on the position, assumptions and judgements of independent market participants in a principal or most advantageous market for a particular asset or liability. The Company acknowledges as a principal market for its financial assets and liabilities the financial market in Bulgaria – the Bulgarian Stock Exchange, the large commercial banks – dealers, and for some specific instruments – direct transactions between the parties.

However, in most cases especially in regard of trade receivables and payables as well as loans and deposits, the Company expects to realise these financial assets and liabilities and through their total refund or respectively, settlement over time. Therefore, they are presented at amortised cost.

In addition, a large portion of the financial assets and liabilities are either short-term in their nature (trade receivables and payables) and therefore, their fair value is almost equal to their carrying amount. In respect of loans with fixed interest, the methodology applied to determine it uses as a starting point for the calculations the current observations of the Company with respect to the market interest rates.

As far as the Bulgarian market of financial instruments is still not sufficiently developed – with stability, volumes and liquidity, satisfactory for purchases and sales of certain financial assets and liabilities – there are no sufficient and reliable market price quotations for them, and for this reason, other alternative valuation methods and techniques are used.

The management of the Company believes that in the existing circumstances the estimates of the financial assets and liabilities presented in the statement of financial position are as reliable, adequate and trustworthy as possible for financial reporting purposes.

The management believes that the fair values of the financial instruments do not materially deviate from their carrying amount.

38. CAPITAL MANAGEMENT

The main aim of Company's capital risk management is to ensure it maintains a stable credit rating and appropriate gearing ratios to maintain its business and maximize its value, including to continue as going concern and provide the respective return of funds invested by the owners, economic benefits to other stakeholders and participants in the business, and maintain an optimal capital structure so as to reduce the cost of capital.

The Company manages its capital structure and adjusts it accordingly in view of the changes in economic environment.

The Company monitors its capital using the indebtedness ratio calculated as net debt divided by total equity plus net debt. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings as is in the statements of financial position less cash and cash equivalents. Total capital is the sum of total equity and net debt.

It is the Company's policy to maintain an optimal capital level so as to be able to provide the funds needed – in both the short- and long-term – for its future development.

The table below presents the indebtedness ratio based on capital structure as at 31 December:

	31.12.2019	31.12.2018
	BGN'000	BGN'000
Lease liabilities	49,165	35,699
Liabilities under acquired investments	10,475	17,788
Payables under bank loans	2,958	5,926
Loans received from related parties	522	507
Less cash	(5,784)	(7,412)
Net debt	**57,336**	**52,508**
Equity	65,071	54,884
Total net debt and equity	122,407	107,392
Debt ratio	**46,84%**	**48,89%**

39. EVENTS AFTER THE END OF THE REPORTING PERIOD

At the end of 2019 in China, a coronavirus COVID-19 epidemic started and spread around the world. The global spread of the virus impacted a number of economic sectors, as far global industrial regions and entire countries have been placed under quarantine (For example, China, Italy). The first coronavirus case in Bulgaria was confirmed on 8 March 2020. On 13 March 2020, a state of emergency was declared. Strict anti-epidemic measures have been imposed, as well as restrictions aimed to limit social contacts and limit the spread of the virus. This has resulted in a disruption of the ordinary economic activities of almost all economic entities in Bulgaria.

Due to the unforeseeable dynamics of COVID-19, it is hard and practically impossible to accurately estimate its scope and impact on the Company's business, respectively on the Company's future activity, assets and liabilities, at this stage. The initial management assessment that there is no identified circumstances and factors that cast significant doubt on the company's ability to continue as a going concern

The possible consequences/effects of the extraordinary situation for the Company's activity are assessed as follows:

- increase in online consumption and home deliveries, which however is not characterized by clear trends and in the first days of the state of emergency the Company has not identified any big changes to its operations (either positive or negative);
- delay in international deliveries and/or impossibility to deliver to the end recipient, due to the travel restrictions imposed and the controlled admission procedures introduced in a number of European cities;
- shrinking of the b2B segment and delay in payments by customers whose businesses have been significantly affected by the situation and the safeguards imposed.

In order to minimize the potential adverse impact on the Company's operations, the parent company has established a Working Group of key managers whose aim is to work on measures to react to the crisis. The measures taken so far to limit adverse consequences on the Company's operations and protect employees are:

- conducting a number of information campaigns and providing protective equipment;
- a new procedure has been introduced for monitoring of receivables from customers in order to prevent delayed payments;
- scenarios have been developed for capacity reduction and the costs related thereto in case of decrease in volumes in the second quarter of 2020;
- continuous monitoring of the capital investment plans and possible cuts in case of clear signs of downturn in segments and areas;
- new procedures have been introduced with safety measures, including home office for the Sales and Finance staff, additional extraordinary paid annual leave for employees over 60 years of age.

There are no other significant events which occurred between the reporting date and the date of approval of the Separate statement of financial position that require adjustments and/or additional disclosures in the financial statements for the year ended 31 December 2019.