# GROUP SPEEDY

**Sofia**

## CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

**FOR THE YEAR ENDED**

## 31 DECEMBER 2020

*This is a translation from Bulgarian of the consolidated annual financial statements of Group Speedy for the year ended 31 December 2020.*

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## 1. CORPORATE INFORMATION

Group Speedy (the Group) includes Speedy AD (the parent company) and its six (31.12.2019: five) subsidiaries.

***The parent company***

Speedy AD (the "parent 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 Center Boila.

***Subsidiaries***

As at 31.12.2020 the Group subsidiaries are:

- **Speedy EOOD** – a company registered in Bulgaria, with UIC 115260535, and with seat and registered office in Bulgaria, Plovdiv Region, Maritsa Municipality, village of Trud, 42, Karlovo Shosse Str.
- **Geopost Bulgaria EOOD** – a company registered in Bulgaria, with UIC 13130260, and with seat and registered office in Bulgaria, Sofia Region, Metropolitan Municipality, Sofia, 2L Samokovsko Shosse Str., Trade Center Boila.
- **Dynamic Parcel Distribution S.A., Romania (DPD S.A., Romania)** – a company registered in Romania with unified registration code (URC) 9566918 and with seat and registered office in Romania, Ilfov County, Buftea, 20, Tamas Str., halls 4A and 4B.
- **Rapido Express and Logistics EOOD** – a company registered in Bulgaria, with UIC 200234197, with seat and registered office in Sofia, 11, Industrialna Str.;
- **OMG Mobile EOOD** – a company registered in Bulgaria, with UIC 201857959, with seat and registered office in Sofia, 22, Abagar Str.;
- **Geopost Trans EOOD** – a company registered in Bulgaria, with UIC 206293811, with seat and registered office in Sofia, 22, Abagar Str.

### *1.1. Ownership and management of the parent company*

The parent company is a publicly traded company under the Law on Public Offering in Securities and was listed on the Bulgarian Stock Exchange on 11.12.2012.

The shareholders structure of the company's registered capital is disclosed in *Note 12*.

The ultimate owner of the parent company is Valery Harutyun Mektouptchiyan, who indirectly (through Speedy Group OOD) holds 43,70% of the capital of SPEEDY AD.

The parent company has a one-tier management system with a Board of Directors comprising five members.

As at 31 December 2020, the parent 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. Henryk Janusz Czyz | Member |

The parent 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 government, 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

2.Hristo Grozdanov

3.Teodora Kantutis

As at 31 December 2020 the total number of Group personnel is 2,158 employees and workers (31 December 2019: 2,007 employees and workers).

### *1.2. Structure of the Group and scope of activity*

*1.2.1. The structure of the Group* includes Speedy AD as a parent company and the following subsidiaries:

| ***Subsidiaries*** | **31.12.2020** | **31.12.2019** | ***Date*** |
|---|---|---|---|
| | ***Share*** | ***Share*** | ***of*** |
| ***Subsidiaries in Bulgaria*** | **%** | **%** | ***acquisition*** |
| Speedy EOOD | 100 | 100 | 13.06.2011 |
| Geopost Bulgaria EOOD | 100 | 100 | 21.11.2014 |
| Rapido Express and Logistics EOOD | 100 | 100 | 01.10.2018 |
| OMG Mobile EOOD | 100 | 100 | 21.12.2018 |
| Geopost Trans EOOD (indirect interest through Geopost Bulgaria EOOD) | 100 | - | 11.11.2020 |
| ***Subsidiaries in foreign countries*** | | | |
| DPD S.A., Romania | 100 | 100 | 21.11.2014 |

The Group has two branches: in 2016, Geopost Bulgaria EOOD opened a branch in Greece and in 2015 DPD S.A., Romania opened a branch in Varna, Bulgaria

*1.2.2. The scope of activity* of the Group companies is as follows:

***The parent company***

- **Speedy AD -** the core activity of the parent 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.

***Subsidiaries***

- **Speedy EOOD -** import-export, forwarding services, production and marketing of all kinds of goods in Bulgaria and abroad, mediation, distribution of all kinds of goods and any other activity not prohibited by law.
- **Geopost Bulgaria EOOD** - providing courier services, forwarding services, handling, storage and distribution of documents and goods, domestic and international transport, import and export of goods, commercial representation and agency of Bulgarian and foreign natural and legal persons, acting as insurance agent and any other activity not prohibited by law.
- **DPD S.A., Romania** - forwarding and courier services.
- **Rapido Express and Logistics EOOD –** courier services.
- **OMG Mobile EOOD –** development, delivery, operation, maintenance, management and trade in software products for postal, courier and logistics operations.
- **Geopost Trans EOOD -** providing courier services, forwarding services, handling, storage and distribution of documents and goods, domestic and international transport, import and export of goods, commercial representation and agency of Bulgarian and foreign natural and legal persons, acting as insurance agent.

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

The companies perform their activity on the territory of Bulgaria, Romania and Greece.

### *1.3. Main indicators of the economic environment*

The main economic indicators which influenced the activity of the Group for the period 2017 – 2020 are provided in the table below:

| Indicator | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|
| Gross Domestic Product (million levs) | 102,308 | 109,743 | 119,772 | 118,605 |
| Actual growth of GDP | 3.5% | 3.1% | 3.8% | -4.2% |
| Year-end inflation | 1.8% | 2.3% | 3.1% | 0.0% |
| Average exchange rate of the USD at year-end | 1.73 | 1.66 | 1.75 | 1.72 |
| Exchange rate of the USD at year-end | 1.65 | 1.72 | 1.76 | 1.59 |
| Average exchange rate of the RON at year-end | 0.428 | 0.420 | 0.412 | 0.404 |
| Exchange rate of the RON at year-end | 0.420 | 0.419 | 0.409 | 0.402 |
| Basic interest rate at year-end | 0.00 | 0.00 | 0.00 | 0.00 |
| Unemployment rate at year-end | 7.1% | 6.1% | 5.9% | 6.7% |
| Credit rating of the Republic of Bulgaria by Standard&Poors (long-term) | BB+ | BBB- | BBB | BBB |
| Credit rating of the Republic of Bulgaria by Moody's (long-term) | Baa2 | Baa2 | Baa2 | Baa1 |
| Credit rating of the Republic of Bulgaria by Fitch (long-term) | BBB | BBB | BBB | BBB |

*Note:* BNB forecast for 2020, prepared as at 16 April 2021.* *Source: BNB*
*** According to data of the Employment Agency*

## *1.4. COVID-19 pandemic – impact, effects, actions and measures taken*

On 11 March 2020 the World Health Organisation declared a COVID-19 pandemic, and on 13 March 2020 the Bulgarian Parliament imposed a state of emergency in Bulgaria, as a result of which a number of restrictive measures were taken.

On 24 March 2020, the State of Emergency Act was promulgated, imposing measures for the period of the pandemic state of emergency in various areas – employment relations and social security, taxation and annual financial closure, default and forced execution, terms and deadlines, etc. Decisions and orders of the Council of Ministers and the Ministry of Health were adopted for introducing anti-epidemic measures on the territory of the country aimed to protect and preserve the population's life and health in relation to: a ban on entering the country and applying measures (quarantine or provision of a negative lab result from a PCR test prior to entering the country) for countries with high COVID-19 rates and significant pandemic spread; observing requirements on physical distance, hand hygiene, disinfection and wearing protective face masks in indoor public places; temporary suspension or restriction of the operations of public sites and/or other sites or services rendered to citizens, etc.

On 10 April 2020 the Bulgarian National Bank ("BNB") approved a "Procedure for deferral and settlement of payables due to banks and their subsidiaries – financial institutions, in relation to the state of emergency imposed by Parliament on 13 March 2020" (the "Procedure"), resulting from the COVID-19 pandemic and consequences thereof. The Procedure allowed borrowers affected by the restrictive measures applied to defer the repayment of their debts to financial institutions. The Procedure initially provided for deferral possibility for up to 6 months, not later than 31 December 2020. Consequently, the Procedure was amended and the period was extended to 31 March 2021.

Pursuant to a new BNB decision, dated 10 December 2020, the procedure's effect was extended until 31 December 2021, and borrowers were allowed to defer repayments to financial institutions for a period of 9 months.

As a result of the restrictions imposed in Bulgaria and in most countries around the world, the normal operations of businesses in a number of economic sectors was disrupted. There were difficulties with the supplies of raw and other materials from suppliers, shipments to clients, and procuring workforce. Almost all entities, though to a different extent, had to impose certain actions and measures to reorganise business operations, work schedules, business communications and other aspects of their relations to counterparts, partners, and state institutions.

### *Measures and actions taken*

The Group operates in one of the few sectors whose financial position has been rather positively affected by the pandemic. The main risk for the Group as a result of COVID-19 is contamination of employees. Therefore, the main measures taken by the management focused on ensuring the work and operational processes and employees' safety, and included:

- Organisation of remote work for over 90% of administrative staff;
- Strict shift allocation in distribution centres aiming to limit a potential coronavirus contamination within a single shift;
- Provision of protective equipment to all employees;
- Preparation of ill employee reaction protocols;
- Daily screening of employees at the Operations Department – employees with virus symptoms are not permitted to the workplace.

The Company's management continues to currently monitor for risks, respectively, consequences of the pandemic on the business. For the purpose, a committee has been established at the parent company that performs daily assessment of the pandemic situation and performs current analyses and estimates and develops possible scenarios/measures to reach to and manage potential risks.

### *Effects on the items in the financial statements*

The Group's management has not identified areas in the financial statements on which the pandemic has direct and material impact and effects, incl. with respect to the measurement of individual assets and liabilities.

### *Impact on the Group's operations and financial position*

The Group operates in the courier service sector, whose normal functioning was not affected by the restrictive measures applied, on the contrary – the new social and economic conditions boosted this sector.

The Group's operating volumes in 2020 have not been affected by the pandemic situation in Bulgaria and the other countries it has business connections and relations with.

The restrictive measures imposed, including on movement, on the one hand resulted in a downturn in economic activity, but on the other hand, it resulted in a shift in consumption to online shops. As a result, the following changes can be seen:

- Shrinkage of the B2B segment and a decrease in revenue from this segment, which was largely offset as business activity recovered at the end of the reporting period and as deliveries increased as a result of remote work in most sectors;
- Increased demand for courier services in the B2C segment (home deliveries) and individual clients.

The growth in the Group's revenue from contracts with customers is 19.84% for 2020. There are no significant changes in the type and structure of its services. The Group continues to perform its business activities without significant difficulties. No contracts with key suppliers and/or customers have been terminated.

The management has not dismissed personnel and has not made use of the measures introduced by the State of Emergency Act ("60:40", etc.).

The Group has sufficient financing to meet its liquidity needs.

The Group's results for the year are as follows:

- Delivered parcels in 2020: 51,173 thousand, and in 2019: 39,586 thousand, or growth by 31.8%;
- Revenue from contracts with customers in 2020: BGN 173,185 thousand, and in 2019: BGN 218,978 thousand, or growth by 19,84%
- Net profit for 2020: BGN 26,846 thousand; for 2019: BGN 19,026 thousand, or growth by 29,13%
- Averaged number of staff at 31 December 2020: 2,158 workers and employees, and as at 31 December 2019: 2,007 workers and employees.

In the meantime, the increase in online consumption and home deliveries also had an adverse impact on the Group's financial result for year 2020, due to a change in the amount of the variable consideration for the acquisition of the subsidiary Rapido Express and Logistics EOOD, which traditionally focuses on servicing online trade (*Note 14)*. The price agreed for acquisition of 100% of the capital of the subsidiary includes variable (conditional) consideration at the amount of 25% of the revenue generated from certain clients of the acquired company over a 30-month period. At the date of acquisition, as part of the consideration transferred in return for the acquired subsidiary, the company recognized an amount of the conditional consideration determined based on revenue budgeted from these clients over the valuation period. The growth in online consumption resulted in a significant growth in revenue from these clients in the reporting period. Respectively, the contractual payments made by the parent company are BGN 1,524 higher than budgeted, and the difference between the actual payments and the initially estimated amount at the date of acquisition, by BGN 1,524 thousand, is stated against the current financial result (*Note 2.3*).

As at 31 December 2020 the Group has available: cash at the amount of BGN 37,002 thousand (31 December 2019: BGN 16,196 thousand) (*Note 11)*, and undrawn funding under approved working bank loan, at the amount of BGN 4,800 thousand *(Note 15)*.

The same trends have been observed in the beginning of 2021.

## 2. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES OF THE GROUP

### 2.1. Basis for the preparation of the consolidated financial statements

The consolidated 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 2020 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 Group 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.

The adoption of these standards and/or interpretations, *practically applicable for annual periods beginning on 1 January 2020 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 which were not adopted for earlier application by the Group include:

- **Amendments to the Conceptual Framework for Financial Reporting (the "Framework") 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 fully 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. Part 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, 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 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 'materiality' as stated in the two standards. According to them, the new definition of 'materiality' 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 arising 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 aims 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.*

At the date when these financial statements have been approved for issue, there are several new standards and interpretations as well as amended standards and interpretations, issued but not yet in force for annual periods beginning on or after 1 January 2020, which have not been adopted by the Group for early application. The management has decided that out of them the following are likely to have a potential impact in the future for changes in the accounting policies, and in the classification and value of reporting items in Group's financial statements for subsequent periods, namely:

- **Amendments to IFRS 16 "Leases" (in force for annual periods beginning on or after 1 June 2020, endorsed by EC).** *These amendments introduce a practical expedient which exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications. The practical expedient applies when all of the following conditions are met: a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; b) any reduction in lease payments affects only payments due on or before 30 June 2021; and c) there is no substantial change to other terms and conditions of the lease. A lessee that uses the practical expedient accounts for any change in lease payments resulting from the rent concession in the same way that it would account for the change applying IFRS 16 if the change were not a lease modification. It does not affect lessors. Earlier application is permitted.*

- **Amendments to IAS 1 "Presentation of Financial Statements" (in force for annual periods beginning on or after 1 January 2023, not endorsed by EC).** *These amendments address the criteria for classification of liabilities as current or non-current. According to them, an entity classifies its liabilities as current or non-current depending on the rights that are in existence at* *the end of the reporting period, and the classification is unaffected by expectations about whether it will exercise its right to defer settlement of the liabilities. The amendments made clear that "settlement" refers to the transfer to a counterparty of cash, equity instruments, other assets or services. The classification does not address derivatives of convertible liabilities, which constitute equity instruments. The amendments are applied retrospectively.*

- **Amendments to IAS 16 "Property, Plant and Equipment" (in force for annual periods beginning on or after 1 January 2022, not endorsed by EC).** *These amendments prohibit deducting from the cost for "testing whether the asset is functioning properly", which is part of the direct costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the net proceeds received from selling items produced while the entity is preparing the asset for its intended location and condition. Instead, the entity shall recognize the revenue from sales of such items and the respective costs related thereto within profit or loss for the period, in accordance with the other applicable standards. The amendments specify that testing whether the asset is functioning properly is in fact an assessment of whether the technical and physical performance and capacity of the asset correspond to its intended use in production, supply of goods or services, lease, or for administrative purposes. Additionally, the amendment requires entities to separately disclose the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities. The amendments are applied retrospectively, but only for property, plant and equipment brought to the location and condition necessary for their intended use on or after the start of the earliest period presented in the financial statements for which the entity first applies the amendments.*

- **Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" (in force for annual periods beginning on or after 1 January 2022, not endorsed by EC).** *The amendments specify that the 'cost of fulfilling' an onerous contract comprises the 'costs that relate directly to the contract', including: a) direct labour costs and direct cost of materials; and b) additional costs which related directly to fulfilling the contract – for instance, the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract. Administrative and other general costs are excluded, unless specifically billable to the counterpart. The amendments also make a small adjustment to the clarifications for recognition of impairment losses before a separate onerous contract provision is created, by highlighting that these are assets used in fulfilling the contract rather than assets intended thereto, which was the requirement prior to the amendments' enforcement. An entity shall apply those amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.*

- **Annual Improvements to IFRSs 2018-2020 Cycle, to IFRS 1 "First-time Adoption of International Financial Reporting Standards", IFRS 9 "Financial Instruments", Illustrative Example 13 to IFRS 16 "Leases" and IAS 41 "Agriculture" (in force for annual periods beginning on or after 1 January 2022, not endorsed by EC).** *These improvements introduce partial amendments to the following standards:* ***a)*** *the amendment to* ***IFRS 1*** *grants a relief for a subsidiary in first-time adoption of IFRS at a date later than the parent. It measures in its separate* *financial statements the assets and liabilities at the carrying amounts that would be included in the parent's consolidated financial statements based on which the parent acquired the subsidiary. The subsidiary may, in its financial statements, measure the cumulative translation differences using the carrying amount stated in the parent's consolidated financial statements based on the date of the parent's date of transition to IFRS, unless adjustments have been made for the purpose of consolidation procedures or to account for the business combination's effects. This amendments will also be applied for associates and joint ventures which have elected the same relief under IFRS 1. Entities shall apply these amendments for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted;* ***b)*** *the amendment to* ***IFRS 9*** *clarifies which fees an entity includes when it applies the '10 per cent' test in assessing whether in case of a modification of a financial liability the conditions of the new or amended financial liability significantly differ from the conditions of the initially recognized one. According to the amendment, the entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. The entity applies the amendments to financial liabilities modified at or after the beginning of the annual reporting period in which it first applies these amendments;* ***c)*** *the amendment to* ***Illustrative Example 13 to IFRS 16*** *removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives. Since the amendment refers to an illustrative example accompanying the standard and is not a part thereof, no enforcement date is specified;* ***d)*** *the amendment to* ***IAS 41*** *removes the requirement for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.*

- **Amendments to IFRS 3 "Business Combinations" (in force for annual periods beginning on or after 1 January 2022, not endorsed by EC).** *These amendments update IFRS 3 by replacing the reference to the old version of the Conceptual Framework for Financial Reporting with its latest updated 2018 version. They also add an exception from the principle for recognition of liabilities and contingent liabilities within the scope of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" and IFRIC 21 "Levies", explicitly specifying that contingent liabilities are not recognized at the date of acquisition. The amendments are applied prospectively.*

- **Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Disclosure", IFRS 7 "Financial Instruments: Disclosure", IFRS 4 "Insurance Contracts", and IFRS 16 "Leases" related to Phase 2 of the Interest Rate Benchmark Reform (in force for annual periods beginning on or after 1 January 2021, endorsed by EC).** *The amendments to the standards related to Phase 2 of the Interest Rate Benchmark Reform constitute mainly two practical expedients: a) in identification and measurement of modification of contractual cash flows from financial assets, financial liabilities, and lease liabilities – the modifications to the interest rate benchmarks are accounted for by updating the effective interest rate; and in hedge accounting – by permitting an amendment (revision) in the identification of the hedging relationship and the measurement of the hedged item based on cash flows, due to and resulting from the substitution of the interest rate benchmarks* *applied with other alternatives. The amendments are applied retrospectively. Earlier application is permitted.*

- **Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 (in force for annual periods beginning on or after 1 January 2023, not endorsed by EC).** *These amendments a) require disclosing material accounting policies information instead of significant accounting policies; b) explain how the entities can identify material accounting policy information and to give examples of when accounting policy information is likely to be material; c) clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial; d) clarify that accounting policy information is material if users of the entity's financial statements would need it to understand other material information in the financial statements; and d) clarify that if the entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information. Earlier application is permitted.*

- **Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (in force for annual periods beginning on or after 1 January 2023, not endorsed by EC).** *These amendments focus entirely on accounting estimates and clarify the following: a) "the definition of a change in accounting estimates" is replaced with a "definition of accounting estimates". Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty"; b) the entity develop accounting estimates if the accounting policies require items in the financial statements to be measured in a way that involves measurement uncertainty; c) a change in accounting estimate that results from new information or new developments is not the correction of an error; d) a change in an accounting estimate may affect only the current's period profit or loss, or the profit or loss of both the current period and future periods. Earlier application is permitted.*

- **Amendments to IFRS 16 Leases (in force for annual periods beginning on or after 1 April 2021, not endorsed by EC).** *These amendments: a) permit a lessee to apply the practical expedient regarding COVID-19 related rent concessions to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022 (rather than only payments originally due on or before 30 June 2021); b) require a lessee applying the amendment to do so retrospectively, recognizing the cumulative effect of initially applying the amendment as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual period reporting period in which the lessee first applies the amendment; and c) specify that, in the reporting period in which a lessee first applies the amendment, the lessee is not required to disclose the information required by paragraph 28 (f) of IAS 8. Earlier application is permitted (including financial statements not yet authorized for issue at the date the amendment is issued).*

The management is in the process of research, analysis and assessment of the impact of the changes made to the Conceptual Framework and the above standards which will impact the accounting policies and the classifications of assets, liabilities, transactions and results of the Group in subsequent reporting periods.

Additionally, with regard to the stated below new standards, amended/revised standards and new interpretations that have been issued but not yet in force for annual periods beginning on 1 January 2020, 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 Group, since they do not concern its operations or it does not perform such transactions and/or does not have such assets and liabilities:

- **IFRS 17 "Insurance Contracts" (in force for annual periods beginning on or after 1 January 2023, 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 and principles on recognition and measurement, presentation and disclosure. The standard will supersede the effective standard up to date related to insurance contracts – IFRS 4. It establishes an entirely new overall model for insurance contracts' accounting, covering all relevant accounting and reporting aspects. It is not applicable to the Group's operations; therefore, the management has not assessed the application thereof.*
- **IFRS 10 (amended) "Consolidated Financial Statements" and IAS 28 (amended) "Investments in Associates and Joint Ventures" – regarding the sale or contribution of assets between an investor and its associates or joint ventures (postponed effective date, to be determined by the 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. The amendments will be applied on a prospective basis. IABS postponed the initial date of application of these amendments for an indefinite period.*
- **Amendments to IFRS 4 "Insurance Contracts" (in force for annual periods beginning on or after 1 January 2021, endorsed by EC).** *The amendments allow entities primarily engaged with insurance activities, to defer the date of initial application of IFRS 9 "Financial Instruments" by two years, from 1 January 2021 to 1 January 2023, and continue to apply IAS 39 "Financial Instruments: Recognition and Measurement". The aim of the amendment is to align the date of enforcement of IFRS 9 with the new IFRS 17 to overcome temporary accounting consequences from the different effective dates of the two standards. The amendment also introduces a temporary exemption from the requirements of IAS 28 "Investments in Associates and Joint Ventures", with respect to the application of a uniform policy for entities using the equity method under IAS 28. For annual periods beginning before 1 January 23, such entities are allowed, but not obliged, to retain the respective accounting policy applied by the associate or joint venture when using the equity method.*

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for the identifiable assets and liabilities acquired upon business combinations, which are measured at fair value at the date of acquisition.

The Group keeps its accounting books in Bulgarian Lev (BGN), which is accepted as being its functional and presentation currency. The data in the consolidated financial statements and the notes thereto are presented in BGN'000, unless explicitly stated otherwise, and the Bulgarian level is the Group's presentation reporting currency. Foreign companies' statements are restated from the reporting currency into BGN for the purposes of each consolidated financial statements in accordance with the Group's policy (*Note 2.5*).

The presentation of the consolidated 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 consolidated financial statements, and therefore, the future actual results might differ from them. The items presuming a higher level of subjective assessment or complexity or where the assumptions and accounting estimates are material for the consolidated financial statements, are disclosed in *Note 2.26*.

### 2.2 Definitions

***Parent company***

This is a company that has control over the subsidiaries in which it has invested. Having control means that the investor is exposed, or has rights, to variable returns from its involvement with the investee, and has the ability to affect those returns through its power over the investee.

The parent company is Speedy AD, Bulgaria (*Note 1*).

***Subsidiary***

A subsidiary is a company or another entity that is controlled directly or indirectly by the parent company.

The subsidiaries are consolidated as at the date at which the Group gained the control effectively and the consolidation is seized as at the date when it is considered that the control is lost and transferred outside the Group. The 'full consolidation' method is applied for their consolidation.

The subsidiaries are presented in *Note 1.2*.

***Non-controlling interest***

It represents the share of the owners – third parties, outside the share of the parent company. They are reported separately in the consolidated statement of financial standing, consolidated statement of comprehensive income and consolidated statement of changes in equity.

In the Group there is no non-controlling interest, as far as it owns 100% of its subsidiaries. Therefore, it does not report compiled financial information about its subsidiaries with non-controlling interest.

### 2.3. Consolidation principles

The consolidated financial statements include the financial statements of the parent company and the subsidiaries, prepared as at 31 December, which is the end date of the Group's financial year. The 'economic entity' assumption has been applied in the consolidation whereas for the measurement of non-controlling interest (if any) in business combinations and other forms of acquisition of subsidiaries for which the 'proportionate share of net assets' method has been chosen.

The financial statements of the subsidiaries are prepared for the same reporting period as that of the parent company using consistent accounting policies of the parent company.

***Consolidation of subsidiaries***

In the consolidated financial statements, the financial statements of the included subsidiaries are consolidated under the 'full consolidation' method, line-by-line, by applying accounting policies that are uniform with regard to the significant reporting items. The investments of the parent company are eliminated against its share in the equity of the subsidiaries at the date of acquisition. Intra-group transactions and balances, including unrealised intra-group gains and losses, are eliminated in full. The effect of deferred taxes has been taken into account in these eliminating consolidation entries.

***Acquisition of subsidiaries***

The acquisition (purchase) method of accounting is used on the acquisition of a subsidiary (entity) by the Group in business combinations. The consideration transferred includes the fair value at the date of exchange of the assets transferred, the incurred or assumed liabilities and the equity instruments issued by the acquirer in exchange for the control over the target company. It includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related direct costs are recognised as current expenses when incurred except for the issue costs of debt or equity instruments, which are recognised as equity components.

All identifiable assets acquired, liabilities and contingent (crystallised) liabilities assumed in the business combination are measured initially at their fair values at the date of exchange. Any excess of the aggregated consideration transferred (measured at fair value), amount of non-controlling interest in the target company and, in case of acquisition on stages, fair value of already owned equity participation in the target company, over acquired identifiable assets (incl. recognized of the business combination intangible assets), liabilities and contingent (crystallised) liabilities is considered and recognised as goodwill. If acquirer's share in the fair value of acquired net identifiable assets exceeds the cost of acquisition in the business combination, this excess is recognised immediately in the consolidated statement of comprehensive income of the Group in the item 'gains/ (losses) on acquisition/ (disposal) of subsidiaries'. Any non-controlling interest in a business combination is measured based on the method of the 'proportionate share in the net assets' of the target company. Up to now, in acquiring subsidiaries, the Group has not recognized minority interest, as far as all subsidiaries are 100% owned.

When a business combination for the acquisition of a subsidiary is achieved in stages, all previous investments held by the acquirer at the acquisition date are revalued to fair value and the effects of this revaluation are recognised in the current profit or loss of the Group, respectively in 'finance income' and 'finance costs' and all previously recorded effects in other comprehensive income are recycled.

***Measurement period***

If the initial accounting for a business combination is not completed by the end of the reporting period in which the combination has been carried out, the Group states a provisional amount for the items whose accounting has not been completed. Over the measurement period, which may not exceed a year from the date of acquisition, the Group adjusts retrospectively these provisional amounts or recognises additional assets and liabilities to reflect the new information obtained about the facts and circumstances existing at the date of acquisition, and, if known, would have affected the amounts recognised at this date.

***Conditional consideration***

Each conditional consideration payable by the acquirer is recognised at fair value, based on its best estimate and upon application of the discounted cash flows method, at the date of acquisition and is included as a portion of the consideration transferred (price of investment). Subsequent changes in the fair value of the conditional consideration classified as a liability, within profit or loss for the period of change, within “finance costs” or “finance income”. Changes in the conditional consideration classifies as equity are not subject to remeasurement, and its subsequent settlement is carried to equity. Changes in the fair value of the conditional consideration resulting from additional information obtained by the acquirer following the date of acquisition regarding facts and circumstances existing at this date are stated as adjustments for the measurement period and are retrospectively carried against goodwill.

***Disposal of subsidiaries***

On sale or other form of loss (transfer) of control over a subsidiary:

- The carrying amounts of the assets and liabilities (including any attributable goodwill) of the subsidiary are derecognised at the date when control is lost;
- The non-controlling interest in the subsidiary is derecognised at carrying amount in the consolidated statement of financial position at the loss of control date, including all components of other comprehensive income related thereto;

- The fair value of the consideration received from the transaction, event or operation that resulted in the loss of control is recognised;
- All components of equity, representing unrealised gains or losses in accordance with the respective IFRS under the provisions of which these components fall, are reclassified to 'profit or loss for the year' or are transferred directly to retained earnings;
- Any resulting difference as a 'gain or loss from a disposal (sale) of a subsidiary' attributable to the parent is recognised in the consolidated statement of comprehensive income.
- The remaining shares held that form investments in associates, joint ventures or available-for-sale investments are initially measured at fair value at the date of sale and subsequently – following the accounting policy adopted by the Group.

### 2.4 Comparatives

In these consolidated financial statements, the Group presents comparative information for one prior year.

Where necessary, comparative data is reclassified (and restated) in order to achieve comparability in view of the current year presentation changes.

### 2.5 Functional and presentation currency

The functional currency of the Group companies in Bulgaria being also presentation currency for the Group is the Bulgarian Lev. The Bulgarian Lev is fixed to the Euro, under the BNB Act, at the ratio BGN 1.95583: EUR 1.

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, cash equivalents, 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 consolidated 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 consolidated statement of comprehensive income (in annual profit or loss) in the period in which they arise and are presented net under 'other operating income/ (losses)' (in annual profit or loss).

The parent company and the Bulgarian subsidiaries of the Group keep their accounting registers in Bulgarian lev (BGN), which is their functional and reporting currency. The foreign subsidiary organizes its accounting and reporting according to the requirements of the Romanian legislation. The functional currency of the Romanian Subsidiary (DPD S.A.) is Romanian Lei, and of the Geopost Bulgaria’s branch in Greece is the Euro.

The Group’s presentation currency is the Bulgarian lev. The data in the consolidated financial statements and the notes thereto are presented in BGN’000, unless explicitly stated otherwise, and the Bulgarian level is the Group’s presentation reporting currency. The financial statements of the foreign company are restated from the local currency (RON) into BGN for the purposes of each consolidated financial statements in accordance with the Group’s policy.

For the purposes of the consolidated financial statements, the financial statements of the subsidiaries abroad are restated from the functional currency of the respective subsidiary to the presentation currency (BGN) accepted for the consolidated financial statements, whereas:

a. all assets and liabilities are restated to the currency of the Group by applying the closing exchange rate of the local currency thereto as at reporting date of statement of financial standing;
b. all income and expenses are restated to the currency of the Group at average rate of the local currency thereto for the reporting period of statement of comprehensive income;
c. all exchange differences resulting from the restatements are recognised and presented as a separate component of equity in the consolidated statement of financial position – ‘foreign translation reserve' as well as an item in statement of comprehensive income, and
d. the exchange differences resulting from the restatement of the net investment in the companies abroad together with the loans and other currency instruments, accepted as hedge of these investments, are presented directly in equity.

On disposal (sale) of a foreign operation (company), the cumulative amount of exchange differences that have been directly stated as a separate component of equity, are recognised as part of the profit or loss in the consolidated statement of comprehensive income on the line 'gains/(losses) on acquisition and disposal of subsidiaries, net', obtained on disposal (sale).

Goodwill and adjustments to fair value arising on acquisition of a company abroad are treated analogously to the assets and liabilities of this company and are restated to the presentation currency at closing exchange rate.

## 2.6. Property, plant and equipment

*Initial measurement*

Upon their initial acquisition, property, plant and equipment are valued at acquisition cost (cost), which comprises the purchase price, including customs duties and any directly attributable costs of bringing the asset to working condition for its intended use.

Property, plant and equipment of acquired subsidiaries are measured at fair value at the transaction (business combination) date which is accepted as acquisition price for consolidation purposes.

*Subsequent measurement*

After their initial recognition, property, plant and equipment is accounted for at acquisition cost, less accrued depreciation and the potential impairment losses.

The Group 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 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 and useful life*

Depreciation of an asset begins when it is available for use. The Group 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 — from 5 to 10 years
- computers and mobile devices — from 3 to 5 years
- vehicles — from 5 to 7 years
- furniture and fixtures — 6.7 years

The useful life set for any non-current tangible asset is reviewed by the management of each company within the Group 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 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 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 consolidated statement of comprehensive income (within profit or loss for the year) and are presented in the item “depreciation and amortisation expense”.

*Gains and losses on disposal (sale)*

Tangible fixed assets are derecognised from the consolidated 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 assets group are determined as the difference between the consideration the Group 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 consolidated statement of comprehensive income (within profit or loss for the year).

### 2.7. Intangible assets

***Goodwill***

Goodwill represents, residual value, the excess of the cost of an acquisition (the consideration given) over the fair value of Group's share in the net identifiable assets (incl. recognized intangible assets from business combination) of the acquired company at the date of acquisition (the business combination). Goodwill is initially measured in the consolidated financial statements at acquisition cost (cost) and subsequently – at cost less accumulated impairment losses. Goodwill is not amortised.

Goodwill arising on the acquisition of a subsidiary is presented in the consolidated statement of financial position in the group of 'intangible assets'.

The individually recognised goodwill on the acquisition of subsidiaries (entities) is mandatory tested for impairment at least once in a year. Impairment losses on goodwill are not subsequently reversed.

Gains or losses on the sale (disposal) of a particular subsidiary (entity) of the Group include the carrying amount of the goodwill relating to the entity sold (disposed of).

On the realisation of a particular business combination, each recognised goodwill is allocated to a particular cash-generating unit (subsidiary) and this unit is used for impairment testing. The allocation is made to those cash generating units that are expected to benefit from the business combination in which the goodwill arose.

Impairment losses on goodwill are presented in the consolidated statement of comprehensive income (within profit or loss for the year) in the item "depreciation costs".

***Other intangible assets***

Intangible assets are stated in the consolidated financial statements at acquisition cost (historical value) less accumulated amortisation and any impairment losses in value. The intangible assets include directly acquired, internally created by a Group entity, and acquired through business combinations from acquisition of subsidiaries.

*Individually acquired intangible assets* are initially measured at acquisition cost. These comprise licenses and software used by the Group companies.

*The internally created intangible assets* include software created internally at the Group and applications thereto. The process of creation of the intangible assets has two stages: research stage and development stage.

The costs incurred to create an intangible asset resulting from research activities are recognized as current expenses when incurred.

Intangible assets originating at the development stage are recognized only when the Group has and can prove: a/ the technical feasibility of the completion of the intangible asset so that it is available for use or sale; b/ intention to complete the intangible asset and use or sell it; c/ ability to use or sell the intangible asset; d/ how the intangible asset will generate probable future economic benefits and/or usefulness thereof; e/ the availability of adequate technical, financial and other resources to complete the development and for the use or sale of the intangible asset. Internally created intangible assets which meet the criteria for measurement at cost, including all direct expenses necessary for the creation, production and preparation of the asset for operation in the manner expected by the management, incurred from the date on which the intangible asset first met the recognition criteria. The costs incurred in relation to the intangible asset before that date are stated as current expenses when incurred and are not subject to subsequent recovery. *Intangible assets of acquired subsidiaries and those identified upon acquisition (business combinations)* are measured at fair value at the date of transaction (business combination) which is assumed to be the acquisition cost for the consolidation purposes.

The Group applies the straight-line amortisation method for the intangible assets with determined useful life from 5 to 16 years.

The carrying amount of the intangible assets is subject to review for impairment when events or changes in the circumstances indicate that the carrying amount might exceed their recoverable amount.

Then impairment is recognised as an expense in the consolidated statement of comprehensive income (within profit or loss for the year).

Intangible assets are derecognised from the consolidated 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 Group 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 consolidated statement of comprehensive income (in profit or loss for the year).

### 2.8. 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 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 completion and the estimated costs necessary to make the sale.

The inventories are expensed using the "average weighted" method (cost).

Upon the sale of inventories, their carrying value is derecognised from the consolidated 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 Group expects to be entitled to (sale revenue) and the carrying amount of inventories at the date of transfer of control. Sales revenue is stated net within "other operating income/(losses), net" on the face of the consolidated statement of comprehensive income (within profit or loss for the year).

### 2.9. Trade and other receivables

Trade receivables constitute the Group'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 equal to the interest associated to the debtor.

*Subsequent measurement*

The Group 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 2.20*).

*Impairment*

The Group 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 8)*.

Bad debts are written-off when the legal grounds for this are available.

The expected credit losses allowance (the impairment) of receivables is accrued through the respective corresponding allowance account for each type of receivable on the face of the consolidated statement of comprehensive income (within profit or loss for the year).

**2.10. 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 Group under its agreements with the banks over the deposits' terms *(Note 2.20)*.

*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 consolidated 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 short-term 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 Group companies and is recovered therewith in the respective period (month);
- overdraft proceeds and payments are stated net by the Group;
- 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;
- funds under non-cash card payments made are treated as cash and cash equivalents.

### 2.11. Share capital and reserves

Speedy AD (the parent company) 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 Group 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 shares issued are classified as *share capital*, which is presented at nominal value according to the court decision for registration of the parent company.

According to the requirements of the Commercial Act and the Articles of Association, the parent company sets aside a *Reserve Fund* (statutory reserve) by using the following sources:

- 1/10 of the profit, which should be allocated to the Fund until its amount reaches one tenth of the share capital 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 Fund can only be used to:

- cover annual loss
- cover losses from previous years
- when the statutory reserves exceed 1/10 of the registered capital, 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 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 of the shareholders of the parent company* is recognized as liability in the consolidated financial statements of the Group, for the period in which it was approved by the shareholders of the parent company.

*The foreign exchange translation gain/loss reserve* from consolidation of foreign operations includes the conversion of the financial statements of the foreign companies from local currency to the Group's reporting currency. This reserve is recognised as a separate item of the equity in the consolidated statement of financial position and is recognized within profit/loss in the consolidated statements of the comprehensive income in case of divestment (sale) of foreign operation (company).

**2.12. Net earnings or losses per share**

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

The weighted average number of ordinary 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 bought back 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.

**2.13. Trade and other payables**

Trade payables are obligations to pay for goods or services that have been acquired from suppliers in the ordinary course of business. Trade payables are classified as current liabilities if payment is due within one year or less (or the normal business cycle is longer), otherwise they are presented as non-current liabilities.

Trade and other current payables are carried 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 and subsequently – at amortised cost, after deducting the interest incorporated in their nominal value and determined applying the effective interest method (*Note 2.20*).

**2.14. Interest-bearing loans and other financial resources received**

All loans and other borrowings are initially recognised 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 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 on settlement, associated with these loans. Gains and losses are recognised in the consolidated statement of comprehensive income (within profit or loss for the year) as finance income or costs (interest) throughout the amortisation period, or when the liabilities are derecognised or reduced (*Note 2.20, Note 13, Note 14 and Note 15*).

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.

**2.15. Leases**

At inception of the lease (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 Group 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.

*2.15.1. Lessee*

The Group 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 and which do not contain a purchase option) and leases of low value assets (such as tablets, personal computers, telephones, office equipment, etc.).

The Group 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 Group allocates 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 Group 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 Group in its capacity as lessee;
- costs for dismantling and removing the underlying asset, restoring the site on which the asset is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The Group 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 Group 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 assets are as follows:

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

The Group 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 *Impairment of Assets*, by applying an impairment determination and reporting policy analogous to the one for property, plant, and equipment. The recoverable amount of right-of-use assets is the higher of the fair value less disposal costs, or value in use. To determine assets' value in use, future cash flows are discounted to their present amount, by applying a pre-tax discount rate reflecting the market conditions and time value of money and the risks inherent to the respective 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 profit or loss for the year) within "depreciation and amortisation expense".

Right-of-use assets are presented within property, plant, and equipment (if the underlying asset is a tangible asset) and within intangible assets 9if the underlying asset is an intangible one) in the consolidated statement of financial position, and amortization and depreciation thereof – within depreciation and amortization expenses in the consolidated statement of comprehensive income (within profit or loss for the year).

*b) lease liabilities*

The Group 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 inceptives 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, of the lease term reflects the exercise of an option to terminate the lease;
- the amount expected to be payable by the Group 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 hired services expenses (within 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 Group'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 consolidated 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 lease liability, and are presented as "finance costs".

Lease liabilities are stated on a separate line in the consolidated statement of financial position.

The Group 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 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 Group 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);
- 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 assets*

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

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

*2.15.2. Lessor*

Leases for which the Group 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 a Group 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 or 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 are added to the carrying amount of the leased asset and 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 Group's consolidated statement of financial position.

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

**2.16. 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 (from municipal, government and international institutions, 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 Group and that the latter has complied and complies with the associated thereto requirements.

A government grant that compensates the Group 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 an 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.

Government grants related to amortised non-current tangible assets are presented in the consolidated statement of financial position as long-term funding. The portion that will be recognized as current income over the next 12 months is included within current liabilities.

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

## 2.17. Employee benefits

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

The employment and social security relations with workers and employees of the Group are based on the Labour Code and the provisions of the effective social security legislation for the companies operating in Bulgaria, and on the labour legislation for the company in Romania.

*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 financial report, the companies of the Group measure 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*

*For Bulgaria*

The major duty of the companies – employers 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 in the Social Security Code (SSC) and 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 Group companies in their capacity as employers, 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.

*For the Romanian company*

The rates of the social security contributions in Romania are approved by the Social Security Budget, Tax Code (Law 227/2015). The social security contributions are being apportioned between an employer and employees at ratios regulated by the relevant local laws. As at 01.01.2018 with the fiscal reform, the split of social security payments is changed and the payments for social and pension fund totalling 35% are entirely due from employees. Liability for employer remains the payment of labour insurance in amount of 2.25%

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

The contributions payable by the companies of the Group 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 Labour Code, the Group in its capacity as an employer in Bulgaria is obliged to pay an indemnity at the amount of the respective employee's gross remuneration for two months upon termination of employment relations due to retirement. If the employee has acquired within the company of the same Group ten years' service over the last twenty years, the indemnity amounts to the gross remuneration for six months. In their nature these are unfunded defined benefit schemes.

According to the Social Security Budget and Tax Code (Law 227/2015), in Romania the employer has no obligations to pay indemnity to the employee upon retirement.

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 consolidated financial statements, and respectively, the change in their value – in the consolidated 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 consolidated financial statements, the Group companies perform an estimate, based on actuarial assumptions, by usually appointing 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 the respective country where the company itself operates.

*Other long-term compensations*

According to the Remuneration policy, approved with decision of the General Meeting of Shareholders, the members of the Board of Directors of the parent company are entitled to variable performance-based remuneration, based on financial and non-financial indicators defined by Board of Directors. The maximum amount of the variable remuneration is approved by vote of the General Meeting of Shareholders, while decision about fulfilment of the criteria is carried out: annually, based on the audited consolidated annual financial statements of the Group (for financial indicators) and on the basis of results achieved versus approved criteria (for non-financial indicators).

The distribution of variable remuneration that members of the Board of Directors are entitled to is carried out based on the audited consolidated annual financial statements of parent company, where 40% of the amount is paid in arrears for 3 years' period, starting from the date of the decision for distribution between members of the Board of Directors (proportionally in equal monthly instalments).

The proportion of the remuneration that is scheduled for more than 12 months is measured at present value as of the reporting date and is presented within non-current liabilities in the consolidated financial statements, item "Long-term liabilities to the employees"

*Termination benefits*

In accordance with the provisions of the employment and social security regulations of the Group companies, the employer is obliged, upon termination of the employment contracts prior to retirement, to pay certain types of indemnities.

The Group recognises employee benefit obligations on employment termination before the normal retirement date when it is demonstrably committed, including based on a publicly announced plan (for instance, 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 consolidated statement of financial position at their present value.

### 2.18. Income taxes

*Current income taxes* of the Bulgarian companies of the Group 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 2020 is 10 % (2019: 10%).

The foreign subsidiary is taxed in accordance with the requirements of the respective local tax regulations in Romania at tax rate of 16% (31 December 2019: 16%). The nominal tax rate in Greece is 28% (31 December 2019: 28%).

*Deferred income taxes* are determined using the liability method on all temporary differences of each consolidated company existing at the consolidated financial statements date, between the carrying amounts of the assets and liabilities and their tax bases. To determine the deferred taxes are used the tax rates that are expected to be effective in their future realization.

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, except in case of business combination.

The deferred tax assets are recognized for all temporary differences that are deductible to the extent that there are probable future taxable profits against which the assets will be realized.

The carrying amount of all deferred tax assets is reviewed at each reporting 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 tax assets of a Group company are presented net against the deferred tax liabilities of this company when it is the taxpayer in the respective jurisdiction, and this is only in cases where the company is legally entitled to perform or receive net payments of current tax liabilities or income tax receivables.

As at 31 December 2020, the deferred income taxes of the companies in the Group are calculated using a tax rate applicable for 2021, which is 10% for Bulgarian entities and 16% for the Romanian subsidiary.

### 2.19. Provisions

Provisions are recognised when the Group 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, and the measurement thereof is subject to review at the end of each reporting period; the effects from changes are stated within “other operating income/(losses), net”, and the discount – within “finance costs”.

When there are several such liabilities, the likelihood of incurring outgoing cash flows for their payment is evaluated taking into account the whole class of liabilities.

The provisions are valued based on the best estimate of the respective company management and the Group at the date of the consolidated statement of financial position 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.

### 2.20. 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 other comprehensive income, and at fair value through profit or loss.

The Group 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 2.21).*

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 Group 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 Group'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 Group's business model for the management of financial assets reflects the way the Group 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 Group's financial assets are classified in the category of financial assets at amortised cost (debt instruments).

*Financial assets at amortised cost (debt instruments)*

The Group measures a financial asset at amortised cost if both of the following conditions are met:

- the financial asset is held 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. They are subject to impairment. Gains and losses are recognised in the consolidated statement of comprehensive income (within profit or loss for the year) upon asset disposal, modification or impairment.

The Group's financial assets at amortised cost include: cash and cash equivalents *(Note 11)* and trade and other receivables *(Notes 6, Note 8 and Note 10).*

*Derecognition*

A financial asset (or, when applicable, a portion of a financial asset or a group of similar financial assets) is derecognised from the Group's consolidated 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 Group 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: a) the Group has transferred substantially all risks and rewards from ownership of the asset; or b) the Group has neither transferred nor retained substantially all risks and rewards from ownership of the asset, but has transferred control thereon.

When the Group 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 Group has neither transferred, not retained substantially all risks and rewards from ownership of the financial assets, it continues to recognise the asset transferred to the extent of its continuing interest therein. In this case, the Group also recognises the respective liability. The transferred asset and the related liability are measured on a basis reflecting the rights and obligations that the Group 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 Group may be required to pay.

*Impairment of financial assets*

The Group 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 Group 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.

*Other receivables and cash*

To calculate the expected credit losses for *other receivables, incl. cash and cash equivalents at banks,* the Group applies *the general impairment approach* defined by IFRS 9. Under this approach, the Group 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 services 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 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 Group’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 *2.26.4.*

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 Group’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 Group. The main matters in the policy and the set of criteria are disclosed in Note *2.26.4.*

The Group 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 Group 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 Group has developed and applies a provisioning matrix based on its historical experience with 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 2.26.4).*

*Derecognition*

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

***Financial liabilities***

*Initial recognition, classification and measurement*

The Group'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 and borrowings*

Following their initial recognition, the Group measures interest-bearing loans and borrowings at amortised cost, applying the effective interest method. Gains and losses are recognised in the consolidated 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 consolidated 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 extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the respective carrying amounts is recognised in the consolidated statement of comprehensive income (within profit or loss for the year).

*Offsetting (netting) of financial instruments*

Financial assets and liabilities are offset and the net amount is carried to the consolidated 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 Group'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 Group is the net flow, i.e. the net amount reflects the Group'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 Group'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 Group's usual business operations;
- in case of default/delay, and
- in case of insolvency.

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".

### 2.21. Revenue

The Group's usual revenue is the provision of services (*Note 22*).

*2.21.1. Recognition of revenue under contracts with customers*

The Group'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 Group 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 Group will collect the consideration to which it is entitled upon performing its performance obligations. In evaluating whether collectability of an amount of consideration is probable, the Group considers all relevant facts and circumstances of the transaction, including past experience, customary business practices, published rules and declarations made by the Group, 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 consolidated statement of financial position, until:

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

b) the Group 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 Group 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 which are distinct (in nature and in the context of the contract) is accounted for as a separate performance obligation.

The Group recognises revenue for *each separate performance obligation* at the level of *consolidated contracts with customers*, by analysing 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.

*2.21.2. Measurement of revenue under contracts with customers*

*Revenue is measured* based on the *transaction price* determined for each contract and/or portfolio.

*The transaction price* is the amount of consideration to which the Group expects to be entitled, excluding amounts collected on behalf of third parties. Upon determining the transaction price, the Group 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 Group accounts for a contract modification as a separate contract if the scope of the contract increases because of the addition of promised goods or services that are distinct, and the price of the contract increases by an amount of consideration that reflects the entity's stand-alone selling prices of the additional promised goods or services;

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

*2.21.3. Performance obligations under contracts with customers*

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

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

**Revenue from sales of services**

The services rendered by the Group 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 Group 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 Group 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 Group’s performance obligations. To measure progress (stage of completion), the Group 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 are reviewed 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.

### *2.21.4. Transaction price and payment terms*

The selling prices of the services offered by the Group are in accordance with a public price list set for each Group company 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 Group'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 Group 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.

*Significant financing component*

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 Group'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 consolidated statement of financial position as contract liabilities.

### *2.21.5. Contract costs*

The Groups 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 Group expects to recover them over a period longer than twelve months (*costs to fulfil such contracts*).

In its usual activity, the Group does not incur direct and specific costs to enter contracts with customers or 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.

*2.21.6. Contract balances*

Trade receivables and contract assets

A contract asset is the Group's right to consideration in exchange for goods or services that it has transferred to a customer but is not unconditional (receivable accrual). If by transferring the products and/or providing the services the Group 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 2.20*.

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 payables in the consolidated statement of financial position and are disclosed separately. They are included within current assets when their maturity is within 12 months or are part of the Group's usual operating cycle, and the others are stated as non-current. Assets and liabilities from a single contract are stated net in the consolidated 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 *Financial Instruments*. Impairment losses from contracts with customers are presented separately from other impairment losses within other operating costs in the consolidated statement of comprehensive income (within profit or loss for the year).

### 2.22. Expenses

Expenses are recognised in the Group 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.

### 2.23. Finance costs

Finance costs are included in the consolidated 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, as well as changes in conditional consideration, recognised as liabilities, and provision discount. 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.

### 2.24. Fair value measurement

Some of Group'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 Group must have an access.

Fair value is measured from the perspective of using the assumptions and judgments 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 Group 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.

The Group companies apply mainly Level 2 fair values.

For those assets and liabilities which are measured at fair value in the financial statements on a recurrent basis, the Group companies determine at the date of each statements whether a transfer is needed in the fair value hierarchy levels of a given asset and liability depending on the input available and used at this date.

### 2.25. Segment reporting

The Group 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 Group 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 Group), 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 Group has identified a single reporting segment – courier services.

## 2.26. Key estimates and assumptions of high uncertainty. Critical accounting judgments on applying the Group's accounting policies

### *2.26.1. Measurement and capitalization of intangible assets, including internally developed software*

The Group 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.

The capitalised expenses in 2020 amount to BGN 970 thousand (2019: BGN 971 thousand), including for internally developed software – BGN 970 thousand (2019: BGN 971 thousand) (*Notes 4 and Note 29*).

### *2.26.2.* Impairment of goodwill

The Group's management has carries out the necessary procedures to perform an impairment test of the recognized goodwill of the acquisition of the subsidiaries Geopost Bulgaria EOOD, Dynamic Parcel Distribution S.A., Romania, Rapido Express and Logistic EOOD and OMG Mobile EOOD. For this purpose, it is assumed that each individual company is a "cash-flow generating unit". The basis for estimation of the cash flows (before taxes) are the financial budgets developed by the respective company management and the Group as a whole, and other medium and long-term plans and intentions for the development and restructuring of the activities within the Group The key assumptions used in the calculations are set specifically for each company, principal of the goodwill, treated as a separate entity generating cash flows, and according to its specific operations, business environment and risks The tests and assumptions of the management of the Group for recognized goodwill impairment are made through the prism of its forecasts and intentions about future economic benefits that the Group expects to receive from the subsidiaries, incl. by using their internally-established brands, commercial and business experience and the generated and expected revenues, securing positions on the Bulgarian and foreign markets (development and retention), expectations for future sales and restructuring activities, etc. The recoverable amount of each cash flow generating unit is determined on the basis of "value in use".

As a result of the calculations, as at 31 December 2020, no need has been identified for recognition of impairment of goodwill for Geopost Bulgaria EOOD, Dynamic Parcel Distribution S.A., Romania, Rapido Express and Logistic EOOD and OMG Mobile EOOD (31 December 2019: no impairment) (*Note 4).*

***2.26.3. Leases***

*2.26.3.1. Determining whether a contract contains a lease or lease components*

Upon identification and classification of a lease or a lease component of a contract, the Group determined 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 the arrangement transfers control over the use of a certain asset, the Group determined whether over the period of use it has the following rights:

- the right to obtain essentially all economic benefits from use of the identified asset;
- the right to determine and govern the use and operation of the identified underlying asset.

For the leases recognized, the Group's management has concluded that within the scope of the right of use set in the lease the Group has the right to make the respective decisions on how and for what purpose the assets should be used, as well as to determine the working time and persons who have access to the assets. For most of the office leases, the Group has the right to sub-lease assets to third parties, and to change the use of assets during the lease term.

Additionally, the management has performed research and has determined that the amount of non-lease components (incl. for unidentified parking places) for which it has not allocated separate consideration, is negligible, and lease payments are fully allocated to the right-of-use assets.

*2.26.3.2. Determining the lease term of leases with renewal and termination options – as lessee*

The Group determines 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 Group is reasonably certain to exercise that option; and

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

The leases in which the Group is lessee usually include an extension and termination option. The Group applies judgement to determine whether it is reasonably certain that it would exercise the extension/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 enhancement to the underlying asset, significant adaptation and customisation of the underlying asset, costs related to termination of the lease and costs for the lease, relocation and identification of another asset, the importance of the underlying asset for the Group's operations, etc.).

After the commencement date, the Group 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 Group 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 leases of the parent contract, 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.

For the office premises leases of a Romanian subsidiary, the management has determined that the lease term coincides with the contract terms. For contracts including an automatic extension option, the management has determined that as at the date of these statements, and as at the date of these financial statements, there is not sufficient assurance whether the extension option will be exercised or not, in as far as over the last three financial years the operations of the subsidiary have been restructured, many of the contracts were concluded during the current and previous reporting period and the subsidiary has not accumulated sufficient experience of exercising such options.

*2.26.3.3. Interpretation of what constitutes a penalty when determining lease terms*

Usually, office leases contain a termination notice period (1 to 3 months) to terminate the contract without any party owing penalties, as well as an option for multiple re-negotiation, which includes 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 Group applies a wider interpretation of "penalty", based on reasonably substantiated economic incentive or factors of deterring nature or acting as a sanction (for instance: significance of the underlying asset for the Group's operation due to its location and popularity with customers, additional costs to identify and enhance another asset corresponding to the Group's needs, etc.). For these contracts, the Group's aim is that the lease term corresponds to its realistic judgement of on the period of use of the underlying asset.

The term of these leases is determined for each separate lease, from 1 to 3 years.

*2.26.3.4. Determining the incremental interest rate of leases in which the Group is a lessee*

In the cases when the Group 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 Group seeks observable data such as market levels of loans and publicly available bank statistics, and performs Group-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 this, the management has determined that the incremental borrowing rate for leases whose term is up to 3 years ranges between 1.8% and 3%, and leases whose term is over 3 years – between 2% and 4.5% based on the analysis of the borrowing rates of Group's loans and/or public information on interest rates of loans with similar characteristics, including term, collateral, currency, and economic environment.

*2.26.3.5. Review of indicators for impairment of right-of-use assets*

As at the date of the financial statements, the Group'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 Group has performed a review and has determined that no indicators for impairment exist as at 31 December 2020 and as at 31 December 2019.

As at 31 December 2020, the Group's consolidated statement of financial position contains right-of-use assets at the total amount of BGN 76,020 thousand and lease liabilities at the total amount of BGN 74,269 thousand (31 December 2019: right-of-use assets – BGN 66,032 thousand, and lease liabilities – BGN 62,982 thousand) (*Note 13*).

***2.26.4. 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 Group'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 individual receivables, including from related parties (*Note 6, Note 8, Note 10, Note 11*).

*Regarding trade receivables, including from related parties*

The Group uses provisioning matrixes calculate expected credit losses from trade receivables, including from related parties, 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 Group companies' 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 Group's collection. In this case, the expected credit losses matrix is revised to reflect the change in customers' behaviour that affects collection. Moreover, the Group 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 (based on changes in the NHIF budget), are expected to aggravate or improve in the next year, which might result in established correlational 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 Group's historical credit closes and the forecast economic conditions may deviate from actual collection rates in the future.

The information about expected accumulative credit losses on trade receivables, including from related persons, is disclosed in *Note 8 and Note 34.*

In 2020, the Group has stated expenses for provisions for impairment of credit losses at the amount of BGN 403 thousand, net (2019: BGN 403 thousand net of contract assets (*Note 8, Note 9, Note 28 and Note 34*).

*Cash*

To calculate expected credit losses from cash and cash equivalents at banks, the Group 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 respective bank, and on the other hand, based on the change in a bank's rating from one period to the next, the Group 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;

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 2020 and 2019, no impairment of cash has been stated *(Note 11, Note 34)*.

### *2.26.5. Revenue from contracts with customers*

Upon revenue recognition and preparation of the consolidated annual financial statements, the management performs various judgements, estimates and assumptions that impact the revenue, costs, assets and liabilities accounted for and the respective disclosures thereto. As a result of the uncertainty regarding these assumptions and estimates, significant adjustments may occur in the carrying amount of the assets and liabilities concerned in the future, respectively the costs and revenue recorded.

The key judgements and assumptions that materially impact the amount and term for recognition of revenue from contracts with customers are disclosed in *Note 2.21.3* and *Note 2.21.4* and related with identification of the performance obligations and transfer of control for each separate performance obligation, and determining the transaction price, incl. variable consideration and the amount thereof.

### ***2.26.6.* Useful life**

The management of each Group companies determines the expected useful life and depreciation and amortization method for the main non-current assets for the respective company in accordance with its judgement on the asset's lifecycle in the company and the intentions for operation thereof. This judgement may change in the future as a result of changes in the expected use of assets by the respective company.

In the beginning of the year, the parent company performed overall review of the remaining useful life of intangible assets through which it performs its activities, due to expected changes in the term of use of the operations software used by the parent company. As a result of the review, as from 1 January 2020, an adjustment was made to the remaining useful life of components of this software, extending it by 6 years.

Given the assumptions and considerations made for change in the useful life of the operations software, the amortization expenses recognized in the current financial result are about BGN 283 thousand less than stated in accordance with the useful lives effective until 31 December 2019.

### 2.26.7. Actuarial calculations

Upon determining the present value of retirement benefit obligations, the Group has used calculations made by certified actuaries and based on assumptions for mortality rates, staff turnover rates, future salary levels and discount factors, which have been determined by the management to be reasonable and applicable for the Group (*Note 17)*.

# 3. PROPERTY, PLANT AND EQUIPMENT

| | Buildings | Plant and equipment | Vehicles | Computer equipment | Assets in progress | Other | Total |
|---|---|---|---|---|---|---|---|
| | BGN'000 | BGN'000 | BGN'000 | BGN'000 | BGN'000 | BGN'000 | BGN'000 |
| **31 December 2020** | | | | | | | |
| **Carrying amount at 1 January** | **46,948** | **4,509** | **21,529** | **2,242** | **5,920** | **1,060** | **82,208** |
| Additions | 19,301 | 5,239 | 9,307 | 1,457 | 968 | 295 | **35,567** |
| Transfer | 1 | 102 | - | - | 327 | (430) | **-** |
| Disposals | (3,479) | (20) | (4,761) | (430) | (311) | - | **(9,001)** |
| Depreciation charge | (8,755) | (1,635) | (7,153) | (1,013) | (1,201) | - | **(19,757)** |
| Written-off depreciation | 2,707 | 6 | 4,291 | 395 | 195 | - | **7,594** |
| Foreign exchange gains/losses | (232) | (34) | (50) | (10) | (35) | (1) | **(362)** |
| **Carrying amount at 31 December** | **56,491** | **8,167** | **23,163** | **2,641** | **5,863** | **924** | **97,249** |
| **31 December 2020** | | | | | | | |
| **Book value** | 78,034 | 15,521 | 50,526 | 10,029 | 10,380 | 924 | **165,414** |
| Accumulated depreciation | (21,543) | (7,354) | (27,363) | (7,388) | (4,517) | - | **(68,165)** |
| Carrying amount | **56,491** | **8,167** | **23,163** | **2,641** | **5,863** | **924** | **97,249** |
| **Incl. carrying amount of right-of-use assets (*Note 13.2.1*)** | **52,912** | **537** | **20,857** | **1,408** | **306** | **-** | **76,020** |
| **31 December 2019** | | | | | | | |
| **Carrying amount on 1 January** | **39,786** | **4,879** | **18,291** | **2,452** | **6,234** | **1,653** | **73,295** |
| Additions | 20,031 | 958 | 11,463 | 1,360 | 749 | 1 | **34,562** |
| Transfer | 422 | - | - | 50 | 73 | (545) | **-** |
| Disposals | (6,948) | (22) | (9,002) | (741) | (5) | (47) | **(16,765)** |
| Depreciation | (7,794) | (1,286) | (6,898) | (1,145) | (1,069) | - | **(18,192)** |
| Written-off depreciation | 1,747 | 18 | 7,749 | 279 | - | - | **9,793** |
| Foreign exchange gains/losses of depreciation | (296) | (38) | (74) | (13) | (62) | (2) | **(485)** |
| **Carrying amount at 31 December** | **46,948** | **4,509** | **21,529** | **2,242** | **5,920** | **1,060** | **82,208** |
| **31 December 2019** | | | | | | | |
| **Book value** | 62,483 | 10,278 | 46,073 | 9,051 | 9,437 | 1,060 | **138,382** |
| **Accumulated depreciation** | (15,535) | (5,769) | (24,544) | (6,809) | (3,517) | - | **(56,174)** |
| **Carrying amount** | **46,948** | **4,509** | **21,529** | **2,242** | **5,920** | **1,060** | **82,208** |
| **Incl. carrying amount of right-of-use assets (*Note 13.2.1*)** | **43,369** | **1,158** | **19,922** | **839** | **744** | **-** | **66,032** |

As buildings, the Group states right-of-use assets (leased offices and warehouses) with a carrying amount of BGN 52,912 thousand (31 December 2019: BGN 43,369 thousand) and the value of enhancements made in relation thereto, with a carrying amount of BGN 3,579 thousand (31 December 2019: BGN 3,579 thousand).

| **Other non-current tangible assets include**: | **31.12.2020 BGN'000** | **31.12.2019 BGN'000** |
|---|---|---|
| Automatic post stations | 3,114 | 3,353 |
| Facilities and other fixed assets | 2,749 | 2,567 |
| *Computers and technical equipment* | - | - |
| **Total** | **5,863** | **6,980** |

The expenses for acquisition of property, plant and equipment include:

| | **31.12.2020 BGN'000** | **31.12.2019 BGN'000** |
|---|---|---|
| Expenses for purchase of automatic postal stations | 629 | 956 |
| Advances for vehicle purchase | 114 | - |
| Advances for forklift truck purchase | 153 | - |
| Advances for purchase of machinery and equipment | 28 | 104 |
| **Total** | **924** | **1,060** |

As at 31 December the value of plant and equipment includes equipment with amounting carrying amount of BGN 42 thousand (31.12.2019: BGN 65 thousand), purchased under contract for financing under Operating Programme "Human Resources Development" 2014-2020 (*Note 21*).

Right-of-use assets are presented in *Note 13*.

***Other data***

The initial value of fixed assets that are in operation and fully depreciated as at 31 December 2020 amounts to BGN 23,582 thousand (31.12.2019: BGN 18,827 thousand).

As at 31 December 2020 a pledge of equipment with carrying amount BGN 991 thousand (31.12.2019: BGN 1,175 thousand) was established in relation to obtained bank loans (*Note 15*).

Machinery and equipment (conveyor system and computer equipment) whose carrying amount as at 31 December 2020 is BGN 2,485 thousand serve as collateral of payables under loans from other financial institutions (31 December 2019: none) (*Note 16*).

## 4. GOODWILL AND OTHER INTANGIBLE ASSETS

| | Goodwill | Intellectual property rights | Software | Cost of acquired assets | Total |
|---|---|---|---|---|---|
| | BGN'000 | BGN'000 | BGN'000 | BGN'000 | BGN'000 |
| **31 December 2020** | | | | | |
| Carrying amount at the beginning of the year | **18,621** | **14,868** | **4,873** | **860** | **39,222** |
| Additions | - | - | 1,231 | 309 | 1,540 |
| Disposals | - | - | (234) | (349) | (583) |
| Depreciation | - | (1,975) | (1,683) | - | (3,658) |
| Transfer | - | - | 820 | (820) | - |
| Depreciation written-off | - | - | 234 | - | 234 |
| Foreign exchange gains/losses | (116) | (65) | (34) | - | (215) |
| **Carrying amount at the end of the year** | **18,505** | **12,828** | **5,207** | **-** | **36,540** |
| **31 December 2020** | | | | | |
| Book value | 18,505 | 19,220 | 15,375 | - | 53,100 |
| Impairment accrued | - | - | (23) | - | (23) |
| Accumulated depreciation | - | (6,392) | (10,145) | - | (16,537) |
| **Carrying amount** | **18,505** | **12,828** | **5,207** | **-** | **36,540** |

| | Goodwill | Intellectual property rights | Software | Cost of acquired assets | Total |
|---|---|---|---|---|---|
| | BGN'000 | BGN'000 | BGN'000 | BGN'000 | BGN'000 |
| **31 December 2019** | | | | | |
| Carrying amount at the beginning of the year | **18,804** | **16,995** | **6,132** | **412** | **42,343** |
| Additions | - | - | 1,180 | 530 | 1,710 |
| Disposals | - | (20) | (925) | - | (945) |
| Depreciation | - | (2,009) | (2,075) | - | (4,084) |
| Impairment accrued | - | - | (23) | - | (23) |
| Depreciation written-off | - | 2 | 628 | (82) | 548 |
| Foreign exchange gains/losses | (183) | (100) | (44) | - | (327) |
| **Carrying amount at the end of the year** | **18,621** | **14,868** | **4,873** | **860** | **39,222** |
| **31 December 2019** | | | | | |
| Book value | 18,621 | 19,321 | 13,624 | 860 | 52,426 |
| Impairment accrued | - | - | (23) | - | (23) |
| Accumulated depreciation | - | (4,453) | (8,728) | - | (13,181) |
| **Carrying amount** | **18,621** | **14,868** | **4,873** | **860** | **39,222** |

As at 31 December 2020, the value of intangible assets includes software with a carrying amount of BGN 154 thousand purchased under contract for financing under Operating Programme "Development of the Competitiveness of the Bulgarian Economy" 2007-2013 (*Note 21*).

The book value of intangible assets in operation that are fully depreciated as at 31 December 2020 is BGN 6,123 thousand (31 December 2019: BGN 3,170 thousand).

Intellectual property rights include acquisitions, as a result of business combinations, of trademarks, other intangible assets (contracts with customers, permits and licenses), exclusive contracts with counterparts, distribution networks and ban on competitive operations.

Goodwill recognized in the statement of financial position as at 31 December 2020 at the amount of BGN 18,505 thousand (31 December 2019: BGN 18,621 thousand) constitutes the residual value of the cost of acquisition (the reward) over the fair value of the Group's share in net identifiable assets (including additionally recognized intangible assets from business combinations) at the date of acquisition of subsidiaries (*Note 2.3*), as follows:

| **Subsidiary** | **31.12.2020** | **31.12.2019** |
|---|---|---|
| | **BGN'000** | **BGN'000** |
| Geopost Bulgaria EOOD | 4,466 | 4,466 |
| DPD S.A., Romania | 6,502 | 6,618 |
| Rapido Express and Logistics EOOD | 6,484 | 6,484 |
| OMG Mobile EOOD | 1,053 | 1,053 |
| **Total** | **18,505** | **18,621** |

*The fair value of the differentiable assets and liabilities arising from the acquisition of Geopost Bulgaria EOOD and Dynamic Parcel Distribution S.A., Romania (business combinations)* by the Group is defined internally by the management including the identification and valuation of newly recognized intangible assets from the respective business combination. They are defined as "acquired rights" and include exclusive contracts with counterparts, complex intangible assets and distribution network.

*The fair values of the identifiable assets and liabilities on acquisition of Rapido Express and Logistics EOOD and OMG Mobile EOOD (business combinations)* by the Group are determined by a licensed appraiser at the date of acquisition of the Companies. The intangible assets identified in the business combinations include trademarks, complex intangible asset and software.

The carrying amount *of recognised intangible assets* at acquisition of subsidiaries at 31 December is as follows:

| Subsidiary | 31.12.2020 BGN'000 | 31.12.2019 BGN'000 |
|---|---|---|
| Geopost Bulgaria EOOD | 1,673 | 1,813 |
| DPD S.A., Romania | 3,398 | 3,835 |
| Rapido Express and Logistics EOOD | 7,279 | 8,645 |
| OMG Mobile EOOD | 1,349 | 1,923 |
| **Total** | **13,699** | **16,216** |

As at 31 December, the Group has reviewed its goodwill and intangible assets, including those from business combinations, where it was found no events or changes in circumstances on the basis of which it is assumed that their carrying amount may exceed their recoverable value (*Note 2.26.2*).

## 5. DEFERRED TAX ASSETS AND LIABILITIES

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

| | ***Temporary difference*** | ***Tax*** | ***Temporary difference*** | ***Tax*** |
|---|---|---|---|---|
| | *31.12.2020* | *31.12.2020* | *31.12.2019* | *31.12.2019* |
| | *BGN '000* | *BGN '000* | *BGN '000* | *BGN '000* |
| ***Deferred tax liabilities*** | | | | |
| Assets acquired in business combinations | (13,699) | (1,573) | (16,276) | (1,858) |
| **Deferred tax liabilities** | **(13,699)** | **(1,573)** | **(16,276)** | **(1,858)** |
| Deferred payables to personnel, incl. unused leave | 2,934 | 294 | 2,262 | 226 |
| Provisions for impairment of credit losses from trade receivables and contract assets | 1,225 | 123 | 1,254 | 125 |
| Right-of-use assets | 740 | 74 | 516 | 51 |
| Non-current tangible and intangible assets | 552 | 55 | 259 | 26 |
| Retirement benefit obligations | 197 | 20 | 135 | 13 |
| Tax loss | | | 92 | 9 |
| Provisions for liabilities | | | 23 | 2 |
| Other | 32 | 3 | 621 | 62 |
| **Deferred tax assets** | **5,680** | **569** | **5,162** | **514** |
| **Deferred tax liabilities and assets, net** | **(8,019)** | **(1,004)** | **(11,114)** | **(1,344)** |

The overall change in deferred tax assets and liabilities of the Group over the respective financial year is as follows:

| | 2020 | 2019 |
|---|---|---|
| | BGN'000 | BGN'000 |
| **Balance at 1 January** | | |
| *incl. Deferred tax assets* | *514* | *466* |
| *incl. Deferred tax liabilities* | *(1,858)* | *(2,168)* |
| **Balance at 1 January** | **(1,344)** | **(1,702)** |
| Additions upon subsidiary acquisition | | - |
| Recognised in the statement of comprehensive income (within profit or loss for the year) | 328 | 340 |
| Foreign exchange gains/losses on restatement of foreign operations | 12 | 18 |
| **Balance at 31 December** | **(1,004)** | **(1,344)** |
| *incl. Deferred tax assets* | *569* | *514* |
| *incl. Deferred tax liabilities* | *(1,573)* | *(1,858)* |

The change in the balance of deferred tax assets/(liabilities) by items of temporary differences is as follows:

| | Balance at 1 January 2020 BGN '000 | Recognised in the statement of comprehensive income (within profit or loss for the year) BGN '000 | Foreign exchange gains/losses BGN '000 | Balance at 31 December 2020 BGN '000 |
|---|---|---|---|---|
| Assets acquired in business combinations | (1,858) | 273 | 12 | (1,573) |
| **Deferred tax liabilities** | **(1,858)** | **273** | **12** | **(1,573)** |
| Unpaid employee benefits, incl. unused leaves | 226 | 68 | - | 294 |
| Provisions of impairment of expected credit losses on trade receivables and contract assets | 125 | (2) | - | 123 |
| Right-of-use assets | 51 | 23 | - | 74 |
| Non-current tangible and intangible assets | 26 | 29 | - | 55 |
| Retirement benefit obligations | 13 | 7 | - | 20 |
| Tax loss to carry forward | 9 | (9) | - | - |
| Provisions for liabilities | 2 | (2) | - | - |
| Other | 62 | (59) | - | 3 |
| **Deferred tax assets** | **514** | **55** | **-** | **569** |
| **Deferred tax assets and liabilities, net** | **(1,344)** | **328** | **12** | **(1,004)** |

| *Deferred tax (liabilities)/assets* | Balance at 1 January 2019 | Recognised in the statement of comprehensive income (within profit or loss for the year) | Foreign exchange gains/losses | Balance at 31 December 2019 |
|---|---|---|---|---|
| | BGN '000 | BGN '000 | BGN '000 | BGN '000 |
| Assets acquired in business combinations | (2,168) | 292 | 18 | (1,858) |
| **Deferred tax liabilities** | **(2,168)** | **292** | **18** | **(1,858)** |
| Unpaid employee benefits, incl. unused leaves | 273 | (47) | - | 226 |
| Provisions of impairment of expected credit losses on trade receivables and contract assets | 107 | 18 | - | 125 |
| Right-of-use assets | 44 | 7 | - | 51 |
| Non-current tangible and intangible assets | (24) | 50 | - | 26 |
| Retirement benefit obligations | 9 | 4 | - | 13 |
| Tax loss to carry forward | 37 | (28) | - | 9 |
| Provisions for liabilities | 20 | (18) | - | 2 |
| Other | - | 62 | - | 62 |
| **Deferred tax assets** | **466** | **48** | **-** | **514** |
| **Deferred tax assets and liabilities, net** | **(1,702)** | **340** | **18** | **(1,344)** |

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

## 6. OTHER NON-CURRENT ASSETS

| | 31.12.2020 | 31.12.2019 |
|---|---|---|
| | BGN'000 | BGN'000 |
| Deposits placed under leases | 865 | 649 |
| Non-current receivables on sale of non-current assets | 308 | 212 |
| **Total** | **1,173** | **861** |

The deposits placed as at 31 December 2020 at the amount of BGN 865 thousand (31 December 2019: BGN 649 thousand) are mainly under leases and are subject to recovery upon expiry and/or termination of the leases *(Note 13)*.

The non-current receivables on sale of non-current assets occurred in 2020 and 2019 upon sale of vehicles to partners of the parent company. The receivables have a repayment deadline from March 2022 to October 2023 and are secured by pledge on the vehicle sold in favour of the parent company. The current portion of the receivables is BGN 288 thousand (31 December 2019: BGN 191 thousand) (*Note 10*).

## 7. INVENTORIES

| | 31.12.2020 | 31.12.2019 |
|---|---|---|
| | **BGN'000** | **BGN'000** |
| Materials | 453 | 489 |
| Fuel | 128 | 79 |
| **Total** | **581** | **568** |

## 8. TRADE RECEIVABLES

| | 31.12.2020 | 31.12.2019 |
|---|---|---|
| | **BGN'000** | **BGN'000** |
| Receivables from customers – third parties | 30,252 | 25,739 |
| *incl. receivables under contracts with customers – third parties* | *29,623* | *25,221* |
| Provision for impairment of expected credit losses | (2,595) | (2,460) |
| *incl. provision for impairment of expected credit losses from receivables under contracts with customers* | *(2,555)* | *(2,411)* |
| ***Receivables from customers – third parties, net*** | ***27,657*** | ***23,279*** |
| Receivables from customers – related parties | 709 | 1,361 |
| *Receivables from customers – related parties* | *123* | *321* |
| Provision for impairment of expected credit losses | (39) | (40) |
| *incl. provision for impairment of expected credit losses from receivables under contracts with customers* | - | - |
| ***Receivables from customers – related parties, net (Note 33)*** | ***670*** | ***1,321*** |
| **Total** | **28,327** | **24,600** |

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

The Group 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:

| | 31.12.2020 | 31.12.2019 |
|---|---|---|
| | **BGN'000** | **BGN'000** |
| up to 30 days | 22,499 | 19,422 |
| 31 to 60 days | 778 | 406 |
| 61 to 90 days | 111 | 390 |
| 91 to 180 days | - | 1 |
| Provision for impairment of expected credit losses | (86) | (122) |
| **Total** | **23,302** | **20,097** |

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

| | 31.12.2020 | 31.12.2019 |
|---|---|---|
| | **BGN'000** | **BGN'000** |
| up to 30 days | 3,585 | 2,374 |
| 31 to 90 days | 794 | 1,142 |
| 91 to 180 days | 210 | 458 |
| 181 to 365 days | 390 | 632 |
| over 365 days | 2,594 | 2,275 |
| Provision for impairment of credit losses | (2,548) | (2,378) |
| **Total** | **5,025** | **4,503** |

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

| | 2020 | 2019 |
|---|---|---|
| | BGN '000 | BGN '000 |
| **Balance at 1 January** | **2,500** | **2,358** |
| Increase in the allowance for expected credit losses recognised within profit or loss for the year | 955 | 639 |
| Transfer of impairment of contract assets *(Note 9)* | 5 | 2 |
| Decrease in the allowance for expected credit losses recognised within profit or loss for the year | (623) | (253) |
| Restatement of foreign operations | (21) | (34) |
| Receivables written-off as uncollectable over the year | (182) | (212) |
| **Balance at 31 December** | **2,634** | **2,500** |

For 2020, the Group 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 2.26.4 and Note 34)*.

Therefore, the loss allowance at 31 December is determined as follows:

| | **Regular** | **1 to 30 days past due** | **31 to 90 days past due** | **91 to 365 days past due** | **Over 365 days past due** | **Total** |
|---|---|---|---|---|---|---|
| **31 December 2020** | | | | | | |
| Expected average percentage of credit losses | 0.36% | 0,36% | 2,52% | 32,44% | 90,55% | |
| Receivables from customers (gross carrying amount) | 23,388 | 3,836 | 596 | 558 | 2,583 | 30,961 |
| Expected credit loss | 85 | 14 | 15 | 181 | 2,339 | 2,634 |

| | **Regular** | **1 to 30 days past due** | **31 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 | 0.56% | 0.83% | 6.09% | 13.83% | 95.08% | |
| Receivables from customers (gross carrying amount) | 18,903 | 4,075 | 755 | 1,092 | 2,275 | 27,100 |
| Expected credit loss | 106 | 34 | 46 | 151 | 2,163 | 2,500 |

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 2.26)*.

## 9. CONTRACT ASSETS

Contract assets are from third parties and 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 handed over by the customer and for which the respective companies do not have an unconditional right to payment.

| Contract assets as at 31 December are as follows: | **31.12.2020** | **31.12.2019** |
|---|---|---|
| | **BGN'000** | **BGN'000** |
| Contract assets under contracts with customers – third parties | 579 | 876 |
| Provision for impairment of expected credit losses on contract assets under contracts with customers – third parties | - | (4) |
| Contract assets under contracts with customers – related parties | - | 51 |
| **Total** | **579** | **923** |

| The changes in contract assets over the period are as follows: | **2020** | **2019** |
|---|---|---|
| | **BGN'000** | **BGN'000** |
| **Balance at 1 January** | **923** | **901** |
| Transfer to receivables under contracts with customers | (923) | (901) |
| Originating in the period | 579 | 927 |
| Accrued impairment (provision) for expected credit losses | - | (4) |
| **Balance at 31 December** | **579** | **923** |

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

| | **2020** | **2019** |
|---|---|---|
| | **BGN ‘000** | **BGN ‘000** |
| **Balance at 1 January,** | **4** | **1** |
| Increase in the allowance for expected credit losses recognised within profit or loss for the year | | 4 |
| Transfer of impairment of trade receivables *(Note 8)* | (4) | (1) |
| **Balance at 31 December** | **-** | **4** |

## 10. OTHER RECEIVABLES AND PREPAYMENTS

| | 31.12.2020 | 31.12.2019 |
|---|---|---|
| | BGN'000 | BGN'000 |
| Prepayments | 1,413 | 1,448 |
| Receivables from trustees | 694 | 680 |
| Taxes refundable | 643 | 593 |
| Deposits placed | 441 | 326 |
| *incl. to related parties (Note 33)* | - | *1* |
| Current portion of non-current receivables on sale of non-current assets *(Note 6)* | 288 | 191 |
| Advances to suppliers | 5 | 18 |
| Other receivables | 41 | 20 |
| *Gross amount* | *41* | *34* |
| *Impairment* | *(37)* | *(14)* |
| **Total** | **3,525** | **3,276** |

*Prepayments* include:

| | 31.12.2020 | 31.12.2019 |
|---|---|---|
| | BGN'000 | BGN'000 |
| Insurance of property and courier shipments | 879 | 770 |
| Maintenance subscription | 398 | 363 |
| Prepaid rents | 97 | 111 |
| Other prepayments | 39 | 204 |
| **Total** | **1,413** | **1,448** |

*Receivables from trustees* at 31 December include BGN 694 thousand collected from subcontracts for cash upon delivery in relation to international shipments (31 December 2019: BGN 680 thousand).

*Receivables from trustees* are denominated in the following currencies:

| | 31.12.2020 | 31.12.2019 |
|---|---|---|
| | **BGN'000** | **BGN'000** |
| BGN | 3 | 49 |
| Other currencies, incl.: | 691 | 631 |
| *EUR* | *526* | *631* |
| *HUF* | *48* | - |
| *other* | *117* | - |
| **Total** | **694** | **680** |

*Taxes refundable include:*

| | 31.12.2020 | 31.12.2019 |
|---|---|---|
| | **BGN'000** | **BGN'000** |
| VAT | 638 | 366 |
| Corporate tax | 5 | 23 |
| Other | - | 204 |
| **Total** | **643** | **593** |

## 11. CASH AND CASH EQUIVALENTS

| | 31.12.2020 | 31.12.2019 |
|---|---|---|
| | **BGN'000** | **BGN'000** |
| Cash in current accounts | 29,932 | 14,409 |
| Cash in safety vaults | 4,529 | 1,013 |
| Cash in hand | 957 | 662 |
| Cash in transit | 1,472 | - |
| **Cash and cash equivalents stated in the statement of cash flows:** | **36,890** | **16,084** |
| Blocked cash | 112 | 112 |
| **Cash and cash equivalents stated in the statement of financial position:** | **37,002** | **16,196** |

The Group states as cash amounts originating in relation to non-cash payments made by clients with bank cards, and money transfers to Group companies' current accounts at the last day of the year.

The blocked cash is cash in 12-month deposit accounts of the parent and is related to guarantee deposits placed by members of the Board of Directors in relation to the requirements of Art. 240, Para 1 of the Commercial Act (*Note 21 and Note 33).*

Cash is denominated in the following currencies:

| | 31.12.2020 | 31.12.2019 |
|---|---|---|
| | **BGN'000** | **BGN'000** |
| BGN | 24,480 | 8,616 |
| In foreign currency, incl.: | 12,522 | 7,580 |
| *RON* | *5,349* | *4,439* |
| *EUR* | *5,205* | *3,025* |
| *HUF* | *873* | *56* |
| *USD* | *48* | *40* |
| *Other* | *47* | *20* |
| **Total** | **37,002** | **16,196** |

As a result of the analyses made and the methodology applied to calculate expected credit losses from cash and cash equivalents, the Group's management has determined that the impairment of cash and cash equivalents would be an amount close to zero. Therefore, the Group has not recognised a provision for impairment of expected credit losses at 31 December 2020 (31 December 2019: none).

## 12. EQUITY

### 12.1 SHARE CAPITAL

As at 31 December 2020, the registered capital of the parent Group consists of 5,377,619 ordinary dematerialised shares with par value of BGN 1. All shares give right of dividend, liquidation share, as well as a voting right at the General Meeting of Shareholders of the parent company.

| Number of issued and fully paid shares: | 2020 | 2019 |
|---|---|---|
| | number of shares | number of shares |
| Beginning of the year | 5,377,619 | 5,335,919 |
| **Total number of shares authorised on 31 December** | **5,377,619** | **5,377,619** |

The list of main shareholders of the parent company is as follows:

| | 31.12.2020 | | 31.12.2019 | |
|---|---|---|---|---|
| | Number of shares | % | Number of shares | % |
| Group Speedy 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%** |

**12.2 RESERVES**

| | 31.12.2020 | 31.12.2019 |
|---|---|---|
| | BGN'000 | BGN'000 |
| Premium reserves | 19,565 | 19,565 |
| Statutory reserves | 538 | 538 |
| Foreign translation reserves | (1,400) | (1,146) |
| **Total** | **18,703** | **18,957** |

***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 to 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 parent company. According to the legal requirements, statutory reserves shall reach at least 10% of the registered capital. These reserves are not distributable.

***Foreign translation reserves*** from currency revaluation of foreign activities in amount of BGN 1,400 thousand (negative value) (31.12.2019: BGN 1,146 thousand – negative value) are formed from exchange rates differences as a result of translation of financial reports of foreign subsidiaries from local reporting currency to Group's reporting currency (*Note 2.5*).

### 12.3. RETAINED EARNINGS

| Changes in retained earnings are as follows: | **2020** *BGN '000* | **2019** *BGN '000* |
|---|---|---|
| **Balance at 1 January** | **35,571** | **24,090** |
| Net profit for the year | 26,846 | 19,026 |
| Dividends distributed | (10,755) | (7,529) |
| Actuary (losses)/gains from revaluations | 53 | (16) |
| **Balance at December** | **51,715** | **35,571** |
| ***Retained earning*** | ***24,869*** | ***16,545*** |
| ***Current profit for the year*** | ***26,846*** | ***19,026*** |

## 13. LEASES

### 13.1. GROUP'S LEASES AND REPORTING THEREOF

The Group leases buildings, machines, transport vehicles, computer equipment and equipment (trans-pallet carts). Leases are negotiated on an individual basis and are concluded for fixed periods, and:

- Leases of buildings (warehouses and offices) usually include extension options, but do not include a purchase option;
- Lease of machines, transport vehicles, computer equipment and equipment 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;
- transport vehicles — from 3 to 5 years.

Underlying right-of-use assets may not be used as collateral under other contracts.

For some leases, usually lease of buildings and transport vehicles, the Group has negotiated an option for sublease of the assets to third parties.

In the meantime, the Group has concluded leases in which it is a lessor. Operating leases of buildings (offices) and transport vehicles – own and subleased, if such an option has been negotiated.

Usually operating leases contain review clauses if the lessee exercises its renewal option. The lessee has no option to purchase the leased assets (offices and transport vehicles) after the expiry of the lease term.

Office leases have 1-year terms, and leases of transport vehicles – one to three years. All contracts are for operating lease and include renewal options.

### *Extension and termination options*

The Groups accounts for multiple leases of properties (warehouses and offices for which it is a lessee or lessor) containing extension and termination options. These options have been negotiated by the management for the purpose of greater flexibility in managing the right-of-use assets and the Group's economic needs. The Group's management applies significant judgement to determine whether it is reasonably certain to exercise these options.

Warehouse leases are usually concluded for a period of 3 to 20 years, and office leases have 1-year terms, but long-term use.

The assumptions used to determine the term of leases of buildings in which the Group is a lessee are disclosed in *Note 26.3.2.*

Upon determining the lease term when the Group is a lessor, the Group considers the probability of renewal by either the lessee or the Group, including the assumptions made in the head lease, in the case of sub-leases.

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

The Group's lease activities in 2019 were similar.

## 13.2. THE GROUP AS A LESSEE

### 13.2.1. ASSETS AND LIABILITIES RECOGNISED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The consolidated statement of financial position contains the following items and amounts related to leases:

#### 13.2.1.1. RIGHT-OF-USE ASSETS

Right-of-use assets are included in the consolidated statement of financial position within 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** | | | | | | |
| ***1 January 2020*** | **54,282** | **1,395** | **31,838** | **989** | **1,079** | **89,583** |
| Increases/additions | 18,391 | - | 9,072 | 1,001 | 161 | 28,625 |
| Decreases/disposals, incl. transfer to own assets | (3,268) | (604) | (10,824) | (249) | (843) | (15,788) |
| Foreign exchange gains/losses | (283) | - | (46) | - | - | (329) |
| ***31 December 2020*** | **69,122** | **791** | **30,040** | **1,741** | **397** | **102,091** |
| **Accumulated depreciation** | | | | | | |
| ***1 January 2020*** | **(10,914)** | **(237)** | **(11,916)** | **(150)** | **(335)** | **(23,551)** |
| Depreciation charge for the period | (7,883) | (269) | (6,366) | (307) | (136) | (14,961) |
| Depreciation written-off, including transfer to own assets | 2,515 | 252 | 9,083 | 124 | 380 | 12,354 |
| Foreign exchange gains/losses | 72 | - | 16 | - | - | 87 |
| ***31 December 2020*** | **(16,210)** | **(254)** | **(9,183)** | **(333)** | **(91)** | **(26,071)** |
| **Carrying amount at 1 January 2020 *(Note 3)*** | **43,369** | **1,158** | **19,922** | **839** | **744** | **66,032** |
| **Carrying amount at 31 December 2020 (*Note 3)*** | **52,912** | **537** | **20,857** | **1,408** | **306** | **76,020** |

| | 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 2019*** | **42,225** | **1,179** | **25,334** | **939** | **824** | **70,501** |
| Increases/additions | 19,188 | 441 | 11,181 | 731 | 68 | 31,609 |
| Decreases/disposals, incl. transfer to own assets | (6,802) | (225) | (4,617) | (681) | 187 | (12,138) |
| Foreign exchange gains/losses | (329) | - | (60) | - | - | (389) |
| ***31 December 2019*** | **54,282** | **1,395** | **31,838** | **989** | **1,079** | **89,583** |
| **Accumulated depreciation** | | | | | | |
| ***1 January 2019*** | **(5,733)** | **(65)** | **(10,943)** | **(105)** | **(216)** | **(17,062)** |
| Depreciation charge for the period | (6,913) | (241) | (5,813) | (172) | (118) | (13,257) |
| Depreciation written-off, including transfer to own assets | 1,671 | 69 | 4,840 | 127 | (1) | 6,706 |
| Foreign exchange gains/losses | 61 | - | - | - | - | 61 |
| ***31 December 2019*** | **(10,914)** | **(237)** | **(11,916)** | **(150)** | **(335)** | **(23,551)** |
| **Carrying amount at 1 January 2019 *(Note 3)*** | **36,492** | **1,114** | **14,391** | **834** | **608** | **53,439** |
| **Carrying amount at 31 December 2019 (*Note 3)*** | **43,369** | **1,158** | **19,922** | **839** | **744** | **66,032** |

### 13.2.1.2. LEASE LIABILITIES

| | 31.12.2020 | 31.12.2019 |
|---|---|---|
| | BGN'000 | BGN'000 |
| **Lease liabilities** | | |
| **Lease liabilities without a purchase option** | | |
| Current | 6,874 | 6,131 |
| *Incl. payables to related parties* | *2,171* | *1,893* |
| Non-current | 47,332 | 37,916 |
| *Incl. payables to related parties* | *24,930* | *23,830* |
| | **54,206** | **44,047** |
| **Lease liabilities with a purchase option** | | |
| Current | *7,163* | *6,757* |
| Non-current | *12,900* | *12,178* |
| | ***20,063*** | ***18,935*** |
| **Total:** | **74,269** | **62,982** |
| ***current*** | ***14,037*** | ***12,888*** |
| *Incl. payables to related parties* | *2,171* | *1,893* |
| ***non-current*** | ***60,232*** | ***50,094*** |
| *Incl. payables to related parties* | *24,930* | *23,830* |

The change in lease liabilities in the period is as follows:

| | 2020 | 2019 |
|---|---|---|
| | BGN '000 | BGN '000 |
| **1 January** | **62,982** | **51,381** |
| Increases | 28,792 | 32,759 |
| COVID-related discounts | (70) | - |
| Interest accrued | 1,703 | 1,489 |
| Foreign exchange gains/losses | (258) | (309) |
| Offset against receivables | (51) | (234) |
| Liabilities written-off under terminated contracts | (930) | (5,325) |
| Payments | (17,899) | (16,779) |
| **31 December** | **74,269** | **62,982** |
| incl. long-term portion | 60,232 | 50,094 |
| incl. short-term portion | 14,037 | 12,888 |

The maturity analysis of the lease liabilities is disclosed in *Note 34*.

### 13.2.2. AMOUNTS INCLUDED IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Notes | 2020<br>BGN'000 | 2019<br>BGN'000 |
|---|---|---|---|
| Depreciation expense for right-of-use assets | 13 | 14,961 | 13,257 |
| Interest expense for lease liabilities | 30 | 1,672 | 1,489 |
| Expense related to short-term leases | 26 | 189 | 364 |
| Expense related to low-value leases | 26 | 37 | 79 |
| Gain on disposal from right-of-use assets | 24 | 20 | 145 |
| COVID-related discounts | 27 | 70 | - |

### 13.2.3. OTHER INFORMATION

***The total cash outflow under leases*** in 2020 amounts to BGN 18,125 thousand, including long-tern leases: BGN 17,899 thousand, short-term leases – BGN 189 thousand, and low-value leases – BGN 37 thousand (2019: BGN 17,222 thousand, including long-term leases – BGN 16,779 thousand and short term leases – BGN 364 thousand), and leases of low-value assets – BGN 79 thousand.

The non-cash changes related to leases are presented in *Note 15.*

The key judgements and assumptions that have a significant impact on the value of the recognized right-of-use assets and lease liabilities are disclosed in *Note 2.26.3*.

***Variable lease payments***

The Group has no leases containing clauses on variable lease payments that would result in uncertainty in the measurement of lease payments.

***Extension and termination options***

The assumptions regarding ***extension and termination options*** are reviewed if a significant event or circumstance arises that impacts the assumptions and if this event is within the Group's control. In the current year there were leases whose term has been reviewed to include a certain extension or termination option not included before and which results in an increase in the recognized lease liabilities and right-of-use assets.

***Short-term leases and leases of low-value assets***

The Group 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 (leased areas) and low-value assets, which include computer equipment.

### 13.3. THE GROUP AS A LESSOR

***Operating lease***

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

| | 2020 | 2019 |
|---|---|---|
| | BGN'000 | BGN'000 |
| Year 1 | 2,970 | 6,081 |
| Year 2 | 2,701 | 5,604 |
| Year 3 | 2,402 | 5,008 |
| Year 4 | 182 | 1,469 |
| Year 5 | 52 | 62 |
| **Total** | **8,307** | **18,224** |

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

| | 2020 | 2019 |
|---|---|---|
| | BGN'000 | BGN'000 |
| Proceeds from fixed lease payments (*Note 23)* under operating leases | 5,845 | 6,180 |
| incl. revenue from right-of-use assets (under IFRS 16) | 3,584 | 4,292 |

## 14. 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 are as follows:

| | 31.12.2020 | 31.12.2019 |
|---|---|---|
| | BGN'000 | BGN'000 |
| Obligation for acquisition of Rapido Express and Logistics | 2,712 | 7,934 |
| Obligation for acquisition of OMG Mobile | 2,095 | 2,538 |
| **Total** | **4,807** | **10,472** |
| ***incl. non-current payables*** | ***1,544*** | ***4,688*** |
| ***current payables*** | ***3,263*** | ***5,784*** |
| *incl. interest* | *117* | *180* |

*Rapido Express and Logistics EOOD*

On 1 October 2018 the Group 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 Group 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 estimate's period (30 months as from 1 September 2018). The discount rate applied to determine the present value of the conditional consideration is the weighted average capital cost (WACC) – 6.64%.

The change in the obligation for acquisition of Rapido Express and Logistics is as follows:

| | 31.12.2020 | 31.12.2019 |
|---|---|---|
| | BGN'000 | BGN'000 |
| **Obligation for acquisition of Rapido Express and Logistics** | | |
| Present value of the obligation at acquisition date | 7,934 | 14,685 |
| Interest costs *(Note 30)* | 407 | 779 |
| Revaluation | 1,524 | - |
| Payments in the period | (7,153) | (7,530) |
| **Total** | **2,712** | **7,934** |
| ***incl. non-current payables*** | **-** | ***2,697*** |
| ***current payables*** | ***2,712*** | ***5,237*** |
| *incl. interest* | *15* | *136* |

The variable (conditional) consideration is payable in 5 instalments, each of which determined based on the factual performance ascertained in contractual clearing periods. In 2020, as a result of the significant development of online trade due to COVID-19, significant changes occurred in the amount of the conditional consideration as compared to the date of acquisition. The effect is carried to the current financial result (*Note 1.4*) and is as follows:

| Clearing period | Budgeted revenue at acquisition date | Expected payment | Revenue stated | Payment made | Revaluation expense (for 2020) |
|---|---|---|---|---|---|
| | **BGN '000** | **BGN '000** | **BGN '000** | **BGN '000** | **BGN '000** |
| Period 1 | 11,285 | 2,821 | 11,476 | 2,869 | (48) |
| Period 2 | 11,243 | 2,811 | 10,818 | 2,704 | 107 |
| Period 3 | 11,962 | 2,990 | 14,183 | 3,546 | (556) |
| Period 4 | 10,321 | 2,580 | 14,428 | 3,607 | (1,027) |
| | **44,811** | **11,202** | **50,905** | **12,726** | **(1,524)** |

*OMG Mobile EOOD*

On 21 December 2018, the Group 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 discount rate applied to determine the present value of the promised consideration is the weighted average capital cost (WACC) – 6.64%.

| | **31.12.2020** | **31.12.2019** |
|---|---|---|
| | **BGN'000** | **BGN'000** |
| **Obligation for acquisition of OMG Mobile** | | |
| Present value of the obligation at the acquisition date | 2,538 | 3,100 |
| Interest costs (*Note 30*) | 144 | 171 |
| Payments in the period | (587) | (733) |
| **Total** | **2,095** | **2,538** |
| ***incl. non-current liabilities*** | ***1,544*** | ***1,991*** |
| ***current liabilities*** | ***551*** | ***547*** |
| *incl. interest* | *102* | *44* |

# 15. LONG-TERM BANK LOANS

As of December 31, the liabilities on received bank loans are as follows:

| | | | | | 31.12.2020 | | | | 31.12.2019 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Contract | Currency | Contracted 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 II | BGN | 5,867 | Investments in subsidiaries | 21.11.2020 | 278 | 557 | - | 835 | 835 | 557 | *1* | 1,392 |
| Loan 2 | EUR | 830 | Purchase of equipment | 24.09.2021 | - | 247 | *1* | 247 | 246 | 325 | *1* | 571 |
| Loan 3 | EUR | 1,280 | Investments in subsidiaries | 08.06.2022 | - | - | - | - | - | 995 | - | 995 |
| | | | | | **278** | **804** | ***1*** | **1,082** | **1,081** | **1,877** | **2** | **2,958** |

The bank loans in EUR are negotiated at an interest rate based on EURIBOR plus a mark-up of 1.7% to 2%. The interest rates on the BGN-denominated loans are in the range from ADR+1.50% to ADR+2.0%.

Additionally, to manage its liquidity risk, there are authorised bank overdrafts under which as at 31 December there are no outstanding balances:

**Overdraft 1 date of contract 18.12.2008**

- initial principal - BGN 300 thousand
- maturity 30.12.2021;

**Overdraft 2 date of contract 08.06.2017**

- initial principal - BGN 4,500 thousand
- maturity 30.09.2021.

As collateral of the above listed investment loans and overdraft in favour of credit banks, the following have been incorporated:

- Pledge on the company Geopost Bulgaria EOOD (Note 1.2.2);
- Pledge on the company DPD Romania AD (Note 1.2.2);
- Pledge on all plant 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;
- Pledge on all present and future receivables against all present and future current accounts with the creditor bank;
- Pledge pursuant to the Financial Collateral Contracts Act.

***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 Group's consolidated statement of cash flows as cash flows from financing activities.

| | | | **Non-cash changes** | | | |
|---|---|---|---|---|---|---|
| | **01.01.2020 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 29)*** **BGN'000** | **31.12.2020 BGN'000** |
| Lease liabilities *(Note 13)* | **62,982** | (17,899) | 28,792 | (1,309) | 1,703 | **74,269** |
| Long-term bank loans *(Note 15)* | **2,958** | (1,911) | - | - | 35 | **1,082** |
| Loans from other financial institutions *(Note 16)* | - | 1,273 | - | - | - | **1,273** |
| Long-term obligations under subsidiary acquisitions – interest *(Note 14)* | **180** | (614) | - | - | 551 | **117** |
| Dividends *(Note 32)* | - | (10,755) | 10,755 | - | - | |
| **Net cash flows from financing activities** | **66,120** | **(29,906)** | **39,547** | **(1,309)** | **2,289** | **76,741** |

| | | | **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 29)*** **BGN'000** | **31.12.2019 BGN'000** |
| Lease liabilities *(Note 13)* | **51,381** | (16,779) | 32,759 | (5,868) | 1,489 | **62,982** |
| Long-term bank loans *(Note 15)* | **5,926** | (3,072) | - | - | 104 | **2,958** |
| Short-term loans from third parties *(Note 21)* | **219** | (219) | - | - | - | - |
| Long-term obligations under subsidiary acquisitions – interest *(Note 14)* | **196** | (966) | - | - | 950 | **180** |
| Dividends *(Note 32)* | - | (7,529) | 7,529 | - | - | - |
| **Net cash flows from financing activities** | **57,722** | **(28,565)** | **40,288** | **(5,868)** | **2,543** | **66,120** |

The other non-cash changes under leases include offsets against receivables, as well as liabilities written-off due to the full or partial termination of leases (*Note 13*).

## 16. LOANS FROM OTHER FINANCIAL INSTITUTIONS

The loans from other financial institutions as at 31 December 2020, obtained from the parent, are aimed to finance the purchase the property of machinery and equipment under leasebacks and are granted under the following conditions:

| | | | | ***31.12.2020*** | | | |
|---|---|---|---|---|---|---|---|
| | *Currency* | *Contracted amount in the original currency* | *Maturity* | *Non-current portion* | *Current portion* | *Total* | *Undrawn portion of the contracted amount* |
| | | *'000* | | **BGN'000** | **BGN'000** | **BGN'000** | **BGN'000** |
| Loan 1 | EUR | 990 | 01.02.2025 | 736 | 394 | 1,130 | 484 |
| Loan 2 | EUR | 136 | 01.02.2025 | 8 | 54 | 62 | 159 |
| Loan 3 | EUR | 31 | 25.08.2023 | 34 | 20 | 54 | - |
| Loan 4 | EUR | 15 | 25.08.2023 | 17 | 10 | 27 | - |
| | | | | **795** | **478** | **1,273** | **643** |

## 17. LONG-TERM PAYABLES TO EMPOYEES

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

| | **31.12.2020** | **31.12.2019** |
|---|---|---|
| | **BGN'000** | **BGN'000** |
| Payables to employees upon retirement | 183 | 173 |
| Variable BoD remuneration, due after over 12 months (*Note 33)* | 100 | 85 |
| **Total** | **283** | **258** |

Payables to employees upon retirement include the present value of the Group's liabilities for payment of indemnity to retiring employees as at 31 December 2020.

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 parent 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:

| | 31.12.2020 | 31.12.2019 |
|---|---|---|
| | BGN'000 | BGN'000 |
| **Present value of obligations, 1 January** | **173** | **111** |
| Current service cost recovered | 62 | 45 |
| Interest cost | 1 | 1 |
| Payments for the year | - | - |
| Remeasurement gains or losses for the year, including: | (53) | 16 |
| Actuarial losses arising from changes in financial assumptions | *8* | *11* |
| Actuarial losses arising from experience adjustments | *(61)* | *5* |
| **Present value of obligations, 31 December** | **183** | **173** |

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

| | 2020 | 2019 |
|---|---|---|
| | BGN'000 | BGN'000 |
| Current service cost | 62 | 45 |
| Interest cost | 1 | 1 |
| Cost of employments for past periods | - | - |
| **Components of defined benefit plan costs recognised in profit or loss (*Note 27*)** | **63** | **46** |

| | 2020 | 2019 |
|---|---|---|
| | BGN'000 | BGN'000 |
| **Effects from subsequent estimates of liabilities to the employees for retirement, incl.:** | | |
| *Actuarial gains arising from changes in financial assumptions* | *8* | *11* |
| *Actuarial gains arising from experience adjustments* | *(61)* | *5* |
| **Components of defined benefit plan costs recognised in other comprehensive income (*Note 12*)** | **(53)** | **16** |
| **Total** | **10** | **62** |

The following actuarial assumptions are used in calculating the present value of the liability as at 31 December 2020:

- *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 2017 – 2019 (2019: for the period 2016-2018).
- *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 = 0.34 % (2019: i = 0.68%).
- *the assumption for the future level of working* salaries is based on the information provided by the management of the Group and is 5% annual growth as compared to the previous reporting period (2019: 5%).

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

- *investment risk* – as far as this is unfunded plan, the Group 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 increase 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;
- *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 2020 are as follows:

| | *Change* | *Increase* | *Decrease* |
|---|---|---|---|
| | | *BGN '000* | *BGN '000* |
| Change in salary growth | 1% | 14 | (14) |
| Change in interest rate | 0,50% | (12) | 13 |
| Change in staff turnover | 1 year | (32) | 37 |
| Expected longevity | 10% | 10 | (9) |

The average duration of the long-term payable to personnel under the defined benefit plan of the parent company is 33.36 years (2019: 32.65 years)

The expected payments as indemnities upon retirement under the defined benefit plans for the next 5 years amount to BGN 14 thousand, including no expected payments in 2021 (2020: BGN 2 thousand).

## 18. TRADE PAYABLES

As at 31 December, trade payables are as follows:

| | **31.12.2020** | **31.12.2019** |
|---|---|---|
| | **BGN’000** | **BGN’000** |
| Trade payables to third parties | 16,662 | 11,296 |
| Trade payables to related parties (*Note 33*) | 273 | 468 |
| **Total** | **16,935** | **11,764** |

Payables to suppliers are interest-free, denominated in BGN and EUR and arising due to the supply of assets and services. The Group has a credit period to suppliers within the agreed deferred payment period, which is usually 7 to 30 days (2019: 7 to 30 days).

Trade payables are denominated in the following currencies:

| | 31.12.2020 | 31.12.2019 |
|---|---|---|
| | **BGN’000** | **BGN’000** |
| In BGN | 6,080 | 4,880 |
| In other currencies, including: | 10,855 | 6,884 |
| *RON* | *9,357* | *5,624* |
| *EUR* | *1,484* | *1,252* |
| *HUF* | *8* | *-* |
| *USD* | *6* | *8* |
| **Total** | **16,935** | **11,764** |

## 19. PAYABLES TO PERSONNEL AND SOCIAL SECURITY

| | 31.12.2020 | 31.12.2019 |
|---|---|---|
| | **BGN '000** | **BGN '000** |
| Payables to personnel, including | 6,091 | 4,439 |
| *Current portion* | *4,507* | *2,609* |
| *Accruals on unused compensated leaves* | *1,450* | *1,687* |
| *Variable remuneration of BoD (Note 33)* | *134* | *143* |
| Payables to social security, incl.: | 2,242 | 1,670 |
| *Current portion* | *1,941* | *1,324* |
| *Accruals on unused compensated leaves* | *301* | *346* |
| **Total** | **8,333** | **6,109** |

## 20. TAX PAYABLES

*Tax payables comprise*:

| | 31.12.2020 | 31.12.2019 |
|---|---|---|
| | BGN '000 | BGN '000 |
| Value added tax | 2,069 | 1,790 |
| Corporate income tax | 962 | 626 |
| Personal income tax | 705 | 453 |
| Taxes on expenses | 172 | 102 |
| Other taxes | 52 | 33 |
| **Total** | **3,960** | **3,004** |

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

*Parent Company*

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

*Subsidiaries*

**Speedy EOOD**

- VAT – until 30.11.2012;
- full tax audit– until 31.12.2011;
- National social security agency – until 31.10.2012;

**Geopost Bulgaria**

- VAT – until 31.12.2019;

**DPD ROMANIA** – no audit has been performed

**RAPIDO EXPRESS AND LOGISTIC** – no audit has been performed

**OMG MOBILE** – no audit has been performed

**Geopost Trans** – no audit has been performed

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

# 21. OTHER CURRENT LIABILITIES

## 21.1. PAYABLES TO TRUSTEES

Payables to trustees include:

| | 31.12.2020 | 31.12.2019 |
|---|---|---|
| | BGN'000 | BGN'000 |
| Payables under cash-upon-delivery | 12,713 | 7,553 |
| Payables for postal money transfers | 4,192 | 805 |
| **Total** | **16,905** | **8,358** |

The payables under cash-upon-delivery are related to the service of collection of amounts stated by the sender in advance from parcels' recipients.

The payables for postal money transfers are related to services of transferring BGN-denominated amount from senders to recipients via the company's postal network.

| | 31.12.2020 | 31.12.2019 |
|---|---|---|
| | BGN'000 | BGN'000 |
| In BGN | 10,329 | 3,325 |
| In other currencies, including: | 6,576 | 5,033 |
| *EUR* | *1,308* | *212* |
| *RON* | *4,902* | *4,803* |
| *other* | *366* | *18* |
| **Total** | **16,905** | **8,358** |

## 21.2. OTHER PAYABLES

| | 31.12.2020 | 31.12.2019 |
|---|---|---|
| | BGN'000 | BGN'000 |
| Deposits from Board members *(Note 33)* | 110 | 110 |
| Government grants | 18 | 95 |
| Interest payables on loans from related parties (*Note 33)* | - | 15 |
| Other payables | 185 | 445 |
| **Total** | **313** | **665** |

Government grants are as follows:

| | 31.12.2020 | 31.12.2019 |
|---|---|---|
| | **BGN'000** | **BGN'000** |
| Non-current portion | 16 | 34 |
| Current portion | 18 | 95 |
| **Total** | **34** | **129** |

The current portion of government grants will be recognized as current income within the next 12 months from the date of the statement of financial position. The non-current portion is stated as "government grants" within non-current assets.

The grants received are under the following contracts:

*Contract dated 05 June2017 with the Ministry of Labour and Social Policy for financing under OP Human Resources Development 2014-2020:* The project includes financing of current expenses and purchases of machinery and equipment to ensure good and safe occupational conditions and improve the quality of workplaces at the total amount of BGN 373 thousand. The funding amounts to 80% of the funds spent on the project – BGN 299 thousand. The project implementation was completed on 05 November 2017. The final verification of expenses by the management body was in March 2018 (*Note 3*). The unrecognized as revenue portion of the funding received as at 31 December 2020 is BGN 34 thousand (31 December 2019: BGN 52 thousand).

*Contract dated 03 December 2013 with the Ministry of Economy for financing the project "Implementation of an innovative process for organization and management of logistic services and delivery of technological infrastructure and terminals to provide access to the platform for employees, partners and clients of Speedy AD, under OP Development of the Competitiveness of the Bulgarian Economy 2007-2013:* The project was completed on 21 June 2015. It includes the purchase of hardware, software, engineering and technical consulting services at the total amount of BGN 4,084 thousand. The grant amounts to 50% of funds spent on the project, namely BGN 2,042 thousand *(Notes 3 and Note 4).* As at 31 December 2020, all funds received under the project were recognized as revenue. The unrecognized as revenue portion of the funding received as at 31 December 2019 is BGN 77 thousand.

## 22. REVENUE FROM CONTRACTS WITH CUSTOMERS

### 22.1. INFORMATION ON TYPES OF REVENUE

*The revenue* of the Group includes:

| | 2020 | 2019 |
|---|---|---|
| | BGN'000 | BGN'000 |
| **Revenue by type of service** | | |
| Revenue from courier services | 268,521 | 214,490 |
| Revenue from money transfer commissions | 4,512 | 2,967 |
| Revenue from universal postal services | - | 1,210 |
| Revenue from penalties | 152 | 311 |
| **Total** | **273,185** | **218,978** |

| | 2020 | 2019 |
|---|---|---|
| | BGN'000 | BGN'000 |
| **Revenue by markets** | | |
| Domestic market | 141,542 | 120,510 |
| Foreign market | 131,643 | 98,468 |
| **Total** | **273,185** | **218,978** |

All service revenue is recognised over time.

All unsatisfied and/or partially satisfied performance obligations of the Group companies as at 31 December 2020 are under contracts with expected performance period of one year or less.

### 22.2. PERFORMANCE OBLIGATIONS UNDER CONTRACTS WITH CUSTOMERS

The performance obligations are disclosed in detail in *Note 2.21.3*

### 22.3. CONTRACT BALANCES

| | 31.12.2020 | 31.12.2019 |
|---|---|---|
| | BGN'000 | BGN'000 |
| Receivables under contracts with customers – third parties, net of impairment (*Note 8)* | 27,068 | 22,810 |
| Receivables under contracts with customers – related parties, net of impairment (*Note 8)* | 123 | 321 |
| Contract assets under contracts with customers – third parties, net of impairment (*Note 9)* | 579 | 872 |
| Contract assets under contracts with customers – related parties, net of impairment (*Note 9)* | - | 51 |

The increase in trade receivables and contract assets under contracts with customers – third parties and related parties, is the result of the increase in the shipped and delivered parcels.

## 23. OTHER REVENUE

The other revenue at the amount of BGN 5,845 thousand (2019: BGN 6,180 thousand) includes rental income from lease of real estate and transport vehicles.

## 24. OTHER OPERATING IMCOME/(LOSSES), NET

| | 2020 | 2019 |
|---|---|---|
| | BGN'000 | BGN'000 |
| *Revenue from sale of non-current assets* | *1,296* | *2,662* |
| *Carrying amount of non-current assets sold* | *(511)* | *(1,147)* |
| Gain on sale of non-current assets | 785 | 1,515 |
| Revenue from insurance indemnities | 209 | 119 |
| Grant income under EU projects *(Note 21)* | 95 | 310 |
| *Revenue from sale of fuel* | *496* | *528* |
| *Carrying amount of fuel sold* | *(426)* | *(445)* |
| Gain on sale of fuel | 70 | 83 |
| COVID-19-related lease discounts | 70 | - |
| Gain on disposal of right-of-use assets (*Note 13*) | 20 | 145 |
| Reintegrated provisions for payables | - | 206 |
| Carrying amount of scrapped assets | - | (70) |
| Net foreign exchange losses on trade receivables and payables and current accounts | (440) | (407) |
| Other | 1,341 | 1,000 |
| **Total** | **2,150** | **2,901** |

## 25. COST OF MATERIALS AND CONSUMABLES

| The cost of materials and consumables includes: | 2020 | 2019 |
|---|---|---|
| | BGN’000 | BGN’000 |
| Fuels | 4,209 | 4,565 |
| Basic materials | 4,011 | 3,255 |
| Office supplies and consumables | 1,030 | 702 |
| Personal protective equipment and preparations in relation to the state of emergency | 772 | - |
| IT consumables | 578 | 538 |
| Uniforms | 481 | 140 |
| Assets of insignificant value | 186 | 173 |
| Other | 41 | 94 |
| **Total** | **11,308** | **9,467** |

## 26. HIRED SERVICE EXPENSES

| Hired service expenses include: | 2020 | 2019 |
|---|---|---|
| | BGN’000 | BGN’000 |
| Subcontractors | 128,601 | 103,955 |
| Audit, consulting and other services | 3,526 | 3,729 |
| Communication and utilities | 4,707 | 3,532 |
| Vehicle maintenance | 3,415 | 2,784 |
| Insurance | 1,593 | 1,973 |
| Offices and warehouses maintenance | 1,739 | 1,414 |
| Bank charges | 1,631 | 1,066 |
| Marketing | 1,393 | 803 |
| Vehicle taxes and charges | 867 | 421 |
| Shipment insurance | 459 | 191 |
| Staff training | 275 | 215 |
| Safekeeping of precious shipments | 255 | 206 |
| Office, vehicle and equipment rental | 226 | 546 |
| Other | 562 | 380 |
| **Total** | **149,249** | **121,215** |

The office, vehicle and equipment rental includes:

| | 2020 | 2019 |
|---|---|---|
| | BGN’000 | BGN’000 |
| Expenses related to short-term leases *(Note 13.2)* | 189 | 364 |
| Expenses related to low-value leases *(Note 13.2)* | 37 | 79 |
| Expenses for maintenance and management of property under leases | - | 103 |
| **Total:** | **226** | **546** |

The expenses accrued for statutory audit of the separate annual financial statements of the Group companies and of the consolidated annual financial statements amount to BGN 126 thousand (2019: BGN 125 thousand). In 2020 and 2019, the statutory auditors have not provided any tax consultations and other non-audit services.

In 2020, the ultimate parent company (Speedy Group AD) and the statutory auditors have signed engagement letter for performance of agreed-upon procedures. The agreed fee for the engagement is BGN 5 thousand.

## 27. EMPLOYEE BENEFITS EXPENSE

| | 2020 | 2019 |
|---|---|---|
| | **BGN'000** | **BGN'000** |
| Wages and salaries | 43,773 | 35,407 |
| Social security contributions | 11,004 | 8,911 |
| Welfare benefits and other employee benefits expenses | 2,959 | 2,281 |
| Accrued amounts regarding unused paid leave | 1,425 | 1,250 |
| Accrued amounts for social security on paid leave | 274 | 243 |
| Accruals for long-term payables to personnel (*Note 17*) | 63 | 46 |
| **Total** | **59,498** | **48,138** |

## 28. OTHER EXPENSES

| | 2020 | 2019 |
|---|---|---|
| | **BGN'000** | **BGN'000** |
| Entertainment costs | 1,896 | 1,086 |
| Package compensations | 932 | 1,263 |
| Business trips | 362 | 439 |
| Accrued/(reserved) provisions for expected credit losses (impairment) of receivables, net *(Notes 8 and 9)* | 355 | 403 |
| Scrappage of non-current assets | 340 | - |
| Liabilities written-off | 169 | 231 |
| Other | 384 | 494 |
| **Total** | **4,438** | **3,916** |

## 29. CAPITALISED EXPENSES FOR INTERNALLY CREATED INTANGIBLE ASSETS

The capitalized expenses for internally created intangible assets include:

| | 2020 | 2019 |
|---|---|---|
| | **BGN'000** | **BGN'000** |
| Materials | - | 3 |
| Hired services | 85 | 85 |
| Amortisation | 31 | 33 |
| Employee benefits expense | 848 | 848 |
| Other expenses | 6 | 2 |
| **Total** | **970** | **971** |

## 30. FINANCE COSTS

| | 2020 | 2019 |
|---|---|---|
| | **BGN'000** | **BGN'000** |
| Lease interest costs *(Note 13)* | 1,703 | 1,489 |
| Remeasurement of finance leases (*Note 14*) | 1,524 | - |
| Interest charges on liabilities for acquisition of investments in subsidiaries *(Note 14)* | 551 | 950 |
| Interest charges on bank loans *(Note 15)* | 37 | 102 |
| Bank fees and lease charges | 60 | 28 |
| **Total** | **3,875** | **2,569** |

## 31. INCOME TAX EXPENSES

| ***Consolidated statement of comprehensive income (profit or loss for the year)*** | **2020** | **2019** |
|---|---|---|
| | **BGN'000** | **BGN'000** |
| Taxable profit/(tax loss) for the year of the Group's companies, net | 29,849 | 21,924 |
| Current income tax expense for the year – 10% for Bulgaria/ 16% for Romania (2019: 10%/ 16% for Romania) | 3,849 | 2,740 |
| Deferred income tax from: | (328) | (340) |
| *Occurrence and reversal of temporary differences* | (328) | (340) |
| **Total income tax expense carried to the consolidated statement of comprehensive income (within profit or loss for the year)** | **3,521** | **2,400** |

| *Consolidated statement of comprehensive income (profit or loss for the year)* | 2020 | 2019 |
|---|---|---|
| | BGN'000 | BGN'000 |
| **Reconciliation of income tax expense** | | |
| Consolidated accounting profit for the year | **30,216** | **21,426** |
| Income tax applicable to the accounting profit – 10% for Bulgaria/ 16% for Romania (2019: 10%/ 16% for Romania) | 3,444 | 2,336 |
| Non-deductible amounts under tax return | 77 | 64 |
| Effects of temporary differences from previous years | | - |
| **Total income tax expense carried to the consolidated statement of comprehensive income** | **3,521** | **2,400** |

## 32. BASIC NET EARNINGS PER SHARE AND DIVIDENDS

### 32.1 NET EARNINGS PER SHARE

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

| | | 2020 | 2019 |
|---|---|---|---|
| Weighted average number of shares | | 5,377,619 | 5,377,619 |
| Distributable net income for the year | BGN'000 | 26,846 | 19,026 |
| **Basic net earnings per share** | BGN | **4,99** | **3,54** |

### 32.2 DIVIDENDS

On 22 June 2020, a decision was made by the General Meeting of Shareholders of the parent company for distribution of the 2019 profit at the amount of BGN 17,732 thousand, as follows:

- The amount of BGN 10,755 thousand to be allocated for payment of dividends to the shareholders of the parent company, BGN 2,00 before tax per share;
- The remaining amount of the 2019 profit to be carried to retained earnings.

## 33. RELATED PARTIES TRANSACTIONS

The companies related to Speedy AD and its subsidiaries and the types of relation are as follows:

| Related party | Type of relation |
|---|---|
| Speedy Group OOD (former name Speedy Group AD) | Ultimate parent company *(Note 36)* |
| Geopost S.A., France | Shareholder with significant influence *(Note 36)* |
| Sofia City Logistic Park OOD | Subsidiary of the ultimate parent company |
| Kiler Storage OOD (former name Omnicar Invest EOOD) | Subsidiary of the ultimate parent company |
| Star ABC Invest OOD | Subsidiary of the ultimate parent company |
| PIT Box EOOD | Subsidiary of the ultimate parent company |
| Dragomir Winery Estate OOD | Associate of the ultimate parent company |
| Omnicar BG EOOD | Company related through the main shareholder of the ultimate parent company |
| Omnicar EOOD | Company related through the main shareholder of the ultimate parent company |
| Omnicar Rent EOOD | Company related through the main shareholder of the ultimate parent company |
| Omnicar Varna OOD | Company related through the main shareholder of the ultimate parent company |
| Omnicar Auto OOD | Company related through the main shareholder of the ultimate parent company |
| Omnicar Occasion EOOD (former name Omnicar Oil EOOD) | Company related through the main shareholder of the ultimate parent company |
| Omnicar Plus OOD | Company related through the main shareholder of the ultimate parent company |
| Omnicar S EOOD | Company related through the main shareholder of the ultimate parent company |
| Transbalkan Group OOD | Company related through the main shareholder of the ultimate parent company (until 20.12.2020) |
| Sandrini Flo OOD | Company related through key management personnel |
| Star Perfomining OOD | Company related through key management personnel |

The ultimate controlling person is Valery Harutyun Mektouptchiyan.

### 33.1. Trade and other receivables from related parties

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

| | 31.12.2020 | 31.12.2019 |
|---|---|---|
| | BGN '000 | BGN '000 |
| Receivables from companies under common control, related through main shareholder of the parent company | 509 | 1,058 |
| *incl. gross amount* | *547* | *1,097* |
| *provision for impairment of expected credit losses* | *(38)* | *(39)* |
| Receivables from a shareholder with significant influence | 127 | 223 |
| *incl. gross amount* | *127* | *223* |
| Receivables from associates of the ultimate parent | 34 | 30 |
| *incl. gross amount* | *35* | *31* |
| *provision for impairment of credit losses* | *(1)* | *(1)* |
| Receivables from subsidiaries of the ultimate parent | - | 10 |
| *incl. gross amount* | - | *10* |
| **Total** | **670** | **1,321** |
| *incl. gross amount* | *709* | *1,361* |
| *provision for impairment of expected credit losses* | *(39)* | *(40)* |

The contract assets under contracts with customers – related parties at 31 December 2019 amount to BGN 51 thousand (*Note 9*) and are from a shareholder with significant influence.

### 33.2. Trade and other payables to related parties

| Payables to related parties include: | 31.12.2020 | 31.12.2019 |
|---|---|---|
| | BGN '000 | BGN '000 |
| **Lease liabilities *(Note 13), including to:*** | **27,101** | **25,723** |
| Subsidiaries of the parent | 27,068 | 25,657 |
| Companies related through the main shareholder of the ultimate parent | 19 | 46 |
| Companies related through key management personnel | 14 | 20 |
| **Trade payables *(Note 18)*, including to:** | **273** | **468** |
| Subsidiaries of the parent | 125 | 59 |
| Companies related through the main shareholder of the ultimate parent | 94 | 409 |
| Associates of the ultimate parent | 54 | - |
| **Other payables *(Note 21)*, including:** | **110** | **125** |

| Payables to related parties include: | 31.12.2020 | 31.12.2019 |
|---|---|---|
| | BGN '000 | BGN '000 |
| Deposits by members of the Board of Directors | 110 | 110 |
| Interest payable under loans received from the ultimate parent company | - | 15 |
| **Total** | **27,484** | **26,316** |

The payables under deposits by members of the Board of Directors amount to BGN 110 thousand (31 December 2019: BGN 110 thousand) and constitute amounts deposited in relation to the requirements of Art. 240, Para 1 of the Commercial Act.

### 33.3. Related party transactions

| **Sales to related parties** | **2020** | **2019** |
|---|---|---|
| | **BGN'000** | **BGN'000** |
| **Sale of services to:** | ***3,570*** | ***3,625*** |
| Companies related through the main shareholder of the ultimate parent | 2,910 | 3,166 |
| Shareholders with significant influence | 640 | 438 |
| Associates of the ultimate parent | 20 | 21 |
| **Sales of materials to:** | ***52*** | ***53*** |
| Companies related through the main shareholder of the ultimate parent | 43 | 45 |
| Associates of the ultimate parent | 6 | 7 |
| Subsidiaries of the ultimate parent | 3 | 1 |
| **Sales of non-current assets to:** | ***322*** | ***767*** |
| Companies related through the main shareholder of the ultimate parent | 322 | 759 |
| Subsidiaries of the ultimate parent | - | 8 |
| **Total** | **3,944** | **4,445** |

The services to companies related through the main shareholder of the ultimate parent include mainly transport vehicles lease a contract with Transbalkan Group OOD.

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

| *Deliveries from related parties* | 2020 | 2019 |
|---|---|---|
| | BGN'000 | BGN'000 |
| **Delivery of services from:** | ***10,290*** | ***10,495*** |
| Companies related through the main shareholder | 9,847 | 10,091 |
| Subsidiaries of the ultimate parent | 438 | 382 |
| Companies related through key management personnel | 5 | 22 |
| **Delivery of fixed assets from:** | ***241*** | ***341*** |
| Subsidiaries of the ultimate parent | 112 | 312 |
| Companies related through the main shareholder | 129 | 29 |
| **Other deliveries** | ***66*** | ***5*** |
| Associates of the ultimate parent | 63 | 5 |
| Subsidiaries of the ultimate parent | 3 | - |
| **Total** | **10,597** | **10,841** |

The supplies of services from companies related through the main shareholder of the ultimate parent include transport services provided by Transbalkan Group OOD and vehicle maintenance services by Omnicar Auto OOD.

*Leases*

Over the reporting period, the Group recognised assets, liabilities and expenses related to **lease agreements** with related parties *(Note 13)*, as follows:

| **2020** | **Total** | **Subsidiaries of the parent** | **Companies related through the key shareholder of the parent** | **Companies related through key management personnel** |
|---|---|---|---|---|
| | **BGN '000** | **BGN '000** | **BGN '000** | **BGN '000** |
| **Lease liabilities** | | | | |
| Recognised at 1 January | **25,723** | **25,657** | **46** | **20** |
| Increases | 3,556 | 3,556 | - | - |
| Decreases | (137) | (137) | | |
| Transfer to leases with third parties | (9) | - | (9) | - |
| Interest costs on lease liabilities | 525 | 525 | - | - |
| COVID discounts | (61) | (61) | - | - |
| Payments of lease liabilities for the period | (2,496) | (2,472) | (18) | (6) |
| **Lease liabilities at 31 December** | **27,101** | **27,068** | **19** | **14** |
| **incl. current** | **2,171** | **2,153** | **12** | **6** |
| **incl. non-current** | **24,930** | **24,915** | **7** | **8** |

| 2020 | Total | Subsidiaries of the parent | Companies related through the key shareholder of the parent | Companies related through key management personnel |
|---|---|---|---|---|
| | BGN '000 | BGN '000 | BGN '000 | BGN '000 |
| **Right-of-use assets at 1 January** | **25,542** | **25,476** | **46** | **20** |
| Increases | 3,556 | 3,556 | - | - |
| Transfer to leases with third parties | (9) | - | (9) | - |
| Depreciation charge | (2,459) | (2,434) | (19) | (6) |
| Carrying amount of right-of-use assets under terminated leases | (138) | (138) | - | - |
| **Right-of-use assets at 31 December** | **26,492** | **26,460** | **18** | **14** |

| 2019 | Total | Subsidiaries of the parent | Companies related through the key shareholder of the parent | Companies related through key management personnel |
|---|---|---|---|---|
| | BGN '000 | BGN '000 | BGN '000 | BGN '000 |
| **Lease liabilities** | | | | |
| Recognised at 1 January | **8,955** | **8,900** | **29** | **26** |
| Increases | 4,844 | 4,803 | 41 | - |
| Decreases | (2,654) | (2,650) | (4) | - |
| Transfer to leases with third parties | 15,712 | 15,712 | - | - |
| Interest costs on lease liabilities | 258 | 257 | 1 | - |
| Payments of lease liabilities for the period | (1,468) | (1,441) | (21) | (6) |
| Liabilities under account 401 | 76 | 76 | - | - |
| **Lease liabilities at 31 December** | **25,723** | **25,657** | **46** | **20** |
| **incl. current** | **1,893** | **1,867** | **20** | **5** |
| **incl. non-current** | **23,830** | **23,789** | **26** | **15** |
| **Right-of-use assets at 1 January** | **8,858** | **8,803** | **29** | **26** |
| Increases | 4,844 | 4,803 | 41 | - |
| Transfer to leases with third parties | 15,825 | 15,825 | - | - |
| Depreciation charge | (1,389) | (1,363) | (20) | (6) |
| Carrying amount of right-of-use assets under terminated leases | (2,596) | (2,592) | (4) | - |
| **Right-of-use assets at 31 December** | **25,542** | **25,476** | **46** | **20** |

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

The remunerations of key management personnel accrued during the reporting period amount to BGN 643 thousand (2019: BGN 661 thousand) and include:

- Fixed remunerations – BGN 475 thousand (2019: BGN 484 thousand);
- Variable remunerations – BGN 150 thousand (2019: BGN 150 thousand);
- Social security at the expense of the employer – BGN 18 thousand (2019: BGN 27 thousand).

The variable remunerations due as at 31 December 2020 are BGN 234 thousand, incl. with maturity up to 3 years BGN 100 thousand (2019: BGN 228 thousand, incl. non-current BGN 85 thousand) (*Notes 19 and Note 22*).

## 34. FINANCIAL RISK OBJECTIVES AND POLICY

In the ordinary course of business, the Group can be exposed to a variety of financial risks the most important of which are 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 management of these risks and the methods used to assess them.

There have been no significant changes in the Group'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 Group's financial results. Financial risks are currently identified, measured and monitored through various control mechanisms introduced to establish adequate prices for the Group'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 parent company and respectively, the managing bodies of the subsidiaries, in line with the policy defined by the Board of Directors of the parent. 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 2020 is as follows:

| | 31.12.2020 | 31.12.2019 |
|---|---|---|
| | **BGN '000** | **BGN '000** |
| ***Financial assets*** | | |
| **Financial assets at amortised cost, incl.:** | | |
| Loans and receivables | 30,988 | 26,678 |
| - Trade receivables *(Note 8)* | 28,327 | 24,600 |
| *incl. receivables from related parties* | *670* | *1,321* |
| - Other receivables | 2,661 | 2,078 |
| *incl. receivables from trustees (Note 10)* | *694* | *680* |
| *incl. deposits placed (Notes 6 and 10)* | *1,306* | *975* |
| *incl. long-term receivables on sale of non-current assets (Notes 6 and Note 10)* | *620* | *403* |
| Cash and cash equivalents *(Note 11)* | 37,002 | 16,196 |
| ***Total financial assets*** | **67,990** | **42,874** |

| | 31.12.2020 | 31.12.2019 |
|---|---|---|
| | BGN '000 | BGN '000 |
| ***Financial liabilities*** | | |
| **Financial liabilities at amortised cost, including:** | | |
| Lease liabilities *(Note 13)* | 74,269 | 62,982 |
| Non-current liabilities under acquisitions of subsidiaries *(Note 14)* | 4,807 | 10,472 |
| Loans from other financial institutions (*Note 16*) | 1,273 | - |
| Payables under bank loans *(Note 15)* | 1,082 | 2,958 |
| Trade payables *(Note 18)* | 16,935 | 11,764 |
| *incl. payables to related parties* | *273* | *468* |
| Other payables (*Note 21)* | 17,015 | 8,503 |
| *incl. payables to trustees* | *16,905* | *8,358* |
| ***Total financial liabilities*** | **115,381** | **96,679** |

The impairment losses related to financial assets recognized in the statement of comprehensive income are as follows:

| | 2020 | 2019 |
|---|---|---|
| | BGN'000 | BGN'000 |
| Loss on impairment of receivables from clients, including related parties (*Note 8*) | 955 | 639 |
| Reversed loss on impairment of receivables from clients, including related parties (*Note 8*) | (623) | (253) |
| Loss on impairment of other receivables from clients (*Note 10*) | 23 | 14 |
| **Total** | **355** | **400** |

The main goal of the financial instruments the Group operates with, is to finance its current trade activities.

The Group's management is fully responsible for determining the Group's risk management objectives and policies, and, while it retains ultimate responsibility, therefore, delegates the right to determine and manage the processes to ensure the effective fulfilment of objectives and the Group'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 Group's competitiveness and flexibility. Additional detailed information regarding those policies is described below:

***Credit risk***

Credit risk is the risk that any of the Group's clients will fail to discharge in full and within the normally envisaged terms the amounts due. The Group's credit risk arises both from its operating activities, through its trade receivables, and from its financing activities, including mostly deposits in banks. The Group has developed policies, procedures and rules for credit risk control and monitoring. In 2020, including due to the negative impact of the COVID-19 pandemic, control over the collection of receivables is increased and more efficient.

Credit risk management and assessment policy

*Trade receivables*

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

Upon performing its operations, the Group 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 long history and business collaboration with the Group, good financial standing and no past violations of contracts' credit terms. The Group'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 Group companies are 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 on an ongoing basis, according to the Group's established credit policy. The collection of information on customers and the monthly turnovers are the main criteria used to apply the Group'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 Group takes to collect past due receivables are as follows: notification to 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 execution list and the accounts of the customer-debtor are distrained until the complete repayment of the amounts claimed by the Group.

The Group uses a provisioning matrix to calculate expected credit losses from trade receivables. The management has determined that the respective Group 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 Group usually assumes that the date of economic loss from bad debt occurs 365 after the first day of delay. This period is studies and historically assessed. The Group companies do not have a practice to request collateral of trade receivables, and does not insure them.

The matrix percentages are determined by companies, on historical data observed by the respective company for the prior year, since trade receivables are usually collected within 20 to 30 days. 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 Group does not expect significant changes in the business of its subsidiaries and their client base.

Second, the Group makes the impairment provisioning matrixes 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 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) the management's analysis shows that the forecasts for future effects from changes in the macroeconomic environment even within 2 years have a significant impact on the provisioning matrices as at 31 December 2020, and so does the COVID-19 pandemic.

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 Group 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 matrixes.

*Other individual receivables, including from related parties*

To determine the credit risk of certain individual receivables, the Group'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 Group 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, past due;
- 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 (if provided), 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 Group's management.

The Group 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 over 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 (if provided), incl. 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 reliefs 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 Group to assess the credit risk related to loans, financial guarantees, 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 table below presents the quality of the Group's financial assets, contract assets and financial guarantee contracts, as well as the maximum exposure to credit risk according to the credit rating adopted:

| 31.12.2020 | Note | Internal credit risk categorisation | Expected credit losses | Gross carrying amount BGN'000 | Impairment loss (allowance) BGN'000 | Carrying amount BGN'000 |
|---|---|---|---|---|---|---|
| Trade receivables | 8 | - | Lifetime (simplified approach) | 30,961 | (2,634) | 28,327 |
| Contract assets | 9 | - | Lifetime (simplified approach) | 579 | - | 579 |
| Other receivables | 6, 10 | Performing (Stage 1) | For a 12-month period | 2,698 | (37) | 2,661 |
| Cash and cash equivalents | 11 | Performing (Stage 1) | For a 12-month period | 37,002 | - | 37,002 |
| | | | **Total:** | **71,240** | **(2,671)** | **68,569** |

| 31.12.2019 | Note | Internal credit risk categorisation | Expected credit losses | Gross carrying amount BGN'000 | Impairment loss (allowance) BGN'000 | Carrying amount BGN'000 |
|---|---|---|---|---|---|---|
| Trade receivables | 8 | - | Lifetime (simplified approach) | 27,700 | (2,500) | 24,600 |
| Contract assets | 9 | - | Lifetime (simplified approach) | 927 | (4) | 923 |
| Other receivables | 6, 10 | Performing (Stage 1) | For a 12-month period | 1,792 | (14) | 1,778 |
| Cash and cash equivalents | 11 | Performing (Stage 1) | For a 12-month period | 16,196 | - | 16,196 |
| | | | **Total:** | **46,615** | **(2,518)** | **43,497** |

*Cash*

The Group'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, in order to assess the presence of increased credit risk and currently manage cash inflows and outflows and cash allocation in bank accounts and banks.

The Group's cash and cash equivalents available as at 31 December 2020 are in Group's accounts with rating BBB- to A- according to Fitch (31 December 2019: BBB- and A- according to Fitch).

***Currency risk***

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

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

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

| **31.12.2020** | **BGN** | **EUR** | **RON** | **USD** | **HUF** | **Other currencies** | **Total** |
|---|---|---|---|---|---|---|---|
| | **BGN'000** | **BGN'000** | **BGN'000** | **BGN'000** | **BGN'000** | **BGN'000** | **BGN'000** |
| Trade receivables | 17,072 | 1,417 | 9,783 | 55 | - | - | 28,327 |
| Other receivables | 987 | 526 | 983 | - | 48 | 117 | 2,661 |
| Cash and cash equivalents | 24,480 | 6,205 | 5,349 | 48 | 873 | 47 | 37,002 |
| **Total assets** | **42,539** | **8,148** | **16,115** | **103** | **921** | **164** | **67,990** |
| Lease liabilities | 43,435 | 30,834 | - | - | - | - | 74,269 |
| Long-term obligations under subsidiary acquisitions | - | 4,807 | - | - | - | - | 4,807 |
| Payables to banks | - | 1,082 | - | - | - | - | 1,082 |
| Loans from other financial institutions | - | 1,273 | - | - | - | - | 1,273 |
| Trade payables | 6,080 | 1,484 | 9,357 | 6 | 8 | - | 16,935 |
| Other payables | 10,439 | 1,308 | 4,902 | - | - | 366 | 17,015 |
| **Total liabilities** | **59,954** | **40,788** | **14,259** | **6** | **8** | **366** | **115,381** |

| 31.12.2019 | BGN | EUR | RON | USD | HUF | Other currencies | Total |
|---|---|---|---|---|---|---|---|
| | BGN'000 | BGN'000 | BGN'000 | BGN'000 | BGN'000 | BGN'000 | BGN'000 |
| Trade receivables | 12,339 | 5,327 | 6,917 | 17 | - | - | 24,600 |
| Other receivables | 763 | 1,315 | - | - | - | - | 2,078 |
| Cash and cash equivalents | 8,616 | 3,025 | 4,439 | 40 | 56 | 20 | 16,196 |
| **Total assets** | **21,718** | **9,667** | **11,356** | **57** | **56** | **20** | **42,874** |
| Lease liabilities | 39,173 | 13,311 | 10,498 | - | - | - | 62,982 |
| Long-term obligations under subsidiary acquisitions | - | 10,472 | - | - | - | - | 10,472 |
| Payables to banks | 994 | 1,964 | - | - | - | | 2,958 |
| Trade payables | 4,880 | 1,252 | 5,624 | 8 | - | - | 11,764 |
| Other payables | 5,633 | 226 | 2,626 | - | 14 | 4 | 8,503 |
| **Total liabilities** | **50,680** | **27,225** | **18,748** | **8** | **14** | **4** | **96,679** |

*Foreign currency sensitivity analysis*

The table below demonstrates the currency sensitivity to a 10% increase/decrease in the current exchange rate of BGN against currencies other than BGN and EUR based on the structure of foreign currency assets and liabilities as at 31 December with assumption that the influence of all other variables is ignored. The effect is measured and presented as impact on the financial result **before taxes** and on equity.

| | RON | | USD | | HUF | |
|---|---|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| | BGN'000 | BGN'000 | BGN'000 | BGN'000 | BGN'000 | BGN'000 |
| **10% increase in exchange rate** | | | | | | |
| *Financial result (profit or loss) +* | 186 | (739) | 10 | 5 | 91 | 4 |
| *Equity – accumulated earning +* | 186 | (739) | 10 | 5 | 91 | 4 |
| **10% decrease in exchange rate** | | | | | | |
| *Financial result (profit or loss) -* | (186) | 739 | (10) | (5) | (91) | (4) |
| *Equity – accumulated earning -* | (186) | 739 | (10) | (5) | (91) | (4) |

### 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 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 Group's payables as at 31 December by maturity based on non-discounted cash flows.

| **31.12.2020** | **Up to 3 months** | **From 3 to 12 months** | **From 1 to 5 years** | **From 5 to 10 years** | **Over 10 years** | **Total** |
|---|---|---|---|---|---|---|
| | **BGN'000** | **BGN'000** | **BGN'000** | **BGN'000** | **BGN'000** | **BGN'000** |
| Lease liabilities | 3,501 | 11,889 | 44,511 | 14,741 | 5,908 | 80,550 |
| Long-term liabilities under subsidiary acquisitions | - | 3,375 | 1,760 | - | - | 5,135 |
| Payables to banks | 227 | 593 | 279 | - | - | 1,099 |
| Loans from other financial institutions | 55 | 452 | 852 | - | - | 1,359 |
| Trade payables | 16,935 | - | - | - | - | 16,935 |
| Other payables | 17,015 | - | - | - | - | 17,015 |
| **Total** | **37,733** | **16,309** | **47,402** | **14,741** | **5,908** | **122,093** |

| **31.12.2019** | **Up to 3 months** | **From 3 to 12 months** | **From 1 to 5 years** | **From 5 to 10 years** | **Over 10 years** | **Total** |
|---|---|---|---|---|---|---|
| | **BGN'000** | **BGN'000** | **BGN'000** | **BGN'000** | **BGN'000** | **BGN'000** |
| Lease liabilities | 4,062 | 9,765 | 30,879 | 15,984 | 7,349 | 68,039 |
| Long-term liabilities under subsidiary acquisitions | - | 6,216 | 5,135 | - | - | 11,351 |
| Payables to banks | 503 | 1,406 | 1,093 | - | - | 3,002 |
| Trade payables | 11,764 | - | - | - | - | 11,764 |
| Payables to trustees | 8,503 | - | - | - | - | 8,503 |
| **Total** | **24,832** | **17,387** | **37,107** | **15,984** | **7,349** | **102,659** |

***Risk of interest-bearing cash flows***

In the structure of Group's assets, interest-bearing assets include cash with a fixed interest rate. On the other hand, the Group's borrowings in the form of long-term bank loans and a portion of lease liabilities usually have a variable interest rate. This fact makes the Group's cash flow partially 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, including through trade payables; and

(b) combined structure of interest rates on loans comprising two components – a permanent 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 each of Group companies. 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 Group's management currently monitors and analyses its exposure to changes in interest rates.

| **31 December 2020** | *interest-free* | **with floating interest %** | **with fixed interest %** | **Total** |
|---|---|---|---|---|
| | **BGN '000** | **BGN '000** | **BGN '000** | **BGN '000** |
| Receivables and loans | 30,988 | - | - | 30,988 |
| Cash and cash equivalents | 5,486 | - | 31,516 | 37,002 |
| **Total financial assets** | **36,474** | **-** | **31,516** | **67,990** |
| Bank loans and lease liabilities | - | 22,418 | 54,206 | 76,624 |
| Long-term liabilities under subsidiary acquisitions | - | - | 4,807 | 4,807 |
| Other loans and liabilities | 33,950 | - | - | 33,950 |
| **Total financial liabilities** | **33,950** | **22,418** | **59,013** | **115,381** |

| ***31 December 2019*** | *interest-free* | **with floating interest %** | **with fixed interest %** | **Total** |
|---|---|---|---|---|
| | **BGN '000** | **BGN '000** | **BGN '000** | **BGN '000** |
| Receivables and loans | 26,678 | - | - | 26,678 |
| Cash and cash equivalents | 1,675 | - | 14,521 | 16,196 |
| **Total financial assets** | **28,353** | **-** | **14,521** | **42,874** |
| Bank loans and lease liabilities | - | 21,893 | 44,047 | 65,940 |
| Long-term liabilities under subsidiary acquisitions | - | - | 10,472 | 10,472 |
| Other loans and liabilities | 20,267 | - | - | 20,267 |
| **Total financial liabilities** | **20,267** | **21,893** | **54,519** | **96,679** |

***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 judgments of independent market participants in a principal or most advantageous market for a particular asset or liability. The Group 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 Group expects to realise these financial assets and liabilities or through their total refund or respectively, settlement over time. Therefore, they are presented at amortised cost..

In addition, a large part of the financial assets and liabilities are either short-term in their nature (trade receivables and payables,) or are presented in the consolidated statement of financial position at market value and therefore, their fair value is almost equal to their carrying amount. In respect of granted and received loans with fixed interest, an estimate of their fair value is determined by discounting their future cash flows based on average market interest rates at the statement of financial position date.

As far as the Bulgarian market of financial instruments is still not sufficiently developed – with stability 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 Group believes that the estimates of the financial assets and liabilities presented in the consolidated 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 in the consolidated financial statements do not materially deviate from their carrying amount.

## 35. CAPITAL MANAGEMENT

The main aim of Group'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, incl. to continue as going concern and provide the respective return of funds invested to 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 Group manages its capital structure and reacts accordingly to changes in economic environment.

The Group 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 borrowing as is in the statements of financial position less cash and cash equivalents. Total capital is sum of total equity and net debt.

It is the Group'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:

| | 31.12.2020 | 31.12.2019 |
|---|---|---|
| | BGN'000 | BGN'000 |
| Lease liabilities | 74,269 | 62,982 |
| Long-term liabilities under subsidiary acquisitions | 4,807 | 10,472 |
| Payables under bank loans | 1,082 | 2,958 |
| Loans from other financial institutions | 1,273 | - |
| Less cash | (37,002) | (16,196) |
| **Net debt** | **44,429** | **60,216** |
| | | |
| Equity | 75,796 | 59,906 |
| Total net debt and equity | 120,225 | 120,122 |
| **Debt ratio** | **36,95%** | **50,13%** |

The management has elected to monitor as key two further financial indicators, namely: consolidated net financial debt and adjusted earnings before interest, taxes, depreciation and amortisation.

The table below presents the consolidated net financial debt and adjusted earnings before interest, taxes, depreciation and amortisation.

| **Adjusted earnings before interest, taxes, depreciation and amortisation** | | | **2020** | **2019** |
|---|---|---|---|---|
| | | Note | **BGN '000** | **BGN '000** |
| | **Consolidated net profit** | | 26,846 | 19,026 |
| Plus: | Income tax expense (current and deferred) | 31 | 3,521 | 2,400 |
| Plus: | Finance costs | 30 | 3,875 | 2,569 |
| Plus: | Depreciation and amortisation expenses and impairment of non-current assets | 3, 4 | 23,415 | 22,299 |
| Minus: | Finance income | | - | - |
| Minus: | Gains on sales of non-current assets exceeding BGN 1,500 thousand | 23 | - | (15) |
| Minus: | Other untypical and one-off revenue | | (185) | (622) |
| | *including grants* | *24* | *(95)* | *(310)* |
| Plus: | Other untypical and one-off expenses | | 1,128 | 638 |
| | *incl. provisions for liabilities* | *24* | *-* | *23* |
| | **Adjusted earnings before interest, taxes, depreciation and amortisation (EBITDA)** | | **58,600** | **46,295** |

| Consolidated net debt | | Note | 31.12.2020 BGN '000 | 31.12.2019 BGN '000 |
|---|---|---|---|---|
| | Lease liabilities | 13 | 74,269 | 62,982 |
| | Long-term bank loans | 15 | 1,082 | 2,958 |
| | Other liabilities with a financing component, including: | | 6,080 | 10,472 |
| | *Long-term liabilities under subsidiary acquisitions* | *14* | *4,807* | *10,472* |
| | *Loans from other financial institutions* | *16* | *1,273* | - |
| | Dividend payables | | - | - |
| | Profit tax payables | 20 | 962 | 626 |
| | Retirement benefit obligations | 17 | 183 | 173 |
| | Variable remuneration to members of the Board of Directors | 17, 19 | 234 | 228 |
| | Unused compensated leaves and security contributions thereon | 19 | 1,751 | 2,033 |
| | Payables to trustees on amounts collected for cash upon delivery | 21 | 16,905 | 8,358 |
| | Present and conditional payables to employees related to loyalty contracts, bonuses for change in control, contract termination, share rights and other contractual compensations and bonuses to staff | | - | - |
| | Deferred tax liabilities | Note A | - | - |
| | | | **101,466** | **87,830** |
| minus | Cash and cash equivalents | 11 | (37,002) | (16,196) |
| | Loans granted | | - | - |
| | Grants received | 21 | (34) | (129) |
| | Deferred tax assets | Note A | (512) | (490) |
| | | | **(37,548)** | **(16,815)** |
| | **Consolidated net debt** | | **63,918** | **71,015** |

*Note A:* In the calculation of the ‘consolidated net debt’ indicator, deferred tax data (deferred tax assets and liabilities) is used from the Group companies’ separate financial statements, because taxation is not done on consolidated level, but at the level of individual Group companies.

## 36. EVENTS AFTER THE END OF THE REPORTING PERIOD

In the beginning of 2021 Geopost S.A. (France) made a decision to exercise its contractual rights and requested that the ultimate parent Speedy Group AD to sell, respectively – ensure the sale, to Geopost (acquisition option) of a number of shares in Speedy AD (the "Company") constituting 45% (forty-five percent) of the Company's issued and registered shares. The transaction for purchase of shares was performed in a voluntary manner pursuant to Art. 149 b, Para 1 and the other applicable provisions of the Public Offering of Securities Act (POSA) at a share price of BGN 58.67.

On 20 January 2021, in accordance with the requirements of Art. 151, Para 3 of POSA, Geopost S.A. informed the Board of Directors of Speedy AD that it registered a call for all shares in the capital of Speedy AD not held by Geopost S.A., allowing all other shareholders, including the parent company, to sell their shares in accordance with the deadlines and conditions specified in the call.

On 23 March 2021 the parent company informed the company that as a resulted of the accepted call, on 19 March 2021 Speedy Group OOD transferred 2,419,929 shares, thereby reducing its capital in Speedy AD to 20.09% or 1,080,438 voting shares.

In relation to the above. Geopost S.A. (France) and Speedy Group AD concluded an options contract for share purchase and sale, effective as from 19 March 2021. According to this contract, Speedy Group will have the right to request that Geopost acquires from Speedy Group its remaining shares in the Speedy AD, constituting minimum 20,09%, and this option may be exercised in the period from 19 March 2023 to 19 March 2031. If Speedy Group does not exercise this right in the above stated period, Geopost may require that Speedy Group sells to it its remaining shares in the Speedy AD, constituting minimum 20,09%, and this option may be exercised in the period from 20 March 2031 to 20 March 2032. The measurement of the shares offered for sale or acquisition will amount to 8 times adjusted EBITDA less the consolidated net financial debt for the financial year preceding the date of exercise of the respective option.