



Sirma

Notes

to the Interim Separate
Financial Statements
of "Sirma Group Holding" JSC
for the period 01.01.2020 - 30.09.2020

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Notes to the interim separate financial statements

1. General information about “Sirma Group Holding” JSC

“Sirma Group Holding” JSC is a holding company registered on 25.04.2008 in the Commercial Register under UIC 200101236.

Principal place of business and registered office: BULGARIA, Sofia (capital), Sofia municipality, city. Sofia, 1784, Mladost area, bul. Tsarigradsko Shosse, No 135.

The company's principal activities include

Acquisition, management, evaluation and sale of interest in Bulgaria and foreign entities; acquisition, evaluation and sale of patents, granting of licenses to use patents of the entities in which the company holds interests, financing the entities in which the company holds shares, organizing their accounting and compiling financial statements under the Law of Accounting. The Company may perform independent business activity that is not prohibited by law.

The share capital of the company amounts to BGN 59 360 518, divided into 59 360 518 dematerialized shares with nominal value of BGN 1.

The capital of the Company has changed as follows:

Date	Amount of capital
30.10.2015	BGN 59 360 518
23.10.2014	BGN 49 837 156
22.10.2010	BGN 73 340 818
15.10.2008	BGN 77 252 478
25.4.2008	BGN 50 000

The company's capital is fully paid.

The non-monetary contributions in the company's capital are presented below:

- Software representing 29 (twenty nine) software modules
Amount: 61 555 838 BGN
- 81 960 ordinary registered shares of "Sirma Group" JSC registered in the Commercial Register under UIC 040529004.
Amount: 11 734 980 BGN
- Real Estate - Floor 3 of an office building "IT - Center Office Express" in Sofia, bul. "Tsarigradsko Shosse" N 135 with an area of 796,50 square meters, pursuant to Deed of buying and selling real estate N 126, Volume I, reg. N 4551, case N 116 from 23.04.2003 and 5 floor of an office building "IT - center office Express" in Sofiabul. "Tsarigradsko Shosse" N 135 with area of 281.81 square meters, according to Deed of sale of real estate N 86, Volume 4, Reg. N 10237, Case N 592 of 23.12.2004
Amount: 3 911 660 BGN



1.1. Distribution of share capital

As of 30.09.2020 the distribution of the share capital of “Sirma Group Holding” JSC is as follows:

	30.09.2020	30.06.2020
Share capital	59 361	59 361
Number of shares (par value of 1.00 lev)	59 360 518	59 360 518
Total number of registered shareholders	1 034	1 056
Legal entities	48	50
Individuals	986	1 007
Number of shares held by legal entities	8 546 564	9 566 716
% Of participation of entities	14,40%	16,12%
Number of shares held by individuals	50 813 954	49 793 802
% Participation of individuals	85,60%	83,88%

Share capital allocation, including deduction of repurchased own shares is as follows:

Shareholders	Number of shares at 30.09.2020	Number of shares at 30.06.2020	Nominal VALUE (BGN)	Value (BGN)	% Shareholding	% shareholding with deducted repurchased own shares
Georgi Parvanov Marinov	5 269 748	5 269 748	1	5 269 748	8,88%	8,97%
Tsvetan Borisov Alexiev	4 865 753	4 865 753	1	4 865 753	8,20%	8,28%
Chavdar Velizarov Dimitrov	4 750 786	4 750 786	1	4 750 786	8,00%	8,08%
Veselin Antchev Kirov	4 700 786	4 700 786	1	4 700 786	7,92%	8,00%
Ivo Petrov Petrov	4 201 400	2 920 570	1	4 201 400	7,08%	7,15%
Ognyan Plamenov Chernokozhev	3 741 620	3 741 620	1	3 741 620	6,30%	6,37%
Atanas Kostadinov Kiryakov	2 887 524	2 887 524	1	2 887 524	4,86%	4,91%
Krasimir Nevelinov Bozhkov	2 534 161	2 534 161	1	2 534 161	4,27%	4,31%
Vladimir Ivanov Alexiev	2 177 583	2 177 583	1	2 177 583	3,67%	3,70%
Rosen Vasilev Varbanov	2 156 687	2 156 687	1	2 156 687	3,63%	3,67%
Emiliana Ilieva Ilieva	2 045 289	2 045 289	1	2 045 289	3,45%	3,48%
Yavor Liudmilov Djonev	1 392 746	1 392 746	1	1 392 746	2,35%	2,37%
UPF "Doverie" JSC	1 047 678	1 047 678	1	1 047 678	1,76%	1,78%
Bank of New York Mellon	967 600	1 083 249	1	967 600	1,63%	1,65%
Peter Nikolaev Konyarov	870 665	935 665	1	870 665	1,47%	1,48%
Unicredit Bank Austria	868 600	868 600	1	868 600	1,46%	1,48%
"Mandjukov" Ltd.	860 000	960 000	1	860 000	1,45%	1,46%
UPF "DSK Rodina"	747 036	747 036	1	747 036	1,26%	1,27%
UPF "Pension Insurance Institute"	715 810	715 810	1	715 810	1,21%	1,22%
Others	12 559 046	13 559 227	1	12 559 046	21,16%	20,37%
Total	59 360 518	59 360 518		59 360 518	100%	100%

As of 30.09.2020 „Sirma Group Holding“ JSC holds 584 474 repurchased own shares at the total amount of BGN 584 474 (0,98 % of share capital). The Company has no newly acquired own shares during the period.



Shareholders holding more than 5% of the company's capital are:

Shareholders	Number of shares at 30.09.2020	% Shareholding	% shareholding with deducted repurchased own shares
Veselin Antchev Kirov	5 269 748	8,88%	8,95%
Tsvetan Borisov Alexiev	4 865 753	8,20%	8,26%
Chavdar Velizarov Dimitrov	4 750 786	8,00%	8,07%
Georgi Parvanov Marinov	4 700 786	7,92%	7,98%
Ivo Petrov Petrov	4 201 400	7,08%	7,15%
Ognyan Plamenov Chernokozhev	3 741 620	6,30%	6,35%

Shareholders	Number of shares at 30.06.2020	% Shareholding	% shareholding with deducted repurchased own shares
Georgi Parvanov Marinov	5 269 748	8,88%	8,95%
Tsvetan Borisov Alexiev	4 865 753	8,20%	8,26%
Chavdar Velizarov Dimitrov	4 750 786	8,00%	8,07%
Veselin Antchev Kirov	4 700 786	7,92%	7,98%
Ognyan Plamenov Chernokozhev	3 741 620	6,30%	6,35%



1.2. Management authorities

“Sirma Group Holding” JSC has a one-tier management system which comprises of a Board of Directors.

The Board of Directors as at 30.09.2020 includes the following members:

Chavdar Velizarov Dimitrov
Tsvetan Borisov Alexiev
Atanas Kostadinov Kiryakov
Georgi Parvanov Marinov
Petar Borisov Statev - independent member
Yordan Stoyanov Nedev - independent member

Method of determining the mandate of the Board of Directors: 2 years from the date of entry.

The current term of the Board of Directors is until 19.09.2021.

The company is represented by the executive director - Tsvetan Borisov Alexiev.

The following Committees are established within the Board of Directors:

- Investment and Risk Committee;
- Remuneration Committee – an internal authority not selected by the GMS;
- Information Disclosure Committee;
- Audit Committee.

The participation of members of the Board of Directors in the capital of the Company is as follows:

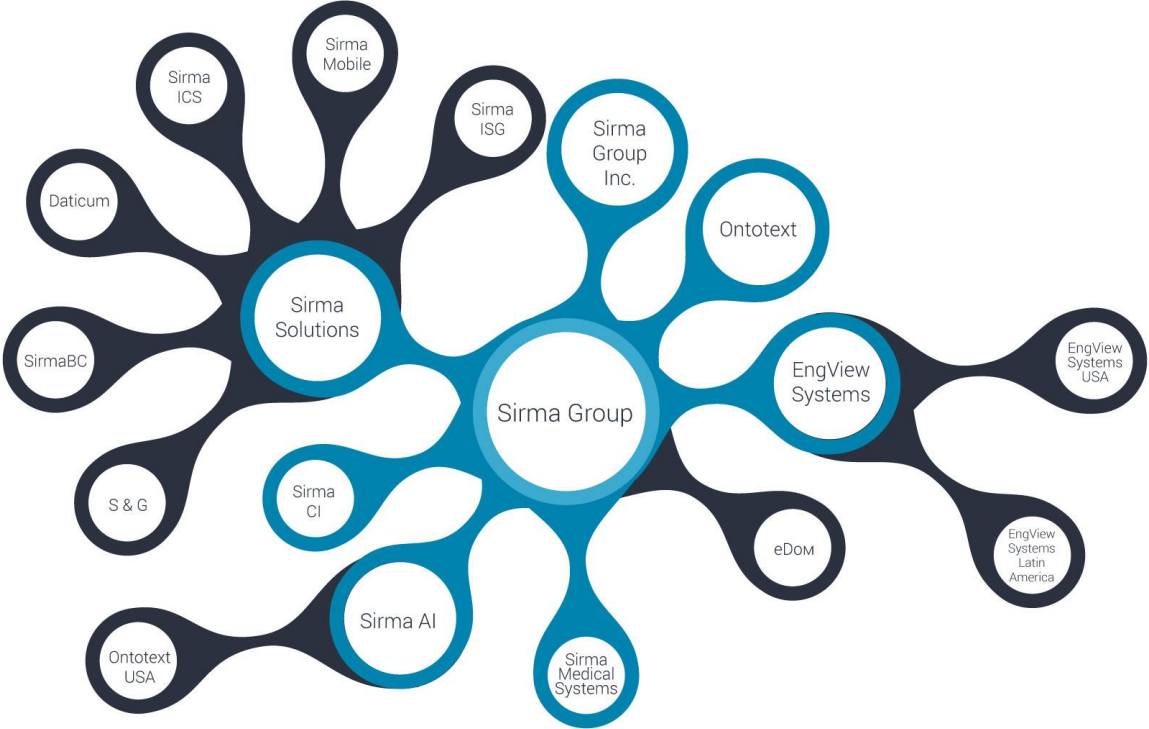
Shareholders	Number of shares at 30.09.2020	Number of shares at 30.06.2020	Nominal value (BGN)	Value (BGN)	% Shareholding	% shareholding with deducted repurchased own shares
Georgi Parvanov Marinov	5 269 748	5 269 748	1	5 269 748	8,88%	8,95%
Tsvetan Borisov Alexiev	4 865 753	4 865 753	1	4 865 753	8,20%	8,26%
Chavdar Velizarov Dimitrov	4 750 786	4 750 786	1	4 750 786	8,00%	8,07%
Atanas Kostadinov Kiryakov	2 887 524	2 887 524	1	2 887 524	4,86%	4,90%
Petar Borisov Statev	10 100	10 100	1	10 100	0,02%	0,02%
Yordan Stoyanov Nedev	3 433	3 433	1	3 433	0,01%	0,01%
Total	17 787 344	17 787 344		17 787 344	29,96%	30,21%

During the period there was no change in the participation of the members of the Board of Directors in the capital of the company.



Organizational structure of Sirma Group:

The structure of the Group includes “Sirma Group Holding” JSC as the parent company and the companies listed below, as follows:



Subsidiaries of "Sirma Group Holding" JSC:

Company	Value of the investment at 30.09.2020 (BGN'000)	Percentage of capital at 30.09.2020	Percentage of capital with adjusted repurchased own shares at 30.09.2020	Value of the investment at 31.12.2019 (BGN'000)	Percentage of capital at 31.12.2019	Percentage of capital with adjusted repurchased own shares at 31.12.2019
Sirma Solutions	39 311	77,71%	82,43%	39 311	77,71%	82,43%
Sirma AI	7 035	100,00%	100,00%	7 035	100,00%	100,00%
Sirma Medical Systems	66	66,00%	66,00%	66	66,00%	66,00%
Sirma Group Inc.	3 471	76,16%	76,29%	3 471	76,16%	76,29%
Sirma CI	106	80,00%	80,00%	106	80,00%	80,00%
Ontotext	17 865	87,65%	90,44%	17 865	87,65%	90,44%
Engview Systems	50	72,90%	72,90%	50	72,90%	72,90%
Total	67 904			67 904		

“Sirma Group Holding JSC” is a public company under the Public Offering of Securities Act.

The number of employees as of 30.09.2020 is 25 people, including 19 employees under labour contracts and 6 under management contracts.



2. Basis for the preparation of the interim separate financial statements

These interim separate financial statements for the period of three months to 30 September 2020 have been prepared in accordance with IAS 34 “Interim Financial Reporting”. It does not contain all the information required for the preparation of annual financial statements in accordance with IFRS and should be read in conjunction with the annual financial statements of the Company as of 31 December 2019, prepared in accordance with International Financial Reporting Standards (IFRS), developed and published by the International Accounting Standards Board (IASB) and adopted by the European Union (EU).

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

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

These interim financial statements are separate financial statements. The Company also prepares interim consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) developed and published by the International Accounting Standards Board (IASB) and approved by EU. Investments in subsidiaries are accounted for and disclosed in accordance with IFRS 10 “Consolidated Financial Statements”.

The interim financial statements are prepared under the going concern principle.

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

3. Changes in accounting policies

3.1. New Standards adopted as at 1 January 2020

The Company has applied the following new standards, amendments and interpretations to IFRS, developed and published by the International Accounting Standards Board, which are mandatory for application from the annual period beginning on 1 January 2020, but do not have a significant effect on their application on the financial result and the financial condition of the Company:

- IFRS 3 (amended) - Definition of a Business, effective from 1 January 2020, not yet adopted by the EU
- IAS 1 and IAS 8 (amended) - Definition of Materiality, effective from 1 January 2020, adopted by the EU
- Amendments to the references to the Conceptual Framework for Financial Reporting in force since 1 January 2020, adopted by the EU
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform (issued on 26 September 2019) , effective from 1 January 2020, not yet adopted by the EU

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

The following new standards, amendments and interpretations to existing standards have been issued, but are not effective, and are not anticipated to have relevant effect on the the Company's financial statements:

- IFRS 16 Leases - Covid-19-Related Rent Concessions, effective from 1 September 2020, not adopted by the EU
- IAS 1 Presentation of financial statements: Classification of Liabilities as Current or Non-Current, effective from 1 January 2023, not adopted by the EU



- Annual Improvements to IFRS Standards 2018–2020, effective from 1 January 2022, not adopted by the EU
- IAS 16 Property, Plant and Equipment — Proceeds before Intended Use, effective from 1 January 2022, not adopted by the EU
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts — Cost of Fulfilling a Contract, effective from 1 January 2022, not adopted by the EU
- IFRS 14 “Regulatory deferral accounts” effective from 1 January 2016, not adopted by the EU
- IFRS 17 “Insurance Contracts” effective from 1 January 2021, not yet adopted by the EU

4. Significant accounting policies

4.1. Overall considerations

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

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

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

4.2. Presentation of separate financial statements

The separate financial statements are presented in accordance with IAS 1 “Presentation of Financial Statements”.

The Company has elected to present the statement of profit or loss and other comprehensive income as a single statement.

Two comparative periods are presented for the statement of financial position when the Company applies an accounting policy retrospectively, makes a retrospective restatement of items in its financial statements, or reclassifies items in the financial statements and this has a material impact on the statement of financial position at the beginning of the preceding period.

In 2020 two comparative periods are presented.

4.3. Investments in subsidiaries

Subsidiaries are firms under the control of the Company. The Company controls an investee when it 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. In the financial statements of the Company investment in subsidiaries is accounted at cost of the investment.

The Company recognises a dividend from a subsidiary in profit or loss in its separate financial statements when its right to receive the dividend is established.

4.4. Investments in associates

Associates are those entities over which the Company is able to exert significant influence, but which are neither subsidiaries nor interests in a joint venture. Investments in associates are initially recognised and subsequently measured at cost or in accordance with IFRS 9 or using the equity method as described in IAS 28.

The Company recognises a dividend from a jointly controlled entity or associate in profit or loss in its separate financial statements when its right to receive the dividend is established.

All subsequent changes to the Entity's share of interest in the equity of the associate are recognised in the carrying amount of the investment. Changes resulting from the profit or loss generated by the



associate are reported within “Profit/ (Loss) from equity accounted investments” in the consolidated statement of profit or loss/ statement of profit or loss and other comprehensive income. These changes include subsequent depreciation, amortization or impairment of the fair value adjustments of assets and liabilities.

Changes resulting from other comprehensive income of the associate or items recognised directly in the associate's equity are recognised in other comprehensive income or equity of the Entity, as applicable. However, when the Entity's share of losses in an associate equal or exceeds its interest in the associate, including any unsecured receivables, the Entity does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the investor resumes recognizing its share of those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognised.

Unrealized gains and losses on transactions between the Entity and its associates and joint ventures are eliminated to the extent of the Entity's interest in those entities. Where unrealized losses are eliminated, the underlying asset is also tested for impairment losses from an Entity's perspective. Amounts reported in the financial statements of associates and jointly controlled entities have been adjusted where necessary to ensure consistency with the accounting policies of the Entity.

Upon loss of significant influence over the associate, the Entity measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the sum of the fair value of the retaining investment and proceeds from disposal is recognised in profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

4.5. Foreign currency translation

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

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

Bulgarian leva is pegged to the euro at an exchange rate of EUR 1 = BGN 1,95583.

4.6. Segment reporting

“Sirma Group Holding” JSC is a parent company that prepares consolidated financial statements and segment information is disclosed only in the consolidated financial statements.

4.7. Revenue

The basic revenue generated by the Company is related revenue from sales of services, interest income, revenue from participations, revenue from financing and other revenue.

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

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



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

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

4.7.1. Revenue recognised over time

- **Rendering of services**

The services provided by the Company include the following services: subscriptions, administrative, accounting, consulting and other services. Service revenue is recognized when control over the benefits of the services provided is transferred to the service user.

4.7.2. Revenue recognised at a point of time

Revenue is recognized when the Company has transferred control of the assets provided to the buyer. Control is considered to be transferred to the buyer when the customer has accepted the assets without objection.

4.7.3. Revenue from investment property rental

Rental revenue from operating leases is recognized as revenue on a straight-line basis over the term of the lease, except where the management of the company determines that another systematic basis more accurately reflects the time model, which utilizes the reaped benefit of the leased asset.

4.7.4. Interest and dividend income

Interest income is related to loan agreements and deposits granted under the business activity of the holding company. It is reported on an accrual basis using the effective interest method. Dividend income is recognised at the time the right to receive payment is established.

4.7.5. Revenue from financing

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

4.8. Contract assets and liabilities

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

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

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

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



4.9. Operating expenses

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

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

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

Expenditure for warranties is recognised and charged against the associated provision when the related revenue is recognised.

4.10. Interest expenses and borrowing costs

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

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

To the extent that the Company borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the Company shall determine the amount of borrowing costs eligible for capitalization by applying a capitalization rate to the expenditures on that asset. The capitalization rate shall be the weighted average of the borrowing costs applicable to the borrowings of the Company that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

4.11. Intangible assets

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

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

Subsequent expenditure on an intangible asset after initial are recognized in the separate statement of profit or loss and other comprehensive income for the period of their occurrence, unless due to them the asset can generate more than the originally projected future economic benefits and when these costs can be reliably estimated and attributed to the asset. If these conditions are met, the subsequent expenditure is added to the carrying amount of the intangible asset.

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



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

- Software 5-20 years
- Others 2-20 years

Amortization has been included within “Depreciation, amortization of non-financial assets”.

Expenditure on research (or the research phase of an internal project) is recognised as an expense in the period in which it is incurred.

Costs that are directly attributable to the development phase of an intangible asset are capitalized provided they meet the following recognition requirements:

- completion of the intangible asset is technically feasible so that it will be available for use or sale;
- the Company intends to complete the intangible asset and use or sell it;
- the Company has the ability to use or sell the intangible asset;
- the intangible asset will generate probable future economic benefits. Among other things, this requires that there is a market for the output from the intangible asset or for the intangible asset itself, or, if it is to be used internally, the asset will be used in generating such benefits;
- there are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the expenditure attributable to the intangible asset during its development can be measured reliably.

Development costs not meeting these criteria for capitalization are expensed as incurred.

Directly attributable costs to the development phase include employee remuneration and social security expense as well as hired services expenses. Internally generated intangible assets are subject to the same subsequent measurement method as externally acquired intangible assets. However, until completion of the development project, the assets are subject to impairment testing only as described below in note 4.14.

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

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

4.12. Property, plant and equipment

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

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

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

Material residual value estimates and estimates of useful life are updated from the management at each reporting date.

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



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

- Buildings 50 years
- Machines 3-8 years
- Vehicles 4 years
- Business inventory 7,5 years
- IT equipment 2-5 years
- Others 7,5 years

Depreciation expense is included in the separate statement of profit or loss and other comprehensive income on the line "Depreciation expense for non-financial assets".

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

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

4.13. Leases

The Company as a lessor

The Company's accounting policy under IFRS 16 has not changed from the comparative period.

As a lessor the Company classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards of ownership of the underlying asset, and as an operating lease if it does not substantially transfer all the risks and rewards of ownership of the underlying asset.

The Company as a lessee

For any new contracts entered into on or after 1 January 2020, the Company considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company
- the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Company has the right to direct the use of the identified asset throughout the period of use.

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

Measurement and recognition of leases as a lessee

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

The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the



lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

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

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

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

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

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

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

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

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

4.15. Investment property

The investment property is initially measured at cost, which comprises the purchase price and any directly attributable expenses, e. g. legal fees, property transfer taxes and other transaction costs.

The Company accounts for investment property as buildings that are held for rental income and / or for capital appreciation, using the acquisition cost model.

The investment property of the Company includes buildings held to earn rentals and/or for capital appreciation and are accounted for using the cost model.

The investment property is initially measured at cost, which comprises the purchase price and any directly attributable expenses, e. g. legal fees, property transfer taxes and other transaction costs.

Following the initial recognition, the investment property is measured at cost less any subsequent accumulated depreciation and any subsequent impairment losses.

Subsequent expenditure relating to investment property, which is already recognised in the Company’s financial statements, is added to the carrying amount of the investment property when it is probable that



this expenditure will enable the existing investment property to generate future economic benefits in excess of its originally assessed value. All other subsequent expenditure is recognised as incurred.

The investment property is derecognised upon its sale or permanent withdrawal from use in case that no future economic benefits are expected from its disposal. Gains or losses arising from the disposal of investment properties are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss.

Depreciation is calculated using the straight-line method over the estimated useful life of the buildings, which is 50 years.

Rental income and operating expenses from investment property are reported in the separate statement of profit or loss and other comprehensive income, respectively in the line "Revenue from sales", "Other expenses" and "Employee benefits expense" respectively and are recognised as described in note 20.2, note 25 and note 4.9.

4.16. Financial instruments

4.16.1. Recognition and derecognition

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

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

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

4.16.2. Classification and initial measurement of financial assets

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

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

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

The classification is determined by both:

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

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



4.16.3. Subsequent measurement of financial assets

The percentages of expected losses are based on the sales payment profiles and the corresponding historical credit losses that occurred during that period. Historical loss values are adjusted to reflect current and forecast information about the macroeconomic factors that affect customers' ability to settle claims. The company has determined the GDP and unemployment rate of the countries in which it sells its goods and services, as the most important factors and accordingly adjusts historical losses based on the expected changes in these factors.

Financial assets at amortised cost

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

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

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

Trade receivables

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

Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model than “hold to collect” or “hold to collect and sell”, and financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply (see below).

This category also contains an equity investment. The Company accounts for the investment at FVTPL and did not make the irrevocable election to account for the investment in subsidiaries at FVOCI.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

4.16.4. Impairment of financial assets

IFRS 9's new impairment requirements use forward-looking information to recognise expected credit losses – the “expected credit loss” (ECL) model.

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



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

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

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

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

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

Trade and other receivables, contract assets and finance lease receivables

The Company makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses.

The Company allows 50% for amounts that are 180 to 365 days past due and writes off fully any amounts that are more than 365 days past due.

4.16.5. Classification and measurement of financial liabilities

The Company’s financial liabilities include borrowings, finance lease payments, trade and other payables and derivative financial instruments.

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

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

The Company has designated some financial liabilities at FVTPL to reduce significant measurement inconsistencies between investment properties in the United States and related US-dollar bank loans with fixed interest rates. These investment properties are measured using the fair value model, with changes in the fair value recognised in profit or loss. The fair value of loans used to finance these assets correlates significantly with the valuation of the investment properties held by the Company, because both measures are highly reactive to the market interest rate for 30-year government bonds. The loans are managed and evaluated on a fair value basis through a quarterly management review in comparison with the investment property valuations. Therefore, the Company designates such fixed interest rate



loans as at FVTPL if they are secured by specific investment property assets that are held by the Company. This accounting policy reduces significantly what would otherwise be an accounting mismatch.

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

4.17. Income taxes

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

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

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of an asset or liability unless the related transaction affects tax or accounting profit.

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

Deferred tax liabilities are always provided for in full.

Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilized against future taxable income. For management's assessment of the probability of future taxable income to utilize against deferred tax assets, see note 4.22.2.

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

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

4.18. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, current bank accounts, demand deposits and deposits up to 3 months, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

4.19. Equity, reserves and dividend payments

Share capital represents the nominal value of shares that have been issued.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

Other reserves include the following:

- legal reserves, common reserves;
- revaluation reserve – comprises gains and losses from the revaluation of non-financial assets;



Retained earnings include all current and prior period retained profits and uncovered losses. Dividend payables to shareholders are included in ‘Related party payables’ when the dividends have been approved at the general meeting of shareholders prior to the reporting date. All transactions with owners of the Company are recorded separately within equity.

4.20. Post-employment benefits and short-term employee benefits

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

In accordance with Labour Code requirements, in case of retirement, after the employee has gained the legal right of pension due to years of services and age, the Company is obliged to pay him/her compensation at the amount of up to six gross wages. The Company has reported a liability by law for the payment of retirement compensation in accordance with IAS 19 “Employee Benefits”. The amount is based on forecasts made for the next five years, discounted with the long-term income percentage of risk free securities.

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

Net interest expense related to pension obligations is included in “Finance costs” in profit or loss. Service cost on the net defined benefit liability is included in “Employee benefits expense”.

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

4.21. Provisions, contingent liabilities and contingent assets

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

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

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

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

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

Possible inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets.



4.22. Significant management judgement in applying accounting policies

The following are significant management judgements in applying the accounting policies of the Company that have the most significant effect on the financial statements. Critical estimation uncertainties are described in note 4.23.

4.22.1. Internally generated intangible assets and research costs

Significant judgement is required in distinguishing research from the development phase. Development costs are recognised as an asset when all the criteria are met, whereas research costs are expensed as incurred.

To distinguish any research-type project phase from the development phase, it is the Company's accounting policy to also require a detailed forecast of sales or cost savings expected to be generated by the intangible asset. The forecast is incorporated into the Company's overall budget forecast as the capitalization of development costs commences. This ensures that managerial accounting, impairment testing procedures and accounting for internally-generated intangible assets is based on the same data.

The Company's management also monitors whether the recognition requirements for development costs continue to be met. This is necessary as the economic success of any product development is uncertain and may be subject to future technical problems after the time of recognition.

4.22.2. Deferred tax assets

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

4.23. Estimation uncertainty

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

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

In the preparation of the presented Separate financial statements the significant judgments of the management in applying the accounting policies of the Company and the main sources of uncertainty of the accounting estimates do not differ from those disclosed in the annual financial statements of the Company as at 31 December 2019, except for changes in the estimate of income tax liability..

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

4.23.1. Impairment of non-financial assets

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows (see note 4.14). In the process of measuring expected future cash flows management



makes assumptions about future operating results. These assumptions relate to future events and circumstances. The actual results may vary and may cause significant adjustments to the Company's assets within the next financial year.

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

The Company hasn't incurred an impairment loss on non-current assets in 2020 and 2019 in order to reduce the carrying amount of non-current assets to its recoverable amount.

4.23.2. Useful lives of depreciable assets

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

At 30 September 2020 management assesses that the useful lives represent the expected utility of the assets to the Company. The carrying amounts are analysed in notes 5,6 and 8. Actual results, however, may vary due to technical obsolescence, particularly relating to software and IT equipment.

4.23.3. Measurement of expected credit losses

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

4.23.4. Defined benefit liability

Management estimates the defined benefit liability annually with the assistance of independent actuaries; however, the actual outcome may vary due to estimation uncertainties. The estimate of its defined benefit liability is based on standard rates of inflation, medical cost trends and mortality. It also takes into account the Company's specific anticipation of future salary increases. Discount factors are determined close to each year-end by reference to high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability. Estimation uncertainties exist particularly with regard to actuarial assumptions, which may vary and significantly impact the defined benefit obligations and the annual defined benefit expenses.

4.23.5. Uncertain tax position and tax-related contingency

The Company's management has assessed whether it is probable that the tax authority will accept uncertain tax treatment. In its activities, the company complied with the tax practice and the probable tax treatment, and therefore the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and the tax rate, correspond to the used and expected treatment that will be used in declaring income taxes.



5. Property, plant and equipment

	Buildings	Vehicles	Office equipment	Machinery	Computer equipment	Assets under construction	Others	Total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Gross carrying amount								
Balance at 1 January 2020	143	28	126	203	483	550	46	1 579
Additions	27	-	162	5	1	350	5	550
Disposals	-	-	-	-	-	(900)	-	(900)
Balance at 30 September 2020	170	28	288	208	484	-	51	1 229
Depreciation								
Balance at 1 January 2020	(18)	(22)	(50)	(196)	(363)	-	(14)	(663)
Depreciation	(2)	(4)	(18)	(2)	(38)	-	(5)	(69)
Balance at 30 September 2020	(20)	(26)	(68)	(198)	(401)	-	(19)	(732)
Carrying amount at 30 September 2020	150	2	220	10	83	-	32	497
	Buildings	Vehicles	Office equipment	Machinery	Computer equipment	Assets under construction	Others	Total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Gross carrying amount								
Balance at 1 January 2019	143	28	126	203	460	406	46	1 412
Additions	-	-	-	-	23	185	-	208
Disposals	-	-	-	-	-	(41)	-	(41)
Balance at 31 December 2019	143	28	126	203	483	550	46	1 579
Depreciation								
Balance at 1 January 2019	(15)	(16)	(31)	(190)	(312)	-	(8)	(572)
Depreciation	(3)	(6)	(19)	(6)	(51)	-	(6)	(91)
Balance at 31 December 2019	(18)	(22)	(50)	(196)	(363)	-	(14)	(663)
Carrying amount at 31 December 2019	125	6	76	7	120	550	32	916

All depreciation charges are included within “Depreciation and amortization of non-financial assets” in the separate statement of profit or loss and other comprehensive income.

As at 30 September 2020 there were no material contractual commitments related to acquisition of items of property, plant and equipment.

The carrying amount of the Company’s property, plant and equipment pledged as security for its liabilities (see note 15) is presented as follows:



	Buildings	Vehicles	Office equipment	Machinery	Computer equipment	Others	Total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Carrying amount at 30 September 2020	150	2	220	10	83	32	497
Carrying amount at 31 December 2019	125	6	76	7	120	32	366

6. Intangible assets

The carrying amounts for the reporting periods under review can be analysed as follows:

	Software products	Rights to software modules	In process of acquisition	Others	Total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Gross carrying amount					
Balance at 1 January 2020	57	1 622	4 732	4 269	10 680
Additions, internally developed	-	-	72	-	72
Balance at 30 September 2020	57	1 622	4 804	4 269	10 752
Amortization and impairment					
Balance at 1 January 2020	(50)	(311)	-	(197)	(558)
Amortization	(7)	(285)	-	(161)	(453)
Balance at 30 September 2020	(57)	(596)	-	(358)	(1 011)
Carrying amount at 30 September 2020	-	1 026	4 804	3 911	9 741
	Software products	Rights to software modules	In process of acquisition	Others	Total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Gross carrying amount					
Balance at 1 January 2019	57	540	8 864	4	9 465
Additions, separately acquired	-	1 082	-	-	1 082
Additions, internally developed	-	-	133	4 265	4 398
In exploitation, internally developed	-	-	(4 265)	-	(4 265)
Balance at 31 December 2019	57	1 622	4 732	4 269	10 680
Amortization and impairment					
Balance at 1 January 2019	(39)	(31)	-	(1)	(71)
Amortization	(11)	(280)	-	(196)	(487)
Balance at 31 December 2019	(50)	(311)	-	(197)	(558)
Carrying amount at 31 December 2019	7	1 311	4 732	4 072	10 122

The Company's intangible assets reported under “Other” and “In process of acquisition” are internally developed. These include SIRMA CLOUD PLATFORM, which is a cloud management platform:

- Data centre virtualization management.
- Data warehouse storage virtualization management;
- Resource efficiency management;
- Resource cost management;
- Cloud management distributed in different geographical locations.

The Company has not entered into material contractual commitments to acquire intangible assets as at 30 September 2020 or 2019.

All amortization expenses are included within “Depreciation and amortization of non-financial assets” in the separate statement of profit or loss and other comprehensive income.

No intangible assets have been pledged as security for liabilities.



7. Investments in subsidiaries

The Company has the following investments in subsidiaries:

Name of the subsidiary	Country of incorporation and principal place of business	Main activities	30.09.2020	30.09.2020 share	31.12.2019	31.12.2019 share
			BGN'000	%	BGN'000	%
Sirma Solutions	Bulgaria	Software services	39 311	82,43%	39 311	82,43%
Ontotext	Bulgaria	Software services	17 865	90,44%	17 865	90,44%
Sirma AI	Bulgaria	Software services	7 035	100,00%	7 035	100,00%
Sirma Group Inc.	USA	Software services	3 471	76,15%	3 471	76,15%
Engview Systems	Bulgaria	Software services	50	72,90%	50	72,90%
Sirma Medical Systems	Bulgaria	Software services	66	66,00%	66	66,00%
Sirma CI	Bulgaria	Software services	106	80,00%	106	80,00%
			67 904		67 904	

The subsidiaries are recognised in the financial statements of the Company using the cost method.

The shares of the subsidiaries are not traded on a stock exchange.

The Company has contingent liabilities as a guarantor on loans granted to subsidiaries (see note 27).

8. Investment property

Investment properties are specially detached parts of buildings for self-operation, intended for long-term rent to subsidiaries and third parties. The investment properties have a total built-up area of 3 779 square meters and are part of a business building in Mladost district, Sofia.

Changes to the carrying amounts presented in the separate statement of financial position can be summarized as follows:

	Investment property BGN'000
Gross carrying amount	
Balance at 1 January 2020	7 750
Newly acquired assets:	725
- by purchase	-
- through subsequent costs	725
Balance at 30 September 2020	8 475
Depreciation	
Balance at 1 January 2020	(1 223)
Depreciation	(60)
Balance at 30 September 2020	(1 283)
Carrying amount at 30 September 2020	7 192



	Investment property BGN'000
Gross carrying amount	
Balance at 1 January 2019	7 750
Balance at 31 December 2019	<u>7 750</u>
Depreciation	
Balance at 1 January 2019	(1 146)
Depreciation	<u>(77)</u>
Balance at 31 December 2019	<u>(1 223)</u>
Carrying amount at 31 December 2019	<u>6 527</u>

9. Deferred tax assets and liabilities

Deferred taxes arising from temporary differences and unused tax losses can be summarized as follows:

Deferred tax liabilities (assets)	31 December 2019	30 September 2020
	BGN'000	BGN'000
Non-current assets		
Property, plant and equipment, Intangible assets, Investment property	88	88
Impairment of investments	(22)	(22)
Current assets		
Trade and other receivables	(151)	(151)
Non-current liabilities		
Pension and other employee obligations	(4)	(4)
Current liabilities		
Employee obligations	(23)	(23)
	<u>(112)</u>	<u>(112)</u>
Deferred tax assets	88	88
Deferred tax liabilities	(200)	(200)
Recognised as:		
Net deferred tax liabilities/(assets)	<u>(112)</u>	<u>(112)</u>

Deferred taxes for the comparative period 2019 can be summarized as follows:

Deferred tax liabilities (assets)	31 December 2018	Effect from IAS 8	31 December 2018 Restated	Recognised in profit and loss	31 December 2019
	BGN'000			BGN'000	BGN'000
Non-current assets					
Property, plant and equipment, Intangible assets, Investment property	82	-	82	6	88
Impairment of investments	(22)	-	(22)	-	(22)
Current assets					
Trade and other receivables	(142)	(4)	(146)	(5)	(151)
Non-current liabilities					
Pension and other employee obligations	(3)	-	(3)	(1)	(4)
Current liabilities					
Employee obligations	(10)	-	(10)	(13)	(23)
	<u>(95)</u>	<u>(4)</u>	<u>(99)</u>	<u>(13)</u>	<u>(112)</u>
Deferred tax assets	(177)		(181)		88
Deferred tax liabilities	82		82		(200)
Recognised as:					
Net deferred tax liabilities/(assets)	<u>(95)</u>		<u>(99)</u>		<u>(112)</u>

All deferred tax assets and liabilities have been recognised in the separate statement of financial position.



10. Trade receivables

	30.09.2020	31.12.2019
	BGN'000	BGN'000
Trade receivables, gross amount before impairment	58	164
Impairment of trade receivables	(9)	(9)
Trade receivables	49	155

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

All trade receivables of the Company have been reviewed for indicators of impairment. They have applied simplified approach for determining the expected credit losses at the end of the period.

An analysis of unimpaired trade receivables that are past due is presented in note 29.

The most significant trade receivables as at 30 September are presented below:

	30.09.2020	31.12.2019
	BGN'000	BGN'000
Client 1	20	120
Client 2	11	10
Client 3	7	6
	38	136

11. Prepayments and other assets

	30.09.2020	31.12.2019
	BGN'000	BGN'000
Other receivables, gross amount before impairment	593	582
Impairment losses on other receivables	(1)	(1)
Other receivables	592	581
Prepayments	63	228
Other assets, non-financial	655	809

For all other assets of the Company a simplified approach has been applied to determine the expected credit losses at the end of the period.

12. Cash and cash equivalents

Cash and cash equivalents include the following components:

	30.09.2020	31.12.2019
	BGN'000	BGN'000
Cash at bank and in hand:		
- BGN	696	810
- EUR	96	99
- USD	15	8
Cash and cash equivalents	807	917

The amount of cash and cash equivalents inaccessible to the Company as at 30 September 2020 amounts to BGN 500 thousand (31.12.2019: BGN 500 thousand).

The Company has evaluated the expected credit losses on cash and cash equivalents. The estimated amount is less than 0.1% of the gross amount of cash deposited in financial institutions, which is therefore considered to be immaterial and has not been accounted for in the financial statements of the Company.



13. Equity

13.1. Share capital

The share capital of “Sirma Group Holding” JSC consists only of 59 360 518 fully paid ordinary shares with a nominal value of BGN 1. All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at the shareholders meeting of the Company.

	30.09.2020 Number of shares	31.12.2019 Number of shares
Number of shares issued and fully paid:		
- beginning of the year	59 360 518	59 360 518
Number of shares issued and fully paid	59 360 518	59 360 518
Total number of shares authorized as at 30 September/31 December	59 360 518	59 360 518

The list of the shareholders of the “Sirma Group Holding” JSC is as follows:

Shareholders	Number of shares at 30.09.2020	Number of shares at 30.06.2020	Nominal VALUE (BGN)	Value (BGN)	% Shareholding	% shareholding with deducted repurchased own shares
Georgi Parvanov Marinov	5 269 748	5 269 748	1	5 269 748	8,88%	8,97%
Tsvetan Borisov Alexiev	4 865 753	4 865 753	1	4 865 753	8,20%	8,28%
Chavdar Velizarov Dimitrov	4 750 786	4 750 786	1	4 750 786	8,00%	8,08%
Veselin Antchev Kirov	4 700 786	4 700 786	1	4 700 786	7,92%	8,00%
Ivo Petrov Petrov	4 201 400	2 920 570	1	4 201 400	7,08%	7,15%
Ognyan Plamenov Chernokozhev	3 741 620	3 741 620	1	3 741 620	6,30%	6,37%
Atanas Kostadinov Kiryakov	2 887 524	2 887 524	1	2 887 524	4,86%	4,91%
Krasimir Nevelinov Bozhkov	2 534 161	2 534 161	1	2 534 161	4,27%	4,31%
Vladimir Ivanov Alexiev	2 177 583	2 177 583	1	2 177 583	3,67%	3,70%
Rosen Vasilev Varbanov	2 156 687	2 156 687	1	2 156 687	3,63%	3,67%
Emiliana Ilieva Ilieva	2 045 289	2 045 289	1	2 045 289	3,45%	3,48%
Yavor Liudmilov Djonev	1 392 746	1 392 746	1	1 392 746	2,35%	2,37%
UPF "Doverie" JSC	1 047 678	1 047 678	1	1 047 678	1,76%	1,78%
Bank of New York Mellon	967 600	1 083 249	1	967 600	1,63%	1,65%
Peter Nikolaev Konyarov	870 665	935 665	1	870 665	1,47%	1,48%
Unicredit Bank Austria	868 600	868 600	1	868 600	1,46%	1,48%
"Mandjukov" Ltd.	860 000	960 000	1	860 000	1,45%	1,46%
UPF "DSK Rodina"	747 036	747 036	1	747 036	1,26%	1,27%
UPF "Pension Insurance Institute"	715 810	715 810	1	715 810	1,21%	1,22%
Others	12 559 046	13 559 227	1	12 559 046	21,16%	20,37%
Total	59 360 518	59 360 518		59 360 518	100%	100%

13.2. Share premium reserve

The share premium reserve in the amount of BGN 5 497 thousand consists of reserves from initial valuation of contributed fixed assets in the amount of BGN 3 619 thousand and reserves from issue of shares in the amount of BGN 1 878 thousand.

13.3. Other reserves

The other reserves consist of legal reserves set aside according to Art. 246 of the Commercial Law over the years as follows:

	30.09.2020 BGN'000	31.12.2019 BGN'000
Balance at January 1	852	592
Allocation of reserves	190	260
Balance at 30 September/31 December	1 042	852



14. Employee remuneration

14.1. Employee benefits expense

Expenses recognised for employee benefits include:

	30.09.2020 BGN'000	30.09.2019 BGN'000
Salary expenses	(771)	(818)
Social security expenses	(92)	(94)
Employee benefits expense	(863)	(912)

14.2. Pension and other employee obligations

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

	30.09.2020 BGN'000	31.12.2019 BGN'000
Non-current:		
Compensations in compliance with Labour Code	32	32
Non-current pension and other employee obligations	32	32
Current:		
Payroll obligations	120	205
Social security obligations	26	27
Accrued holiday entitlement	55	55
Current pension and other employee obligations	201	287

The current portion of these liabilities represents the Company's obligations to its current employees that are expected to be settled during 2020. Other short-term employee obligations arise mainly from accrued holiday entitlement at the end of reporting date. As none of the employees has the right for early settlement of pension arrangements, the remaining part of pension obligations for defined benefit plans is considered non-current.

In accordance with the requirements upon termination of the employment relationship under Article 222, paragraph 2 and paragraph 3 of the Labour Code, the employee shall have the right to:

* sickness benefit in the amount of his gross wage for a period of 2 months, if he has at least five years of service and has not received compensation on the same grounds in the last 5 years.

* compensation, after acquiring the right to a pension for length of service and old age, irrespective of the reason for termination - in the amount of his gross salary for a period of 2 months, and if he worked with the same employer during the last 10 years of his work experience - compensation in the amount of his gross salary for a period of 6 months.

15. Borrowings

Borrowings include the following financial liabilities:

	Current		Non-current	
	30.09.2020 BGN'000	31.12.2019 BGN'000	30.09.2020 BGN'000	31.12.2019 BGN'000
Financial liabilities measured at amortized cost				
Bank loans	5 150	4 234	6 809	8 380
Total carrying amounts	5 150	4 234	6 809	8 380

All loans are denominated in Bulgarian leva (BGN).



15.1. Borrowings at amortized cost

Bank	Type of loan	Currency	Total amount of credit	Outstanding obligation at 30.09.2020	Date of contract	Interest rate	Number of outstanding installments	Amount of monthly installment	Maturity date	Pledges
“Eurobank Bulgaria” AD	overdraft	BGN	2 200 000	2 169 877	21.07.2016	2.50%	-	-	31.10.2020	Pledge of the Receivables under the Business Incubator Contract №BG161PO003-2.2.0012-C0001 / 02.02.2012; Mortgage of a real estate located in Sofia, Mladost district, “Tsarigradsko Shosse” Blvd 135, namely the 5th floor of the building
“Expressbank” AD	overdraft	BGN	2 000 000	885 253	08.08.2017	2.50%	-	-	31.10.2020	Pledge of 1 392 740 registered shares of the capital of “Daticum” AD, owned by “Sirma Solutions” AD
“United Bulgarian Bank” AD	Investment	BGN	10 475 000	8 903 780	12.12.2019	RIR + 1.2%, but no less than 1.3% per year	57	174 580	20.12.2024	Pledge of receivables, pledge of commercial enterprises, pledge of real estate

The carrying values of borrowings are considered to be a reasonable approximation of fair value



16. Trade and other payables

	30.09.2020 BGN'000	31.12.2019 BGN'000
Non-current:		
Trade payables	30	282
Financial liabilities	30	282
Tax payables (<i>except income tax</i>)	35	89
Other liabilities	12	12
Non-financial liabilities	47	101
Current trade and other payables	77	383

The carrying values of current trade and other payables are considered to be a reasonable approximation of fair value.

17. Revenues from sales

17.1. Revenues recognized over time

The Company presents revenues from the sale of goods and services at a point in time and over time in the following product lines and geographical regions:

	Administrative and accounting services			Technical Support	Sale of licenses	Other revenues	Total
	Bulgaria	Great Britain	USA	Bulgaria	Bulgaria	Bulgaria	
30.09.2020	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Gross revenue	633	8	16	27	1 482	138	2 304
Revenues from contracts with clients	633	8	16	27	1 482	138	2 304
Revenue recognition							
As a point in time							
Over time	633	8	16	27	1 482	138	2 304

	Administrative and accounting services	Technical Support	Sale of licenses	Other revenues	Total
	Bulgaria	Bulgaria	Bulgaria	Bulgaria	
30.09.2019	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Gross revenue	640	28	2 035	67	2 770
Revenues from contracts with clients	640	28	2 035	67	2 770
Revenue recognition					
As a point in time					
Over time	640	28	2 035	67	2 770

Revenues at the amount of BGN 1 248 thousand (30.09.2019: BGN 1 883 thousand) are reported by one external client.



Product lines	30.9.2020 BGN'000	30.9.2019 BGN'000
Sale of licenses	1 482	2 035
Administrative and accounting services	657	640
Technical Support	27	28
Others	138	67
	2 304	2 770

17.2. Rental revenues

The company has realized rental income in relation to leased investment properties as follows:

	30.9.2020 BGN'000	30.9.2019 BGN'000
Rental revenues	393	392
	393	392

18. Other income

	30.9.2020 BGN'000	30.9.2019 BGN'000
Interest income	142	202
Dividend income	146	160
Revenues from financing	27	41
Other revenues	-	31
	315	434

Revenues from financing are recorded in relation with the grant Contract BI-02-16 / 02.02.2012 under Operational Program "Development of the Competitiveness of the Bulgarian Economy" 2007-2013. Funding is received for buying fixed assets and incubating startups.

Interest income relates to loans granted to related parties.

19. Capitalized own expenses

The Company's capitalized own expenses can be summarized as follows:

	30.9.2020 BGN'000	30.9.2019 BGN'000
Hired services expenses	-	40
Depreciation of property, plant and equipment	25	25
Employee benefits expense	47	44
	72	109



20. Cost of materials

	30.9.2020	30.9.2019
	BGN'000	BGN'000
Inventory	(16)	(6)
Office repair and maintenance materials	(10)	(2)
Hygienic materials	(7)	(6)
Office supplies	(4)	(3)
Water	(1)	-
Advertising materials	(1)	(1)
Electricity	(1)	(2)
Heating	(1)	(2)
Computer components	(1)	(1)
Others	(7)	(16)
	(49)	(39)

21. Hired services expenses

	30.9.2020	30.9.2019
	BGN'000	BGN'000
Consulting services	(191)	(216)
Software license rental	(165)	-
Advertising	(17)	(2)
Subscriptions	(16)	(12)
Internet	(13)	(12)
Commissions and fees	(7)	(9)
Mobile phones	(7)	(9)
Notary taxes	(7)	(3)
Office maintenance and repair	(5)	(4)
Software services	(4)	(73)
Seminars and training	(4)	(32)
Civil contracts	(4)	(4)
Insurance	(3)	(4)
Cleaning	(3)	(3)
Security	(3)	(3)
Car maintenance and repair	(3)	(16)
Parking	-	(1)
Others	(4)	(6)
	(456)	(409)

22. Other expenses

	30.9.2020	30.9.2019
	BGN'000	BGN'000
Penalties under commercial contracts	(107)	-
Local taxes and fees	(59)	(48)
Social expenses	(7)	(11)
Business trips	(6)	(12)
Entertainment expenses	(1)	(7)
Donations	-	(7)
Others	(2)	(3)
	(182)	(88)



23. Finance costs and finance income

	30.9.2020 BGN'000	30.9.2019 BGN'000
Interest expense for deposits	(77)	(13)
Interest expense for finance lease agreements	-	(3)
Interest expense NRA	(6)	(2)
Borrowings at amortized cost	(145)	(191)
Total interest expenses for financial liabilities not at fair value through profit or loss	(228)	(209)
Loss on foreign currency financial liabilities designated at fair value through profit or loss	(11)	(17)
Bank fees and commissions	(11)	(33)
Finance costs	(250)	(259)
	30.9.2020 BGN'000	30.9.2019 BGN'000
Interest income on financial assets carried at amortized cost and financial instruments carried at fair value through profit or loss	3	5
Total interest income for financial assets	3	5
Gain on foreign currency financial liabilities designated at fair value through profit or loss	11	21
Finance income	14	26

24. Earnings per share

Basic earnings per share has been calculated using the profit attributed to shareholders of the Company as the numerator.

The weighted average number of outstanding shares used for basic earnings per share as well as profit attributable to shareholders are as follows:

	30.9.2020	30.9.2019
Profit attributable to the shareholders (BGN'000)	716	1 684
Weighted average number of outstanding shares ('000)	58 776	58 886
Basic earnings per share (BGN per share)	0,0122	0,0286

25. Related party transactions

The Company's related parties include its owners, subsidiaries and associates, key management personnel and others described below.

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received.



25.1. Transactions with subsidiaries

	30.9.2020 BGN'000	30.9.2019 BGN'000
Purchases of goods and services:		
Purchases of services:		
- Software services	-	(37)
Purchases of goods:		
- Office supplies	(4)	(3)
Purchases of LTMA	(2)	-
Sales of goods and services:		
Sales of services:		
- Administrative and accounting services	528	508
- Rent	357	357
- Consulting services	49	-
- Sale of licenses	1 402	2 035
- Technical Support	16	17
- Marketing and Advertising	22	-
Sales of goods:		
- Consumables	55	59
- Deposits received	675	6 549
- Loans given	(164)	(72)
- Loans granted	14	68
- interest on loans granted	114	160

25.2. Transactions with other related parties

	30.9.2020 BGN'000	30.9.2019 BGN'000
Purchases of services:		
- Internet	(12)	(11)
- Subscriptions	(6)	(3)
- Software services	(4)	-
Sale of services:		
- Administrative and accounting services	116	108
- Rent	35	35
- Sale of licenses	3	-
- Consulting services	80	-
- Technical Support	11	11
Sale of goods:		
- Consumables	4	5
- Deposits received	13	460
- Loans granted	-	18
- Interest on loans granted	8	18

25.3. Transactions with key management personnel

Key management of the Company includes members of the board of directors. Key management personnel remuneration includes the following expenses:

	30.9.2020 BGN'000	30.9.2019 BGN'000
Short-term employee benefits:		
Salaries including bonuses	(206)	(229)
Social security costs	(5)	(5)
Total short-term employee benefits	(211)	(234)
Total remunerations	(211)	(234)



26. Related party balances at the end of the period

	30.9.2020	31.12.2019
	BGN'000	BGN'000
Current		
Receivables from:		
- subsidiaries:	6 956	5370
- trade and other receivables	2 151	1 155
- impairment of trade receivables	(338)	(338)
- loans	4 931	4 467
- dividends	212	86
- other related parties under common control	336	225
- trade and other receivables	202	104
- impairment of trade receivables	(81)	(81)
- loans	1 257	1 244
- impairment of loans	(1 042)	(1 042)
- key management personnel	90	90
Total current receivables from related parties	7 382	5685
Total receivables from related parties	7 382	5685
Non-current		
Payables to:		
- subsidiaries:		
	6 555	6 315
- deposits		
	6 555	6 315
Total non-current payables to related parties	6 555	6 315
Current		
Payables to:		
- subsidiaries:	1 509	164
- trade and other liabilities	1 094	164
- deposits	415	-
- other related parties under common control	856	696
- trade and other liabilities	39	9
- deposits	814	684
- others	3	3
Total current payables to related parties	2 365	860
Total payables to related parties	8 920	7 175

As at 30 September 2020 the Company reports the following granted loans:

- to three subsidiaries in the amount of BGN 4 630 thousand maturing on 31.12.2020 and
- to four other related parties under common control in the amount of BGN 1 228 thousand with maturity on 31.12.2020.

Interest rates vary between 1,3%, 2,8% and 6,5%.

As at 30 September 2020 the Company has received the following deposits:

- from one subsidiary in the amount of BGN 6 555 thousand with maturity on 31 December 2022 and interest in the amount of 1,4%
- from two subsidiaries in the amount of BGN 415 thousand with maturity on 31 December 2020 and interest in the amount of 0,1%
- by two other related parties under common control in the amount of BGN 814 thousand with maturity on 31.12.2020 and interest rate 0,1%.

A simplified approach for determining the expected credit losses at the end of the period has been applied to all receivables from related parties of the Company.



27. Contingent assets and contingent liabilities

There are no contingent liabilities relating to subsidiaries and associates of the Company, except for:

Related party borrowings

The Company is a guarantor for loans granted to related parties as follows:

Recipient of loan	Bank	Type of loan	Currency	Total amount of credit	Outstanding obligation to 30.09.2020	Date of contract	Interest rate	Maturity date	Pledges
Sirma Solutions	United Bulgarian Bank AD	overdraft	BGN	4 025 000	2 823 913	12.12.2019	RIR + 1.2%, but no less than 1.3% per year	20.12.2020	Pledge of receivables, pledge of commercial enterprises, pledge of real estate
Sirma AI	United Bulgarian Bank AD	overdraft	EUR	741 000	507 528	15.08.2019	1 m. EURIBOR + 1,4% (but not less than 1,4%)	20.09.2021	Second in a row pledge on Sirma AI; Second pledge of his shares; A second pledge of current and future receivables totaling EUR 741 thousand; Pledge on receivables on all accounts of the borrower in UBB in the amount of EUR 741 thousand.
Sirma AI	United Bulgarian Bank AD	overdraft	EUR	3 000 000	2 841 580	15.08.2019	1 m. EURIBOR + 1,4% (but not less than 1,4%)	20.09.2021	The first in a row pledge of Sirma AI; The first pledge of the shares he holds; First in a row pledge of current and future receivables totaling EUR 3 million; Pledge on receivables on all accounts of the borrower in UBB in the amount of EUR 3 million.



Litigations

No claims were brought against the Company.

28. Categories of financial assets and liabilities

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

Financial assets	30.9.2020 BGN'000	31.12.2019 BGN'000
Trade and other receivables	641	736
Related party receivables	7 382	5 685
Cash and cash equivalents	825	917
	8 848	7 338

Financial liabilities	30.9.2020 BGN'000	31.12.2019 BGN'000
Financial liabilities measured at amortized cost		
Borrowings:	11 959	12 614
non-current	6 809	8 380
current	5 150	4 234
Trade and other payables	77	282
Related party payables:	8 920	7 175
non-current	6 555	6 315
current	2 365	860
	20 956	20 071

See note 4.16 about information related to the accounting policy for each category financial instruments. Description of the risk management objectives and policies of the Company related to the financial instruments is presented in note 29.

29. Financial instrument risk

Risk management objectives and policies

The Company is exposed to various risks in relation to financial instruments. The Company's financial assets and liabilities by category are summarized in note 28. The main types of risks are market risk, credit risk and liquidity risk.

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

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

The interim separate financial statements do not include all information on risk management and disclosures required in the preparation of annual financial statements and should be read in conjunction with the annual financial statements of the Company as of December 31 2019. The objectives and policies of the Company for capital management, credit and liquidity risk are described in the last annual financial statement. There were no changes in the risk management policy for financial instruments during the period.

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



29.1. Market risk analysis

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

29.1.1. Foreign currency risk

Most of the Company's transactions are carried out in Bulgarian leva (BGN). Exposures to currency exchange rates arise from the Company's overseas sales and purchases, which are primarily denominated in US-Dollars.

To mitigate the Company's exposure to foreign currency risk, non-BGN cash flows are monitored. Generally, Company's risk management procedures distinguish short-term foreign currency cash flows (due within 6 months) from longer-term cash flows. Where the amounts to be paid and received in a specific currency are expected to largely offset one another, no further hedging activity is undertaken.

29.1.2. Interest rate risk

The Company's policy is to minimize interest rate cash flow risk exposures on long-term financing. Longer-term borrowings are therefore usually at fixed rates. At 30 September 2019, the Company was not exposed to changes in market interest rates. The Company's investments in bonds all pay fixed interest rates.

29.2. Credit risk

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

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

The Company has not provided its financial assets as collateral for transactions other than collateral for received bank loans.

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

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

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



29.3. Liquidity risk

Liquidity risk is the risk arising from the Company not being able to meet its obligations. The Company manages its liquidity needs by monitoring scheduled debt servicing payments for long-term financial liabilities as well as forecast cash inflows and outflows due in day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 180-day and a 360-day lookout period are identified monthly. Net cash requirements are compared to available borrowing facilities in order to determine headroom or any shortfalls. This analysis shows that available borrowing facilities are expected to be sufficient over the lookout period.

The Company's objective is to maintain cash to meet its liquidity requirements for 30-day periods. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

Financial assets used for managing liquidity risk

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

30. Capital management policies and procedures

The Company's capital management objectives are:

- to ensure the Company's ability to continue as a going concern; and
- to provide an adequate return to the shareholder by pricing products and services commensurately with the level of risk.

The Company monitors capital on the basis of the correlation between adjusted capital and net debt.

Net debt comprises of total liabilities, incl. total borrowings, trade and other payables less the carrying amount of cash and cash equivalents.

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

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

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

31. Post-reporting date events

World pandemic and the extension of a state of emergency in the Republic of Bulgaria.

In early 2020, due to the spread of a new coronavirus (Covid-19) worldwide, difficulties arose in the business and economic activities of a number of enterprises and entire economic sectors. On 11 March 2020, the World Health Organization also announced the presence of a coronavirus pandemic (Covid-19). On 13 March 2020, the Bulgarian government declared a state of emergency for a period of one month, which was subsequently extended numerous times and introduced a number of restrictive and protective measures for business and people. The forecasts for the expected development of the Information and Communication Technologies sector in 2020 and the coming years are a function of the development of the health crisis and the economic stagnation caused by it.

The management has taken measures to improve the efficiency of the work process, in compliance with the prescriptions of the health authorities, focusing on the goal of retaining staff, which would



ensure a good market position in the restoration of normal economic activity. The annual budget has been revised and analyzed in detail in order to limit the effects of the coronavirus and maintain stable financial indicators, and cost optimization measures are envisaged.

As the situation and the measures taken by the state authorities are extremely dynamic, the management of the Company is not able to assess the exact quantitative parameters of the impact of the coronavirus pandemic on the future financial condition and results of its activities. Management has analyzed the potential effects of the crisis and assessed the risks associated with it. In the analysis of the financial risks related to the change of the business environment, different scenarios with different degree of probability for their manifestation have been developed and considered. The worst case scenario, assessed as unlikely by management, could lead to a potential reduction in business volume and revenues from sales of products and services. This, in turn, could lead to a change in the carrying amounts of the company's assets, which in the separate financial statements are determined by a number of judgments and assumptions made by management and reporting the most reliable information available at the date of estimates.

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

