



Sirma

Notes

to the Interim Financial Statements
of "Sirma Group Holding" JSC
for the period 01.01.2022 - 30.09.2022

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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 30.09.2022 the distribution of the share capital of “Sirma Group Holding” JSC is as follows:

	30.9.2022	30.6.2022
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	1 024	1 042
Legal entities	39	41
Individuals	985	1 001
Number of shares held by legal entities	5 357 458	5 246 231
% Of participation of entities	9,03%	8,84%
Number of shares held by individuals	54 003 060	54 114 287
% Participation of individuals	90,97%	91,16%

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

Shareholders	Number of shares at 30.09.2022	Number of shares at 30.06.2021	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%	8,89%
Tsvetan Borisov Alexiev	4 965 753	4 965 753	1	4 965 753	8,37%	8,38%
Chavdar Velizarov Dimitrov	4 750 786	4 750 786	1	4 750 786	8,00%	8,01%
Veselin Antchev Kirov	4 700 786	4 700 786	1	4 700 786	7,92%	7,93%
Ivo Petrov Petrov	4 000 000	3 955 000	1	4 000 000	6,74%	6,75%
Ognyan Plamenov Chernokozhev	3 741 620	3 741 620	1	3 741 620	6,30%	6,31%
Atanas Kostadinov Kiryakov	2 887 524	2 887 524	1	2 887 524	4,86%	4,87%
Krasimir Nevelinov Bozhkov	2 534 161	2 534 161	1	2 534 161	4,27%	4,28%
Vladimir Ivanov Alexiev	2 177 583	2 177 583	1	2 177 583	3,67%	3,67%
Rosen Vasilev Varbanov	2 156 687	2 156 687	1	2 156 687	3,63%	3,64%
Emiliana Ilieva Ilieva	1 965 209	1 965 209	1	1 965 209	3,31%	3,32%
Deyan Nikolov Nenov	1 790 748	1 790 748	1	1 790 748	3,02%	3,02%
Yavor Liudmilov Djonev	1 292 746	1 292 746	1	1 292 746	2,18%	2,18%
Rosen Ivanov Marinov	1 265 795	1 265 795	1	1 265 795	2,13%	2,14%
Peter Nikolaev Konyarov	867 165	867 165	1	867 165	1,46%	1,46%
"Mandjukov" Ltd.	860 000	860 000	1	860 000	1,45%	1,45%
UPF "Doverie"	802 126	802 126	1	802 126	1,35%	1,35%
UPF "DSK Rodina	747 036	747 036	1	747 036	1,26%	1,26%
Asen Krumov Nelchinov	641 349	641 349	1	641 349	1,08%	1,08%
" First Financial Brokerage House"	581 220	400 086	1	581 220	0,98%	0,98%
"Sirma Solutions" AD	32 389	32 389	1	32 389	0,05%	0,05%
Others	11 330 087	11 556 221	1	11 330 087	19,09%	18,97%
Total	59 360 518	59 360 518		59 360 518	100%	100%

As of 30.09.2022 „Sirma Group Holding“ JSC holds 84 846 (30.06.2022 - 84 846) repurchased own shares at the total amount of BGN 84 846 (0,14 % of share capital).



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

Shareholders	Number of shares at 30.09.2022	% Shareholding	% shareholding with deducted repurchased own shares
Georgi Parvanov Marinov	5 269 748	8,88%	8,89%
Tsvetan Borisov Alexiev	4 965 753	8,37%	8,38%
Chavdar Velizarov Dimitrov	4 750 786	8,00%	8,01%
Veselin Antchev Kirov	4 700 786	7,92%	7,93%
Ivo Petrov Petrov	4 000 000	6,74%	6,75%
Ognyan Plamenov Chernokozhev	3 741 620	6,30%	6,31%

Shareholders	Number of shares at 30.06.2022	% Shareholding	% shareholding with deducted repurchased own shares
Georgi Parvanov Marinov	5 269 748	8,88%	8,89%
Tsvetan Borisov Alexiev	4 965 753	8,37%	8,38%
Chavdar Velizarov Dimitrov	4 750 786	8,00%	8,01%
Veselin Antchev Kirov	4 700 786	7,92%	7,93%
Ivo Petrov Petrov	3 955 000	6,66%	6,67%
Ognyan Plamenov Chernokozhev	3 741 620	6,30%	6,31%

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 30.09.2022* includes the following members:

Chavdar Velizarov Dimitrov
Tsvetan Borisov Alexiev
Atanas Kostadinov Kiryakov
Georgi Parvanov Marinov
Veselin Anchev Kirov
Yavor Ludmilov Djonev - independent member
Martin Veselinov Paev - independent member
Peyo Vasilev Popov - 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 07.07.2024.

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

*On 24 June 2022, the Annual general meeting of shareholders of “Sirma Group Holding” JSC decided:

a. Removes Petar Borisov Statev as member of the Board of Directors.

b. Elect as members of the Board of Directors:

- Veselin Anchev Kirov
- Yavor Ludmilov Djonev - independent member of the Board of Directors
- Martin Veselinov Paev - independent member of the Board of Directors
- Peyo Vasilev Popov - independent member of the Board of Directors

with remuneration and tenure commensurate with the remuneration of the current non-executive members of the Board of Directors and the tenure of the current Board of Directors.



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.

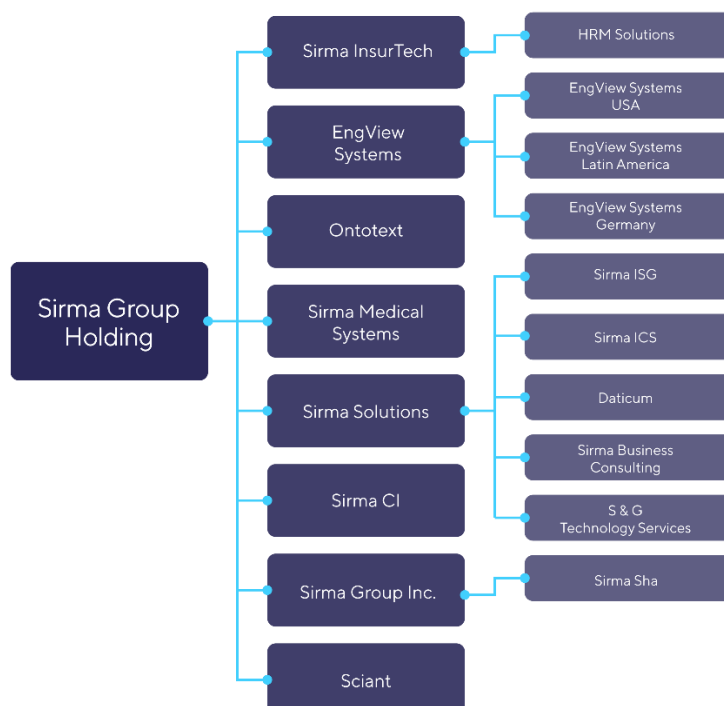
The participation of members of the Board of Directors in the capital of the Company is as follows:

Shareholders	Number of shares at 30.06.2022	Number of shares at 31.03.2022	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%	8,89%
Tsvetan Borisov Alexiev	4 965 753	4 965 753	1	4 965 753	8,37%	8,38%
Chavdar Velizarov Dimitrov	4 750 786	4 750 786	1	4 750 786	8,00%	8,01%
Veselin Anchev Kirov	4 700 786	4 700 786	1	4 700 786	7,92%	7,93%
Atanas Kostadinov Kiryakov	2 887 524	2 887 524	1	2 887 524	4,86%	4,87%
Yavor Ludmilov Djonev	1 292 746	1 392 746	1	1 292 746	2,18%	2,18%
Martin Veselinov Paev	99 720	-	1	99 720	0,17%	0,17%
Yordan Stoyanov Nedev	3 433	3 433	1	3 433	0,01%	0,01%
Peyo Vasilev Popov	100	100	1	100	0,0002%	0,0002%
Total	23 970 596	23 970 876		23 970 596	40,38%	40,44%

During the period the member of the BD Martin Veselinov Paev has acquired 99 720 shares 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 30.09.2022 (BGN'000)	Percentage of capital at 30.09.2022	Percentage of capital with adjusted repurchased own shares at 30.09.2022	Value of the investment at 31.12.2021 (BGN'000)	Percentage of capital at 31.12.2021	Percentage of capital with adjusted repurchased own shares at 31.12.2021
Sirma Solutions	39 686	80,11%	100,00%	39 311	77,71%	82,43%
Ontotext	12 505	84,56%	100,00%	17 865	87,65%	90,44%
Sciant	10 237	80,00%	80,00%	10 237	80,00%	80,00%
Sirma Group Inc.	3 471	76,30%	76,30%	3 471	76,30%	76,30%
Sirma InsurTech	914	55,00%	55,00%	-	-	-
Sirma CI	106	80,00%	80,00%	106	80,00%	80,00%
Sirma Medical Systems	66	66,00%	66,00%	66	66,00%	66,00%
Engview Systems	50	72,90%	72,90%	50	72,90%	72,90%
Sirma AI	-	-	-	7 035	100,00%	100,00%
	67 035			78 141		

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

The number of employees as of 30.09.2022 was 29 people, including 19 employees under labour contracts and 10 under management contracts.



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

These interim separate financial statements for the period of nine months to 30 September 2022 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 2021, 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 have been prepared in accordance with the going concern principle and taking into account the possible effects of the continuing impact of the Covid-19 pandemic, the military conflict between Russia and Ukraine, rising inflation and others.

In these circumstances, the Company's management has analyzed and assessed the Company's ability to continue as a going concern based on available information about the foreseeable future and management expects that the Group has sufficient financial resources to continue its operations in the near future and continues to apply the going concern principle in preparing of the interim separate financial statements.

3. Changes in accounting policies

3.1. New Standards adopted as at 1 January 2022

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 2022, but do not have a significant effect on their application on the financial result and the financial condition of the Company:

- Amendments IFRS 3 Business Combinations, IAS 16 Property, Plant and Equipment IAS 37 Provisions, Contingent Liabilities and Contingent Assets effective from 1 January 2022, adopted by the EU
- Annual Improvements 2018-2020 effective from 1 January 2022, 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

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been issued, but are not effective or adopted by the EU for the financial year beginning on 1 January 2022 and have not been applied early by the Company. They are not expected to have a material impact on the Company's financial statements. Management anticipates that all relevant pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement.

A list of the changes in the standards is provided below:

- IFRS 17 “Insurance Contracts” effective from 1 January 2023, adopted by the EU
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies effective from 1 January 2023, adopted by the EU



- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates effective from 1 January 2023, adopted by the EU
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current effective from 1 January 2023 not yet adopted by the EU
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction effective from 1 January 2023 not yet adopted by the EU
- Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information effective from 1 January 2023 not yet adopted by the EU
- IFRS 14 “Regulatory deferral accounts” effective from 1 January 2016, not 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 2022 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

Investments in joint ventures are stated at cost.

Associates are those entities over which the Company has the power to exercise significant influence, but which are neither subsidiaries nor jointly controlled entities. Investments in associates are stated at cost.

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



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

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.

Assets subject to operating lease agreements are presented in the statement of financial position and are depreciated and amortized in accordance with the depreciation and amortization policy of the Company for similar assets and with the requirements of IAS 16 “Property, Plant and Equipment” and IAS 38 “Intangible Assets”. The Company earns rental income from operating leases of its investment properties (see note 9). Rental income is recognised on a straight-line basis over the term of the lease.

The Company as a lessee

For any new contracts 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.

When a lease liability is revalued, the corresponding adjustment is recognized in the asset with the right of use or recognized in profit or loss if the carrying amount of the asset with the right of use has already been reduced to zero.



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 19.2, note 24 and note 15.



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 2021, 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 Q3 2022 and 2021 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 2022 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 2022	170	189	375	209	525	-	51	1 519
Additions	-	66	14	2	5	51	-	138
Disposals	-	(18)	-	-	-	-	-	(18)
Balance at 30 September 2022	170	237	389	211	530	51	51	1 639
Depreciation								
Balance at 1 January 2022	(24)	(58)	(131)	(203)	(469)	-	(27)	(912)
Depreciation	(2)	(36)	(40)	(2)	(43)	-	(4)	(127)
Disposals	-	18	-	-	-	-	-	18
Balance at 30 September 2022	(26)	(76)	(171)	(205)	(512)	-	(31)	(1 021)
Carrying amount at September 2022	144	161	218	6	18	51	20	618
	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 2021	170	199	289	208	486	7	51	1 410
Additions	-	-	86	1	39	126	-	252
Disposals	-	(10)	-	-	-	(133)	-	(143)
Balance at 31 December 2021	170	189	375	209	525	-	51	1 519
Depreciation								
Balance at 1 January 2021	(21)	(33)	(80)	(199)	(413)	-	(20)	(766)
Depreciation	(3)	(35)	(51)	(4)	(56)	-	(7)	(156)
Disposals	-	10	-	-	-	-	-	10
Balance at 31 December 2021	(24)	(58)	(131)	(203)	(469)	-	(27)	(912)
Carrying amount at 31 December 2021	146	131	244	6	56	-	24	607

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 2022 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 16) 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 2022	144	161	218	6	18	20	567
Carrying amount at 31 December 2021	146	131	244	6	56	24	607



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 2022	57	1 623	5 164	4 269	11 113
Impairment of assets	-	-	(3 350)	-	(3 350)
Balance at 30 September 2022	57	1 623	1 814	4 269	7 763
Amortization and impairment					
Balance at 1 January 2022	(57)	(767)	-	(625)	(1 449)
Amortization	-	(81)	-	(160)	(241)
Balance at 30 September 2022	(57)	(848)	-	(785)	(1 690)
Carrying amount at 30 September 2022	-	775	5 164	134	6 073
	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 2021	57	1 623	4 831	4 269	10 780
Additions, internally developed	-	-	333	-	333
Balance at 31 December 2021	57	1 623	5 164	4 269	11 113
Amortization and impairment					
Balance at 1 January 2021	(57)	(658)	-	(412)	(1 127)
Amortization	-	(109)	-	(213)	(322)
Balance at 31 December 2021	(57)	(767)	-	(625)	(1 449)
Carrying amount at 31 December 2021	-	856	5 164	3 644	9 664

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.

As of 30 September 2022, the management of the company made an analysis of the expected revenues and the invested costs in the SIRMA CLOUD PLATFORM. Based on an internal expert assessment, the company's management decided to depreciate part of the accumulated sums for finishing the intangible asset, as they will not lead to a significant improvement of the asset and will not increase the expected revenues.

The Company has not entered into material contractual commitments to acquire intangible assets as of 30 September 2022.

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 and associates

The Company has the following investments in subsidiaries:

Name of the subsidiary	Country of incorporation and principal place of business	Main activities	30.09.2022	30.09.2022 share	31.12.2021	31.12.2021 share
			BGN'000	%	BGN'000	%
Sirma Solutions AD	Bulgaria	Software services	39 686	80,11%	39 311	82,43%
Ototext AD	Bulgaria	Software services	12 505	84,56%	17 865	90,44%
Sciant AD	Bulgaria	Software services	10 237	80,00%	10 237	80,00%
Sirma Group Inc.	USA	Software services	3 471	76,30%	3 471	76,30%
Sirma InsurTech	Bulgaria	Software services	914	55,00%	-	-
Sirma CI AD	Bulgaria	Software services	106	80,00%	106	80,00%
Sirma Medical Systems AD	Bulgaria	Software services	66	66,00%	66	66,00%
Engview Systems Sofia AD	Bulgaria	Software services	50	72,90%	50	72,90%
Sirma AI EAD	Bulgaria	Software services	-	-	7 035	100,00%
			67 035		78 141	

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 29).

On 01.09.2022, all actions regarding the sale of shares from the capital of "Sirma AI" AD to "New Frontier Technology Invest" SARL were finalized, according to the decision of the General Meeting of Shareholders of the majority owner "Sirma Group Holding" JSC from 24.06.2022 as follows:

- Subsidiary whose shares are subject to sale: "Sirma AI" AD;
- Valuation of the entire company "Sirma AI" AD: EUR 28 500 000;
- Buyer of shares: "New Frontier Technology Invest" SARL ("New Frontier Technology Invest" SARL), entered in the Luxembourg Trade Register under No. B267936;
- Sellers of shares: "Sirma Group Holding" JSC, "Sirma Solutions" AD and "Ototext" AD;
- Proceeds from the sale: The total sale price for the shares that will be sold by "Sirma Solutions" AD, "Ototext" AD and "Sirma Group Holding" JSC is in the amount of EUR 19 535 000, with the share of "Sirma Group Holding" JSC of EUR 6 600 714;
- Additional conditions: the buyer has contributed funds to increase the capital of "Sirma AI" AD with a cash contribution of EUR 10 750 000;
- Shareholding distribution after the capital increase: 76.2% of the company's capital belonged to "New Frontier Technology Invest" SARL, with "Sirma Solutions" AD retaining a share of 23.80% of the capital.

As of 30 September 2022, the company's management has analyzed the expected financial result of "Ototext" AD after the sale of its shares in "Sirma AI" AD and has made a 30% depreciation of its investment.



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 2022	10 994
Newly acquired assets	20
Balance at 30 September 2022	<u>11 014</u>
Depreciation	
Balance at 1 January 2022	(1 393)
Depreciation	(83)
Balance at 30 September 2022	<u>(1 476)</u>
Carrying amount at 30 September 2022	<u>9 538</u>

	Investment property BGN'000
Gross carrying amount	
Balance at 1 January 2021	8 475
Newly acquired assets:	2 519
- by purchase	2 407
- through additional costs	112
Balance at 31 December 2021	<u>10 994</u>
Depreciation	
Balance at 1 January 2021	(1 304)
Depreciation	(89)
Balance at 31 December 2021	<u>(1 393)</u>
Carrying amount at 31 December 2021	<u>9 601</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 2021	Recognised in profit and loss	30 September 2022
	BGN'000	BGN'000	BGN'000
Non-current assets			
Property, plant and equipment, Intangible assets, Investment property	99	-	99
Current assets			
Trade and other receivables	(41)	-	(41)
Non-current liabilities			
Pension and other employee obligations	(2)	-	(2)
Current liabilities			
Employee obligations	(28)	-	(28)
	<u>28</u>	<u>-</u>	<u>28</u>
Deferred tax assets	99		99
Deferred tax liabilities	(71)		(71)
Recognised as:			
Net deferred tax liabilities/(assets)	<u>28</u>		<u>28</u>



Deferred taxes for the comparative period 31.12.2021 can be summarized as follows:

Deferred tax liabilities (assets)	31 December 2020	Recognised in profit and loss	31 December 2021
	BGN'000	BGN'000	BGN'000
Non-current assets			
Property, plant and equipment, Intangible assets,			
Investment property	94	5	99
Impairment of investments	(1)	1	-
Current assets			
Trade and other receivables	(130)	89	(41)
Non-current liabilities			
Pension and other employee obligations	(4)	2	(2)
Current liabilities			
Employee obligations	(15)	(13)	(28)
	(56)	56	28
Deferred tax assets	94		99
Deferred tax liabilities	(150)		(71)
Recognised as:			
Net deferred tax liabilities/(assets)	(56)		28

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

10. Long-term receivables

As of 30 September 2022 the Company did not have a long-term receivable. The Company had a loan granted as of 31.12.2021 to one individual person in the amount of BGN 547 thousand with a repayment period of 31 December 2023 and interest in the amount of 3%. The receivable was unsecured. The company had impairment losses for the long-term receivable in the amount of BGN 121 thousand.

11. Trade receivables

	30.09.2022	31.12.2021
	BGN'000	BGN'000
Trade receivables, gross amount before impairment	78	78
Impairment of trade receivables	(16)	(18)
Trade receivables	62	60

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 30.

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

	30.09.2022	31.12.2021
	BGN'000	BGN'000
Client 1	12	14
Client 2	11	14
Client 3	7	12
	30	40



12. Prepayments and other assets

	30.09.2022 BGN'000	31.12.2021 BGN'000
Other receivables, gross amount before impairment	18	19
Other receivables	<u>18</u>	<u>19</u>
Prepayments	61	151
Other assets, non-financial	<u>79</u>	<u>170</u>

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.

13. Cash and cash equivalents

Cash and cash equivalents include the following components:

	30.09.2022 BGN'000	31.12.2021 BGN'000
Cash at bank and in hand:		
- BGN	872	1 665
- EUR	4 440	95
- USD	17	15
Cash and cash equivalents	<u>5 329</u>	<u>1 775</u>

The amount of cash and cash equivalents inaccessible to the Company as at 30 September 2022 amounts to BGN 499 thousand (31.12.2021: 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.

14. Equity

14.1. 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.

	30.09.2022 Number of shares	31.12.2021 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	<u>59 360 518</u>	<u>59 360 518</u>
Total number of shares authorized as at 30 September/ 31 December	<u>59 360 518</u>	<u>59 360 518</u>



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

Shareholders	Number of shares at 30.09.2022	Number of shares at 30.06.2021	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%	8,89%
Tsvetan Borisov Alexiev	4 965 753	4 965 753	1	4 965 753	8,37%	8,38%
Chavdar Velizarov Dimitrov	4 750 786	4 750 786	1	4 750 786	8,00%	8,01%
Veselin Antchev Kirov	4 700 786	4 700 786	1	4 700 786	7,92%	7,93%
Ivo Petrov Petrov	4 000 000	3 955 000	1	4 000 000	6,74%	6,75%
Ognyan Plamenov Chernokozhev	3 741 620	3 741 620	1	3 741 620	6,30%	6,31%
Atanas Kostadinov Kiryakov	2 887 524	2 887 524	1	2 887 524	4,86%	4,87%
Krasimir Nevelinov Bozhkov	2 534 161	2 534 161	1	2 534 161	4,27%	4,28%
Vladimir Ivanov Alexiev	2 177 583	2 177 583	1	2 177 583	3,67%	3,67%
Rosen Vasilev Varbanov	2 156 687	2 156 687	1	2 156 687	3,63%	3,64%
Emiliana Ilieva Ilieva	1 965 209	1 965 209	1	1 965 209	3,31%	3,32%
Deyan Nikolov Nenov	1 790 748	1 790 748	1	1 790 748	3,02%	3,02%
Yavor Liudmilov Djonev	1 292 746	1 292 746	1	1 292 746	2,18%	2,18%
Rosen Ivanov Marinov	1 265 795	1 265 795	1	1 265 795	2,13%	2,14%
Peter Nikolaev Konyarov	867 165	867 165	1	867 165	1,46%	1,46%
"Mandjukov" Ltd.	860 000	860 000	1	860 000	1,45%	1,45%
UPF "Doverie"	802 126	802 126	1	802 126	1,35%	1,35%
UPF "DSK Rodina	747 036	747 036	1	747 036	1,26%	1,26%
Asen Krumov Nelchinov	641 349	641 349	1	641 349	1,08%	1,08%
" First Financial Brokerage House"	581 220	400 086	1	581 220	0,98%	0,98%
"Sirma Solutions" AD	32 389	32 389	1	32 389	0,05%	0,05%
Others	11 330 087	11 556 221	1	11 330 087	19,09%	18,97%
Total	59 360 518	59 360 518		59 360 518	100%	100%

14.2. Share premium reserve

The share premium reserve in the amount of BGN 5 372 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 1 753 thousand.

14.3. Other reserves

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

	30.09.2022 BGN'000	31.12.2021 BGN'000
Balance at January 1	1 141	1 042
Allocation of reserves	104	99
Balance at 30 September/31 December	1 245	1 141

15. Employee remuneration

15.1. Employee benefits expense

Expenses recognised for employee benefits include:

	30.09.2022 BGN'000	30.09.2021 BGN'000
Salary expenses	(1 102)	(896)
Social security expenses	(102)	(85)
Employee benefits expense	(1 204)	(981)



15.2. 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:

	30.09.2022 BGN'000	31.12.2021 BGN'000
Non-current:		
Compensations in compliance with Labour Code	22	22
Non-current pension and other employee obligations	22	22
Current:		
Payroll obligations	174	255
Social security obligations	30	74
Accrued holiday entitlement	74	27
Current pension and other employee obligations	278	356

The current portion of these liabilities represents the Company's obligations to its current employees that are expected to be settled during 2022. 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.

16. Borrowings

Borrowings include the following financial liabilities:

	Current		Non-current	
	30.09.2022 BGN'000	31.12.2021 BGN'000	30.09.2022 BGN'000	31.12.2021 BGN'000
Financial liabilities measured at amortized cost				
Bank loans	1 801	6 821	7 811	9 038
Interest on bank loans	-	9	-	-
Total carrying amounts	1 801	6 830	7 811	9 038

All loans are denominated in Bulgarian leva (BGN).



16.1. Borrowings at amortized cost

Bank	Type of loan	Currency	Total amount of credit (BGN)	Outstanding obligation at 30.09.2022 (BGN)	Date of contract	Interest rate	Number of outstanding installments	Amount of monthly installment (BGN)	Maturity date	Pledges
“Eurobank Bulgaria” AD	Overdraft	BGN	4 200 000	-	21.07.2016	Base + 0.7 points, but not less than 1.7% per year	-	-	31.12.2022	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
“United Bulgarian Bank” AD	Investment	BGN	10 475 000	465 377	12.12.2019	RIR + 1.2%, but no less than 1.3% per year 3 m.	3	174 580	20.12.2024	Pledge of receivables, pledge of commercial enterprises, pledge of real estate
“United Bulgarian Bank” AD	Investment	EUR	2 933 745	2 689 266	11.12.2021	EURIBOR + 1.2%, but no less than 1.3% per year 3 m.	111	24 448	11.12.2031	Pledge of receivables, pledge of real estate
“United Bulgarian Bank” AD	Investment	EUR	6 391 652	5 726 670	11.12.2021	EURIBOR + 1.2%, but no less than 1.3% per year 3 m.	87	66 498	11.12.2029	Pledge of receivables, pledge of commercial enterprises, pledge of real estate
“United Bulgarian Bank” AD	Investment	EUR	731 131	731 131	30.6.2022	EURIBOR + 1.2%, but no less than 1.3% per year	54	27 165	11.12.2029	Pledge of receivables, pledge of subsidiary

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



17. Lease liabilities

	30.09.2022 BGN'000	31.12.2021 BGN'000
Lease liabilities – non-current portion	126	102
Lease liabilities – current portion	31	20
Lease liabilities	157	122

Future minimum lease payments at 30 September 2022 were as follows:

	Minimum lease payments due					Общо хил. лв.
	Within 1 year BGN'000	1-2 years хил. лв.	2-3 years хил. лв.	3-4 years хил. лв.	4-5 years хил. лв.	
30 September 2022						
Lease payments	32	32	32	32	49	177
Finance charges	(4)	(4)	(4)	(3)	(5)	(20)
Net present values	28	28	28	29	44	157
31 December 2021						
Lease payments	23	23	23	23	43	135
Finance charges	(3)	(3)	(3)	(3)	(1)	(13)
Net present values	20	20	20	20	42	122

Interest expense on leases included in the finance costs for the period ended 30 September 2022 was BGN 3 thousand (31.12.2021: BGN 5 thousand).

Total cash outflow for leases for the period ended 30 September 2022 was BGN 31 thousand (31.12.2021: BGN 24 thousand).

18. Trade and other payables

	30.09.2022 BGN'000	31.12.2021 BGN'000
Non-current:		
Trade payables	257	107
Financial liabilities	257	107
Tax payables (<i>except income tax</i>)	71	64
Others	-	2
Non-financial liabilities	71	66
Current trade and other payables	328	173

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



19. Revenues from sales

19.1. 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:

30.09.2022	Administrative and accounting services			Technical Support	Sale of licenses	Cloud services	Other revenues	Total
	Bulgaria BGN'000	Great Britain BGN'000	USA BGN'000	Bulgaria BGN'000	Bulgaria BGN'000	Bulgaria BGN'000	Bulgaria BGN'000	BGN'000
Gross revenue	807	-	-	27	977	-	79	1 890
Revenues from contracts with clients	807	-	-	27	977	-	79	1 890
Revenue recognition								
<i>As a point in time</i>								
<i>Over time</i>	807	-	-	27	977	-	79	1 890

30.09.2021	Administrative and accounting services			Technical Support	Sale of licenses	Cloud services	Cloud services	Other revenues	Total
	Bulgaria BGN'000	Great Britain BGN'000	USA BGN'000	Bulgaria BGN'000	Bulgaria BGN'000	Bulgaria BGN'000	USA BGN'000	Bulgaria BGN'000	BGN'000
Gross revenue	615	7	15	27	34	1 156	195	280	2 329
Revenues from contracts with clients	615	7	15	27	34	1 156	195	280	2 329
Revenue recognition									
<i>As a point in time</i>									
<i>Over time</i>	615	7	15	27	34	1 156	195	280	2 329

Revenues at the amount of BGN 1 164 thousand (30.09.2021: BGN 1 113 thousand) are reported by one external client.

Product lines	30.9.2022 BGN'000	30.9.2021 BGN'000
Sale of licenses	977	34
Administrative and accounting services	807	637
Technical Support	27	27
Cloud services	-	1 351
Others	79	280
	1 890	2 329



19.2. Rental revenues

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

	30.9.2022 BGN'000	30.9.2021 BGN'000
Rental revenues	518	392
	518	392

20. Other income

	30.9.2022 BGN'000	30.9.2021 BGN'000
Dividend income	9 879	240
Interest income	26	33
Gain on sale of non-current assets	1	5
Income from sale of investments	410	7
Other revenues	153	-
	10 469	285

Dividend income is from subsidiaries.

Interest income relates to loans granted to related parties.

21. Capitalized own expenses

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

	30.9.2022 BGN'000	30.9.2021 BGN'000
Hired services expenses	-	251
Employee benefits expense	-	57
Depreciation and amortisation of non-financial assets	-	25
	-	333

22. Cost of materials

	30.9.2022 BGN'000	30.9.2021 BGN'000
Electricity	(17)	(1)
Hygienic materials	(7)	(6)
Heating	(6)	(2)
Office supplies	(2)	(2)
Water	(2)	(1)
Inventory	(1)	(5)
Office repair and maintenance materials	(1)	(4)
Advertising materials	(1)	-
Computer components	-	(2)
Others	(15)	(13)
	(52)	(36)



23. Hired services expenses

	30.9.2022 BGN'000	30.9.2021 BGN'000
Consulting services	(714)	(471)
Subscriptions	(118)	(11)
Advertising	(116)	(15)
Internet	(28)	(14)
Commissions and fees	(17)	(10)
Office maintenance and repair	(13)	(45)
Insurance	(12)	(28)
Security	(11)	(3)
Mobile phones	(9)	(7)
Cleaning	(7)	(3)
Civil contracts	(5)	(26)
Seminars and training	(4)	(1)
Audit	(1)	(1)
Software services	-	(255)
Software license rental	-	(146)
Cars maintenance and repair	-	(1)
Others	(1)	(2)
	(1 056)	(1 039)

24. Other expenses

	30.9.2022 BGN'000	30.9.2021 BGN'000
Impairment of investment	(5 359)	-
Local taxes and fees	(47)	(49)
Impairment of receivables	(13)	-
Social expenses	(9)	(6)
Entertainment expenses	(7)	(2)
Business trips	(3)	-
Donations	(1)	-
Others	(6)	(2)
	(5 445)	(59)

25. Finance costs and finance income

	30.9.2022 BGN'000	30.9.2021 BGN'000
Borrowings at amortized cost	(190)	(104)
Interest expense for deposits	(100)	(106)
Interest expense for finance lease agreements	(3)	(3)
Total interest expenses for financial liabilities not at fair value through profit or loss	(293)	(213)
Bank fees and commissions	(28)	(16)
Loss on foreign currency financial liabilities designated at fair value through profit or loss	(5)	(5)
Finance costs	(326)	(234)
	30.9.2022 BGN'000	30.9.2021 BGN'000
Interest income on financial assets carried at amortized cost and financial instruments carried at fair value through profit or loss	4	4
Total interest income for financial assets	4	4
Gain on foreign currency financial liabilities designated at fair value through profit or loss	3	29
Finance income	7	33



26. 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:

	30.9.2022	30.9.2021
Profit attributable to the shareholders (BGN'000)	1 000	461
Weighted average number of outstanding shares ('000)	59 276	58 776
Basic earnings per share (BGN per share)	0,0169	0,0104

27. 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.

27.1. Transactions with subsidiaries

	30.9.2022 BGN'000	30.9.2021 BGN'000
Purchases of goods and services:		
Purchases of services:		
- Software services	-	(4)
- Advertising	(42)	-
Purchases of goods:		
- Office supplies	-	(2)
- Inventory	-	(1)
- Computer components	(1)	(2)
Purchases of LTFA	(5)	(35)
Sales of goods and services		
Sales of services		
- Cloud services	-	1 351
- Administrative, accounting services	686	525
- Rent	383	357
- Consulting services	31	45
- Sale of licenses	967	34
- Technical Support	16	16
- Marketing and Advertising	-	153
- Software services	-	2
Sales of goods:		
- Consumables	39	57
- Received deposits	-	2 000
- Refund of received deposits	-	(915)
- Received loans	1 400	-
- Recovered received loans	(1 400)	-
- Given loans	(181)	(129)
- Refunded loans	34	160
- Interest on received deposits	(99)	(106)
- Interest on received loans	(7)	-
- Interest on given loans	20	18



27.2. Transactions with other related parties

	30.9.2022 BGN'000	30.9.2021 BGN'000
Purchases of services:		
- Internet	(27)	(13)
- Consulting services	-	(7)
- Subscriptions	-	(1)
Sale of services		
- Administrative, accounting services	121	112
- Rent	56	35
- Consulting services	3	1
- Technical Support	11	11
Purchases of goods		
- Consumables	5	-
- Given loans	(295)	(4)
- Refunded loans	34	30
- Interest on deposits	(1)	(1)
- Interest on given loans	6	15

27.3. 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:

	30.9.2022 BGN'000	30.9.2021 BGN'000
Short-term employee benefits:		
Salaries including bonuses	(398)	(223)
Social security costs	(7)	(5)
Total remunerations	(405)	(228)

28. Related party balances at the end of the period

	30.9.2022 BGN'000	31.12.2021 BGN'000
Non-current		
Receivables from:		
- subsidiaries:		
- loans	-	3 807
Total non-current receivables from related parties	-	3 807
Current		
Receivables from:		
- subsidiaries:	1 220	2 064
- trade and other receivables	173	1 130
- impairment of trade receivables	-	(11)
- loans	1 047	879
- dividends	-	66
- other related parties under common control	413	157
- trade and other receivables	47	63
- impairment of trade receivables	(36)	(47)
- loans	409	329
- impairment of loans	(7)	(188)
- key management personnel	72	72
- other receivables	92	92
- impairment of other receivables	(20)	(20)
Total current receivables from related parties	1 705	2 293
Total receivables from related parties	1 705	6 100



	30.9.2022	31.12.2021
	BGN'000	BGN'000
Non-current		
Payables to:		
- subsidiaries:	6 179	6 179
- deposits	6 179	6 179
- other related parties under common control	1 242	-
- trade and other liabilities	1 242	-
Total non-current payables to related parties	1 242	6 179
Current		
Payables to:		
- subsidiaries:		
- loans	3 553	3 665
- deposits	3 497	3 501
- interests	56	164
- other related parties under common control	760	5 665
- trade and other liabilities	-	4
- deposits	514	514
- dividends	246	-
- others	-	5 147
- key management personnel	7	7
Total current payables to related parties	4 320	9 337
Total payables to related parties	4 320	15 516

As at 30 September 2022 the Company reports the following granted loans:

- to two subsidiaries in the amount of BGN 1 047 thousand maturing on 31.12.2022
- to three other related parties under common control in the amount of BGN 409 thousand with maturity on 31.12.2022.

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

As at 30 September 2022 the Company has received the following deposits:

- from one subsidiaries in the amount of BGN 3 501 thousand with maturity on 31 December 2022 and interest in the amount of 0,1% and incurred bank charges and
- by one other related parties under common control in the amount of BGN 514 thousand with maturity on 31 December 2022 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.



29. 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 (in BGN)	Outstanding obligation to 30.09.2022 (in BGN)	Date of contract	Interest rate	Maturity date	Pledges
Sirma Solutions	United Bulgarian Bank AD	overdraft	BGN	4 025 000	332 281	12.12.2019	RIR + 1.2%, but no less than 1.3% per year	20.12.2025	Pledge of receivables, pledge of commercial enterprises, pledge of real estate
Sirma Solutions	United Bulgarian Bank AD	Revolving credit line	BGN	4 000 000	4 000 000	28.10.2020	RIR + 1.4%, but no less than 1.5% per year	28.10.2025	Pledge of receivables.
Sirma Medical Systems	United Bulgarian Bank AD	Revolving bank loan	BGN	250 000	250 000	15.12.2020	ADI + 1,3% (but not less than 1,3%)	15.12.2023	Pledge on receivables



Litigations

No claims were brought against the Company.

30. 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	30.9.2022 BGN'000	31.12.2021 BGN'000
Trade and other receivables	62	486
Related party receivables	1 705	6 100
Cash and cash equivalents	5 329	1 775
	7 096	8 361

Financial liabilities	30.9.2022 BGN'000	31.12.2021 BGN'000
Financial liabilities measured at amortized cost		
Borrowings:	9 612	15 868
non-current	7 811	9 038
current	1 801	6 830
Lease liabilities:	157	122
non-current	126	102
current	31	20
Trade and other payables	257	107
Related party payables:	5 562	15 516
non-current	1 242	6 179
current	4 320	9 337
	15 588	31 613

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 31.

31. 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 30. 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 31 December 2021. 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.



31.1. 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.

31.1.1. 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.

31.1.2. 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 2022, the Company was not exposed to changes in market interest rates. The Company's investments in bonds all pay fixed interest rates.

31.2. 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.



31.3. 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.

32. 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.

33. Post-reporting date events

Complicated international situation

The full-scale military invasion of Russia in Ukraine, which began on 24 February 2022 and continuing at the time of publication of these interim separate financial statements, caused a wide international response and affected the countries of Europe in various aspects. The expectation is that the military conflict will have a negative impact and affect all businesses to one degree or another.

The escalation of hostilities between Russia and Ukraine, the imposition of sanctions and restrictions by the European Union, USA, Canada, Britain and other countries on Russia, the Russian Central Bank, credit institutions, companies, individuals and the closure of Russian stock exchanges, cause significant shocks, ubiquitous on financial markets. The company has no direct exposure to Ukraine or Russia. However, the impact on the general economic situation may necessitate a revision of some



assumptions and judgments. At the same time, inflationary pressures continue to increase, with military action and rising quotations on all commodities expected to increase further.

Systematic risks operate outside the Company, but have a key impact on its activities. These risks are specific to the whole market and cannot be avoided by diversifying the risk, as they are related to the macroeconomic situation, the political situation, regional development and others.

The economic sanctions imposed on Russia by USA and the European Union in connection with the military conflict are likely to have a direct impact on the Company's activities, in relation with the indirect effects of the effect on business and consumer confidence and commodity markets.

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

