Notes

to the Interim Financial Statements
of "Sirma Group Holding" JSC
for the period 01.01.2023 - 31.12.2023

Content

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 in 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 31.12.2023 the distribution of the share capital of "Sirma Group Holding" JSC is as follows:

	31.12.2023	**30.09.2023**
Share capital	59 361	59 361
Number of shares (par value of BGN 1)	59 360 518	59 360 518
Total number of registered shareholders	1 039	1 057
Legal entities	39	40
Individuals	1 000	1 017
Number of shares held by legal entities	7 223 085	6 266 266
% Of participation of entities	12,17%	10,56%
Number of shares held by individuals	52 137 433	53 094 252
% Participation of individuals	87,83%	89,44%

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

Shareholders	**Number of shares at 31.12.2023**	**Number of shares at 30.09.2023**	**Nominal VALUE (BGN)**	**Value (BGN)**	**% Shareholding**	**% of voting rights***
Georgi Parvanov Marinov	5 455 748	5 380 748	1	5 455 748	9,19%	9,48%
Tsvetan Borisov Alexiev	5 035 153	4 965 753	1	5 035 153	8,48%	8,74%
Chavdar Velizarov Dimitrov	4 817 386	4 750 786	1	4 817 386	8,12%	8,37%
Veselin Antchev Kirov	4 767 386	4 700 786	1	4 767 386	8,03%	8,28%
Ognyan Plamenov Chernokozhev	3 741 620	3 741 620	1	3 741 620	6,30%	6,50%
Ivo Petrov Petrov	3 400 000	3 531 992	1	3 400 000	5,73%	5,90%
Krasimir Nevelinov Bozhkov	2 534 161	2 534 161	1	2 534 161	4,27%	4,40%
Vladimir Ivanov Alexiev	2 177 583	2 177 583	1	2 177 583	3,67%	3,78%
Rosen Vasilev Varbanov	2 156 687	2 156 687	1	2 156 687	3,63%	3,75%
Emiliana Ilieva Ilieva	1 990 209	1 990 209	1	1 990 209	3,35%	3,46%
Deyan Nikolov Nenov	1 814 748	1 790 748	1	1 814 748	3,06%	3,15%
Purchesd own shares	(1 780 407)	(1 570 407)	1	(1 780 407)	3,00%	3,09%
Atanas Kostadinov Kiryakov	1 542 787	1 487 524	1	1 542 787	2,60%	2,68%
Rosen Ivanov Marinov	1 282 900	1 265 795	1	1 282 900	2,16%	2,23%
DF Advance Invest	1 099 116	971 345	1	1 099 116	1,85%	1,91%
Yavor Liudmilov Djonev	1 092 746	1 292 746	1	1 092 746	1,84%	1,90%
Peter Nikolaev Konyarov	872 803	872 803	1	872 803	1,47%	1,52%
Mandjukov Ltd.	860 000	860 000	1	860 000	1,45%	1,49%
UPF Doverie JSC	802 126	802 126	1	802 126	1,35%	1,39%
UPF DSK Rodina	747 036	747 036	1	747 036	1,26%	1,30%
Asen Krumov Nelchinov	650 449	641 349	1	650 449	1,10%	1,13%
Others	10 739 467	11 128 314	1	10 739 467	18,09%	15,56%
Total					**100%**	**100%**

*Percentage of voting rights represents participation in the capital of the company net of the purchased own shares.

On 25.01.2023 „Sirma Group Holding" JSC bought back 1 398 900 of its shares at an average price of BGN 0,71 per share, for a total price of BGN 993 219. The shares represent 2,36% of the company's capital.
On 27.06.2023 „Sirma Group Holding" JSC bought back 50 000 of its shares at an average price of BGN 0,677638 per share, for a total price of BGN 33 881,92. The shares represent 0,0842% of the company's capital.

On 28.06.2023 „Sirma Group Holding" JSC bought back 6 000 of its shares at an average price of BGN 0,65 per share, for a total price of BGN 3 900. The shares represent 0,01% of the company's capital.

On 03.08.2023 „Sirma Group Holding" JSC bought back 30 661 of its shares at an average price of BGN 0,70 per share, for a total price of BGN 21 462,70. The shares represent 0,05% of the company's capital.

On 02.10.2023 „Sirma Group Holding" JSC bought back 210 000 of its shares at an average price of BGN 0,76 per share, for a total price of BGN 159 600. The shares represent 0,35% of the company's capital.

As of 31.12.2023 „Sirma Group Holding" JSC holds 1 780 407 (31.12.2022 - 84 846) repurchased own shares at the total amount of BGN 1 780 407 (3% of share capital).

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

Shareholders	**Number of shares at 31.12.2023**	**% Shareholding**	**% of voting rights**
Georgi Parvanov Marinov	5 455 748	9,19%	9,48%
Tsvetan Borisov Alexiev	5 035 153	8,48%	8,74%
Chavdar Velizarov Dimitrov	4 817 386	8,12%	8,37%
Veselin Antchev Kirov	4 767 386	8,03%	8,28%
Ognyan Plamenov Chernokozhev	3 741 620	6,30%	6,50%
Ivo Petrov Petrov	3 400 000	5,73%	5,90%

Shareholders	**Number of shares at 30.09.2023**	**% Shareholding**	**% of voting rights**
Georgi Parvanov Marinov	5 380 748	9,06%	9,31%
Tsvetan Borisov Alexiev	4 965 753	8,37%	8,59%
Chavdar Velizarov Dimitrov	4 750 786	8,00%	8,22%
Veselin Antchev Kirov	4 700 786	7,92%	8,13%
Ognyan Plamenov Chernokozhev	3 741 620	6,30%	6,47%
Ivo Petrov Petrov	3 531 992	5,95%	6,11%

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 31.12.2023 includes the following members:

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

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.

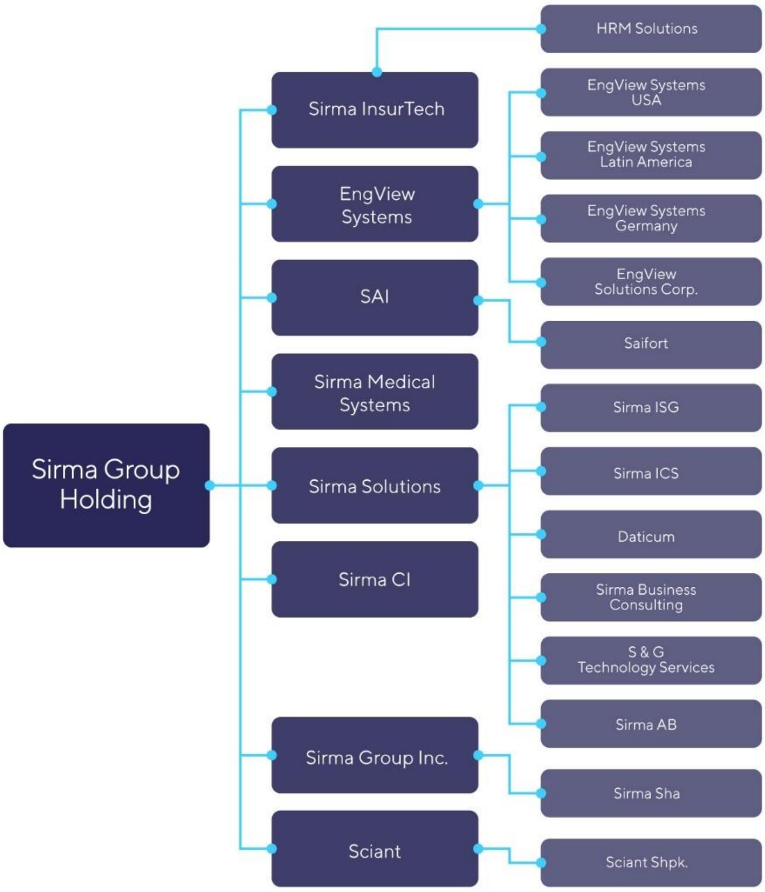
The participation of members of the Board of Directors in the capital of the Company is as follows:

Shareholders	Number of shares at 31.12.2023	Number of shares at 30.09.2023	Nominal value (BGN)	Value (BGN)	% Shareholding	% of voting rights
Georgi Parvanov Marinov	5 455 748	5 380 748	1	5 455 748	9,19%	9,48%
Tsvetan Borisov Alexiev	5 035 153	4 965 753	1	5 035 153	8,48%	8,74%
Chavdar Velizarov Dimitrov	4 817 386	4 750 786	1	4 817 386	8,12%	8,37%
Veselin Anchev Kirov	4 767 386	4 700 786	1	4 767 386	8,03%	8,28%
Atanas Kostadinov Kiryakov	1 542 787	1 487 524	1	1 542 787	2,60%	2,68%
Yavor Ludmilov Djonev	1 092 746	1 292 746	1	1 092 746	1,84%	1,90%
Martin Veselinov Paev	126 920	126 720	1	126 920	0,21%	0,22%
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	**22 841 659**	**22 708 596**		**22 841 659**	**38,48%**	**39,67%**

During the period 01.10.2023 – 31.12.2023 the member of the BD Georgi Parvanov Marinov acquired 75 000 shares, the member of the BD Tsvetan Borisov Alexiev acquired 69 400 shares, the member of the BD Chavdar Velizarov Dimitrov acquired 66 600 shares, the member of the BD Veselin Anchev Kirov acquired 66 600 shares, the member of the BD Atanas Kostadinov Kiryakov acquired 53 263 shares, the member of the BD Martin Veselinov Paev acquired 200 shares and the member of the BD Yavor Ludmilov Djonev sold 200 000 shares of the capital of the company.

Organizational structure of Sirma Group

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



Subsidiaries of "Sirma Group Holding" JSC:

Company	Value of the investment at 31.12.2023 (BGN'000)	Percentage of capital at 31.12.2023	Percentage of voting rights at 31.12.2023	Value of the investment at 31.12.2022 (BGN'000)	Percentage of capital at 31.12.2022	Percentage of voting rights at 31.12.2022
Sirma Solutions	39 686	100%	100%	39 686	80,11%	100%
SAI (Ontotext)	17 865	84,56%	100%	17 865	84,56%	100%
Impairment	(5 360)	-	-	(5 360)	-	-
Sciant	14 076	100%	100%	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%	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%
Total	**70 874**			**67 035**		

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

The number of employees as of 31.12.2023 was 29 people, including 20 employees under labour contracts and 9 under management contracts.

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

These interim separate financial statements for the period of twelve months to 31 December 2023 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 2022, 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 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 2023

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 2023, but do not have a significant effect on their application on the financial result and the financial condition of the Company:

- IFRS 17 "Insurance Contracts" effective from 1 January 2023, 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, 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 12 "Income taxes: Deferred tax related to assets and liabilities arising from a single transaction", effective from 1 January 2023, adopted by the EU
- Amendments to IAS 12 "Income taxes: International Tax Reform – Pillar Two Model Rules", effective from 1 January 2023, 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:

- Amendments to IAS 1 “Presentation of financial statements: Classification of liabilities as current or non-current”, effective from 1 January 2024, not yet adopted by the EU
- Amendments to IAS 1 “Presentation of financial statements: Non-current liabilities with covenants”, effective from 1 January 2024, not yet adopted by the EU
- Amendments to IFRS 16 “Leases: Lease Liability in a Sale and Leaseback”, effective not earlier than 1 January 2024, adopted by the EU
- Amendments to IAS 7 “Statement of cash flows” and IFRS 7 “Financial instruments: Disclosures: supplier finance arrangements”, effective from 1 January 2024, not yet adopted by the EU
- Amendments to IAS 21 “The effects of changes in foreign exchange rates: Lack of exchangeability”, effective from 01 January 2025, not yet adopted by the EU

4. Significant accounting policies
4.1. Overall considerations

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

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

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

4.2. Presentation of separate financial statements

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

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

Two comparative periods are presented for the statement of financial position when the Company applies an accounting policy retrospectively, makes a retrospective restatement of items in its financial statements, or reclassifies items in the financial statements and this has a material impact on the statement of financial position at the beginning of the preceding period. In 2023 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. Climate-related matters

Risks induced by climate changes may have future adverse effects on the Company’s business activities. These risks include physical risks (even if the risk of physical damage is low due to the company activities and geographical locations).

The Company is also committed to reducing the carbon footprint of its employees by updating its business trip policies and minimising its use of air-freight travel. In addition, measures are taken to optimize fuel consumption for heating and transport, optimization of heating, ventilation, cooling systems, lighting, setting equipment (computers, air conditioners) to turn off automatically, stimulating the holding of meetings, discussions and distance learning, providing teleconferencing equipment to avoid frequent business trips and more.

Consistent with the prior year, as at 31 December 2023, the Company has not identified significant risks induced by climate changes that could negatively and materially affect the Company's financial statements. Management continuously assesses the impact of climate-related matters.

When determining the financial situation of the Company as of 31.12.2023, the climate related questions have been taken considered and taken into account when performing impairment tests and assessing the useful life of its non-current tangible and intangible assets and investment properties.

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.

Evaluation

Revenue is measured based on the transaction price determined for each contract.
When determining the price of the transaction, the Company takes into account the terms of the contract and its usual commercial practices.
The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for the customer's transfer of the promised goods or services, excluding amounts collected on behalf of third parties (e.g. value added tax). The remuneration promised in the contract with the client may include fixed amounts. When (or as) a performance obligation is satisfied, the Company recognizes as revenue the value of the transaction price that is attributed to this performance obligation.

The company examines whether there are other promises in the contract that are separate performance obligations for which a part of the transaction price should be allocated.
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.

Pursuant to concluded long-term contracts, the Company provides financial and accounting, administrative and other services to related parties. The work performed is reported on an ongoing basis every month. The Company transfers control of the services over time and therefore satisfies the performance obligation and recognizes revenue over time. The price of the services can be determined as a remuneration calculated on the basis of the costs incurred by the Company for the performance of the relevant service plus a percentage fixed allowance. The Company measures its progress toward full settlement of the performance obligation, satisfied over time, by confirmation of performance for the service rendered.

IT support revenue
Pursuant to concluded contracts, the Company provides customer support services. The work performed is reported on an ongoing basis every month. The Company transfers control of the services over time and therefore satisfies the performance obligation and recognizes revenue over time. The price of the services can be defined as a variable remuneration, calculated on the basis of the costs incurred by the Company for the performance of the relevant service plus a percentage fixed allowance. The Company measures its progress toward full settlement of the performance obligation, satisfied over time, by confirmation of performance for the service rendered.

Revenue from the sale of software licenses as a service
The Company sells software licenses as a service. Revenue from sales of a software license as a service is recognized at the time control of the services sold is transferred, i.e. when the sale is made. The price of software as a service sold is fixed. The Company measures its progress toward full settlement of the performance obligation satisfied at a specified point in time.

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 8). 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 18.2,note 22 and note 14.1.

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 2022, 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 has no incurred an impairment loss on non-current assets in (2022 – BGN 2 786 thousand) 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 31 December 2023 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 BGN 60 thousand (2022: BGN 55 thousand) 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 2023	**170**	**250**	**414**	**211**	**535**	**20**	**97**	**1 697**
Additions	-	151	20	2	39	373	158	743
In exploitaion	-	-	-	-	-	(149)	-	(149)
Balance at 31 December2023	**170**	**401**	**434**	**213**	**574**	**244**	**255**	**2 291**
Depreciation								
Balance at 1 January 2023	(28)	(91)	(185)	(206)	(521)	-	(33)	(1 064)
Depreciation	(3)	(67)	(57)	(3)	(22)	-	(18)	(170)
Balance at 31 December 2023	**(31)**	**(158)**	**(242)**	**(209)**	**(543)**	**-**	**(51)**	**(1 234)**
Carrying amount at 31 December 2023	**139**	**243**	**192**	**4**	**31**	**244**	**204**	**1 057**

	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	-	79	39	2	10	20	46	196
Disposals	-	(18)	-	-	-	-	-	(18)
Balance at 31 December 2022	**170**	**250**	**414**	**211**	**535**	**20**	**97**	**1 697**
Depreciation								
Balance at 1 January 2022	(24)	(58)	(131)	(203)	(469)	-	(27)	(912)
Depreciation	(4)	(51)	(54)	(3)	(52)	-	(6)	(170)
Disposals	-	18	-	-	-	-	-	18
Balance at 31 December 2022	**(28)**	**(91)**	**(185)**	**(206)**	**(521)**	**-**	**(33)**	**(1 064)**
Carrying amount at 31 December 2022	**142**	**159**	**229**	**5**	**14**	**20**	**64**	**633**

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 31 December 2023 there were no material contractual commitments related to acquisition of items of property, plant and equipment.

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

	Buildings	Vehicles	Office equipment	Machinery	Computer equipment	Others	Total
	BGN'000	**BGN'000**	**BGN'000**	**BGN'000**	**BGN'000**	**BGN'000**	**BGN'000**
Carrying amount at 31 December 2023	139	243	192	4	31	204	813
Carrying amount at 31 December 2022	142	159	229	5	14	64	613

6. Intangible assets

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

	Software products BGN'000	Rights to software modules BGN'000	In process of acquisition BGN'000	Others BGN'000	Total BGN'000
Gross carrying amount					
Balance at 1 January 2023	57	1 623	5 164	4 269	11 113
Newly acquired assets,internally developed	-	-	-	458	458
Transfer	-	-	77	-	77
Disposals	-	-	(4 783)	(95)	(4 878)
Disposals Commissioned, internally developed	-	-	(458)	-	(458)
Balance at 31 December 2023	**57**	**1 623**	**-**	**4 632**	**6 312**
Amortization and impairment					
Balance at 1 January 2023	(57)	(875)	(2 786)	(839)	**(4 557)**
Amortization	-	(108)	-	(226)	(334)
Disposals	-	-	2 786	-	2 786
Impairment	-	-	-	18	18
Balance at 31 December 2023	(57)	(983)	-	(1 047)	(2 087)
Carrying amount at 31 December 2023	**-**	**640**	**-**	**3 585**	**4 225**

	Software products BGN'000	Rights to software modules BGN'000	In process of acquisition BGN'000	Others BGN'000	Total BGN'000
Gross carrying amount					
Balance at 1 January 2022	57	1 623	5 164	4 269	11 113
Balance at 31 December 2022	**57**	**1 623**	**5 164**	**4 269**	**11 113**
Amortization and impairment					
Balance at 1 January 2022	(57)	(767)	-	(625)	(1 449)
Amortization	-	(108)	-	(214)	(322)
Impairment	-	-	(2 786)	-	(2 786)
Balance at 31 December 2022	**(57)**	**(875)**	**(2 786)**	**(839)**	**(4 557)**
Carrying amount at 31 December 2022	**-**	**748**	**2 378**	**3 430**	**6 556**

The Company's intangible assets reported under "Other" and "In process of acquisition" are internally developed. These include assets as follows:

- **SIRMA CLOUD PLATFORM** is a platform for managing cloud environments.
- **VR Management Platform** is a platform for virtual data centers.
- **Cyber Security Management** are cybersecurity platforms designed to provide businesses with a way to integrate security visibility, analytics, and control across all cybersecurity layers and data sources.
- **Sirma Management Reporting** is a business analysis system.

SIRMA CLOUD PLATFORM is a platform for managing cloud environments:
• Manage virtualization in the data center
• Storage virtualization management
• Resource performance management
• Resource cost management
• Management of cloud distributed in different geographical locations.

Key functionalities include:

FULLY PLATFORM INDEPENDENT
- ✓ Supports standard and high-end hypervisors, storage, network and monitoring tools.
- ✓ Cloud build based on KVM, VMWare, LXD.

HIGH AVAILABILITY AND BUSINESS CONTINUITY
- ✓ High availability architecture.
- ✓ The database is deployed in an HA configuration
- ✓ Redefined behavior in case of host or virtual machine failure in order to achieve a cost-effective failover solution.

EDGE AND DISTRIBUTED CLOUD COMPUTING
- ✓ Dynamically increase cloud resources by adding remote hardware or virtual capacities.
- ✓ Automatic provisioning of remote resources.

ADAPTABLE, EXTENSIBLE AND INTEGRABLE
- ✓ Modular and extensible architecture.
- ✓ Configurable plug-ins for integration with third-party data center services.
- ✓ API for integration with higher-level tools such as billing and self-service portals.

CAPACITY AND PERFORMANCE MANAGEMENT
- ✓ Resource management to track and limit the use of compute, storage and network resources.
- ✓ Dynamically create clusters as pools of hosts that share datastores and virtual networks for load balancing, high availability, and high-performance computing.
- ✓ Dynamic creation of virtual data centers as fully isolated virtual infrastructure environments where a group of users, under the control of a VDC administrator, can create and manage compute, storage and network capacity.

VIRTUAL INFRASTRUCTURE MANAGEMENT AND ORCHESTRATION
- ✓ Management of virtual infrastructure to corporate data centers. End-to-end lifecycle management of virtual resources.
- ✓ Full control, monitoring and reporting of virtual infrastructure resources.

ACCOUNTING AND SHOWBACK
- ✓ Allocation of resource costs to individual units, groups and projects in the organization.
- ✓ Monitoring and control of costs according to the business plan of the project.
- ✓ Easy integration with any billing system.

Sirma management reporting includes processes, tools and technologies necessary to transform data into information, and information into knowledge and plans that imply quick and effective business actions and support the decision-making process.
It is through the developed reporting system that companies receive secure, consistent, comprehensible, easy to process and timely information, which creates prerequisites for an informed decision. Or:
- Supports making effective and informed decisions;
- Turns huge volumes of data into valuable business conclusions;
- Allows access, sharing, processing and analysis of data by the right people, at the right time and in the way they prefer;
- Provides a unified version of the truth;
- Preserves knowledge in the company;
- Saves time and effort of key figures in companies.

Sirma management reporting allows organizations to collect data from internal and external sources, prepare it for analysis, create and send requests to this data, and create reports, information boards (dashboards) and data visualization.

The Company has not entered into material contractual commitments to acquire intangible assets as of 31 December 2023.

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.

The analysis of the recoverable values of long-term intangible assets carried out, from the position of the specific economic situation, has not showed the presence of indications of impairment of the same (2022: BGN 2 786 thousand). In confirming its assessment, the management used the expert assessment of an independent licensed an appraiser who prepared an appraisal report. The methods used in the appraisal are the income approach and the replacement value method. The assumptions made in making the assessments consist of an assumed analysis period of ten years, a discount rate of 14%, estimates of residual (terminal) value, replacement costs, economic life of the asset, physical, moral, economic wear and tear and others. When preparing the estimates, the unstable macroeconomic environment and the expected changes in it were influenced.

7. Investments in subsidiaries

The Company has the following investments in subsidiaries:

Name of the subsidiary	Country of incorporation and principal place of business	Main activities	2023	2023 share	2022	2022 share
			BGN‘000	%	BGN‘000	%
Sirma Solutions EAD	Bulgaria	Software services	39 686	100%	39 686	80,11%
SAI AD	Bulgaria	Software services	17 865	84,56%	17 865	84,56%
Impairment			(5 360)		(5 360)	
Sciant EAD	Bulgaria	Software services	14 076	100%	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%	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 AD	Bulgaria	Software services	50	72,90%	50	72,90%

On 03.04.2023 a transaction for the purchase of the remaining shares in the subsidiary of "Sirma Group Holding" JSC - "Sciant" AD was concluded as follows:
- Subsidiary whose shares are subject to redemption: "Sciant" AD;
- Company that buys the shares: "Sirma Group Holding" JSC;
- Size of the minority package object of purchase: 22.20% of the capital of "Sciant" AD distributed in 57 000 shares;
- Sellers of shares: 26 individuals and 1 legal entity.

As a result of the above transaction, "Sirma Group Holding" JSC now owns 100% of the capital of the company "Sciant" AD.

On 23.10.2023, in accordance with the decision of the General Meeting of Shareholders, the capital of "Sirma Solutions" was reduced on the basis of Art. 200, item 2, in connection with Art. 187d, of the Commercial Code by canceling 703 589 shares a total of shares with a nominal value of BGN 10 (ten) each, of which: 15 000 are class A, 62 172 are class B and 626 417 are ordinary, owned by "Sirma Solutions" AD. The shares were acquired by the company through a buy-back from shareholders. The capital of the company decreased from 35 370 800 to 28 334 910 BGN. The company became 100% owned by "Sirma Group Holding" JSC.

On 21.12.2023, the Board of Directors of "Sirma Solutions" EAD decided to reduce the capital of the company by reducing the nominal value of the shares from BGN 10 to BGN 5 for each share of the capital. After the reduction, the capital of the company will amount to BGN 14 167 455. The change has been requested to be announced in the Commercial Register, but has not yet been officially entered.

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

During 2023 the Company received dividends respectively at the amount of BGN 1 509 thousand (2022: BGN 9 879 thousand).

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 30).

The management has analyzed the recoverable amount of investments in subsidiaries, taking into account and the impact of geopolitical tensions on the activities of the subsidiaries and the expected impact on them in the future. All investments are in companies operating in the field of information and communication technologies, which is one of the industries less affected by the war between Russia and Ukraine.

After the assessment, the Company has not established the presence of impairment of the investment in subsidiaries in 2023. In confirming its judgment, for part of the investments, the management used the expert assessment of an independent licensed appraiser prepared in February 2023. The appraiser's applied valuation methods are discounted cash flow method and net asset value. During the evaluations, 5-year business plans were prepared and analyzed. The assumptions used in the analyses of the recoverable values consist of discount rates from 8% to 11%, the nature of the cash flows and prospects for the development of the activity and assets, the expected development of the relevant industries and the impact on them of the unstable macroeconomic environment. Assumptions in determining the value of significant assets owned by subsidiaries are related to expected future cash flows generated by them, residual (terminal) value, replacement costs, economic life of the asset, physical, moral, economic wear and tear and others.

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 5 522 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 2023	11 210
Newly acquired assets	44
- through subsequent costs	43
Balance at 31 December 2023	**11 254**
Depreciation	
Balance at 1 January 2023	(1 503)
Depreciation	(113)
Balance at 31 December 2023	(1 616)
Carrying amount at 31 December 2023	**9 638**

	Investment property BGN'000
Gross carrying amount	
Balance at 1 January 2022	10 994
Newly acquired assets	216
Balance at 31 December 2022	11 210
Depreciation	
Balance at 1 January 2022	(1 393)
Depreciation	(110)
Balance at 31 December 2022	(1 503)
Carrying amount at 31 December 2022	**9 707**

Investment properties valued at BGN 9 638 thousand are pledged as security for borrowings (2022: BGN 9 707 thousand).

Rental income of BGN 688 thousand (2022: BGN 703 thousand) is shown within "Revenue from sales" in the interim separate statement of profit or loss and other comprehensive income. They include lease payments not dependent on an index or rate. Direct operating expenses of BGN 93 thousand are reported within "Other expenses" (2022: BGN 92 thousand), of which BGN 16 thousand is incurred on vacant properties that did not generate rental income in 2023 (2022: BGN 15 thousand).

Future minimum lease rentals are as follows:

	Minimum lease income						
	Within 1 year BGN'000	1-2 years BGN'000	2-3 years BGN'000	3-4 years BGN'000	4-5 years BGN'000	After 5 years BGN'000	Total BGN'000
31 December 2023	672	672	672	672	672	1 344	4 704
31 December 2022	735	735	735	735	735	1 470	5 145

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 2022 BGN'000	Recognised in profit and loss BGN'000	31 December 2023 BGN'000
Non-current assets			
Property, plant and equipment, intangible assets, investment property	107	11	118
Impairment of intangible assets	(279)	279	-
Impairment of investments	(536)	-	(536)
Current assets			
Trade and other receivables	(9)	4	(5)
Non-current liabilities			
Pension and other employee obligations	(5)	(1)	(6)
Current liabilities			
Employee obligations	(13)	4	(9)
Tax loss	(97)	(293)	(390)
	(832)	**4**	**(828)**
Deferred tax assets	107		118
Deferred tax liabilities	(939)		(946)
Recognised as:			
Net deferred tax liabilities/(assets)	**(832)**		**(828)**

Deferred taxes for the comparative period 31.12.2022 can be summarized as follows:

Deferred tax liabilities (assets)	**31 December 2021**	**Recognised in profit and loss**	**31 December 2022**
	BGN'000	**BGN'000**	**BGN'000**
Non-current assets			
Property, plant and equipment, intangible assets, investment property	99	8	107
Impairment of intangible assets	-	(279)	(279)
Impairment of investments	-	(536)	(536)
Current assets			
Trade and other receivables	(41)	32	(9)
Non-current liabilities			
Pension and other employee obligations	(2)	(3)	(5)
Current liabilities			
Employee obligations	(28)	15	(13)
Tax loss	-	(97)	(97)
	28	**(860)**	**(832)**
Deferred tax assets	99		107
Deferred tax liabilities	(71)		(939)
Recognised as:			
Net deferred tax liabilities/(assets)	**28**		**(832)**

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

10. Trade receivables

	2023	**2022**
	BGN'000	**BGN'000**
Trade receivables, gross amount before impairment	184	96
Impairment of trade receivables	(23)	(23)
Trade receivables	**161**	**73**

The movement in the allowance for credit losses can be reconciled as follows:

	2023	**2022**
	BGN'000	**BGN'000**
Balance at 1 January	(23)	(18)
Amounts written off (uncollectible)	-	9
Adjustment for expected credit losses	-	(14)
Balance at 31 December	**(23)**	**(23)**

The net book value of trade receivables is assumed to be a reasonable approximation of their fair value.

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 32.

The most significant trade receivables as at 31 December are presented below:

	2023	**2022**
	BGN'000	**BGN'000**
Client 1	70	29
Client 2	24	11
Client 3	12	11

11. Prepayments and other assets

	2023 BGN'000	2022 BGN'000
Other receivables	54	18
Prepayments	29	18
Other assets, non-financial	**83**	**36**

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

12. Cash and cash equivalents

Cash and cash equivalents include the following components:

	2023 BGN'000	2022 BGN'000
Cash at bank and in hand:		
- BGN	406	2 076
- EUR	710	1 580
- USD	15	15
Cash and cash equivalents	**1 131**	**3 671**

The amount of cash and cash equivalents inaccessible to the Company as at 31 December 2023 amounts to BGN 0 (2022: BGN 499 thousand).

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

13. Equity
13.1. Share capital

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

	2023 Number of shares	2022 Number of shares
Number of shares issued and fully paid:		
- beginning of the year	59 360 518	59 360 518
Number of shares issued and fully paid	59 360 518	59 360 518
Total number of shares authorized as at 31 December/ 31 December	**59 360 518**	**59 360 518**

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

Shareholders	**Number of shares at 31.12.2023**	**Number of shares at 30.09.2023**	**Nominal VALUE (BGN)**	**Value (BGN)**	**% Shareholding**	**% of voting rights***
Georgi Parvanov Marinov	5 455 748	5 380 748	1	5 455 748	9,19%	9,48%
Tsvetan Borisov Alexiev	5 035 153	4 965 753	1	5 035 153	8,48%	8,74%
Chavdar Velizarov Dimitrov	4 817 386	4 750 786	1	4 817 386	8,12%	8,37%
Veselin Antchev Kirov	4 767 386	4 700 786	1	4 767 386	8,03%	8,28%
Ognyan Plamenov Chernokozhev	3 741 620	3 741 620	1	3 741 620	6,30%	6,50%
Ivo Petrov Petrov	3 400 000	3 531 992	1	3 400 000	5,73%	5,90%
Krasimir Nevelinov Bozhkov	2 534 161	2 534 161	1	2 534 161	4,27%	4,40%
Vladimir Ivanov Alexiev	2 177 583	2 177 583	1	2 177 583	3,67%	3,78%
Rosen Vasilev Varbanov	2 156 687	2 156 687	1	2 156 687	3,63%	3,75%
Emiliana Ilieva Ilieva	1 990 209	1 990 209	1	1 990 209	3,35%	3,46%
Deyan Nikolov Nenov	1 814 748	1 790 748	1	1 814 748	3,06%	3,15%
Purchesd own shares	(1 780 407)	(1 570 407)	1	(1 780 407)	3,00%	3,09%
Atanas Kostadinov Kiryakov	1 542 787	1 487 524	1	1 542 787	2,60%	2,68%
Rosen Ivanov Marinov	1 282 900	1 265 795	1	1 282 900	2,16%	2,23%
DF Advance Invest	1 099 116	971 345	1	1 099 116	1,85%	1,91%
Yavor Liudmilov Djonev	1 092 746	1 292 746	1	1 092 746	1,84%	1,90%
Peter Nikolaev Konyarov	872 803	872 803	1	872 803	1,47%	1,52%
Mandjukov Ltd.	860 000	860 000	1	860 000	1,45%	1,49%
UPF Doverie JSC	802 126	802 126	1	802 126	1,35%	1,39%
UPF DSK Rodina	747 036	747 036	1	747 036	1,26%	1,30%
Asen Krumov Nelchinov	650 449	641 349	1	650 449	1,10%	1,13%
Others	10 739 467	11 128 314	1	10 739 467	18,09%	15,56%
Total					**100%**	**100%**

*Percentage of voting rights represents participation in the capital of the company net of the purchased own shares.

13.2. Share premium reserve

The share premium reserve in the amount of BGN 5 855 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 2 236 thousand.

13.3. Other reserves

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

	2023 BGN‘000	**2022 BGN‘000**
Balance at January 1	**1 244**	**1 141**
Allocation of reserves	214	103
Balance at 31 December	**1 458**	**1 244**

14. Employee remuneration
14.1. Employee benefits expense

Expenses recognised for employee benefits include:

	2023 BGN‘000	**2022 BGN‘000**
Salary expenses	(1 727)	(1 551)
Social security expenses	(144)	(138)
- *pension - defined contribution plans*	(4)	*(32)*
Employee benefits expense	**(1 871)**	**(1 689)**

14.2. Pension and other employee obligations

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

	2023 BGN‘000	2022 BGN‘000
Non-current:		
Compensations in compliance with Labour Code	60	55
Non-current pension and other employee obligations	**60**	**55**
Current:		
Payroll obligations	-	114
Social security obligations	30	31
Accrued holiday entitlement	84	92
Current pension and other employee obligations	**114**	**237**

The current portion of these liabilities represents the Company's obligations to its current employees that are expected to be settled during 2023. 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.

The event that gives rise to the obligation of the employer is the release of the person when he / she has acquired the right to a pension for length of service and old age. This requires an accurate prediction of the time of departure of employees, according to the time of occurrence of this right. The amount of the benefit is directly dependent on the person's length of service and, after a period of 10 years or more, future length of service does not affect the further amount of the obligation. In order to determine the exact amount of the obligation, it is necessary to forecast the amount of compensation at the future time when it will be due to the employee and this compensation must be discounted at the time of the assessment of the obligation.

As a result of the current employment contracts in the Company as of 31.12.20223, the payments upon retirement due to illness and due to reaching age and seniority, follow the amounts specified in Article 222, paragraph 2 and paragraph 3 of the Labour Code.

The mortality table reflects the probability that individuals will reach the specified retirement age. It is calculated for each person individually based on his / her gender and age at the time of the assessment. A table for mortality and average life expectancy of the population of Bulgaria of the National Statistical Institute for the period 2019-2021 was used.

On the basis of the information provided by the company on the number of people who left in the last year, the probability of leaving has been calculated. This probability is set in the projections for the future development of staff in relation to the group of voluntarily left and dismissed in this model as an arithmetic mean of 0.2477.

The likelihood of disability reflects the likelihood of a person falling into a state that prevents him from interacting with the environment, which in turn creates social, intellectual, physical or moral difficulties. The probability is calculated on the basis of statistical information received from the NCHI.

An effective annual interest rate of 3.0% was used to calculate the discount factor, which corresponds to a discount annual rate of 2.91%. The proposal made is based on the yield data of long-term government securities offered on the Bulgarian Stock Exchange and the forecast for a longer term, based on the recommendations of Article 78 of IAS 19 and Articles 80 and 81 of the IAS, since the discount rate should reflect the estimated time of payment of income.

According to the company's development plans, the current model envisages 1.5% annual growth of the average gross salary compared to the previous year. The amount of the expected increase in the basic salary is in line with the levels of remuneration in the company, remuneration in alternative companies on the same market, long-term expectations and projected inflation.

Acquisition of pension rights for length of service and age - according to the Social Insurance Code and the underlying plans for increasing the retirement age. If a person cannot qualify for a pension for length of service and old age from the social security services listed in the table, then he / she shall acquire a pension right upon reaching the age of 65 and having at least 15 years of service. From 31.12.2015 the age from the previous sentence is increased from the first day of each following year by 2 months until reaching 67 years.

According to the requirements of the Labour Code, the benefit is paid when the employee acquires the right to a pension for length of service and age, and its amount is directly dependent on the amount of his gross salary and his length of service with the employer so far. This necessitates a precise prediction of the moment at which the person will leave the employer, obtaining the right to compensation. For all persons, this moment is calculated individually, on the basis of their age and sex at the time of the assessment and the age required to qualify for a pension, as required by the Social Security Code for the acquisition of a retirement pension by the State Public insurance. When forecasting the moment of retirement of all persons employed under a contract of employment in the structures of the company, it is assumed that they will retire upon reaching the age necessary for acquiring the right to retirement pension and age for persons working under the conditions of the third category of labour. In determining the time of retirement, the requirement of the Social Security Code for the minimum length of service required to qualify for retirement and old age pension was also taken into account. When a worker who has reached the required retirement age does not have the required length of service, the time of retirement is deferred until, he accumulates this length of service.

After determining the time of departure of employees who have acquired the right to a pension for length of service and age, the amount of the last salary can be predicted. The value of the gross salary at the time of the appraisal is multiplied by the projected percentage for growth of the salaries per year, for the period from the date of the appraisal to the foreseen moment of leaving the worker. The number of gross salaries due is directly dependent on the time served by the employer at the time of leaving. For employees who at the time of retirement will have ten or more years of service with the employer, compensation in the amount of six gross salaries is calculated, and for all others in the amount of two gross salaries.

The amount of the obligation can be divided into two main attributes related to demographic assumptions - gender and reason for payment of the obligation, with the present values of the respective payment obligations as of 31.12.2023:

Gender	**Amount upon retirement for reaching length of service and old age in BGN**	**Amount upon retirement due to illness in BGN**	**Total amount**
Female	36 817,23	553,44	37 370,67
Male	22 560,11	339,12	22 899,23
Total	**59 377,34**	**892,56**	**60 269,90**

The changes in the pension provisions in compliance with the Labour Code are summarized as follows:

	2023 BGN‘000	2022 BGN‘000
Pension provisions at 1 January	55	22
Increase /(decrease) of pension provisions due to an increased number of employees expected to retire in next 5 years	4	32
Interest expense	1	1
Pension provisions at 31 December	**60**	**55**

The total expenses of the Company's defined benefit plans recognized in profit or loss may be presented as follows:

	2023 BGN‘000	2022 BGN‘000
Current service expenses	4	32
Interest expenses	1	1
Total expenses recognized in profit or loss	**5**	**33**

Current and past service expenses are included in " Employee benefits expense". Net interest expense is included in the separate statement of profit or loss in the line “Finance costs” (see Note 23).

15. Borrowings

Borrowings include the following financial liabilities:

	Current		Non-current	
	2023 BGN‘000	2022 BGN‘000	2023 BGN‘000	2022 BGN‘000
Financial liabilities measured at amortized cost				
Bank loans	-	1 419	-	7 457
Interest on bank loans	-	13	-	-
Total carrying amounts	**-**	**1 432**	**-**	**7 457**

All loans are denominated in Bulgarian leva (BGN).

15.1. Borrowings at amortized cost

Bank	Type of loan	Currency	Total amount of credit (BGN)	Outstanding obligation at 31.12.2023 (BGN)	Date of contract	Interest rate	Number of outstanding installments	Amount of monthly installment (BGN)	Maturity date	Pledges
"Unicredit BulBank" AD	Investment	BGN	2 800 000	-	15.12.2022	The applicable variable interest rate for the relevant interest period +1.5 points, but not less than 1.5%	-	-	15.12.2024	Pledge of receivables

On 12.04.2023 "Sirma Group Holding" JSC made a full early repayment of three of its investment bank loans, including principal amounts of 4 356 154 (four million three hundred and fifty-six thousand one hundred and fifty-four) euros. As a result of the above, the company currently has no credit indebtedness under investment loans.

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

16. Lease liabilities

	2023 BGN'000	2022 BGN'000
Lease liabilities – non-current portion	192	130
Lease liabilities – current portion	53	33
Lease liabilities	**245**	**163**

Future minimum lease payments at 31 December 2023 were as follows:

	Minimum lease payments due					
	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.**	**Общо хил. лв.**
31 December 2023						
Lease payments	60	99	37	34	31	261
Finance charges	(7)	(5)	(3)	(1)	-	(16)
Net present values	**53**	**94**	**34**	**33**	**31**	**245**
31 December 2022						
Lease payments	36	36	75	13	10	170
Finance charges	(3)	(2)	(2)	-	-	(7)
Net present values	**33**	**34**	**73**	**13**	**10**	**163**

Interest expense on leases included in the finance costs for the period ended 31 December 2023 was BGN 5 thousand (2022: BGN 4 thousand).

Total cash outflow for leases for the period ended 31 December 2023 was BGN 75 thousand (2022: BGN 42 thousand).

17. Trade and other payables

	2023 BGN'000	2022 BGN'000
Non-current:		
Trade payables	132	83
Financial liabilities	132	83
Tax payables	69	76
Non-financial liabilities	**69**	**76**
Current trade and other payables	**201**	**159**

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

18. Revenues from sales

18.1. Revenues recognized over time

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

	Administrative and accounting services Bulgaria	**Technical Support Bulgaria**	**Sale of licenses Bulgaria**	**Other revenues Bulgaria**	**Total**
2023	**BGN'000**	**BGN'000**	**BGN'000**	**BGN'000**	**BGN'000**
Gross revenue	2 877	15	-	91	**2 983**
Revenues from contracts with clients	2 877	15	-	91	**2 983**
Revenue recognition					
As a point in time					
Over time	*2 877*	*15*	-	*91*	***2 983***

	Administrative and accounting services Bulgaria	**Technical Support Bulgaria**	**Sale of licenses Bulgaria**	**Other revenues Bulgaria**	**Total**
2022	**BGN'000**	**BGN'000**	**BGN'000**	**BGN'000**	**BGN'000**
Gross revenue	1 130	36	1 248	100	**2 514**
Revenues from contracts with clients	1 130	36	1 248	100	**2 514**
Revenue recognition					
As a point in time					
Over time	*1 130*	*36*	*1 248*	*100*	***2 514***

Revenues at the amount of BGN 1 928 thousand (2022: BGN 1 642 thousand) are reported by one external client.

Product lines	**2023 BGN'000**	**2022 BGN'000**
Administrative and accounting services	2 877	1 130
Technical Support	15	36
Sale of licenses	-	1 248
Others	91	100
	2 983	**2 514**

18.2. Rental revenues

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

	2023 BGN'000	**2022 BGN'000**
Rental revenues	688	703
	688	**703**

19. Other income

	2023 BGN'000	2022 BGN'000
Dividend income	1 509	9 879
Interest income	13	35
Gain on sale of non-current assets	2	1
Income from sale of investments	-	410
Other revenues	33	162
	1 557	**10 487**

Dividend income is from subsidiaries.
Interest income relates to loans granted to related parties.
Other revenues in the amount of BGN 33 thousand (2021: BGN 162 thousand) represent reintegrated impairment of receivables, of which BGN 20 thousand were collected during the year, compensations for electricity in the amount of BGN 2 thousand and income from unused vacations in the amount of BGN 11 thousand.

20. Cost of materials

	2023 BGN'000	2022 BGN'000
Inventory	(45)	(12)
Electricity	(34)	(20)
Heating	(11)	(9)
Hygienic materials	(9)	(9)
Advertising materials	(5)	(6)
Office repair and maintenance materials	(4)	(4)
Office supplies	(4)	(3)
Water	(4)	(3)
Computer components	(1)	-
Others	(21)	(18)
	(138)	**(84)**

21. Hired services expenses

	2023 BGN'000	2022 BGN'000
Consulting services	(249)	(388)
Audit	(87)	(47)
Seminars and training	(80)	(12)
Subscriptions	(50)	(159)
Office maintenance and repair	(48)	(31)
Advertising	(45)	(132)
Internet	(27)	(44)
Security	(19)	(15)
Cleaning	(19)	(10)
Software services	(19)	-
Insurance	(18)	(15)
Commissions and fees	(13)	(24)
Mobile phones	(12)	(12)
Cars maintenance and repair	(11)	(1)
Notary taxes	(2)	(6)
Civil contracts	(1)	(5)
Parking	(1)	(1)
Others	(1)	(2)
	(702)	**(904)**

The remuneration for independent financial audit for 2023 amounts to BGN 70 thousand. The amount of the audit fee for separate financial statements for 2023 amounts to BGN 34 011,88 without VAT and for consolidated financial statements for 2023 amounts to BGN 35 967,71 without VAT. During the year, additional auditing services were provided in the amount of BGN 16 998,69 without VAT, related to the translation and audit of interim consolidated reports. This disclosure is made in compliance with the requirements of Article 30 of Bulgarian Accountancy Act.

22. Other expenses

	2023 BGN'000	2022 BGN'000
Local taxes and fees	(93)	(93)
Entertainment expenses	(78)	(39)
Social expenses	(17)	(12)
Impairment of receivables	(14)	(22)
Business trips	(4)	(4)
Donations	(1)	(1)
Others	(14)	(13)
	(221)	**(184)**

23. Finance costs and finance income

	2023 BGN'000	2022 BGN'000
Impairment of investments	-	(5 360)
Borrowings at amortized cost	(92)	(264)
Interest expense for deposits	(12)	(101)
Interest expense for finance lease agreements	(5)	(4)
Total interest expenses for financial liabilities not at fair value through profit or loss	**(109)**	**(5 729)**
Bank fees and commissions	(33)	(457)
Loss on foreign currency financial liabilities designated at fair value through profit or loss	(3)	(5)
Net interest expense on defined benefit plans	(2)	(1)
Finance costs	**(147)**	**(6 192)**

	2023 BGN'000	2022 BGN'000
Interest income on financial assets carried at amortized cost and financial instruments carried at fair value through profit or loss	6	7
Total interest income for financial assets	**6**	**7**
Gain on foreign currency financial liabilities designated at fair value through profit or loss	-	1
Finance income	**6**	**8**

24. Income tax/ (expense)

The relationship between the expected tax expense based on the applicable tax rate in Bulgaria of 10% (2022: 10%) and the reported tax expense in profit or loss can be reconciled as follows:

	2023 BGN'000	2022 BGN'000
Profit before tax	1 538	1 271
Tax rate	10%	10%
Expected tax expense	**(154)**	**(127)**
Tax effect of:		
Increase of the financial result for tax purposes	(63)	(886)
Decrease of the financial result for tax purposes	217	1 013
Current tax expense	**-**	**-**
Deferred tax income:		
Origination and reversal of temporary differences	(4)	860
Income tax income /(expense)	**(4)**	**860**

25. Earnings per share and dividends
25.1. 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:

	2023	2022
Profit attributable to the shareholders (BGN)	1 533 610	2 130 644
Weighted average number of outstanding shares	57 883 926	58 494 062
Basic earnings per share (BGN per share)	**0,0265**	**0,0364**

The weighted average number of common shares outstanding for the year is defined as the number of common shares outstanding at the beginning of the year, adjusted by the number of common shares repurchased during the year, multiplied by the time averaging factor. The average time factor is equal to the number of days that the particular shares were in circulation, divided by the total number of days during the year.

25.2. Dividends

In 2023 the Company has distributed dividends to its owners in the amount of BGN 2 849 thousand (2022: BGN 1 400 thousand). This amount is a payment of BGN 0,048 per share (2022: BGN 0,024), the dividends paid amount to BGN 2 595 thousand after withholding tax for individuals in the amount of BGN 131 thousand.

In 2022, the company paid dividends amount to BGN 1 216 thousand after withholding tax for individuals in the amount of BGN 65 thousand.

26. 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.

26.1. Transactions with subsidiaries

	2023 BGN'000	2022 BGN'000
Purchases of goods and services		
Purchases of services		
- Software services	(19)	-
- Internet	(26)	(43)
- Consulting services	(20)	-
- Seminars and training	(1)	-
- Subscriptions	(27)	-
- Advertising and marketing	-	(42)
- Software license rental		
Purchases of goods	(3)	-
- Office supplies	(4)	(1)
- Inventory	(1)	(1)
- Computer components	(3)	-
- Advertising materials	(37)	(5)
Purchases of LTFA	(19)	-
Sale of non-current asset	755	-
Sales of goods and services		
Sales of services		
- Administrative, accounting services	2 680	1 125
- Rent	542	576
- Consulting services	-	34
- Sale of licenses	-	1 238
- Technical Support	10	36
Sales of goods:		
- Consumables	88	64
Dividends received	1 509	9 945
- Received deposits	13 622	-
- Refund of received deposits	(514)	975
- Received loans	-	1 400
- Refunded received loans	-	(2 495)
- Given loans	(700)	(398)
- Refunded given loans	76	1 093
- Interest on received deposits	(12)	(100)
- Interest on received loans	-	(7)
- Interest on given loans	13	30

26.2. Transactions with other related parties

	2023 BGN'000	2022 BGN'000
Sale of services		
- Administrative, accounting services	5	4
- Rent	8	13
- Given loans	-	(295)
- Interest on given loans	6	6

26.3. 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:

	2023 BGN'000	2022 BGN'000
Short-term employee benefits:		
Salaries including bonuses	(349)	(486)
Social security costs	(5)	(8)
Total remunerations	**(354)**	**(494)**

The company has paid dividends to key management personnel as of 31.12.2023 in the amount of BGN 1 177 thousand (2022 - BGN 427 thousand).

27. Related party balances at the end of the period

	2023 BGN‘000	2022 BGN‘000
Non-current		
Receivables from:		
- subsidiaries:	-	47
- loans	-	*47*
- other related parties under common control:	**295**	-
- loans	*295*	-
Total non-current receivables from related parties	**295**	**47**
Current		
Receivables from:		
- subsidiaries:	**1 819**	**529**
- trade and other receivables	*887*	*289*
- loans	*(28)*	*(38)*
- interests	*948*	*284*
- dividends	*12*	*1*
- impairment of loans	-	*(7)*
- other related parties under common control	**7**	**304**
- trade and other receivables	*3*	*9*
- impairment of trade receivables	*(2)*	-
- loans	-	*295*
- interests	*6*	-
- key management personnel	**-**	**72**
- other receivables	-	*92*
- impairment of other receivables	-	*(20)*
Total current receivables from related parties	**1 826**	**905**
Total receivables from related parties	**2 121**	**952**
Non-current		
Payables to:		
- subsidiaries:	16 148	3 768
- trade and other liabilities	-	*1 242*
- deposits	*16 148*	*2 526*
Total non-current payables to related parties	**16 148**	**3 768**
Current		
Payables to:		
- subsidiaries:	**46**	**516**
- trade and other liabilities	*34*	*1*
- deposits	-	*514*
- interests	*12*	*1*
- other related parties under common control	**243**	**119**
- dividends	*243*	*119*
- key management personnel	**7**	**7**
Total current payables to related parties	**296**	**642**
Total payables to related parties	**16 444**	**4 410**

As at 31.12.2023 the Company reports the following given loans:

- to two subsidiary in the amount of BGN 648 thousand maturing on 31.12.2024;
- to one subsidiary in the amount of BGN 300 thousand maturing on 02.05.2024;
- to one related comapny under common control in the amount of BGN 295 thousand with maturity on 31.12.2025.

Interest rates vary between 1,3% and 3%. There are no collaterals for the loans.

As at 31.12.2023 the Company has received the following deposits:

- from two subsidiaries in the amount of 16 148 thousand with maturity on 31.12.2025 and interest in the amount of 0,1%.

There are no collaterals for the deposits.

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.

The change in the amount of the adjustment for expected credit losses of receivables from related parties can be presented as follows:

	2023 BGN'000	2022 BGN'000
Balance as of January 1	(65)	(266)
Amounts written off (uncollectible)	15	197
Amounts paid	20	12
Impairment loss	-	(8)
Balance as of December 31	**(30)**	**(65)**

28. Reconciliation of liabilities arising from financing activities

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

	Long-term borrowings	Short-term borrowings	Interest on borrowings	Lease liabilities	Interest on lease agreements	Deposits liabilities	Interest on deposits	Dividends	Shares repurchased	Total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
1 January 2023	**7 457**	**1 419**	**13**	**163**	**-**	**3 040**	**1**	**119**	**(85)**	**12 127**
Cash flows:										
Repayment	(7 457)	(1 419)	(105)	(70)	(5)	(514)	(1)	(2 595)	(1 213)	(13 379)
Proceeds	-	-	-	-	-	13 622	-	1	-	13 623
Non-cash:										
Accrual of dividends	-	-	-	-	-	-	-	2 849	-	2 849
Dividend tax withheld	-	-	-	-	-	-	-	(130)	-	(130)
Accrual of interest	-	-	92	-	5	-	12	-	-	109
New lease contracts concluded	-	-	-	152	-	-	-	-	-	152
Share issue reserve	-	-	-	-	-	-	-	-	(483)	(483)
31 December 2023	**-**	**-**	**-**	**-**	**-**	**16 148**	**12**	**244**	**(1 781)**	**14 868**

	Long-term borrowings	Short-term borrowings	Interest on borrowings	Lease liabilities	Interest on lease agreements	Deposits liabilities	Interest on deposits	Dividends	Total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
1 January 2022	**9 038**	**6 823**	**9**	**122**	**-**	**10 194**	**164**	**-**	**26 350**
Cash flows:									
Repayment	(8 077)	(6 830)	(256)	(38)	(4)	(975)	(57)	(1 216)	(17 453)
Proceeds	5 427	1 400	-	-	-	-	-	-	6 827
Non-cash:									
Offsetting	1 095	-	(4)	-	-	(6 179)	(207)	-	(5 295)
Accrual of dividends	-	-	-	-	-	-	-	1 400	1 400
Dividend tax withheld	-	-	-	-	-	-	-	(65)	(65)
Accrual of interest	-	-	264	-	4	-	101	-	369
New lease contracts concluded	-	-	-	79	-	-	-	-	79
Reclassification	(26)	26	-	-	-	-	-	-	-
31 December 2022	**7 457**	**1 419**	**13**	**163**	**-**	**3 040**	**1**	**119**	**12 212**

29. Non-cash transactions

During 2023, the Company carried out the following investment and financial transactions, at which no cash or cash equivalents were used and not reflected in the separate Statement of Cash Flow:

- The company has concluded a contract for leasing a car in the amount of BGN 152 thousand.

During 2022, the Company carried out the following investment and financial transactions, at which no cash or cash equivalents were used and not reflected in the separate Statement of Cash Flow:

- The company has recovered deposits in the amount of BGN 6 179 thousand, which are offset by trade receivables in the amount of BGN 5 084 thousand and a loan in the amount of BGN 1 095 thousand.
- The company has offset an interest liability in the amount of BGN 207, which is accrued interest on deposits for 2021 in the amount of BGN 164 thousand and accrued interest on deposits for 2022 in the amount of BGN 43 thousand with receivables from related parties
- The company has concluded a contract for leasing a car in the amount of BGN 79 thousand.

30. 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 31.12.2023 (in BGN)	Date of contract	Interest rate	Maturity date	Pledges
Sirma Solutions	United Bulgarian Bank AD	Overdraft	BGN	4 025 000	-	12.12.2019	RIR + 1.2%, but no less that 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	-	28.10.2020	RIR + 1.4%, but no less that 1.5% per year	28.10.2025	Pledge of receivables
Sirma Solutions	United Bulgarian Bank AD	Overdraft	BGN	2 080 000	-	15.12.2022	The applicable variable interest rate for the relevant interest period +1.5 points, but not less than 1.5%	15.12.2024	Pledge of receivables
Sciant	Unicredit BulBank AD	Overdraft	BGN	500 000	-	18.5.2020	The applicable variable interest rate for the relevant interest period +3.5 points, but not less than 3.5%	8.8.2024	Pledge of receivables
Sciant	Unicredit BulBank AD	Overdraft	BGN	500 000	-	7.4.2022	The applicable variable interest rate for the relevant interest period +1.3 points, but not less than 1.3%	7.4.2025	Pledge of receivables
EngView Sistems Sofia	Unicredit BulBank AD	Overdraft	BGN	1 000 000	-	15.12.2020	The applicable variable interest rate for the relevant interest period +1.3 points, but not less than 1.3%	15.12.2024	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.

Tax liabilities

The Company's management does not believe that there are significant risks as a result of the dynamic fiscal and regulatory environment in Bulgaria, which would require adjustments to the financial statements for the year ended 31 December 2023.

31. 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	**2023 BGN’000**	**2022 BGN’000**
Trade and other receivables	161	73
Related party receivables	1 826	952
Cash and cash equivalents	1 131	3 671
	3 118	**4 696**

Financial liabilities	**2023 BGN‘000**	**2022 BGN‘000**
Financial liabilities measured at amortized cost		
Borrowings:	-	8 889
non-current	-	*7 457*
current	-	*1 432*
Lease liabilities:	245	163
non-current	*192*	*130*
current	*53*	*33*
Trade and other payables	83	83
Related party payables:	16 444	4 410
non-current	*16 148*	*3 768*
current	*296*	*642*
	16 689	**13 545**

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 32.

32. 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 31. 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 2022. 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.

32.1. 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.

As the economic consequences of the war unfolded in Ukraine, strong inflationary pressures arose. which was particularly high in 2022, when inflation reached 15.3 percent. Average annual inflation for the period January - December 2023 fell compared to the period January - December 2022 to 9.5 percent. By the second half of 2025, easing pressures from energy prices and other costs, together with the ECB's monetary policy measures, should return inflation to the target level.

The expected retention of the level of inflation will continue to affect the maintenance of high levels of purchase prices of the goods and services used by the Company, which could lead to an unexpected contraction of consumer demand and, accordingly, future revenues.

32.1.1. 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, as is usually the case in the Company.

Foreign currency denominated financial assets and liabilities which expose the Company to currency risk are disclosed below. The amounts shown are translated into Bulgarian leva at the closing rate:

	Short-term exposure
	BGN'000
31 December 2023	
Financial assets	15
Total exposure	**15**
31 December 2022	
Financial assets	15
Total exposure	**15**

The tables below show the sensitivity of the annual net financial result after taxes and equity to possible changes in the exchange rates of the Bulgarian lev against the following foreign currencies:

• USD +/- 2.2% (for 2022: +/- 8.6%)

All other parameters are assumed to be constant.

These percentages are determined on the basis of the average exchange rates for the last 12 months.

The sensitivity analysis is based on the Company's investments in foreign currency financial instruments held at the end of the reporting period.

31 December 2023	Increase in the exchange rate of the Bulgarian lev		Decrease in the exchange rate of the Bulgarian lev	
	Net financial result BGN'000	Equity BGN'000	Net financial result BGN'000	Equity BGN'000
US Dollars (+/- 2.2 %)	-	-	-	-

31 December 2022	Increase in the exchange rate of the Bulgarian lev		Decrease in the exchange rate of the Bulgarian lev	
	Net financial result BGN'000	Equity BGN'000	Net financial result	Equity BGN'000
US Dollars (+/- 8.6 %)	(1)	(1)	1	1

32.1.2. 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 31 December 2023, the Company is exposed to the risk of changes in market interest rates on its bank loans, which have a variable interest rate. All other financial assets and liabilities of the Company have fixed interest rates.

The tables presented below show the sensitivity of the annual net financial result after tax and equity to a likely change in interest rates on loans with a floating interest rate based on EURIBOR in the amount of +/- 53.04%. These changes are determined to be probable based on observations of current market conditions. The calculations are based on the change in the average market interest rate and on the financial instruments held by the Company at the end of the reporting period, which are sensitive to interest rate changes. All other parameters are assumed to be constant.

31 december 2023	Net financial result		Equity	
	increase in interest rate BGN'000	decrease in interest rate BGN'000	increase in interest rate BGN'000	decrease in interest rate BGN'000
Loans (EURIBOR 53.04%)	(28)	(28)	28	28

31 december 2022	Net financial result		Equity	
	increase in interest rate BGN'000	decrease in interest rate BGN'000	increase in interest rate BGN'000	decrease in interest rate BGN'000
Loans (EURIBOR 94.23%)	(75)	(75)	75	75

32.2. 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.

	2023 BGN'000	2022 BGN'000
Financial assets		
Trade and other receivables	161	73
Related parties receivables	1 826	952
Cash and cash equivalents	1 131	3 671
	3 118	**4 696**

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.

32.3. 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.
As at 31 December 2023, the Company's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarized below:

	Current		Non-current
31 December 2023	**Within 6 months BGN'000**	**6 to 12 months BGN'000**	**1 to 5 years BGN'000**
Lease liabilities	30	30	231
Trade and other payables	165	-	-
Related party payables	296	-	16 148
Total	**491**	**30**	**16 379**

This compares to the maturity of the Company's non-derivative financial liabilities in the previous reporting period as follows:

	Current		Non-current
31 December 2022	**Within 6 months BGN'000**	**6 to 12 months BGN'000**	**1 to 5 years BGN'000**
Loan liabilities	716	716	7 457
Lease liabilities	18	18	134
Trade and other payables	83	-	-
Related party payables	642	-	3 768
Total	**1 459**	**734**	**11 359**

The above amounts reflect the contractual undiscounted cash flows, which may differ from the carrying values of the liabilities at the reporting date.

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.

33. Capital management policies and procedures

The Company's capital management objectives are:

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

The Company monitors capital on the basis of the correlation between 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 amount of the correlation for the presented accounting periods is summarized as follows:

	2023 BGN‘000	2022 BGN‘000
Equity	73 054	75 582
Total liabilities/Total borrowings, trade and other payables/	17 064	13 913
- Cash and cash equivalents	(1 131)	(3 671)
Net debt	**15 933**	**10 242**
Adjusted capital to net debt	**1:4.59**	**1:7.38**

The ratio-change during 2023 is primarily a result of the increase of liabilities and decrease of equity.

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.

34. Post-reporting date events

Reduction of the capital of a subsidiary company

On 21.12.2023, the Board of Directors of "SAI" AD takes a decision to buy the company's shares from the individual shareholders. As a result of this decision, the sole owner of the company became "Sirma Group Holding" JSC. The decision was entered and announced in the Commercial Register on 12.01.2024. As of that date, “SAI” is a sole proprietorship and its capital is BGN 13 588 241, divided into 13 588 241 ordinary (only) shares with a nominal value of 1 BGN.

Buyback of shares

By decision of the General Meeting of Shareholders of “Sirma Group Holding” JSC, dated 09.01.2023, on 24.01.2023. “Sirma Group Holding” JSC bought back 1 000 000 of its shares at an average price of BGN 0.74 per share at a total price of BGN 740 000. The shares represent 1.68 % of the company's capital. The purchase was made on the Bulgarian Stock Exchange - Sofia AD.

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