Annual Separate Management Report
Independent Auditor's Report
Separate Financial Statements

CHIMIMPORT AD

31 December 2019

Contents

Separate statement of financial position

	Note	31 December 2019 BGN '000	31 December 2018 BGN '000
Assets			
Non-current assets			
Property, plant and equipment	5	3 295	3 652
Investment property	6	35 831	35 831
Investments in subsidiaries	7	779 397	782 054
Long-term financial assets	8	111 806	115 568
Long-term related party receivables	28	93 497	90 080
Non-current assets		**1 023 826**	**1 027 185**
Current assets			
Short-term financial assets	10	225 166	191 656
Trade and other financial receivables	11	46 015	46 849
Related party receivables	28	131 683	129 479
Prepayments and other assets		164	412
Cash and cash equivalents	12	70 469	68 798
Current assets		**473 497**	**437 194**
Total assets		**1 497 323**	**1 464 379**

Prepared by: ______________________ **Executive director:** ______________________

/A. Kerezov/ **/I. Kamenov/**

Date: 1 July 2020

Audited according to the auditor's report dated 30 July 2020:

Mariy Apostolov Zornitza Djambazka
Managing partner **Registered auditor responsible for the audit**
Grant Thornton OOD
Audit firm

ХИМИМПОРТ АД София

ОДИТОРСКО ДРУЖЕСТВО София Рег. № 032 ГРАНТ ТОРНТОН ООД

Separate statement of financial position (continued)

Equity and liabilities	Note	31 December 2019 BGN '000	31 December 2018 BGN '000
Equity			
Share capital	13.1	239 646	239 646
Share premium	13.2	260 615	260 615
Remeasurement of defined benefit liability		60	68
Other reserves	13.3	59 824	59 824
Retained earnings		644 785	623 097
Net profit for the year		36 681	36 679
Total equity		**1 241 611**	**1 219 929**
Liabilities			
Non-current liabilities			
Bank and other borrowings – non-current	15	39 802	54 289
Long-term related party payables	28	20 955	20 908
Pension and other employee obligations	14.2	45	32
Provisions		1 848	2 148
Deferred tax liabilities	9	12 883	10 564
Non-current liabilities		**75 533**	**87 941**
Current liabilities			
Bank and other borrowings-current	15	17 482	10 268
Trade and other payables	16	5 109	5 003
Short-term related party payables	28	157 468	140 987
Income tax payable		4	129
Pension and other employee obligations	14.2	116	122
Current liabilities		**180 179**	**156 509**
Total liabilities		**255 712**	**244 450**
Total equity and liabilities		**1 497 323**	**1 464 379**

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ОДИТОРСКО ДРУЖЕСТВО София Рег. № 032 ГРАНТ ТОРНТОН ООД

Separate statement of profit or loss and other comprehensive income for the year ended 31 December

	Note	2019 BGN '000	2018 BGN '000
Gain from transactions with financial instruments	17	34 942	31 962
Loss from transactions with financial instruments	18	(11 561)	(3 681)
Net result from transactions with financial instruments		**23 381**	**28 281**
Interest income	19	6 264	11 858
Interest expense	20	(4 657)	(5 854)
Net interest income		**1 607**	**6 004**
Net other financial cost	21	(126)	(178)
Dividend income	22	15 883	10 755
Revenue from non-financial activities	23	1 898	1 895
Non-financial expenses	24	(3 639)	(7 199)
Profit before tax		**39 004**	**39 558**
Income tax expense	25	(2 323)	(2 879)
Profit for the year		**36 681**	**36 679**
Other comprehensive loss:			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit liability	14.2	(8)	-
Other comprehensive loss for the year, net of tax		**(8)**	**-**
Total comprehensive income		**36 673**	**36 679**
Earnings per share:	26	**0.15**	**0.15**

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/A. Kerezov/ **/I. Kamenov/**

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ОДИТОРСКО ДРУЖЕСТВО София Рег. № 032 ГРАНТ ТОРНТОН ООД

Separate statement of changes in equity for the year ended 31 December

All amounts are presented in BGN '000	Share capital	Share premium	Remeasurement of defined benefit liability	Other reserves	Retained earnings	Total equity
Balance at 1 January 2019	**239 646**	**260 615**	**68**	**59 824**	**659 776**	**1 219 929**
Dividends	-	-	-	-	(14 991)	**(14 991)**
Transactions with owners	-	-	-	-	(14 991)	**(14 991)**
Profit for the year	-	-	-	-	36 681	**36 681**
Other comprehensive loss	-	-	(8)	-	-	**(8)**
Total comprehensive income for the year	**-**	**-**	**(8)**	**-**	**36 681**	**36 673**
Balance at 31 December 2019	**239 646**	**260 615**	**60**	**59 824**	**681 466**	**1 241 611**

Prepared by: ____________________ **Executive director:** ______________

/A. Kerezov/ **/I. Kamenov/**

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ХИМИМПОРТ АД СОФИЯ

ОДИТОРСКО ДРУЖЕСТВО
София
Рег. № 032
ГРАНТ ТОРНТОН ООД

Separate statement of changes in equity for the year ended 31 December (continued)

All amounts are presented in BGN '000	Share capital	Share premium	Remeasurement of defined benefit liability	Other reserves	Retained earnings	Total equity
Balance at 1 January 2018	**239 646**	**260 615**	**68**	**59 824**	**638 183**	**1 198 336**
Dividends	-	-	-	-	(15 086)	**(15 086)**
Transactions with owners	-	-	-	-	(15 086)	**(15 086)**
Profit for the year	-	-	-	-	36 679	**36 679**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**36 679**	**36 679**
Balance at 31 December 2018	**239 646**	**260 615**	**68**	**59 824**	**659 776**	**1 219 929**

Prepared by: ______________________ **Executive director:** ______________________
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Одиторско дружество
София
Рег. № 032
Грант Торнтон ООД

Химимпорт АД София

Separate statement of cash flows for the year ended 31 December

	Note	31.12.2019 BGN '000	31.12.2018 BGN '000
Operating activities			
Proceeds from short-term loans		22 509	28 085
Payments for short-term loans		(26 132)	(34 098)
Proceeds from short-term financial assets		1 565	10 206
Cash receipts from customers		982	2 465
Cash paid to suppliers		(1 506)	(1 528)
Interest payments received		2 953	8 961
Payments on interest, commission and other		(1 533)	(944)
Cash paid to employees and social security institutions		(795)	(1 133)
Income taxes paid		(195)	(115)
Other taxes paid		(211)	(782)
Dividend proceeds		13 256	11 732
Other proceeds / (payments)		302	(10 586)
Net cash flow from operating activities		**11 195**	**12 263**
Investing activities			
Proceeds from sale of subsidiaries and associates		2 964	-
Acquisition of subsidiaries and associates		(30)	-
Acquisition of long-term financial assets		-	(19 558)
Proceeds from sale of long-term financial assets		-	19 727
Net cash flow from investing activities		**2 934**	**169**
Financing activities			
Dividends paid		(3 742)	(6 527)
Proceeds from long-term borrowings		-	9 681
Repayments of long-term borrowings		(7 669)	(17 035)
Interest paid		(978)	(2 280)
Net cash flow from financing activities		**(12 389)**	**(16 161)**
Net change in cash and cash equivalents		1 740	(3 729)
Cash and cash equivalents, beginning of year		68 798	72 619
Adjustments from the adoption of IFRS 9		-	(111)
Exchange gains on cash and cash equivalents		-	5
Effect from expected credit losses		(69)	14
Cash and cash equivalents, end of year		**70 469**	**68 798**

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ОДИТОРСКО ДРУЖЕСТВО София Рег. № 032 ГРАНТ ТОРНТОН ООД

Notes to the separate financial statements

1. Nature of operations

Chimimport AD was registered as a joint-stock company at Sofia city court on 24 January 1990 with UIC 000627519. The address of the Company's registered office is 2 St. Karadja Str., Sofia, Bulgaria.

The Company is listed on the Bulgarian Stock Exchange on 30 October 2006 with stock exchange code 6C4 for safe shares of the Company.

The operations of the Company comprise the following activities:

- The acquisition, management and sale of shares in Bulgarian and foreign companies;
- Financing of companies in which the Company participates;
- Banking services, Finance, Non-life insurance, Life insurance and Pensions;
- Production of oil and gas;
- Building capacity in the oil industry, production of biodiesel and production of rubber products;
- Production and marketing of petroleum, chemical products and natural gas;
- Production of vegetable oil, purchasing, processing and marketing of cereals;
- Aviation transport and ground activities on servicing and repair of aircraft and aircraft engines;
- Inland waterways and maritime transport and port infrastructure;
- Commercial agency and brokerage;
- Commission, forwarding and warehouse activity.

The Company's management system is two-tier management system comprising Supervisory and Managing Boards.

Members of the Supervisory Board of the Company are:
Invest Capital AD
CCB Group EAD
Mariana Bazhdarova

Members of the Managing Board of the Company are:
Aleksander Kerezov
Ivo Kamenov
Marin Mitev
Nikola Mishev
Mirolyub Ivanov
Tsvetan Botev

The Company is represented by its executive directors Ivo Kamenov and Marin Mitev, together and separately.

The number of employees as at 31 December 2019 is 48 (2018:43).

The ultimate owner of the Company, that prepares consolidated financial statements, is Invest Capital AD, which is not publicly listed.

2. Basis for the preparation of the separate financial statements

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and approved by the European Union (IFRS, as adopted by the EU). The term "IFRS, as adopted by the EU" has the meaning of paragraph 1, subparagraph 8 of the Additional provisions of Bulgarian Accountancy Act, which is International Accounting Standards (IAS) adopted in accordance with Regulation (EC) 1606/2002 of the European Parliament and of the Council.

The separate 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 for 2018), unless otherwise stated.

These financial statements are separate financial statements. The Company also prepares 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 separate financial statements are prepared under the going concern principle.

At the date of preparation of these financial statements the management has assessed the ability of the Company to continue as a going concern on the basis of the available information for the foreseeable future. Following a review of the activities of the Company, the management anticipates that the Company has sufficient financial resources to continue its operational activities in the near future and continues to apply the going concern assumption in preparing the financial statements.

3. Changes in accounting policy

3.1. New standards, amendments and interpretations to existing standards that are effective for annual periods beginning on or after 1 January 2019

The Company has adopted the following new standards, amendments and interpretations to IFRS issued by the International Accounting Standards Board, which are relevant to and effective for the Company's financial statements for the annual period beginning 1 January 2019 but do not have a significant impact on the Company's financial results or position:

- IFRS 16 "Leases"
- IFRS 9 "Financial instruments" (amended) – Advances with negative compensation
- IAS 19 "Employee benefits" (amended) – Plan amendment, curtailment or settlement
- IAS 28 "Investments in associates and joint ventures" (amended) – Long-term interests in associates and joint ventures
- IFRIC 23 Uncertainty over Income Tax Treatments
- Annual Improvements to IFRSs 2015-2017

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 separate 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 2019 and have not been adopted early by the Company. Information on those expected to be relevant to the Company's separate financial statements is provided below.

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.

IAS 1 and IAS 8 (amended) - Definition of Material, effective from 1 January 2020, adopted by the EU

The amendments aim to use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting. The amendments clarify:

- that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and
- the meaning of 'primary users of general-purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

Amendments to References to the Conceptual Framework in IFRS Standards, effective from 1 January 2020, adopted by the EU

The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework. Key changes include:

- increasing the prominence of stewardship in the objective of financial reporting
- reinstating prudence as a component of neutrality
- defining a reporting entity, which may be a legal entity, or a portion of an entity
- revising the definitions of an asset and a liability
- removing the probability threshold for recognition and adding guidance on derecognition
- adding guidance on different measurement basis, and
- stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

IFRS 3 (amended) - Definition of a Business, effective from 1 January 2020, not yet adopted by the EU

The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term "outputs" is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. The amendments will likely result in more acquisitions being accounted for as asset acquisitions.

IFRS 14 "Regulatory deferral accounts" effective from 1 January 2016, not adopted by the EU

IFRS 14, "Regulatory deferral accounts" permits first–time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items.

IFRS 17 "Insurance Contracts" effective from 1 January 2021, not yet adopted by the EU

IFRS 17 replaces for IFRS 4 "Insurance Contracts". It requires a current measurement model where estimates are remeasured each reporting period. Contracts are measured using the building blocks of:

- discounted probability-weighted cash flows;
- an explicit risk adjustment, and
- a contractual service margin ("CSM") representing the unearned profit of the contract which is recognised as revenue over the coverage period.

The standard allows a choice between recognising changes in discount rates either in the income statement or directly in other comprehensive income.

The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts.

Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform (issued on 26 September 2019) , effective from 1 January 2020, not yet adopted by the EU

The proposed update includes elements to reflect the new disclosure requirements introduced by the amendments to IFRS 9, IAS 39 and IFRS 7

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 financial statements

The financial statements are presented in accordance with IAS 1 “Presentation of Financial Statements”. The Company has elected to present the separate 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:

i) applies an accounting policy retrospectively;

ii) makes a retrospective restatement of items in its financial statements; or

iii) reclassifies items in the financial statements.

In 2019 the Company presents one comparative period.

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 recognizes 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. Foreign currency transactions

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 recognized 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.

4.5. Segment reporting

In identifying its operating segments, management generally follows the Company's main activities performed by the Company. The activity of the Company is performed in one segment on separate financial statements basis, which is the financial sector.

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

4.6. Revenue

Revenue arises from rendering of services. Revenue from rendering of services is presented in note .

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.

4.6.1. Revenue recognized over time

4.6.1.1. Rendering of services

Revenue from rendering of services is recognized when the services are provided by reference to the stage of completion of the contract at the reporting date

4.7. Interest and dividend income

Interest income is reported on an accrual basis using the effective interest method. Dividend income is recognized at the time the right to receive payment is established.

4.8. Operating expenses

Operating expenses are recognized in profit or loss upon utilization of the service or at the date of their origin.

4.9. Interest expense 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 the separate statement of profit or loss and other comprehensive income within “Interest expense”.

4.10. 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 property, plant and equipment are carried at its cost less any subsequent accumulated depreciation and any subsequent accumulated impairment losses. Impairment losses are recognized 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 recognized as incurred.

Material residual value estimates and estimates of useful life are updated by management as required, but at least annually.

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

- Buildings 25 years
- Machines and equipment 3-5 years
- Computers 2 years
- Others 7 years

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 recognized in the separate statement of profit or loss and other comprehensive income within “Gain on sale of non-current assets”.

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

4.11. Leases

<u>Lessor</u>

The accounting policy of the Company, according to IFRS 16, has not changed compared to the comparative period.

As a lessor, the Company classifies its leases as 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 transfer substantially all the risks and rewards of ownership of the underlying asset.

4.12. Impairment testing of intangible assets, property, plant and equipment and investments in subsidiaries

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 recognized 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 reorganizations 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 recognized may no longer exist. An impairment charge is reversed if the cash-generating unit’s recoverable amount exceeds its carrying amount.

4.13. Investment property

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

The investment property is revalued annually and is included in the separate statement of financial position at its open market value. This is determined by an independent appraiser with professional qualification and significant experience with respect to both the location and the nature of the investment property and supported by sufficient market evidence.

Any gain or loss resulting from either a change in the fair value or the sale of an investment property is immediately recognized in profit or loss within “Revenue from non-financial activity”.

Subsequent expenditure relating to investment property, which is already recognized 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 recognized as incurred.

The investment property is derecognized 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 recognized in profit or loss.

Rental income and operating expenses from investment property are reported within “Revenue from non-financial activities” and “Operating expenses”, respectively, and are recognized as described in note 4.6 and note 4.8.

4.14. Financial instruments under IFRS 9

4.14.1. 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.

4.14.2. 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 included in gain and loss from transactions with financial instruments in the separate statement of profit or loss and other comprehensive income.

4.14.3. Subsequent measurement of financial assets

Debt instruments at amortized 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 as well as listed bonds.

- **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 recognized 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.

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.

Financial assets at fair value through other comprehensive income (FVOCI)

The Company accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective it is "hold to collect" the associated cash flows and sell; and
- 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.

The financial assets at FVOCI include:

- Equity securities that are not held for trading and which at initial recognition the company irrevocably has chosen to recognize in this category.
- Debt securities where the contractual cash flows are solely payments of principal and interest and the purpose of the company's business model is achieved both by collecting contractual cash flows and by selling the financial assets.

On disposal of equity instruments of this category, any amount recognized in the revaluation reserve is reclassified to retained earnings.

On disposal of debt instruments of this category, any amount recognized in the revaluation reserve is reclassified to profit or loss for the period.

4.14.4. Impairment of financial assets

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

Instruments within the scope of the requirements include loans and other debt-type financial assets measured at amortised cost/ FVOCI, 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 risk 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

The Company makes use of a simplified approach in estimating the expected credit loss 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 using a provision matrix.

4.14.5. Classification and measurement of financial liabilities

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

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.

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.

4.14.6. Financial liabilities

The Company's financial liabilities include bank loans, overdrafts, trade and other payables

Financial liabilities are recognized when the Company becomes a party to the contractual agreements for payment of cash amounts or another financial asset to another company or contractual liability for exchange of financial instruments with another company under unfavourable terms. 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".

Financial liabilities are measured subsequently at amortized cost using the effective interest method, except for financial liabilities held for trading or designated at fair value through profit or loss, that are carried subsequently at fair value with gains or losses recognized in profit or loss.

Bank loans are raised for support of long-term funding of the Company's operations. They are recognized in the separate statement of financial position of the Company, net of any costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to the separate statement of profit or loss and other comprehensive income on an accrual basis using the effective interest method and are added to the carrying amount of the financial liability to the extent that they are not settled in the period in which they arise.

Trade payables are recognized initially at their nominal value and subsequently measured at amortized cost less settlement payments.

Dividends payable to shareholders are recognized when the dividends are approved at the general meeting of the shareholders.

4.15. Income taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized 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 recognized 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 4.20.

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

4.16. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, current bank accounts and demand deposits.

4.17. 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

Other reserves are based on the requirements of the Trade act for the formation of legal reserves.

Retained earnings include all current and prior period retained profits and uncovered losses.

All transactions with owners of the Company are recorded separately within the separate statement of changes in equity.

4.18. Pension 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 liability recognized in the separate statement of financial position for defined benefit plans is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs.

Management estimates the defined benefit obligation annually with the assistance of independent actuaries. The estimate of its post-retirement benefit obligations is based on standard rates of inflation, expected resignation rate 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 yield of government bonds.

Actuarial gains and losses are recognized in the other comprehensive income.

Interest expenses related to pension obligations are included in “Interest expenses” in the separate statement of profit or loss and comprehensive income. All other post-employment benefit expenses are included in “Operating expenses”.

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.

4.19. Provision, contingent liabilities and contingent assets

Provisions are recognized 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. Restructuring provisions are recognized 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 recognized 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 recognized 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 recognized. Contingent liabilities are subsequently measured at the higher of the above described comparable provision and initially recognized value, less accumulated amortization.

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

4.20. 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 4.20.2.

4.20.1. 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. 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 recognized 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.

4.20.2. Debt instruments measured at amortized cost

Management's analysis and intentions are confirmed by the business model of holding debt instruments, which meet the requirements for receiving payments only of principal and interest and holding assets until the collection of the agreed cash flows from bonds, which are classified as debt instruments measured at amortized cost. This decision is consistent with the current liquidity and capital of the Company.

4.21. 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.

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.

4.21.1. Impairment of investments in subsidiaries

An impairment loss is recognized 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 4.12). 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.

4.21.2. Measuring the 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.

4.21.3. Useful lives of depreciable assets

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

At 31 December 2019 management assesses that the useful lives represent the expected utility of the assets to the Company. The carrying amounts are analysed in note 5. Actual results, however, may vary due to technical obsolescence.

4.21.4. Defined benefit liability

Management estimates the defined benefit liability annually with the assistance of independent actuaries. The actual outcome may vary due to estimation uncertainties. The actual outcome may vary due to estimation uncertainties. The estimate of its defined benefit liability BGN 45 thousand (2018 – BGN 32 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 the return on government securities.

4.21.5. Fair value measurement

Management uses valuation techniques in measuring the fair value of financial instruments (where active market quotes are not available). Details on the assumptions used are presented in the notes regarding financial assets and liabilities. In applying valuation techniques, the management makes maximum use of market inputs and assumptions that market participants would use in pricing the financial instrument. When applicable data is not available, the management uses the best estimate of assumptions that the market participants would make. These estimates may differ from the actual prices that would be determined at fair market transaction between knowledgeable, willing parties at the end of the reporting period.

5. Property, plant and equipment

Property, plant and equipment of the Company include buildings, machinery and equipment, vehicles, acquisition costs and others. The carrying amount at 31 December 2019 can be analysed as follows:

	Buildings	Machines and equipment	Vehicles	Other	Acquisition costs	Total
	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000
Gross carrying amount						
Balance at 1 January 2019	26	245	113	1 454	2 318	4 156
Additions	-	4	-	-	-	4
Transfers	-	-	-	2 318	(2 318)	-
Balance at 31 December 2019	**26**	**249**	**113**	**3 772**	**-**	**4 160**
Depreciation						
Balance at 1 January 2019	(24)	(230)	(113)	(137)	-	(504)
Depreciation	-	(12)	-	(349)	-	(361)
Balance at 31 December 2019	**(24)**	**(242)**	**(113)**	**(486)**	**-**	**(865)**
Carrying amount at 31 December 2019	**2**	**7**	**-**	**3 286**	**-**	**3 295**

The carrying amount as at 31 December 2018 can be analysed as follows:

	Buildings	Machines and equipment	Vehicles	Other	Acquisition costs	Total
	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000
Gross carrying amount						
Balance at 1 January 2018	26	232	113	1 451	2 318	4 140
Additions	-	13	-	3	-	16
Balance at 31 December 2018	**26**	**245**	**113**	**1 454**	**2 318**	**4 156**
Depreciation						
Balance at 1 January 2018	(22)	(227)	(113)	(132)	-	(494)
Depreciation	(2)	(3)	-	(5)	-	(10)
Balance at 31 December 2018	**(24)**	**(230)**	**(113)**	**(137)**	**-**	**(504)**
Carrying amount at 31 December 2018	**2**	**15**	**-**	**1 317**	**2 318**	**3 652**

All depreciation charges are included in the Separate statement of profit or loss and other comprehensive income within “Operating expenses”.

The Company has no property, plant and equipment pledged as security for its liabilities.

6. Investment property

Investment property includes land and buildings, which are located at 1 Battenberg Str., Sofia, Bulgaria and which are owned for capital appreciation.

The fair value of the investment properties is determined by the Company on the basis of the weighted average of the values derived from asset approach, market approach and income approach as at 31 December 2019.

Changes to the carrying amounts can be summarized as follows:

	Investment property BGN '000
Carrying amount at 1 January 2018	**35 831**
Carrying amount at 31 December 2018	**35 831**
Carrying amount at 31 December 2019	**35 831**

No improvements are made to the investment property in 2019 and 2018. No rental income or direct operating expenses were recognized during the presented reporting periods. Investment properties are pledged as collateral for borrowings, see note 15.

7. Investments in subsidiaries

As at 31 December 2019, the Company has the following investments in subsidiaries:

Name of the subsidiary	Country of incorporation	Main activities	31.12.2019 BGN '000	share %	31.12.2018 BGN '000	share %
CCB Group EAD	Bulgaria	Financial services	249 339	100.00%	251 996	100.00%
Zarneni Hrani Bulgaria AD	Bulgaria	Manufacturing and trade	165 363	63.65%	165 363	63.65%
Bulgarian Airways Group EAD	Bulgaria	Aviation Services	209 611	100.00%	209 611	100.00%
Bulgarian Shipping Company EAD	Bulgaria	Sea and river transport	44 393	100.00%	44 393	100.00%
Central Cooperative Bank AD	Bulgaria	Financial services	22 492	5.88%	22 492	6.61%
Sporten Kompleks Varna AD	Bulgaria	Real estate	22 474	65.00%	22 474	65.00%
Oil and Gas Exploration and Production AD	Bulgaria	Manufacturing and trade	16 929	13.84%	16 929	13.84%
Port Lesport AD	Bulgaria	Sea and river transport	16 380	99.00%	16 380	99.00%
Armeec Insurance JSC	Bulgaria	Financial services	20 419	9.74%	20 419	9.74%
Bulchimex GmbH	Germany	Manufacturing and trade	2 500	100.00%	2 500	100.00%
Energoproekt AD	Bulgaria	Engineering sector	2 168	98.69%	2 168	98.69%
Trans Intercar EAD	Bulgaria	Transport	4 855	100.00%	4 855	100.00%
National Commodity Exchange AD	Bulgaria	Manufacturing and trade	1 879	67.00%	1 879	67.00%
TI AD	Bulgaria	Manufacturing and trade	480	87.67%	480	87.67%
Accounting House "XGX Counsult" OOD	Bulgaria	Services	111	59.34%	111	59.34%
Prime Lega Consult OOD	Bulgaria	Services	4	100.00%	4	100.00%
			779 397		**782 054**	

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

During the reporting period the following changes occurred in terms of investments in subsidiaries:

- In 2019 the reduction of the investment in CCB Group EAD in the amount of BGN 2,657 thousand represents amounts repaid by decision of the subsidiary, according to a loan agreement, which has no deadline for repayment and is repaid by decision of the subsidiary company.

8. Long-term financial assets

	Note	2019 BGN '000	2018 BGN '000
Debt instruments at amortized cost			
Loans granted and deposits	8.1	76 411	83 529
		76 411	**83 529**
Equity instruments at fair value through other comprehensive income			
Unquoted equity instruments	8.2	15 837	12 481
		15 837	**12 481**
Financial assets at fair value through profit or loss			
Unquoted instruments	8.3	19 558	19 558
		19 558	**19 558**
		111 806	**115 568**

8.1. Debt instruments at amortized cost

Financial assets at amortized cost represent principal and interest on loans granted. The maturity of the aforementioned financial assets occurs after 2021. The carrying amount of financial assets at amortized cost is presented as follows:

	2019 BGN '000	2018 BGN '000
Carrying amount (amortized cost):		
Loans granted	99 378	104 683
Allowance for expected credit losses	(22 967)	(21 154)
Carrying amount	**76 411**	**83 529**

8.2. Equity instruments at fair value through other comprehensive income

	2019 BGN '000	2018 BGN '000
Unquoted equity instruments	15 837	12 481
	15 837	**12 481**

In determining the fair value of the Company's unquoted equity instruments, it is determined that the cost is a reliable estimate of the fair value of the equity instruments.

8.3. Financial assets at fair value through profit or loss

Financial assets that are mandatorily measured at fair value through profit or loss	**2019**	**2018**
	BGN '000	**BGN '000**
Unquoted instruments - convertible subordinated deposit	19 558	19 558
	19 558	**19 558**

In 2018, Chimimport AD provided to related party a convertible subordinated deposit with a term of 7 years and at an interest rate of 2.2%.

9. Deferred tax liabilities

Deferred taxes arising from temporary differences can be summarized as follows:

Deferred tax liabilities/(assets)	31.12.2018 BGN '000	Recognized in profit and loss BGN '000	31.12.2019 BGN '000
Non-current assets			
Long-term financial assets	(2 115)	(181)	(2 296)
Non-current related party receivables	(275)	(224)	(499)
Investment property	3 150	15	3 165
Current assets			
Short-term financial assets	14 370	3 319	17 689
Current related party receivables	(3 480)	(510)	(3 990)
Trade and other receivables	(849)	(136)	(985)
Cash and cash equivalents	(10)	3	(7)
Non-current liabilities			
Pension and other employee obligations	(4)	-	(4)
Provisions	(215)	30	(185)
Current liabilities			
Pension and other employee obligations	(8)	3	(5)
	10 564	**2 319**	**12 883**
Recognized as:			
Deferred tax assets	**(6 956)**		**(7 971)**
Deferred tax liabilities	**17 520**		**20 854**
Net deferred tax liabilities	**10 564**		**12 883**

The deferred taxes for the comparative reporting period in 2018 are summarized as follows:

Deferred tax liabilities/(assets)	01.01.2018 BGN '000	Recognized in profit and loss BGN '000	31.12.2018 BGN '000
Non-current assets			
Long-term financial assets	(2 194)	79	(2 115)
Non-current related party receivables	(84)	(191)	(275)
Investment property	3 144	6	3 150
Current assets			
Short-term financial assets	11 286	3 084	14 370
Current related party receivables	(3 109)	(371)	(3 480)
Trade and other receivables	(968)	119	(849)
Cash and cash equivalents	(11)	1	(10)
Non-current liabilities			
Pension and other employee obligations	(4)	-	(4)
Provisions	(239)	24	(215)
Current liabilities			
Pension and other employee obligations	(7)	(1)	(8)
	7 814	**2 750**	**10 564**
Recognized as:			
Deferred tax assets	**(6 616)**		**(6 956)**
Deferred tax liabilities	**14 430**		**17 520**
Net deferred tax liabilities	**7 814**		**10 564**

All deferred tax assets and liabilities are included in the statement of financial position.

10. Short-term financial assets

Short-term financial assets during the reported reporting periods are classified into the following categories:

	Note	2019 BGN '000	2018 BGN '000
Debt instruments at amortized cost			
Loans granted	10.1	18 369	19 082
		18 369	**19 082**
Financial assets at fair value through profit or loss			
Financial instruments – not publicly traded	10.2	206 788	172 565
		206 788	**172 565**
Equity instruments at fair value through other comprehensive income			
Unquoted financial instruments	10.3	9	9
		9	**9**
		225 166	**191 656**

As at 31.12.2019, the Company has not pledged any short-term financial assets.

10.1. Debt instruments at amortized cost

	2019 BGN '000	2018 BGN '000
Carrying amount (amortized cost):		
Granted loans	24 642	24 002
Allowances for estimated credit losses	(6 273)	(4 920)
Carrying amount	**18 369**	**19 082**

Short-term loans are granted at annual market interest rates and depend on the maturity of the loan. The repayment period is until 31 December 2020. The loans are unsecured.

10.2. Financial assets at fair value through profit or loss

Short-term financial assets at the amount of BGN 206 788 thousand (2018: BGN 172 565 thousand) are classified as financial instruments at fair value through profit or loss. As at 31 December 2019 the financial assets are presented at fair value determined on the basis of prepared market assessment by certified appraisers (Note 35.1).

10.3. Equity instruments at fair value through other comprehensive income

	2019 BGN '000	2018 BGN '000
Unquoted equity instruments	9	-
Total equity instruments at fair value through other comprehensive income	**9**	**-**

11. Trade and other financial receivables

	2019	2018

	BGN '000	BGN '000
Trade receivables, gross amount before impairment	48 020	45 223
Expected credit losses and impairment losses on trade receivables	(9 339)	(7 950)
Trade receivables	**38 681**	**37 273**
Deposits	7 059	9 296
Dividend receivables	4	4
Other financial receivables	429	466
Expected credit losses and impairment losses on other financial receivables	(158)	(190)
Other financial receivables	**7 334**	**9 576**
Trade and other financial receivables	**46 015**	**46 849**

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

For all trade and other receivables, the Company has performed analysis of the expected credit loss. Certain trade and other receivables were found to be impaired and the impairment has been recognized in the Separate statement of profit or loss and other comprehensive income within 'Operating expenses'. The impaired trade and other receivables are mostly due from trade customers that are experiencing financial difficulties.

As at the reporting date there are no significant not impaired trade and other receivables with expired maturity.

12. Cash and cash equivalents

Cash and cash equivalents include the following components:

	2019 BGN '000	2018 BGN '000
Cash at bank and in hand:		
- BGN	128	50
- EUR	70 410	68 845
Cash and cash equivalents, gross	**70 538**	**68 895**
Allowance for expected credit loss and impairment	(69)	(97)
Cash and cash equivalents	**70 469**	**68 798**

The company has no blocked funds as of 31.12.2019 (2018: BGN 3 thousand).

13. Equity

13.1. Share capital

The share capital of the Company as at 31 December 2019 consists of 239 646 267 ordinary shares with a nominal value of BGN 1. Company's shares are dematerialized, registered and freely transferable and are entitled to a single vote and liquidation share.

	2019 Number of shares	2018 Number of shares
Ordinary shares	239 646 267	239 646 267
Shares issued and fully paid at the end of the period	**239 646 267**	**239 646 267**

The list of major shareholders holding ordinary shares of the Company is as follows:

	2019	2019	2018	2018

	Number ordinary shares	%	Number ordinary shares	%
Invest Capital AD	173 487 247	72.39%	174 847 247	72.96%
Other legal entities	50 126 772	20.92%	50 761 796	21.18%
Other individuals	16 032 248	6.69%	14 037 224	5.86%
	239 646 267	**100.00%**	**239 646 267**	**100.00%**

13.2. Share premium

As at 31 December 2019 the share premium amounts to BGN 260 615 thousand (2018: BGN 260 615 thousand). Share premium is formed by the following share issues:

- Share premium of BGN 28 271 thousand from the issue of preferred shares in 2009. The expenses related to the share issue amounting to BGN 2 033 thousand are deducted from the share premium.
- The premium reserve amounting to BGN 199 419 thousand is accumulated from the Secondary Public Offering (SPO) of the shares of the Company in 2007. The expenses related to the share issue amounting to BGN 581 thousand are deducted from the share premium.
- The premium reserve amounting to BGN 32 925 thousand is accumulated from the Initial Public Offering (IPO) of the shares of the Company in the period from 7 September 2006 to 20 September 2006. The expenses related to the share issue amounting to BGN 327 thousand are deducted from the share premium.

13.3. Other reserves

As at 31 December 2019, the other reserves amounted to 59 824 thousand (2018: BGN 59 824 thousand) and were formed on the basis of the requirements of the Commercial Law for the formation of statutory reserves.

14. Employee remuneration

14.1. Employee benefits expense

Expenses recognized for employee benefits include:

	2019 BGN '000	2018 BGN '000
Wages, salaries	(735)	(1 122)
Social security costs	(118)	(121)
Pensions – defined benefit plans	(5)	(5)
Employee benefits expense	**(858)**	**(1 248)**

14.2. Pension and other employee obligations

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

	2019 BGN '000	2018 BGN '000
Non-current:		
Defined benefit plans	45	32
Non-current pension and other employee obligations	**45**	**32**
Current:		
Payables to employees	38	38
Payables to social security institutions	50	50
Liabilities on unused leave	28	34
Current pension and other employee obligations	**116**	**122**

The current portion of these liabilities represents the Company's obligations to its current employees that are expected to be settled during 2020. Other short-term employee obligations arise mainly from accrued holiday entitlement at the reporting date and current remunerations.

The defined benefit payables to the employees at the end of the reporting periods presented are as follows:

	2019 BGN '000	2018 BGN '000
Defined benefit obligation at 1 January	32	27
Current service cost	5	4
Interest costs	-	1
Remeasurement - actuarial gains from changes in demographic assumptions	8	-
Defined benefit obligation at 31 December	**45**	**32**

For determination of the pension obligation, the following actuarial assumptions were used:

	2019	2018
Discount rate	1.5%	2%
Expected rate of salary increases	2%	2%
Average life expectancies:		
Male at retirement age at reporting date	64	64
Female at retirement age at reporting date	61	61

A mortality table drawn up by the National Statistical Institute was used.

The management of the Company has made these assumptions with the help of an independent valuer - an actuary. These assumptions were used in determining the amount of obligations for defined benefit for the reporting periods and are considered as the best estimate of management.

15. Bank and other borrowings

Band and other borrowings include the following financial liabilities measured at amortized cost:

	Note	Current		Non-current	
		2019 BGN '000	2018 BGN '000	2019 BGN '000	2018 BGN '000
Financial liabilities measured at amortized cost:					
Bank borrowings	15.1	17 482	10 268	18 986	33 873
Cessions and other borrowings	15.2	-	-	20 816	20 416
Total carrying amount		**17 482**	**10 268**	**39 802**	**54 289**

15.1. Bank borrowings

	Current		Non-current	
	2019 BGN '000	2018 BGN '000	2019 BGN '000	2018 BGN '000
Bank borrowings	17 482	10 268	18 986	33 873

<u>Investment bank loan</u>
The investment loan agreement was concluded on 30.01.2015 for an amount of BGN 58 675 thousand and the repayment period is 30.04.2023 according to the repayment plan. The loan is secured by

investment properties presented in Note 6. The annual interest rate on the loan amounts to an Average Deposit Index (ADI) plus 4.732%.

Revolving bank loan
The bank loan agreement was concluded on 05.10.2011 for an amount of BGN 3 000 thousand for 1 year, and the repayment period has been extended to 25.10.2024. The loan is secured by real estate. The annual interest rate on the loan is 4%, formed on the basis of 1M EURIBOR plus 4%, and the interest rate cannot be lower than 4%.

Revolving bank loan
The loan agreement was concluded on 31.01.2019 for an amount of EUR 4 950 thousand for repayment period until 31.01.2022. The loan is secured by bank deposits. The annual interest rate on the loan is formed on the basis of BIR plus 0.8%.

15.2. Cessions and other borrowings

	2019 BGN '000	2018 BGN '000
Long-term obligations under cession agreements	18 247	17 954
Long-term borrowings	2 569	2 462
	20 816	**20 416**

The long-term liabilities on cession agreements amount to BGN 18 247 thousand (2018: 17 954 thousand), used to acquire deposits in 2015, bear an interest rate of 3.5% on the outstanding principal.

Long-term borrowings amounting to BGN 2 569 thousand represent an obligation under a loan agreement with maturity date 22 August 2022 (2018 г.: BGN 2 462 thousand) at an interest rate of 4.5%.

16. Trade and other payables

Trade and other payables reported in the separate statement of financial position include:

	2019 BGN '000	2018 BGN '000
Trade payables	511	558
Other financial liabilities	689	638
Total trade and other financial payables	**1 200**	**1 196**
Tax on personal income	54	54
VAT payables	96	-
Tax on expenditures	2	2
Other payables	3 757	3 751
Other non-financial liabilities	**3 909**	**3 807**
Total trade and other payables	**5 109**	**5 003**

17. Gain from transactions with financial instruments

Gain from transactions with financial instruments for the reporting periods presented can be analysed as follows:

	2019 BGN '000	2018 BGN '000
Gain from securities and investment transactions	34 942	31 962
	34 942	**31 962**

18. Loss from transactions with financial instruments

	2019 BGN '000	2018 BGN '000
Loss from securities and investment transactions	(11 561)	(3 681)
	(11 561)	**(3 681)**

19. Interest income

Interest income for the reporting periods presented include:

	2019 BGN '000	2018 BGN '000
Interest income from:		
- Loans granted	5 898	11 732
- Bank deposits	366	126
	6 264	**11 858**

20. Interest expense

Interest expenses for the reporting periods presented include:

	2019 BGN '000	2018 BGN '000
Interest expense on:		
- Borrowings	(2 823)	(3 574)
- Bank borrowings	(1 834)	(2 280)
	(4 657)	**(5 854)**

21. Other finance costs

Other financial income and expense for the reporting periods presented can be summarized as follows:

Other financial income and costs	2019 BGN '000	2018 BGN '000
Gains from exchange rate fluctuations	13	530
Losses from exchange rate fluctuations	(11)	(525)
Bank fees and commissions	(128)	(183)
	(126)	**(178)**

22. Dividend income

	2019 BGN '000	2018 BGN '000
Dividend income	15 883	10 755
	15 883	**10 755**

23. Revenue from non-financial activities

Revenues from sales of the Company can be analysed as follows:

	2019 BGN '000	2018 BGN '000
Revenue from services	1 895	1 892
Other operating income	3	3
	1 898	**1 895**

24. Non-financial expenses

The operating expenses of the Company can be analysed as follows:

	Note	2019 BGN '000	2018 BGN '000
Hires services expense		(1 924)	(1 707)
Employee benefits expense	14.1	(858)	(1 248)
Expenses for impairment of current assets		(232)	-
Cost of materials		(51)	(55)
Depreciation expense		(361)	(10)
Other operating expense		(213)	(4 179)
		(3 639)	**(7 199)**

The remuneration for the independent financial audit for 2019 amounts to BGN 196 thousand. No tax advice or other non-audit services were provided during the year. The present disclosure is in compliance with the requirements of Art. 30 of the Accountancy Act.

25. Income tax expense

The relationship between the expected tax expense based on the applicable tax rate in Bulgaria of 10 % (2018: 10 %) and the reported tax expense actually in profit or loss can be reconciled as follows:

	2019 BGN '000	2018 BGN '000
Profit before tax	39 004	39 558
Tax rate	10%	10%
Expected income tax expense	**(3 900)**	**(3 956)**
Adjustments for tax-exempt income	5 412	4 612
Adjustments for non-deductible expenses	(1 516)	(785)
Current tax expense	**(4)**	**(129)**
Deferred tax expense as a result from:		
- origination and reversal of temporary differences	(2 319)	(2 750)
Income tax expense	**(2 323)**	**(2 879)**

Note 9 provides information on the deferred tax assets and liabilities, including the amounts recognized directly in other comprehensive income or retained earnings.

26. Earnings per share

Basic earnings per share are calculated using the net profitable amount attributable to holders of ordinary shares as the numerator.

The weighted average number of ordinary shares used for the calculation of basic earnings per share as well as the net profit less the dividend expense to be distributed are as follows:

	2019	2018
Profit attributable to the shareholders (BGN)	36 681 000	36 679 000
Weighted average number of outstanding shares	239 646 267	239 646 267
Basic earnings per share (BGN per share)	**0.15**	**0.15**

27. Related party transactions

Affiliates of the Company include owners, subsidiaries and associates and key management personnel.

27.1. Transactions with owners

	2019 BGN '000	2018 BGN '000
Purchases		
- purchase of services and interest expense – owners	(281)	(153)

27.2. Transactions with subsidiaries and other related parties

	2019 BGN '000	2018 BGN '000
Sales		
sales of services and interest income		
- subsidiaries	5 665	7 327
- other related parties	533	20
Purchases		
purchase of services, goods and interest expense		
- subsidiaries	(3 006)	(5 176)
- other related parties	(3)	-

27.3. Transactions with key management personnel

Key management of the Company includes members of the managing board and supervisory board. Key management personnel remuneration includes the following expenses:

	2019 BGN '000	2018 BGN '000
Short-term employee benefits:		
Salaries including bonuses	(168)	(566)
Social security costs	(24)	(28)
Total remunerations	**(192)**	**(594)**

28. Related party balances at year-end

	2019 BGN '000	2018 BGN '000
Non-current receivables from:		
- subsidiaries	59 859	50 845
- other related parties	38 624	41 980
Expected credit losses and impairment losses	(4 986)	(2 745)
Total non-current receivables from related parties:	**93 497**	**90 080**

	2019 BGN '000	2018 BGN '000
Current receivables from:		
- owners and key management personnel	20 083	20 083
- subsidiaries	89 571	82 439
- associates and joint ventures	-	5
- other related parties	61 912	62 072
Expected credit losses and impairment losses	(39 883)	(35 120)
Total current receivables from related parties:	**131 683**	**129 479**

	2019 BGN '000	2018 BGN '000
Non-current payables to:		
- subsidiaries	20 955	20 908
Total non-current payables to related parties	**20 955**	**20 908**

	2019 BGN '000	2018 BGN '000
Current payables to:		
- owners	20 803	16 672
- subsidiaries	128 062	116 108
- associated and joint ventures	-	11
- other related parties	8 603	8 196
Total current payables to related parties	**157 468**	**140 987**

29. 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 BGN '000	Short-term borrowings BGN '000	Total BGN '000
1 January 2019	**54 289**	**10 268**	**64 557**
Cash flows:			
Principle repayments	-	(7 669)	(7 669)
Dividend payments	-	(3 742)	(3 742)
Interest payment	-	(978)	(978)
Non-cash transactions:			
Borrowings reclassification	(14 895)	14 895	-
Accrual of dividend liability	-	3 742	3 742
Accrued interest	408	966	1 374
31 December 2019	**39 802**	**17 482**	**57 284**

	Long-term borrowings BGN '000	Short-term borrowings BGN '000	Total BGN '000
1 January 2018	**52 062**	**10 966**	**63 028**
Cash flows:			
Principle repayments	-	(17 035)	(17 035)
Proceeds	9 669	12	9 681
Payment of dividends	-	(6 527)	(6 527)
Interest payment	-	(2 280)	(2 280)
Non-cash transactions:			
Borrowings reclassification	(7 442)	17 035	9 593
Accrual of dividend liability	-	6 527	6 527
Accrued interest	-	1 570	1 570
31 December 2018	**54 289**	**10 268**	**64 557**

30. Non-cash transactions

During the presented reporting periods the Company has performed the following transactions in which no cash or cash equivalents have been used and which are not reflected in the separate statement of cash flows from financing activities:

- In 2019, the Company made offsets of receivables against liabilities with related parties in the amount of BGN 12 869 thousand and with unrelated parties in the amount of BGN 389 thousand.

31. Dividends

In 2019, BGN 15 097 thousand of the profit for 2018 were paid off as dividends to the shareholders holding ordinary shares at 0.063 BGN per share.

The tax on dividends to individuals and non-resident legal entities from countries other than EU countries and the EEA Agreement amounts to 5% in 2019 and 2020, with the tax deducted from the gross amount of the dividends.

32. Contingent liabilities

The Company has provided guarantees under Art. 240 of the Commercial Law as a member of the management and supervisory bodies of Bulgarian River Shipping AD and Oil and Gas Exploration and Production AD.

The Company is a solidary debtor under the following credit agreements:

- a credit line agreement concluded between commercial bank and Zarneni Hrani Bulgaria AD in the amount of BGN 4 033 thousand as of 31 December 2019 with a repayment schedule with a deadline on 25 October 2024; The fair value of the assets pledged as collateral, owned by the borrower, amounts to BGN 21 481 thousand.

- a loan agreement dated 16.03.2011, concluded between commercial bank and Slanchevi Lachi Provadia AD in the amount of EUR 597 thousand (BGN 1 168 thousand). The fair value of the collateral-assets owned by the borrower, amounts to BGN 21 119 thousand.

- loan agreement between commercial bank and Zarneni Hrani Grain EOOD dated 13.12.2013 with a present value of the liability of BGN 7 000 thousand; The fair value of the assets pledged as collateral, owned by the borrower, amounts to BGN 13 150 thousand.

The company is a guarantor under the following contracts:

- bank loan agreement №739 / 21.06.2013, concluded between commercial bank and Slanchevi Lachi Provadia AD in the amount of BGN 9 815 thousand with a repayment plan with a deadline on 22 May 2023; ; The fair value of the assets pledged as collateral, owned by the borrower, amounts to BGN 46 504 thousand.

- a guarantee agreement with commercial bank to a loan agreement maturing on 20.03.2029, concluded with Zarneni Hrani Grain EOOD with a total balance at the end of the period amounting to BGN 9 815 thousand. The fair value of the collateral assets owned by the borrower amounts to BGN 18 148 thousand.

- loan agreements between commercial bank and Bulgaria Air Maintenance EAD dated 23 December 2015. with present value of the liability BGN 64 667 thousand and maturity on 31 December 2025; The fair value of the collateral assets owned by the borrower amounts to BGN 94 822 thousand.

- loan agreements between commercial bank and Bulgaria Air Maintenance EAD dated 1 November 2016 with a present value of the liability of BGN 11 703 thousand and maturity on 30 September 2028; The fair value of the assets pledged as collateral, owned by the borrower, amounts to BGN 39 533 thousand.

- loan agreements between commercial bank and M Car Sofia OOD dated 02 August 2016 with a present value of the liability of BGN 23 370 thousand and maturity on 02 February 2029; The fair value of the assets pledged as collateral, owned by the borrower, amounts to BGN 23 470 thousand.

- loan agreements between commercial bank and Energoproekt AD dated 11.08.2018 and with first utilization on 28.12.2019 with a present value of the liability of BGN 1 125 thousand and maturity on 28 February 2026. Total loan amounts to BGN 16 625 thousand.

The Company has a contract for issuing bank guarantees to companies in the group with a limit of BGN 1 million and maturity in September 2020.

The Company is co-borrower or guarantor of its subsidiaries on loans granted by CCB AD for a total amount of BGN 47 304 thousand.

33. 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	**Note**	**2019 BGN '000**	**2018 BGN '000**
Debt instruments measured at amortized cost			
Granted loans and deposits	8.1,10.1	94 780	102 611
Trade and other financial receivables	11	46 015	46 849
Related party receivables	28	225 180	219 559
Cash and cash equivalents	12	70 469	68 798
Equity instruments at fair value through other comprehensive income			
Unlisted capital instruments	8.2,10.3	15 846	12 490
Financial assets at fair value through profit or loss:			
Non-quoted instruments	8.3, 10.2	226 346	192 123
		678 636	**642 430**

Financial liabilities	**Note**	**2019 BGN '000**	**2018 BGN '000**
Financial liabilities at amortized cost:			
Bank and other borrowings	15	57 284	64 557
Trade and other payables	16	1 200	1 196
Related party payables	28	178 423	161 895
		236 907	**227 648**

See note 4.14 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 34.

34. Financial instrument risk

Risk management objectives and policies
The Company is exposed to various types of risks with respect to its financial instruments. For more information on the financial assets and liabilities by categories of the Company, see note 33. The most significant financial risks to which the Company is exposed are market risk, credit risk and liquidity risk.

The Company's risk management is coordinated at its headquarters, in close co-operation with the managing board and focuses on actively securing the Company's short to medium-term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

As a result of the use of financial instruments, the Company is exposed to market risk and in particular to the risk of changes in the exchange rate, interest rate risk and risk of changes in specific prices due to the operating and investment activities of the Company.

34.1. Market risk analysis

34.1.1. 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 foreign sales and purchases, which are primarily denominated in Euro and US-Dollars.

To mitigate the Company's exposure to foreign currency risk, non-BGN cash flows are monitored, and forward exchange contracts are entered into in accordance with Company's risk management policies.

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.

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

	Short-term exposure		Long-term exposure	
	USD BGN'000	EUR BGN'000	USD BGN'000	EUR BGN'000
31 December 2019				
Financial assets	141	83 674	-	19 558
Financial liabilities	-	(11 095)	-	-
Total exposure	**141**	**72 579**	**-**	**19 558**

	Short-term exposure		Long-term exposure	
	USD BGN'000	EUR BGN'000	USD BGN'000	EUR BGN'000
31 December 2018				
Financial assets	139	82 352	-	-
Financial liabilities	(5)	(11 251)	-	(3 183)
Total exposure	**134**	**71 101**	**-**	**(3 183)**

The following tables illustrate the sensitivity of post-tax financial result for the year and equity in regard to exchange rate differences between the Bulgarian Lev (BGN) and the following currencies 'all other things being equal.

The table assumes that the percentage change as at 31 December 2019 of the exchange rate of Bulgarian lev against the US dollar is +/- 1.94% (2018: 4.98%). These percentages have been determined based on the average market volatility in exchange rates in the previous 12 months. The sensitivity analysis is based on the Company's foreign currency financial instruments held at each reporting date.

If the exchange rate of the Bulgarian lev against the US dollar increases / decreases by +/- 1.94% (2018: +/- 4.98%), the change will be reflected in the following way:

	Net financial result	Net financial result
	Increase of the exchange rate BGN'000	Decrease of the exchange rate BGN'000
31 December 2019	3	(3)
31 December 2018	6	(6)

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Company's exposure to currency risk.

34.1.2. Interest risk

The Company's policy is to minimize interest rate cash flow risk exposures on long-term financing. Therefore, long-term debt is usually with fixed interest rates. As at 31 December 2019, the bank's variable-rate bank borrowings do not expose the Company to material interest rate risk. All other financial assets and liabilities of the Company are at fixed interest rates.

34.1.3. Other price risk

The Company is exposed to other price risk in respect of the following direct investments in subsidiaries, the shares of which are listed on the Bulgarian Stock Exchange:

- Central Cooperative Bank AD – subsidiary;
- Oil and Gas Exploration and Production AD – subsidiary;
- Zarneni Hrani Bulgaria AD - subsidiary

Investments in shares of subsidiary companies traded on the Bulgarian Stock Exchange act as long-term strategic investments. In accordance with the policy of the Company no specific hedging activities have been initiated in connection with such investments. The operation of these companies is monitored on a regular basis and the control or significant influence over these companies is used to maintain the value of the investments in these companies.

The short-term assets, described above, are held with the purpose of trade on the Bulgarian Stock Exchange.

34.2. Credit risk analysis

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 recognized at the reporting date, as summarized below:

	2019 BGN'000	2018 BGN'000
Classes of financial assets – carrying amounts:		
Securities / financial assets /	242 192	204 613
Loans granted	94 780	102 611
Related party receivables	225 180	219 559
Trade and other financial receivables	46 015	46 849
Cash and cash equivalents	70 469	68 798
Carrying amount	**678 636**	**642 430**

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. 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. None of the Company's financial assets are pledged as collateral on other transactions.

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 large number of customers in various industries and geographical areas. 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, money market funds, debentures and derivate financial instruments 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 risk exposure in relation to these financial instruments.

34.3. Liquidity risk analysis

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 maintains cash to meet its liquidity requirements for 30-day periods at a minimum. 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 2019 the Company's liabilities have contractual maturities (including interest payments where applicable) as summarized below:

31 December 2019	Short-term		Long-term
	Within 6 months	Within 12 months	2 to 5 years
	BGN'000	BGN'000	BGN'000
Bank and other borrowings	2 449	15 033	39 802
Related party payables	22 838	134 630	20 955
Trade and other payables	1 200	-	-
Total	**26 487**	**149 663**	**60 757**

As at 31 December 2018 the Company's liabilities have contractual maturities (including interest payments where applicable) as summarized below:

31 December 2018	Short-term		Long-term
	Within 6 months	Within 12 months	2 to 5 years
	BGN'000	BGN'000	BGN'000
Bank and other borrowings	2 119	8 069	54 289
Related party payables	15 233	125 754	20 908
Trade and other payables	1 196	-	-
Total	**18 628**	**133 823**	**75 197**

The above amounts reflect the contractual undiscounted cash flows, which may differ from the carrying values of the liabilities at the reporting date. Annual interest payments amount to BGN 2 511 thousand (2018: BGN 3 224 thousand).

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 significantly exceed the current cash outflow requirements. Cash flows from trade and other receivables are all contractually due within 1 year.

35. Fair value measurement

35.1. Fair value measurement of financial instruments

The fair value of financial instruments is presented in comparison with their carrying value at the end of the reporting periods in the table below:

Financial assets	31 December 2019		31 December 2018	
	Fair value	Carrying amount	Fair value	Carrying amount
	BGN'000	BGN'000	BGN'000	BGN'000
Financial assets at fair value through profit or loss	242 192	242 192	204 613	204 613
	242 192	**242 192**	**204 613**	**204 613**

The following table presents financial assets and liabilities measured at fair value in the separate statement of financial position in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset is classified is determined based on the lowest level of significant input to the fair value measurement.

The financial assets and liabilities measured at fair value in the separate statement of financial position are grouped into the fair value hierarchy as follows:

31 December 2019	**Level 3 BGN'000**
Assets	
Non-listed equity instruments	242 192
Total	**242 192**

31 December 2018	**Level 3 BGN'000**
Assets	
Non-listed equity instruments	204 613
Total	**204 613**

There have been no significant transfers between levels 1 and 2 in the reporting periods.

Measurement of fair value
The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period and are as follows.

Shares, not publicly traded
The fair value measurement is based on observed prices of recent market transactions with equities of similar companies adjusted for specific factors.

35.2. Fair value measurement of non-financial assets

The following table presents the levels in the hierarchy of non-financial assets as at 31 December 2019, measured periodically at fair value:

31 December 2019	**Level 3 BGN'000**
Investment property	
- land and buildings	35 831

31 December 2018	**Level 3 BGN'000**
Investment property	
- land and buildings	35 831

Land and buildings (Level 3)

The fair value of the investment properties is determined by the Company on the basis of the weighted average of the values derived from asset approach, market approach and income approach as at 31 December 2019 by independent licensed appraisers.

36. 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 capital and net debt.

The Company determines the capital based on the carrying amount of equity included in the separate statement of financial position.

Net debt comprises of total liabilities less the carrying amount of cash and cash equivalents.

The objective of the Company is to maintain a ratio of capital to net debt at levels which would ensure relevant and conservative ratio of financing.

The Company manages the capital structure and adjusts according to changes in the economic conditions and the risk characteristics of the underlying assets. 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.

The amount of the correlation for the presented accounting periods is summarized as follows:

	2019 BGN'000	**2018 BGN'000**
Equity	1 241 611	1 219 929
Capital	**1 241 611**	**1 219 929**
+Total Liabilities	255 712	244 450
- Cash and cash equivalents	(70 469)	(68 798)
Net debt	**185 243**	**175 652**
Capital to net debt	**1:0.15**	**1:0.14**

The ratio in 2019 increased compared to 2018 due to an increase in liabilities to related parties during the period. The Company has complied with the terms of its contractual obligations, including the maintenance of certain capital ratios.

37. Port-reporting date events

No significant adjusting or non-adjusting events occurred between the date of the separate financial statements and the date of its approval by management on 1 July 2020, except for the following non-adjusting event:

At the beginning of 2020, due to the spread of a new coronavirus (Covid-19) worldwide, difficulties in the business and economic activity of a number of enterprises and entire economic sectors appeared. On 11 March 2020, the World Health Organization announced the presence of a coronavirus pandemic (Covid-19). On 13 March 2020, the National Assembly adopted a Law on Measures and Actions during the State of Emergency in Bulgaria. Until 31 July 2020, Bulgaria is in a state of emergency epidemic. As the situation and the measures taken by the state authorities are dynamic, the Company's management is not able to assess the impact of the coronavirus pandemic on the future financial condition and results of operations, but believes that the impact will lead to market and price volatility with the financial assets of the Company, and it is possible to have a significant negative effect on the activity and respectively on the financial results of the Company.

The expectations of the Management of the Company are the negative effects on the economy to decrease after the removal of restrictions on the movement of people, vehicles and goods, as the economic activity is expected to be positively affected by the announced support measures and the allocated additional state and European funds to additional public guarantees of receivables portfolios, additional interest-free financing of business entities and direct aid to the affected companies and individuals. To the extent that these measures are supplemented and expanded on a daily basis, the Management of the Company is not able to assess the global effect on economic activity, which also depends on the currently unknown duration and scope of the introduced quarantine restrictions.

Management will continue to monitor the potential impact and will take all possible measures to mitigate any potential effects.

38. Authorization of the financial statements

The separate financial statements for the year ended 31 December 2019 (including comparatives) were approved by the Managing board on 1 July 2020.